DOCTORAL THESIS

Title	**THE CORPORATE ROLE IN A CHANGING SOCIETY: A MODEL OF SENSEMAKING AND OF FIRM CHARACTERIZATION**
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“Somos lo que hacemos para intentar cambiar lo que somos”

(We are what we do to try to change what we are)

(Eduardo Galeano)

Dedication

This thesis is dedicated to my family.

Esta tesis está dedicada a mi familia.

A mi madre Merche, mi padre Luis y mi hermano Jaime por todo el amor y apoyo que me han prestado durante estos largos años. Gracias por estar siempre conmigo, escucharme, comprenderme. Gracias, sobre todo, por sembrar en mí el deseo de hacer de éste un mundo mejor y dedicar vuestras vidas a ello. Vosotros soís mis verdaderos héroes.

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THESIS ABSTRACTS

Abstract in English

This thesis is organized in a compendium of four articles each of which furthers our knowledge of on how companies make sense of Corporate Social Responsibility (CSR). We propose a model of organizational sensemaking-sensegiving characterization explaining how managers think, persuade and act regarding their social and environmental responsibilities and their role in society. Through four empirical research studies, mainly based on 10 in-depth case studies and over 900 corporate reports, we look at three features of behaviour that constitute the dimensions of the model: cognitive, linguistic and conative. We inductively propose the sub-dimensions that guide CSR-related activities recognizing some common patterns of interrelation and evolution. These patterns may lead to a better understanding of firm's CSR behaviour over the last decade. From our empirical research we observe an evolution in time towards a more strategic form of CSR. However, we also notice an increase of the post-positivistic view of CSR. We conclude that the institutionalization of formalized forms of discourse might be one of the drivers behind CSR's evolution. We normatively argue that further evolution in CSR should include its strategic incorporation but also a broader political understanding of the role of the firm in society redefined in an open and deliberative manner.

Resum en català

Aquesta tesi està organitzada com un compendi de quatre articles cadascun dels quals investiga com les empreses donen sentit a la Responsabilitat Social Corporativa (RSC). Proposem un model teòric de creació de sentit que ens permiti a posteriori la caracterització d'empreses. En aquest model volem explicar com els directius entenen les responsabilitats socials i medi ambientals de l'empresa, així com el rol d'aquesta en la societat. Mitjançant quatre recerques empíriques en forma d'articles, que abasten 10 casos de estudi i l'anàlisi de més de 900 informes corporatius, mirem d'entendre tres característiques del comportament que constitueixen les dimensions del nostre model: cognitiva, lingüística i conativa. Inductivament proposem les sub-dimensions del nostre model trobant patrons d'interrelació i evolució que descriuen el comportament de les empreses. Observem que l'evolució en els últims anys de l'RSC tendeix cap a la definició de l'RSC com un element més estratègic de l'empresa. També notem un augment de la comprensió de l'RSC mes post-positivista. La conclusió és que la institucionalització del discurs formalitzat pot ésser un dels vectors d'evolució de l'RSC. Proposem, normativament, que l'evolució futura de l'RSC passa per una comprensió mes política del rol de l'empresa en la societat, definida a través de processos deliberatius.

Resumen en español

Esta tesis está organizada como un compendio de cuatro artículos, cada uno de los cuales investiga como las empresas le dan sentido a la Responsabilidad Social Corporativa (RSC). Proponemos un modelo teórico de creación de sentido el cual nos permite a posteriori la caracterización de empresas. En este modelo pretendemos explicar cómo los directivos entienden las responsabilidades sociales y medioambientales y el rol de la empresa en la sociedad. A través de cuatro investigaciones empíricas en la forma de artículos que comprenden 10 casos de estudio y el análisis de más de 900 informes corporativos, tratamos de entender tres características del comportamiento que constituyen las dimensiones de nuestro modelo: cognitiva, lingüística y conativa. Inductivamente proponemos las sub-dimensiones de nuestro modelo encontrando a través de ellas patrones de interrelación y evolución que describen el comportamiento de las empresas. Observamos que la evolución en los últimos años de la RSC tiende hacia a la definición de la RSC como un elemento más estratégico de la empresa. Sin embargo, también notamos un aumento de la comprensión de la RSC más post-positivista. Concluimos que la institucionalización del discurso formalizado puede ser uno de los vectores de evolución de la RSC. Proponemos normativamente, que una futura evolución de la RSC pasa por una comprensión más política del rol de la empresa en la sociedad definida a través de procesos deliberativos.

PREFACE

I have discovered, through the observation that this thesis has bound me to, that the story of the demoralization and de-politization of our economic theories, and the hope for their re-moralization and re-politization, was about much more than the internal history of economics or even the economy. To tell the Adam-Smithian story of the role of the corporation required schooling in ethics, sociology, political economy, social psychology, history, linguistics and twenty other fields in which I am embarrassingly far from expert.

Most importantly, I have come to realize that to tell the story of the demoralization and de-politization of the role of the corporation required looking into the reality and facing the complexities of the “real world”.

Through years of working in corporations I have learnt the virtues of efficiency and also the absurdity of efficiency. I have tried to understand how to compete, how to improve, how to behave; and the farce of all these at the same time.

Through years of making the effort to listen with both ears and to look at things with very open eyes I realized that many times a good story often requires an apology. This thesis is an *apologia* in the theoretical sense of giving reasons, with room for doubt, directed especially to nonbelievers. It is directed toward you who are suspicious of the phrase “corporate social responsibilities” and pretty sure that it is a contradiction in terms. But it is not intended to change your mind. It only aims to bring some dough, to open closed questions and shed some light in the acknowledgement of the complexity of human beings.

The study of sense-making appeared to us a way of reflecting on our perplexity for change and on our frustration for not finding enough change.

A wise colleague of mine once said, “Study problems, not complaints”. All right: this thesis asks, “How people are, if they are, imagining a new social role for the corporations? And second, it asks “How are they makings sense of it, without turning nuts?”

ABOUT THE AUTHOR

Itziar Castello was born in Valencia, Spain. She is currently a Researcher at the Institute for Social Innovation at ESADE Business School (Universitat Ramon Llull, Spain). She is also a consultant in strategy, Corporate Social Responsibility (CSR) and process improvement. Itziar teaches at several universities as Associate or Visiting Lecturer including: ESADE Business School (Spain), Copenhagen Business School (Denmark), Universidad Carlos III (Spain), Universitat Politècnica de Cataluña (Spain); Universitat Politècnica de Valencia (Spain) and La Salle Business School (Spain).

Before joining the PhD Programme, Itziar worked as a Senior Advisor for AccountAbility, a Research Institute in London, UK, conducting research on CSR and the link with corporate strategy. The AccountAbility project involved managing a network of ten companies including GE, 3M, CEMEX, and IBM amongst others. Previously, Itziar worked as a manager at PricewaterhouseCoopers for four years, developing sustainability and process improvement projects. She was in charge of developing the business line of Six Sigma. Previous to that, Itziar worked for four years as an internal consultant on Total Quality at General Electric where she graduated as a Master Black Belt in Six Sigma. She conducted more than 20 projects and worked for Corporate and GE Capital.

Itziar holds a Master's degree in Economics from the Universitat de València (Spain) and the Université of Nantes (France), a Master's degree in European Economics from the College of Europe (Belgium), an Executive MBA (where she graduated first in her class) and a Master's in Research from ESADE.

GENERAL INTRODUCTION AND THESIS STRUCTURE

This thesis is organized as a compendium of four articles each of which furthers our knowledge of the process of making sense of CSR in a changing society. Chapter 1 introduces the topic of CSR and sensemaking and, the gap in the literature and the research questions are defined. The underlying assumptions in studying the CSR sensemaking process are set out and the main concepts of the thesis and a first theoretical approach to the methodology are introduced. A table summarizing the publication details of each article in this thesis is given at the end. Chapter 1 also defines sensemaking in terms of three dimensions: cognitive, linguistic and conative. Each dimension is separately analyzed in the three subsequent chapters. Chapter 2 analyzes the cognitive dimension mainly through presenting the article *Transformational and Transactional CSR Strategies: Searching for Change in the Tourism Sector* (co-authored with Dr. J.M. Lozano and D. Barberá). Chapter 3 presents the linguistic dimension and its link with the aforementioned research. The article *Searching for New Forms of Legitimacy through Corporate Responsibility Rhetoric* (co-authored with Dr. J.M. Lozano) is presented, along with its conclusions and proposals for further research. An extension of the linguistic research is then presented in the form of a new article *The Rhetoric of Corporate Social Responsibility: Strategies of Legitimization among Asian Firms* (co-authored with R. Galang). The aim is delve deeper into the factors influencing the model of linguistic sensemaking. Chapter 3 develops the conative dimension of the model. The links between the new research and

previous work are considered before presentation of the article *From Risk Management to corporate citizenship corporate social responsibility: Analysis of the strategic drivers of change* (co-authored with Dr. J.M. Lozano). The chapter ends with proposals for future research in the field. Chapter 4 sets out the conclusions and: (1) summarizes the main findings of the previous chapters: (2) presents the findings together in a sensemaking model (which is leavened with some examples from earlier empirical studies); (3) reflects on the model's dynamics in term of dimensional interrelationships and change over time; (4) summarizes findings; (5) makes proposals for future lines of research.

CONTRIBUTIONS TO SCIENTIFIC KNOWLEDGE: ACADEMIC PUBLICATIONS AND CONFERENCES

In this section I summarize the publication status and the peer-review processes undergone by the research presented in this thesis. All the articles incorporated into this thesis have successfully gone through a peer-review process and have been presented in academic and non academic conferences. The following table summarizes the information regarding the articles' publication status and the academic conference where they have been presented. With this information I pretend to summarize the contribution to scientific knowledge of my thesis.

1. Table 1: Table of academic contributions

Title	Peer-reviewed	Journal	Issue	Publisher	Other information and conferences
From Risk Management to Citizenship Corporate Social Responsibility: Analysis of Strategic Drivers of Change	Yes	Corporate Governance The international journal of business in society ISSN: 1472-0701	Vol. 9 (4), pg: 374-385	Emerald (1)	Emerald journals have an average of 2 million monthly downloads (2). Also presented at the EABIS Conference, 2008.
Towards a new rhetoric of Corporate Social Responsibility and the legitimacy strategies behind.	Yes	Journal of Business Ethics, (3)	Accepted for publication by the Chief Editor of the journal special issue: Michael Aßländer	Springer Netherlands	Also presented at the 2009 Academy of Management Annual Meeting in a Discussion Paper Session (4) and the

Transformational and Transactional CSR Strategies: Searching for Change in the Tourism Industry	Yes	Ashridge (AIRC) (7) Conferences	Publication date: October 1st, 2009 ISBN: 978-0-903542-77-7	AIRC Proceedings	EBEN 2009 (5) Presented at the EGOS Colloquium, July, 2009, (6), and the 2009 ASHRIDGE INTERNATIONAL RESEARCH CONFERENCE (AIRC) , UK, May, 2009
The Rhetoric of Corporate Social Responsibility: Strategies of Legitimization among Asian Firms	Yes	Best Paper Proceedings of the 2010 Academy of Management Meeting (8)	Accepted for publication August 2010	Academy of Management Meeting	Only 10% of the papers accepted in the AOM are selected for publication in the Best Paper Proceedings.

(1) Link to the first publication:

http://www.emeraldinsight.com/Insight/viewContainer.do;jsessionid=CE7AFC8D6786E165D9601A8E4E66F118?containerType=Issue&containerId=15001885

(2) About Emerald and Corporate Governance:

98 of the world's top 100 business schools (listed by the 2006 *Financial Times* MBA school rankings – FT 100) subscribe to Emerald titles.

All of Emerald research journals are peer-reviewed to ensure the highest quality.

Publishing with Emerald gives the widest dissemination of any scholarly publisher in our field, with nearly 2 million average monthly downloads (2007 figures).

(3) About the Journal of Business Ethics:

FT 40 - This journal is one of the 40 journals used by the *Financial Times* in compiling its prestigious Business School research rank.

Impact Factor: 1.023 (2008) *

Subject category "Ethics": Rank 7 of 28

* Journal Citation Reports®, Thomson Reuters

ISSN: 0167-4544 (Print) 1573-0697 (Online)

(4) About the Academy of Management Annual Meeting:

The Academy of Management (the Academy; AOM) is a leading professional association for scholars dedicated to creating and disseminating knowledge about management and organizations.

Founded in 1936 by two professors, the Academy of Management is the oldest and largest scholarly management association in the world. Today, the Academy is the professional home for 18886 members from 108 nations.

The Academy of Management is no longer compiling a CD-Rom of the Best Paper Proceedings. Instead, the *2009 Academy of Management Annual Meeting Proceedings* will be published in the 2009 online program and is available to all conference attendees at the Academy of Management meeting.

All Academy of Management papers are reviewed blindly by two Academy members in the review process.

About the Discussion Paper Session: The Discussion Paper Session consists of papers that, with refinement, have the potential to break new ground or make important contributions. Authors discuss and explore areas for further development with a discussant and others who share similar research interests. The Discussion Paper

Session Committee structures these sessions with papers identified by the Division Program Chairs and selected from among the accepted papers.

(5) About the European Business Ethics Network (EBEN):

The European Business Ethics Network EBEN was founded in 1987 as a non-profit association. It is a cross-national network dedicated to the promotion of broadly defined business ethics in academia, business, the public sector and civil society.

Quote from the 2009 Call for Papers Guidelines (http://www.eben-net.info/page.php?LAN=0&ID=39&FILE=subject&PAGE=1)

"Only full papers will be presented at the conference, no abstracts. Full papers or, alternatively, 2-page abstracts, have to reach the organizers by April 1, 2009. Don't forget to indicate "JBE" on the cover page for the JOBE Special Issue (see also below). JOBE Special Issue (for academic contributions only). Only submitted full research papers are eligible for consideration for the JOBE special issue! Since papers will be submitted to a peer review process please make sure that it contains a cover page with all relevant information (title, authors, contact details, etc.) and that no author identifying information is included from page 2 onwards."

(6) About the European Group of Organizational Studies (EGOS):

EGOS is a scholarly association which aims to further the theoretical and/or empirical advancement of knowledge about organizations, organizing and the contexts in which organizations operate.

It has an associated journal – *Organization Studies* – and holds an annual conference (EGOS Colloquium) in July.

Egos represents approximately 1,800 EGOS members from 40 countries around the world.

Only full papers were accepted to the 2009 conference. All papers were peer-reviewed.

Sub-theme 20: “The business firm as a political actor: A new theory of the firm for a globalized world” in the 25th EGOS Colloquium, “Passion for creativity and innovation. Energizing the study of organizations and organizing” that took place in Barcelona on the 2nd and 3rd of July, 2009.

In this sub-theme, all papers were peer-reviewed by the three conveners: Dr. Andreas Scherer, Professor at the University of Zurich (Switzerland), Dr. Dirk Matten, Professor at York University (Canada), and Dr. Guido Palazzo, Professor at the University of Lausanne (Switzerland).

The estimated acceptance rate for this subtheme was: 50% (as per a letter from the convener, Dr. Guido Palazzo).

(7) About the 2009 Ashridge International Research Conference (AIRC), UK (May 2009):

The theme of the 2009 Ashridge International Research Conference was “Global Leadership, Global Ethics?: In search of the ethical leadership compass”.

The conference brought together academic debate and corporate perspectives from around the world on the conference topic and was aimed at scholars in ethics, international business, organizational behavior, CSR, economics, management and leadership, as well as executive leaders and policy makers engaged in devising and practicing ethical leadership policies at home and abroad.

Over 25 papers led to debates amongst the 45 conference participants from 13 countries.

Only full papers were accepted to this conference. All papers were peer-reviewed.

This conference publishes its proceedings.

(8) Best Paper Proceedings of the 2010 Academy of Management Meeting:

The *2010 Academy of Management Annual Meeting Proceedings* will be published in the 2010 online program and is available to all conference attendees at the Academy of Management meeting. It includes 250-word abstracts of all accepted papers and symposia that are presented at the conference and shortened versions of the "Best Papers" that have been accepted for inclusion in the program (top 10%). (http://annualmeeting.aomonline.org/2010/proceedings-info).

CHAPTER 1: GENERAL INTRODUCTION

1.1 Chapter structure

The general organization of this chapter is as follows: first, the reasons for researching CSR within the sensemaking framework are set out. Second, theoretical assumptions underlying the study of CSR sense-making are set out. Third, the main concepts of the thesis are introduced. The focus is mainly on the theoretical development of CSR and the sensemaking framework. Enactment theory is presented as part of the sense-making framework. Fourth, a general theoretical introduction is made to the methodological approach of this thesis. Finally, a table gives details of the publication of each article presented in the following chapters of this thesis.

1.2 Making sense of Corporate Social Responsibility: A theoretical introduction

The process of globalization is eroding established (primary national) institutions and procedures of governance (Beck-Gernsheim and Beck, 2002; Sethi, 2002) and undermining the paradigmatic assumption of a separation between the public and the private spheres (Scherer and Palazzo, 2007). Corporate power is increasing and at the same time, corporations face increasing pressures to take a broader perspective of their corporate purpose, including social and environmental considerations. Companies are expected to become socially committed even in areas not directly related to their

business or the efficient supply of goods (Matten and Crane, 2005; Porter and Kramer, 2006; Scherer and Palazzo, 2007; Sethi, 1995).

The pressure for more responsible corporate behaviors is posing new dilemmas for corporate decision-making that are hard to square with traditional ways of doing business. Corporations are reacting differently to the new demands for accountability. Some firms have made changes to their cultures and daily activities, considering Corporate Social Responsibility (CSR) as central to their core business activities (Bhattacharya et al., 2004; Davis, 1960; Matten and Moon, 2008). However in most cases corporate responses to pressures have mainly resulted in philanthropy or activities that can easily be identified with the company's objective of maximizing shareholder value (Weaver et al., 1999).

Corporate Social Responsibility literature reflects this tension between the new understanding of the firms responsibilities and the instrumental understanding of CSR in a business-as-usual approach, developing conceptual work and focusing on the business-society macro-level of analysis (Lozano, 2006; Matten and Crane, 2005; Palazzo and Scherer, 2006; Scherer and Palazzo, 2007). These authors advocate a paradigm shift in the CSR literature, arguing the case for politicization of corporations and a move away from the tradition of depoliticized business activities. The call this politicization the post-positivist CSR approach (Palazzo and Scherer, 2008).

Although these authors play an important role in defining structural aspects and macro-political considerations, potentially closer considerations include the analysis of the internal institutional factors shaping the way organizations understand their role in society (Basu and Palazzo, 2008). Some authors have pointed out the importance of studying this process as an activity-driven relationship (Frederick, 1998a; Frederick, 1998b; Mirvis and Googins, 2006; Zadek, 2004) arguing about firms' understanding of

what they do or not do. However, these authors neither offer sufficient arguments regarding the factors triggering change nor examine how such factors lead to different paths of change.

Others argue about the role of leadership in setting directions for change (Dalla Costa, 1998; Doh and Stumpf, 2005; Maak and Pless, 2006a; Sharmir and Hooijberg, 2008; Thompson, 2004). Although one recognizes the importance of isomorphism in the (Campbell, 2006; Campbell, 2007; Fombrun and Shanley, 1990) and the role of change agents in promoting organizational change (Maak and Pless, 2006b) these theories do not adequately address the problems managers face in understanding the new post-national context and its new complexities. Potentially better explanations for the gap between society's expectations of corporate responsibilities and those actually assumed by firms lie in the difficulties managers have in understanding the new role of the firm and making sense of the CSR concept (Maon and Swaen, 2009; Nijhof and Jeurissen, 2006).

The sensemaking perspective includes how people in organizations collectively grant sense of their environments (Maitlis, 2005). By its nature, sensemaking is an interpretative process that people use to place equivocal and ambiguous environmental stimuli into defined cognitive schemas, or mental frames that allow them to make sense of those stimuli (Morsing and Schultz, 2006; Starbuck and Milliken, 1988).

The analysis of the mental frames and the interpretative schemas might explain why some firms react differently from others when facing similar external demand (e.g. different responses from pharmaceutical companies to HIV issues (Trullen and Stevenson, 2006) or from oil companies to the climate change (Le Mestrel and de Bettignies, 2002)), or why some firms succeed in developing constructive relationships with their stakeholders while others fail to do so (den Hond and de Bakker, 2007).

The process of making sense of CSR has been mainly applied to describing the communicative nature of CSR in corporations (Cramer et al., 2004; de Wit, 2006; Morsing and Schultz, 2006). Other authors have enhanced remarkably the understanding of the CSR interpretation process, relating it to the organization's character (Basu and Palazzo, 2008) and the interrelations between internal and external stakeholders (Cramer and van der Heijden, 2006; Maon and Swaen, 2009). However, both types of research remain primarily theoretical and propose a general categorization of the sensemaking process without looking at the specific examples in firms and their complexities. As Basu and Palazzo (2008) argue "a fundamental challenge in linking CSR process to CSR outcome would lie in determining if there are certain combinations of the dimensions that are likely to cluster together thereby creating profiles of CSR types" (Basu and Palazzo, 2008: 131). Ghosals and Moran (Ghoshal and Morgan, 1996), (Weick, 2005) and Basu and Palazzo (2008) suggest that patterns of behavior are more likely to occur as a result of the strong interrelation between cognitive, linguistic and conative features.

Through four sets of empirical research studies, mainly based on 10 in-depth cases and more than 900 corporate reports, I look at the patterns of CSR behavior and define a process model for CSR sensemaking. I inductively develop the model in a semi-constructivist approach. I structure this model based on the cognitive, linguistic and conative features that I define as the dimensions of the model. Each dimension is the object of a distinct empirical study. The final framework defines a process model along with two cognitive sub-dimensions (legitimacy strategies and type of identity orientations), one linguistic sub-dimension (rhetorical strategy) and two conative ones (degree of responsiveness or stakeholder posture and strategic integration of CSR).

I argue that the CSR sensemaking process is complex and sometimes ambiguous. It is not linear and it can imply prospective and retrospective processes of change. I observe that not all dimensions evolve at the same time and conclude that the institutionalization of formalized forms of discourse (studied under the linguistic dimension) might be a key driver for the evolution of CSR.

I observe a sense of CSR evolution as an increase in the strategic intent of not only CSR-related activities but also legitimacy justifications and formalized rhetoric. However, I also observe that, although less strongly than with the strategic tendency, there is an increase in corporate predisposition to adopt more open postures and dialectic rhetoric. The consequence of these new forms of sensemaking might be an increase in the discursive quality with their stakeholders.

The evolution towards a more dialectic form of relations with stakeholders as well as towards understanding firms' positions in social issues might implicate a shift from the economic, utility-driven view of CSR (positivist approach) to an ethical-political, communications-driven concept of organizational responsibility (Palazzo and Scherer, 2006; Wicks and Freeman, 1998; Young, 2003). This post-positivist approach reveals a strong link between corporate sensemaking and processes of will formation in a corporation's stakeholder network. It might also contribute to the emerging view of corporations as interconnected conversations. Finally, I argue that further CSR evolution should encompass the strategic incorporation of CSR but also a broader political understanding of the role of the firm in society, redefined in an open and deliberative manner.

1.3 Research questions

The general question this thesis aims to answer is: “How are different firms making sense of CSR in a changing society?”

This thesis looks into the patterns for classifying organizations in terms of their understanding of their role in society. This characterization as well as defining the factors influencing the sensemaking process and its outcomes may: (1) enhance understanding of the sense-making process and contribute to theoretical development, (2) predict the nature of organizational sustainability; (3) provide firms and scholars alike with a characterization of relatively stable, empirically measurable patterns. As CSR sensemaking is a highly complex phenomena, I have decided to focus this research by de-structuring the sensemaking phenomena into different research questions addressed in subsequent chapters in this thesis.

In the first theoretical part of the thesis, Chapter 1, I contribute to clarify the current dilemmas around the development of CSR in the literature as well as to define the theory of sensemaking or, as Weick (2005) calls it, Enactment Theory in its interrelations with CSR.

From the theoretical analysis I conclude that, in order to further understand the CSR sensemaking process, we have to look into the patterns of behavior that occur within the process itself. Ghosals and Moran (1996), Weick (2005) and Basu and Palazzo (2008) suggest that these patterns of behavior are more likely to occur as a result of the strong interrelation between cognitive, linguistic and conative features. I propose analyzing the sensemaking process studying these features one at a time. I complement this framework perspective with additional questions that aim to adjust it to reality and relate it to factors that might influence the sensemaking process and its output. Due to

the great complexity of the process, I propose studying each sensemaking approach through a set of research questions and differentiating the different sensemaking approaches:

The cognitive approach (Chapter 2):

1. What are the different cognitive modes of understanding CSR?
2. How do these modes relate to the different firm characteristics?
3. How do these modes foster company and, ultimately, industry change?

The linguistic approach (Chapter 3): The linguistic approach helps us to study this process using a longitudinal perspective which incorporates time and interrelations between the linguistic dimensions. The main questions in Chapter 3 are:

4. How are firms building corporate legitimacy through CSR rhetoric?
5. How have corporations changed their CSR rhetoric strategies over time to gain greater legitimacy?
6. How do national, industry and firm characteristics influence CSR rhetoric strategies?

The conative approach (Chapter 4): The conative approach tries to infer the nature of authentic CSR engagement by understanding the transformation of firms' strategic structure. It also examines the dialogical notion of sensemaking through the analysis of the response process. It introduces an evolutionary sense and defines a framework for CSR maturity. This is done through the following research questions:

7. What behavioral postures do firms adopt to respond to new social and environmental challenges?

8. How have companies changed their main strategic processes in order to adopt these postures?
9. How have companies evolved in adapting to the behavioral postures?

Finally, the thesis proposes a process model for sensemaking, combining the three processes (cognitive, linguistic and conative) described above. It thus introduces a holistic view of the sensemaking process.

The three chapters and three articles they include, form a coherent thematic unit as a whole, tightly bound by the CSR sensemaking process. They constitute the theoretical and empirical basis for the creation of a sensemaking CSR process model. They also help us to understand the different ways in which managers in organizations understand CSR and how the different understandings define their position towards stakeholders and their strategic integration of social and environmental issues.

1.4 Theoretical assumptions

Any approach to the study of organizations is built on specific assumptions about the nature of the bodies concerned and how they are designed and function. These assumptions are based on the epistemological position chosen by the researcher in conducting his analysis.

The epistemological position before proceeding to the development of the four assumptions that frame this study. The assumptions are: (1) organizations are socially-constructed artifacts functioning within a complex system; (2) one can interpret organizational behavior; (3) that managers formulate the organization's interpretation in interaction with other stakeholders; (4) that organizations differ in how they interpret

the environment. This epistemological position and each of these assumptions is discussed in greater detail below.

1.4.1 The enterprise as a socially constructed artifac

The epistemological approach to research employed here assumes that enterprises are artifacts that are socially constructed by human activities and interpretations. It is supposed that business activity can be defined as the whole range of private activities that take place in an organization ranging in size from a one-person proprietorship to corporate conglomerates (Carroll, 1996). These business entities have been termed here as enterprises, corporations, firms.

The approach to this thesis is, therefore, based on the phenomenological approach described by Hussel and double hermeneutics. Double hermeneutics is described by (Schutz, 1953) as the second-degree constructs used by scientists, namely, constructs of the constructs made by the actors on the social scene and whose behavior the scientist observes and tries to explain in accordance with the procedural rules of science.

The problem regarding how these constructs are interpreted is constantly taken into consideration in this thesis. Introducing the CSR premises in an established construct requires understanding the system and models in which people have developed them. Also, sensemaking theories have been located in the strain of social constructivist approaches to organizations required when studying interpretation and meaning systems and the processes whereby those systems are altered (Gioia and Chittipeddi, 1991; Weick 1995).

The *artifactual nature* of the enterprise poses the problem of justifying and defining it. Even within the Corporate Social Responsibility field, the meaning of corporate responsibility is not agreed upon (Carroll, 1999). It can be assumed that, depending on

the school of thought, the ontological justification for the existence of the enterprise changes because it is socially constructed (Berger and Luckmann, 1967), in part, by the assumptions of the predominant paradigm. As argued by Chandler (Chandler, 1962), the analysis of corporate history is a reflection on how economic theories change to adapt themselves to new realities.

The multiple interpretations of the enterprise and their relation to socially-constructed theories is continuously treated in all the chapters in this thesis:

In Chapter 2, in the article, we treat the problem of interpreting how the role of the firm and its responsibilities is understood in relation to the type of legitimacy it is related to it.

In Chapter 3, we explicitly classify the theories that underlie the CSR-related constructs.

1.4.2 Organizations grounded in systems of complexity

Upon considering the enterprise as socially-constructed artifacts, the most basic assumption is that organizations are open to social systems, thus making them have to confront continuous complexities (Daft and Weick, 1984). Organizations process information from the environment, though this information contains some level of uncertainty (Milliken, 1987). Organizations must develop information-processing mechanisms capable of detecting trends, events, competitors, markets and technological developments relevant to their survival (Barney, 1989a).

What probably distinguishes the analysis of the complexity in the business ethics and CSR field is the confrontation between competing ideologies or paradigms to justify the role of the firm. Donaldson and Dunfee confirm this assertion by addressing the dilemma of firm ethics, stating that “economic ethics” is bounded by a “finite capacity

to assess facts, by a limited capacity of ethical theory to capture moral truth, and by the plastic or artifactual nature of economic systems and practices. […] Economic systems are products of artifice, and not nature, and their structures can and do vary immensely. Such systems (which include laws, practices, and value systems that inform economic practice) are, in a word artifacts. People create them" (Donaldson and Dunfee, 1994: 257-258).

I consider the enterprise in its social surrounding which is composed of numerous interest groups and more or less formalized institutions and which can be defined as a broad grouping of stakeholders who have common traditions and values with respect to a common interest (Freeman, 1984). The enterprise's complexity becomes manifest in the management of stakeholder relations and interests. Furthermore, the enterprises analysed often function in several societies, which are pluralist in nature.

The nature of these complexities is explored in Chapter 3, in which rhetoric analysis is applied to 780 projects arising from a number of corporations operating in twenty two countries.

1.4.3 Individual versus organizational interpretations

Considering that enterprises are confronted with conflicting interests from different people inside and outside the organization, the third assumption concerns individual versus organizational levels of interpretations. Individual human beings send and receive information and they carry the burden of making sense of this information. Organization theorists realize that organizations do not have mechanisms separate from individuals to set goals, process information or perceive the environment. People do these things. However, in this thesis I assume that the organizational interpretation process is something more than just what individuals do. Organizations have cognitive

systems and memories (Hedberg, 1981). As Daft *et al.* declare (1984), individuals come and go, but organizations preserve knowledge, behaviours, norms and values over time. The distinctive feature of organizational-level information is sharing (Daft and Weick, 1984). A piece of data and a perception are shared among managers who constitute the interpretation system. Sharing a discussion or a startling observation among the members of the organization helps managers to converge on an approximate interpretation. Managers may not agree fully about their perceptions (Starbuck, 1976), but the thread of coherence among managers is what characterizes organizational interpretations (Daft and Weick, 1984; Weick 1979). Reaching convergence among members characterizes the act of organizing (Weick 1979) and enables the organization to interpret as a system (Daft and Weick, 1984).

The act of organizing is a collective effort that, at some stage, requires collective sensemaking. The organization is a collective attempt to order the intrinsic flux of information and it reflects people's actions to channel this information towards certain ends and to shape it by generalizing and institutionalizing particular meanings and rules (Tsoukas and Chia, 2002). The organization's operative image is the one in which the organization emerges through sensemaking; the organization does not precede sensemaking, nor is sensemaking is produced by organizing (Weick, 2005).

In this thesis I look at the process of sensemaking as a channel to improve the organizing activity of enterprises. All the chapters are, therefore, dedicated to understanding the factors and variables that might influence the process of collectively organizing in order to gain efficiency and effectiveness.

1.4.4 Strategic-level managers formulate the organization's interpretations

The third assumption is that strategic-level managers formulate the organization's interpretation. A large number of people may span the boundary with the external environment (Daft and Weick, 1984), and the information they gather is channeled in the organization. Organizations have been conceptualized as a series of nested systems, and each subsystem may deal with a different external sector (Aldrich and Herker, 1977). Managers and upper managers, especially, bring together and interpret information for the system as a whole. Furthermore, any substantive change in the organization leads to the alteration of existing value and meaning systems (Gioia and Chittipeddi, 1991). Given that strategies often reflect the values of top managers (Bourgeois, 1984; Bower and Doz, 1979; Hambrick and Mason, 1984; Quinn, 1980), my initial focus is on the meaning systems of these managers and strategic change agents that define the organization's strategic direction.

This assumption is expanded in the chapters presented in this thesis. In Chapter 2, we look into the change agents within the top management team that articulates the need to integrate CSR in that company's strategy. In Chapter 3, we interpret CEO letters in corporate reports in order to define their organizations' meaning systems. Finally, in Chapter 4, we look into the behavioral transformation which occurs in corporate strategic structures as a result of the strategic sensemaking process.

1.4.5 Organizations differ systematically in the mode of environment interpretation

My fourth assumption is that organizations differ systematically in the mode or process by which they interpret the environment. Organizations develop specific ways to know their environments (Daft and Weick, 1984). Systematic variations occur based on organizational and environmental characteristics, and the interpretation process may, in

turn, influence organizational outcomes such as strategy, structure, and decision-making (Weick 1979).

One of the tasks in this thesis is to seek sources of variation among enterprises in the way they interpret the environment and in how they react based on that interpretation. Case comparison is the main methodology here for characterization purposes and for yielding future research.

1.5 Theoretical framework: Corporate Social Responsibility and the enactment theory

1.5.1 Framing the issue: Positivistic and post-positivistic CSR

1.5.1.1 The role of the firm in the literature

The role of the firm in the economy and society has been the focus of attention and debate for decades (Baumhart, 1961; Bowen, 1953; Chandler, 1990; Donham, 1927). The power of the corporation to influence the pattern of economic, social and political development – along with its sometimes negative impact on specific employees, customers and communities – has regularly been weighed against the capacity of the corporation to create new wealth (Post *et al.*, 2002). These conflicting relationships reveal that corporations are both contributors and challenges to society. Each generation has asked, in its own terms, the fundamental question: To whom and for what is the corporation responsible (Post et al., 2002). At the beginning of the 21st century, in an expansion of the globalization process (Beck, 1992), this question remains as important as ever. Corporations are expected to become socially committed, even in areas not

directly related to their business or the efficient supply of their goods (Hannan and Carroll, 1992; Matten and Crane, 2005; Sethi, 2003).

These issues have been discussed mainly within the Social Issues in Management (SIM) field and in sub-fields such as business and society (Frederick et al., 1988; Preston, 1975), business ethics (Goodpaster, 1991), stakeholder theory (Freeman, 1984) and CSR (Carroll, 1977). I use the term CSR in this thesis because it places societal issues at the center of the corporate debate (Carroll, 1999; Logsdon and Wood, 2002), leading organizations in these new challenges and redefining their agency role (Logsdon and Wood, 2002). CSR is the consequence of placing the nature of the relationship between business and society at the center of the discussion (Jones, 1983), a construct that reflects an aim to introduce ethical values into theories of the firm.

In this thesis I treat CSR as an umbrella term for this debate, overlapping with some conceptions and synonymous with others regarding business-society relations (Matten and Crane, 2005). The CSR construct is often considered essentially 'appraisive', or considered as valued (Matten and Moon, 2008), and internally and externally complex in the sense that it can encompass and range from a philanthropic project to engaging in political dialog to define and redefine the standards of legitimate business behavior.

Since the early 1950s CSR literature has taken two distinctive approaches: one is directed toward the description and explanation of observable social phenomena (Scherer and Palazzo, 2007), referred to as the positivistic approach; and the second is based on a normative understanding of the CSR construct which puts emphasis on developing a critical view of positivistic theory-building. Scherer and Palazzo (2007) call this perspective *post-positivistic CSR.*

1.5.1.2 Positivistic CSR

Most of the CSR studies comply with the positivistic research approach in management (Bacharrach, 1989). The positivistic approach to CSR is concerned with studying the way companies understand and integrate CSR into their operations in an instrumental way. It is framed by a positivistic approach that tries to uncover correlations and causal relationships with the social world by using the empirical methods found in natural sciences (Donaldson, 1996). With this approach, research interests aim to describe and explain observable social phenomena, the resulting knowledge being applied to managerial practice to achieve certain outcomes. Under this approach, CSR leads to the instrumentation of corporate responsibility that fits into the economic theory of the firm (Scherer and Palazzo, 2007). The goal of positivistic CSR researchers is "to provide a distinctive view of a corporation's overall efforts towards satisfying its obligations to society" (Wartick and Cochran, 1985: 758). Three type of issues are generally addressed (Strand, 1983): societal expectations toward companies; the processes that companies enact to meet this expectations; and the effects or measurable results of these processes. Researchers have approached the study of the "what" (i.e., CSR activities developed), the "why" (i.e., the reasons for CSR engagement) and "how" companies are responding to stakeholders in confronting new social or environmental issues. Some of these authors have used the *Corporate Social Responsiveness* construct to define the "how to respond" relation (Carroll, 1979; Wartick and Cochran, 1985; Wilson, 1975; Wood, 1991) or, as stated by Wartick & Cochran (1985), the process describing the general means to the ends of satisfying corporate social obligations. Others have named this response as *CSR philosophies* (McAdam, 1973), *CSR learning stages* (Zadek, 2004), and recently, in an analysis of the "how to" from an internal institutional perspective, authors like Basu & Palazzo (2008) and Carroll (1999) refer to *CSR postures*.

These problem areas are integrated within the so-called Corporate Social Performance models (CSP). They stipulate that the societal expectations that define the role of a company in society will align the processes of strategy formulation and implementation with the social aspects of management (Scherer and Palazzo, 2007). The implicit goal of these models is to create technical knowledge about how organizations work and how they can survive in a competitive word (Burrel and Morgan, 1979). However, these models differ fundamentally when defining the role of the firm and the purpose of improving their efficiency. A whole stream of research has been developed to studying how CSR can improve financial performance and market competitiveness (Waddock and Graves, 1997; Zadek, 2006). Others have attempted to integrate effectiveness into a broader, triple bottom line perspective (Elkington, 1997; Wood, 1991). The positivist approach does not attempt to justify norms but, rather, describe and explain these norms and expectations (Scherer and Palazzo, 2007; Wicks and Freeman, 1998).

1.5.1.3 Post-positivistic CSR

The second approach to modeling CSR presents not only a landscape of theories but also a proliferation of approaches, representing the different authors' opinions regarding what CSR is and is not. The post-positivistic approach is commonly a prescription of what the firm should and should not do. The latter is derived from various philosophies such as virtue ethics (Argandona, 1998), social contract theory (Donaldson and Dunfee, 1999), postmodernism (Frederick, 1998a) and Habermasian critical theory (Scherer and Palazzo, 2007). This normative approach has mainly consisted of developing definitions. However, different definitions, especially if they are fuzzy, could lead to confusion and a misunderstanding of the concepts (Göbbels, 2002; Kusyk and Lozano, 2005). As Carroll points out , one of the factors contributing to the ambiguity that

frequently shrouded discussions about social responsibility was the lack of a consensus on what the concept really meant (Carroll, 1979). Furthermore, different codes and institutions compete to institutionalize the CSR concept in a sometimes confusing and ideological confrontation (Eberhard-Harribey, 2006; Lozano, 2007).

1.5.2 Looking at the real word to understand CSR

In this thesis I argue that this ideological confrontation has also been reproduced "in the real world", putting empirical research in an uncomfortable position. Very few studies have attempted to develop encompassing approaches which bring together both instrumental and normative perspectives (Donaldson and Preston, 1995; Jones, 1995). The problem of paradigm incommensurability (Burrel and Morgan, 1979; Scherer, 1995) makes it very difficult to truly integrate both types of research. I frame my research within the positivistic approach as I systematically observe CSR behavior and understandings. However, I also try to improve our understanding of how organizations integrate the CSR phenomenon's double hermeneutics, on the one hand, being normative and, on the other, being useful for market survival. In my research I further develop the concept of post-positivistic CSR, introducing political theory into the analysis of the firm's role. Finally, a more normative argument is made regarding CSR trends and the relevance of a political view.

1.5.3 Selecting a theory for framing our research

Discovering how companies understand and introduce this double interpretation in their CSR processes requires a close look at the internal institutional constituents of change such as cultural norms, symbols and beliefs determining the processes of influence and

legitimacy creation (Basu and Palazzo, 2008; Cramer and van der Heijden, 2006; Powell and Di Maggio, 1991). Instead of merely describing the activities the companies are engaged in, this thesis looks at the internal institutional components of the firm in relation to CSR integration in its business.

The internal components of change have researched from various perspectives. Strategic management defines internal capabilities and even dynamic capabilities to describe the unique constituents in building competitive advantage (Barney, 1991; Zollo and Winter, 2002). However, the strategic management paradigm is unable to reconcile the problem of normativity in CSR (Scherer, 1995). Consequently, no research has defined the uniqueness of sustainable dynamic capabilities or the specific dynamic capabilities of managing CSR. Other streams of research argue the role of leadership in setting directions for change and spearheading CSR implementation in the business (Dalla Costa, 1998; Doh and Stumpf, 2005; Maak and Pless, 2006a; Sharmir and Hooijberg, 2008; Thompson, 2004). Although this thesis recognizes the importance of isomorphism in the CSR movement (DiMaggio and Powell, 1983) and the role of change agents in promoting organizational change (Mintzberg, 1976), it considers that these theories fail to address the problems managers have in understanding the post-positivistic context of CSR and its new complexities. As argued by Kuhn (1970), one needs to change one's mindset and the parameters for understanding before one can successfully switch to a new paradigm. Better explanations for the gap between social expectations regarding corporate responsibilities and those actually assumed may include the difficulties managers have in understanding the new role of the firm and making sense of the CSR concept (Maon and Swaen, 2009; Nijhof and Jeurissen, 2006).

I look at the sensemaking theories and framework to understand how these can provide a better understanding of the subject matter.

1.5.4 The sensemaking process in organizations

The term sensemaking has been applied primarily in Psychology as a metaphor for individual understanding or meaning-making. It is applied to all-encompassing, subjective mental activities with which a person tries to understand himself/herself and the world (Craig-Lees, 2001). Sensemaking is an interpretative process. It involves the ongoing retrospective development of plausible images that rationalize what people are doing (Weick, 2005). Sensemaking is often viewed as a significant process of organizing that unfolds as a sequence in which people, concerned with identity in the social context of other actors, engage in ongoing activities from which they extract cues and make plausible sense retrospectively (Weick, 2005). Sensemaking in organizations is a "station on the road to a consensually constructed, coordinated systems of action" (Taylor and Van Every, 2000). It provides the operative image of organizations, as well, when organizations emerge through sensemaking (Weick, 2005). This is because organizations are an attempt to order the intrinsic flux of human actions and channel it towards certain ends (Tsoukas and Chia, 2002).

1.5.5 The labeling process in sensemaking

Sensemaking occurs when a flow of organizational circumstances is turned into words and salient categories. This process is embodied in written and spoken texts. Reading, writing, conversing and editing are crucial actions that serve as the media through which the organization shapes constructs (Gioia et al., 1994). Sensemaking is about labeling and categorizing to stabilize the stream of experiences (Weick, 2005). Labeling occurs through a process of "differentiation, identification and classification, regularizing and

routinization the intractable or obdurate into a form that is more amenable to functional deployment" (Chia, 2000: 517). Functional deployment means imposing labels on interdependent events in ways that suggest plausible acts of managing and that provide actors with a set of cognitive categories and a typology of actions (Tsoukas and Chia, 2002). Categories have plasticity because they are socially defined and are adapted to local circumstances. They have a radial structure as there are few features associated with the category. However, the category contains mostly peripheral instances that have only a few of these features (Weick, 2005).

1.5.6 Enactment Theory

Sensemaking processes can be interpreted assuming that retrospective interpretations are built during interdependent actions that occur in an interplay of adaptation to the environment (Weick, 2005). In an application of evolutionary epistemology to social life, Campbell proposes that sensemaking can be treated as reciprocal exchanges between actors (enactment) and their environment (ecological change) which are made meaningful (selection) and preserved (retention) (Campbell, 1997). These exchanges will continue in time only if the preserved content is both believed and doubted in future enactments and selections (Weick, 2005). Weick (2005) call this model "Enactment Theory", arguing that it has become convention in organizational studies (Jennings and Greenwood, 2003). This theory leads to a better understanding of the more general progression of organizing; it also defines the actual process of improving organizations. Furthermore, it allows for the characterization of possible variables that, in a mutable continuity, influence the perception of the environment and construction of the sense. Identity, for example, is seen as a possible factor that shapes what actors enact and how

it is interpreted. It also affects what outsiders think the organizations is (image) and how it treats the actors in the organization (Weick, 2005).

1.5.7 CSR in a sensemaking framework

Individuals and organizations engage in processes of sensemaking when they face complex, ambiguous and uncertain situations (Weick 1995).

Complexity tends to be characterized as something with many parts in intricate arrangement (Boyatzis, 2006). It relates to the difficulty in predicting the properties of the system if the properties of the system's parts are given (Weaver, 1948). Uncertainty has been defined as the inability to predict, typically due to a lack of information (Milliken, 1987); ambiguity, by contrast, refers to the lack of clarity and consistency in forming the reality (March, 1975).

I argue that, as CSR is a complex, uncertain and ambiguous process, managers undergo a process of sensemaking in order to be able to understand it and introduce it in managing their organizations.

CSR has been developed over time as a quite ambiguous construct. CSR does not mean the same thing to every person or every organization. Furthermore, the battle over CSR definitions has increased the level of confusion around the term, sometimes leading to confusing or ideological confrontations (Eberhard-Harribey, 2006; Lozano, 2007). Organizations approach and appreciate the CSR construct embedded within their own context, culture and values (Cramer and van der Heijden, 2006; Waddock, 2004b). Because they comprehend CSR issues in different ways, they use different interpretative processes to assign their own meaning and motivations to CSR (Cramer and van der Heijden, 2006).

CSR can also be described as a complex phenomenon. CSR is intrinsically related to multiple stakeholders, societal issues and political views of the firm, thus generating multiple interrelated variables to which the firm has to respond. The issues subject to Corporate Social Responsibility also vary by industries, countries, regions and stakeholders, defining differently the perception of what constitutes a responsible company (Maignan and Ralson, 2002; Matten and Moon, 2008). Furthermore, stakeholder expectations can be inconsistent (Dawkins and Lewis, 2003) and can evolve over time (Mirvis and Googins, 2006; Polonsky and Jevons, 2006; Wartick and Cochran, 1985), increasing the variables the organization has to deal with. Complexity is also present in terms of the political understanding of corporations' role. The confrontation between competing ideologies or paradigms in justifying these roles increases the complexity of CSR (Donaldson and Dunfee, 1994) decisions and makes the process of sensemaking in organizations unique. In addition, both the positivistic and post-positivistic approaches to CSR provide a further level of complexity as they are related to ideological understandings of corporate roles.

Finally, CSR can also be considered embedded in uncertain processes. The complexity of the nature and implications of CSR-related issues and the multiple stakeholders make the process of gathering information about them a difficult task. The scarcity of organizational resources combined with an ongoing process of individualization related to the growing globalization of companies increase the level of uncertainty for companies in relation to CSR issues and processes (Matten and Moon, 2008; Palazzo and Scherer, 2006).

The changing societal issues and their associated CSR organizational responses demand a constant reassessment of the meaning of CSR for the organization. CSR ambiguity, uncertainty and complexity thus make the study of the sensemaking process especially

relevant. Furthermore, CSR seems to be gaining momentum in business practice. It is starting to move all the way into corporate boardrooms (Porter and Kramer, 2006) and to be considered business mainstream (Bonini *et al.*, 2006). Companies which, a few years ago, were not subject of any specific stakeholder confrontation are now facing the need to legitimize their activities under the CSR umbrella.

CSR scholars are starting to argue that sensemaking is a concept through which the incorporation of CSR into an organizational context can be better understood and therefore improved (Basu and Palazzo, 2008; Cramer et al., 2004; Cramer et al., 2006; Nijhof and Jeurissen, 2006; Schouten and Remmé, 2006).

When applying the sensemaking framework, some authors have taken the approach of treating CSR as a communicative activity, defining different kinds of strategies used by companies with their stakeholders (Morsing and Schultz, 2006; Pater and van Lierop, 2006).

Other authors have remarkably enhanced the understanding of CSR process interpretation by relating it to organizational character (Basu and Palazzo, 2008) and the interrelations between internal and external stakeholders (Maon and Swaen, 2009). However, both approaches remain mainly theoretical and propose a general categorization of the sensemaking process without looking at a firm's specific examples and complexities. As Basu and Palazzo (2008) argue, "a fundamental challenge in linking CSR process to CSR outcome would [lie] in determining if there are certain combinations of the dimensions that are likely to cluster together thereby creating profiles of CSR types" (Basu and Palazzo, 2008: 131).

Studying CSR as a feature of a firm's organizational character provides a conceptual basis to describe particular patterns of behavior. Basu and Palazzo (2008), based on

Ghoshal and Moran (Ghoshal and Morgan, 1996), argue that a particular pattern of behavior is more likely to occur as a result of its strong links with cognitive, linguistic, and behavioral features that define character. They claim that "a new direction in CSR research might emerge through studying processes that guide organizational sensemaking as they pertain to relationships with stakeholders and the world at large. Besides departing from "analyzing CSR by examining CSR", it might also bring CSR closer to the domain of managerial decision making" (Basu and Palazzo, 2008: 124).

The study of sensemaking might, for example, explain why some firms react differently to others facing similar demands (e.g., different responses among textile companies such as Nike or Addidas, or pharmaceutical companies facing the issue of HIV (Trullen and Stevenson, 2006)). Similarly, it might explain why some firms succeed in developing constructive relations with their stakeholders while others fail to do so (den Hond and de Bakker, 2007; Lozano, 2005).

This thesis aims to research CSR sensemaking characterization and understanding and whether there are certain patterns in which we can classify organizations depending on their understanding of their role in society. This characterization, as well as defining the inputs and outcomes of the CSR sensemaking process, may help us to predict the nature of sustainability of an organization's CSR policies and provide firms and academics alike with some characterization of relatively stable and empirically measurable patterns.

1.6 Introduction to the research methodology

In this section I present an introduction to the methodological approach of this thesis. I characterize my empirical study as being primarily qualitative based on case studies and an analysis of rhetoric. However, I also apply quantitative tools to test the results of the case comparisons in the empirical research where large amounts of data were gathered. I examine the sensemaking process with different perspectives in each chapter of this thesis. Therefore, I apply the most adequate methodology for different parts of the research, looking at their internal validity but also at gathering as much information to achieve my objective to characterize the sensemaking process. Each chapter describes the methodology applied for the particular piece of research included in that chapter. The aim of this introduction, then, is to provide a common understanding of my epistemological approach to the research.

This thesis looks at the internal determinants of the process to embed CSR in the firms' strategic processes. The analysis is developed based on a sensemaking perspective which describes the symbols, capabilities and inconsistencies related to different phenomena in the firm. Within this perspective, management and change in the organization are seen as a dynamic, interactive and retrospective construction of meaning based on past actions and evolving situations (Weick 1995). Sensemaking theory involves an anti-realistic and constructivist ontology that assumes that social reality does not exist independently of our cognitive structures; rather, it needs to be agreed on and constructed (Gioia and Chittipeddi, 1991; Nijhof and Jeurissen, 2006). Sensemaking requires looking for an explanation in terms of how people see things and contextualize them in the structure and systems. This perspective favors interpretative methods of enquiry such as narrative analyses, ethnographic studies and case studies.

As argued above, various authors have looked into the phenomena of CSR sensemaking before (Basu and Palazzo, 2008; Cramer et al., 2006; Gioia and Chittipeddi, 1991; Nijhof and Jeurissen, 2006; Schouten and Remmé, 2006). The type of analysis can be considered a new phenomenon, as companies and academics have only recently started to reflect on it; however, some theoretical background has already been developed which is used to guide the present research. Therefore, the approach of this study is semi-constructivist based on observing the managers' constructions of reality but based on some already defined theoretical constructs and frameworks of analysis provided by the authors cited above.

Because the revision of organizational interpretative schemes is typically a subtle and evolving process, traditional survey methods and quantitative analyses are less possible during the first phase of research and when building new theories. As such research designed to investigate more interpretative schemes must be as little intrusive as possible and they must be longitudinal and capable of tracing unfolding changes (Fredrickson, 1983; Gioia and Chittipeddi, 1991; Mintzberg, 1976; Whyte, 1943).

No single method can grasp all of the subtle variations in ongoing human experience (Denzin, 2000). Consequently, researchers deploy a wide range of interconnected interpretative methods, always seeking better ways to make the worlds of experience they study more understandable.

Epistemological considerations lead the research to be placed between critical theory, which assumes that apprehensible reality consists of historically situated structures, and the constructivist tradition, where the researcher interacts with the findings, reflecting the reality as he/she interprets it. Pure constructivism is discarded due to the complexity it would imply for this research. Critical theory assumes that reality can be understood but that it is shaped by congeries of social, political, cultural, economic, ethnic and

gender factors and then crystallized into a series of structures. These are then assumed to be "real" and taken as an ontological consideration for the research. Other traditions such as political theory and hermeneutics have, without doubt, influenced my epistemological position and are mentioned in the following chapters of this thesis.

The research strategy selected to analyze the phenomena is the case study method and rhetorical analysis. To analyze the data, I primarily apply a thematic analysis (Boyatzis, 1998). Thematic analysis has been presented as an adequate method to look for replicable themes that describe types of behavior (Boyatzis, 1998; Denzin, 2000; Miles and Huberman, 1994; Quinn Patton, 2002).

The data collection methods used vary from interviews to historical documents from the companies observed, their websites and company reports, and participating in meetings.

1.6.1 Building theory from different traditions

This thesis looks at the introduction of ethical premises in the theory of the firm and the process of strategy creation. It pretends to jointly study two distinct fields: strategy management, mainly through sensemaking theories, and the business and society field, in particular using the CSR approach.

Differences in paradigms and languages have determined not only the way scientific communities understand both phenomena but also the way practitioners apply their tools and solve the day-to-day problems in CSR and in strategic management. The joint study of CSR and strategic management is an effort to learn from both fields which, although developed since the 1960s (Freeman, 1984; Goodpaster, 1982; Hosmer, 1987; Maxfield, 2008; Singer, 1994), have not been developed to the same extent in terms of

their analytical content (Katsoulakos and Katsoulacos, 2007; Lenssen, 2007) and never fully reconciled (Singer, 1994).

Although CSR has been defined numerous times as a paradigm (Elkington, 2001; Waddock and Bodwell, 2002; Wilson, 2003), many of the authors in the field of business and society consider CSR and business and society itself as not a full paradigm but a response or reaction to the stockholder model. These authors consider the predominant paradigm to be the strategic management model (Maxfield, 2008; Schwartz and Carroll, 2008). However, a distinction between the positivistic and post-positivistic approach to CSR and how ethical and political CSR arguments are understood might, to some extent, provide some arguments in favor of considering the post-positivistic CSR approach sufficiently different to argue at least for a new understanding of the theory of the firm (Matten and Crane, 2005; Scherer and Palazzo, 2007).

The goal of identifying a business and society or, by extension, a CSR theory paradigm, although important, does not undermine the importance of this study of the field. On the contrary, the aim of studying strategy management theories in conjunction or contextualized by CSR theories creates a need to develop joint theories that clarify the existing complementary and competing constructs. Similar to the work carried out by Jones (1983) and Schwartz & Carroll (2008), I propose a framework integrating the study of the phenomenon, embedding CSR in the strategy process without losing the particularities of the CSR concept while primarily applying the strategic management theory as a process framework. This integrating framework is the result of combining current strategic management and CSR theories in a dialog but also in cooperation. Together, both help to better understand the process of strategic management despite having different theoretical assumptions regarding corporate objectives and the

importance different aspects have in defining company behavior, including ethical and political considerations.

In this research, I often refer to different theories such as CSR, strategic management and political theories to interpret my observations. I look at how the phenomenon in question can legitimately be subject to various theories yet remain a related class phenomenon (Lewis, 1999; Weaver, 1994).

The process of theory building is based on the following states grounded on Lewis' theory building roadmap (Lewis, 1999: 677) but also inspired by authors such as Weick, for explanations on how to build a problem statement and independent conjectures (Weick 1989) and on Eisenhardt's roadmap on building theory through case studies (Eisenhardt, 1989).

1.6.2 Introduction to the case study method

Case studies are a research strategy which focuses on understanding the dynamics present within single settings (Eisenhardt, 1989).

Aristotle made a distinction between true examples, which refer to actual facts, and fictional examples, which include parables and fables. Although both types of examples are used to enhance the rhetorical power of speech, Aristotle considered true examples to be better than their fictitious counterparts, "although it is easier to provide illustration through fables, examples from history are more useful in deliberation: because, generally, future events will be like those of the past" (Bonet et al., 1996). Bonet *et al.* (1996) argue that the case method studies a particular situation to discover properties about similar situations. This can be related to Aristotelian reasoning by examples. This has been the basis for the discussion on induction problems.

However, the use of case studies has been highly criticized as a scientific research method to build theories and describe processes due to the fact that it involves induction based on the observation of a single process. Nevertheless, the case study method has also been supported by a number of scientists and is becoming a mainstream method for new process analyses. As such, important questions and concerns should be addressed when using the case study method of research to build theory and process improvement.

A special comment is that a particular case cannot apprehend the full set of properties, relations and interpretations of that reality. The use of the case study method to make generalizations should be done with the aim of discovering new things about the reality and with the precaution of applying that learned from the case studies to similar processes. It is important to acknowledge that not even a large number of cases or observations will provide a general theory nor serve as absolute verification (Gomm et al., 2000; Stake, 1994). This research uses the case study method to contrast different cases to redefine strategic change. These case studies provide some conclusions about how these processes work and their effectiveness in changing business models. They also serve to be able to provide recommendations to companies on how to improve their engagement processes.

Case studies can be seen as a small step towards broader generalization, but generalization cannot be emphasized in all research (Stake, 1994). Case researchers seek what is common and what is particular about each case, but the end result regularly presents something unique based on: the nature of the case, its historical background, the physical setting, another context (including economic, political, legal, and aesthetic factors), other cases through which this case is recognized, and the informants through whom the case becomes known (Stake, 1994).

Holistic case studies call for an examination of complexities (Stake, 1994). Much qualitative research is based on a holistic view in which social phenomena, human dilemmas, and the nature of the cases are situational and influenced by events of many kinds. Qualitative researchers are sometimes disposed towards a causal determination of events, but they more often tend to perceive events as not being simple or singly caused (Stake, 1994).

A last important remark made by Stake is that, even if the researchers start the research with a defined issue or topic of research, these issues are chosen partly in terms of what can be learned within the opportunities for study. Also, the issues used to organize the study may or may not be the ones used to report the case to others (Stake, 1994).

1.6.3 The roadmap for case studies in new topic areas

Eisenhardt (1999) develops an iterative roadmap appropriate for new topic areas. Some of her recommendations are based on the most fundamental theorist of case study research and whose ideas this research will follow to establish some of the parameters of the case studies carried out. Her stresses the importance of validity and reliability in experimental research design applied to the design of case study research (Yin, 1981, 1984). The schema used in this thesis to describe the design of the case study methodology is in line with Eisenhardt's roadmap, along with Pettigrew's (1988) and Jick's (1979) recommendations on data triangulation and longitudinal case studies, Yin's (1984) definition of levels of analysis, and Harris and Sutton's (Harris, 1986) recommendations for sampling.

In the following chapters, I explain how my empirical research has adapted recommendations from the authors mentioned above. Below, I detail in generic terms that learned from the different authors and the general consequences for my research.

1.6.3.1 The selection of the population

The population defines the set of entities from which the research sample is to be drawn. Selecting the appropriate population controls for extraneous variations and defines the limits of generalization (Eisenhardt, 1989). The population of my research is represented by corporations engaged in CSR.

1.6.3.2 The selection of the sample

The selection of the sample is an extremely important topic in any research. Its aim is to define research representation and external validity (Yin, 1989). In each of the empirical research studies described in this thesis I examine the rationale use to select the population and describe the limitations of each sample. Sampling selection should be based on theoretical and not statistical reasons (Glaser, 1967). The cases may be chosen to replicate previous cases or extend emergent theory or they may be chosen to fill theoretical categories and provide examples of polar types. While the cases may be chosen randomly, random selection is neither necessary nor even preferable (Eisenhardt, 1989). As Pettigrew (1988) notes, given the limited number of cases which can usually be studied, it makes sense to choose cases such as extreme situations and polar types or critical cases in which the process of interest is transparently observable and/or in which the researcher has a singular opportunity to develop a first-hand analysis of the case.

Harris and Sutton (1986) recommend choosing multiple cases within each category to allow findings to be replicated within categories. The cases I describe in Chapter 2 and Chapter 4 of this thesis are considered instrumental critical cases (Stake, 1994) as this research examines an existing phenomena and aims to build theory and refine it. In Chapter 2, in particular, I strive to control for some variables in the cases in order to improve their comparison.

1.6.3.3 The unit of analysis

The unit of analysis tackles the problem of what the "case is". It can vary from a concept, an individual, a process, a firm or an industry. Yin (1984) argues that, as a general guide, the definition of the unit of analysis is related to the way the research question is defined. Yin states that, if the questions do not lead to the favoring of one unit of analysis over another, the research questions are probably either too vague or too numerous.

It has been argued about the strong relation between managers and organizational sensemaking, especially in the process of strategy creation (Daft and Weick, 1984). Strategies often reflect the values of top managers (Bourgeois, 1984; Bower and Doz, 1979; Hambrick and Mason, 1984). This allows us to view sensemaking as an ongoing activity subject to both individual and organizational contributions to change (Basu and Palazzo, 2008). Sensemaking is a way of connecting individual and organizational organizing (Schouten and Remmé, 2006). Sensemaking, on an individual level, consists of organizing experiences and categories, and their expressions consist of language labels. As Schouten & Remmé (2006) argue based on Weick *et al.* (2005), the same can be said of sensemaking within an organizational and an inter-organizational context. In the organizational context, sensemaking is also characterized by an increasingly

important role for language, which, to a large degree, is what constitutes the company's organizing ability. As Weick *et al.* (2005) argue, the organization is an attempt to order the intrinsic flux of human action. Organization functions as collective sensemaking (Weick, 2005). This also means that a sensemaking perspective can be a way to analyze organizations and, given the focus on action, a way to improve their effectiveness (Schouten & Remmé 2006). Taking into consideration the above complex approaches to the study of the firm and the multilevel units of analysis defined by Weick (1999) but also by Yin (1984), this thesis defines the organization as the object and the principal unit of analysis.

1.6.3.4 Data collection methods

Theory-building researchers typically combine multiple data collection methods. While interviews, observations and archival sources are particularly common, inductive sources are not confined to these choices (Eisenhardt, 1989). The rationale is the same as in hypothesis testing research. The triangulation made possible by multiple data collection methods provides for a stronger substantiation of constructs and hypotheses (Eisenhardt, 1989). Combining qualitative with quantitative evidence is also important. Although the terms *qualitative research* and *case studies* are often used interchangeably (Yin, 1981), case study research can involve only qualitative data, only quantitative data or both (Yin 1984). The combination of both types can be highly synergistic. Qualitative data are useful to understand the rationale or theory underlying the relationships revealed by the quantitative data or they may directly suggest theory which can then be strengthened by quantitative support (Jick, 1979). Mintzberg (1979) describes this synergy saying that while systematic data create the foundation for our theories, it is the anecdotal data that enable us to do the building. Theory building seems

to require rich description, the richness that comes from anecdote. We uncover all kinds of relationships in our hard data, but it is only through the use of this soft data that we are able to explain them (Mintzberg, 1979). Another important factor to define the data collection process is establishing the time period of data collection. Pettigrew suggests using a sequence of longitudinal data to analyze the processes of change in organizations (Pettigrew, 1988) .

1.6.3.5 The problem of the single investigator

Eisenhardt (1989) recommends engaging in the process of data collection with multiple investigators as, together; they enhance the creative potential of the study and often provide complementary insights which add richness to the data. This method also allows cases to be viewed from the different perspectives of the multiple observers and more objective eyes regarding the evidence collected. However, the use of multiple investigators makes it necessary to have enough funding to be able to pay all the researchers. In this thesis I confront the problem of a single investigator in some of the cases while, in others, other researchers are brought into the study.

1.6.3.6 Overlapping data analysis with data collection

Eisenhardt (1989) recommends overlapping data analysis with data collection to give the researcher a head start in the analysis and to also allow the researcher to take advantage of flexible data collection. The author also recommends thinking about the importance of the data collected and the quality of the learning process when collecting data. This process allows the researchers to make additional adjustments to data

collection instruments such as the addition of questions to an interview protocol or questions to a questionnaire (Harris, 1986).

1.6.3.7 Data analysis

A first stage in data analysis is a within-case analysis. Pettigrew (1989) recommends developing write-ups for each site. Eisenhardt (1989) suggests using a sequence analysis to organize longitudinal data.

A cross-case search of patterns should be coupled with within-case analysis. The danger is that investigators reach premature or even false conclusions as the result of information processing biases (Eisenhardt, 1989). Eisenhardt recommends two tactics for data analyses. The first is to select categories or dimensions and to then look for within-group similarities coupled with intergroup differences. The dimensions can be suggested by the research problem, by existing literature or by a grounded theory method as described by Strauss and Corbin (Strauss, 1990). A second tactic is to select a pair of cases and to then list the similarities and differences between each pair. This strategy forces researchers to look for subtle similarities and differences between cases. The result of this forced comparison can be new categories and concepts which the researchers did not anticipate.

For the selection and analysis of the categories or themes, I use the thematic analysis method (Boyatzis, 1998). The latter is a process to encode qualitative information, this encoding requiring an explicit “code”. This code can be a list of themes, or a complex model with themes, indicators, and qualifications that are causally related (Boyatzis, 1998). In my research, the themes are initially generated inductively from the interviews and other sources of information such as reports. The units within this code are the

words used by managers related to their interpretation of CSR activities and philosophy. These codes aim to be interpretative of managerial rhetoric. However, some “commonly used” constructs in the CSR literature are also used. I have selected this thematic analysis as it permits us to incorporate operant and open-ended measures in the design of the experiment by means of counting the presence and frequency of the codes and dividing themes for group analysis.

Narratives are also used to analyze the data. This thesis focuses on discourse and content analysis in addition to thematic analysis to improve the explanatory basis of the cases (Manning, 1994). Narrative analyses combine a set of bottom-up approaches (Manning, 1994) related to the formation of the codes and top-down factors such as critical incidents and a defined framework of analysis.

1.6.3.8 Coding limitations

Limitations of encoding exercises are often related to the coding process’ consistency and accuracy (Boyatzis, 1998). The defined context, the bias of the interview process and, possibly, having only one single investigator may represent limitations of the methodology, limitations I take into account. I recognize the limits of the respective empirical research approaches' coding processes, while limitations associated to a single investigator in Chapter 2 and the first part of Chapter 3 are resolved in the second part of Chapter 3.

1.6.3.9 Sampling hypothesis

I systematically compare the emergent frame with the evidence from each case in order to assess how well it fits with case data. This process is a highly iterative process. The

central idea is to constantly compare theory and data, iterating towards a theory which closely fits the data. One step in shaping hypotheses is sharpening the constructs. Eisenhardt (1989) defines this as a two-part process: a first step refining the construct definition and a second building evidence which measures the construct in each case. This occurs through a constant comparison between the data and the constructs. The accumulated evidence from diverse sources thus converges into a single, well-defined construct (Eisenhardt, 1989). A second step in shaping hypotheses is verifying that the emergent relationships between constructs fit with the evidence in each case.

1.6.3.10 Enfolding literature

Eisenhardt (1989) recommends comparing the emergent concepts, theories or hypotheses with extant literature but also with conflicting literature. She argues that this reinforces the researcher's confidence and, at the same time, juxtaposes conflicting results which enhances the opportunity to lead the researcher to a more creative frame, breaking a pre-set mode of thinking. The result can be greater insight into both the emergent theory and the conflicting literature.

1.6.3.11 Reaching closure

The question of when to stop adding cases or analyzing the cases and iterating between theory and data is a crucial point in theory making. Eisenhardt argues that researchers should ideally stop adding cases when theoretical saturation is reached (Eisenhardt, 1989). Theoretical saturation is the point at which incremental learning is minimal because the researcher is observing phenomena previously seen (Glaser, 1967). Eisenhardt also says that, in practice, theoretical saturation often combines with

pragmatic considerations such as time and money as I experience in this research. However, I consider that the cases included in this thesis provide enough information to develop solid contributions as saturation was reached in most of the cases studied.

1.6.3.12 Consideration of the weakness of case study methods

Some of the weaknesses stemming from the use of case studies, especially when used for theory building, are the following:

The intensive use of empirical evidence can yield an overly complex theory (Eisenhardt, 1989). Also, building theory from cases may result in narrow and idiosyncratic theory. Case study theory building is a bottom-up approach such that data specifics produce theory generalizations. The risks are that the theory describes a very idiosyncratic phenomenon. Therefore, in a second step of my research, I apply some of my findings, especially in the linguistic approach, to a larger sample size. Using the same methodology, I attempt to provide further evidence for my conclusions. I acknowledge that further research should be done with larger samples to capture all the nuances of my findings. I specifically propose this in my future research agenda.

CHAPTER 2: THE COGNITIVE CHARACTERISTICS OF THE PROCESS OF CSR SENSEMAKING

2.1 Introduction to chapter 2

The first chapter addresses the cognitive sub-process of sensemaking. It defines some of the characteristics (dimensions of the framework) that influence the way managers make sense of the role of the firm.

2.2 Paper 1: Transformational and Transactional CSR strategies: searching for change in the tourism sector

This paper was written by Itziar Castelló and Josep. Dr. Prof. M. Lozano from the Institute of Social Innovation, ESADE, Universitat Ramon Llull and Dr. David Barberá-Tomás, INGENIO (CSIC-UPV).

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2.2.1 Abstract

Despite a burgeoning social movement demanding sustainable tourism, CSR (Corporate Social Responsibility) remains fairly dormant in the Spanish tourism sector. Very few companies are even beginning to reflect on how to improve social and environmental

practices at a strategic level. This article hopes to contribute to the growing discussion on the strategic integration of CSR by providing a framework for analysis of the internal institutional components of the firm's CSR strategy creation. Using four case studies of Spanish hotel chains we contrast the different sensemaking approaches to strategic CSR. We propose differentiating between two sensemaking modes: transformational and transactional. The transformational mode refers to the moral based and inspiring way of taking CSR through the organisation. The transactional modes are contingent on the organisation's ability to meet and respond to their stakeholders' reactions and changing expectations. The two approaches operate in firms with different legitimacy strategies, distinct identities which are operationalized with different types of shared stories and symbols and forms of engagement with their stakeholders. Our argument is that both sense-making models are necessary for advancing change in the industry towards a sustainable model, since the first provides a source of innovation and inspiration for managers, while the second consolidates the CSR initiatives. The aim of this research is to contribute to the way managers and researchers alike understand the complex process of strategic CSR, and to provide a framework for companies to reflect on how to lead change towards more sustainable practices.

KEY WORDS: Corporate Social Responsibility, strategic creation, sensemaking, tourism industry, legitimacy.

2.2.2 Making sense of Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a new, complex and ambiguous phenomenon for most corporations, especially for those operating in what are traditionally considered low-risk industries. CSR phenomena introduce significant contradictions in current dominant management methods: first it demands reconciliation of normative and market

decisions (Donaldson, 1982; Freeman, 1988); second, it obliges responsiveness to a new group of stakeholders (Freeman, 1994); third, it changes the fundamental objective structure of the firm by introducing social and environmental benefits (Elkington, 1997; Waddock, 2000). We argue that to approach this phenomenon managers need to go through a process of sense-making. Not only they are confronted by new situations such as engaging their peers and employees and convening with other stakeholders to understand what matters most for them but they also need to understand how to introduce the new responsibilities in their processes and measurement systems (Nijhof and Jeurissen, 2006).

The literature analyzing the introduction of CSR in corporate strategy has centred on the study of a series of strategic activities linked to reasons explaining why companies might undertake CSR activities in the first place (Burke, 1996; Porter and Kramer, 2006). Given that strategy is not a straightforward, linear activity, it is recommended that it be analyzed as a set of behaviors (Gioia et al., 1994; Mintzberg, 1978). Therefore, there is a case for researchers analysing how CSR is embedded in corporate strategy by looking at the internal institutional constituents of change such as cultural norms, symbols and beliefs that determine the processes of CSR creation (Basu and Palazzo, 2008; Cramer and van der Heijden, 2006; Powell and Di Maggio, 1991). So rather than solely describing the activities the companies are engaged in, we look at the internal institutional components of the firm's CSR strategy creation. In order to understand the internal institutional determinants, we analyse the sense-making process as developed by change agents within the firms. Specifically, we look at the cognitive dimension of the sense-making process. Cognitive refers to what firms think (Ghoshal and Morgan, 1996). It implies analyzing the organization's relationships with its stakeholders and views about the broader world as well as the rationale for engaging in specific activities

that might have an impact on key relationships (Bassu and Palazzo, 2008). It includes the identity of the organization and the perceived need to gain acceptance in society (Bassu and Palazzo, 2008). Thompson (2009) argues these elements of cognition contribute to the construction of a collective sense of the moral meaning in the organizations.

The analysis of the mental frames and the interpretative schemas applied to strategic CSR might explain why some firms react differently from others facing similar external demands (e.g. different responses from pharmaceutical companies to HIV issues (Trullen and Stevenson, 2006) or from oil companies to the climate change (Le Mestrel and de Bettignies, 2002)), or why some firms succeed in developing constructive relationships with their stakeholders while others fail to do so (den Hond and de Bakker, 2007).

The study of CSR sensemaking has mainly been applied to describing the communicative nature of CSR in a corporation (Cramer et al., 2004; de Wit, 2006; Morsing and Schultz, 2006). Other authors have greatly enhanced the understanding of the interpretation of CSR by defining a theoretical framework for sensemaking (Basu and Palazzo, 2008) and the interrelationships between internal and external stakeholders (Cramer and van der Heijden, 2006; Maon and Swaen, 2009). However, both types of work remain mainly theoretical and propose a general categorization of the sense-making process without looking at specific examples of firms and their complexities. They also treat the sensemaking process as a whole without differentiating between behavior in performing CSR activities for the first time and repeating ones performed earlier.

In this paper, we analyze how similar firms facing similar circumstances make sense differently when defining CSR at the strategic level. We propose different sensemaking

modes and the repertoires of rules and symbolic practices on which they are based. We build our conclusions inductively from case studies in single industry (tourism) in a single country (Spain) with four companies operating with similar products: NH, Sol Melia, Casa Camper and Hospes.

We propose to differentiate between two modes of cognitive engagement in strategic CSR: transformational and transactional. Transformational modes refer to the moral based and inspiring way of taking CSR through the firm and beyond. Transactional modes are contingent on the organisation's ability to meet and respond to their stakeholders' reactions and changing expectations. The two approaches operate in firms with different legitimacy strategies, distinct identities which are operationalized with different types of shared stories and symbols and forms of engagement with their stakeholders. Our argument is that both are necessary to change the practices of the industry towards a more sustainable model, since the first provides innovation and inspiration for managers while the second consolidates the initiatives.

The rest of paper is organised as follows: first, we lay the ground by analysing the baseline literature supporting the paper and the approach to the cases; second, we describe the methodology of analysis; third, we present the industry and we use narratives to describe the cases and analyse their characteristics; fourth, we propose a framework for comparison of different sensemaking modes, and reflect on the consequences of the model. The paper concludes with our final thoughts on the theoretical and managerial implications of the model, and some further research recommendations.

2.2.3 Strategic CSR and the process of sensemaking

This papers looks at the way companies deal with the process of strategy creation. The study of a socially responsible strategy creation implies the following assumptions: first, managers are aware of the content and potential instrumental value of CSR (Haigh and Jones, 2007); second, the importance of CSR change being wrought at a strategic level is recognised in the way contemplated by Porter and Kramer (2006); third, change at a strategic level is crucial for adaptation to external institutional factors of the industry (Oliver, 1991; Tolbert, 1983). The analysis of CSR at the strategic level provides a better understanding of the importance of sustainability for a firm but can also provide a sense of trends in industry practices.

2.2.3.1 The process of strategy creation

Strategy creation is not a straightforward, linear activity and is hard to plan. It can be seen as a set of behaviors (Mintzberg, 1978). According to Mintzberg (1978), strategy formation in most organisations revolves around the interplay of three basic forces: a) an environment that changes continuously but irregularly, with frequent discontinuities and wide swings in its rate of change; b) an organisational operating system, or bureaucracy, which mainly seeks to stabilise the organisation's actions, regardless of the characteristics of the environment it serves; c) a leadership or change agent whose role is to mediate between these two forces, to maintain the stability of the organisation's operating systems whilst ensuring its ability to adapt to environmental change. Strategy can be understood, then, as the set of consistent behaviors by which the organisation establishes its place and its environment for a time.

As several authors on strategic management such as Mintzberg (1978) or more recently (Johnson, 2005), agree, strategies can be seen as sets of decision streams and changes in

activities over time that involves a process of creating a shared meaning in the organization.

To get a clearer analysis of the process of strategy creation, these sets of decisions should be analysed from a sensemaking perspective (Daft and Weick, 1984; Gioia and Chittipeddi, 1991).

Sensemaking is an ongoing activity which is subject to both individual and organisational contributions to change (Weick 1995). Sensemaking illustrates how people try to make things rationally accountable, to themselves and others (Weick 2001), through a process of creating shared meanings. Weick (1995) also argues that sensemaking is an interactive process between individual understanding and collective meaning. It is an interpretative process through which organisation members understand and share their understandings about those features of the organisation that they are trying to frame, and the problems the organisation faces. Thus the sensemaking process emerges as an interaction between the individual and the collective.

Weick *et al.* (2005) propose that sensemaking be seen as a process involving reciprocal exchanges between actors and their environment (referring to specific problems in the environment, Weick calls this *Ecological Change*). Weick refers to this first process of interacting in the pursuit of a new understanding as 'Enactment'. Sensemaking is also about considering meaningful options, what Weick calls 'Selection' and then preserving these options in a collective effort for mutual pattering - 'Retention'. Although Weick present the process as one of defined consecutive activities, Cramer *et al.* (2004) argue that any concepts of a linear nature in the process need to be replaced by an unfolding and emerging process, shaped through trial and error. Applying this process to the firm's strategy creation and using Mintzberg's (1978) description of

strategy creation, we argue that the process of strategy creation is carried out by the interaction of change agents (or leaders using Mintzberg terminology) with the environment framed by the firms operating system. This strategic sensemaking approach sheds light on how strategy can be better understood, defined and implemented in organisations.

Weick (1995) states that sensemaking "is about placement of items into frameworks, comprehending, dealing with surprises, constructing meaning, interacting in the pursuit of mutual understanding and patterning" (Weick, 1995: 6). In particular the remark regarding "placement of items into a framework" is relevant to our aim of understanding how, through change agents, organisations factor CSR into their strategic plans.

2.2.3.2 Sensemaking - a suitable framework for analyzing CSR

Schouten and Remmé (2006) argue that sensemaking is a concept through which the incorporation of CSR into an organisational context can be better understood and enhanced, given that CSR is a new, complex and ambiguous phenomenon that often contradicts other established patterns of behavior in the firm.

CSR is a new phenomenon especially in the tourism sector, which is traditionally defined as "low risk" (Gardberg and Fombrun, 2006). It has only been since the late 90s that environmental activists have begun denouncing the negative impacts of tourism and even more recently that international institutions started drawing up an agenda to address the problems of un-sustainable tourism (Pérez-Salomon, 2001).

CSR has been developed over time as a rather ambiguous construct. CSR does not mean the same thing to every person or organization. Companies comprehend CSR issues in different ways, they use interpretative processes to assign their own meaning and motivations to CSR (Cramer and van der Heijden, 2006).

CSR can also be described as a complex phenomenon. CSR is intrinsically related to multiple stakeholders, societal issues and political views of the firm generating multiple interrelated variables that the firm has to respond to. The issues covered by corporate responsibilities vary by industries, countries, regions and stakeholders, leading to different perceptions as to what constitutes a responsible company (Maignan and Ralson, 2002; Matten and Moon, 2008). Furthermore, stakeholder expectations can be inconsistent (Dawkins and Lewis, 2003) and can evolve over time (Mirvis and Googins, 2006; Polonsky and Jevons, 2006; Wartick and Cochran, 1985), spawning more variables for the company to deal with.

Jacqueline Cramer and colleagues (Cramer et al., 2004; Cramer and van der Heijden, 2006; 2006) and Le Mestrel and Bettignies (2002) have also acknowledged the importance of the sensemaking analysis applied to CSR, because of the constant tensions CSR can create in the organisations.

However, nor Cramer *et al.* (2004, 2006b), Basu and Palazzo (2208) or Le Mestrel and Bettignies (2002) argue in depth about the particular characteristics that the CSR perspective brings to the sensemaking models.

2.2.3.3 CSR - a different phenomenon

CSR phenomena introduce significant contradictions in the current dominant approach to management: first, the ethical dimension contributes to the construction of a collective sense in the organization, providing a different layer of analysis based on a moral meaning (Sen, 1985). It requires reconciliation of normative and market decisions (Donaldson, 1982; Freeman, 1988); second, it requires responsiveness to a new group of stakeholders (Freeman, 1994); third, it changes the fundamental objective structure of the firm by introducing the need to be accountable on social and environmental issues (Elkington, 1997; Waddock, 2000). Managers introducing CSR in their strategies not only confront new market situations but also have to engage their peers in other unfamiliar ethical and political dimensions. CSR implies a conception of the firm that often differs from the mainstream neoclassical understanding of the role of the firm. Sensemaking processes thus acquire even greater importance in introducing CSR to the firm's strategy.

2.2.4 The sense-making dimension in the analysis of Strategic CSR

Sensemaking is a complex process that involves several layers of interpretation. Most scholars agree on the definition of the sensemaking process as one that involves a joint cognitive, linguistic and conative level of analysis (Basu and Palazzo, 2008; Cramer et al., 2004; Ghoshal and Morgan, 1996; Gioia and Chittipeddi, 1991; Weick 1995). However, these authors also recognize the difficulty of the analysis of all levels of analysis in an empirical work. We concentrate on the cognitive dimension of sense making which might be considered one of the first elements of the process of strategy creation.

The cognitive dimension implies thinking about the company's relationships with its stakeholders and views about the broader world, as well as the rationale for engaging in specific activities that might have an impact on key relationships (Basu and Palazzo, 2008: 124).

2.2.5 Framing the scene: emerging claims for sustainable tourism

The tourism industry, traditionally enjoyed a somewhat idyllic reputation, is now facing fierce attacks from a society demanding environmental and social changes. Tourism activity has become one of the world's largest industries, representing 6% of world exports of good and services.[1] It is an integral part of most people's lifestyles, and a defining factor in social status. But tourism, as Pérez–Salomón (2001) states, while it provides economic growth has also become a significant cause of environmental degradation and social disruption. Coastal degradation, pollution, water waste and the destruction of archeologically and culturally important properties are the fatal consequences of the growth of an industry that has not taken care of its environment. The protection of local historical, archeologically, culturally, and spiritually important properties and sites and the promotion of the local economies are some of the most important social claims for the sector.

This degradation, the growing sustainability movement and successive multi-stakeholder debates have all increased public awareness of the negative social and environmental effects of tourism and related recreational activities (Sand, 1995).

[1] Source: www.unwto.org

In Spain, tourism is one of the most powerful industries. It directly employs over 12% of the active workforce and represents 10% of the GDP.[2] Since the 1960s, tourism in Spain has been seen as 'the goose that lays the golden eggs', for its contribution to steady growth of the national economy. However, the large number of corporate and institutional fraud cases and the high level of environmental degradation (particularly along the Mediterranean coast) (UNEP, 1998) numerous voices, including those of the European Commission[3] and United Nations Agencies, are demanding the adoption of more sustainable tourism practices.

However, a small number of hotels are starting to react to the new social and environmental practices. Different types of responses can be found: Some hotels are joining the eco-tourism movement. These are typically rural hotels in holiday destinations were the natural surroundings are one of their main attractions. These rural hotels account for under represent 10% of total beds. Big resorts and tour operator firms are responding to some accusations of cultural and environmental degradation by creating joint networks and joint lobby groups. Urban hotels are reacting in various ways. Some are starting to respond to certain environmental and social claims, changing basic processes such as water and energy consumption and adapting their products facilities for the disabled. Others are trying to address social issues such as disease or the rehabilitation of historical and culturally important properties in the community. However, very few of these hotels are defining CSR as a strategic issue.

[2] Source: http://www.exceltur.org/excel01/contenido/portal/listawrap.aspx?nid=97, previsions for 2008.

[3] In the Mediterranean region alone, the European Commission has opened five research commissions to investigate infractions of European Law.

This research looks at four of those mainly urban hotels that claim they are introducing CSR at the strategic level. We aim to understand how hotels facing similar social pressures make different sense of strategic CSR.

2.2.6 Research methodology, design and data collection

Four critical cases (Yin, 1989) were analysed, with a total of twenty in-depth semi-structured interviews, and three site visits. Thirty three hours twenty minutes of interview were recorded. All interviews were analysed using a thematic analysis approach (Boyatzis, 1998). The strategic integration of CSR is treated as a critical incident.

We interviewed the company managers involved in strategy-making, and CSR managers. This analysis was complemented by ten interviews with industry experts from universities, consultancy firms, UN agencies and The European Commission, and the analysis of over a hundred documents provided by firms (annual reports, strategic reports) and third parties such as specialist web sites and articles. The objective behind these methods was to get a better understanding of the material sustainability issues in the sector and to support the case selection strategy.

For comparison purposes, a single industry in Spain was analysed in order to reduce moderating variables in the maturity of social issues. The industry chosen was hospitality, focusing on hotel chains with at least 45% of their income coming from urban hotel hospitality units. This sector was selected for several reasons: first, the importance of the sector (6% of the world exports of goods and services,[4] and 10% of

[4] Expressed in US Dollars, data for 2003, Source: 30/04/2009 http://www.unwto.org/facts/eng/economy.htmWTO.

the GDP in Spain[5]). Second, sustainability criteria should be one of the pillars of industry development, according to the UN World Tourism Organisation.[6] Third, CSR has a very low profile in Spain's tourism industry, with only a few hotels starting to develop CSR tools recently[7]. We see this as an optimal industry for analysis, since all changes are still fresh in the managers' minds. All the companies analysed were medium/large firms with over 300 employees. Two were privately owned and two IBEX-listed. All the companies have national and international operations and are set on growth.

Case selection was based on sector benchmarking done by ESADE Business School's Institute for Social Innovation (in turn based on expert consultation and web research) for the top 16 companies working on CSR in the sector (Vilanova, 2008). The cases selected were those we considered to have integrated CSR at a strategic level in Spain.

The cases analysed were: Sol Melià, NH Hoteles, Casa Camper and Grupo Fuenso - Hospes Hotels and Moments (henceforth Hospes). All of them have introduced innovative CSR tools such as GRI reports, new environmental practices or NGO partnerships into the sector. They have also incorporated CSR into their corporate identity: mission, vision and accountability mechanisms such as public reporting and marketing strategy (Vilanova and Santomà, 2008). As Eisenhardt (1989) states, there is a very delicate balance between difference and similarity in case analysis, and we acknowledge the differences in these case studies: two of the companies analysed (Sol

[5] Source: http://www.exceltur.org/excel01/contenido/portal/listawrap.aspx?nid=97 previsions for 2008.

[6] Sustainable tourism is one of the new strategic lines of the World Tourism Organisation and the Ministry of Tourism in Spain. Source: www.unwto.org/sdt; http://www.mityc.es/turismo/es-ES/Paginas/index.aspx.

[7] Only two of the major hotel firms in Spain are developing CSR reports or have introduced CSR into their strategic commitments. They began CSR or Sustainability strategy plans in 2006-7.

Melià and NH Hoteles) have more than 300 hotels each and are sales leaders in the industry, whereas Casa Camper and Hospes have fewer than twelve; Hospes and Casa Camper have strategies based on differentiation and singularity whereas Sol Melià and NH Hoteles based their competitive strategy on market saturation and location; Hospes and Casa Camper's margins come from the high prices while Sol Melià and NH Hoteles focus on volume. Each company has a different history and CSR trajectory: NH, Sol Melià and Camper are consolidated businesses with over 30 years of the field. However, Casa Camper, the hospitality business unit of Camper, was set up in 2004. Hospes was founded 9 years ago (in 2000). NH, Sol Melià and Camper have a long tradition of philanthropic activities and social projects that are not necessarily related to their core business but with the communities they operate in. Casa Camper introduced sustainability values and goals in its strategy from its creation; Hospes introduced the CSR strategy almost three years after its foundation; Sol Melià started its CSR strategic Plan in 2007 but had been working in social and environmental projects before 2000 and NH introduced CSR at the strategic level in 2008 but had also been working in social and environmental projects before that. As discussed in the last section, the different contextual and strategic characteristics might influence the way companies introduce CSR in their strategies and make sense of it. However, we focus on how they are: (1) introducing CSR into their strategies; (2) promoting CSR activities within their companies and among their peers. We therefore consider the analysis of the various cases relevant in that it brings appropriate variability to the study of the sensemaking process' various characteristics.

Table 2.2.1 summarises the characteristics of the cases selected and whether they were controlled for case selection.

2. Table 2.2.1.: Characteristics of cases

Firm characteristics	Controlled	Hospes	C. Camper	Sol Melià	NH
Firm characteristics					
Industry and subsector	yes	Hotel chain	Hotel chain	Hotel chain	Hotel chain
Product characteristic	yes	Urban hotels	Urban hotels	45% of Urban hotels (but also resorts)	70% of Urban hotels (recently entered in the business of resorts)
Size of firm	yes	Large	Large (Camper), Medium the Hotel division	Large	Large
Nationality of ownership and HQ	yes	Spanish	Spanish	Spanish	Spanish
Capital Ownership	no	Private	Private	Public (recently)	Public
Management composition	no	Manager independent from capital except CEO (owns 2%)	Family owned	Family owned	Manager' independent from capital (irrelevant ownership of shares but CEO).
Strategy					
Product differentiation	no	Niche product, focused on quality and singularity	Niche product, focused on quality and singularity	Mass product, focused on location	Mass product, focused on location
Margin strategy	no	High price	High prices	Medium prices (different brands with different prices). Volume	Medium prices. Volume
Expansion mode	no	Singularity, one hotel per city	Singularity, one hotel per city	Saturation, many hotels per city in as many locations	Saturation, many hotels per city in as many locations

CSR Tradition					
Philanthropy tradition	no	no	yes	yes	yes
Strategic integration of CSR	yes	2003	2004	2008	2009

The analysis methodology follows Eisenhardt's (1999) iterative roadmap appropriate in new topic areas. As Eisenhardt (1989) suggests, data analysis should be coupled with within-case analysis and the cross-case search for patterns transformed into a model of categories.

We follow a deductive-inductive approach as we are especially interested in the interaction of parameters that help us to understand the different responses to similar problems and ultimately create models. Rather than proposing a straightforward company classification system, this article aims to establish a framework to guide companies and academics in shaping firm's CSR strategies.

2.2.7 Looking at the case studies

"*That's just the way the Fluxà family, the owners of Camper, are."* Pere Xambò, Rooms Manager at Casa Camper.

"Mr. Escarrer had always a strong sense of community, a philanthropic sense, as he was born and brought up in Mallorca, an island community. After 50 years of hard work he was starting to think about his legacy not only to his family but also to his community.", Esther Trujillo, VP of Sustainability at Sol Melià.

The above quotes are examples of how the managers of our case studies start to verbalize their commitment to CSR.

2.2.7.1 First step, identify how CSR relates to who we are: Identity orientations

We observed that in most of the interviews managers, tended to start their cognitive process by referring to the identity of the organization. The question of who we are or what are our firm routes is a predominant first act when making sense of CSR.

Weick (2005) states that when a plausible story is retained, it tends to become more substantial because it is connected to meaningful identities and is used as a source of guidance for further action and interpretation.

Brickson (2007) argues that different organizations can have dominant identity orientations. Identity orientations are participants' shared perceptions of what the organization is, driving motivation and behaviors. In our cases, the motivation is the strategic embeddedness of CSR. Corporate identities tend to be verbalized in relation not only to present identity but also to the future, especially when they are expressed in relation to CSR.

In our cases, we observed two dominant identity orientations that we call collective and competitive. We observed the collective orientation in organizations that consider themselves as part of a group working together towards a common objective. The competitive orientation is where managers provide direction and their actions are often based on their strategic positioning.

The following quotes from Hospes and Casa Camper illustrate the collective identity orientation. At this point, we also introduce the CSR philosophy and certain activities that are characteristic of each company in order to improve understanding of the cases:

- *Hospes*

Hospes' highly inspirational enactment process is explained by its CEO and Founder Antonio Pérez Navarro: "*After consolidating the first two hotels in 2002 I started to*

think about what this business was really about; How are we different from other five-star hotels and what would I like to do with the business in order to feel fully involved in my work. We had beautiful buildings and very good employees providing the best service, but was that enough? Before entering the hospitality business, I worked for the automotive industry where the understanding of the business has evolved enormously; Volvo sells safety, directly addressing one of the main concerns of drivers. I also wanted to go further, and use my hotels to address one of the biggest illnesses in the developed world; stress, and the inability to sleep, which hundreds people suffer from. I thought that my business could help alert people to the dangers of sleep and dream deprivation. I wanted us to be recognised as providing the opportunity to dream. 'Dream' in the sense of having a good sleep, but also in the sense of having and achieving goals. This gave birth to the Sueños (Dreams) project, which has since become a cornerstone of our way of being."

Hospes has built its CSR strategy based on the collaboration with reputed doctors as Dr. Estivill and the Spanish Society of Sleep (in Spanish SES). Hospes managers verbalize their CSR strategy with phrases like: "*The Sueños project is a strong pillar of the way we understand our business. Overall, we want to help people to sleep better and this is why we are so involved in medical research into the sleeping process."* In Hospes, the focus on the issue of improving the sleep is very important and also the relations they have to build in order to solve this issue. These relations are even going beyond the business of hospitality as they are developing parallel projects with new partners to tackle the sleeping problems.

The *Sueños* project has two main lines of action. The first invests in medical research, which Hospes contributes to both by providing medical research funds and by applying research to many aspects of its business, such as the food served, isolation and

ventilation systems and the natural product-based materials in the rooms. They also provide assistance to their clients to improve their sleep process. The second line involves major involvement with *Aldeas SOS*, an NGO that helps improve the circumstances of children who suffered psychological and physical violence in the community. Hospes also invests in environmental and cultural care and uses the latest water- and waste-recycling technologies. Their hotels are restored buildings of recognised cultural and architectural value, including historical palaces and castles. They use local materials for construction and promote cultural awareness and the reintegration of the building into the city's history.

- *Casa Camper*

"*That's just the way the Fluxà family, the owners of Camper, are."* says Pere Xambò, Rooms Manager at Casa Camper. "*The Fluxà family created the Camper and the Casa Camper project with the aim to reflect on a new lifestyle. They defined a new concept of business based on freedom, comfort and creativity that they adapted to hospitality and to Casa Camper. The Fluxà family had imagined hotels characterised by simplicity, authenticity and environmental harmony. Being very involved locally, wherever they are, and very innovative ecologically and in design is not just the way they succeed, but the way they enjoy doing business.*"

Casa Camper was one of the first hotels to introduce environmental criteria for building and managing hotels in Spain. From the building of their first hotel in the 90s they made sure they were using top environmental technology: they restored a period house in the city centre, installed the solar energy technology beyond the legal requirements, grey water recycling systems, cold chambers for organic waste recycling, water and electricity consumption controllers, and had biodegradable and natural amenities. They are also keen promoters of growing urban vegetable gardens and environmentally

friendly ways of travelling in the city. As an example of their environmental philosophy, the first things you see when entering in the hotels are bicycles for the hotel guests, environmental awareness slogans and pictures of the must-see places in the neighbourhood. Angel Gonzalez, Maintenance Manager comments, "*We have always been ahead of the legislative and environmental concerns of most authorities and our guests*."

In Casa Camper, the choice of CSR strategy is also largely influenced by the owners of Camper concern to environmental and cultural sustainability. Their relation with the environment and their focus on sustainable products and local development has always been very strong and is present in all parts of the value chain of the business. Managers constantly refer to their environmental values to give meaning to their job. Their discourse uses phrases like: "*Environmental care is how we understand business should be done. Environmental care and innovation are part of our origin, culture and brand image, not only in the hotels but in all our products. We want to show that a new way of life, revolving around nature and simplicity, is possible*."

Sol Melià and NH Hotels are examples of a competitive identity orientation.

- *Sol Melià*

Esther Trujillo, Vice President of Sustainability at Sol Melià, explains her vision for introducing CSR into her company: "*Sol Melià was at a very important point in 2007. On the one hand, our competitors at an international level were starting to talk about the environment: industry forums and associations were bringing the topic of sustainability to the table without really being fully aware of what it meant and the implications it would have in terms of corporate strategy. On the other hand, the company was facing a generational shift; the Founder and President, Mr. Escarrer, was starting to gradually leave the business to his two sons. Mr. Escarrer had always a*

strong sense of community, a philanthropic sense, as he was born and brought up in Mallorca, an island community. After 50 years of hard work he was starting to think about his legacy not only to his family but also to his community. That was when they decided that sustainability should be brought in somehow at a strategic level. Some competitors had already made moves towards a more sustainable business, and they felt it was the appropriate moment for change, as well as an opportunity of being ahead of competitors."

Sol Melià's Director of Sustainability Federico Martinez-Carrasco adds, "*We started to get questions from the hotels when new environmental laws were about to be introduced in Spain. They started to understand the value of anticipation and the value of our department as internal consultants.*" Esther Trujillo from Sol Melià states, *"We operate several very distinctive brands. The brand you work with determines the priorities, the speed, and the strength of the project."* The verbalization of identity in Sol Melià is very much related to the identification with the brand and sub-brands at Sol Melià. It often relates to being one of the biggest hotel-chains in the world and trying to always be bigger and first. This identity transcends to CSR when they talk about "doing things before the competitor" or "being ahead of the market".

Sol Melià introduced sustainability as one of the 5 main pillars of the 2008-2010 strategic plan. They elected a Vice President of Sustainability, who is in charge of implementing a plan consisting of three strategic lines: 1) Introduce the principles of sustainability to all company processes, 2) Introduce the values of responsibility and sustainability to all products and services and 3) Involve the stakeholders in the above processes (Melià, 2008). Among other projects, Sol Melià is starting to measure water and electricity consumption and define balance scorecards as well as introducing fair-trade products and products for people with special needs in their restaurants. They are

also developing cultural and environmental awareness projects with their clients, especially with children in their holiday centres.

- *NH Hoteles*

"I have always been enthusiastic about soft issues in management," says Marta Martín, Corporate Responsibility Manager at NH Hoteles, "*which is why I did an MBA and graduated in Human Resource Management. After the MBA, one of my best friends started to work in socially responsible investing. I was very curious but could not see how to convince the management of my company that it was important. After some major organisational restructuring, I was asked to develop a social plan. I started to read up on it and even took a specific course on CSR. However, when I presented my strategic plan in September 2006, I was told to focus on philanthropic projects that could strengthen our reputation in the community. I started to work on it, using all the management tools I had learnt in order to understand the business side of the projects we were planning. In 2007 I had another opportunity to present my plan to the Board of Directors. I showed my scorecards, my measurement systems and the results of a benchmarking study we had done. Some competitors were developing CSR plans. We had to do it as well. The Finance Director and the Operations Director could see and understand what I was doing. They no longer saw me as the girl asking for money to give to the NGOs, but as a manager trying to manage reputation in a different way."*

Marta Martín also argues "*I used a benchmarking study and a table which measured impacts to convince some of the Board of Directors' managers. Once they saw that they were getting press coverage and CSR recognition, they took more interest in my job*."

NH identity orientations relates to being a well-reputed brand in order to gain market share.

NH has started what they call ‘an ambitious environmental strategic plan 2008-2012’ in which they commit to reducing their carbon emissions, waste and water and energy consumption by 20%. They have also added the values of environmental responsibility to their corporate values, and created a Corporate Responsibility Committee, which includes the CEO. Amongst other, they have two social projects that have been object on several recognitions: one consists of providing rooms for families with children in hospital for cardiac operations, and a second one offering special rates for rooms and facilities to NGOs to help them run their conferences.

2.2.7.2 Second step, actively justify why we do CSR: Legitimacy strategies

We observed that after managers had identified who they are and how CSR relate to a collective identity, their discourse flowed into justifying why they were committed to developing CSR. The justification of the actions is a recurrent pattern in CSR, whether it is in relation to managers’ personal values or to the business.

Weick (1995) states that in a sensemaking process, the number of possible meanings gets reduced during the organising process of selection. According to Weick et al. (2005: 414) during this selection stage, ‘a combination of retrospective attention, mental models and articulation perform a narrative reduction of the bracketed material and generate a locally plausible story.’ Weick (1995) argues that this local story formed in the minds of the change agents need to be legitimised by the rest of the group to become a plausible story. Providing meaning to an action entails a process of creation of self meaning and collective legitimation. Organizational legitimacy refers to the extent to which the array of established cultural accounts explains organizational existence (Meyer and Scott, 1983). Legitimization is the perceived need to gain acceptance (Suchman, 1995). The aim of gaining legitimacy leads managers within organizations to

justify why they are engaging in CSR and to what organizational cultural accounts they relate. CSR can be taken to the strategy with legitimacy to the extent it is rooted in pre-established organizational values. Change agents tend to anchor their CSR discourse in the most accepted organizational values.

In our case studies, we identify two different legitimacy strategies. The first is motivated by the moral foundations and the moral direction (Thompson, 2004) defined by company managers. Leaders appeal to the "right thing to do" and provide a moral direction plans and actions. A moral direction in these cases is related to sustainability values and a decision to do something different. The second is more closely related to seizing strategic opportunities sensed in the environment. It involves elements of cognitive legitimacy (Suchman, 1995) as it appeals to the adaptation to the group or to the practices in the industry and pragmatic legitimacy (Suchman, 1995) where leaders supports their arguments appealing to the target audience's self–interest.

Hospes and Casa Camper are examples of moral legitimacy strategies.

Hopes CEO justify their engagement in CSR with sentences that denote moral character: *"I also wanted to go further, and use my hotels to address one of the biggest illnesses in the developed world; stress, and the inability to sleep, which hundreds people suffer from. I thought that my business could help alert people to the dangers of sleep and dream deprivation."* For Hospes, CSR is about doing good, or at least this is how it is verbalized and how the CEO hopes to legitimise the firm's CSR strategy.

In Casa Camper, the moral dimension relies in what is "good for the environment". Casa Camper managers respond to the question why by appealing to the values of the owners and recognizing their own adherence to these values.

Sol Melià and NH appeal to more cognitive and pragmatic legitimacy. In both cases managers refer to the importance of using CSR to compete with other companies. In NH's case in particular, there was constant reference to CSR as a strategic tool. Managers argue about the need to shine in the rankings or to improve the company's reputation by invoking pragmatic legitimacy.

2.2.7.3 Completing the sensemaking characterization

We complete the description of the process of making sense in strategic CSR by analyzing two other elements that, although not strictly linked to the process of cognition, help us to better portray different organizational characteristics. These elements are the shared stories and boundary objects that managers use to create collective sense and the forms of stakeholder relations.

2.2.7.3.1 Shared stories and symbols

Given that CSR is a new and potentially conflictive phenomenon, change agents need to be able to parley with a wide range of stakeholders in order to create a collective sense of CSR. During the sensemaking process, CSR change agents often have to bridge the knowledge gaps between their various stakeholders by bringing different ideas to a same understanding of the importance of CSR to the company. We observed that change agents used different types of boundary objects to create share meaning in the organization around CSR. Boundary objects are objects, sometimes physical ones like balance scorecards, sometimes purely linguistic like the verbal representation of a vision, that are shared and shareable across different problem-solving contexts in a group of people (Carlile, 2002; Koskinen, 2005). They help change agents to bridge

cognitive gaps amongst their peers and team members and to solve problems of misunderstanding and prioritisation of CSR strategies. Koskinen (2005) relates different types of boundary objects to the level of abstraction of the objects they represent. A boundary object can thus be abstract when it refers to symbolic or metaphoric objects like dreams, or wishes. But boundary object can also be much more tangible, for example, a particular management tool such as a balanced scorecard.

In our cases, we observed two types of symbols and boundary objects used in the organisations. At both Hospes and Casa Camper, change agents tended to use more abstract and symbolic boundary objects in their everyday discourse. The images of what reality *should be* were constantly expressed, and were incorporated into managerial discourse in a very personal way: Hospes' CEO defined the company's mission as fostering both partners and clients' ability to dream. All the Hospes managers interviewed (7 over a two-month period) constantly used metaphoric boundary objects such as the importance of having a 'dream' and an 'inspiration' at work. Other boundary objects used by the managers, which were also helping them to build on company values, were the stories of the children they were helping with the *Sueños* programme.

In Casa Camper, the management team we interviewed used similar inspirations and boundary objects. However, the boundary objects in Casa Camper were often related to symbols that represented their environmental vision. They were also quite inspirational and metaphoric (since the change agents referred to them as an example of their environmental conscience) but were linked to their personal experiences at work. For some managers, the city garden symbolized the firm's CSR commitment. For others, it was the grey water recycling machine.

In an effort to adapt to a bureaucratic culture very much based on competitive identity and predominant values of efficiency and shareholder short-term return, NH and Sol Meliàs change agents use more concrete and physical objects related to the prevailing managerial culture in their companies. The boundary objects used were strategic plans, scorecards, and measurement tables. They argued that by using these boundary objects, they were able to get their peers' attention and that their actions were legitimised as they were using language and tools that had were recognized by the organization.

2.2.7.3.2 Forms of engagement with stakeholders

We observed differences in the nature of the relations established by the change agents with stakeholders.

In Hospes and Casa Camper, the nature of the relationship, especially with their external stakeholders but also with employees was based on collaboration, mutual recognition and shared responsibilities in managing CSR initiatives. Relations were based on trust and were rarely measured or monitored, so it became more difficult to evaluate the outcomes. For example, in Hospes, the *Sueños* project Board of Directors does not only includes the top managers of Hospes but also two leading doctors, the director of the Spanish Association for Sleep Disorders (SES, Sociedad Española del Sueño) and the director of an NGO they collaborate with. In Hospes, the culture of measuring and control in the *Sueños* project had not been developed further even after some 6 years, as it is still considered highly inspirational and morally based.

In NH and Sol Melià, change agents had also developed strong relations with stakeholders to help them take on CSR. However, most of the stakeholders relations were defined in more confrontational and agent-based terms. They were controlled by

accountability mechanisms such as scorecards and tables of measurements. Sol Melià and NH have developed a Code of Conduct for providers and are starting to grade them based on their ability to adapt their products to the sustainability criteria.

2.2.8 Transformational and Transactional sensemaking

From the above analysis, we discerned two different modes for introducing CSR at the strategic level prevailing in the organisations studied. Using terminology from leadership literature (Bass, 1985; Kuhnert and Lewis, 1987; Pawar, 1997), and acknowledging the work done by Palazzo and Richter (2005) applying it to CSR, we distinguish between two modes of integrating CSR into organisations: transformational and transactional.

Transformational mode refers to a moral way of taking CSR through and beyond the organisation. Transformational modes operate out of deeply-held moral directions comprising a set of values that are often set by the company's leaders but which are all integrated in the belief systems of followers. System beliefs tend to have collective identity orientation.

In transformational modes, CSR is legitimised by moral strategies. Change agents use abstract and metaphoric boundary objects to create a shared vision throughout the organisation. These metaphoric boundary objects are based on the change agents' moral direction applied to the company vision.

In transformational modes, relations with external stakeholders are based on mutual recognition and trust. As transformational modes apply moral legitimacy strategies, persuasion is based on moral convictions and the recognition of mutual abilities and power. Transformational modes often involve stakeholders in the decision-making

process of the organisation, whether using their governance structures such as advisory panels and Boards of Directors as in the Hospes case, or in consultation processes.

Among our cases, Casa Camper and Hospes seem to adopt a transformational mode.

Transactional modes are more contingent on the organisation's abilities to meet and respond to the reactions and changing expectations of their stakeholders.

CSR is introduced at a strategic level in an effort to adapt to strategic opportunities sensed in the environment. CSR values are not part of the intrinsic culture and values of the organisation but change agents understand the strategic opportunity to make CSR part of the organisation's future values and become more competitive through product differentiation as a result. The adaptation process relies on their ability to be aware of their environment and to introduce what they consider important aspects of stakeholder demands into their organisations.

Organisations with transactional modes often have to deal with organisational conflicts in the process of introducing new CSR values into the organisation. Change agents need to apply boundary objects that give them the legitimacy to talk a new language to people who are used to the old discourse. This is why the use of concrete managerial boundary objects is crucial for winning over the rest of the organisation. Change agents use representation tools that other members of the organisation understand and recognise as valuable, such as control tools and business case studies. The legitimacy strategies are based on making the organisation understand the market value of CSR initiatives (pragmatic legitimacy) and the importance of being recognized by the rest of the community (cognitive legitimacy).

As their legitimacy strategies are based on cognitive and pragmatic forms, relations with stakeholders, tend to be developed on the basis of this pragmatism. Relations tend to be

managed through accountability and control tools for measuring and monitoring relations with stakeholders in an agent-based fashion.

Among our cases, Sol Melià and NH Hoteles seem to adopt a transactional mode.

Although we provide a first classification of the companies analyzed, we acknowledge that pure cases are rare in social sciences (Shils, 1997). Narrative methods help us to see the complexity of reality. For example, although we say the enactment moment in Sol Melià and NH had a strong cognitive character, the CSR initiatives would probably not have been as strong had the Presidents not been touched in some way by their values.

Table 2.2.2. summarises the characteristics of transformational and transactional modes.

3. Table 2.2.2.: Transformational and Transactional Sensemaking Modes

	Transformational	**Transactional**
Cognitive elements of characterization		
Identity orientation	Collective	Competitive
Legitimacy strategy	Moral	Pragmatic and Cognitive
Other elements of characterization		
Boundary Objects	Metaphoric	Concrete and related to management
Forms of stakeholder engagement	Based on collaboration	Based on confrontation and accountability

2.2.9 Looking for change in the tourism industry

Which mode (transformational or transactional) should firms adopt to achieve the desired change towards more sustainable practices in the Spanish tourism industry?

We recognise that this question can be only partially answered by this paper, as there is a need for a deeper analysis of the impacts on peers and the triple bottom line efficiency

of the strategies. However, we argue that both modes are necessary and complementary vectors of industry change.

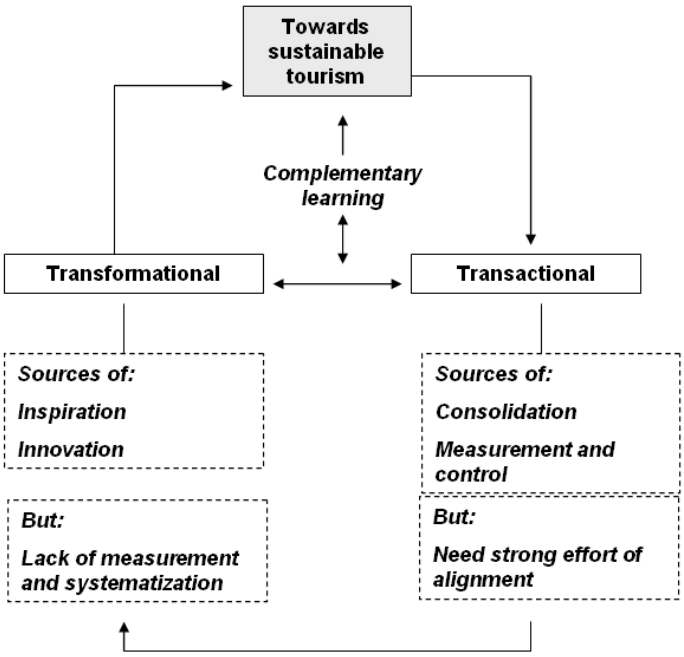
Transformational modes begin change. They are usually adapted by visionary change agents and are the source of innovation both at social and environmental levels. They also constitute a source of inspiration to corporate and social agents who participate in the strategies or benchmark best practices in the industry.

Transactional modes consolidate change. Change agents adopt transactional strategies in response to stakeholder demands when they feel that sensitivity to the issues is great enough to move the firm towards change. They use management tools not only to adapt to the language of the organisation but also to understand the nature of change and thus be able to monitor and consolidate it.

Appropriate combination of transformation and transaction might be one of the keys to future change in the tourism industry. To achieve the sustainability goals recommended by the UN Tourism World Organisation and the European Commission, the Spanish tourism industry make firms aware of the importance of inspiring and innovating but also the need to consolidate and monitor progress of the CSR initiatives.

Figure 2.2.1. represents transformational and transactional vectors of change.

1. Figure 2.2.1.: Transformational and transactional vectors of change



2.2.10 Conclusions and open questions for debate

This article analyses the process of bringing CSR in at a strategic level from a sensemaking perspective. We observed two differentiated modes: transformational and transactional. The transformational mode refers to a more moral based way of taking CSR through and beyond the organisation. The transactional mode is more contingent on the organisation's abilities to meet and respond to their stakeholders' reactions and changing expectations. Both modes have different legitimacy strategies and forms of engagement with stakeholders. They also have distinct identity orientations and ways of sharing stories and symbols. Our argument is that both strategies are necessary for fostering change in the industry towards a sustainable model, as the former strategy provides innovation and inspiration for managers and the latter consolidates the initiatives. However, we acknowledge that characterization has its limits.

Castelló and Lozano (2009b) argue that firms evolve in their strategic CSR influenced by endogenous and exogenous factors of change. Ownership characteristics, maturity of

CSR issues and size of the firm may be three of the variables influencing the type of strategy a firm adopts. In our sample selection, we tried to moderate the impact of those variables. However, we acknowledge that differences in these variables might influence the type of strategies adopted by the firms, especially size of the firm.

In our research, transformational models were represented by the small firms of the sample and transactional models by the big firms. These results might lead to the conclusion that size is a fundamental factor of influence in the framework. While we acknowledge that there might be some influence, there is evidence that company size might not be crucial for determining the CSR sensemaking model. The evidence can be found in Casa Camper case. Although the hospitality business unit in Camper was small, Camper managed over 150 stores in 70 countries with the same management philosophy for all business units; therefore we concluded that business size might not be the fundamental variable determining the character of the Camper CSR sensemaking model.

However, we believe that other factors such as margin and price strategy as well as the product differentiation strategy might influence or be related to the CSR sensemaking models. Companies with strategies based on high prices and margins based on those high prices and product differentiation based on niche markets and singularity might have a greater tendency to adopt transformational sensemaking approaches. Companies whose strategies are based on mass production might tend to adopt sensemaking approaches that are more related to transactional modes.

Future research might help refine model characteristics in two ways. First, it could establish the empirical validity of some of the premises used in our specifications, such as the importance of size and strategic direction discussed above. The results of such research might suggest directions for model refinement. Second, research can extend

present specifications by expanding the set of contextual factors such industry, time to CSR adoption or country. Those will enhance the external validity of the model. Finally, while the framework points towards polar strategies, we believe researchers may benefit from the development of middle-range CSR strategy theories. Identification of the empirically-occurring organisational contexts and their positioning on the proposed continuum between the two polar types would provide additional domains. Such domain-identification and subsequent development of domain-specific middle-range theories may provide researchers with better explanations and more valuable predictions concerning formation of the strategic CSR phenomenon.

Finally, the aim of this research is to help managers and researchers alike to better understand a complex process taking place within many organisations. We believe that there is no right or wrong sensemaking model but rather distinct ways of approaching a situation in different firms. This article provides a way of understanding firm's characteristics that might support the better understanding of a given reality and we hope it will shed some light on the difficult process of bringing CSR in at a strategic level and changing the practices of the sectors towards sustainability and the common good.

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2.3 Summary of contributions of paper 1 and open research questions

In this paper, we contribute to the theory of the sensemaking in defining some of the dimensions that influence the cognitive sub-processes of sensemaking when applied to CSR as well as recognizing patterns of interrelations amongst these dimensions. We recognize the uniqueness of the sensemaking processes in relation to CSR in the challenge of the interconnection between the different dimensions of sensemaking (legitimacy and identity orientation).

This paper also looks at the possible outcomes related to the dimensions of the sensemaking process. Finally, it provides with a sense of direction linked to the combination of the cognitive elements for the consolidation of CSR in an industry.

This paper introduces the sensemaking framework and provides scope for further research that will be developed in the following chapters. Some of the questions that this research leaves unanswered are:

- Is the sensemaking process of strategic CSR related to nation, industry and firm characteristics? How does strategic CSR sensemaking vary among these categories?
- Does time relate to the process of strategic CSR sensemaking? Do companies change in their process of "understanding and explaining" their strategic CSR over time?
- What are the trends in the way strategic CSR is understood?
- How do these relate to the various paradigms in CSR theory?

CHAPTER 3: THE LINGUISTIC APPROACH: FROM SENSEMAKING TO A SENSEMAKING/SENSEGIVING FRAMEWORK

3.1 Introduction to Chapter 3

This chapter introduces the sensegiving perspective to the sensemaking process. It focuses on the linguistic side of the process by studying how firms articulate and communicate their view of CSR in a linguistic sense. This approach is developed in two articles. The first provides an initial interpretative analysis of multinationals' rhetoric strategies. This article also provides a first sense of the changes in CSR rhetoric over time. The second article extend the research to a larger sample and a different case.

3.2 Understanding change over time

In order to introduce a longitudinal perspective, I look into the recreation of the CSR social phenomena that are reproduced when organizations express their understanding of CSR over time. In order to collect data across time, I define two analytical strategies: first, I look at how companies express their understanding of CSR through rhetoric strategies over time. Second, I analyze the rhetoric strategies used by both CSR leaders and laggards. The assumption behind the selection of leaders and laggards is that leading companies are adopting and creating new trends in CSR rhetoric while the

laggards represent a more mainstream CSR rhetoric (Herremans *et al.*, 2008; Swales, 1988).

3.3 From sensemaking to sensegiving: Legitimacy as a theoretical framework

Theoretically, sensegiving can be distinguished from sensemaking (Gioia and Chittipeddi, 1991). Sensemaking has been defined as the development of mental models or visions of the environment, whereas sensegiving corresponds more to the articulation of that vision to others in an attempt to persuade them (Bartunek *et al.*, 1999). Sensegiving relates to the communicative aspects of the sensemaking process. It also involves efforts to influence outcomes and increase support for a perspective through suggestive or persuasive language as well as symbolic or emphatic actions (Bartunek et al., 1999; Gioia and Chittipeddi, 1991). The sensemaking and sensegiving processes have been considered as sequential (Gioia and Chittipeddi, 1991). Sensemaking outcomes inform sensegiving attempts which then influence sensemaking efforts. In practice though, sensemaking and sensegiving overlap considerably (Gioia and Chittipeddi, 1991). The processes are considered mutually dependent and mirror each other, constituting, to some extent, two aspects of the same process (Weick, 2005). The research in this thesis treats both sensemaking/sensegiving aspects, however, in order to simplify the reading we refer in general as the framework of sensemaking (that includes the sensegiving process).

To frame the research in concrete aspects of sensegiving, I have focused on the persuasive elements which constitute the underlying element of the sensegiving approach (Gioia and Chittipeddi, 1991). The following study analyzes corporate

discourse as a means to understand the corporate quest for social legitimacy. The process of gaining legitimacy involves persuasion through rhetoric (Alvesson, 1993; Covaleski, 2003; Suddaby, 2005). In this article the co-authors and I look at what we call "the rhetoric of CSR" in the form of two studies: First, an inter-temporal comparison of three reporting periods has been carried out for 31 multinational corporations; second, an inter-temporal comparison spanning six years has been carried out for more than 780 CSR projects launched by different corporations. In the first study, we carry out an in-depth analysis of the rhetoric characteristic of both leader and laggard companies in their CSR sensegiving processes. In the second study we analyze national, industry and firm characteristics and we define patterns in the CSR sensegiving process.

3.4 Paper 2: Searching for new forms of legitimacy through corporate responsibility rhetoric

This was written by Itziar Castello and Dr. Prof. Josep. M. Lozano from the Institute for Social Innovation, ESADE, Universitat Ramon Llull.

It has been accepted for publication by the Editor of the Special Issue of the 2009 EBEN Annual Meeting in the Journal of Business Ethics.

3.4.1 Abstract

This paper looks into the process of searching for new forms of legitimacy among firms through corporate discourse. Through the analysis of annual sustainability reports, we have determined the existence of three types of rhetoric: (1) strategic (embedded in the

scientific-economic paradigm); (2) institutional (based on the fundamental constructs of Corporate Social Responsibility theories); and (3) dialectic (which aims at improving the discursive quality between the corporations and their stakeholders). Each one of these refers to a different form of legitimacy and is based on distinct theories of the firm analyzed in this paper. We claim that dialectic rhetoric seems to signal a new understanding of the firm's role in society and a search for moral legitimation. However, this new form of rhetoric is still fairly uncommon although its use is growing. Combining theory and business examples, this paper may help managers and researchers in the conceptualization of how firms make sense of their role in society and what forms of differentiation they strive for through their rhetoric strategies.

KEY WORDS: Business and society, business ethics, corporate social responsibility, discourse analysis, globalization, organizational legitimacy, rhetoric

3.4.2 The need for new forms of corporate legitimacy

Over the last few years, corporate legitimacy has come under withering fire. The current financial crisis, scandals and clashes between many corporations and civil society have led to greater demands to scrutinize corporate behaviour (Basu and Palazzo, 2008; den Hond and de Bakker, 2007; Spar and La Mure, 2003). As argued by Sethi (2002), public trust in corporate morality is waning fast. In the public's eyes, corporations are becoming the enemies of public interest (Klein, 2000; McKinnell, 2005).

Furthermore, the ongoing globalization process is creating a context of transition from national economies to global ones (Beck, 1992). On the globalized playing field, there are no broadly accepted normative standards, neither legal nor moral (Huntington, 1998). The growing complexity of globalized social networks is accompanied by an

internal pluralization of post-industrial societies where the once, more or less, homogenous cultural life-world background has become fragmented (Palazzo and Scherer, 2006). Values, interests, goals and lifestyles are pluralizing, and societies are growing in complexity and heterogeneity (Beck-Gernsheim and Beck, 2002; Maak, 2009; Palazzo and Scherer, 2006).

Legitimacy has become one of the most critical issues for corporations, especially those operating globally (Kostova and Zaheer, 1999). Taking for granted a corporation's social contribution, initially the main source of corporate legitimacy, is less frequent, and corporations are seeking new forms of legitimacy (Palazzo and Scherer, 2006), sometimes even intruding into domains that have traditionally belonged to the sphere of political responsibilities of state actors (Matten and Crane, 2005; Scherer and Palazzo, 2007; Walsh et al., 2003).

Under the pressure of changing societal expectations, some corporations are starting to intensify their Corporate Social Responsibility (CSR) engagement by introducing new initiatives and a new rhetoric in their communications with stakeholders. CSR is becoming a fundamental way to redefine the role of business in society (Deegan, 2002; Sethi, 1975).

CSR is often seen as an umbrella term, overlapping with some and synonymous to other conceptions of business-society relations (Matten and Crane, 2005). It is also considered essentially 'appraisive' (or considered as valued) (Matten and Moon, 2008) and internally and externally complex in the sense that it can encompass and range from a philanthropic project to engaging in political dialog to define and redefine the standards of legitimate business behaviour.

This paper analyzes practitioners in the process of building corporate legitimacy (Palazzo and Scherer, 2006; Trullen and Stevenson, 2006). Understanding this

legitimization process might also shed some light on how managers are currently making sense of the firm's new role in the globalized society (Suchman, 1995). Few articles have approached this topic from an empirical perspective, providing a classification of strategies which lead to corporate legitimacy (Meyer and Scott, 1983). Ultimately, this article contributes to the emerging view of corporations as interconnected conversations (Calton and Kurland, 1996) for which new communicative approaches are necessary to build corporate legitimacy. This communicative approach defines how firms are starting to relate to their stakeholders on the basis of dialog and to publicly justify their societal contributions.

We look at what we call "the rhetoric of CSR" in CEO statements. An inter-temporal comparison of three reporting periods has been carried out for 31 corporations.

Viewing CSR rhetoric against the background of their structural and semantic foundations, we argue that current corporate rhetoric seems to be 'colonized' by the dominant paradigm of positivistic rationality. However, a new form of rhetoric, dialectic CSR rhetoric, is improving the discursive quality between corporations and their stakeholders.

This paper is organized as follows. First, we analyze the literature on legitimacy and CSR and its links to discourse and rhetoric. Second, we present the methodology. Third, the article explains our analysis of the key constructs used in 93 reports from 31 companies in three distinct reporting periods (2006, 2007 and 2008). Fourth, we analyze the resultant rhetoric and its bearing on forms of legitimacy and management theories. Lastly, we conclude this paper with comments on the theoretical and managerial implications and further research recommendations.

3.4.3 Corporate legitimacy strategies

Legitimization is the perceived need to gain acceptance in society, leading organizations to strive for compliance with norms, values, beliefs and definitions (Suchman, 1995). Organizational legitimacy refers to the extent to which the array of established cultural accounts explains organizational existence (Meyer and Scott, 1983). Without stakeholder legitimacy, an organization will not be able to renew its license to operate nor gain new spheres of power to grow.

Suchman (1995) identifies three types of legitimacy: pragmatic, cognitive and moral. All three involve a generalized perception or assumption that organizational activities are desirable, proper or appropriate within some socially constructed system of norms (Suchman, 1995).

Pragmatic legitimacy rests on the organization's selfish calculation of the interest this subject has for its most immediate audiences, e.g., the corporation’s stakeholders (Suchman, 1995). This interest can be made manifest in terms of direct exchanges between the organization and the stakeholders or it can also involve broader political, economic or social interdependencies. Under the pragmatic legitimacy view, stakeholders will ascribe legitimacy to the corporation so long as they perceive that they will benefit from the company’s activities, e.g., by directly or indirectly receiving some kind of benefit such as payment or through the indirect gain of corporate activities which might lead to some societal benefit such as innovation. Therefore, it represents a fundamental challenge for corporations to persuade their stakeholders about the benefits of their products, procedures and outputs.

Cognitive legitimacy results from the acceptance of some broadly taken-for-granted assumptions available through cultural models which provide plausible explanations for the organization and its endeavours (Scott, 1991). Cognitive legitimacy exists when

there is little question in the minds of the different actors that the corporation serves as a natural way to effect some kind of collective action (Hannan and Carroll, 1992). Cognitive legitimacy operates mainly at the subconscious level, making it difficult for the corporation to directly and strategically influence and manipulate perceptions (Oliver, 1991; Suchman, 1995). However, organizational cognitive legitimacy may collapse when subconscious acceptance is substituted by explicit considerations; it may also lead to rejection if practices are perceived to be unacceptable (Palazzo and Scherer, 2006). This might be the case when stakeholders perceive that sustainability projects are merely reputational gains.

Moral legitimacy, finally, reflects a positive normative evaluation of the organization and its activities (Aldrich and Fiol, 1994; Parsons, 1960; Suchman, 1995). It refers to conscious moral judgements on the organization's outputs, procedures, structures and leaders (Palazzo and Scherer, 2006). It is sociotropic, resting not on judgement about whether a given activity benefits the evaluator but, rather, on judgements about whether the activity is "the right thing to do" (Suchman, 1995). Moral legitimacy results from "explicit public discussion" and corporations can gain moral legitimacy only through their vigorous participation in these discussions (Suchman, 1995, p. 585). Managing moral legitimacy must, therefore, be perceived as deliberative communication through persuasion using rational arguments (Palazzo and Scherer, 2006, p. 73).

Two major theoretical perspectives have described the management of organizational legitimacy: institutional theories (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Powell and Di Maggio, 1991; Zucker, 1986) and strategic theories (Ashforth and Gibbs, 1990; Dowling and Pfeffer, 1975).

The institutional approach focuses on how organizations build support for their legitimacy by maintaining normative and widely-endorsed organizational characteristics

(DiMaggio and Powell, 1983; Scott, 1991). As argued by Fombrun and Shanley (1990), the development and retention of institutionalized structures, procedures or personnel signal normativity, credibility and legitimacy to outside audiences. Organizations may consciously or unconsciously use links to institutionalized structures or procedures to "demonstrate the organization's worthiness and acceptability" (Oliver, 1991, p. 158). Compliance with community expectations is dependent on providing certain accounts of social and environmental outcomes. Developing CSR projects are ways in which organizations actively search to comply with community expectations (Deegan, 2002; Waddock, 2004a).

The institutional approach describes organizational legitimacy as "a continuous and often unconscious adaptation process in which the organization reacts to external expectations" (Palazzo and Scherer, 2006, p. 73). Therefore, with the institutional approach, the potential to really manage legitimacy is limited (Suchman, 1995), and, as argued by Oliver (1991), only under certain conditions organizations can resist adaptation.

The strategic approach treats legitimacy as an operational resource (Suchman, 1995) which can be managed and directly influenced by the corporation (Ashforth and Gibbs, 1990). Legitimacy resides in the "organization's ability to instrumentally manipulate and deploy evocative symbols in order to gain societal support" (Suchman, 1995, p. 572). According to Ashforth and Gibbs (1990), legitimation is often purposive, calculated by managers and frequently oppositional.

Palazzo and Scherer (2006) suggest that the current debate on corporate social responsibility and management strategies is built upon a discussion on organizational legitimacy that does not appropriately reflect the conditions in globalized societies. These concepts are mainly based on pragmatic and cognitive legitimacy. The implicit

assumption behind these concepts is that corporations' social environments consist of a coherent set of moral norms and rules. This is the case when CSR definitions relate to the firm's adaptation to "broader community values" (Swanson, 1999, p. 517) or its conformity with "the basic rules of society" (Friedman, 1970, p. 218). Furthermore, most CSR models such as Corporate Social Performance, CSP (Waddock and Graves, 1997), risk and reputation management (Fombrun, 1996) and stakeholder management (Freeman, 1984) models are based on strategic or institutional legitimacy (Carroll, 1979; Wartick and Cochran, 1985; Wood, 1991). Rational managers invest in CSR initiatives to maximize their profits (McWilliams, 2001). The limitation of these theories is that the strategic approach is overly focused on pragmatic legitimacy, assuming that corporations have the power to strategically influence their societal context and manipulate the process of legitimacy ascriptions. The institutional approach takes cognitive legitimacy as a reference, though it is defined in the outdated context of national governance systems with homogeneous cultural backgrounds and shared norms and beliefs.

We argue that, due to globalization conditions, these forms of legitimacy are increasingly under pressure. Society's greater individualization and the importance of stakeholder pressure at the local level are eroding social consensus on general moral norms and, thus, institutional legitimacy. What was taken for granted before is now subject to debate. Developing CSR projects or philanthropic donations and framing them as a strategic activity no longer suffices to gain legitimacy from stakeholders. Corporations are starting to search for a third form of legitimacy through their CSR activities: moral legitimacy. Moral legitimacy is needed not only to get closer to new, salient stakeholders such as those coming from civil society but also to comply with new sustainability expectations among consumers, governments and shareholders.

Studying the diverse forms of legitimacy in the corporate world has always been a challenge. Theoretical studies have been populating the management literature (Oliver, 1991; Suchman, 1995). However, the challenge rest on finding empirical studies that show the forms and processes of legitimacy-building in relation to CSR (see critically, Palazzo and Richter, 2005; Trullen and Stevenson, 2006). This article addresses this gap with a study on 30 corporations over a period of 3 years.

Hardy, Palmer, and Phillips (2000) argue that discourse is one of the strategic forms companies use to legitimize their actions. The study of corporate written discourses provides us with tangible accounts to analyze legitimacy strategies. Within the analysis on corporate discourse, the study of companies' rhetoric strategies provides an interesting perspective of not only manager's ulterior plans and actions (Schutz, 1953) but also on their view of the role of the firm in society (Scherer and Palazzo, 2007).

We acknowledge that an examination of the language used to describe CSR activities does not imply that companies fully adhere to them (Sim and Brinkmann, 2003). However, we subscribe to Kaptein (2004) and Attarca and Jacquot (2005) who claim that corporate rhetoric will reveal what kind of ethical-political claim they uphold.

3.4.4 Rhetoric analysis as research methodology

Rhetoric is the art of persuasion by words (Kennedy, 1991). The way organizations define and use words reflects their implicit intentions and consequent actions (Searle, 1995).

With the rise of positivism and scientific rationality, rhetoric was understood as the study of superficial elements within a communications style rather than the specific content. However, in recent times, studying rhetoric has become a new way to rationally analyze how shifts or displacements of meaning occur within the context of social

change (Bazerman, 1991; McCloskey, 1986; Nelson, 1987; Simon, 1989). In line with this “linguistic turn” in the Social Sciences (Alvesson and Karreman, 2000), there is increased interest in rhetorical analysis as a building block of organizational theory (Emrich et al., 2001; Fine, 1995; Phillips and Hardy, 2002).

Semiotics (Barley, 1983), hermeneutics (Phillips and Brown, 1993), discursive (Kilduff, 1993) and narrative analyses (Boje, 1995) have been introduced as methods to understand organizational change, among other phenomena, within firms. Rhetorical analysis shares this interest in the role of language in structuring social action but it is distinguished by its focus on the use of text or other forms of communication to influence an audience.

Rhetoric and the “new rhetoric”, in particular, focuses on the explicitly political or interest-laden discourse and seeks to identify genres or recurrent patterns of interest, goals and shared assumptions that become embedded in persuasive texts. Burke (1969) argues that rhetorical analysis can be distinguished from discourse analysis in that the former focuses on persuasive texts fostering a specific response to social change and that it implies cognitive assumptions of a direct, dynamic link between the analyzed structures of speech and actors’ cognition and actions. By contrast, discourse analysis examines texts without supposing how recipients of their message will be influenced. Rhetoric is an essential element of the deliberate manipulation of cognitive legitimacy (Burke, 1969; Mills, 1940). More recent studies also show some connection between rhetoric and legitimacy (Alvesson, 1993; Covaleski, 2003; Suddaby, 2005) in institutionalizing change. Alvesson (1993) argues that rhetoric is a critical cultural and symbolic resource for firms to develop and convey their knowledge. He also argues about the importance of theorizing further on how organizations use rhetoric to

highlight particular identities and resources as distinctive leading to differentiation strategies.

Rhetorical strategies act as structural features of discourse and can be discerned through the analysis of corporate communicative actions and issues in different situations and temporal contexts (Heracleous, 2006, p. 1064). These rhetorical strategies often take the form of enthymemes or argumentations-in-use. Enthymemes are rhetorical structures of argumentation. They are syllogisms whose premises are drawn from the audience. They are usually only partially expressed, their logic being completed by the audience. Enthymemes are not universally rational or true but are so only within specific socio-cultural contexts, depending on their conformity to the audience's beliefs and assumptions (Cheney et al., 2004). Rhetoric studies are concerned with capturing the deep structure or the implicit categories of meaning (Berg, 2004). Traditionally, rhetoric strategies have been defined in three encompassing terms or branches of rhetoric (Suddaby, 2005): 'kairos', sensitive to time or the opportune moment; audience or the contextual focus of the argument; and 'decorum', or fitting the argument to both the moment and the audience. Rhetoric analysis also implies understanding the three primary forms of persuasive appeals or 'pistes' in classic rhetoric (Kennedy, 1991): 'logos' or appeals to logic, 'pathos' or emotive appeals, and 'ethos' or appeals made on the basis of character or to acknowledge the importance of the subject.

This article attempts to identify legitimacy strategies and their characteristics embedded within corporate discourse. We base this analysis on the study of the structure of rhetoric (time scale orientation, position in the text and the form of persuasive appeals 'pistes') but also in the semantic analysis of language (scientific foundation, main concepts, and link to management theories and legitimization of the company's role). Finally, we look at how this rhetoric has evolved over time.

3.4.5 Coding CEO statements in sustainability annual reports

Annual, sustainability and shareholder reports are means to legitimize corporate activities (Abrahamson and Amir, 1996; Frazier, 1984; Suddaby, 2005; Swales, 1988).

CSR is a new management trend (Bonini et al., 2006; Economist, 2008). Companies reflect these management trends in their discourses, especially in letters from top management in the first pages of the reports (Kohut, 1992; Silberhorn and Warren, 2007; Snider et al., 2003).

CEO statements define the companies' strategic lines and can be considered one of the most representative parts of the reports (Abrahamson and Amir, 1996; Arrington and Puxty, 1991). Furthermore, interviews with consultants specialized in corporate reporting revealed that, although letters from the management are usually drafted by the consultants or communications offices in the consulting firms, CEOs often read the drafts very carefully and change both their content and language style. The CEOs ensure that these letters convey their firms' image and the main messages to be put across.

3.4.6 Research methods

Our research is mainly explorative. We approach the interpretation of the CEO statements in two ways: first, by understanding the process of writing such statements and their importance for the firms, and, second, by analyzing a sample of 93 reports. To understand the writing process, we interviewed the CEOs of three major consulting firms in Spain (PricewaterhouseCoopers, KPMG and Responsables Consulting), all of which support companies when drafting CSR and/or annual reports and CEO statements. Moreover, one of the authors of this paper was a former manager at

PricewaterhouseCoopers. She was in charge of leading the teams writing such reports during her four years in the company.

3.4.7 The analysis of CEO statements

3.4.7.1 The sample

The selection criteria for the companies analyzed comes from the 2006 *Tomorrow's Value by SustainAbility* ranking. We selected the companies at the top of this list and those at the bottom. We labelled the top companies in the ranking 'leaders' and the companies at the bottom 'laggards' in keeping with Swales' (1988) methodology. We selected 16 leaders and 15 laggards. The leading companies selected were: BT, Co-operative Group, BP, Anglo Platinium, Rabobank, Unilever, MTR, Vodafone, Shell Group, Nike, Novo Nordisk, ABN AMBRO Real, BHP Billiton, Philips, HP, and Anglo American. The laggard companies were: Vancity, Migros, SAS, GAP, DSM, Suez, Enel, Henkel, Nedbank Group, Fuji Foto Film, Sonny, Seven & I Holding, Nissan Motor and Telus.

The common characteristic between them is that all these companies are multinationals engaged in the CSR movement. Our assumption behind the selection of leaders and laggards is that the leading companies are adopting and creating new trends in CSR rhetoric while the laggards represent a more mainstream CSR rhetoric (Herremans et al., 2008; Swales, 1988). Three consecutive reporting periods (2006, 2007 and 2008) were considered for this sample, and a total of 93 reports or their equivalents on the corporate websites were scrutinized. The coding process was based on CEO statements or similar management statements found in these reports. When lacking these statements, the first pages of the business strategy description were analyzed.

We acknowledge the limitations of both the sampling selection and sample size. A sample restricted to 93 reports and 602 entries in a quantitative analysis might be considered small. However, given the exploratory nature of the research, we consider the conclusions arising from this sample to be relevant.

The second limitation concerns the ranking chosen. We acknowledge that the selection of firms based on a ranking might provide a bias in the language used by the firms appearing in that list. The criteria used by this ranking include: public reporting and the availability of information; the assurance process described; a description of corporate stakeholder engagement processes; and the availability of economic, environmental, social and financial information. However, although the information contained in the reports might be increasingly standardized by the ranking criteria, there are no specific requirements regarding the language used in CEO statements. We, therefore, consider that analyzing these statements is a strong reflection of the language the company wants to use with its stakeholders.

3.4.7.2 Thematic analysis as a coding method

The nature of the research and the lack of accounts in relation to the subject of study made us first take an interpretative approach to the research. The first analytical task was to detect themes which could help us to define patterns of discourse in the companies we analyzed. The data analysis was characterized by a hermeneutic, iterative process of going back and forth from critical reflection to the data, adding from part to whole, searching for key themes and patterns, and questioning, redefining or buttressing with evidence the themes identified (de Vries and Miller, 1987; Strauss and Corbin, 1991).

Once the main themes were defined, we used thematic analysis to systematize theme creation and quantification. Thematic analysis (Boyatzis, 1998) is a process of encoding qualitative information where the encoding requires an explicit "theme". The theme may be a list of codes, a complex model consisting of constructs, indicators, and qualifications that are causally related (Boyatzis, 1998). In our research, the themes where initially generated inductively from the CEO statement information.

3.4.7.3 Tests

Although the research is mainly exploratory, we performed several tests to reveal possible data trends. We followed the methodologies proposed by Buruning & Kintz (1977) and tested by Scandura & Williams (2000) for similar analyses. To compare the use of the themes and the validity of the statistical conclusions over time and across company types (leaders and laggards), we calculated the significance of the difference between the proportions for each code reported. We considered all mentions of the themes in order to grasp the importance of the use of the various themes. We used Chi-squares as the test for the significance of the differences.

3.4.8 Findings

3.4.8.1 Strategic, institutional and dialectic CSR rhetoric

In the process of coding the 93 reports, we identified 17 themes. Table 3.1 below details these themes and provides a brief explanation and example for each.

4. Table 3.4.1: Theme Description

Theme	Description of themes plus exclusions or special conditions	Examples
CSR	Voluntary initiative, integrates social and environmental concerns in business operations. Mentions responsibilities.	CSR; triple bottom line; socio-economic factors; collective responsibility
Sustainability	Any mention of activities aimed at balancing the fulfilment of human needs with the protection of the natural environment so that these needs can be met not only in the present, but in the indefinite future. (Exception: used as a synonym for "long term").	Sustainable development; sustainability
Philanthropy	Voluntary donations, mostly through foundations to solidarity activities. These activities are considered to be different from the object of the core business.	Philanthropy; solidarity activities; donations; foundations
Operationalization	Mention of how businesses are embedding CSR in their business systems, processes and structure including the development of new capabilities	Business process; systems; people skills; performance; excellence; monitoring performance; coordination with supply chain to create socially responsible products
Stakeholder dialog	Any process of communication with the stakeholders coming from the firm. Includes communication, dialog, and response	*Ensure that we are responding to our stakeholders*; *commit to our stakeholders*; talking to stakeholders
Innovation	Any process leading to new products or processes resulting from CSR policies or stakeholder engagement. Innovation mentioned in the company sustainability report.	Innovation; innovative; new products
Reputation	Any mention of reputation in the sustainability report.	Reputation
Strategic link	Any mention of the relation between CSR or sustainability activities and the firm's strategy.	Corporate performance; stakeholder value; value proposition for both stakeholder and business; business case; *integrate our sustainability initiatives into day-to-day marketing and R&D*; *the way we do business*; doing well by doing good; *the Global Compact is part of our*

		corporate strategy; increase competitiveness through CSR
Governance	Any mention of the importance of the governance structure related to sustainability or CSR issues. Mention of compliance to rules or processes. Mention of ethical norms or policies.	Corporate governance; compliance; code of conduct; integrity; professionalism; ethical policy
Global Standards	Certifiable or non-certifiable standards focused on increasing business accountability through reporting.	GRI; AA 1000 AS; ISAE 8000; Rainforest Alliance; Fair-trade; IPIECA/API; Dow Jones Sustainability Index; FTS100; Global Compact
Citizenship	Use of the metaphor of the firm as a citizen.	Citizenship
Accountability	Any mention of a process in which the firm is held accountable by stakeholders. This also includes voluntary actions by the firm to increase its transparency and level of accountability such as: footprint measures and lobbying measures. It includes formal accountability mechanisms such as external committees.	Transparency; footprint; External Review Committee; responsible lobbying; accountable; accountability
Partnership	Any mention of collaborations or partnerships other than strictly business partnerships.	Collaboration between global business; social entrepreneurs; activist; governments; NGOs and civil society
Global Agenda	Any mention of issues that are dealt with by global institutions such as the UN, especially if they are included in the UN Millennium Goal. They can be considered one of the top priorities for all actors (civil society, governments and companies). Exceptions: mention of sustainability as is considered in other codes.	Climate change; poverty; equity; energy needs; greenhouse gases; water; carbon emissions; UN World Diabetes Day; directly mentioning "global agenda"
Inclusivity	Mention of any activities aimed at disfavoured/non-profit/non-economic stakeholders that are related to the firm's core business. Any mention of stakeholder rights.	Non-traditional stakeholders and rights; *our services are increasingly accessible to all people regardless of their social or economic circumstances*; promote an inclusive society
Focus on the issue	A significant part of the statements refer to a social/environmental problem that is core to the firm's business operation or strategy.	Responsible energy; universal access to communication; sustainable mobility

Social contribution	Any explicit mention of the importance of the firm contributing to social improvement, benefits to humanity or positive change.	Contribution to positive change; *manage for the communities we serve*; deliver significant benefits to humanity

We classify the themes into three distinct categories of rhetoric: strategic, institutional and dialectic. We describe the 3 rhetoric types at 2 levels: (1) structural elements: time scale orientation, position in the text and the type of persuasive appeals 'pistes' and; (2) semantic elements: the scientific foundation, main concepts, the link to management theories and legitimating role for the company.

3.4.8.1.1 Strategic CSR rhetoric

Strategic rhetoric includes the following themes: operationalization, reputation, innovation, strategic link, and governance.

The enthymemes in this first category look at the processes and measures leading to an increase in performance through CSR activities. These enthymemes relate to strategic management arguments which are mostly based on economic liberty and profit maximization (Friedman, 1962). These types of argumentations lie mostly in the liberal tradition. Within the latter, there is no additional obligation for firms to publicly justify their private economic activities beyond simple compliance with society's legal rules (Friedman, 1962). The economic activity being assumed as the principal objective, it provides the 'logos' for the strategic rhetoric and CSR argumentation. This rhetoric is used by firms as a self-justification and is dominant in their communications strategies as it usually supports the most important enthymemes within their communications activities.

Strategic rhetoric is oriented towards pragmatic legitimacy, assuming that corporations have the power to strategically influence their societal context and, thus, manipulate the process of legitimacy ascription (Suchman, 1995).

Strategic rhetoric assumes an instrumental interpretation of corporate responsibility. The fundamental argument is that, in capitalist societies, firms must maximize shareholder value. This objective is served by relating CSR to the firm's strategy, operationalization and innovation processes. Strategic rhetoric tends to be oriented towards short and mid-term results.

The instrumental interpretation of CSR is also assumed within most studies on corporate social performance (CSP) (Carroll, 1979; Wartick and Cochran, 1985; Wood, 1991) in which rational managers invest in CSR initiatives to maximize their profits (McWilliams, 2001).

Strategic rhetoric as well as CSP argumentation is taken from natural sciences and aims to explain observable phenomena through data and measurements, general or statistical laws and situational conditions. Donaldson (1996) and Scherer & Palazzo (2007) use the term 'positivistic' to describe this type of argumentation. By positivistic they refer to a CSR discourse that is fundamentally descriptive and instrumental. The research methods behind this discourse are orientated towards the empirical sciences and associated to the positivistic methodology (Bacharrach, 1989). The positivistic approach does not attempt to justify norms but only provide a description and explanation of activities and norms without critically questioning said norms (Scherer and Palazzo, 2007).

Strategic rhetoric has its limitations in its positivistic nature and instrumental legitimation. Therefore, firms need to find another type of rhetoric to define their

normative frameworks, hopes, expectations and to present their willingness to examine the acceptability of their activities.

3.4.8.1.2 Institutional CSR rhetoric

Institutional rhetoric incorporates themes such as stakeholder dialog, CSR, philanthropy and sustainability.

Institutional rhetoric has a direct bearing on some of the most important constructs within CSR theory, for example, the stakeholder theory of the firm (Freeman, 1994) and the concept of sustainability (Stead, 1994; WCED, 1987).

Enthymemes such as CSR or sustainability are often employed in CEO discourse as symbols of identification with the CSR movement (Castelló and Lozano, 2009b; Matten and Crane, 2005; Snider et al., 2003). Sony offers an example:

"CSR is difficult to grasp when looking at Sony products, but it is the foundation of all our business" (Sony, 2007, p.6).

CSR rhetoric is starting to be embedded in the cognitive societal spectrum of what is considered good business practice (Bonini et al., 2006; Economist, 2008; Lozano, 2005; Matten and Crane, 2005). Constructs such as CSR and sustainability are habitually used as introductory terms or they appear in the first part of the reports, lending some kind of 'ethos' to the report itself.

Organizations consciously or unconsciously use links to institutionalized structures such as CSR, stakeholder engagement and other constructs to "demonstrate the organization's worthiness and acceptability" (Oliver, 1991, p. 158). Through institutional rhetoric, organizations build support for cognitive legitimacy by supporting

normative and widely-endorsed principles of behaviour (DiMaggio and Powell, 1983; Scott, 1991).

CSR institutional rhetoric lies within the positivistic CSR framework. Even authors who appeal for a broader view on CSR through concepts such as stakeholder engagement and CSR do not often transcend the limited conceptual framework of positivistic CSR (Margolis and Walsh, 2003; Palazzo and Scherer, 2006; Vogel, 2005). The irony of the stakeholder model being justified within the analytical framework of economic theory is evident (Donaldson and Preston, 1995; Palazzo and Scherer, 2006).

Institutional CSR rhetoric is, on many occasions, used in a fairly fuzzy way (Göbbels, 2002; Kusyk and Lozano, 2005), with the terms lacking an in-depth meaning. Some authors such as Göbbels (2002) and Fergus (2005) argue that constructs such as CSR and sustainability might be losing their philosophical meaning while their principles are debased by overuse and inclusion in the dominant scientific-economic paradigm and the positivistic approach to CSR. Telus constitutes a good example of how the terms, CSR and sustainability, are losing their deeper meaning. Telus does not seem to refer to a new understanding of the role of the firm when applying institutional rhetoric but to a well-established repertoire of cognitive rhetoric that is familiar to the audience.

"Telus is building on its excellent reputation in the area of Corporate Social Responsibility"(Telus, 2006, p. 15)

Institutional rhetoric is a recurrent construction in the firms' communications strategies. However, most of the stakeholders, especially those related to civil society, are starting to see the limits of this rhetoric as it remains fairly academic, empty in meaning and disconnected to their specific language and specific needs. Furthermore, although constructs such as CSR, stakeholder engagement, etc., may have been recognized as desirable symbols in the 70s and 80s, they are losing their normative force today.

Although they are accepted as a mechanism for cognitive legitimacy, institutional rhetoric does not lead to moral legitimacy.

3.4.8.1.3 Dialectic CSR rhetoric

Dialectic CSR rhetoric includes concepts such as global standards, citizenship, accountability, global agenda, partnership, focus on the issue, inclusivity and social contribution.

Recognizing their aspirational character, we interpret these enthymemes as an effort by firms to relate with their stakeholders on the basis of dialog and public justification of the firms' societal contribution. The corporate aim here is for this dialogue to lead to more informed and rational results and to increase the acceptability of corporate decisions and promote mutual respect (Fung, 2005; Lozano, 2006; Scherer and Palazzo, 2007).

Dialectic rhetoric is rooted in the practice of dialogue between corporations and their stakeholders. The presupposition of a dialectical argument is that the participants, even if they do not agree, share at least some meanings and principles of inference in order to address social issues and set the global agenda. The partnership and accountability themes might be the best representations of the willingness to establish direct relationships.

The language of dialectic CSR rhetoric puts emphasis on generating the common good (Argandona, 1998) and community-building via 'civilizing' activities (Waddock, 2004). The global standards theme might be one of the clearest examples. It refers to certifiable or non-certifiable standards focused on raising business accountability. Examples of cited standards are: GRI, AA 1000 AS, ISAE 8000, Rainforest Alliance, Fairtrade,

IPIECA/API, Dow Jones Sustainability Index, FTS100 and the Global Compact, most of these belonging to civil society organizations.

We argue that dialectic rhetoric appeals to a political re-conceptualization of the role of firms, a 'post-positivistic' CSR in Scherer and Palazzo's (2007) terms. The political conceptualization of the firm relates to the fact that corporations are willing to assume political responsibilities such as protecting human rights or defining and enforcing social and environmental standards.

An example of this political role can be found in the words of the Chairman of Rabobank:

"After all, financial institutions have a significant influence on how relevant social issues are tackled, whether it['s] by extending micro-credits in the fight against poverty or by financing the generation of renewal energy"(Rabobank, 2007, p.8).

3.4.8.2 Is this new rhetoric a sign indicating moral legitimacy?

We argue that the profusion of dialectic rhetoric should serve as a means to enhance the discursive quality (Habermas, 1984; Scherer and Palazzo, 2007) amongst corporations and stakeholders since it opens corporate decision-making to civil society discourses (Palazzo and Scherer, 2006).

Communicative approaches on which the principles of discursive quality are based suggest that dialective rhetoric is constructed through joint communicative efforts between the parties involved (Habermas, 1990). Moral legitimacy results from communicative activity (Suchman, 1995) in which the actors try to persuade each other to take joint collective action or decide what direction is suitable. By means of moral

legitimacy, firms support their 'pathos' with constructs that are close to the values and beliefs of their stakeholders.

In contrast to the implementation of purely economic interests as expressed in positivistic models, the idea behind dialectic CSR rhetoric proposes a form of coordination that is oriented towards mutual understanding and agreement.

However, the danger remains that some corporations might be willing to engineer moral legitimacy by manipulating public discourse and by setting public agendas. Companies may also react to legitimacy pressures by adopting highly visible and salient practices that are consistent with social expectations while leaving the essential machinery of their organizations intact (Asforth and Gibbs, 1990). These efforts might secure the support of some stakeholders for a while but they will not lead to moral legitimacy (Palazzo and Scherer, 2006). On the contrary, the attempt to engineer moral legitimacy, for example, by means of instrumental public relations or political lobbying, may even increase moral indignation and further reduce public acceptance (Asforth and Gibbs, 1990; Palazzo and Scherer, 2006).

Table 3.4.2 summarizes the characteristics of the three types of CSR rhetoric.

5. Table 3.4.2: CSR Rhetoric Strategies

Characteristics	Strategic CSR	Institutional CSR	Dialectic CSR
Discursive elements	Legitimated by the economic logic of the firm	Legitimated through the value of the enthymeme	Legitimated by appealing to an engaged dialog
Time scale orientation	Short to mid-term	Long-term (sometimes used as temporal)	Long-term
Position in text	Supports the most important enthymemes	Used in introduction and linkages	Marginal, additional

Rhetoric strategy	Provides the *logos*	Provides the *ethos*	Supports the *pathos*
CSR Foundation	Positivistic	Positivistic	Post-positivistic
Main concepts	Performance	Social contract/duty	Inclusion; dialog
Management theories	CSP; strategic management; project management	Business ethics; stakeholder theory	Corporate citizenship/political view of firm
Role of legitimacy	Pragmatic legitimacy	Cognitive legitimacy	Moral legitimacy
Message to stakeholders	*We are accountable; we manage well*	*We are "good" and responsible;* belong to the CSR community	*We want to engage you in a dialog*

3.4.8.3 How has CSR rhetoric evolved over time?

Rhetoric is an art (Kennedy, 1991), and, as such, the best interpretation comes from looking at the objects of communication from a holistic and inter-temporal perspective (Pettigrew, 1988). Therefore, we approach the question of CSR rhetoric's evolution in two ways: first, with two critical case studies, and, second, with a quantitative study.

We select two critical case studies (Pettigrew, 1988), Nike and Suez, which provide clear examples of how CSR rhetoric within these firms has evolved. At this point, we do not pretend to describe the companies' activities; nor do we aim to ascribe them to any particular classification. Our intention is to understand to what extent their rhetoric is evolving.

3.4.8.3.1 Nike and the strategic link: searching for cognitive legitimacy

Nike's rhetoric starts as strategic and, in 2008, ends by introducing more institutional and dialectic rhetoric. In its 2005 report, Phil Knight, founder and Chairman of Nike,

reflected on Nike's communication strategy. He defined the need to demonstrate performance using a strategic rhetoric.

"We've been fairly quiet for the past three years in Corporate Responsibility because of the Kasky lawsuit. So we're using this report to play a little catch-up and draw a more complete picture. […] Our goal in writing this report has been to be as accurate, complete and honest as we can be about how Nike performs."(Nike, 2005): 2

In 2007, the tone of the reports changed turning CSR as a competitive advantage tool. Mark Parker, then CEO at Nike, explained the company's view of CSR using mainly strategic enthymemes, although with a high dose of institutional constructs:

"We have made tremendous progress over the past two years in more deeply integrating corporate responsibility into our business model. We see corporate responsibility as a catalyst for growth and innovation, an integral part of how we can use the power of our brand, the energy and passion of our people, and the scale of our business to create meaningful change."(Nike, 2007, p.4).

In 2008, Mark Parker, President and CEO of Nike, wrote:

"As we look at how we design and develop products and run our global business, it's not enough to be solving the challenges of today. […] We are designing for the sustainable economy of tomorrow, and for us that means using fewer resources, more sustainable materials and renewable energy to produce new products."(Nike, 2008)

Nike's approach to CSR clearly changes from a defensive position, resorting to pragmatic legitimacy by means of measuring Nike's performance, to a rhetoric that introduces cognitive legitimacy, appealing to the importance sustainability has for all. However, some elements of moral legitimacy are introduced, related to the company's willingness to address the challenges of today and tomorrow.

3.4.8.3.2 Suez and its rhetoric on sustainability and climate change

Another interesting transformation of rhetoric is provided by Suez.

Through its website in 2007 (2006 report), Suez described its relation to CSR as follows:

"*Sustainable development is now an imperative. The challenges that we have to face together at the start of the 21st century are enormous.*" (Suez, 2007a).

In the 2007 report (published in 2008), Gerard Mestrallet, Chairman and CEO of Suez argued:

"Suez business, as well as its strategy and mission, are clearly underpinned by sustainable development." (Suez, 2007b, p.5).

In 2009, Suez provided greater accountability, in its 2008 report, regarding its position in the market and its projects to reduce CO_2 emissions. The company also compared itself to the rest of the industry, using sustainability as a competitive advantage. The following quote illustrates this:

"Adopting production and consumption methods that are more efficient and environmentally friendly is everyone's responsibility, and particularly the responsibility of industrial and energy companies. In this sense, GDF Suez is positioning itself as a major player in the struggle against climate changes by…"(Suez, 2009).

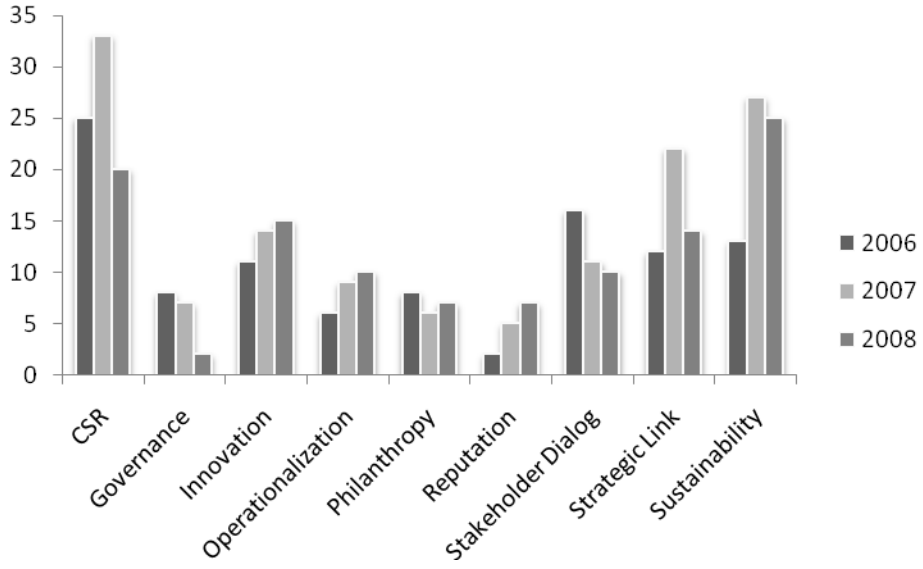
Suez first appealed to cognitive legitimacy and then transformed its rhetoric with a more strategic focus, referring to the importance of the strategic link. Finally, in 2008, Suez adopted a mix of rhetoric, combining dialectic constructs (with references to the global agenda) and strategic rhetoric (operationalization and measuring performance).

3.4.8.3.3 Quantitative results

A more quantitative approach based on 31 companies over 3 years provides room for further generalization. The comparison between the themes composing the CSR rhetoric by years (2006, 2007 and 2008) suggests that, although strategic and institutional rhetoric remain dominant, companies, especially the leaders, are starting to use a more dialectic CSR rhetoric.

Figures 3.4.1 and 3.4.2 provide a sense of how these themes have evolved over time.

2. Figure 3.4.1. Evolution over Time of Mainstream CSR Rhetoric (Strategic and Institutional Rhetoric)



3. Figure 3.4.2. Evolution over Time of Dialectic CSR Rhetoric

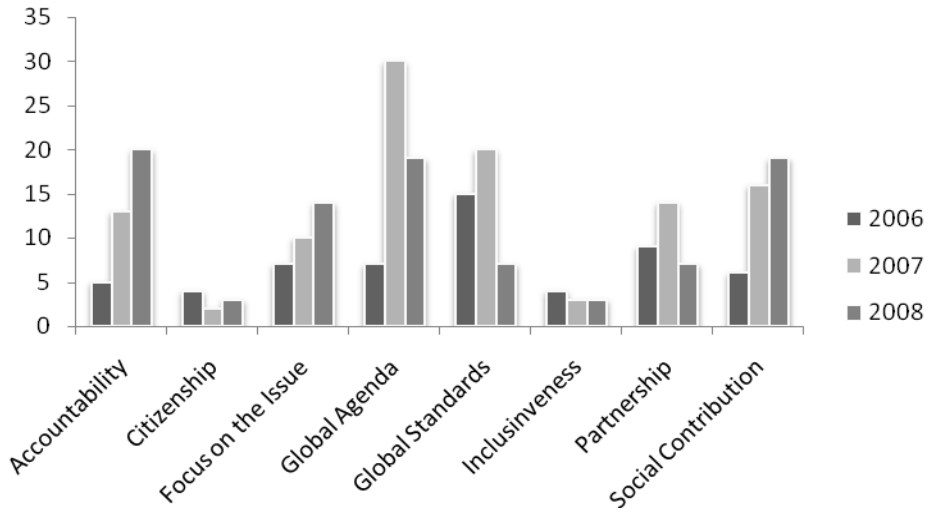


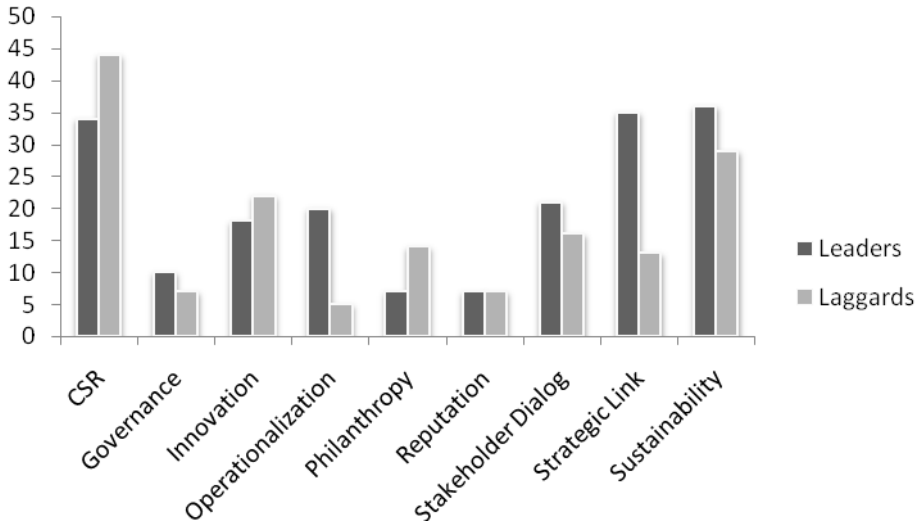
Figure 3.4.1 represents the themes from the first two CSR rhetoric strategies: strategic and institutional rhetoric. We refer to these two types as the mainstream; they predominate in corporate reports. Figure 3.4.2 represents dialectic CSR rhetoric. These figures show that, although mainstream rhetoric remains dominant over the three years, the use of dialectic rhetoric is increasing. The increase of dialectic CSR rhetoric in this time period is statistically significant (Chi-Square for mainstream rhetoric = 17.968; p value = 0.326; Chi-Square for dialectic rhetoric = 28.126; p value = 0.014).

As 3 years might not be considered enough time to identify trends in the evolution of CSR rhetoric, we propose a second order of analysis: the differentiation of the rhetoric between companies identified as leaders and the laggards. The comparison between leaders and laggards and their respective rhetoric will provide a sense of evolution of CSR rhetoric as leaders are the ones that initiate trends and laggards those that, over

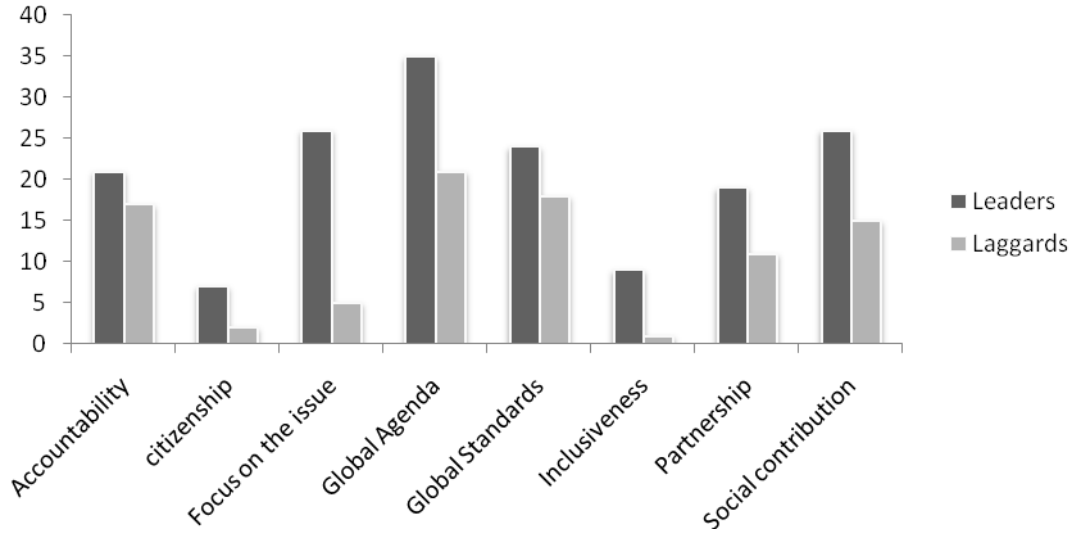
time, follow the leaders and institutionalize this rhetoric (Alvesson, 1993; Herremans et al., 2008; Swales, 1988).

Figure 3.4.3 shows the use of the mainstream themes by the leaders and laggards and Figure 3.4.4 the dialectic themes by both groups.

4. Figure 3.4.3: Mainstream CSR Themes (Strategic and Institutional Rhetoric) among Leaders and Laggards



5. Figure 3.4.4.: Dialectic CSR Themes among Leaders and Laggards



In Figure 3.4.3 we observe that leaders tend to use strategic rhetoric more than laggards and that laggards tend to use institutional rhetoric more than leaders.

However, in Figure 3.4.4 we observe that leaders use dialectic rhetoric more than laggards. The difference between the use of the rhetoric in leaders and laggards is significant (Chi-Square for leaders = 6.696; p value = 0.10). Dialectic rhetoric, although still quite marginal, is being use predominantly by the leaders. We therefore conclude that the use of this rhetoric might grow in time.

3.4.9 Conclusion and open questions for future research

In this study we distinguish three types of rhetoric applied by firms when trying to gain legitimacy: strategic, institutional and dialectic. The three types of CSR rhetoric have different origins and are rooted in different management theories. They also involve

different forms of legitimization. We argue that strategic rhetoric seeks pragmatic legitimacy based on a firm's economic rationale; institutional rhetoric, by contrast, refers to cognitive legitimacy; while dialectic rhetoric aims to establish moral legitimacy. We note that CSR 'laggards' primarily use positivistic and foundational enthymemes, while 'leaders' (though still using positivistic and foundational enthymemes) are starting to employ dialectic rhetoric. This might be a sign that they are searching for a new form of moral legitimacy which aims to improve the discursive quality between corporations and their stakeholders.

A turn towards moral legitimacy and a communicative approach to conflicts implicates a shift from the economic, utility-driven view of CSR into a political, communications-driven concept of organizational responsibility (Palazzo and Scherer, 2006; Wicks and Freeman, 1998; Young, 2003). This communicative approach to moral conflicts reveals a strong link between corporate decision-making and processes of will formation in a corporation's stakeholder network (Calton and Kurland, 1996). The communicative approach also describes "an interactive field of discourse" (Calton and Kurland, 1996) which contributes to the emerging view of corporations as interconnected conversations (e.g., Calton and Kurland, 1996; Deetz, 1995; Kuhn and Ashcraft, 2003; Palazzo and Scherer, 2006; Wicks and Freeman, 1998).

In order to improve the validity of our results, further research is needed with a larger sample and over a longer period of time to shed more light on changes in the kinds of CSR rhetoric employed and the characteristics of the firm applying each. Size, geography and cultural differences should also be considered as variables in defining the types of rhetoric used by firms worldwide. A broader study would provide further insights regarding the variability of the rhetoric employed in the conversations different

firms have with their stakeholders. It would also help define future trends regarding the political role of the firm.

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3.5 Open questions for future research

The above paper presents a first attempt to characterize corporate rhetoric over time. However, some questions still need further clarification:

- How do the rhetoric strategies evolve over longer periods of time?
- How do rhetoric strategies relate to the national, industry and firm characteristics?

I now present the results of a study performed to provide answers to the above questions.

3.6 Paper 3: The rhetoric of Corporate Social Responsibility: strategies of legitimization among Asian firms

This paper was written by Itziar Castelló from the Institute of Social Innovation, ESADE, Universitat Ramon Llull and Roberto Galang from IESE, Universidad de Navarra.

This paper has been accepted for publication in the Best Papers Proceeding of the 2010 Academy of Management Annual Conference.

The paper has been modified from the original article according to the reviewer's suggestions.

3.6.1.1 Abstract

Through a rhetoric analysis of 786 projects from firms located in 22 countries from throughout the Asian region, we argue that companies are looking for new forms of

legitimacy that cannot be completely explained using traditional management theories. We introduce political theory into the debate. We propose a three-approach model for legitimacy management: one based on the strategic rhetoric as a mechanism for achieving pragmatic legitimacy; a second one, that uses the institutional logic for gaining cognitive legitimacy; and a third one, the political approach, in which firms seek to obtain moral legitimacy. The political approach is aimed at improving the discursive quality between corporations and their stakeholders. We also observe that each type of approach has evolved over the past six years in a way that we can trace the trends in the management of sustainability. Finally, we acknowledge patterns within each approach that is dependent on national, industry and firm-specific characteristics.

Keywords: *Corporate Social Responsibility; legitimacy; rhetoric, Asia, political theory*

3.6.2 Introduction: CSR in the Asia laboratory

In Asia, a region increasingly plugged into social media, the internet, SMS and mobiles phones, citizens have created virtual stakeholder groups, which in parallel with traditional social movements, are forcing international and domestic firms to look for higher levels of legitimacy (Fitzsimmons, 2008, p. 46). At the same time, with many Asian countries experiencing tremendous amounts of political, social and economic change in recent years (Schuman, 2009) partly by being a willing investment site to numerous foreign investors from all over the world, firms operating in Asia need to reformulate their legitimacy strategies and justify their novel activities as being socially beneficial (Fitzsimmons, 2008; Welford, 2004). These regional changes are accompanied by the growing complexity of globalized society through an ongoing process of individualization where the once more or less homogeneous cultural life-world background of corporations becomes fragmented into disparate social spheres

(Palazzo and Scherer, 2006). Different values, interests, goals and lifestyles are populating corporations' cultures, making them struggle with growing complexity specially in a context such Asia in which culture, religion and governance systems are heterogeneous even within countries (Beck-Gernsheim and Beck, 2002). Indeed, these inter- and intra-country differences have been postulated as central to fostering substantial variation in the legitimacy acquisition strategies of firms in Asia (Chapple and Moon, 2005).

The growing expectation that organizations should espouse a socially responsible attitude and should engage in socially beneficial activities (Couplan, 2005) is promoting the use of Corporate Social Responsibility (CSR) projects as important vehicles for managing corporate legitimacy (Deegan, 2002; Matten and Crane, 2005; Palazzo and Scherer, 2006; Sethi, 2002; Stratling, 2007; Trullen and Stevenson, 2006; Waddock, 2004b). Like most cultural processes, legitimacy management rests heavily on communication, in most of the cases, communication between the organization and its various stakeholders (Ginzel et al., 1992). Despite the existence of a number of studies analyzing the relationship between the communication logics and legitimacy (Ginzel et al., 1992; Heracleous, 2006; Meznar and Douglas, 1993; Trullen and Stevenson, 2006) there remains a gap in the literature as to how new communication mechanisms such as CSR reports and awards are used by firms to overcome legitimacy challenges (Brown, 1998; Deegan, 2002).

In addition, little has been said about how companies actually realize their legitimacy strategies through discourse (Heracleous and Hendry, 2000) and how national, industry and firm characteristics foster substantial variation in the legitimacy acquisition strategies of firms (Chapple and Moon, 2005; Gardberg and Fombrun, 2006).

This paper provides a two-fold contribution to the legitimacy literature. First, our study analyzes the differences in the signification reproduced by the legitimating logic of the CSR projects. In order to understand how companies express their engagement in CSR, we develop a rhetoric analysis of more than 780 reports of firms operating in 22 countries throughout Asia throughout a six year period. We look at the values and beliefs that companies express through these reports and analyze the meaning of the argumentations in use. We argue that the traditional approaches to legitimacy are not sufficient for understanding the new legitimating logic of corporations in complex globalized societies.

Therefore we introduce the ethico-political approach to our analysis. We argue that companies are increasingly using new forms of legitimacy that express their will of an active justification vis-à-vis society through communicative engagement in active deliberation. We associate this with the increasing politicization of the corporations and their need to overcome their traditional legitimacy pragmatic and cognitive strategies with a discursive concept of moral legitimacy.

Second, the paper utilizes Asia as a laboratory for analyzing the evolution of legitimacy strategies across time, countries, industries and firm characteristics. Apart from the fact that Asian countries have been understudied in the international business literature in general (Bruton and Lau, 2008) and by the CSR literature in particular (Birch and Moon, 2004; Chapple and Moon, 2005), the Asian region provides diversity in institutional and cultural contexts that provides an interesting field for understanding the legitimacy challenges of companies faced with substantial globalization pressures (Hofstede, 2007). This intra-regional diversity has equally spawned a substantial variance in the CSR issues and modes of actions tackled by firms operating in the region (Birch and Moon, 2004; Chapple and Moon, 2005). Our research shows that this

new form of rhetoric, the political rhetoric, is mainly used within the context of potential high conflict with civil society. We characterize potential high conflict as firms operating in developing countries; those in high risk industries like tobacco and pharmaceuticals; and multinational firms attempting to overcome their liability of the foreignness (Zaheer, 1995). The increase of the use of the political rhetoric in high conflict situations might be signaling the effectiveness of corporate engagement with deliberative models.

The paper is organized as follows. First, we look at the different theories analyzing legitimacy. We focus on the theoretical dilemma of the current CSR debate, and, in particular, show the limits of assuming an apolitical role of the corporation in the mainstream conceptualization of legitimacy. Second, we define the scope and methods of rhetorical analysis. Third, we present an exploratory analysis related to the meaning and structures of the dominant argumentations in use. Fourth, we provide a differentiation across time, countries, industries and firm characteristics of the rhetoric analysis. The final section provides a reflection on the theoretical and managerial implications of these results and recommendations for bringing the research agenda forward.

3.6.3 Approaches to legitimacy management

Legitimacy can be understood as a generalized perception or 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, p.574). It is the organization's conformation with social norms, values and expectations (Oliver, 1996). It is vital for organizational survival as it is a precondition for the continuous flow of resources and the sustained support by the organization's constituents (Weber, 1978).

Two major theoretical perspectives have described the management of organizational legitimacy: institutional theories (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Powell and Di Maggio, 1991; Zucker, 1991), and the strategic theories (Ashforth and Gibbs, 1990; Dowling and Pfeffer, 1975). The strategic tradition adopts a managerial perspective and emphasizes the way in which organizations instrumentally manipulate and deploy evocative symbols in order to garner societal support (Suchman, 1995). In contrast, the institutional tradition emphasizes the ways in which sector-wide structuration dynamics generate cultural pressures that transcend any single organization's purposive control. They focus on how organizations, or even whole industries, project legitimacy by merely adopting and maintaining widely-used and accepted practices (Elsbach, 1994; Powell and Di Maggio, 1991).

We argue in this paper that it is important to introduce a third theoretical perspective into the debate based on political theory in order to reflect the conditions of a pluralistic and post-national society in which we live and in which values transcend the traditional institutional sphere (Palazzo and Scherer, 2006; Scherer and Palazzo, 2007). Political theory aims to re-embed the economy in its overall ethico-political context (Dubbink, 2004; Fung, 2005; Matten and Crane, 2005). It is an attempt to go beyond the purely instrumental conceptualization of the role of the firm and understand the responsibilities inherent to organizations living in the broader ethical context, touching on the fundamental rights and the intrinsic worth of human beings (Donaldson and Dunfee, 1994; Donaldson and Preston, 1995; Freeman and Philips, 2002) .

Because real world organizations face strategic operational challenges, institutional constitutive pressures and ethico-political constraints, it is important to incorporate all three theories into the larger picture that highlights both the way in which legitimacy acts like a malleable resource and a taken-for-granted belief system (Swidler, 1986).

Consequently, in this article we look at all three theories to interpret the communicative accounts that companies are using in order to formulate their legitimacy strategies.

3.6.3.1 Strategic approach to legitimacy

The strategic approach assumes that the multiplicity of legitimacy dynamics creates multiple opportunities for managers to maneuver strategically within their cultural environments (Ashforth and Gibbs, 1990; Oliver, 1991). The strategic approach treats legitimacy as an "operational resource" (Suchman, 1995) that can be managed and directly influenced by the corporation (Ashforth and Gibbs, 1990). It defines legitimacy as an organization's ability to instrumentally manipulate and deploy evocative symbols in order to garner societal support (Suchman, 1995, p.572), applying a pragmatic form of legitimacy.

Pragmatic legitimacy rests on the organization's selfish calculation of the interest its subject has for its most immediate audiences, namely, the corporation's stakeholders (Suchman, 1995). This interest can be made manifest in terms of direct exchanges between the organization and the stakeholders or it can also involve broader political, economic or social interdependencies. Under the pragmatic legitimacy view, stakeholders will ascribe legitimacy to the corporation so long as they perceive that they will benefit from the company's activities, for example, by directly or indirectly receiving some kind of benefit such as payment or through the indirect gain of corporate activities which might lead to some societal benefit such as innovation. Therefore, it represents a fundamental challenge for corporations to persuade their stakeholders about the benefits of their products, procedures and outputs.

Hence, the strategic approaches treat CSR as an operational resource that can be managed and directly influenced by the firm to serve instrumentally as the means for

profit maximization. The instrumental interpretation of CSR is also assumed within most studies on Corporate Social Performance (CSP) (Carroll, 1979; Wartick and Cochran, 1985; Wood, 1991) in which rational managers invest in CSR initiatives to maximize their profits (Friedman, 1970).

Strategic theories as well as CSP argumentation relate to the ability of the firm to manage CSR and to relate it to its own goals. Their aim is to explain observable phenomena through data and measurements, general or statistical laws and situational conditions. Donaldson (1996) and Scherer & Palazzo (2007) use the term 'positivistic' to describe this type of argumentation. By positivistic they refer to a CSR discourse that is fundamentally descriptive and instrumental. The research methods behind this discourse are orientated towards the empirical sciences and associated with the positivistic methodology (Bacharrach, 1989). CSP theories are created to explain the 'status quo' common to social systems, with their hypotheses and causal relationships. The implicit goal is to produce technical knowledge about how organizations work and how their survival in a competitive environment can be achieved (Burrel and Morgan, 1979; Scherer and Palazzo, 2007). The positivistic approach does not attempt to justify norms but only provides a description and explanation of activities and norms without critically questioning said norms (Scherer and Palazzo, 2007).

The strategic approach has its limitations in its positivistic nature and its instrumental legitimation. With the exclusive use of a strategic legitimacy approach, firms are not able to explain to their stakeholders what their beliefs are and what normative frameworks, hopes and expectations they support. Furthermore, the strategic approach is overly focused on pragmatic legitimacy, assuming that corporations have the power to strategically influence their societal context and thus manipulate the process of legitimacy ascriptions.

3.6.3.2 Institutional approach to legitimacy

Institutional theories have focused on how organizations build support for legitimacy by maintaining normative and widely-endorsed organizational characteristics (DiMaggio and Powell, 1983; Scott, 1991). As argued by Fombrun and Shanley (1990), the development and retention of institutionalized structures, procedures or personnel signal normativity, credibility and legitimacy to outside audiences. Organizations may consciously or unconsciously use links to institutionalized structures or procedures to "demonstrate the organization's worthiness and acceptability" (Oliver, 1991, p.158).

The willingness to comply within broader societal expectations provides corporations with cognitive legitimacy (Suchman, 1995). Cognitive legitimacy results from the acceptance of some broadly taken-for-granted assumptions available through cultural models which provide plausible explanations for the organization and its endeavors (Scott, 1991). Cognitive legitimacy exists when there is little question in the minds of the different actors that the corporation serves as a natural way to effect some kind of collective action (Hannan and Carroll, 1992). Cognitive legitimacy operates mainly at the subconscious level, making it difficult for the corporation to directly and strategically influence and manipulate perceptions (Oliver, 1991; Suchman, 1995).

The growing expectation that organizations should espouse a socially responsible attitude (Couplan, 2005) is promoting the use of CSR projects and its rhetoric as important vehicles for gaining cognitive legitimacy (Waddock, 2004a). CSR is starting to be embedded in the cognitive societal spectrum of what is considered good business practice (Bonini et al., 2006; Economist, 2008). CSR and Sustainability is increasingly used in corporate reports as a way of claiming for a new and more respected way of

operating and to “demonstrate the organization’s worthiness and acceptability” (Oliver, 1991, p. 158).

We argue that through the institutional logic, CSR lies within the positivistic approach described by Scherer and Palazzo (2007) as it evokes the broader acceptance of the economic role of the firm. Even authors who appeal for a broader view on CSR through concepts, such as sustainability, often do not transcend descriptive and instrumental frameworks (Margolis and Walsh, 2003; Palazzo and Scherer, 2006; Vogel, 2005). Some argue that through the institutional logic, CSR is used in a fairly fuzzy way, its terms that lack an in-depth meaning (Kusyk and Lozano, 2005). Some authors such as Göbbels (2002) and Fergus (2005) argue that constructs such as CSR and sustainability might be losing their philosophical meaning, as their principles are debased by overuse and inclusion in the dominant scientific-economic paradigm and the positivistic approach to CSR.

The institutional approach to CSR is a recurrent construction in the firms’ communications strategies. However, it may collapse when subconscious acceptance is substituted by explicit considerations; it may also lead to rejection if practices are perceived to be unacceptable (Palazzo and Scherer, 2006). This might be the case when stakeholders perceive that sustainability projects are merely used for reputational gains. Therefore, some of the stakeholders, especially those related to civil society, have started to see the limits of this legitimacy strategy as it remains fairly academic, empty in meaning and disconnected from their specific language and specific needs. Furthermore, although constructs such as CSR, sustainability, among others, may have been recognized as desirable symbols in the 1970s and 80s, they are losing their normative force today. Although they are accepted as a mechanism for cognitive legitimacy, institutional rhetoric does not lead to moral legitimacy especially in a highly

pluralized context, such as that in Asian societies, where the normative taken-for-grantedness, as it is subsumed within the concept of cognitive legitimacy, is limited by the diversity and complexity of societies (Hofstede, 2007; Palazzo and Scherer, 2006).

Following Suchman's (1995) thesis, pragmatic legitimacy under the strategic approach would be too weak due to its limited group-specific and ephemeral impact. Cognitive legitimacy, through the institutional approach, would be devaluated due to the pluralization of modern society. Palazzo and Scherer (2006) argue that moral legitimacy, understood as the conscious moral judgments on the organization's output, becomes a decisive source of societal acceptance and hence, the ethico-political approach to legitimacy becomes a fundamental theory for understanding the process of legitimation.

3.6.3.3 Political approach to legitimacy

The aim of political theory is to re-embed the economy in its overall ethico-political context (Palazzo and Scherer, 2006). Recently, there has been a broader effort in placing the debate on legitimacy and CSR into of the broader context of political theory (Matten and Crane, 2005; Scherer and Palazzo, 2007). However, the self-reference of organizational legitimacy theory separates it from an appropriate analysis of societal changes (Palazzo and Scherer, 2006). This theoretical separation is embedded in the strategic and institutional theories. The political approach analyzes how organizations are conscious of some aspects of their social condition along with the communicative activities in which they try to persuade others to join in their collective actions.

In contrast to the implementation of purely economic interests as expressed in positivistic models, the idea behind the political approach relates to a post-positivistic

understanding of CSR as a form of coordination that is oriented towards mutual understanding and agreement (Asforth and Gibbs, 1990) instead of profit maximization. Palazzo and Scherer (2006) argue through political theory that gaining legitimacy has less to do with compliance with the existing norms than with participating in public discourse through dialog with the stakeholders. They associate this process with gaining moral legitimacy.

Within the institutional theories, moral legitimacy has been widely defined as a process that reflects a positive normative evaluation of the organization and its activities (Aldrich and Fiol, 1994; Parsons, 1960; Suchman, 1995). As defined by Suchman (1995), moral legitimacy refers to conscious moral judgments on the organization's outputs, procedures, structures and leaders. It is sociotropic, resting not on judgments about whether a given activity benefits the evaluator but, rather, whether the activity is "the right thing to do"(Suchman, 1995). However, the pluralization of modern societies in the context of growing globalization results in a loss of cultural homogeneity that erodes normative taken-for-grantedness of cognitive legitimacy and the institutional conception of moral legitimacy (Palazzo and Scherer, 2006, p.74). Globalization has also led to a debate on the interplay of state, economic and civil society (Beck, 1992). Political theory calls for a re-conceptualization of moral legitimacy giving the corporations an active political role in the process interacting with the rest of the political institutions (Palazzo and Scherer, 2006). In this context, corporations can gain moral legitimacy only through their vigorous participation in discussions with the rest of the political actors (Palazzo and Scherer, 2006, p. 73). Managing moral legitimacy must, therefore, be perceived as deliberative communication through persuasion using rational arguments (Scherer and Palazzo, 2007). The presupposition of a deliberative argument is that the participants, even if they do not agree, share at least some meanings

and principles of inference in order to address social issues and set the global agenda. As understood by political theory, gaining moral legitimacy from society in this day has less to do with compliance with the existing norms or corporate image engineering than with participating in public discourse through dialog. Corporations try to build partnerships and stakeholder dialog processes in order to gain further legitimacy and as an attempt to redefine their role in the political sphere (Lozano, 2005; Maak, 2009).

However, the danger remains that some corporations might be willing to engineer moral legitimacy by manipulating public discourse and by setting public agendas. Companies may also react to legitimacy pressures by adopting highly visible and salient practices that are consistent with social expectations while leaving the essential machinery of their organizations intact (Palazzo and Scherer, 2006). These efforts might secure the support of some stakeholders for a while but they will not lead to moral legitimacy (Asforth and Gibbs, 1990; Palazzo and Scherer, 2006). On the contrary, the attempt to engineer moral legitimacy, for example, by means of instrumental public relations or political lobbying, may even increase moral indignation and further reduce public acceptance (Asforth and Gibbs, 1990; Palazzo and Scherer, 2006).

Table 3.6.1 summarizes the three approaches to legitimacy as described above.

6. Table 3.6.1: Institutional, Strategic and Political Approaches to Legitimacy Management: Theoretical Approaches

	Strategic	**Institutional**	**Political**
Who manages legitimacy?	Managers in active change management	Organizations by conscious or unconscious adaptation; field or society	Organizations conscious of their ethical dimensions and society
What type of	Instrumental legitimacy	Cognitive legitimacy	Moral legitimacy

legitimacy do they provide?			
How is legitimacy managed?	Organizations use communicative accounts to gain or maintain legitimacy	Organizations use normative structures to signal legitimacy	Organization aims at improving the discursive quality with their social stakeholders
What is the CSR orientation?	Positivistic	Positivistic	Post-positivistic
Message to stakeholders	We manage well; we use CSR to earn additional profits	We are "good" and responsible; We belong to the CSR community	We want to engage you stakeholders in an equal dialog
Examples in literature	(Carroll, 1979; Wartick & Cochran, 1985; Wood, 1991)	(DiMaggio & Powell, 1983; Scott, 1991) Fombrun & Shanley, 1990)	(Matten & Crane, 2005; Scherer & Palazzo, 2007)

Within contemporary organizations theory and social issues in management studies, legitimacy is more often invoked than described (Schuman, 1995) and it is more often described than analyzed in relation to the characteristics of firms and its challenges. When describing the mechanisms that organizations apply in searching for legitimacy, scholars have often confronted the challenge of incorporating a pragmatic (through a strategic perspective) and a cognitive (through an institutional perspective) dimension of legitimacy that explicitly acknowledge the role of the social audience in the legitimation dynamics (Ginzel et al., 1992; Suchman, 1995). However, as argued by Palazzo and Scherer (2006) few scholars have integrated the ethico-political dimension to the analysis of legitimacy management.

We have chosen to observe a number of firms in their processes of gaining and maintaining legitimacy through CSR projects. We filter these observations through the

above explained strategic, institutional and political approaches to gain a deeper understanding on how firms approach legitimacy challenges and how we can relate them to the theories of management.

Furthermore we approach the observation of the firms at three levels: the national, industrial and firm-based factors that affect firm strategic processes (Peng, 2002; Peng et al., 2009). The limited amount of studies that have been conducted highlighting all three "legs" of this strategy tripod indicate the salient impact of all three drivers in understanding firm behavior. To further understand the above mentioned theoretical propositions we study of the following research questions:

1. What is the rhetoric for expressing legitimacy that Asian firms use when describing their CSR projects? How do these rhetoric expressions relate to the strategic, institutional and political approaches to legitimacy?
2. How are these different forms of expressing legitimacy related to the national, industrial and firm-based factors?

3.6.4 Scope and methods

3.6.4.1 Discourse analysis as method of analysis

To understand how companies express their engagement in CSR when managing legitimacy, we need to understand how they express their values and beliefs. These values and beliefs are not necessarily consciously evoked, being located in the actor's practical consciousness but can be analyzed through the study of the discourse of organizations (Giddens, 1984; Heracleous, 2006).

Speeches or written reports can thus be seen as exhibiting structural properties that as Heracleous and Hendry (2000) and Heracleous (2006) define, are largely implicit, inter-

textual, trans-temporal and trans-situational. Heracleous (2006) argues that rhetorical strategies act as features of discourse, and can be discerned through the analysis of communicative actions and issues in different situations and temporal contexts. These rhetorical strategies often take the form of enthymemes or argumentations in use. Enthymemes or argumentations in use are rhetorical structures of argumentation. They are syllogisms whose premises are drawn from the audience (in this case, us the researchers). They are usually only partially expressed, their logic being completed by the audience. As argued by Cheney, Christensen, Conrad & Lair (2004), enthymemes or argumentations in use are not universally rational or true but are so only within specific socio-cultural contexts, depending on their conformity with the audience's beliefs and assumptions. They also argue that one way researchers can uncover values and beliefs that are taken for granted in a given analysis is through identification and analysis of enthymemes - particularly their unstated and assumed premises.

In this research we look for the argumentations in use as a way to understand the stable patterns that underlay the legitimacy strategies undertaken by organizations. We analyze the argumentations in use interpreting what we presuppose are its meanings. We support the interpretation with the above described literature.

3.6.4.2 Research sample

We study the language used by corporations in projects sent to CSR corporate awards. We use the project nominations as a proxy for the rhetoric used by the companies in their corporate discourse to stakeholders. As corporate awards are mechanisms for the active search for legitimacy, the language represented in the projects sent to be nominated for the awards implicitly contain not only the values and culture of the firm, but also different forms of normative evaluation that might be used as forms of

legitimacy strategies (Suchman, 1995). Organizations put great effort into winning awards and receiving the associated positive publicity such awards generate. Winning an award might have positive implications for the reputation of the company (Deegan, 2002) especially if those awards are provided by entities with strong reputations within the societies where corporations operate.

We utilized a multi-year, multi-country database of Asian CSR projects sent to the Asian CSR Awards. This database was generated by the Asian Institute of Management, through its Ramon V. del Rosario Center for Corporate Social Responsibility which organizes the annual Asian CSR Awards, the largest and most important CSR award in the region. Since its inception in 2003, this award has sought to recognize Asian companies for outstanding and innovative CSR projects. A total of 767 entries from 22 different Asian countries through six reporting periods from 2003 to 2008 were collected for this research. These are comprised of all official nominations.

Table 3.6.3. Shows the number of projects analyzed by year.

7. Table 3.6.2.: Total Projects Analyzed

Years	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**All**
Total Projects in All Categories Analyzed	108	172	137	123	128	118	786

Each Asian CSR award nomination consists of an official nomination form consisting of a 1,000 word description of the project that includes the project's name, objectives and achievements. Collateral materials in the form of videos, printed materials, brochures and other materials related to the project may be submitted by the proponent

firm to support each entry. All submitted documents are written in English, with translations provided to collateral materials that are written in a different language. We considered this an appropriate sample for research as these official nomination forms provides greater consistency and comparability for this international rhetoric analysis. We encoded each submission separately; our analysis was centered on understanding the sentences that could help us to define argumentations in use. We did not look at the general structure of the submission that although not pre-defined could lead to misinterpretations related to the suggested guidelines for project submission.

We acknowledge two main limitations to the sample. One limitation is the fact that the submission of the nomination is provided in the English language. The fact that all projects are described in English might reduce richness of the analysis in two ways. First, national languages would provide better nuances for the communication rhetoric and thus companies intent. Second, English being the language of business communication might provide an implicit way of structuring the ideas through a reduced set of words used by companies whose native language is not English. However, we consider that the information provided in the reports contains enough nuances to perform our research. The other limitation is the fact that the projects are comprised of five categories: Best Workplace Practices, Concern for Health, Environmental Excellence, Poverty Alleviation and Support and Improvement for Education. A first look into these categories might lead us to think that projects submitted to the different categories would have an implicit rhetoric related to the category content. We have diminished the effect of this problem by aggregating all projects independently of the categories and searching for common patterns of rhetoric.

3.6.4.3 Defining the themes of the legitimacy strategies

The nature of the research and the lack of accounts in relation to the subject of study made us first take an interpretative approach to the research. The first analytical task was to detect themes which could help us to make sense of the patterns of discourse in the companies we analyzed. The data analysis was characterized by a inductive process of going back and forth from critical reflection to the data, searching for key themes and patterns, and questioning, redefining or buttressing with evidence the themes identified (De Vries et al., 1987; Strauss and Corbin, 1991). We looked for the dominant argumentation repertoires or argumentations-in-use. This was made through an iterative process of translation and reduction through selecting, focusing, simplifying, abstracting and transforming (Miles and Huberman, 1994).

In order to systematize the theme creation and quantification, we used thematic analysis. Thematic analysis (Boyatzis, 1998) is a process for encoding qualitative information where the encoding requires an explicit "code". The code may be a list of themes: a complex model with themes, indicators, and qualifications that are causally related (Googins, 2007; Matten and Moon, 2008; Zadek, 2004). We selected thematic analysis as it allows for the incorporation of operant and open-ended measures in the design of the experiment by counting the presence and frequency codes and isolating themes for group analysis. Codes aim to interpret rhetorical statements and codify the argumentations in use.

The process of coding was developed by a total of four researchers. One researcher looked for initial patterns and defined the codes. A second researcher validated these codes. Two additional researchers then looked for codes in the completed sample. All nomination entry forms from the environmental excellence category were coded by in parallel by the two researchers separately. The coding sheets completed by each

individual researcher were compared in order to diminish the subjectivity of the coding process. Disagreements between the two coding sheets were discussed and adjudicated by the two authors. With later nomination forms indicating sufficient harmony in the coding process, forms from the final two categories were coded individually by the two researchers. The coding exercise was done utilizing the software NVIVO.

3.6.5 Findings

3.6.5.1 Answers to research question 1: The different forms of expressing legitimacy and its relation to the legitimacy theories.

In the coding exercise, we firstly found more that 22 codes that were finally reduced to nine central themes. These themes, namely, management, accountability, strategic link, innovation, social contribution, stakeholder dialogue, sustainability, CSR and partnership were defined as dependent variables for the ulterior statistical analysis. Although inductively defined, prior research developed by Castelló and Lozano (2009a) and Attarça and Jacquot (2005) support the importance of these themes and their ascription to the theoretical legitimacy approaches above described. The detailed descriptions that formed the basis of each of the nine themes are explained in Table 3.6.3 while Table 3.6.4 shows the percentage of usage of each theme.

8. Table 3.6.3.: Qualitative Analysis: Themes and Examples

Theme Name	Theme Explanation	Example
Management	Any mention to the way in which businesses uses systems, processes and structures, including the development of new capabilities in their projects. Includes mention of *capacity building, managerial skills.*	Nestlé also conducted demonstrations and training on post-harvest control to achieve high quality raw produce.

Strategic Link	Any mention to the relationship between CSR or sustainability activities and the strategy of the firm. Any explicit mention to *strategy, business model.*	Telkom's CSR evolved to a new approach, aligned with TELKOM's business strategy.
Innovation	Any mention to a process leading to new products or processes resulting from CSR policies or stakeholder engagement. Includes mention of *innovation* or *entrepreneurs* leading to social innovation.	E4T is becoming a model for CSR Program in Sumatra.
Accountability	Any mention to a process in which the firm is held into account by stakeholders. Include voluntary actions from the firm to increase its transparency and level of accountability, such as: footprint measures, lobbying measures. Include formal mechanisms of accountability, such as external committees. Any mentions of *standards, accountability, audit, review.*	Methane Abatement through Composting is a project under the Kyoto Protocol's Clean Development Mechanism (CDM) taken up by Golden Hope Plantations Berhad (Golden Hope).
Stakeholder Dialogue	Any mention to a process of communication with the stakeholders coming from the firm. Includes communication, dialog, and response. Any mention of the words *stakeholder, conflict resolution, dialogue.*	To get willing cooperation of crucial stakeholders, workshops were conducted for elected representatives in the village namely the Panchyati Raj Institution (PRI) representatives.
Partnership	Any mention to collaborations or partnerships other than strictly business partnerships. Any mention of the words *partnership, collaboration, consensus.*	Suitable plantations in the Sabaragamuwa district were chosen with the help of Planters Association of Sri Lanka.
Social Contribution	Any explicit mention to the importance of the contribution of the firm to social improvement, benefits to humanity or positive change for the maintenance of the environment.	In support of the efforts to improve living standards in rural communities, Coca-Cola China established a model of the first "New Village Project" in Hunan Province.
Corporate Social Responsibility	Any mention to voluntary initiative, integration of social and environmental concerns in business operations. Includes mention of the words *corporate responsibility* or *corporate citizenship.*	PT Astra International Tbk is one such company who implements its corporate social responsibility seriously.
Sustainability	Any mention to activities aiming towards balancing the fulfillment of human needs with the protection of the natural environment so that these needs can be met not only in the present, but in the indefinite future. Any mentions of the words *sustainability* or *sustainable development.*	The project is in line with Dow's 2015 Sustainability Goals one of which is to contribute to the success of the community.

9. Table 3.6.4.: Percentage of Projects Utilizing Each Theme by Year

Themes/ Years	2003	2004	2005	2006	2007	2008	All Years
Management	86.1%	81.3%	91.0%	92.5%	92.9%	93.3%	89.07%
Strategic Link	29.6%	29.2%	45.9%	44.2%	52.8%	45.4%	40.74%
Innovation	29.6%	25.1%	43.6%	38.3%	44.1%	37.8%	35.98%
Accountability	31.5%	32.7%	46.6%	56.7%	60.6%	63.0%	47.81%
Stakeholder Dialog	26.9%	39.2%	48.1%	45.8%	48.0%	33.6%	40.61%
Partnership	57.4%	59.1%	66.2%	70.0%	66.9%	78.2%	65.93%
Social Contribution	73.1%	78.4%	78.9%	88.3%	85.0%	82.4%	80.97%
CSR	19.4%	28.7%	42.1%	35.8%	27.6%	35.3%	31.61%
Sustainability	43.5%	47.4%	57.9%	54.2%	63.0%	58.8%	53.98%

Our analysis into the themes identified allowed us to classify the themes under the three main rhetoric approaches: strategic, institutional and political rhetoric.

3.6.5.1.1 Strategic rhetoric

In the first argumentation repertoire, the central theme associated is "management" which represents any mention to the way firms build organization capabilities or develop tools to improve the effectiveness or efficiency of the projects developed. The second theme related to this rhetoric strategy is "strategic link" and the third is "innovation". These are all central themes, being "management" the dominant one as it appears in almost 90% of the projects analyzed.

We associate the strategic rhetoric to the pragmatic approach to legitimacy. The strategic rhetoric is supported by a set of themes that are related to CSP argumentation, to the ability to manage CSR and to relate it to the goals of the firm. Their aim is to explain observable phenomena through data and measurements. They provide a pragmatic legitimacy which rest on the selfish calculation of the interest of the firm in gaining profits from the CSR projects. Some examples of this rhetoric can be found in the following quotes:

"Fondly called, "Sitel Footprints", it is quite a solution, addressing both the need to strengthen community relations, and the need for a steady pool of qualified applicants for the growing business."

"(The project) is supported by every person in the company because we believe it will help us champion consumers' interest, enhance image and standards of our profession, and be a model for our industry."

"TELKOM CSR evolved to a new approach, aligned to TELKOM's business strategy: 'To Increase Profitable Growth through Managing Stakeholders'"

As seen in these sample quotes, companies express pragmatic legitimacy in defining CSR as linked to their strategic goals and innovation processes that they relate with economic growth, increase in sales and profitability.

3.6.5.1.2 Institutional rhetoric

We associate a second argumentation repertoire to the themes "social contribution", "CSR" and "sustainability". Social contribution refers to the rhetoric used by the firms when expressing their willingness to contribute to improving the social or environmental conditions of a region. The theme "social contribution" is mentioned in more than 80% of the reports analyzed. Social contribution is often supported in the reports by other themes like Corporate Social Responsibility, which refers to any mention to the responsibilities of the firm towards the environment or society; and sustainability, which relates to the concerns of the firms by the social and environmental future.

The institutional rhetoric relates to the willingness to comply within broader societal expectations of the firm and we argue it provides corporations with cognitive legitimacy. In the following examples it is shown that companies often use the terms CSR and sustainability empty of their original academic meaning. They use CSR and sustainability as standard terms that everybody can understand and that help them to relate a group of firms willing to be perceived as "good companies".

"PT Astra International Tbk is one such company who implements its corporate social responsibility (CSR) seriously…Having a low internet penetration rate, which is a basic of ICT, PT Telekomunikasi Indonesia, Tbk (TELKOM) grabs this opportunity to provide something towards the community as a form of Corporate Social Responsibility (CSR)."

"Philanthropy and Corporate Social Responsibility (CSR) is serious business as UnionBank commits 1% of annual net income for CSR."

In these sentences, we recognize how organizations consciously or unconsciously use links to institutionalized structures such as CSR to demonstrate the organization's worthiness and acceptability claiming for a cognitive legitimacy.

3.6.5.1.3 Political rhetoric

The political rhetoric includes concepts such as partnership, accountability and stakeholder dialog. We interpret these enthymemes as an effort by firms to relate with their stakeholders on the basis of dialog and public justification of the firms societal contribution. The corporate aim here is that this dialogue will lead to more informed and rational results; it will increase the acceptability of the decisions and promote mutual respect.

Although less frequent in its use (see Table 3.6.4), this rhetoric, could be associated with an increasing desire of the firms to gain a new form of legitimacy. This legitimacy is defined by the practice of dialogue between corporations and their stakeholders, and is supported by their desire to incorporate new forms of relations with the civil society through partnerships or through the use of accountability mechanisms often related to standards defined in collaboration with the civil society and international associations such the International Labour Organization (ILO), the Global Reporting Initiative (GRI), the Extractive Industries Transparency Initiative (EITI), the SA 8000, among others.

We argue that the political rhetoric is a source of moral legitimacy as it results from "explicit public discussion" and corporations participating in these discussions. Gaining

moral legitimacy from society is understood in relation with participating in public discourse through dialog as defined in the previous theoretical chapter.

3.6.5.2 Answers to research question 2: Different forms of expressing legitimacy related to the national, industrial and firm-based factors

Using the data from the rhetoric analysis above, we conduct a further empirical quantification to explore the relationship between the context and the resources possessed by each firm, and their impact on the way firms express and motivate their CSR projects. To do that, we first generate nine separate dependent dummy variables from each of the thematic codes enumerated previously. Every instance that the coder observes a sentence fragment containing any instance of one of the nine codes, the coder rated the entire nomination form with the number one, meaning containing that rhetoric type. Nomination forms without a single sentence containing instances of each particular rhetoric type are coded as zero.

Each project nomination was subsequently encoded based on the firm and project characteristics that serve as the independent variables for the research. These variables included the project year and country location of the project. We converted the project year variable into separate year dummy variables to measure any changes in the frequency of use of the rhetoric code over the study period.

We created size dummy variables that captured whether firms were small, medium or large based on the number of firm employees. In accordance with prior studies of Asian companies, companies with less than 100 employees were categorized as small; companies with more than 100 employees but less than 1000 employees were deemed as medium-sized, while companies with more than 1000 employees were categorized as large. This information was obtained through a manual search of corporate websites,

annual reports and online company information. It was not feasible to generate an actual employment figure for each firm as many of these firms were privately-held and provided very limited data for the general public.

Firms were also categorized as to whether the company was a local firm or a multinational. Local firms are defined as those headquartered in the country where the CSR project is being conducted; multinational corporations are those with headquarters different from the location of the CSR project.

To control for any industry effects, we generated dummy variables to categorize the main industry that each proponent firm is involved in. We generated the following industry variables: extractive, pharmaceuticals, consumer, manufacturing, agriculture and tobacco industries. Extractive industries were those that involve the production of raw materials from natural resources, such as firms involved in the petroleum, mining, pulp and paper industries. Consumer industries are companies that provide services for individual or household consumption, such as restaurants, banks and retailers. The rest of the industry variables are sectoral variables, as they involve firms that conduct business in the manufacturing, pharmaceutical or tobacco sectors. We categorized each proponent firms based on their own description as located in the nomination firms, supplemented by an online search for firms with limited descriptions. With multi-sector business groups being prevalent in many developing countries, we categorized each firm based on the industry that generates the largest amount of revenue for the firm.

We generated a number of other variables to control for country characteristics. We obtained the logarithm of the gross domestic product per capita, the corruption perceptions index from Transparency International to control for the level of political development and the political stability index from the World Bank Governance Indicators to ascertain the level of political stability of each country. In addition, we

generated separate dummy variables for each of the 22 Asian countries included in the research to control for unobservable country fixed effects. We also generated control variables for each nomination category that was included in the analysis: environment, poverty alleviation and education, in order to control for the differences in the rhetoric driven by the particular project nomination category.

With our binomial dependent variables for each rhetoric code, we ran logistic regressions for our hypothesis tests. The logistic regressions allow us to note some general trends in the use of particular types of CSR rhetoric over the study period and provide a brief snapshot of the dynamic nature of CSR rhetoric in Asia. More importantly, the regressions provide a means to investigate which firm-specific aspects promote the greater use of each particular rhetoric type.

Nine separate logistic regressions were generated, one for each rhetoric code. Each of these regressions used the same model specification to facilitate inter-code comparisons. The summarized results of these regressions are shown in Table 3.6.5. Note that the logistic regressions include the full model specification described in the earlier section, with all independent firm and country variables as indicated in the table. However, in the interest of brevity and clarity, the control variables made up of the nomination category and individual country dummies have been dropped from logistic regression table, even as they were all utilized for the actual regressions. The results can be analyzed at two different levels: firstly, the evolution in time of the themes; and secondly, the relations between the themes and the firm's characteristics.

10. Table 3.6.5.: Logistic Regression Results

	Management	Strategic Link	Innovation	Accountability	Stakeholder Dialogue	Partnership	Social Contribution	CSR	Sustainability
Log GDP per Capita	5.678 (6.620)	-5.076 (3.616)	-3.398 (4.340)	-12.227** (3.731)	-7.786† (4.238)	-4.633 (3.797)	-1.572 (4.888)	-11.581** (3.944)	-0.264 (3.988)
Corruption Control	-0.038 (0.943)	-1.140† (0.620)	2.427** (0.729)	0.254 (0.661)	1.618* (0.727)	1.507* (0.658)	-0.480 (0.800)	1.643* (0.643)	0.852 (0.697)
Political Stability	-0.416 (0.615)	0.135 (0.427)	-0.788 (0.498)	0.281 (0.476)	0.370 (0.490)	0.083 (0.437)	0.903† (0.522)	0.771† (0.456)	-0.074 (0.488)
Local	-0.402 (0.368)	0.444* (0.201)	0.160 (0.226)	0.264 (0.198)	0.097 (0.217)	-0.274 (0.210)	-0.494† (0.263)	0.502* (0.210)	0.139 (0.208)
Small	0.550 (0.622)	-0.194 0.380	0.119 (0.407)	0.255 (0.365)	0.465 (0.408)	-0.623† (0.350)	-0.265 (0.439)	0.109 (0.369)	-0.045 (0.376)
Medium	-0.823* (0.385)	-0.328 (0.253)	-0.056 (0.290)	-0.122 (0.250)	-0.071 (0.285)	-1.013** (0.253)	-0.107 (0.318)	-0.073 (0.254)	-0.391 (0.269)
Extractive	0.243 (0.589)	0.131 (0.326)	0.914* (0.361)	0.968* (0.329)	0.320 (0.359)	0.160 (0.355)	-0.679 (0.422)	-0.145 (0.346)	1.581** (0.373)
Tobacco	0.0614 (0.889)	-1.012† (0.559)	0.471 (0.538)	1.077* (0.484)	0.242 (0.504)	-0.707 (0.483)	0.434 (0.825)	-0.219 (0.530)	1.557** (0.512)
Pharmaceuticals		0.101 (0.647)	-1.299† (0.724)	1.206† (0.638)	-0.252 (0.708)	-0.568 (0.658)	0.290 (1.106)	0.438 (0.629)	0.522 (0.631)
Agriculture	0.111 (0.851)	0.145 (0.441)	0.228 (0.477)	0.720 (0.448)	-1.039† (0.592)	0.106 (0.492)	0.068 (0.636)	-0.168 (0.476)	0.780 (0.492)
Manufacturing	0.022 (0.448)	-0.034 (0.265)	0.095 (0.302)	0.383 (0.262)	0.092 (0.291)	0.009 (0.277)	-0.866* (0.359)	0.116 (0.272)	0.592* (0.278)
Consumer	-0.388 (0.411)	-0.224 (0.261)	-0.255 (0.300)	0.186 (0.257)	-0.457 (0.287)	0.050 (0.267)	-0.295 (0.360)	0.005 (0.263)	0.109 (0.270)
Y2004	-1.223 (0.707)	0.733 (0.451)	-0.292 (0.528)	1.425** (0.475)	1.099* (0.487)	0.477 (0.440)	0.480 (0.555)	1.671** (0.486)	0.985* (0.488)
Y2005	-0.516 (1.128)	1.798** (0.627)	0.711 (0.730)	2.976** (0.643)	2.535** (0.698)	1.097† (0.632)	0.831 (0.804)	3.066** (0.685)	1.214† (0.661)
Y2006	-0.730 (1.559)	2.294** (0.846)	0.670 (0.997)	4.353** (0.866)	2.867** (0.949)	1.609† (0.868)	1.871† (1.124)	3.521** (0.923)	1.050 (0.894)
Y2007	-0.926 (2.091)	2.837* (1.130)	0.939 (1.343)	5.419** (1.168)	3.579** (1.283)	1.590 (1.160)	1.334 (1.500)	4.153** (1.235)	1.287 (1.214)
Y2008	-1.274 (2.564)	2.849* (1.392)	0.894 (1.654)	6.077** (1.431)	3.390* (1.586)	2.868† (1.477)	1.303 (1.846)	5.397** (1.517)	0.747 (1.489)
Observations	756	767	769	771	764	771	762	765	771
Pseudo R2	0.164	0.106	0.236	0.130	0.240	0.111	0.133	0.062	0.2108

Notes:
Certain observations were dropped because their country locations perfectly predicted success. Similarly, the pharmaceutical variable perfectly predicted the management outcome and has also been dropped from the first regression.
Standard errors in parentheses
†=p<0.10
*=p<0.05
**=p<0.01

3.6.5.3 The evolution in time of the CSR rhetoric

Five themes have increased in use significantly over the past six years: three related to the political rhetoric: Accountability, Stakeholder Dialog and Partnership, and one each from the strategic rhetoric: Strategic Link; and institutional rhetoric: CSR.

We observe how over the last six years all of the themes related to the political rhetoric are increasing in its use, although they are less frequently used than the other two forms of rhetoric. It could be argued that the major transformations occurring in the Asian region (Hofstede, 2007) as well as the growing complexity of globalized society through an ongoing process of individualization (Palazzo and Scherer, 2006) could lead to companies to search for a new form of legitimacy based on building of concrete and close relationships. This result provides us with some empirical support to our earlier conjuncture that neither cognitive nor pragmatic legitimacy may be sufficient to help new companies buy their license to operate, and as such, firms opt for closer forms of dialog with their stakeholders. This result resonates with previous research findings by Chapple and Moon (2005) that partnership and community involvement are becoming the most established form of CSR in Asia.

The Strategic Link and the CSR themes also displayed a persistent rise in use. This rise could be supported by the explanation of the evolution of the CSR (understood as business movement) trends globally. The expression of CSR internationally has been evolving from a discourse related to risk management towards a discourse related to the strategic connection of the CSR projects (Castelló and Lozano, 2009b; Googins, 2007). Specially in emerging markets it has been argued that companies are adopting western CSR trends (Baskin, 2006; Visser, 2008). Welford (2004) describes the evolution of

CSR in the Asian region, stating that as CSR is becoming more mainstream in the West, it is expected to spread faster throughout the Asian region.

3.6.5.4 The relation between themes and firm characteristics

We observe differences in the argumentation repertoires based on the national, industrial and organizational characteristics. Each type of company seems to use different argumentations in use to serve their legitimacy needs.

3.6.5.4.1 National differences and legitimacy strategies

In terms of the impact of national differences on firm rhetoric, we find some empirical patterns that indicate that firms located in highly developed countries use a discourse that utilizes more of the strategic perspective, while companies in developing countries tend to use more of the institutional and political perspectives, as shown by the regression results that firms in wealthier countries use less of the stakeholder dialogue and CSR argumentations.

These results resonate closely with prior work on economic development and CSR (Hoskisson et al., 2000; Khanna and Palepu, 1997). Compared to their developed country counterparts, many developing countries are characterized by low income levels, rapid economic growth, relative political volatility and deficient provision of government services (Visser, 2008). In such contexts, CSR activities are seen by the public as mechanisms for plugging the 'governance gaps' left by weak or under-resourced governments that fail to adequately provide the expected social services (Doh and Guay, 2006; Williams and Aguilera, 2008).

Standards and other accountability mechanisms, especially those that come from civil society movements, have a strong influence on social expectations on responsible

behavior and send a strong signal about the importance of CSR activities (Baskin, 2006). Governments and consumers expect firms in developing countries to be more active corporate citizens in contributing to improved outcomes in order to obtain their license to operate (Baskin, 2006, p.46). As such, firms engaged in CSR work in emerging markets are expected to highlight the institutional and political rhetoric more than the managerial discourse. This supports Baskin's findings that indicate that firms operating in emerging markets are less likely to embed their CSR activities on firm strategy (2006).

However, we do find some counter-theoretical effect in terms of the governance quality, as indicated by the positive relationship between the social contribution, CSR and partnership argumentations with the corruption control and political stability variables. This result proffers a counter-intuitive result that indicates how controlling for the level of economic development, the quality of national governance promotes symbolic rhetoric among firms. It appears in this case that the legitimacy desired by CSR projects in well-run countries are not rhetorically motivated by the need to plug gaps in state government, but instead revolves around the moral imperatives for the existence of firms in a low-income country context. These conflicting results require some rethinking of our understanding of what motivates CSR activities in developing countries in future research.

3.6.5.4.2 Industry characteristics and legitimacy strategies

As per the industry characteristics, the regression results also provide empirical indications that industry differences affect legitimacy strategies. For example, regressions show that firms with much consumer familiarity, such as those involved in agriculture, manufacturing and consumer products, utilize less political and institutional

rhetoric. Agricultural firms are shown to use less stakeholder dialogue themes, while manufacturing firms are avoid the use of social contribution theme. An exception may be the regression result that manufacturers use more sustainability rhetoric, as an answer to the increasing environmentalism movement in Asia and throughout the world.

On the other hand, firms in high-risk industries, such as extractive, tobacco and pharmaceutical firms utilize more institutional and political legitimacy strategies rather than strategic logic, with extractive firms and tobacco firms using much of the sustainability and accountability rhetoric to explain its CSR projects.

These empirical results are also supported by findings from previous studies. For example, Gardberg and Frombun (Gardberg and Fombrun, 2006) show that companies operating in industries that are less familiar to the local market and are associated with higher risk face greater legitimacy requirements, as stakeholders are more likely to misunderstand the company's products and production processes. Companies that operate in more visible industries face more institutional and stakeholder pressures than those in less visible industries (Rosenzweig and Singh, 1991). Industry visibility generally comes from two industry characteristics: (1) the degree of risk that the company's operations entail and (2) whether those operations generate many resources in the local economy (Freeman et al., 1983). As such, these entities are often expected to compensate the local community for the environmental risk they generate by promoting the inherent value of the company's existence. At the same time, these companies must remain prescient of the community needs and by highlighting their being more attune to the requirements of the local community.

3.6.5.4.3 Firm characteristics and legitimacy strategies

Finally, our findings also reveal how firm-level characteristics affect legitimacy strategies through the CSR rhetoric. Small and medium-sized firms are less likely to use the theme partnership than their larger counterparts, indicating a greater use of the political legitimacy among the large firms. However, we also find that medium-sized firms are less likely to use the management theme, a result that is not shared by the smaller firms.

These findings are also supported by previous studies stating that companies in search of gaining access to local communities, such the new corporations, are developing forms legitimacy that makes them relate in a closer way to the local communities. As concrete moral outcomes are often difficult to attain and document, organizations opt to concentrate their efforts into embedding new structures and practices in networks of other already legitimate institutions through means of partnerships gaining moral legitimacy through these engagements. This "liability of newness" (Aldrich and Fiol, 1994) is of special consideration when operations are technically problematic or poorly institutionalized, as early entrants must devote a substantial amount of energy to define new practices in a new sector (Ashforth and Gibbs, 1990). The liability of the newness is also to taken into consideration when organizational objectives are contested or unconventional, and when the anticipated relationship with the organization is lengthy and difficult to predict (Fombrun, 1996; Strike et al., 2006). As companies grow and prosper, the need to partner with different shareholder diminishes and larger, more established firms become more concerned with the need to protect their burgeoning reputation (Zaheer, 1995).

The results are also paralleled by the empirical support for the final proposition that multinational firms utilize more political rhetoric, while local firms use more managerial rhetoric. For domestic firms, there are significant differences in the use of

the theme strategic link and a negative difference in the use of the theme social contribution. However, we also find some significance in the positive use of CSR, which may also mean the greater use of management jargon imported from abroad.

In addition, the legitimacy problems brought about by the liability of newness is especially acute for multinational companies working in different cultural sites that maintain different understandings of the role of the business in society, as they are also exposed to the liability of foreignness or the additional costs incurred by foreign subsidiaries in excess of their local counterparts (Gardberg and Fombrun, 2006). These legitimacy handicaps are borne by numerous characteristics stemming from the firm's foreignness, such as its physical distance from top management, local biases and the firm's lack of familiarity with the host country institutions (Fombrun, 1996). On one hand, multinational firms have global reputations to protect (Husted and Allen, 2006) that encourage them to focus more on global issues than local issues (Luo, 2001). However, gaining local legitimacy is equally important and this requires that firms also maintain a strong component of understanding the cultural settings and moral systems in the new country or market and becoming more politically responsive to host country's social and political needs (Palazzo and Scherer, 2006). Table 3.6.6 summarizes the above findings.

11. Table 3.6.6.: Rhetoric Strategies of Legitimation

	Strategic Rhetoric	**Institutional Rhetoric**	**Political Rhetoric**
Central Themes	Management, Strategic Link, Innovation	CSR, Social Contribution, Sustainability	Accountability, Stakeholder Dialog, Partnership

Which type of legitimacy they provide?	Instrumental legitimacy	Cognitive legitimacy	Moral legitimacy
How they evolve in time?	Management and Strategic Link increasing in time	CSR strongly increasing in time	All themes strongly increasing in time
In which type of countries are more used?	Developed countries	Developing countries, Politically stable and well governed Countries	Developing countries
Which type of industries?	Low risk and established industries	High risk and new industries	High risk and new industries
Which type of firms?	Local firms		Large and multinational firms

3.6.6 Discussion

The potency of discourse in affecting organizational legitimacy is well accepted in the literature and one of this study's aims has been to gain a deeper understanding of this constructive potential. Our major finding is that corporations are adapting their legitimacy strategies to a new understanding of their role in society. Corporations have incorporated the language of civil society, which we associated with the political rhetoric, into their legitimacy management, challenging the framework provided by the classical strategic and institutional theories. The current mainstream understanding of the role of the corporation as apolitical has defined the focus of the studies on legitimacy management in the compliance with national laws and fairly homogenous and stable societal expectations (Cramer et al., 2004). However, a broader view of the management theories has helped us to incorporate the ethico-political context in the role

of corporations. By bringing this approach into the debate, we are trying to interpret how corporations understand their role in enabling, providing and channeling societal needs (Chapple and Moon, 2005; Visser, 2008). We argue that corporate legitimacy is increasingly based on new forms of argumentations that relate to values and beliefs, as well as in new forms of sharing with civil society. The process of looking at shared ways of operating in the form of partnerships, stakeholder dialogs, among others, is transforming not only the way corporations face conflicts but also the way they make sense of their activities.

Nonetheless, further research is needed for understanding how companies actively understand and define their political role. From this research we acknowledge a new rhetoric but we do not trace the actual understanding of the political role of the firm and its active use in company or societal profit. Additional work, both from a theoretical and empirical standpoint, are thus necessary to enrich our knowledge of the different motivations utilized by firms for achieving moral legitimacy.

Our second contribution is to define the differences in the legitimacy strategies of the firms depending on the national, industry and firm characteristics in a single study. In its exploratory nature, this research also demonstrates how the political rhetoric is more used in the context of potential higher conflict with civil society. Our analysis shows how the political rhetoric is more prevalent in multinational firms operating in developing countries, engaged in high risk activities, such as those involved in extractive, tobacco and pharmaceutical industries. These empirical results not only indicate that the variation in CSR is predicted significantly by the context that each firm finds itself in, but it also help us to reflect on the changing nature of the societal understanding of the role of the firm. The understanding of a firm as a social and political actor that needs to provide new social and environmental value to society

underlies the pressure from stakeholder. Corporations are responding to these pressures with a new legitimacy strategy in the form of deliberative processes. Firms in risky environments are more prone to use deliberative models of engagement with their stakeholders because they probably find that is a good way to achieve higher levels of consensus and social stability. The increase in use of the deliberative models might be a sign of its effectiveness.

Third, our research contributes to the limited number of studies that have been conducted in Asia by utilizing the region as a laboratory for showing the impact of globalization on the diffusion of rhetoric over time and across firms. Our paper showcases the benefits of utilizing Asia as a context of research by capitalizing on the enormous disparity in institutional, cultural, economic and administrative circumstances that the region provides. Nonetheless, these advantages also limit the generalization of these findings to the rest of the world. Previous research has shown that Asian CSR is distinct in certain aspects from its counterparts from the rest of the world (Basu and Palazzo, 2008). Therefore, further research of an intercontinental nature must be generated in order to verify whether the empirical relationships remains equally valid whether in a European, American or African context.

Finally, further research should look into the particular conflict settings in which corporations are prompted to use a more political legitimacy strategy. Understanding not only the firm characteristics but also the concrete situations in which companies might use this type of rhetoric might help to further understand why and how corporations redefine their roles and adopt a more open to dialog posture. Future research must also explore both the conflicts and synergies among various legitimization dynamics. Thus for example, studies should explore the importance of the use of a combination of legitimacy strategies amongst all type of firms. The

understanding of legitimacy might also benefit from more empirical research on the use and effectiveness of various legitimacy management strategies across social locations and through time in order to compare the results through different regions. As argued by Suchman (1995) we lack an account on the understanding of the "typical" legitimization progression. Although an attempt has been done to understand this progression in this research, further studies should analyze the wide range of legitimacy strategies within a common set of firm characteristics.

3.6.7 References

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3.7 Contributions and open questions for future research

The above study presents a model of CSR rhetoric analysis and firm characterization. However, to further understand the sensemaking process, we should look not only into how firms talk about CSR but also how they translate it into their processes and activities. At this stage of the research, it is also worth understanding to what extent CSR has become truly embedded in the corporations' processes. These questions are addressed in the following chapter.

CHAPTER 4: THE CONATIVE APPROACH IN AN EVOLUTIONARY SENSEMAKING FRAMEWORK

4.1 Introduction to Chapter 4

In the first chapter of this thesis I analyzed cognition processes in which I studied what managers in organizations think about the organization's relationships with its stakeholders and I explored their views about their social and environmental impacts. In the second chapter, I focused on the linguistic elements of the sensemaking process and then studied sensegiving actions in Chapter 3 through an analysis of rhetoric in corporate reports and projects. In this chapter I define how managers engage in specific activities that might portray them as socially responsible and how they explain the organization's reasons for engaging in specific activities.

In this chapter I turn to the understanding of the behavioral posture organizations adopt in order to respond to stakeholder expectations. Basu and Palazzo (2008) call this process the conative approach to sensemaking. It relates to the way organizations define their commitments when developing processes and activities in favor of their social and environmental impacts. It refers to the organizational role in relation to the common good, along with the organizations' behavioral disposition with respect to fulfilling and achieving these roles and relationships (Freeman, 1994).

The conative perspective leads to an understanding of the organization's consistency in terms of the activities it pursues to promote change.

4.2 Corporate responsiveness in the sensemaking framework

The conative perspective of sensemaking incorporates the understanding of the activities that impinge on the perceived relations of the firm with its stakeholders. The process with which the organization deals with collective social and environmental wishes and requirements has been traditionally analyzed through stakeholder theories (Carroll, 1979; Wartick and Cochran, 1985; Wilson, 1975; Wood, 1991). From an internal organizational perspective, the research has centered on the process of responding to stakeholders (Basu and Palazzo, 2008; Weick, 2005).

Sensemaking frameworks have included organizational response to other stakeholder as fundamental parts of the sensemaking process (Carroll, 1999; Googins, 2007; Zadek, 2004). The process of response to stakeholders expectations concerns how companies understand and integrate CSR into their operations. It also emphasizes the ongoing nature of the CSR-related meaning construction in organizations and the patterns of interrelations inside and outside the organization.

In this chapter I look at the process how the organization understands, responds and adapts to environmental changes. I look at how external and internal pressures in an ongoing process of sensemaking are defining new processes and activities in the organizations when the latter attempt to adapt to new socio-political expectations and demands. I focus on how companies make these adaptations in a meaningful way; therefore, I study the CSR strategic integration process.

4.3 From a dynamic approach to a sense of evolution

The analysis of organizational adaptation dynamics to new societal demands and to new responsibilities with a time perspective has led to numerous studies defining similar patterns within organizations (Carroll, 1999; Googins, 2007; Zadek, 2004). The following paper acknowledges this work and notes that they all approach the process of dynamism and change as one which has a sense of evolution. Several authors describe this evolution as *CSR maturity* (Mirvis and Googins, 2006; Reidenbach and Robin, 1991)

Mayr and Provine (1980) argue that evolution is defined as a change in the distribution of dominant genotypes of the population subject of the research. Leveraging a biological metaphor, Aldrich in his seminal work, *Organizations and Environments* (1979), studies the changing and common traits in organizations which explain a certain shape of organizational evolution.

The analysis of these traits provides an insight of the elements firms are changing when adapting to new environmental and social demands. Change might be activated by a number of endogenous shocks such as learning (Argyris, 1978) and/or exogenous stimuli (Hannan and Freeman, 1989). However, more recently, some of the most important authors on evolutionism theories and management such as Cavali-Sforza and Feldman (1981) and Murmann *et al.*, (2003) argue that the study of change relates to the traits themselves and their variation which constitutes evolution. The analysis of these traits or, as referred to in the management literature, the factors of change, sheds light on the subject to better understand how organizations make sense and deal with change.

The following article focuses on understanding the evolutionary characteristics of the process of responding to stakeholder expectations. This evolution is analyzed from the

organizations' intrinsic institutional traits, these being the way they organize their management and their processes. By looking at how organizations portray these traits we define the different stages (or waves of evolution).

I observe that, with time and in this process of evolution, CSR becomes progressively embedded in the organization's strategic processes.

4.4 Paper 4: "From risk management to corporate citizenship corporate social responsibility: Analysis of the strategic drivers of change".

This was written by Itziar Castello and Dr. Prof. Josep. M. Lozano from the Institute for Social Innovation, ESADE, Universitat Ramon Llull.

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4.4.1 Abstract

Purpose – *The purpose of this paper is to understand 1) whether firms evolve towards more comprehensive postures of CSR and 2) what strategic factors drive the change.*

Design/methodology/approach – *Deductive-inductive research based on 6 critical case studies and supported by extensive review of related literature. Historical analysis of 6 firms leaders in their industry (Nike, Shell, General Electric, 3M, CEMEX and IBM) combining primary and secondary data.*

Findings – *Firms evolve over time towards more complex CSR postures. This evolution is driven by some key strategic factors. The article sets out a 3-stage framework*

connecting CSR evolution and the strategic change factors.

Practical implications – *To provide managers with a framework to promote strategic CSR change in their organisations.*

Originality/value – *a joint research study on the evolution of CSR and strategic drivers of change.*

Key words – *Corporate Social Responsibility, responsiveness, strategic factors, change management*

Paper type – *Research paper*

4.4.2 Introduction

In the current climate of heightened scrutiny of corporate behaviour (Basu and Palazzo, 2008; Waddock, 2000) and increasing demand for Corporate Social Responsibility (CSR) programmes by consumers and investors, there is greater need for conceptual robustness in order to move CSR beyond the purely normative perspective and towards a more strategic understanding of social and environmental issue management (Basu and Palazzo, 2008; Lenssen *et al.*, 2007).

There has been extensive research on the concept of the CSR construct over the past 50 years. Some authors have made significant contributions to our understanding of CSR (Bowen, 1953; Carroll, 1979; Sethi, 1975). Others propose new constructs (Lozano, 2006) or clarify existing ones by "mapping the territory" (Garriga and Melé, 2004; Schwartz and Carroll, 2008). This normative approach has mainly been based around the discussion of definitions, which, although necessary, has sometimes served to turn the concept of CSR into some kind of confusing ideological confrontation (Eberhard-

Harribey, 2006; Lozano and Castelló, 2007). A purely normative approach also runs the risk of ignoring institutional factors that trigger or shape CSR evolution in the first place (Basu and Palazzo, 2008; Brickson, 2007; Campbell, 2006).

A second way of looking at CSR concerns how companies understand and integrate CSR into their operations. Most authors investigating CSR from this perspective focus on it as an inventory of activities (Orlitzky *et al.*, 2003). Others, rather than looking at the "what" (i.e. the CSR activities carried out) and the "why" (i.e., reasons for implementing CSR), focuses on the "how" – the way companies are responding to stakeholders as they confront new social or environmental issues.

Some of these authors have used the term Corporate Social Responsiveness to define a "How To" of responding to stakeholders (Carroll, 1979; Wartick and Cochran, 1985; Wilson, 1975; Wood, 1991) or, as in the case of Wartick and Cochran (1985), to describe the general process leading to the fulfilment of corporate social obligations. Others refer to the response as "CSR philosophies" (McAdam, 1973), "CSR learning stages" (Zadek, 2004), and more recently, taking an internal institutional perspective, "CSR postures" (Basu and Palazzo, 2008). We recognise that most literature relating to the "How To" of corporate response agrees on a description of the process as an evolution or a continuum.

Authors like Frederick (1998) have taken a natural evolutionary – naturological – view in an attempt to open "Nature's Black Box" (Frederick, 1998). Others use different images, such as Waddock's metaphor of a tree growing multiple branches (Waddock, 2004). However, there is still a need for further theoretical and empirical research on how this evolution comes about**,** and which strategic factors trigger the change. As Barnett and Carroll (1995) have suggested, identifying the factors that make up the core strategic or structural change makes one realise how wide the initial impact of change

can be within organisations, as well as being crucial to any understanding of CSR's future evolution within companies.

Little of the research combines evolution in the response to stakeholders with CSR integration into corporate strategy and the study of the strategic factors of change in CSR.

Over the last few years a wide range of companies have been introducing CSR activities into their operations. These companies have seen a major change in knowledge, attitudes, structures and practices, and show a new awareness of the importance of incorporating CSR into strategic agendas. The study of 6 critical cases – Nike, Shell, General Electric (GE), 3M, CEMEX and IBM – who have actively entered into this process provides some examples to illustrate a framework combining evolution of corporate responsiveness and the strategic factors which trigger it.

The article acknowledges a certain degree of evolution in CSR and defines the main strategic factors which drive change. We use a model of 3 CSR postures – risk management, strategic intent and the citizenship – to define a framework of change. This framework pretends to guide companies and academics alike in their thinking on how to evolve towards a more strategic and more coherent CSR and which strategic factors might be driving the change. The article provides further clarification about strategic integration of social issues, and sheds some helpful light on consideration of future CSR challenges.

4.4.3 The sense of evolution in corporate responsiveness

Since the early 1970´s extensive studies have been made on how firms react to social and environmental issues and how firms introduce CSR practices in their processes and systems over time.

One of the first approaches to encompass the whole spectrum of economic and non-economic concerns while defining a certain sense of change on the social responsibility of firms was that of McAdams. McAdam (1973) defines the managerial approach that characterizes the range of responsiveness as: fight all the way, do only what is required, be progressive, and lead industry (McAdam, 1973). Sethi (1975) also refers to the business response to social issues and states that an increasingly broad concept of legitimacy has moved corporate social involvement from social obligation, to social responsibility (more prescriptive in nature) and on to social responsiveness.

As Wartick and Cochran (1985) argue, social responsiveness is intended to shift the emphasis away from social obligations, and towards social response processes. Social responsiveness is tied to both social contract and business's moral agency (Wartick and Cochran, 1985).

Several authors have described responsiveness as a continuum. Steiner (1975) argues that CSR is a continuum of responsibilities ranging from "traditional economic production" to "government dictated" to a "voluntary area" and lastly to "expectations beyond reality" (Steiner, 1975). Ian Wilson (1975) argues that there are four possible response strategies to social issues and that firm's move along these strategies: reaction, defence, accommodation and proaction. Similarly, Wartick and Cochran (1985) describe four corresponding dimensions of corporate responsiveness: reactive, defensive, accommodative and proactive.

Post and Altman (1992) show how environmental policies progressively broaden and deepen as companies encounter more demanding expectations from their stakeholders. They also argue that in this progressive process they are expected to build new capabilities to meet these expectations.

Zadek (2004) sees the continuum as a learning process, and describes organisational

learning pathways as complex and iterative. The stages of the pathway he refers to are: defensive, compliance, managerial, strategic and civil.

Both studies, Post and Altman (1992) and Zadek (2004), emphasise the role of organisational learning as company responsibilities become more complex at successive stages of development.

Building in the idea of a continuum process and linking it to strategic intent, Munilla and Miles (2005) define three stages of responsiveness, which they call CSR *perspectives*: the "compliance perspective", in which corporations meet legal and ethical requirements but do not expend stockholder monies for non-economic priorities; the "strategic perspective", in which corporations change their business models to include CSR strategies that create economic return for stockholders; and the "forced perspective" in which corporations are pressured by various entities to go beyond compliance or strategic interests. Munilla and Miles (2005) also support a certain degree of evolution of firms going from one CSR perspective to the other.

Mirvis and Googins (2006) also support the idea of successive stages of development of organisational responsiveness. They argue that, when a company is going through different stages, action requirements are more demanding and organisational structures, process and systems used to manage CSR are more elaborate and comprehensive (Mirvis & Googins, 2006:2). Their argument is that, over time, most companies go through different stages, during which their CSR knowledge, attitudes, structures and practices change. They propose a normative model of the stages leading to corporate citizenship: elementary, engaged, innovative, integrated and transforming.

These mostly normative frameworks focus on the external institutional influences on organisations and their CSR activities. The studies focus on the analysis of firm-stakeholder relationships, and the description of company reactions.

An alternative, and potentially richer, presentation of company CSR evolution is that of Basu and Palazzo (2008). Basu and Palazzo (2008) research refers to the internal institutional determinants, such as the mental frames and sensemaking processes in which CSR is embedded. Basically, they argue that in order to understand CSR change we should not only look at what firms do but also at what they understand their responsibilities are. Using Carroll (1979) model as a basis, they argue that a firm's behavioural stance is the responsive posture of an organisation to the expectations, demands or criticism of others (Basu and Palazzo, 2008). They say that firms adopt different understandings or postures towards CSR and they propose a model of three: defensive, tentative and open. The organisation's posture might show how some mechanism in interactions with external critics have become automatic, leading to collaboration or to conflict, as well as shedding light on how the organisation might learn from past interactions and change from one posture to the other.

4.4.4 Strategic factors of change

The models described above help us to acknowledge that companies evolve through different postures on their understanding of CSR and that this change require for the companies to build different capabilities.

However, in order to understand this process of change in greater depth, one needs to a look into the factors shaping the specific trajectories within firms (Basu and Palazzo, 2008; Mirvis and Googins, 2006; Zadek, 2004). Mirvis and Googins (2006) argue that several forces in society, industry dynamics, cross-sector influences, leadership and company culture might feature in how CSR develops in a specific firm. They also say that practices and attitudes within a firm are influenced by, and contribute to, trends in the broader field of CSR.

However, the task at hand for managers is to find out whether firms are able to shape this change and what the internal strategic factors that lead to change would be. Cavali-Sforza and Feldman (1981) and Murmann *et al.*, (2003) confirm this argument. They say that the study of change should focus on the traits themselves, the variation of which constitutes evolution. Analysis of these traits, or factors of change as they are known in management literature, provides a better understanding of how firms can achieve sustained change. Furthermore, academics such Porter (1985) and Quinn (1980) recognise the importance of change being brought in at a strategic level. Others, like Oliver (1991) and Tolbert and Zucker (1983), argue that change at a strategic level is important for the adaptation to external institutional factors such as industry dynamics or trends in CSR.

To track the developmental path of corporate responsiveness, we propose following Hannan and Freeman's (1984) attributes, or factors that constitute core strategic change in an organisation, as a first reference for attributes of change. These factors are: mission and vision, its authority structure, its technology and its marketing strategy or differentiation strategy. However, in order to improve the adaptation of the factors of change to our research, we propose four more factors: span, depth, leadership and degree of collaboration with stakeholders. These factors are derived from the literature review, and also from the observation of our case studies.

4.4.4.1 How do we define these factors in our analysis?

Mission and vision statements: How does the organisation define itself in terms of CSR? What is the organisation's self-assigned role in relation to society? Mission and vision statements are supposed to represent a firm's main aims and values. From a developmental perspective, we are interested in understanding whether firms are

introducing notions of CSR in their mission and vision statements.

Leadership: Who is leading the CSR initiatives? Shein (1997) argues that organisational management in the form of leadership acts as a driving force for the implementation of any organisational activities and the attainment of organisational goals (Shein, 1997). Strong leadership has also been identified as a factor of change in the introduction of social issues into the strategic intent of firms (Weaver, 1999). Here we look at the particular role of leaders in an organisation, such as for example, how important a particular manager is in driving a CSR initiative, or to what extent they "walk the talk". We also look at the stewardship role of managers and organisations in driving multi-stakeholder commitment (Cadwell *et al.*, 2008).

Authority structure: How are CSR responsibilities managed? We want to understand whether CSR is assigned to managers in very specific processes in the organisation or is managed through cross-functional committees. In addition to this factor, we look at the hierarchy level of CSR decisions.

Differentiation strategy: How important is CSR in a firm's positioning within the industry? With this factor we analyse how important the firm thinks CSR is for customers. It is also a sign of external commitment to the market.

Span and depth: How deep in the core processes of a firm do the changes occur? How committed is the organisation to change? The span is a measure of how embedded change is in an organisation's value chain (Young, 2004). Depth is the level of change in a firm's activities. It measures whether CSR is only taken into consideration in non core processes of the organisation or whether it is related to all the daily work patterns (Basu and Palazzo, 2008). We want to understand whether CSR is managed in a "functional island" (Mirvis and Googins, 2006) or in a cross-functional way, integrating

processes and systems. Span and depth are signs of organisational commitment to an activity considered critical to the organisation's culture or strategy (Shein, 1997).

Technologies: How do companies manage their CSR initiatives? What tools and techniques do corporations use to ensure and track change? March (2006) refers to "technologies of rationality" in management as tools to guide organisations towards favourable outcomes. They are tools such as codes of conduct, procedures, measurement plans and balance scorecards. From a developmental perspective, we are interested in understanding how, with an evolution in their CSR awareness, firms develop new tools and techniques or adapt old ones to new social and environmental concerns.

Degree of collaboration with stakeholders: How does a company engage its stakeholders? Miles *et al.* (2006) argue that strategic conversations and collaboration with stakeholders are a fundamental mechanism for better shaping and integrating CSR in the companies' strategic intent. There is a wide range of mechanisms of engagement with stakeholders. Here we look at the development in terms of how this engagement impacts strategic decisions and the formalisation of these relations' ties.

4.4.5 Analyzing the strategic factors of CSR change through case studies

The research developed for this paper uses a deductive-inductive approach as it looks at the evolution of the factors defined by the literature, as well as acknowledging new factors driving change in the various CSR stages the researchers came across during the analysis already included in the above description of factors.

4.4.5.1 Case study methodology

We have selected two types of cases that highlight the evolution of firms of both categories of our model. The first type could be considered "critical cases" (Pettigrew, 1988) that have shaped CSR literature and created landmarks in CSR evolution (Mirvis, 2000). These are the Nike and Shell cases. Both companies have change their CSR strategies and have become leading CSR companies in practices in recognized rakings such as 2006 Tomorrow's Value by SustainAbility.

The second group of cases is also critical cases despite being relatively new to CSR literature. Field research for these cases was developed between 2005 and 2006, undertaken within the framework of the Global Leadership Network, a research programme for understanding the link between CSR and strategy in multinational and highly competitive firms carried out by the Center for Corporate Citizenship at Boston College and AccountAbility, with one of this article's authors heading the research as an AccountAbility Senior Advisor[8].. At least two workshops with top management teams at their headquarters and five interviews were done in each company. The company information has been updated with publicly available information. All companies also filled in an online benchmarking tool covering information about the categories of stakeholder engagement, leadership, strategy and operationalisation. This article focuses on four cases, General Electric (GE), 3M, IBM and CEMEX, which we consider being most clear in terms of CSR evolution and provided enough information for our research. We use the cases to develop our framework and illustrate it with examples.

[8] Information disclosed in this article is only based on publicly available information or information previously published by The Center of Corporate Citizenship or AccountAbility.

Table 4.4.1 illustrates some of the examples connected to each factor of change.

12. Table 4.4.1.: Examples of strategic factors of CSR change in the analysed cases

Strategic factors of change	Examples of companies
Technologies	Shell Health, Safety and Environment (HSE) Report including externally verified data
	Shell ISO 14001 certification
	Nike: code of conduct derived from International Labour Organisation (ILO)
	3M: product environmental assessment and an environmental and pollution control system start
	CEMEX Way incorporates environmental measures
Span	Nike: Labour Association audits
Depth	Shell Energise™ energy efficiency programmers at 12 facilities
	GE: Ecomagination introduced as fundamental part of compliance initiatives
	CEMEX Way as a form of insuring environmental improvements in all operations
	3M: training program for improving environmental impacts in all inventions
Differentiation strategy	Shell: world's leading distributor of bio fuels
	Nike: disclosure of more than 700 active contracts with factories
	GE: Ecomagination Programme
	3M: Pollution Prevention Pays Programme
	3M: Launch of world's first CFC-free metered dose inhaler
	CEMEX: BoP Patrimonio Hoy Programme
Authority structure	Shell: Social Performance Management Unit
	Shell: Senior executive to co-ordinate management of CO2 emissions
	CEMEX: Creation of Corporate Vice Presidency of Sustainability
Leadership	Nike: appointment of new CEO with CSR experience (Bill Perez)
	Shell: petition of governments to adopt policies to promote lower CO2 emissions
	GE: CEO publicly supports Kyoto protocol
	IBM: Host of the National Education Summit in US and Reinvention of Education Initiative
Mission statements, vision statements and slogans	Shell: revision of General Business Principles and Mission Statement
	GE: introduction of "Ecomagination at work" as company's main slogan
Collaboration and Partnership	Nike: Global Stakeholder Forum, Multi- Fibre Agreement (MFA) Forum
	CEMEX: partnership with World Business Council for Sustainable Development (WBCSD) on the Cement Sustainability Initiative
	IBM: World Community Grid and Reinventing Education Program

4.4.6 Factors of change and the evolution in CSR: A joint framework

The integration of strategic change is new to the models of corporate responsiveness mentioned in the first part of this paper. Munilla and Miles (2005) make a first attempt to introduce the strategic intent talking about the three perspectives of approaching CSR in an organisation. Basu and Palazzo (2008) strengthen the importance of the internal institutional determinants in determining firm's postures in CSR. Building in this three-stage model we relate the above analysis of the factors of strategic change with the different ways companies understand CSR, the different CSR postures as Basu and Palazzo (2008) refer to them. We use a model of 3 CSR postures – risk management, strategic intent and the citizenship – to define a framework of change and to analyse how the strategic factors change in each posture. Departing from a three-posture model, we enrich our understanding of the three postures with a description of the characteristics of the posture driven by the case analysis. We focus on the description of each posture in terms of the transformation that each strategic factor undergoes in each posture.

Although the primary objective of the model we propose is to describe the distinct patterns of activity at different points of time and CSR development, CSR sequential models tend to be what Weber defines as "*ideal types*" (Shils and Finch, 1997) as they are conformed by characteristics but not in all cases can we find all characteristics. We describe a three-posture approach that aims to help managers to clarify where they are in terms of CSR, and also to frame the strategic choices about where to go.

It is important to note that firstly, we are especially interested in contributing to the analysis of the strategic factors of change in CSR and we use Basu and Palazzo (2008) as a valid framework to illustrate change. Secondly, we are not implying that the

companies cited currently operate in each posture. Neither have we affirmed that companies evolve in a linear fashion, following a strict sequential model. In fact, some of the models presented above have been criticised in the past for expressing this linearity. Most managers interviewed agreed on the existence of a certain degree of evolution of their understanding of CSR, but also on the non-linearity of this evolution. They also stated that most of the businesses are not at a single posture of responsiveness and the factors of change are not invariant across the organisation. They say that companies are likely to be ahead in some dimensions and behind in others. We aim to report practices that, at the time cited, are illustrative of each CSR posture. We also acknowledge that the development of CSR is influenced by firm-specific forces in society, industry dynamics and environmental influences, which we might not have covered and which might make the firms step back from some of their CSR activities. Nevertheless, a three stages model with internal consistency in outlining the factors of change can be useful for managers and researchers in analysing the current situation of firms and helping firms develop CSR further.

4.4.6.1 Posture 1: Risk management

The risk management posture is a base stage, CSR activity is episodic and programmes are undeveloped. In the risk management posture, CSR is seen as a tool to protect reputational value. In the risk management posture, firms start to develop the first technologies to measure and control environmental and social potential issues. These control technologies involve the initial process of planning and social forecasting, preparing for social response and the development of the first corporate social policies. CSR policies and activities focus on the firm's activities with the highest risk potential, but are not implemented with high degree of span or depth. The collaboration with

stakeholders is usually limited to a one-way interaction for very particular issues and with little formalisation. The firm's policies and practices are often centred on compliance with laws and industry standards. The management of compliance is usually assigned to the functional heads of departments such as human resources or public relations. Neither the firm's strategic positioning nor the vision or mission, are related to the CSR values.

Shell, GE and 3M exemplified this posture in the mid 1990s with environmental crises such as Brent Spar, the Hudson River and CFCs respectively. Nike in the 1990s is also a good example of this posture, as it had to deal with labour activists accusing them of contributing to child labour.

4.4.6.1.1 The challenges

Shell, GE, 3M and Nike's challenge at this stage was to develop the technologies in order to be able to monitor the activities that were under scrutiny. At the same time, they needed to gain credibility in order to move forward in the scale of societal legitimacy. After a first reactive action, all these companies reversed the course of criticism by accepting a least partial responsibility on the issues they were criticised on. They also started processes monitoring, tools and standards like Shell's Company Global Environmental Standards, 3M's Life Cycle Management System, GE's Ecoimagination Programme under the responsibility of Compliance Officers and Nike's code of conduct for labour practices derived from ILO.

4.4.6.1.2 Strategic factors of transition

The most determinant strategic factor of transition to the following posture is probably the firm's willingness to integrate the CSR in its business model, either as a positioning strategy or in span and depth as a baseline operational characteristic.

4.4.6.2 Integrated posture

At this second posture, firms often "wake up" to society's increasing expectations and begin to change their business models to include new social and environmental responsibilities. This posture relates to Munilla and Miles' (2005) strategic perspective, Zadek's (2004) managerial and strategic stage and Mirvis and Googins' (2006) engaged stage. In an integrated posture the firm actively reflects on ways they can use social issue management to gain competitive advantage. The company objective is to mitigate the erosion of economic value in the medium term and to achieve longer-term gains by integrating responsible business practices into their daily operations (Zadek, 2004). Social issue management is proactive and systematic, often through the use of performance standards such ISO 14000, Global Reporting Initiative or eco-friendly certifications. To ensure the deployment and prioritisation of the abovementioned management technologies, there is often a need for a change in authority structure, so CSR departments are created and top managers are assigned the responsibility of managing CSR programmes. CSR programmes start to be present across the most important processes in the value chain (span) and manifest across various types of activities (depth). CSR programmes thus become part of the differentiation strategies. To ensure consistency, companies often adapt their strategic rhetoric – slogans, marketing campaigns – to the language of CSR. Strong internal leadership is needed to drive change in the business. Relations with the stakeholders evolve from one-way communication to dialogue and collaboration in some CSR programmes. Most of the terms of the engagement with the stakeholders are still defined by the programmes or projects on a short to medium-term basis.

Most of the case studies analysed in this research transitioned to this posture in the 2000s. CEMEX introduced key environmental measures to its programme, The

CEMEX Way, in order to expand environmental care in depth through its plants and new acquisitions. The CEMEX Way is a programme for process standardization across all CEMEX business. Introducing environmental measurement is deploying CSR in depth across the core processes of CEMEX. CEMEX has also managed to position itself in the industry differently due to its constant monitoring of environmental impacts, the setting of targets for reducing these impacts, and its coalitions for research on environmental performance with the World Business Council for Sustainable Development (WBCSD) on the Cement Sustainability Initiative. The GE Ecoimagination programme is another interesting example of the deployment of a strategic programme in span and depth, which is reshaping the image of the corporation towards sustainability values. Through this programme, GE has achieved to set environmental goals across all business units and by doing large investments in the development of green technologies, GE has positioned as a promoter of sustainability in the market.

4.4.6.2.1 The challenges

One of the first challenges acknowledged in our case studies is the difficulty of building of internal capacity to manage all programmes in an appropriate and coherent way. Managers are trained to change their discourses to incorporate CSR values. However, this change in the organisational culture is one of the most difficult to achieve, as there is a need for very strong commitment from top management, consistent messages and actions and extensive training. For example, GE has incorporated the Ecoimaginaton programme in all compliance training, 3M ensures that all employees are trained in its environmental standards and these are introduced in all innovations in the company through a massive communication and training programme.

A second challenge mentioned in the interviews is the ensuring of coherence in the launching of programmes and in marketing messages. The communication of the programmes must be accurate and most firms agree that it should strictly follow measurable results.

4.4.6.2.2 The strategic factor of transition

Deepening commitment of the social and environmental value proposition is probably one of the major challenges faced in the next stage. The deepening of social commitment is developed by the consolidation of CSR programmes in span and depth. Most managers agree that this commitment at more open postures of CSR is often managed through deeper involvement with stakeholders and the inclusion of CSR values in the firm's mission and vision.

4.4.6.3 Citizenship posture

The citizenship posture is still at a developmental stage in all the cases we have investigated. It is still difficult to place one company with all its operations at this stage. However, we consider it relevant to develop the characteristics of this stage and to point out a few examples. Several authors have tried to describe this posture, giving it names such as *civil corporation* (Zadek, 2004) or the *transforming stage* (Mirvis and Googins, 2006). Most of them coincide in describing the citizenship posture as one in which firms are open to integrating social issues as part of their responsibilities, assuming a citizenship role in leading social issues and transforming their business models to achieve this objective (Logsdon and Wood, 2002; Lozano, 2006; McIntosh *et al.*, 1998; Mirvis and Googins, 2006; Zadek, 2003). This transformation is often driven by the

internal redefinition of the company's role, mission and vision to the CSR values. The span and depth of the CSR programmes often drive social innovation, which benefits firms and the communities they operate in. Technologies of management have been developed to monitor targets related to the improvement of environmental and social impacts.

From the cases we have analyzed, 3M is one of the firms that has integrated the environmental concerns more deeply (in depth) in its core processes through a strict measurement of environmental impacts and the introduction of environmental goals in its innovations.

In this posture, companies move forward in two directions; first, in broadening their agenda by expanding their social and environmental concerns; second, in deepening the involvement of top management in the leadership of change of social and environmental issues. Mirvis and Googins (2006) and Caldwell *et al.* (2008) refer to this leadership as a stewardship role in which managers generate commitment from other organisations.

In this posture, firms form long-term alliances and partnerships with stakeholders in order to drive change in several key social and environmental issues. The relation with the stakeholders transition has to be more formalised and based on long-term relationships rather than being defined just as a strategy for solving specific issues, as in previous stages.

The case of IBM and its involvement in improving education in the USA is an interesting example of broadening its strategic intent and leading a social issue in partnership. IBM in partnership with the USA Ministry of Education and numerous organisations dedicated to education has been one of the leaders of the Reinventing Education initiative since 1994. This initiative is not only introducing new teaching tools and technology in schools, but is also a thought leader on how to improve

education in the USA.

4.4.6.3.1 The challenges

Some of the challenges stated in our interviews relate to the progress from coordination to collaboration with stakeholders in order to drive social issue responses. Basu and Palazzo (2008) argue that such a posture needs a predisposition to learning. We add that it also needs a predisposition to responsibility and non-domination leadership in the coordination of stakeholders in order to solve social issues. The management of partnerships and alliances for working in broad societal issues requires multi-stakeholder coordination for which new capabilities in the firm are needed. The textile Multi-Fibre Arrangement Forum started in 2004, in which Nike participates, might be an interesting example of the multi-stakeholder coordination of a broad societal issue. Nike has collaborated in the coordination of efforts with other firms in the industry and also with trade unions, NGOs and governments from different countries in the improvement of the working conditions of textile factories in developing countries.

Table 4.4.2 summarises the strategic factors that characterise each CSR stage.

13. Table 4.4.2.: CSR postures and strategic factors of change

CSR posture / Strategic factor	**Risk Management**	**Integrated**	**Citizenship**
Vision statements, mission statements	Vision and mission do not incorporate CSR values	Introduction of CSR values in its communication but not in mission and vision yet.	Introduction of CSR values in vision, mission
Leadership	There is little involvement of top	Top management leads internal change.	Top management leads internal change and

	management in risk management.		provides stewardship for social issues
Authority structure	Operational managers lead risk management	First CSR departments	CSR is managed at top management, VP in charge of CSR and/or personal commitment of CEO
Differentiation strategy	Incipient for specific risks	CSR is used as a differentiation strategy but not necessary core to all operations	Leadership in social issues acts as differentiation strategy
Span and depth	CSR is episodic	Span: Starting with first suppliers Depth: more processes, especially in core production	CSR integrated in all activities and in all value chain. Often driving to social innovation
Technology	Incipient for specific risks management: measurement programmes, codes of conducts	CSR standards and cross organisation measures	All processes are monitored based on CSR values. New targets are set periodically
Collaboration and partnership	Uni- directional contact with stakeholders	Collaboration and dialogue with stakeholders	Partnership to improve social and environmental issues

4.4.7 Learning's from the factors driving CSR evolution

Beyond the analysis of CSR evolution in the form of postures, the analysis of the case studies provides us with several conclusions related to the factors involved in driving CSR change.

Firstly, we acknowledge the importance of management technologies as a major factor in the development of CSR change. Codes of conduct, measurement systems, CSR-specific policies and audits may be taken as the most common. Management technologies become increasingly complex as the firm evolves in the CSR stages, as

they involve more complex measurements and the coordination of more stakeholders. For example, as it grew, the Nike audit programme brought in new factors such as the Fair Trade Labour Association, consultants and other non-profit organisations. The increasing number of partners in the programme led Nike to create further management technologies such as scorecards and control processes.

Secondly, policies and management systems need to be supported by CSR programmes that help the companies create an identity around them. CSR programmes are often used to reinforce the strategy of differentiation created to help break into new market segments (IBM's On Demand Programme), to buy licenses to operate in new markets (CEMEX's Biodiversity programmes in Mexico), or as non-market strategies to help establish future regulation or technical standards (Nike's MFA Forum, 3M's CFC-Free programmes, or IBM's Reinventing Education). CSR programmes become the cornerstone of both the CSR strategies companies use to build change internally, and of the image of the organisation externally.

Thirdly, the credibility and legitimacy of the CSR programmes are reinforced by the span and depth of the CSR programmes. Different companies have different approaches to CSR deployment in span and depth. Organisations whose core competencies are based on technological advance, such as 3M, GE and Shell, tend to focus on depth in the deployment of their CSR strategies, while organisations in which cost factors like Nike are a fundamental competitive factor tend to focus on span.

Fourthly, change in the authority structure is often a major organisational driver of change. The appointment of top executives responsible for CSR programmes increases programme visibility at board level. All the cases studied have recently appointed a corporate Vice President with CSR programmes among their major responsibilities.

Fifthly, leadership and stewardship as a CSR strategic factor not only entails an ability to achieve company goals, but also brings multiple stakeholders on side. The IBM and CEMEX programmes on education are a good example of how one company is leading a social debate in issues none related to their core businesses.

Sixthly, the strategic integration of a social or environmental issue requires evolution in the company's communication. Most of the firm's analysed have changed their strategic statements, such as mission statements and slogans. For example, when starting the CSR program, GE added the slogan "Ecoimagination at work" to its logo. Shell has integrated its research on renewable energies into its mission statement.

Finally, a new and distinctive factor of change seems to be central to the dynamic of a company's CSR transformation. This factor is connected to the ability to work together with different non-traditional stakeholders, such as civil and social organisations and communities. The importance of this factor is especially noticeable in the citizenship stage. IBM's World Community Grid programme, Nike's MFA Forum and the CEMEX- WBCSD partnership are all examples of this factor.

4.4.8 Conclusions, implication for management and open questions for future research

Which of the CSR postures described are companies in right now? The answer varies depending on which regions of the world and industries are being analysed. Googins *et al.* (2007) argue that a look at the ratings of a hundred of the biggest US companies, seems to indicate that the average company is somewhere between what Mirvis and Googins (2003) refer to as stage 2 (engaged) and stage 3 (innovative); which we call *risk management* and the *integrated* posture.

Examples such as GE, IBM, CEMEX and transformations like that undergone by Nike are showing how businesses are evolving in their understanding of CSR. One should also bear in mind the permeability of the boundaries drawn round the various posture, and also the need to understand the framework proposed from a dynamic perspective.

The study of the factors driving CSR change helps us to reflect on the increasing strategic importance of CSR practices. However further research could be develop in examining configurations of sensemaking dimensions that might provide a reliable basis for determining authentic CSR engagement, rather than evaluating activity inventories which are open to manipulation.

To conclude, rather than proposing a company classification system, this article aims to establish a framework to guide companies and academics alike in their thinking on how to evolve towards a more strategic and more coherent CSR and which strategic factors might be driving the change.

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CHAPTER 5: FINAL FRAMEWORK AND CONCLUSIONS

Based on the assumptions presented in the general introduction of this paper, I now turn to explore some general conclusions stemming from this research. First and foremost, it must be pointed out that the process of making sense of Corporate Social Responsibility is a complex phenomenon and that this thesis alone cannot settle any definitional or conceptual debate on the matter. It can only start to clarify the elements that might constitute and influence these. I began this thesis by presenting the main debates regarding CSR. I argued that CSR can be divided into positivistic or post-positivistic conceptualizations. My approach to CSR encompasses an empirical look into corporate behavior with a normative instance of corporate responsibilities. Therefore, my research introduces notions of post-positivistic CSR in the form of moral dilemmas and corporate political responsibilities with respect to society. I will now proceed to present the general conclusions of this thesis while using the initial research questions as a guide and in the order in which they are presented in the body of this thesis.

5.1 Recapitulation of the framework elements and conclusions from the empirical research

The general question this thesis aims to answer is: How are different firms making sense of CSR in a changing society? I argue that, in order to better comprehend the process of CSR sensemaking, we should look into the patterns of behavior that occur in

this process by analyzing the interrelation between cognitive, linguistic and conative features. I explore these separately at first and then look into their interrelations and evolution over time.

In the second chapter of this thesis I look at the different cognitive modes of understanding CSR. The first sets of questions explored are: What are the different cognitive modes of understanding CSR and how do these modes relate to different corporate characteristics? I particularly look into the strategic orientations of the firms. I determine the elements that differentiate firms in the process of making sense of strategic CSR. I first define some of the elements describing CSR cognition, identity orientation and legitimacy strategy; I present some relation between these elements and different firm characteristics such strategic orientation. I approach this first research from a case study analysis of four firms from which I am able to recreate a model of cognitive characterizations.

From this research I propose differentiating between two cognitive modes that characterizes firms: transformational and transactional. The transformational mode refers to the moral based and inspiring way of taking CSR through the organization. Transformational firms tend to have collective identity orientations and use moral legitimacy strategies. The transactional mode, by contrast, is contingent on the organizations' ability to meet and respond to their stakeholders' reactions and changing expectations. Transactional firms tend to have a competitive identity orientation and pragmatic legitimacy strategy. The two approaches are operationalized with different type of shared stories and symbols and forms of engagement with their stakeholders. My argument is that both sensemaking models are necessary to advance change in the industry towards a sustainable model since the first provides innovation and inspiration, while the second consolidates CSR initiatives.

Table 5.1.1., summarizes the main findings of this first research and defines the cognitive elements and its relation to firm characteristics.

14. Table 5.1.1.: Findings of the cognitive analysis

Sensemaking approach	Cognitive
Framework	Transformational and transactional modes of strategic CSR sensemaking
Defines inputs, process and outputs (but focuses on the process characteristics)	**Inputs focused on (strategic orientations)** - Product differentiation - Margin strategy - Differentiation mode **Process (sensemaking characteristics)** - Type identity orientations - Legitimacy strategies **Forms of operationalization** - Forms of stakeholder relations - Types of shared story and boundary objects **Firm categories** - Transformational - Transactional **Output characteristics** - Inspiration - Innovation - CSR consolidation - CSR measurement and control
Defines relations between process characteristics and firm categories	**The transformational mode** relates to moral legitimacy, stakeholder collaboration, collaborative strategic identity orientation and symbolic boundary objects **The transactional mode** relate to pragmatic legitimacy, stakeholder control, competitive identity orientation and managerial boundary objects
Defines relation between input and firm categories	**The transformational mode** relates to product differentiation based on exclusivity (Niche product, high price, vertical integration) **The transactional mode** relates to cost leadership strategy (margins on volume, medium price, horizontal integration)
Defines the relation between firm categories and outputs	**The transformational mode** are sources of inspiration and innovation **The transactional mode** are sources of CSR consolidation, measurement and control
Introduces the responsive aspect in the process of CSR sensemaking	Although the article is oriented to understanding sensemaking among the managers in a organization, all output characteristics are defined in relation to the stakeholders
Compares type of firms	Compares 4 medium to big Spanish hotel chains
Provides a sense of direction for gaining legitimacy	Both moral and pragmatic legitimacy are necessary especially with internal stakeholders

Applied at industry level	Tourism industry as an example of strategic CSR sensemaking. It moderates materiality of the issues.

In Chapter 2, I develop the first approach to the analysis of the sensemaking process, observing case studies at a specific moment in time and defining a set of characteristics within the cognitive process. However I argue that there is a need to build further understanding on the linguistic and conative features of sensemaking. I am also interested in further understanding the evolution over time of this process. I approach these questions in Chapters 3 and 4.

In Chapter 3, my goal is to shed light on the questions related to the linguistic features and the evolution over time of corporate discourse. I therefore focus on the sensegiving aspect of the sensemaking process. I approach these communicative activities by studying corporate rhetoric strategies. The aim is to understand the companies' different CSR rhetoric strategies and their evolution over time. I analyze the ways companies express their views about the meaning of CSR and the related activities. I look at both the structure in the text and the meanings of the enthymemes. I define how companies are justifying their engagement with social issues by using language related to different scientific theories as well the type of legitimacy these companies appeal to.

My first approach to the question of the selection of sense by discourse is primarily qualitative. The article "Searching for New Forms of Legitimacy through Corporate Responsibility Rhetoric" (co-authored with Dr. J.M. Lozano) provides an analysis of the corporate discourse of 31 multinational corporations over 3 years, helps to define the categories of the linguistic sensemaking process as well as understand similarities between companies' rhetoric. I first look for the dominant argumentation repertoires or argumentations-in-use which are defined by themes. I then look for common themes following a thematic analysis approach (Hofstede, 2007). I determine the existence of

three types of rhetoric: (1) strategic (embedded in the scientific-economic paradigm); (2) institutional (based on the fundamental constructs of Corporate Social Responsibility theories); and (3) dialectic (which aims to improve the discursive quality between corporations and their stakeholders). I claim that dialectic rhetoric seems to signal a new understanding of the firm's role in society and a search for moral legitimation from its discursive perspective. I observe that this new form of rhetoric is still fairly uncommon, although its use is growing.

In Table 5.1.2 I summarize the findings of the first part of the linguistic analysis.

15. Table 5.1.2.: Findings from the first rhetorical analysis

Sensegiving approach	Linguistic, via rhetoric analysis
Dynamic framework	CSR rhetoric strategies and their evolution over time
Defines the dimension of analysis (structure and semantic)	Time scale orientation Position in text Rhetoric strategy Main concepts Main management theories Role of legitimacy
Defines 3 types of rhetoric strategies and relates them to the dimensions of analysis	**Strategic CSR rhetoric** **Institutional CSR rhetoric** **Dialectic CSR rhetoric**
Defines rhetoric evolution trends over time	Strategic and institutional CSR rhetoric are dominant. Dialectic rhetoric is increasing over time, especially among CSR leaders.
Provides a sense of direction	Moral legitimacy is gained with the use of a dialectic rhetoric. This implies manifesting the goal of improving the discursive quality between the corporations and their stakeholders

In order to get a further understanding of the sensegiving process and further external validity to the previous analysis I present a second article with the linguistic perspective "The Rhetoric of Corporate Social Responsibility: Strategies of Legitimization among Asian Firms" (co-authored with R. Galang).

I analyze the linguistic approach to sensemaking in a bigger sample of companies operating in Asia. The Asian region offers diversity in terms of institutional and cultural

contexts and is considered an interesting area to understand differences in the sensegiving and the legitimacy challenges of companies faced with substantial globalization pressures (Hofstede, 2007). More than 780 reports of firms operating in 22 Asian countries throughout a six year period are analyzed. I first look for common themes following a thematic analysis approach. The rhetoric strategies that the firms are mostly using are defined. I propose a three-approach model for legitimacy management: one based on the strategic rhetoric as a mechanism for achieving pragmatic legitimacy; a second one, that uses the institutional logic for gaining cognitive legitimacy; and a third one, the political approach, in which firms seek to obtain moral legitimacy. As understood by political theory, gaining moral legitimacy from society in this day has less to do with compliance with the existing norms or corporate image engineering than with participating in public discourse through dialog. This research confirms the three type of rhetoric strategies pointed out in the previous linguistic article.

Then, I look at the evolution of rhetoric strategies across time, countries, industries and firm characteristics. The economic tripod approach provides this research with a deeper understanding of the variables influencing the process of sensemaking.

In this research I observe that five themes have increased in use significantly over the past six years: three related to the political rhetoric: Accountability, Stakeholder Dialog and Partnership, and one each from the strategic rhetoric: Strategic Link; and institutional rhetoric: CSR. I argue that over the last six years all of the themes related to the political rhetoric are increasing in use, although they are less frequently used than the other two forms of rhetoric. It could be argued that the major transformations occurring in the Asian region as well as the growing complexity of globalized society through an ongoing process of individualization (Hofstede, 2007) could make companies search for a new form of legitimacy based on building of concrete and closed

relationships. The Strategic Link and the CSR themes also displayed a persistent rise in use. This rise could be supported by the explanation of the evolution of the CSR trends globally. The expression of CSR internationally has been evolving from a discourse related to risk management towards a discourse related to the strategic connection of CSR.

In its exploratory nature, this research also demonstrates how the political rhetoric is more used in the context of potential higher conflict with civil society. The analysis shows how the political rhetoric is more prevalent in multinational firms operating in developing countries, engaged in high risk activities, such as those involved in extractive, tobacco and pharmaceutical industries. These empirical results not only indicate that the variation in CSR is predicted significantly by the context that each firm finds itself in, but it also help to reflect on the changing nature of the societal understanding of the role of the firm. The understanding of a firm as a social and political actor that needs to provide new social and environmental value to society underlies the pressure from stakeholder.

Table 5.1.3., summarizes the conclusion of this second part of the rhetorical research and its relations to the sensemaking framework.

16. Table 5.1.3.: Findings of the second rhetorical analysis

Sensegiving approach	Linguistic, via rhetoric analysis
Dynamic framework	CSR rhetoric strategies and their evolution over time
Defines the dimension of analysis with a focus on legitimacy approaches	Strategic legitimacy approach Institutional legitimacy approach Political legitimacy approach
Defines 3 types of rhetoric strategies and relates them to the dimensions of analysis	**Strategic CSR rhetoric** **Institutional CSR rhetoric** **Political CSR rhetoric**
Defines rhetoric evolution trends over time	Strategic and institutional CSR rhetoric are dominant. Dialectic rhetoric is increasing over time across all categories.
Defines rhetoric characteristics by national, industry and firm characteristics (strategic tripod)	**Strategic CSR rhetoric:** - Developed countries

	- Low risk and established industries - Local firms **Institutional CSR rhetoric:** - Developing countries but politically stable - High risk and new industries **Political CSR rhetoric:** - Developing countries - High risk and new industries - Large and multinational firms
Relates process characteristics with management trends	The increasing use of political rhetoric in high conflict situations might indicate the effectiveness of corporate engagement with deliberative models.
Provides a sense of direction	Moral legitimacy is gained with the use of a political rhetoric. This implies manifesting the goal of improving the discursive quality between the corporations and their stakeholders

Finally, I examine the conative process of sensemaking in Chapter 4. I look at how external and internal social pressures are defining new processes and activities at the strategic level within the organizations. I analyze this process among a set of firms with a long trajectory in implementing CSR. For this analysis, I combine both primary and secondary data. I approach this study within a given time perspective in order to understand its evolutionary logic. The analysis of the framework with 6 cases provides a better understanding of the importance of strategic changes in the conative sensemaking process. I propose a framework of three CSR postures with which companies may be operating (risk management, strategic intent and citizenship stage) and the strategic factors driving change in each posture. Most of the firms observed fall into the risk management and strategic intent posture. However, I argue that some firms might be evolving towards introducing activities into their operations that go further than the perceived responsibilities of the firm up to now. Companies are increasingly engaging in diverse issues such as public health, education, human rights protection, self-regulation, etc. These activities are regarded as governmental and political responsibilities. I argue that these activities go beyond the common understanding of stakeholder responsibility and represent the firm adopting a citizenship role.

Table 5.1.4 summarizes the conclusions of the paper in Chapter 4 with respect to the sensemaking framework.

17. Table 5.1.4.: Findings from the conative analysis

Sensemaking approach	Conative
Introduces an evolutionary sense and defines a framework for CSR maturity	3-stage framework and empirical analysis with a longitudinal approach
Tackles the dialogical notion of sensemaking through the analysis of the process of response	Through the notion of Corporate Social Responsiveness and the definition of CSR postures to strategic change
From the literature defines firm response postur towards stakeholders	Defensive Tentative Open
Defines the variation in the strategic processes	Technologies of management Span Depth Differentiation strategy Authority structure Leadership Mission, vision, statement or slogans Collaboration and partnerships
Defines a model of response	Risk Management Integrated posture Citizen posture
Ends with a normative approach to sensemaking evolution	Citizen posture
Relates the model of response to the strategic outputs	**Risk management** - Defensive posture - Technologies of management control, risks and reputation management. Development of first corporate policies **Integrated posture** - Tentative posture - Consolidation of technologies of management of CSR - Change in the structure of authority: CSR responsible or department - CSR activities at span and depth - CSR start to become part of differentiation strategies - Mission, vision and slogans adapted to ensure consistency - Some form of collaboration with stakeholders starting **Citizen posture** - Open posture - Transformation of the business model into a responsible business - Change in mission and vision towards global responsibility - Leadership is solving social issues - Social leadership as strategic driver - CSR at span and depth

	- Collaboration with stakeholders in the form of partnerships to define decision-making with stakeholders
Nature of the commitment	Tries to infer the nature of authentic CSR engagement by understanding the transformation in the strategic structure of the firms

The four articles endeavors together provide empirical findings that move the sensemaking research agenda forward. First, I suggest some categories to analyze the different sensemaking processes. Second, I contribute some empirical data that sheds light on our understanding of variability by the type of input characteristics within the sensemaking processes. Furthermore, I introduce the time variable to improve our understanding of the dynamic logic within the sensemaking process. From the research performed in this thesis, I not only provide the variables to understand the sensemaking logic in a particular moment of time but I also reflect on how this logic has evolved over time and how this has changed the process characteristics. I also provide some insights to understand the factors that influence the process and the outputs derived from the CSR sensemaking process.

The above described process view considers the CSR phenomenon as an intrinsic part of the organization and allows us to create a model with the potential to characterize organizations that might adopt different types of sensemaking processes.

In this section I have examined the main dimensions framing the sensemaking process. In the next section I propose a joint framework and discuss its results, interrelations and limitations.

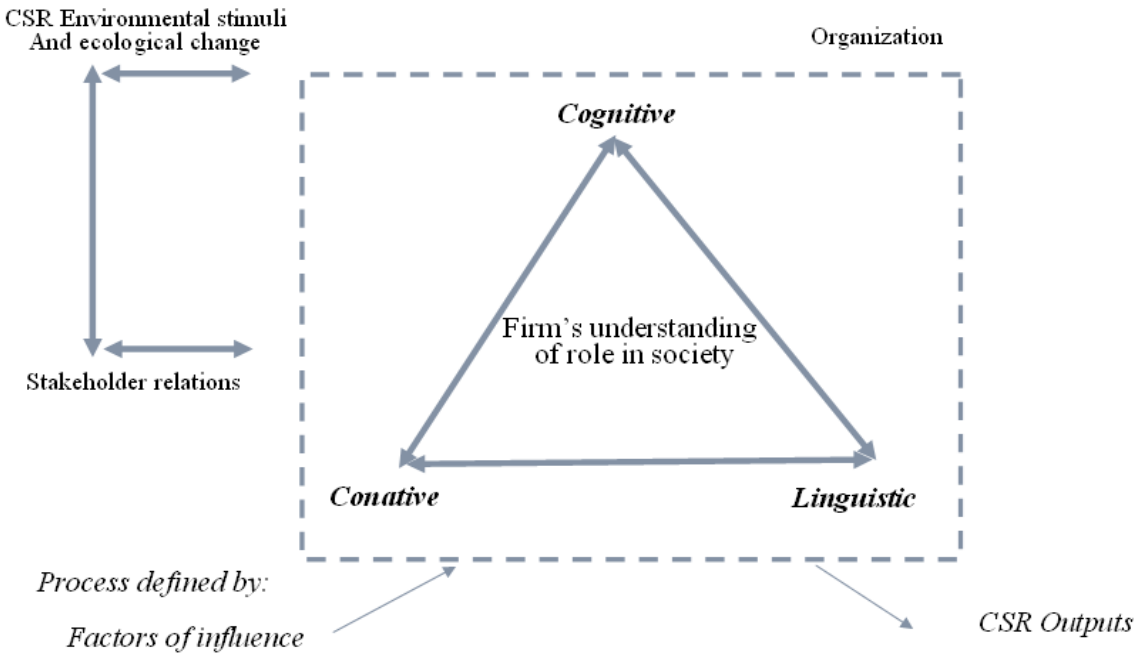
5.2 Introduction to the sensemaking framework

I present a conceptualization model that emphasizes the cognitive, linguistic and conative dimensions of the CSR sensemaking process. It defines the dimensions and

sub-dimensions that characterize the way managers make sense of CSR issues. I propose viewing the CSR sensemaking process by defining some of the factors that condition this process as well as some of the outputs that it might produce.

This framework emphasizes the ongoing and changing nature of the CSR sensemaking construction. The model proposed considers the sensemaking process a collective, continuously changing one in which the different dimensions of the model interplay and confront each other in a complex process of evolution. I look at the interconnection between the processes of thinking about and formalizing corporate discourse and activities. In this model, I not only consider the dynamic logic of the interaction between the different dimensions of the model but also its variation and retention over time. The model provides a representation of the evolutionary nature of the CSR sensemaking processes, an intrinsic part of strategic decision-making processes. Figure 5.1.1 represents the sensemaking-sensegiving model.

6. Figure 5.1.1.: Sensemaking model



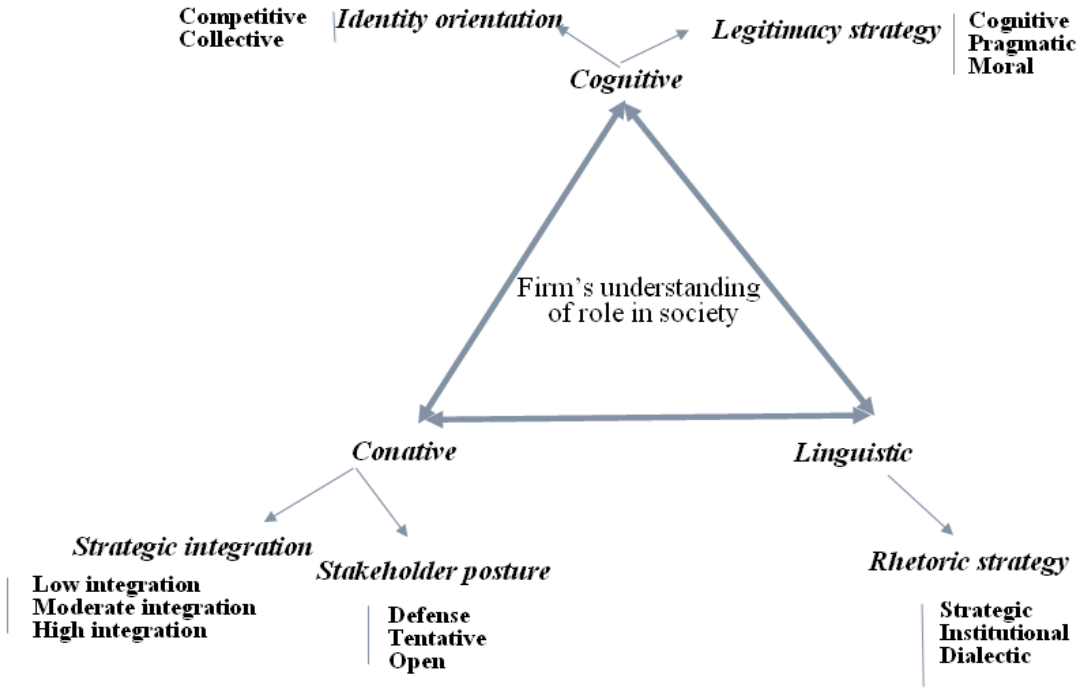
This model defines different dimensions and sub-dimensions of the CSR sensemaking process. In order to define the final dimensions, an iterative reduction process was applied by selecting, focusing, simplifying, abstracting and transforming (Miles and Huberman, 1994) the variables. The final framework defines a process model along with two cognitive sub-dimensions (legitimacy strategies and type of identity orientations); one linguistic sub-dimension (rhetoric strategy) and two conative (degree of responsiveness or stakeholder posture and strategic integration of CSR).

In this chapter I provide a summary of each dimension and what evolution means for it. I also discuss its interrelations.

To enrich the model and make it more understandable, I provide examples from 8 of the cases analyzed in the previous chapters. The 8 cases are those in which in-depth interviews were carried out. I recognize the limitations of the information derived from each of the cases. Nevertheless, the sense of evolution was demonstrated in previous chapters, especially as concerns the conative and linguistic perspectives. The main objective of the retrospective application of the framework to the 8 cases is to illustrate this model and to understand the variation in relation with the sub-dimensions.

First, I introduce the dimensions and sub-categories of the model with the cases as examples; second, I reflect on the model's interconnections; and, third, I analyze the sense of evolution. Figure 5.1.2 summarizes the dimensions and sub-dimensions of the sensemaking process model.

7. Figure 5.1.2.: Dimensions and sub-dimensions of the sensemaking process model



5.3 The sensemaking model

5.3.1 Cognitive dimension

5.3.1.1 Identity orientation

Identity orientations are participants' shared perceptions of the role of the organization in relation to others (Suchman, 1995). Two types of identity orientations are observed: competitive and collaborative. Each defines a different understanding of the organizational reality rooted in a common understanding of the role of the organization in the environment. In the research I observe that a competitive orientation is seen in firms where managers give sense to their CSR actions based on their strategic

positioning. They emphasize the importance of individual liberty and self-interest and they justify the importance of CSR by its positioning output. Companies such as Sol Melià and nH were shown to have a more competitive orientation. Their CSR engagement is guided by the importance of appearing in FTSE4Good and Down Jones for Sustainability indexes. GE also revealed a strong competitive identity during interviews and in the documents reviewed in which I observed the importance for GE managers to be "the first" in the market and be "more" than their competitors.

In contrast, a collaborative identity was identified in organizations that define CSR as a joint effort of working with stakeholders, often displaying strong personal ties symbolized by descriptions such as "we work closely with the community schools" (as in the IBM case) or phrases such as, "we feel as part of the neighborhood. We buy our products in the local shops and make sure our neighbors know us and the work we do" (as in the Casa Camper case). A collaborative orientation disposes organizations to see themselves as members of a community and they aim to improve wellbeing beyond the boundaries of just their business objectives. Cemex has lately portrayed itself as an organization willing to improve the educational standards in Mexico and other countries in which it operates. This could be a sign of an effort to develop a more collectivistic orientation. Hospes also revealed a collaborative orientation when defining its aim to contribute to the research and cure for stress.

5.3.1.2 Role of legitimacy

Legitimacy is the need for businesses to gain acceptance among their stakeholders (Frederick, 1987). This research shows that legitimization processes usually combine three forms of legitimacy strategies: pragmatic, cognitive and moral. However, not all of them appear with the same intensity in the sensemaking processes among firms. I

observe that most of the cases studied started relating CSR with a philanthropic activity which was providing them social acceptance and, thus, cognitive legitimacy. Cemex, for example, started a process to understand CSR and to try to gain legitimacy for its actions, enacting natural conservation centers and talking about these as ways of adapting to increasing environmental demands. However, more recently, most of the organizations express their CSR engagement as something useful for their competitiveness, expressing a pragmatic type of legitimacy. nH talks about the importance of enacting CSR policies to be able to build its reputation and sell more rooms to new collectives such as NGOs. GE and 3M also justify their CSR engagement as an innovative tool.

Finally, other businesses such as Hospes, Casa Camper and IBM justify their legitimacy as a relational process in which they co-create the acceptable norms of behavior with their relevant stakeholders in a dialectic process. This is what I define as moral legitimacy, relating it not only to a valuation character but also to dialectic principles. For example, within its education programs IBM has expressed its desire to support governmental agencies in defining how technology can improve educational processes.

5.3.2 Linguistic dimension

5.3.2.1 Rhetoric strategy

Three types of rhetoric strategies are defined: strategic, institutional and dialectic. Firm discourse often combines the three. The research reveals that some companies have a tendency to give greater emphasis to one of the three types of rhetoric and that this rhetoric has changed over time. For example, Sol Melia, and nH in their first sustainability reports tended to report basically on their philanthropic activities,

underscoring that the company was doing good for society and thus revealing an institutional rhetoric. More recently, however, in their 2007 and 2008 reports, they introduced a very strategic language, framing CSR as one of the most important issues for them, indicating the fact that they had developed a strategic plan, thus resorting to a strategic rhetoric. Casa Camper, on the contrary, started with a highly dialectic rhetoric. Their aim was to be able to communicate their environmental values. However, with time, although not abandoning this type of rhetoric, they have increasingly introduced a more strategic rhetoric, in this case, related to the increasing professionalization of the business. GE, 3M, IBM and Cemex have a formalized discourse, with strong components of all three epistemological foundations. However, Cemex has a greater tendency to use dialectic rhetoric in its recent reports, especially in terms of the use of accountability standards and the report on their partnership approach to sustainability. Hospes is an interesting example of dialectic rhetoric. Hospers' reports and strategic documents are written to provoke emotions, appealing to the values of its employees and the importance of the business to address social issues. On the other hand, GE's rhetoric is mostly strategic. As indicated by this company, GE Ecoimagination is an initiative that brings innovation and will help the business to maintain its leadership position in the market at the same time it improves the quality of life of people. However, for GE, this is the language of a new sustainability strategic intent. In the past, CSR was very much associated to charity, illustrating this with what the firm called "charity day" in which employees dedicated their time to different types of charities. The language referring to these charitable activities is much more related to institutional rhetoric.

5.3.3 Conative dimension

5.3.3.1 Degree of responsiveness or stakeholder posture

Corporate Social Responsiveness refers to a corporation's capacity to respond to social pressures. It refers to the literal act of responding or of achieving a generally responsive posture (Frederik, 1987). Basu and Palazzo (2008) propose 3 possible corporate postures towards CSR: defensive, tentative, and open. In the defensive posture, an organization doesn't accept any feedback from others, it presumes it is always right in terms of its decisions, and it insulates itself from alternative sources of inputs. The defensive posture was predominant among corporations which began to deal with CSR issues in the 80s and 90s. For example, GE adopted a risk management approach in responding to their stakeholders after the Hudson River environmental catastrophe. Similar approaches were found in companies like CEMEX. Although nH and Sol Melià did not face such confrontational activities with their stakeholders, their postures in the 90s were very much focused on their respective business' economic growth without having an explicit policy to address secondary stakeholder demands. However, most of these companies in the first years of the new millennium have evolved towards a more tentative posture towards stakeholders. This posture helps organizations to display new behaviors directed at redressing misdeeds. Firstly, companies began acknowledging the importance of the until-then forgotten stakeholders such as NGOs and communities. Most of these companies have since launched formalized processed to communicate with the stakeholders. They have also introduced forms of control regarding the ethical behavior of some stakeholders such as their suppliers. This can be seen in the conduct codes and social audits established in companies such as 3M, GE, Sol Melià, nH, IBM and Cemex. Some of these companies have, nevertheless, defined their CSR programs

with higher levels of collaboration with the social stakeholders, representing a more open posture. IBM defines its education programs in collaboration with local governmental offices, and CEMEX also works in partnership with some environmental NGOs to address the issues of climate change in the cement sector. Hospes' "Dream" program is also run in partnership with doctors and healthcare associations. This open posture reflects the companies' willingness to listen and respond to alternative perspectives proffered by others. Casa Camper, on the contrary, is experiencing the inverse process. Probably due to its progressive professionalization and internationalization, Casa Camper is formalizing its processes with its stakeholders and starting to base these on higher degrees of control and less collaboration, thus going from an open posture towards a more tentative one.

5.3.3.2 Strategic integration

The strategic integration factors define a set of company activities and processes that, when altered, lead to structural change in an organization. As stated in the previous chapters, strategic CSR integration is defined as the introduction of CSR concepts and activities in the following strategic factors: management technologies, span, depth, differentiation strategy, authority structure, leadership, mission, vision, statement or slogans and collaborations and partnerships. Strategic integration is classified into three stages (low, medium and high) which refer to the intensity of the change in strategic factors. I observe that in most of the cases there has been an evolution over time regarding strategic CSR integration. GE, 3M, IBM and CEMEX are clear examples where CSR initiatives started as charitable and risk management activities though later becoming a differentiation factor as well as being embedded in most of the companies' core processes in terms of span and depth. In all the cases, there is also an explicit

intention of leading the change in technology with respect to social issues such as climate change or education. The nH and Sol Melià cases provide a similar structure. In 2000 these companies did not have any process, plan or management technology to measure their CSR performance. In 2008-2009 both companies began to define authority structures and management technologies such as CSR goals to gradually integrate CSR into their operations. Casa Camper started with a high degree of CSR strategic intent and has maintained it. One of its competitive factors remains the fact that it is more ecologically friendly. This ecological intent is already embedded in its processes. The company has developed processes to measure and manage its ecological impact and it keeps innovating and leading the sector in such issues. On the other hand, Hospes, although its identity orientation and rhetoric is very much related to its CSR intent (related to the research and cure of illnesses such as stress), the speed with which the company has integrated other levels of CSR such as environmental protection and management in span and depth in its core processes has been slower. Although increasingly recognized by its work on the stress issue, the company's competitive advantage remains in the beauty of its hotel locations as well as their design.

5.4 CSR trajectories and dimension interrelation

From the above cases I conclude that making sense of CSR is a complex and sometimes ambiguous process. It is not linear and it can imply prospective and retrospective processes of change. From the cases analyzed a stable path or trajectory that firms follow cannot be defined, observing that some firms experience differences in the speed of the change in terms of different dimensions. From the cases analyzed an unequivocal evolution path cannot be defined either. However, I can draw general conclusions about the evolution of the different dimensions as well as the general tendencies regarding

some of the most changing dimensions. I also compare the change dynamics of each sub-dimension in order to provide some clues about the interrelation of the sub-dimensions.

First, I observe that the cognitive process is perhaps the most stable of all, especially in terms of the identity orientation dimension. The ideology that constitutes the set of beliefs builds company's identity orientation. Therefore, even if the organization's competitive environment changes and the business' processes adapt to a new environment, the identity orientation tends to stay rather stable. However, the legitimacy strategy that managers use to gain acceptance among their stakeholders is more flexible. Although organizations tend to have a dominant legitimacy strategy, there are cases in which the legitimacy strategies change over time together with the stakeholders' expectations.

Second, linguistic sensemaking has a tendency to reflect management's isomorphic tendencies much more than the other dimensions. Companies introduce language that does not often reflect the materialization of their real advances in CSR integration. In this dimension based on selecting a discourse, organizations try to approximate the vocabulary used by the stakeholders. There are numerous examples in company reports of political language that is not reflected in conative processes. Furthermore, companies often combine the three types of rhetoric in their reports in an effort to maximize their impact on all types of stakeholders.

Third, the conative sensemaking dimension is the one that provides the most examples of a common trajectory. Most of the cases in this research started their CSR initiatives from a defensive posture and some integration of CSR issues in their strategy. With time they evolved to greater integration of CSR in their strategies and adopted more open postures.

This can be interpreted in two ways: First, that businesses do not walk the talk; second, that the pressure for accountability and accountability social movements such as CSR reporting and standard compliance are pushing the firms to frame and set the direction for CSR change. In Enactment Theory terms (Weick, 2005), this would mean that the institutionalization of the discourse led by isomorphic pressures would be one of the main drivers of the sensemaking process. A combination of both is probably the most accurate interpretation.

5.5 CSR sense of evolution

The argument is made that CSR is shaped by the co-evolution of sensemaking features (cognitive, linguistic and conative) that constitute the dimension of our model. I argue that CSR evolution is a configured by a mix of these features constituted by a semi-automatic accumulation of experiences and by deliberate investments in legitimacy strategies in the form of discourse articulation. The variation in the degree of each of the sub-dimensions of the sensemaking model constitutes the sense of evolution in CSR. Variation implies that the organization generate a set of ideas on how to approach problems in novel ways. In our model is represented by the change within and/or between sub-dimensions.

From the empirical research I observe a sense of CSR evolution as an increase in the strategic intent of not only the activities related to CSR but also the legitimacy justifications and the formalized rhetoric. Almost all firms observed have been changing some of the strategic factors in their conative understanding of CSR. They are incorporating CSR in their authority structures, technologies of management and in their processes in span and depth. They are also starting to incorporate tentative

postures with their stakeholders through means of formalized processes of stakeholder dialog. Furthermore, I observe an increase in the frequency of the strategic CSR rhetoric which is becoming an important part of the dominant discourse in organizations.

However, I argue that, although less strong than the strategic tendency, I observe an increase in the predisposition to engage in activities beyond their strict market responsibilities that are traditionally considered activities developed by the government and define some of the political activities of the corporations like education, protection to human rights and biodiversity. These firms have open postures to their stakeholders engaging with them in deliberative processes and adopting dialectic rhetoric. The consequence of these new forms of sensemaking might be an increase the discursive quality of corporations with their stakeholders such civil society organizations, NGOs and governments.

The evolution towards a more dialectic form relations with the stakeholders as well as to the understanding of the firms position in social issues might implicate a shift from the economic, utility-driven view of CSR (positivist approach) into a ethico-political, communications-driven concept of organizational responsibility (e.g., Calton and Kurland, 1996; Deetz, 1995; Kuhn and Ashcraft, 2003; Palazzo and Scherer, 2006; Wicks and Freeman, 1998). This post-positivist approach reveals a strong link between corporate sensemaking and processes of will formation in a corporation's stakeholder network. It might also contribute to the emerging view of corporations as interconnected conversations (Scherer and Palazzo, 2007).

Finally, I argue that further CSR evolution should encompass the strategic incorporation of CSR but also a broader political understanding of the role of the firm in society redefined in an open and deliberative manner. In order for firms to gain further moral legitimacy, stakeholders are demanding that corporations open to dialectic ways of

defining the corporate role in solving social issues. The politicization of the corporate role is neither democratically controlled by the public nor legislated by public norms (Scherer and Palazzo, 2007). Therefore, the deliberative processes should provide further accountability mechanism to the politization process. It should also enhance the legitimacy and credibility of corporate action becoming subject to the "scrutiny of open public debate, review and determination" (Fung, 2003: 52)

5.6 Factors determining the evolution of the sensemaking process

This research provides some accounts of the factors that might influence the different CSR sensemaking processes. First, I argue that economic characteristics such as national GDP, type of industry, and firm characteristics like size and the location of corporate headquarters might influence the firm's CSR sensemaking process, at least in its linguistic dimension.

I also provide some accounts regarding the influence of the firms' strategic direction. From this research, firms with a strong strategic focus on cost leadership have a tendency to have competitive identity orientations and to adopt a pragmatic legitimacy strategy. Firms with a strategy based on product differentiation and niche segmentation have a tendency to have more collaborative identity orientations and moral legitimacy strategies. I also propose that large multinationals in high risk industries such as tobacco, alcohol and pharmaceuticals operating in developing countries have a greater tendency to use dialectic rhetoric than small, local firms operating in non-risk industries such as agriculture and manufacturing.

5.7 The sensemaking process and CSR outputs

A better understanding of sensemaking processes is likely to provide insights about the type of outcomes that an organization can expect or that an organization can produce from its CSR activities. From the analysis of the case studies presented in this thesis, we can observe that companies mentioned several outcomes attributed to CSR. There are two types of CSR outcomes. I call the first category *strategic outputs*. These relate to a gain in the firm's competitiveness via innovation or market positioning. I call the second category *social outputs*. Social outputs are related to a gain in social acceptance of their leadership in environmental or social issues and their impact on the firms' reputation. Collaborative identity orientations, together with moral legitimacy and citizenship postures, will tend to lead to social outputs. Competitive orientations, pragmatic legitimacy strategies and integrative conative postures will tend to provide strategic outcomes.

5.8 Contributions to theory and practice

The aim of this thesis is to propose a process model for CSR sensemaking analyses and to contribute to a better understanding of the sensemaking process in enacting theory in the CSR field. This thesis has improved our understanding of how CSR is constructed within the organizational process of sensemaking, by:

- First, defining the process of CSR sensemaking and its potential to enable understanding management processes and limitations. I argue that CSR sensemaking is a complex and sometimes ambiguous process. It is not linear and it can imply prospective and retrospective processes of change;

- Second, defining the dimension of CSR cognition and inductively proposing some sub-dimensions of analysis such as strategic identity orientation, legitimacy strategy and its corresponding forms of expression through stakeholder relations and boundary objects;
- Third, proposing two key categories of the CSR cognitive sensemaking process (transformation and transaction) and defining firm's strategic orientation that might relate to these categories and the influence factors and possible outcomes of the process;
- Fourth, within the linguistic dimension of sensemaking, proposing three types of CSR rhetoric (strategic, institutional and dialectic) and their structural and semantic characteristics;
- Fifth, defining the factors that might influence CSR rhetoric such as national, industry and firm differences;
- Sixth, proposing three stages of CSR conative evolution that combine strategic integration and postures towards stakeholders. I also define what constitutes CSR strategic integration, proposing factors of strategic CSR change;
- Seventh, integrating the sensemaking processes in a theoretical model and defining the latter's most important dimensions and sub-dimensions;
- Eighth, defining the sense of evolution of the CSR sensemaking process, first towards a more strategic CSR but also acknowledging the growing importance of the post-positivistic approach to CSR in shaping corporate behavior;
- Ninth, proposing that the institutionalization of discourse is a driver of the CSR sensemaking evolution;
- Tenth, proposing the deliberative model as a form for companies to gain further moral legitimacy in their process of developing a post-positivistic view of CSR;

- Eleventh, defining some of the factors that influence the process of CSR sensemaking;
- And, finally, defining and classifying some of the outcomes derived from the process of CSR sensemaking.

5.9 Future research

This thesis opens up several new lines of research opportunities for further validation of the sensemaking model and Enactment Theory, corporate character, CSR maturity and evolution.

5.9.1 The sensemaking-sensegiving model

In this thesis I attempt to define a CSR sensemaking process model. I inductively define the sub-dimensions for each of the sensemaking dimensions. I finally look for common trends and factors influencing the dimensions. However, further research needs to be done to first validate the whole model. A larger sample with greater variation should be considered in order to achieve external validation. This larger sample would also provide further knowledge on the factors (model inputs) that influence the sensemaking process in an organization. Although I propose several factors and a classification of these (economic tripod, managerial, political and individual), the factors should be tested and validated. Greater variability in testing the model will probably provide further variation in behavioral results. It might also show the existence of middle term categories and other important dimensions not covered by this model. Perhaps a combination of factors can become predictors of corporate character.

Further research should be developed in order to understand the drivers of change on sub-dimension scales. Some accounts already exist defining drivers of change related to

major scandals and setbacks (e.g. Mirvis, 2000; Trullen and Stevenson, 2006; Were, 2003). However, this research proves that CSR evolution can also be caused by isomorphism as in nH and Sol Melià and due to strategic intent as in Hospes, 3M, CEMEX and GE.

It will also be important to define whether other socio-political factors such as the level of stakeholder activism (den Hond et al., 2007) could be a factor of influence. Basu and Palazzo (2008) based on Meyer *et al.* (1993) also propose examining different contextual configurations such as the community's past experiences to determine its influence on the firm's CSR sensemaking process.

Top managers' leadership styles might also be an important factor determining how CSR evolves. It has been argued that leadership styles are a key driver of change (Bass *et al.*; 1996; Dunphy, 2003; Kuhnert and Lewis, 1978). It has also been promoted as a factor driving corporate ethics (Cuilla, 2005; Thompson, 2004; G. Weaver *et al.*, 1999).

Another line of research I propose is examining the kind of outputs and outcomes that might characterize the different corporate characters. Understanding and measuring the impact of these outputs and outcomes can serve as a reliable indicator of a firm's current CSR status and which, in the future, may provide a basis for managerial benchmarking, aspirational standards of CSR performance and help to create a common language for CSR through the development of typologies.

The definition of measurement systems for several CSR outcomes has already been studied by several authors (e.g. Accountability, 2005, Berrone *et al.*, 2009). However, there is a need to shed further light on the relation between the different sensemaking dimensions and the CSR outputs that could be derived from them. This relation will help us to further understand the relation between what a firm thinks and says and the firm's results in terms of strategic or social outputs. It might also provide a better

account of the relation between CSR rhetoric and authentic CSR engagement, helping stakeholders in their process of scrutinizing other organizations. Finally, it could also support managerial decisions on how to shape their companies' CSR strategies and how to align them to their business characteristics in order to improve CSR strategy implementation.

5.9.2 Corporate character

The above described conceptualization of the CSR sensemaking processes associated to the dimensions and sub-dimensions presented might be seen as indicative of an organization's character and could help us to anticipate an organization's future trajectory. It would be interesting to test whether there are identifiable character traits depending on how the different CSR sensemaking trajectories evolve. In order to understand the entire corporate character construct, more research needs to be done on how the different domains interact with one another, especially in the presence of trade-off dilemmas.

Defining the firms in terms of character could be seen as an important tool for analysts to determine whether a firm's CSR engagement is authentic or simply a marketing tool. It could also provide further support to define "best in class" screenings and to rank companies in terms of their CSR performance. However, the best use of the CSR character description would probably be for the companies' own managers to understand the internal tensions and contradictions within their respective organizations while trying to make sense of CSR.

Additionally, research on the direction of influence between practitioners and academics regarding which type of sensemaking process is taking place needs to be conducted. In

other words, does academia influence the way practitioners understand their social accountability or does the inverse relationship hold true?

5.9.3 CSR maturity and evolution

Finally, this thesis provides a preliminary understanding of corporate CSR change and evolution. Having approached the research with a longitudinal perspective, I can conclude that there is a sense of evolution towards CSR maturity. However, further research needs to be developed to understand the nature of this change. This future research should look into the nature of the change, the dynamic capabilities that make a firm move towards a more mature CSR posture and the type of internal and external factors that make the firms evolve towards this more mature position. I also recommend further analyzing what CSR maturity means and its implications in terms of social and environmental outcomes.

5.10 Final summing up

This thesis is composed of a compendium of 4 original research articles. I define and test a sensemaking CSR process model. Within this model I propose a set of dimensions that characterize the CSR sensemaking process. I have defined each dimension inductively from empirical work on 10 in-depth case studies and more than 900 analyzed reports. With this research I have been able to shed some light on the questions of what the components of CSR sensemaking are and how firms evolve in their CSR sensemaking processes. I have also provided a first sense of the factors which influence the sensemaking process as well as the possible observable outputs derived from it. The four research studies taken together form a coherent thematic unit tightly

bound by the CSR sensemaking process. As the title of the thesis suggests, this work furthers our understanding of the process of making sense of CSR in a changing society.

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