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978-1-107-00720-8 - Corporate Social Entrepreneurship: Integrity Within

Christine A. Hemingway

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Corporate Social Entrepreneurship

Business ethics teaching appears to have had little impact, particularly in the light of continued malpractice and misdemeanour in the form of financial scandals, environmental disasters and adverse consequences for communities. This timely book directly addresses a central question: is it that the existence of an ethical or an unethical climate influences behaviour, or, does the presence or absence of a moral character and personal values have the greatest influence on behaviour at work? Drawing on an empirically derived study and over thirty years of experience in both the public and private sectors, Hemingway proposes four modes of individual moral commitment to corporate social responsibility (CSR) and sustainability: the Active Corporate Social Entrepreneur, the Concealed Corporate Social Entrepreneur, the Conformist and the Disassociated. The discovery of the corporate social entrepreneur offers students and scholars a critical, alternative and optimistic perspective for the future of ethical business.

CHRISTINE A. HEMINGWAY FRSA is a Visiting Fellow at the International Centre for Corporate Responsibility at Nottingham University Business School. Prior to her academic career, she held senior managerial positions in blue-chip multinational corporations, including roles at Allied Lyons/Domecq, Reckitt and Colman and a subsidiary of the Total Oil group. She brings over thirty years of insight from both the public and the private sector to address the notion of social responsibility as a subjective state.

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Foreword

Corporate Social Entrepreneurship: Integrity Within brings together a decade or more of Christine Hemingway's thinking about the place of individuals' responsibility within organisations as a vital component in wider corporate social responsibility. Hence the term corporate social entrepreneurship focuses on the ways in which individuals both limit organisational misdemeanours and champion social agendas in the context of profit-making.

Hemingway brings a particularly good vantage point to this endeavour. Her experience combines over a decade in business and over a decade in the academy, during which time she completed a PhD, here at the University of Nottingham's International Centre for Corporate Social Responsibility.

Hemingway's practical experience in a variety of industries informed her initial view that academics underestimate individual discretion within organisations in favour of structural accounts of business performance, be it financial or social. Moreover, her experience enabled her to win the participation of one former employer as her case organisation. This became an ethnography and contributes particularly to Part III of the present volume, 'Modes of moral commitment to CSR'.

Hemingway's doctoral experience enabled her to engage with the relevant literatures in order to propose and develop the corporate social entrepreneurship idea. Indeed she made the most of this and draws on a very wide set of literatures, particularly in management, philosophy and psychology to substantiate her approach, as set out in Parts I and II of the book: 'Values and corporate social responsibility' and 'Personal values and corporate social entrepreneurship'.

When Hemingway embarked on this project we thought it particularly timely in the wake of Enron and all that. Little did we anticipate the more profound relevance of her insights in the wake of the financial-sector crisis. Thus, the practical guidance on 'Developing a socially responsible organisational culture' (Part IV), particularly on how

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personal values can be encouraged in the cause of responsible business (Chapter 13), not only reflects Hemingway's concern for practice but also makes her contribution yet more timely than when she started.

Jeremy Moon

Professor and Director

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Preface

The topic of corporate social responsibility is centre stage. Indeed, the media have consistently reported corporate malpractice and misdemeanour, such as technical incompetence, which can result in disaster, to the detriment of local communities, and even tragic and far-reaching societal consequences. And so it seems that cutting corners and cutting costs has become the nature of modern capitalism, reflecting the insatiable drive of big business for ever-greater profits. Indeed, in the first published article on the subject of corporate social entrepreneurship, I posed the question: ‘How much profit is “enough”?’ (Hemingway, 2005: 237). At this time, many had perceived the market as getting out of hand. This caused me, the following year, to make reference to Adam Smith’s metaphor for his view of the inherent fairness in free trade and market forces, and I wrote, ‘perhaps the invisible hand has lost its grip’.¹ This was all prior to the financial crisis of 2008, caused by irregularities with regard to sub-prime mortgage dealings and compounded by lapses in corporate governance systems.

But the subject of social responsibility is not confined to corporate activity: it is also topical across a range of organisational domains. For example, the British Members of Parliament expenses claims scandal hit the headlines in 2010 and the world of sport has been dogged by betting-scam ‘match fixing’ in professional soccer, rugby and cricket. Even the role of the Church of England is under debate, highlighted by the ‘Occupy the London Stock Exchange’ protesters at St Paul’s Cathedral. Nor can the media take the moral high ground when fraud cases abound, such as those in Germany, Italy and the US. Indeed,

¹ C.A. Hemingway, ‘An Investigation into the Nature of the Relationship between Employees’ Personal Values and Corporate Social Responsibility: Insights from a U.K.-based Multi-national Corporation,’ PhD thesis upgrade document, presented to the Transfer Panel, December 2006.

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the British tabloid press is currently undergoing a Government inquiry into media ethics, presided over by Lord Justice Leveson, as a result of telephone hacking. All this organisational scandal seems counter-intuitive, when we recognise that the majority of employees are not bad people and yet organisations and their employees continue to do bad things (Anand, Ashforth and Joshi, 2004). Nevertheless, fraud on the scale of Enron and Worldcom is not representative of corporate life. So we might regard a description of ‘good’ and ‘bad’ companies as both reductionist and unrealistic. On the other hand, it was widely reported that the British media scandal was not perpetuated by a few ‘bad apples’, but was rife in the system. Consequently, we have seen public and political focus on *systemic* problems in wide-ranging organisational contexts such as those described above, as well as in the British National Health Service (NHS), in the Police and among care-home workers.

Consequently, corporate misdemeanour features heavily in the teaching of corporate social responsibility (CSR) or sustainability courses, through the use of moral dilemmas within case scenarios, or in business ethics teaching, by applying various ethical theories to those dilemmas in order to illustrate the ‘things that can go wrong with business’ and the range of consequences and possible solutions. Such teaching methods provide an accessible starting point to the subject of CSR, but they are clearly insufficient for our understanding of why misdemeanour occurs and what might constitute socially responsible behaviour in practice. So if CSR theory has tended to concentrate at the macro level, then this book draws attention to the micro (individual) and meso (relations, networks, alliances) levels, which are often the most important connection, illustrating the interplay between structure and agency – particularly bearing in mind the void of qualitative research in moral decision-making activity (Siltaoja, 2006). Hence my motivation for this book and its alternative thesis regarding the personal drivers of CSR.

So while close examination of organisational processes is clearly necessary, my argument here is that we also need to understand the motivations of employees – at all levels in the organisational hierarchy, in order to effect the required change. And so I have highlighted the largely uncharted field of ethical leadership in practice and the original notion of entrepreneurship in CSR, which centres not *just* upon preventing organisational misdemeanour, but also upon championing

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a sustainable social agenda, in addition to the profit-driven one. And I have drawn attention to the unexamined perspective that the CSR and sustainability agenda is not solely driven by governmental or economic pressures: it is also championed as a result of a personal morality, motivated by employees' own self-transcendent personal values, even if these dominant values are not representative of the majority of employees. Moreover, these personal values are exhibited as a moral character which motivates CSR, sometimes in an entrepreneurial manner, in the form of corporate social entrepreneurship. Furthermore, the organisational employee, at any level in the hierarchy, is a moral agent. This is despite a body of evidence which suggests that individual moral agency is sacrificed at work and is compromised in deference to other, structural pressures. Hence my thesis is consistent with the critical-realist philosophy, which recognises the dual forces of structure and agency, acknowledged in this book as important drivers of CSR, where the organisation represents the defining context, and within this my central proposition is that personal values represent a causal mechanism.

The notion of the corporate social entrepreneur emerged from a theoretical working paper which I published, over ten years ago, as part of the Hull University Business School Research Memoranda Series (Hemingway, 2002). In that first working paper, I discussed managerial discretion in CSR and argued that CSR can be motivated by an altruistic impulse driven by managers' personal values, in addition to the more obvious economic and macro political drivers for CSR. This reflected the traditional philosophical and business ethics debate regarding the moral agent. This working paper was followed by a second, co-authored with Patrick Maclagan, which I presented at the European Business Ethics Network Conference (EBEN-UK), in 2003 (Hemingway and Maclagan, 2003). In this conference paper, the concept of 'entrepreneurial discretion' as an overlooked antecedent of CSR was mooted and it was published the following year as a joint-authored article in the *Journal of Business Ethics* (Hemingway and Maclagan 2004). Consequently, I coined the term 'corporate social entrepreneur' (CSE) in the paper that I presented at the 17th Annual European Business Ethics Network Conference, at the University of Twente, Enschede, the Netherlands, in June 2004 (Hemingway 2004). In this paper, I conceptualised the notion of the CSE, differentiating this individual from other types of entrepreneur. The following year

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this paper was published in the *Journal of Business Ethics* (Hemingway 2005).

My theoretical starting point was Treviño's (1986) conceptual model of ethical decision making in organisations. This model (see Chapter 2), depicted ethical or unethical behaviour as the outcome of both individual and situational moderators of the ethical decision-making process. This reductionist view was problematic on a number of levels, not least because it presumed that the employee would actually recognise a potentially unethical situation. A second problem related to Treviño's assertion that 'business managers are not autonomous decision makers who look inside themselves to decide what is right' (Treviño, 1986: 609). And whilst I agreed that employees are not monadic individuals and operate in tandem with others in the workplace, discussing their tasks and projects as part of the daily operations of their own role, the notion of employee discretion was largely unexplored territory in organisation theory. Indeed, regardless of the arguments for and against bureaucratic controls in the workplace, where managerial discretion at work had been discussed it had generally been viewed as undesirable. This was because the dominant position from neoclassical economic theory was that to allow management the discretion to progress a social agenda was not in the interests of the shareholders of the company, whether or not the ends were for socially responsible purposes, or otherwise. Hence in the business ethics literature, the 'futility' of attempts to influence senior executives with regard to corporate social performance (Lovell, 2002b) and the amorality of business life has remained a dominant theme, compounded by research findings regarding the negative consequences for whistleblowers (Near and Miceli, 1996).

But management theory has overlooked social cognitive theory, which underlines our innate sense of social duty and the personal power of the employee as agent (Bandura, 1986, 1999; Schwartz, 2010), and so our understanding of ethical decision making in organisations remains fragmented. Indeed, recent meta-analyses of the behavioural ethics literature have criticised the field for its 'unsubstantiated assumptions' (Tenbrunsel and Smith-Crowe, 2008: 546) and inconclusive results (O'Fallon and Butterfield, 2005) – particularly as investigation has largely been confined to in vitro examination of the constructs that influence one or more of the stages in Rest's (1986) four-step process of regarding the moral nature of an issue, making

a moral judgement, establishing moral intent and engaging in moral action, i.e. ‘cutting up the process in successive phases’ (Laroche 1995: 65) and often using student samples. This has failed to address the inherent complexity of behavioural ethics in situ and generated the criticism, directed at management scholars in general, of prioritising methodological rigour at the expense of the internal validity of results, thereby ultimately compromising the social usefulness of these studies (Hodgkinson and Starkey, 2011). And this theoretical and empirical reality did not reflect my own practical – and fallibly subjective – reality of three decades as an employee in public- and private-sector organisations. The latter included thirteen years as a corporate executive in seven different industries prior to the start of my academic career, which began later on in my life. And when I returned to the study of organisational behaviour, the rational models of ethical decision making struck me as both reductionist and improbable. As a management practitioner I had experienced and observed a good deal of autonomy as a budget holder, including the freedom to initiate opportunities for social good. And from a normative perspective, the potential for any corporate misdemeanour could arguably be greater if individuals are not allowed to take responsibility for their actions at work. This insight reflects Bhaskar’s (1986) principle of hermeticism in the unity of theory and practice, which states that in order to effect transformation, scholars need to enhance their own reflexivity by distinguishing between what is empirical, what is actual and what is real. This does not accept that hermeneutics is exhaustive of social life and neither is it inconsistent with causal explanation (see also Archer, 2007; Sayer, 2000). And so my thesis is that personal values are an important driver of CSR and that they have been overlooked in preference to the more obvious, structural forces.

Hence, as a result of a study which was designed to examine social responsibility as a subjective state, this book provides new insight into what Maclagan (1998: 9) referred to as ‘the logical relationship between values and action in organizations’. The investigation was executed via a form of ethnography, conducted over a three-and-a-half-year period between 2005 and 2008, within the headquarters of a division of a major UK-based multinational company. The findings from this investigation revealed four modes of moral commitment to CSR, refuting the consensus in business ethics regarding the homogeneity of management as an amoral group, and adding a unique dimension

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to the study of CSR and of behavioural ethics in organisations, via the agent employee.

Since that first working paper was published (Hemingway, 2002), significant academic interest has developed around the notion of corporate social entrepreneurship. Notably, scholars of social entrepreneurship from the Harvard Business School published a working paper in October 2004 (Austin et al., 2004), followed by two book chapters (Austin et al., 2006a; Austin et al., 2006b) and an article which compared corporate entrepreneurship and social entrepreneurship (Austin, Stevenson and Wei-Skillern, 2006). More recently, a Harvard Business School working paper (Austin and Reficco, 2009) was posted on a Harvard University Business School web page dedicated to the subject of the CSE (<http://hbswk.hbs.edu/item/6153.html>). Meanwhile, the Hemingway and Maclagan (2004) article has become the joint forty-fourth top-cited article of the *Journal of Business Ethics*, out of 4,747 papers published in the journal's thirty-year history, and was recognised in a book of their Citation Classics (Michalos and Poff, 2012). Significantly, the work at Harvard confined their notion of the CSE to management and was grounded in the fields of entrepreneurship and business strategy. This contrasted with my own multidisciplinary perspective, grounded in the critical-realist philosophy of research (Archer, 1995; Archer, 1996), recognising the transformative power of the employee as agent of corporate change via the psychological drivers for CSR. Thus momentum and interest from both academics and practitioners continues to build around this new topic, evidenced by some business consultancy start-ups dedicated to the practice of corporate social entrepreneurship. Also, Wikipedia's corporate social entrepreneur page has registered over 17,000 hits since it was launched at the beginning of 2010. So, as 'social capital has become eroded and capitalism implodes,'² this book is both timely and directly relevant to the contemporary business environment, because it provides students and scholars of environmental studies, sociology and business and management (including organisational behaviour,

² K. Starkey, 'Stranger in a Strange Land: Michel Foucault in the Business School', talk given as part of The Impossible Prison, an exhibition and seminar series by Nottingham Contemporary, Biocity, Nottingham, 24 November 2008.

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work psychology, human resources, entrepreneurship, business strategy, business ethics and economics), with both a critical and an alternative perspective to supplement the dominant scholarly emphasis on the structural forces which drive practice in organisations. And with its emphasis on the employee as moral agent, this book refocuses attention on the role of the individual in corporate social responsibility. Moreover, it provides a new approach to the study of organisational decision making, by addressing a large gap in our understanding of the individual characteristics and behaviours that promote the development of CSR within organisations. This is in contrast to the more common focus on the subject, in terms of organisational rationale and activities. Hence this book presents an optimistic perspective for the future of business and thus provides us with insights to develop a better form of capitalism.

Overview

In the introduction to this book, the notion of CSR is unpacked via an examination of motives for CSR and the conflicting ideas regarding the social purpose of industry. Moreover, socially *ir*responsible behaviour, regardless of whether the locus of responsibility can be attributed to individual(s) or organisation(s), is regarded here as inherently connected. Indeed, sustained levels of corporate misdemeanour seemingly hit the headlines on a daily basis, keeping CSR topical in the minds of the general public. In addition, a newly found prominence of the business agenda, particularly UK-based business, is acknowledged. All this has also prompted a new impetus to formally integrate the subject into the curriculum of UK-based business schools (Moon, 2010), as well as to adopt it more widely in other academic disciplines. Thus the book begins, in Part I, by unpacking CSR, and highlighting the historically contentious and contested nature of CSR. Moreover, a political shift whereby CSR has become less contested, moving towards the business mainstream, is noted. This is consistent with realist social theory and its emphasis on transformative powers, in particular, Archer's (1995) morphogenetic theory. Thus the drivers of CSR are described in Chapters 1 and 2 in terms of structural and agential motivation.

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Structural pressures from stakeholders can influence apparent prosocial corporate activity as part of the organisation's pursuit of economic efficiency (Batson, 1989; Feshbach and Feshbach, 1991).³ Or CSR may already be ingrained as part of the organisation's culture. Hence the prosocial behaviour construct has been applied in organisation theory (Hannah, Avolio and Walumbwa, 2011; Hernandez, 2012) and is positioned in this book as synonymous with CSR. Thus in Chapter 3 it is shown that the individual's characteristics will influence their formally designated authority at work and facilitate their use of discretion with regard to CSR. In other words, a *single* locus of responsibility for CSR – the corporation – is called into question and the argument is made for the existence of individual champions. This is contrary to the usual ideas regarding notions of amorality and moral disengagement in the workplace. Indeed, corporate social entrepreneurship may well be motivated by consciously driven political reasons for personal advancement in addition to our innate sense of social duty. And so the relationship between our personal concerns – our personal values – and our behaviour is explained in Part II. In order to do this, literatures from philosophy, psychology and management are discussed in order to define values and determine their function.⁴

In Chapter 4, two key themes emerge: first, that values operate at different levels and that our personal values can be further categorised into our dominant individualistic (self-oriented) and collectivistic (social, or 'other'-oriented) values; second, that personal values act as drivers of our behaviour: for example, to behave in an entrepreneurial manner, for whatever end. This supports my

³ The term 'prosocial' is used in developmental and social psychology to denote helping behaviour and is often used interchangeably with altruistic behaviour. See Chapter 2, where these distinctions are made explicit.

⁴ The critical-realist philosophy of research that underpins this book is one that acknowledges the interconnectedness of different perspectives. This seems particularly true when examining the two fields of scholarship that represent CSR and values, both of which embrace a broad literature from a variety of academic disciplines. With regard to the study of values, a seminal quotation from Sherif (1936) in Hitlin and Piliavin (2004: 360) seems appropriate: 'Philosophers, psychologists and sociologists . . . have had a tendency to build up their own concepts, giving little or no attention to what their colleagues in other fields have been doing on the same problem. If the concept of value with which they are dealing reveals anything in common, a convergence combining philosophy, sociology and psychology may be fruitful in the development of a general theory of value.'

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contention regarding personal values as a driver of CSR and leads to the introduction in Chapter 5 of the corporate social entrepreneur (CSE). He or she is motivated by a dominant sense of self-transcendent values and operates regardless of a perceived socially responsible context. However, taking responsibility per se is not enough. It is the taking of responsibility out of a sense of duty to others which is the subject of this book. Hence, in Chapter 6, the notion of a moral character which exhibits integrity is linked with motivation theory and discussed as key to corporate social entrepreneurship.

The nature of moral agency was explored empirically via an ethnography which was conducted within a division of a UK-based multinational corporation. This study is the subject of Part III. The purpose of the investigation was *to understand CSR as a subjective state* amongst a selection of corporate employees and to examine how personal values are articulated and their meaning and importance to these individuals. Hence, in Chapter 7, the methods employed for the collection of data are described. The tentative results of the study revealed four modes of moral commitment to CSR which are described in Chapters 8 to 11: the Active CSE, the Concealed CSE, the Conformist and the Disassociated. These four modalities illustrate the interplay between the powers of structure and agency in terms of the constraints on and enablements for corporate social responsibility between the organisation and the employee. More specifically, evidence is shown of integrity in action at work and the nature of the socially responsible actor.

Part IV of this book is concerned with drawing some conclusions from the empirical study – in particular, that employees' personal values moderated discretion at work. So the variability and ad hoc nature of the CSR which was found at the case organisation is discussed in Chapter 12. But on the basis of the investigation, I have proposed that fewer CSEs could be anticipated in an organisation with a less socially responsible context and greater passivity, and disengagement with CSR more prevalent amongst employees who would not wish to be perceived in the organisation as mavericks. However, the current economic crisis has highlighted the need for greater integrity amongst employees and thus the positions of Conformist and Disassociated are not sustainable. Finally, Chapter 13 delivers some practical guidance as to how employees' self-transcendent personal values should be levered and how employees can be empowered in the service of CSR. It is argued that as taking the initiative and pursuing

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opportunities are characteristic of leadership, and that these are virtues which may be taught and encouraged in the workplace, so the potential for significantly higher numbers of CSR leaders becomes apparent. These leaders may be developed as corporate social entrepreneurs.

It is prudent to define the terms that have been used in this book. Here, the terms ‘ethical’ and ‘moral’ have been used interchangeably, which is in common with much of the business ethics literature (e.g. Treviño, Weaver and Reynolds, 2006). Moreover, organisational ethics, social responsibility (SR), socially responsible behaviour (SRB) and prosocial behaviour are all regarded here as synonymous with CSR, because of their focus on the ‘other’. Thus a CSR agenda can be expected to encompass sustainability, the latter incorporating environmental or ‘green’ issues. Moreover, despite the differences between the sociological and psychological connotations of individualism and collectivism (which are explained in Chapter 4), I have equated individualistic, self-interested or self-enhancement values, so too collectivistic, other-oriented or self-transcendent values.

Lastly, the publication of this book was preceded by a new reference work called the *Encyclopedia of Corporate Social Responsibility* (Idowu et al., 2013). Please note that the latter contains an entry on corporate social entrepreneurship (Hemingway, 2013), which was published in a substantially different form, but draws from some of the material contained within Chapters 3, 4, 6, 8, 9 and 10 and the Introduction to this book.

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