The Firm as a Nexus of Relationships: Toward a New Story of Corporate Purpose

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Abstract

Business corporations are among the world's most powerful social and economic organizations. There is a growing consensus that the future health of our planet is inextricably intertwined with the activity of business. Our theories of corporate purpose and responsibility influence how business will conduct that activity.

Underlying theories of corporate purpose drive managerial behavior and frame our expectations for corporate social responsibility. Shareholder value theory holds that the purpose of the firm is to maximize shareholder return. Stakeholder theory offers a broader view as serving those who have a stake in the firm. However, most stakeholder research is instrumental. Fulfilling responsibilities to stakeholders is measured in value created for shareholders and therefore stakeholder theory generally provides little alternative to shareholder value theory.

The purpose of this dissertation is to enliven current theory and develop new insights by exploring how executives, who are committed to both shareholder value and societal contribution, talk about the purpose of business. Generative theory is the research approach with social construction as the metatheoretical lens. Primary data sources include thirty interviews with senior business executives from large corporations, participant observation based on the author's experience as an executive, and the literature of stakeholder and economic theory.

The findings suggest that the purpose and meaning of a corporation extend beyond economic. The pervasive theme throughout the research is relationship—the relationships of the speaker within his or her personal and professional life and the relationships of the corporation within "a community of common interests." The story of the corporation emerges not as a "nexus of contracts" as described in economic theory, but more as a "nexus of relationships." A nexus of relationships describes not only the corporation, but also the speaker.

The firm as a "nexus of relationships" emerges from real stories of business people in relationship—it flows from "what is." This is an initiative conversation into a new story of the firm, one that liberates us from the reified constraints of shareholder value theory not addressed by stakeholder theory. It begins to consider what a view of the organization as relational might imply.

Dedication

To Carolyn, Dan and Lauren with whom I exist in loving relationship.

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Chapter 1: Introduction

Business corporations are among the “world’s most powerful social entities” (Phillips, 2003, p. 1) and are “the world’s dominant economic institution” (Bakan, 2004, p. 5). They are seen by many as a key to addressing the world’s environmental and social problems (Hawken, Lovins, & Lovins, 1999; Trosten-Bloom, Cooperrider, Zhexembayeva, & Whitney, 2003) and also seen by many as responsible for much of the world’s environmental and social misery (Bakan, 2004; Korten, 1995). Regardless of one’s perspective, there is a growing consensus that the future health of our planet is “inextricably intertwined” (Gelinas & James, 1998, p. 9) with the activity of business.

This prominent role has sparked lively debate about what the purpose of the modern corporation should be. On the one hand, there are many scholars and practitioners who draw on an impressive body of theory and research to argue that the sole purpose of business should be the maximization of shareholder wealth (Cassidy, 2003; Friedman, 1970; Jensen, 2001; Levitt, 2000; Sundaram & Inkpen, 2004a). On the other, there is a growing call by a broad base of constituency groups of business including customers, institutional shareholders, environmental and social activists, academics, government regulators, nongovernmental organizations, and businesses themselves for corporations to act responsibly toward the environment and toward all people affected by the corporation (Harrison & Freeman, 1999; Kakabadse & Kakabadse, 2004; Margolis & Walsh, 2003; McWilliams & Siegel, 2001).

Though lively, this debate is typically carried out in either/or terms. Either the purpose of a corporation to maximize shareholder value or it is to provide some larger service to society (Merton, 1976). Many researchers and leaders involved in business, however, desire a both/and world. They want to find ways to maximize both shareholder value and societal contribution. As a result, claim Margolis and Walsh (2004), “Organizational scholars and managers alike find themselves in the clutches of an antinomy” (Margolis & Walsh, 2004, p. 280). Antinomy is an inherent contradiction between two equally reasonable theories. It can be uncomfortable, but it can also signal opportunity for advancement in organizational theory and practice (Quinn & Cameron, 1988). As Poole and Van de Ven put it: “There is great potential to enliven current theory and develop new insights if theorists search for and work with inconsistencies, contradictions, and tensions in their theories, and in the relationships among them (1989, p. 575).

This dissertation attempts to enliven current theory and develop new insights by exploring how executives, who are committed to both shareholder value and societal contribution, talk about the purpose of business. Its aim is to understand the “theories-in-use” (Argyris, 1999) employed by leaders of large corporations to make sense of, integrate, and put into practice the seemingly contradictory values of maximizing shareholder return and contributing to human, social, and environmental health. Given the fundamental role of business in society and the inevitable antinomy created from framing business purpose as maximizing profit while maximizing service to society, there is a critical need for organizational research that provides a compelling theoretical explanation for how the two (profit and service) can be mutually reinforcing and bring corporations to higher and higher levels of excellence. The goal of this dissertation is to contribute to this theoretical body of knowledge.

In the remainder of this chapter, I first explain how I became interested in the purpose of business and why I believe it is an important topic for organizational theory. Second, to provide the reader some context, I give a brief explanation of the two dominant theories of the purpose of the firm: shareholder value theory and stakeholder theory. Third, I clarify the social constructionist metatheoretical assumptions that inform this dissertation and frame the dissertation's purpose. Fourth, I discuss why I consider this work important. Finally, I provide an overview of the rest of the dissertation.

How I Became Interested in this Topic

In Northern Brazil, at the confluence of the Rio Negro and the Amazon River, lies the City of Manaus, the geographic center of the world's largest tropical rainforest. In this rich biodiverse area, much of the industrial world's atmospheric pollution is naturally recycled.

In the early 1990s, I was part of a team exploring alternatives for Chrysler to expand globally. We had a promising opportunity in Brazil that involved building a manufacturing plant in Manaus in alliance with a local manufacturer. My role on the team was as the business analyst responsible for integrating the study, estimating the potential profitability of the new venture, and producing the recommendation to senior management as to whether the corporation should go forward with the project. The potential environmental impact upon the Earth's ecology did not enter into our analysis; it did not enter into our thinking.

During the same period, our team worked on similar projects in Argentina, Venezuela, Pakistan, Iran, and Malaysia. The project considered for Pakistan was a joint venture with a Japanese truck manufacturer. We would produce Jeep Cherokees in an already existing plant. The plant manager told us that, after they built the new plant, the workers did not want to leave the plant at night. It was clean and safe. We toured a building where they made wiring harnesses by hand. The workers were women, segregated because of local religious practice. When I did the financial analysis, the labor costs were so low as to be economically insignificant. The potential social and economic impact on the workers or the local community did not enter into our consciousness. We did not have a language for such considerations.

For both projects in Brazil and Pakistan, I recommended against going forward. Those rejections reflected only each project's estimate of potential economic value creation for Chrysler shareholders. In net present economic value, how many dollars would each project generate for the shareholders? What was the timing and risk of those cash flows? What was the potential likely internal rate of return on investment compared with other potential projects and with the weighted average cost of capital?

The language available to us at Chrysler included words such as cash flow, risk, revenue, cost, variable margin, unit sales volume, investment, return, payback period, equity, expense, logistics, engineering, distribution, labor, expatriate management. Other terms such as sustainability, social responsibility, environment, community, society, and humanity had no conceptual context at that time. They had no meaning in our language; they had no place.

In a related story, about a year earlier, I had been part of a small group that started the "World of Work" at Chrysler. In our first meeting, a group of about ten people came together to brainstorm ideas on how we could contribute something to society beyond what we produced at work. One manager spoke and seemed to capture the feeling of the group: "I've been blessed beyond my share and I just want to give something back." We formed a core of volunteers and began to contribute in a Detroit grade school as mentors and role models. The program grew and Chrysler allowed employees to use company time to be part of children's lives and learning environments. With corporate support, the "World of Work" grew nationally to over

2,000 employees from DaimlerChrysler who regularly volunteered (America's Promise, 1997, p. 4).

We as a group of employees came together and started the “World of Work” not to enhance corporate image and create shareholder value; we began it because we shared a personal human relationship need to contribute to society. Lee Iacocca, then CEO of Chrysler, supported the project and even hired an educator to move the project forward. I am not sure what his motivation was. If he was personally motivated beyond enhancing shareholder value, then what he was doing could be considered squandering shareholder capital for personal use—a personal cause unrelated to designing, making, marketing, selling, and servicing cars. Ironically, in the light of modern economic theory, corporate governance law, and scholarly research, the story of Lee Iacocca supporting this effort with corporate resources is the only story told so far where the behavior could be considered irresponsible.

These two stories reveal the critical need for organizational scholarship to open alternate perspectives of purpose and action for business (Bartunek, 2002; Clegg, 2002; Gelinas & James, 1999; Hinings & Greenwood, 2002; Stern & Barley, 1996). Social science theory is a critical determinant of the role of business in society and, consequently, the future of humanity. It plays a pervasive role in shaping behavior and economic theory has preeminence among the disciplines of social science (Ferraro, Pfeffer, & Sutton, 2005). Consider this introductory story; it is so not unique. It tells of people working in a system where they are unaware of the implications of their actions because they do not have or do not use the language in which those implications take on meaning. An assumption implicit in this dissertation is that humans want to make a positive contribution to society, but often do not have the linguistic or conceptual framework to fully operationalize that intention at work given current theories of corporate purpose.

The goal of this organizational research is to generate a new story of corporate purpose leading to increased capability and capacity of business to address economic, environmental, and social concerns—theory to allow people in business to be more fully human. This inquiry into corporate purpose is important considering the current and potential roles corporations play in modern society (Trosten-Bloom et al., 2003) and the self-fulfilling nature of economic theory (Ferraro et al., 2005). The following section will introduce the two dominant economic theories that currently shape corporate structure and establish behavioral norms: stakeholder theory and shareholder value theory.

Alternate Theories of Corporate Purpose

Shareholder Value Theory—Maximizing Shareholder Value as Purpose

The purpose of a for-profit corporation (also referred to as a firm) is to maximize shareholder wealth—that is the central belief of shareholder value theory. As each corporation (and each individual) pursues its own individual self-interest, the benefit to society is maximized through the most efficient allocation of scarce resources.

Business has no “social conscience” for “promoting desirable ‘social’ ends” such as “providing employment, eliminating discrimination, avoiding pollution” or addressing any other contemporary reform issues (Friedman, 1970, p. 30). Maximizing shareholder value *is* the social responsibility of business.

Shareholder value theory “has near religious status” in business and is “taken for granted like the air we breathe” (Phillips, 2003, p. 4). It is the dominant language of U.S. business in corporate law, financial theory and practice (American Bar Association, 1990; Bainbridge, 2002; Brigham, Gapenski, & Daves, 1999; Jensen, 2001; Levitt, 2000; Moyer, McGuigan, & Kretlow, 2003). Margolis and Walsh observe, “The assumption that the primary, if not sole, purpose of the firm is to maximize wealth for shareholders has come to dominate the curricula of business schools and the thinking of future managers…” (2003, p. 271).

This prevailing economic theory of the purpose of the firm constrains corporate managers from acting beyond the economic consideration of their shareholders. It is from this view of the firm that Lee Iacocca’s support of local grade schools could come under scrutiny. Shareholder value theory stipulates that, unless such action directly benefits shareholders, corporations should not voluntarily redress problems of pollution or perceived societal inequalities in areas such as race, gender, and age. Participation in activities to eliminate AIDS in Africa, assist those affected by natural disasters such as the tsunami of 2005, or provide support to those affected by man made disasters, such as the September 11 attacks, are outside the theoretical scope of the corporation (Easterbrook & Fischel, 1991; Friedman, 1970; Jensen, 2001; Margolis & Walsh, 2003; Sternberg, 1997).

Stakeholder Theory and Corporate Social Responsibility

The concept of corporate social responsibility goes beyond maximizing shareholder value. Corporate social responsibility can be thought of as encompassing the elements of the triple bottom line. The triple bottom line is a metaphor for a system measuring "economic prosperity, environmental [stewardship], and social equity" (Elkington, 1997, p. 397) or the three P's: "profit, planet, people" (Willard, 2002, p. 6). Epstein defines corporate social responsibility as follows:

> Corporate social responsibility relates primarily to achieving outcomes from organizational decisions concerning specific issues or problems which (by some normative standard) have beneficial rather than adverse effects upon pertinent corporate stakeholders. The normative correctness of the products of corporate action have [sic] been the main focus of corporate social responsibility. (Epstein, 1987, p. 104)

Building on Epstein's definition, corporate social responsibility encompasses the balancing of the corporation's responsibility among all stakeholders, including employees, customers, the community, suppliers, shareholders, and the natural environment. The organizational theory related to corporate social responsibility is *stakeholder theory.*

Stakeholder theory has evolved as the "dominant theoretical response" to shareholder value theory (Margolis & Walsh, 2003, p. 273) and the "dominant paradigm" of corporate social responsibility (McWilliams & Siegel, 2001, P. 118). Stakeholder theory is often a controversial term (Phillips, 2003) open to broad interpretation. "…the concepts stakeholder, stakeholder model, stakeholder management, and stakeholder theory are explained and used by various authors in very different ways and supported (or critiqued) with diverse and often contradictory evidence and arguments" (Donaldson & Preston, 1995, p. 65). However, most researchers of stakeholder theory agree that "organizations are dependent on their stakeholders for their successes and their failures" (Freeman, 2003, p. v). Freeman, an early pioneer of stakeholder theory, initially identified five stakeholder groups: shareholders, employees, suppliers, customers and the community (1984). The other critical premise of stakeholder theory is that firms have a moral (normative) obligation to their stakeholders (Berman, Wicks, Kotha, & Jones, 1999; Donaldson & Preston, 1995; Margolis & Walsh, 2003; Phillips, 2003). Donaldson and Preston's Thesis 3 articulates this idea:

> …stakeholder theory, its fundamental basis is normative and involves acceptance of the following ideas: (a) Stakeholders are persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity. Stakeholders are identified by their interests in the corporation, whether the corporation has any corresponding functional interest in them. (b) The interests of all stakeholders are of intrinsic value. That is, each group of stakeholders merits consideration for its own sake and not merely because of its ability to further the interests of some other group, such as the shareowners. (1995, p. 67)

This normative quality is often overlooked in the search for empirical evidence to advance stakeholder theory through an instrumental argument. Instrumental stakeholder research seeks to connect corporate social responsibility with profitability. For organizational theory to support a viable alternative to the economic model of the firm, the normative argument must emerge as figural (Margolis & Walsh, 2003).

The Purpose of this Dissertation

Margolis and Walsh (2003) make a strong case in laying out a research agenda for normative stakeholder theory, and their research is an entry point for this work. They offer that theory preoccupied with instrumental consequences "risks omitting the pressing descriptive and normative questions raised by these tensions, which, when explored, might hold great promise for new theory, and even for addressing practical management challenges" (p. 280).

Obviously, corporate managers are not waiting for organizational theory to catch up with organizational action. Most firms today, especially large firms, are taking action in the area of corporate social responsibility. How are the managers of these firms processing and balancing the often mutually exclusive calls for social contribution and shareholder priority? How should they balance these calls?

These are the critical questions for organizational theory: "Organizational inquiry must go beyond efforts to reconcile corporate responses to social misery with the neoclassical model of the firm. Rather, this social and economic tension should serve as a starting point for new theory and research" (Margolis & Walsh, 2003, p. 280).

Building on Margolis and Walsh, the research question guiding this inquiry into corporate social responsibility is as follows:

How are people in large corporations making sense of the antinomy inherent in the equation of modern business: that is, simultaneously maximizing the seemingly exclusive variables of shareholder value creation and service to society?

Social constructionism is the metatheoretical lens for exploring the research question. This inquiry will progress into how we have constructed the purpose of business with the intention of opening new paths forward. In *Invitation to Social Construction*, Gergen (1999) describes such an intention: "…one of the chief aims of constructionist scholarship is reflexive and emancipatory. By reflecting critically on our taken-far-granted worlds, and the way in which our lives are affected by these constructions, we may be freed to consider alternatives" (p. 101). Thus, the purpose of this dissertation is not to establish either shareholder or stakeholder theory as "correct," "right," or "good." It is to inquire into how these theories are socially constituted. The intention is to contribute to a new story of the purpose of business – a story that may provide an alternative for a more collectively desired future for humanity.

The primary sources of vocabulary for this dissertation are the literature on corporate purpose, interviews with senior finance executives and others involved with corporate social responsibility, and my own story as a former CFO and financial consultant to numerous *Fortune* 500 companies. The intended research product is generative theory

(Gergen, 1978) related to corporate social responsibility, freeing new alternatives for corporate action. Gergen describes the transformative consequences of generative theory:

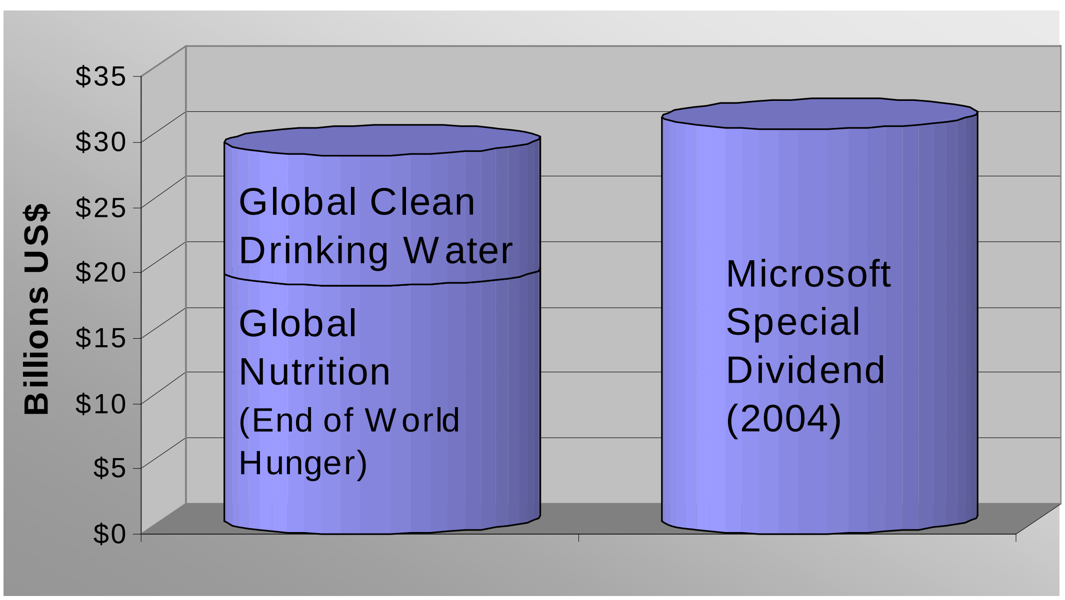
> The human sciences possess significant potential for both sustaining cultural institutions on the one hand, and placing them in reflexive doubt on the other. Yet a third array of challenges must finally be considered, namely those moving beyond critical and destabilizing inquiry to cultural transformation. (1994, p. 59)

Following from Gergen's words, several assumptions shape the initial direction of this inquiry: Generating a dialogue into the social construction of economic theory, and thereby creating greater awareness of the artificial constraints on corporate action, will lead to improved corporate social performance. An inquiry into the hopes and dreams of people acting within this system for a sustainable society will show there is more common ground than difference. We co-construct our desired future through the way we relate together (Cooperrider, Whitney, & Stavros, 2003; Gergen, 1999; Ludema, Whitney, Mohr, & Griffin, 2003). The next section discusses how close we are as a society to crafting a new story of relationship between the firm and society.

Why this Work Is Important: A Different Story to Enact

Today, we have the knowledge, capability, and capital to eliminate human hunger and malnutrition, to provide clean drinking water for all of humanity, and to eradicate other systematic human misery. We are on the verge of not only worldwide sustenance and shelter, but universal literacy is within our reach (Starke, 2002; The World Bank, 1986; United Nations World Food Programme, 2002).

Worldwatch Institute's *State of the World: 2004* (Starke, 2004) warns of the dire impact of over consumption on the earth ecosystems. Buried in that narrative, however, are some surprisingly positive statistics as shown in Figure 1. Additional annual expenditures to eliminate hunger and malnutrition are estimated at $19 billion and the cost to provide clean drinking water for all is estimated to be $10 billion (Gardner, Assadourian, & Sarin, 2002, p. 10). That total is less than the special dividend paid out in 2004 to Microsoft shareholders (Microsoft, 2004).



Source: Gardner, Assadourian, & Sarin, 2002, p. 10; Microsoft, 2004

Figure 1. Annual Cost to End World Hunger and Thirst Compared With One Corporate Shareholder Dividend

Imagine…one special shareholder dividend payment from one corporation could provide the funding to end world hunger and provide clean drinking water for every person on earth for a year. Imagine the positive ripple effects throughout the world and US economies if such an effort were funded.

Several months ago, I had breakfast with a chief financial officer of a large U.S. utility company. He mentioned his pride in avoiding the fate of Enron by following ethical business practices, although there was constant temptation from investment banks and consultants offering high returns for seemingly minimal risk. We discussed how the pressure to make earnings targets every quarter drives management behavior and the subsequent detrimental impact of that behavior on economic value for shareholders and society as a whole. We wondered why we let the pressure of increasing quarterly returns drive our behavior when we know it is wrong. Obviously we are in a system where many participants agree that the consequences are often opposite from those intended. We created this system. Why cannot we all just step back from it and behave differently?

What if we could step back from the rules and systems that cause us pain and realize that we have created them? If we can realize that we have constructed this constraining reality, can we be more open to changing it? We have gone to war and killed people over our good versus evil—capitalist democracy versus communist dictatorship—story of economic theory. If we could look at economic theory as something we invented, something that makes sense within a relevant range and given set of assumptions, and not as Truth, then we can be freed to participate in alternate stories of a world with universal literacy and health care, clean air, clean drinking water and adequate nutrition for all humanity.

Overview of this Dissertation

Following this are chapters covering the relevant literature of corporate social responsibility, the research methods employed, the results of the research, and a discussion of these results. Chapter 2 first reviews the literature on shareholder wealth maximization as the purpose of the firm, and then reviews the literature on stakeholder theory and its relationship to corporate social responsibility. Using the taxonomy of Donaldson and Preston (1995), the stakeholder literature is considered from the instrumental, descriptive, and normative viewpoints. Social constructionist theory related to uncovering the assumptions of existing theory is then explored. Chapter 3 presents a detailed explanation of approach of generative theory and the application of grounded theory as a guide for collecting and analyzing data from senior finance executives of large companies and generating new theory. Chapter 4 begins with a brief summary of the overall results of the inquiry focusing around an emergent core variable “the firm as a nexus of relationships.” Three supporting themes are introduced and discussed: a view of corporate social responsibility as an equilibrating relationship in a community of common interest (Theme 1); the tacit, pervasive influence of economic theory on relational identity and behavioral norms (Theme 2); and, the individual as a nexus of relationships—the personal and institutional influences on the relational identity of the speaker (Theme 3). Chapter 5 offers a new perspective on the purpose of the firm as a nexus of relationships. Chapter 6 concludes with implications for future research.

Chapter 2: Literature Review

Overview

This chapter explores the literature on shareholder value theory, stakeholder theory, and social constructionism relevant to this research. Shareholder value theory sets the purpose of the firm as the maximization of wealth for shareholders. It is the dominant theory espoused and theory-in-use (Argyris, 1990) in business schools and in the vast majority of businesses in capitalist economies. The following section examines the tacit beliefs underlying this theory—an exposition of the vocabularies of business that drive behavior. It provides awareness of how people in businesses, particularly senior leadership of public companies and those in the fields of finance and accounting, have come to believe and act as they do. Shareholder theory is then contrasted with stakeholder theory—the dominant theory espoused (Argyris, 1990) in the field of corporate social responsibility. The chapter closes with a brief discussion of the metatheoretical foundation of this dissertation, social constructionism.

Shareholder Value Theory

Maximizing shareholder wealth as the purpose of the firm is established in our laws, economic and financial theory, management practices, and language. Business schools hold shareholder value theory as a central tenet; it is discussed in chapter 1 of virtually every MBA finance textbook. Shareholder value theory is foundational to agency theory, which describes the basis for modern corporate governance practices. With the growth of mutual funds over the last few decades, even those not of the privileged class are invested with a perceived stake in this concept.

Nobel Laureate Milton Friedman (1970) provides the ultimate capitalist argument in favor of maximizing financial return for shareholders. His perspective clearly considers the firm owned by and operated for the benefit of the shareholders.

> ...there is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud. …Or that he is to make expenditures on reducing pollution beyond the amount that is in the best interests of the corporation or that is required by law…
>
> What does it mean to say that the corporate executive has a "social responsibility" in his capacity as businessman? If this statement is not pure rhetoric, it must mean that he is to act in some way that is not in the interest of his employers…In each of these cases, the corporate executive would be spending someone else's money for a general social interest. Insofar as his actions in accord with his "social responsibility" reduce returns to stockholders, he is spending their money. Insofar as his actions raise the price to customers, he is spending the customers' money. Insofar as his actions lower the wages of some employees, he is spending their money. (pp. 30, 127-128.)

Friedman's statements may seem marginal, but they reflect the status quo of modern business. They also reflect three fundamental assumptions that lend support to the shareholder view of the firm. The first is that the human, social, and environmental costs of doing business should be internalized only to the extent required by law. All other costs should be externalized. The second is that self-interest as the prime human motivator. As such, people and organizations should and will act rationally in their own self interest to maximize efficiency and value for society. The third is that the firm is fundamentally a nexus of contracts with primacy going to those contracts that have the greatest impact on the profitability of the firm. These basic assumptions are supported and given power by our financial, legal, and educational institutions.

Shareholder Value Theory and the Externalization of Costs

Proponents of shareholder value theory argue that long-run shareholder value maximization is “inconsistent with exploitation or alienation of the firm’s other constituencies” (Sundaram & Inkpen, 2004b, p. 370). According to this perspective, maximizing shareholder value as the goal of the firm is the means to most efficiently achieve the best outcome for society (Jensen, 2001).

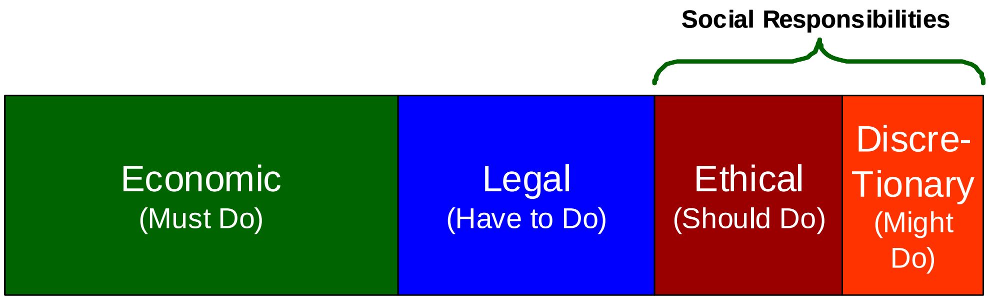
Taken literally, however, this theory holds that management should run the business to maximize cash flow to shareholders—maximizing revenue, minimizing cost, and reducing risk. One way to reduce cost is by externalizing it through such means as polluting the environment. A way to increase revenue is to sell products that have a greater cost to society than is covered in the costs of the product, such as cigarettes or sport utility vehicles (SUVs). The only forces in this system that restrict companies from polluting freely are government intervention and market intervention (consumer, capital, supply chain, employee markets).

Automotive companies continue to produce larger and larger SUVs. While it is known that SUVs pollute disproportionately to other vehicles used for personal transportation, one auto company will not, and cannot, unilaterally stop producing these profitable vehicles regardless of the environmental impact—if they did they would be violating their fiduciary responsibility to shareholders (unless it could be shown that this action would increase cash flow).

In a contrast to Friedman (1970), Carroll (1979; 1999) developed a framework for legitimizing ethical and philanthropic considerations in management action. In one popular MBA strategic management textbook (Wheelen & Hunger, 2002), Carroll's stakeholder view of the firm is offered as an alternative to Friedman; however, it is not really that far from Friedman's view. Both consider the economic aspect of business as the primary benefit for society. "Before anything else, the business institution is the basic economic unit in our society…has a responsibility to produce…and to sell…at a profit. All other business roles are predicated on this fundamental assumption" (Carroll, 1979, p. 500). Carroll does go beyond Friedman in defining four legitimate roles of business and argues that providing for certain social responsibilities increases the firm's efficiency by avoiding government intervention. The following figure replicates Carroll's four responsibilities of corporate social responsibility as presented in the Wheelen and Hunger textbook (p. 39).

Carroll's 4 Responsibilities of Business—As presented in *Strategic Management and Business Policy* (Wheelen & Hunger 2002)

Responsibilities of Business



Source: Adapted from Carroll, A. B. (1979). A three-dimensional conceptual model of corporate performance. *Academy of Management Review,* (October 1979), p. 499.

Figure 2. Carroll's Four Responsibilities of Business

Carroll's contribution is in providing a conceptual model supporting corporate social responsibility beyond that of Friedman's view of business. However, the "ethical (should do)" is cause for concern, as the language suggests ethical responsibilities are not obligatory. This is the final course textbook for many MBA programs, and it communicates that ethical behavior is optional for managers.

Agency Theory and Self-Interest as the Prime Human Motivator

The fundamental assumption of modern economic theory is a view of the individual self acting rationally in self interest (Ferraro et al., 2005). Amartya Sen (1977), an economics Nobel laureate wrote: "The first principle of Economics is that every agent is actuated only by self interest" (p. 317). Economic theory accepts self-interest as the prime human motivator. The view of Friedman (1970) is traceable back to Adam Smith (1776)—every person acting rationally in their own self interest maximizes efficiency and value for society. Three other postulates of modern economic theory are the individual's wants are unlimited, the individual seeks to maximize his or her own utility (Jensen & Meckling, 1994), and resources are scarce.

Building on "individual motivated by self-interest" model, agency theory (Berle & Means, 1932) predicts a conflict between shareholders (principals) and managers (agents) in a publicly owned corporation. Unless appropriate governance structures are emplaced, managers will act in their own self interest and not in the interests of the shareholder (Jensen & Meckling, 1976). Organizational structures following from agency theory include boards of directors and the specialized board committees of compensation and audit. Governance is effected by a process termed "internal control" which comes from the language of accounting. While the board of directors and management have responsibility for the internal control system, operational responsibility falls to the finance and accounting function of the corporation. Agency theory reflects a Theory X (McGregor, 1960) story of the individual manager seeking to maximize his or her compensation and avoid punishment. Extrinsic rewards and fear are the basis for organizational control. Stewardship theory is a contrasting perspective into corporate governance that emphasizes higher order needs of achievement and self-actualiztion (Davis, Schoorman, & Donaldson, 1997;

Donaldson & Davis, 1991); however, agency theory explains the organizational and instutional structures of corporate governance and is the primary theory in use.

The Firm as a Nexus of Contracts in Service of Profitability

The nexus of contracts theory (Alchian & Demsetz, 1972; Coase, 1937) of the firm blends with agency cost economics to form "the dominant model in today's scholarship" (Bainbridge, 2002, p. 5). Economic contractarian theory depicts the firm in a web of implicit and explicit contracts with stakeholders; however, the shareholder has primacy over other stakeholders (Margolis & Walsh, 2003). The board and management continue to have a fiduciary responsibility to maximize shareholder value (Bainbridge, 2002).

The firm as a nexus of contracts describes the firm in relation to its environment—a view of the firm looking outward into its environment. Resource dependency theory provides a similar view of the firm looking outward into its environment. Resource dependency describes power/dependence relationships (Pfeffer & Salancik, 1978) between the firm and other actors in its environment. Its purpose is to assess and enable primary attention to those stakeholders in the environment who have the greatest impact on the profitability of the firm.

The Support of Financial, Legal, and Educational Institutions

That business exists to maximize the interests of shareholders is so socially ingrained into the financial community, many of us believe it to be an uncontestable truth. It takes form in business school, is proliferated in and reinforced in practice, and is legitimated through other sources, from the U.S. Securities and Exchange Commission (Levitt, 2000) to the Royal Swedish Academy of Sciences and Bank of Sweden who award the Memorial Nobel Prize in Economics. The work of the Nobel laureates in financial theory (under the field of economics) accepts shareholder wealth maximization as a given assumption (Markowitz, 1952; Modigliani & Miller, 1958; Sharpe, 1964).

Corporate securities and governance laws give supremacy to shareholders as owners of the resources of the firm. Consider this statement from the American bar Association (1990), "…Delaware courts have stated the prevailing corporate common law in this country: directors have fiduciary responsibilities to shareholders which, while allowing directors to give consideration to the interests of others, compel them to find some reasonable relationship to the long-term interests of shareholders"(p. 2261). Bainbridge (2002) observes that "…most corporate law scholars embrace some variant of shareholder primacy" (p. 5).

More than laws keep this system intact. Dominant among financial theorists and practitioners is the view that business has one primary purpose, one owner, one logical objective function (Jensen, 2001). Financial analysts and executives find this theory useful and beneficial in strategic planning, especially when recommending and selecting courses of action (Sundaram & Inkpen, 2004a). Jensen (2002) uses the metaphor of an equation to explain managerial behavior. Focusing performance to maximize shareholder wealth is the most efficient way to align the resources and action of the firm to create the highest value for society.

The language and relationship of shareholder value maximization is systematically embedded in our business schools. One of the more subtle, but effective ways of constructing a belief system is through education (Bruner, 2003; Gergen, 1999). The financial management textbooks used in finance and MBA programs favor the shareholder maximization theory as the purpose of the firm (Block & Hirt, 2003; Brigham, 1994; Brigham et al., 1999; Levy & Sarnat, 1986). The following is a fairly standard expression in most financial textbooks: “Stock price maximization is the most important goal of most firms, and it is a reasonable operating objective upon which to build financial decision rules” (Brigham et al., 1999, p. 15). Now, you are ready for a spot quiz (quoted directly from the test bank of a popular modern MBA textbook):

> First and foremost, the appropriate goal for a firm in a capitalist society is __________________ (Critical Concept). This is probably one of the most important concepts you'll learn in finance! (ANSWER: Maximization of shareholder wealth) (Block & Hirt, 2003, p. 5).

In sum, dominant views on corporate governance and curricula of most business schools support the perspective that the sole purpose of business in our community is business. Business acting beyond its economic concerns is at best misguided (Jensen, 2001) and is misallocating and/or misappropriating societal resources (Easterbrook &

Fischel, 1991; Friedman, 1970; Sternberg, 1997). Business adds value to the economy through the efficient delivery of goods and services. Social and environmental concerns are related to business through the marketplace and governmental regulation. For example, many in business believe that having committed and talented employees leads to a competitive advantage. This belief suggests that business should invest in effective human resource practices to attract and retain talented employees to create shareholder value, not out of a sense of social justice. Capital will flow to those companies who serve the public good through business and away from those who do not.

This section has shown how shareholder value theory is the dominant economic theory in use by business. It suggests that this theory is supported by the assumptions that: (1) the human, social, and environmental costs of doing business should be internalized only to the extent required by law, (2) people and organizations should and will act rationally in their own self interest to maximize efficiency and value for society, and (3) the firm is fundamentally a nexus of contracts in service of the profitability of the firm. These assumptions are given legitimacy by our financial, legal, and educational institutions. The next section offers an alternative perspective in a review of the literature of stakeholder theory.

Stakeholder Theory and Corporate Social Responsibility

When we talk about the capability and capacity of business to address environmental and social concerns, we are implicitly entering a dialog of stakeholder theory and shareholder value theory. Corporate social responsibility, stakeholder theory and firm performance are interrelated issues (Harrison & Freeman, 1999, p.30) and stakeholder theory has "emerged as the dominant paradigm of corporate social responsibility" (McWilliams & Siegel, 2001, P. 118). However, shareholder value theory is the principal economic model of corporate purpose and that is a challenge facing advocates for corporate social responsibility (Margolis & Walsh, 2003).

Stakeholder theory origins are ascribed to R. Edward Freeman (1984) whose original concept was that managers have a moral obligation to consider and appropriately balance the interests of all stakeholders. Stakeholder theory describes an interrelationship among the various actors involved in the firm. The intention of stakeholder theory is to offer an alternative purpose of the firm. Evan and Freeman (1993) stated, "A stakeholder theory of the firm must redefine the purpose of the firm…the very purpose of the firm is…to serve as a vehicle for coordinating stakeholder interests" (pp. 102-103). Stakeholder theory expresses the idea that business organizations are dependent upon stakeholders for success, and stakeholders have some stake in the organization. Stakeholder theory suggests the purpose of the firm is to serve broader societal interests beyond economic value creation for shareholders alone. It is becoming central to the important story of business in society. While in finance class we teach shareholder value theory, stakeholder theory is now foundational to business ethics courses in MBA programs (Carroll & Buchholtz, 2006; Jennings, 2002).

While stakeholder theory began as an alternative to shareholder value theory, it has diverged along two paths: normative and instrumental. The normative stakeholder path continues in the tradition of a view of the firm in relationship to its various stakeholders with no stakeholder having preeminence. The instrumental path, however, attempts to connect stakeholder management to wealth creation. In doing so, instrumental stakeholder theory becomes a subset of shareholder value theory. The arguments of who is a stakeholder parallel the divergent paths of stakeholder theory.

Who is a Stakeholder?

The question of who is a stakeholder is controversial. Questions arise such as whether stakeholders represent a broad class of those who are affected by or affect the corporation (Evan & Freeman, 1993, p. 79), or are only “those individuals and constituencies that contribute…to [the firms’] wealth-creating capacity and activities” (Post, Preston, & Sachs, 2002, p. 19). Another question is the degree of rights that stakeholder status infers. Schneider (2002) posits that stakeholder theory extends the concept of ownership of the firm beyond that of the traditional legal or economic owners of the firm, who become a stakeholder by contribution of capital or other means that results in equity ownership. Coff (1999) uses resource dependency theory to show how the roles and knowledge of internal stakeholders can position them ahead of shareholders in relative control and power within the firm. Whether the natural environment should be included as a stakeholder is also a debated point (Phillips, 2003).

A broad framework of stakeholders is offered by Wheeler and Sillanpää (1997). They include four categories of stakeholders: primary social, secondary social, primary non-social and secondary non-social. Primary stakeholders are vital to a corporation's success and secondary stakeholders are less influential. Secondary stakeholders often represent legitimate public issues and can become primary stakeholders. An example of their framework (Wheeler & Sillanpää, 1997, pp. 167-168) is seen in the following table:

Table 1. Stakeholder Framework

Primary Social Stakeholders	Secondary Social Stakeholders
• Shareholders and other investors • Employees and managers • Customers • Local Communities • Suppliers and business partners	• Government and regulators • Civic institutions • Social pressure groups • Media and academic commentators • Trade bodies • Competitors
Primary Nonsocial Stakeholders	Secondary Nonsocial Stakeholders
• The natural environment • Future generations • Nonhuman species	• Environmental interest groups • Animal welfare organizations

The categories represent broad classes of actors and the categories and actors can shift depending on the firm and its relationship within its environment at any time.

Defining and viewing stakeholders based on their influence on the corporation rather than how the corporation affects stakeholders is a core difference in the stakeholder literature. Goodpaster (1991) builds on the work of Freeman (1984) and divides stakeholder theory into three approaches of strategic, multifiduciary, and a synthesis. The *strategic approach* to stakeholder theory views stakeholders instrumentally. Stakeholders are means to generating a profit for shareholders. Stakeholders might be considered depending on the extent they can positively or negatively influence profits. The *multifiduciary approach* views the firm as having a fiduciary responsibility to all stakeholders, not just shareholders. The concerns of the broader community of stakeholders are taken into account and no one stakeholder is assumed dominant. The *synthesis approach* (Goodpaster, 1991) combines elements of both. The corporation has a moral and ethical duty to stakeholders, but the fiduciary responsibility remains solely to shareholders. Similar to the categories of Goodpaster, Donaldson and Preston (1995) view the stakeholder literature from three perspectives: instrumental, normative, and descriptive. Donaldson and Preston present a framework for stakeholder literature.

The question of who is a stakeholder gets to the core of the controversy and value of stakeholder theory. If stakeholder theory includes only those who affect the corporation and its profits, then it becomes subordinate to shareholder value theory, not an alternative to it. The following section builds on those distinctions in considering the instrumental and normative aspects of stakeholder theory.

Instrumental, Descriptive, and Normative Stakeholder Theory

A key issue of stakeholder theory from a social constructionist and postmodern perspective is whether stakeholders are ends in themselves or a means to an end for the benefit of shareholders. This is more than a concern for Kantian ethics; it is a question of whether stakeholder theory has been co-opted to reproduce and legitimize the economic theory of shareholder value maximization. The central question of stakeholder theory is whether it is primarily an instrumental tool to advance the interests of the shareholder or a normative guide balancing the legitimate interests of all stakeholders.

Donaldson and Preston (1995) provide a framework for exploring those questions. This framework brings into focus the literature on stakeholder theory and corporate social responsibility. According to Donaldson and Preston (1995), the instrumental view "…establishes a framework for examining the connections, if any, between the practice of stakeholder management and the achievement of various corporate performance goals" (pp. 65-66). From the instrumental body of research come the terms corporate social performance (CSP), corporate financial performance (CFP), and stakeholder management. Instrumental research attempts to prove or disprove a causal link between CSP and CFP in either direction or bidirectionally. An assumption of the instrumental argument is that managing stakeholders will lead to greater profits. Research equations generally take one of the following forms: CSP affects CFP; given a firm has good CFP, does it follow that they have had good CSP; or, a search for a bidirectional relationship between CSP and CFP.

Descriptive stakeholder research seeks to describe the corporation in relation to its environment "…as a constellation of cooperative and competitive interests possessing intrinsic value (Donaldson & Preston, 1995, p. 65). A corporation has both normative and instrumental motivations for considering its stakeholders. Descriptive research gives us language and theory for better understanding the interrelationships among stakeholders and the firm. Virtually all of the literature, whether approached from a normative or instrumental paradigm, is descriptive.

Normative stakeholder theory is the "fundamental basis" of stakeholder theory (Donaldson & Preston, 1995, p. 68). Normative stakeholder theory assumes that all stakeholders have intrinsic value and no stakeholder has a priority of interests over other stakeholders. Shareholders have a right to a fair return on capital invested just as employees have a right to fair pay and customers have a right to a quality product for relative given price.

Stakeholder theory represents a continuum of assumptions as shown in Figure 3. Depicted on the right end of the continuum, normative stakeholder theory stands in antithesis to shareholder value theory. It presents a view of the corporation balancing a community of interests for the benefit of all. At the other end of the continuum, on the left side under shareholder value theory, instrumental stakeholder theory describes managing stakeholders who are vital to the firm's profitability—essentially the same perspective as shareholder value theory.

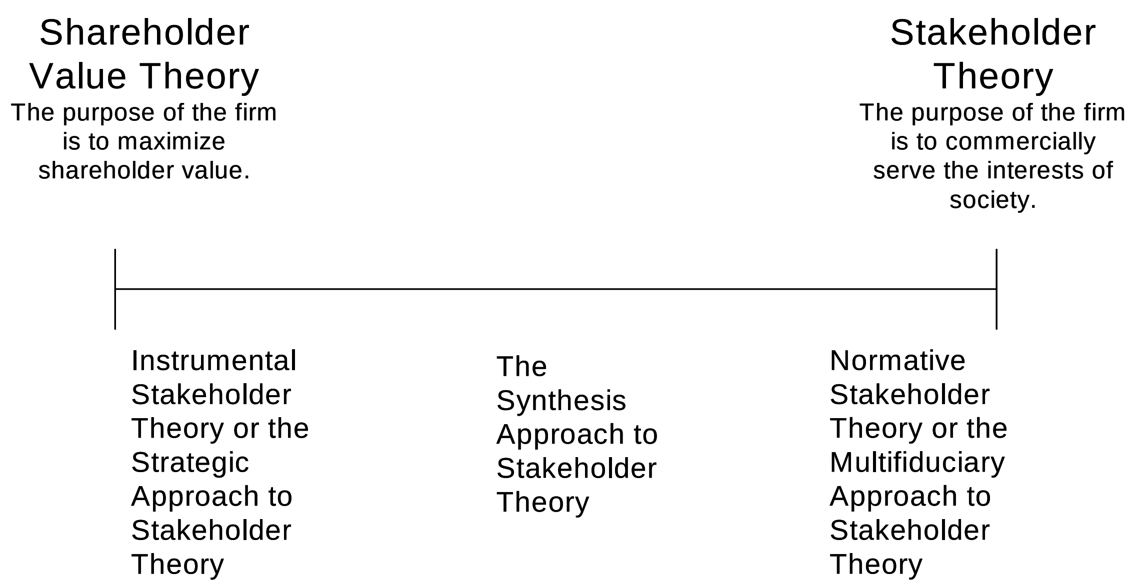


Figure 3. A Continuum of Stakeholder Theory

As shown in Figure 3, instrumental stakeholder theory is graphically portrayed closer in nature to shareholder value theory than to normative stakeholder theory. The synthesis approach (Goodpaster, 1991) described earlier, accepts the normative values of stakeholder theory and also the imperative of shareholder value maximization.

Although most articles include some characteristics of the descriptive, instrumental, or normative aspects of stakeholder theory, academic journals tend toward a preference of using one lens or the other. For example, the *Academy of Management Journal* has shown a bias for empirical articles incorporating an instrumental perspective (Agle, Mitchell, & Sonnenfeld, 1999; Alexander & Buchholz, 1976; Arthur, 2003; Aupperle, Carroll, & Hatfield, 1985; Berman et al., 1999; Cochran & Wood, 1984; Harrison & Freeman, 1999; Johnson & Greening, 1999; McGuire, Sundgren, & Schneeweis, 1988; Meznar & Nigh, 1994; Meznar, Nigh, & Kwok, 1994; Ogden & Watson, 1999; Weaver, Trevino, & Cochran, 1999). *Administrative Science Quarterly* has published several articles related to stakeholder theory calling for a descriptive or a normative point of view (Bartunek, 2002; Clegg, 2002; Hinings & Greenwood, 2002; Margolis & Walsh, 2003; Stern & Barley, 1996). The *OD Practitioner* has favored the normative point of view (Gelinas & James, 1998, 1999; Gelinas, Moxon, James, & Debets, 2003; Murrell, 2002; Nicoll, 1999a, 1999b; Nixon, 2002; Trosten-Bloom et al., 2003).

A Detailed Look at Instrumental Stakeholder Theory

Several recent meta-studies reviewing over thirty years of instrumental research suggest a clear positive association between the CSP and CFP of a corporation (Margolis & Walsh, 2001; Orlitzky, Schmidt, & Rynes, 2003), or at least little evidence of a negative association (Margolis & Walsh, 2003). In general, of over 130 articles assessing a possible relationship between CSP and CFP, approximately 85% have used CSP as the independent variable predicting CFP. About half of those showed a positive relationship and around 5% showed a negative impact on CFP. The remainder of the CSP-CFP articles showed either an insignificant or a mixed relationship. The other approximate 15% of the total instrumental research looked at the impact of CFP on CSP with about 75% of that being positive and the remainder indicating an insignificant relationship.

In their seminal article, “Corporate Social Responsibility and Financial Performance,” Cochran and Wood (1984) measured and linked socially responsible corporate behavior to financial performance. They proposed that action taken for the benefit of a broader group of stakeholders have a positive influence on shareholder wealth creation. Many other studies support this perspective. For example, Waddock and Graves (1997) found corporate social performance to be positively correlated to past and future financial performance. They suggested that slack resource availability and good management were related to corporate social performance. McGuire, Sundgren, and Schneeweis (1988) also found a positive connection between perceptions of corporate social responsibility and financial performance. They provide a good overview of the potential arguments and benefits of corporate social responsibility. One additional finding was a negative correlation between risk and corporate social responsibility. Firms with higher risk profiles tended to have a lower orientation towards corporate social responsibility. The authors suggested that being responsible provides economic benefits including capital market access. A firm with a lower responsibility profile may have to be more aggressive to get the same returns as a firm more responsible. In conclusion, the authors suggest that “it may be more fruitful to consider financial performance as a variable influencing social responsibility than the reverse” (p. 869).

Harrison and Freeman (1999) introduce a discussion of the relevance and coverage of stakeholder theory in a special research forum in the *Academy of Management Journal*. They point out that corporate responsibility has emerged in the “mainstream management literature as a legitimate area of inquiry” (Harrison & Freeman, 1999, p. 479). In this issue, Berman, Wicks, Kotha, and Jones (1999) review whether firms pursue responsible behavior for intrinsic reasons or economic reasons. They empirically compared two competing implicit views of the firm in a longitudinal study. The *strategic stakeholder management* model viewed management’s relationship with stakeholders driven exclusively by the perceived capability of those relationships to increase firm financial performance. In their *intrinsic stakeholder commitment model*, “firms are viewed as having a normative (moral) commitment to treating stakeholders in a positive way, and this commitment is, in turn, seen as shaping their strategy and impacting their financial performance” (Berman et al., 1999, p. 488). Their findings suggest empirical support only for the economic-based instrumental model as creating economic value. The moral arguments for stakeholder value did not seem to exhibit a link to value creation.

Similarly, Agle, Mitchell, & Sonnenfeld (1999) studied which stakeholder groups matter most to CEOs, what factors determine those relationships, and what are the related impacts on financial performance. Building on prior work by Mitchell, Agle, and Wood (1997), they found that senior management gives priority to those stakeholders possessing the highest degree of the attributes urgency, power, and legitimacy. They conclude: "…we cannot help but wonder whether broader social norms hold the key to a general model of the firm. As long as society wants high investment returns, job security and higher wages, and lower prices, CEOs are bound to respect these norms" (p. 521-22).

In contrast, Weaver, Trevino, and Cochran (1999) studied corporate responses to expectations for social performance and how they can be decoupled from or strongly integrated with regular organizational activities. The authors consider the motivational drivers of social performance and relate those to how corporate social responsibility manifests in organizations. In contrast to the studies mentioned above that give primacy to economic drivers for corporate social performance, they found that managers act responsibly not only to satisfy external institutional pressures, but also out of their own sense of morality. Expectations that arise for legitimacy-enhancing structures from institutional forces such as government, the news media, and business standard setters such as the Conference Board result in a more decoupled approach to corporate ethics programs (i.e., the ethics programs exist as corporate documentation to be pointed to in case of a negative event, but not to guide the action of organization members). Programs driven by senior management commitment tend to be more integrated. . Their findings are similar to those of the Committee of Sponsoring Organizations of the Treadway Commission (1992), “Without a top management commitment to ethics, a company's ethics practices may be the kind that employees can easily ignore. This observation also suggests that concern for ethics or other forms of social performance cannot merely be delegated; executive commitment is essential. “Thus, if executives are serious about corporate social performance, they may need to rethink their personal roles in the corporate social performance equation” (Weaver et al., 1999, p. 550). In similar findings, Bansal (2003) identified that individual concerns of managers and organizational values were critical drivers of socially responsible behavior.

Hillman and Keim (2001) describe stakeholder theory from a strongly instrumental view in testing relationships among shareholder value creation, stakeholder management, and the firm’s participation in social issues. They find, “Building better relations with primary stakeholders like employees, customers, suppliers, and communities could lead to increased shareholder wealth by helping firms develop intangible, valuable assets which can be sources of competitive advantage” (2001, p. 125). They also find that social contribution beyond that to primary stakeholders destroys shareholder value. Their use of the term stakeholder management is consistent with the dominant view of corporate purpose to be to maximize shareholder wealth.

Thirty years ago, Bowman and Haire (1975) found that corporate social responsibility had a U-shaped performance curve with those firms having better financial results in the middle range of responsible behavior. Intuitively, that suggests all stakeholder relationships have to be balanced. Acting to maximize the short-term interests of stakeholders does not lead to firm financial success, nor does neglecting shareholder concerns for the benefit of other stakeholders. Their finding seems to have stood the test of time. Jennings (2003) finds that a culture of social responsibility is a common trait in ethical collapses of companies including Enron, Tyco and Anderson. *Business Ethics* (Graves, Waddock, & Kelly, 2004) selected Fannie Mae as first of their "100 Best Corporate Citizens" list for 2004. In early 2005, the SEC in a "damning report" (Wiggins, 2005, p. 1) ordered Fannie Mae to revise its earnings downward by $9 billion in an accounting scandal that led to the ousting of several top managers including the CEO.

The instrumental aspect permeates stakeholder research. Ferraro et al. (2005) observed that economic theory dominates organizational theory and the literature of stakeholder theory is consistent with their findings. Organizational research is preoccupied with finding an economic justification for stakeholder theory (Margolis & Walsh, 2003). Even Freeman (1999) concludes a need for an instrumental justification for stakeholder theory: "it is hard to see how such an argument can be connected to real firms and real stakeholders without some kind of instrumental claim" (p. 235). While the research into the instrumental value of stakeholder theory points to a correlation between CSP and CFP, the next sections bring into question whether the preoccupation over instrumental theory is counter productive.

Reflections on Instrumental Stakeholder Theory

The literature of corporate social responsibility and stakeholder theory reveals a source of much of the confusion not only evident in the literature, but also evidenced in managerial practice. The majority of the stakeholder literature, often unwittingly, strongly reinforces the status quo of shareholder value theory. Every empirical model designed to link CSP and CFP is an argument implicitly accepting shareholder value theory and relegating stakeholder theory as subordinate. This instrumental argument implies, "If you do the right thing, you will create value for shareholders." The instrumental argument is also a two-edged sword if the researcher's intention is to advance stakeholder theory. The data may suggest balancing stakeholder interests has a negative effect on financial performance measures. This confusion embeds U.S. management in a socially constructed mixed message not even evident in the clearest related research.

Instrumental stakeholder theory is the predominant academic orientation to stakeholder research (Harrison & Freeman, 1999; Margolis & Walsh, 2003; Orlitzky et al., 2003). At best, the instrumental aspect is a "weak form" of stakeholder theory. Donaldson and Preston (1995, p. 65) describe "instrumental power" as one of several interrelated components of stakeholder theory. However, when instrumental power alone is considered, stakeholder theory disintegrates into a market-oriented corporate strategy within the shareholder value model of the firm.

The extant literature shakily advances the notion that managers can act in ways beyond the sole consideration of shareholders, but that comes with a mixed message that shareholders clearly are the privileged class of stakeholders. Social science theory plays a pervasive role in shaping the behavior of society and economic theory has preeminence among the disciplines of social science (Ferraro et al., 2005). Margolis and Walsh (2003) articulate this reality for those who would advance the role of business in addressing environmental and social concerns: “The challenge facing those who advocate corporate social initiatives then is to find a way to promote what they see as social justice in a world in which this shareholder wealth maximization paradigm reigns” (p. 273). If stakeholder theory is but an instrumental argument for shareholder value theory, it is superfluous. Stakeholder theory without a normative basis is redundant with resource dependency theory and an economic contractarian view of the firm.

A Detailed Look at Normative Stakeholder Theory

The normative aspect of stakeholder theory is what animates and distinguishes it from other theories of the firm. The normative aspect has two assumptions that are different from shareholder value theory: relational interest compared with self-interest and balancing instead of maximizing. A normative aspect of stakeholder theory embraces a view of the corporation balancing the interests of all stakeholders and not maximizing performance for the benefit of the shareholders (Donaldson & Preston, 1995). Gelinas and James (1998) describe a procedural shift for corporations desiring to adopt a normative stakeholder perspective:

> To make this transition, corporations must shift from an "either/or," individualistic view of business to "both/and" thinking. This is an important conceptual difference to help corporate leaders balance decision making when confusion arises over whether a likely outcome is in the interests of shareholders or other stakeholders. (pp. 9-11).

Margolis and Walsh (2003) offer the following consideration for balancing the multiple perspectives of stakeholders in a normative research agenda:

> …what happens when it is assumed that instrumental efficiency and human beneficence, wealth maximization and the amelioration of social misery, and shareholder rights and stakeholder rights all matter? A normative theory of the firm will acknowledge these competing conceptions and accommodate the tension. Instead of trying to assert the legitimacy of one set of claims and deny the legitimacy of the other, or to imagine that all of these competing interests can somehow be synthetically reconciled, theorists must undertake the task of working out the principles and guidelines for managing tradeoffs. (pp. 283-284)

Margolis and Walsh (2001; 2003) call for expanded agenda for descriptive and normative research. Business as an agent of World Benefit (BAWB) is an example of a research agenda away from trying to prove the economic value of corporate social responsibility. BAWB is a global action research project to generate and forward a dialogue between business and society.

The story of BAWB connects to the ideas of a relational identity for the firm and of a broad responsibility of the corporation to society. The project is an open invitation to all who desire to contribute. Trosten-Bloom, Cooperrider, Zhexembayeva, Whitney (2003) call OD practitioners to reconsider the relationship and responsibility of OD to social change. The authors contend that the future of OD is beyond working within organizations forwarding humanistic values, but across organizations addressing broader societal concerns extending beyond the boundaries of the organization. Business has become such a central part of modern civilization that the future of society "…whether the path is strewn with human misery or hope—depends on the vitality, vision, mindfulness, and courage of business" (p. 5). The early learning from BAWB, suggests that "organizational development work is both fostered and accelerated when… stakeholders share a clear, compelling picture of their larger role in society" (p. 7). Recurring themes and initial findings in the interviews are as follows: "…doing good for the world at large builds good businesses"; "…every social and global challenge of our day can be turned into a business opportunity"; and, "…wealth is more than financial gain… [it] is well-being for the whole" (pp. 7-9).

The approach of BAWB is unique among other articles related to corporate social responsibility. As an inquiry into what gives life into businesses, it is an active intervention into corporate social responsibility without direct consideration of what it is and why it is. However, prior articles from *OD Practitioner* are very much aligned with its conceptual underpinnings. In an article several years prior, Gelinas and James (1998) foreshadow thoughts of BAWB:

> The quality of the world we bequeath to our descendants will depend upon how well we deal with these challenges. We think our corporations are the key to responding. They are the lynch pin to creating radical change globally. We can no longer separate what they do - their business activities - from the future and health of our planet. These two things are inextricably interwoven. It is, in large part, our organizations, which use the world's resources, which create waste and pollution, influence our lives, and define how we work. Consequently, organizations are the primary vehicles we have for creating a future in which we would like our great-grandchildren's great-grandchildren to live. (p. 9)

Gelinas and James (1998) frame a central concern for normative stakeholder theory: "…how organizations can generate profits in a way which both sustains and nurtures the humanity and goodness of people in the organization and considers the health and survival of communities and the planet as a whole" (p. 25). Corporate profitability is necessary, but not sufficient for continued well-being of society. In a later article, Gelinas and James (1999) inquire into organizational purpose and the importance for moving beyond simple shareholder-based economic metrics to measures aligning individual with corporate purpose.

Gelinas, Moxon, James, and Debets (2003) provide insight into corporate organizational dilemmas of corporate social responsibility. The article frames a quandary of corporate social responsibility from the perspective of caring people with differing perspectives within a community. The argument grounds sustainability and responsibility in the feelings and concerns of a real community. They claim that, for many managers and executives, the issue of corporate social responsibility is not primarily a theoretical dichotomy of shareholders versus stakeholders or an allegorical struggle of good versus evil; it is real people with honorable intentions trying to achieve a balance between a metaphor of timber and trees. Timber represents the economic aspect of life to the community members such as jobs, lifestyle, survival, and wealth creation. Trees represent environmental and life balance of “habitat, ecosystem, future, recreation, beauty” (pp. 16-17). This article is a good example of corporate managers and community members working together to consider and balance the multiple stakeholder interests within the sphere of corporate influence.

The normative aspects of stakeholder theory account for its difference from shareholder value theory. Normative stakeholder theory provides an alternative explanation of the purpose of the firm and provides a different set of behavioral assumptions. A sense of balancing replaces maximizing and correspondingly, relationship within the environment replaces the individual acting upon the environment. Normative stakeholder theory calls for a view of the firm in broader service to society.

Stakeholder Theory: Summary and Conclusions

Instrumental stakeholder theory provides a framework for considering the economic value of corporate social responsibility. It accounts the majority of over thirty years of research into stakeholder theory. It is a search for an answer of whether environmental and social action beyond that required by law either adds or detracts from shareholder value. The extensive body of instrumental research indicates a positive relationship between CSP and CFP, or at least a relationship that does not disadvantage shareholders. Instrumental stakeholder theory is closely aligned with shareholder value theory.

There is a growing call for a move away from a focus of scholarship on the instrumental argument to the normative aspects of stakeholder theory. Margolis and Walsh (2003) call for a “reorienting perspective” for pragmatic organizational scholarship where “The grip of economic assumptions must be released in favor of an alternative premise, one that expands the focus of organizational scholarship” (p. 283). Normative stakeholder theory calls for a moral or ethical grounding for action, not an economic one.

The research of stakeholder theory ranges from guidelines for strategic stakeholder management to calls for shifting the research focus to a more provocative orientation towards corporate social responsibility; however, in the body of research of stakeholder theory, nearly every researcher agrees that the extant research is confusing and inadequate. Golden-Biddle and Locke (1997) describe the critical language of characterizing extant literature as a range from “incomplete” through “inadequate” to “incommensurate” (pp. 35-43). Many have described how the extant literature is incomplete and confusing (Harrison & Freeman, 1999; Orlitzky et al., 2003), others have described it as inadequate (Bartunek, 2002; Clegg, 2002; Hinings & Greenwood, 2002), still others recently have described the literature incommensurate (Margolis & Walsh, 2003). If stakeholder theory is to provide a guide for responsible corporate behavior, then the literature of stakeholder theory clearly places the extant literature as incommensurate: “…articles that construct an incommensurate problematization is their direct advocacy for an alternative thesis that is better than those put forth in the extant literature” (Golden-Biddle & Locke, 1997, p. 43).

Stakeholder theory provides explanatory and predictive value for corporate managerial behavior outside the capability of shareholder value theory. It provides a view of a firm in balance within a community of interests and accounts for behavior responding to the institutional demands on the firm by society. The value of stakeholder theory is in its ability to stand alone as an alternative to shareholder value theory. The inconsistent approaches to stakeholder theory in the mainstream of academic research compel research that will move a dialogue beyond supporting the status quo to one advancing change.

Implications for Organizational Theory

Instrumental stakeholder theory takes us off course from developing meaningful organizational theory. Consider the observations of Margolis and Walsh:

> This continuing research tradition produces an ironic and, no doubt, unintended consequence. The CSP-CFP empirical literature reinforces, rather than relieves, the tension surrounding corporate responses to social misery. By assaying the financial impact of corporate social performance, organizational research helps to confirm the economic contractarian model and accept its assumptions. Meanwhile, the work leaves unexplored questions about what it is firms are actually doing in response to social misery and what effects corporate actions have, not only on the bottom line but also on society. (Margolis & Walsh, 2003, p. 278)

The body of instrumental stakeholder research suggests an acquiescence of organizational theory to economic theory and the shareholder view of the firm. Instrumental stakeholder theory is similar to the economic theory of corporate purpose being to maximize shareholder wealth. If merely an extension of economic theory, organizational insights of stakeholder theory only serve to advance the efficiency of wealth generation and miss the other opportunities for organizational theory such as improving the social and environmental consequences of work. Organizational theory needs to play a meaningful role in society in its own right (Bartunek, 2002; Clegg, 2002; Murrell, 2002).

Ferraro et al. (2005) warn of the dominance of the social sciences by the language and assumptions of economics and the introjection of any theory: “theories become dominant when their language is widely and mindlessly used and their assumptions become accepted and normatively valued, regardless of their empirical validity” (p. 21). The authors continue with a prediction of social constructionist theory, “As long as the language and assumptions are widely shared and frequently used, the theory will come to determine what people do and how they think about and design the social and organizational world” (p. 21). Other voices in the academy have called for more normative research and inquiry into the consequences of business (Bartunek, 2002; Hinings & Greenwood, 2002).

In addition to Margolis and Walsh (2003), *Administrative Science Quarterly* has produced several articles critical of an instrumental focus in the past few years. Stern and Barley observe that the field of organizational research has virtually ignored the broader societal questions originally within the discipline’s mandate and need to reclaim this broader perspective for organization theory (1996). How organizations affect the social equity and how social equity is distributed within organizations were central concerns in the emergence of organizational theory from its sociological roots (Hinings & Greenwood, 2002). These questions were supplanted with an increasingly narrower focus toward organizational effectiveness and efficiency. Organizational development and related social sciences must continue to ask the broader societal questions related to organizations and not just serve to make business more effective and efficient (Clegg, 2002; Murrell, 2002). Organizational theory must continue to address these important questions not only to remain relevant and meaningful, but also if it is to achieve its fullest potential in serving a larger society beyond the status quo of efficiency and effectiveness (Bartunek, 2002; Hinings & Greenwood, 2002). Social constructionist inquiry has the power to unshackle us from the status quo. The next section is a brief introduction to social constructionist thought related to this dissertation.

The Taken-for-Granted as Invitation to Social Construction

Gergen (1999)describes social constructionism as a lens from which to look into these situations of certainty: "…such considerations lead to a celebration of reflexivity, that is, the attempt to place one's premises into question, to suspend the "obvious," to listen to alternative framings of reality, and to grapple with the comparative outcomes of multiple standpoints" (p. 50).

Many of us have accepted shareholder value theory as some given natural law: "what there is." Why do so many of us take the shareholder view of the world for granted? This is an ideal question for social constructionist inquiry. Gergen (1999) offers that such an outlook of certainty can obscure much of what is important: "For the constructionist this means an unrelenting concern with the blinding potential of the 'taken-for-granted'" (p. 50). He goes on to suggest that, if we are truly going to make change, we have to inquire deeply into all that is obvious to us:

> If we are to build together toward a more viable future then we must be prepared to doubt everything we have accepted as real, true, right, necessary or essential. This kind of critical reflection is not necessarily a prelude to rejecting our major traditions. It is simply to recognize them as traditions – historically and culturally situated; it is to invite the kind of dialogue that might lead to common ground. (p. 50)

How do we invite this kind of dialogue, and yet not attack the people who deeply hold beliefs in those major traditions? How do we not hold to our position as superior, correct, and true? Environmental and social activism is often confrontational. It says the current system has terrible consequences for certain classes of stakeholders; the current system is evil. Take for example the following story from Greenpeace (2004), an organization "that uses non-violent, creative confrontation to expose global environmental problems, and force solutions for a green and peaceful future" (p. 1). Greenpeace (2004) describes a successful environmental activism project in Brazil to protect areas of the Amazon forest from deforestation from cattle ranching and farming:

> Protecting a way of life—Last year we had two ships in the area where local communities and forest are being destroyed for profit at any cost. It is a lawless frontier where greed, corruption, slavery and even murder are commonplace as loggers and ranchers trash the forest for short-term profits. Along with local people, we confronted the powerful forces behind the destruction such as mayors of the region who also own logging companies. Realities such as this mean unsustainable development and environmental destruction go hand in hand with human rights abuses and the total disregard for law and order (p.1).

This situation described by Greenpeace is probably told differently from the group of stakeholders who profit from the cattle ranching and farming. Their stories may tell of “feeding my family,” “might makes right,” or even “living the American dream.” Either story is as correct from the point of view of the group telling the story, but from the social constructionist view, neither story is correct in and of itself. Both stories emerge from the language of historical and cultural traditions.

Many new stories are being told of people in business who are acting differently and setting a new model of corporate responsibility. Many of the people driving these efforts once deeply believed in shareholder theory as truth such as Ray Anderson and the team at Interface. Interface is a large carpet manufacturer. After he read the book *The Ecology of Commerce* by Paul Hawken, he said it was like a “spear to his chest” (Anderson, 1998, p. 23). Since then, Interface has transformed into a business model for environmental responsibility.

What is it we believe? What led us to believe that? What could we believe? What could cause our beliefs to shift? In some form, those are the overarching questions of this work. What light can social constructionist theory shed on the process of our desired change?

The Social Process of Constructing Reality

Berger and Luckman (1967) describe social construction as a paradoxical process where humans in community construct social reality and then regard this reality as existing independently of themselves. Reality, produced primarily through language and other forms of communication, then becomes the measurement standard by which people compare themselves in relationship with others.

Our theories of the firm and its purpose exist from relationship, not from some natural truth or real perspective on the world. Yet, when I began this work, I was certain of shareholder value as the correct purpose of the firm. I had lost my awareness that humans invented the story of shareholder value theory. This story evolved over human history as all theory has. We make sense of the phenomena of our world by telling stories, positing explanations, developing theory. But then, we forget we made up these stories and theories. They do not represent some ultimate truth or given reality. For humanity in the Western world, the sun continued to revolve around the earth for many years even after a new story of science emerged describing the earth as no longer the center of God's universe.

Berger and Luckmann (1967) describe how humans create their reality, forget they created it, and then measure their accomplishments relative to their creation. Figure 4 is a graphic interpretation of this process of, in Berger and Luckmann's words: externalization, objectivation, and internalization. While their explanation does not fully incorporate the concept of our relational nature as humans and reduces the countless human interactions of socially constructing our reality, it is a helpful model. We can use it for considering how we got to where we are and how we can consciously move forward to where we want to be.

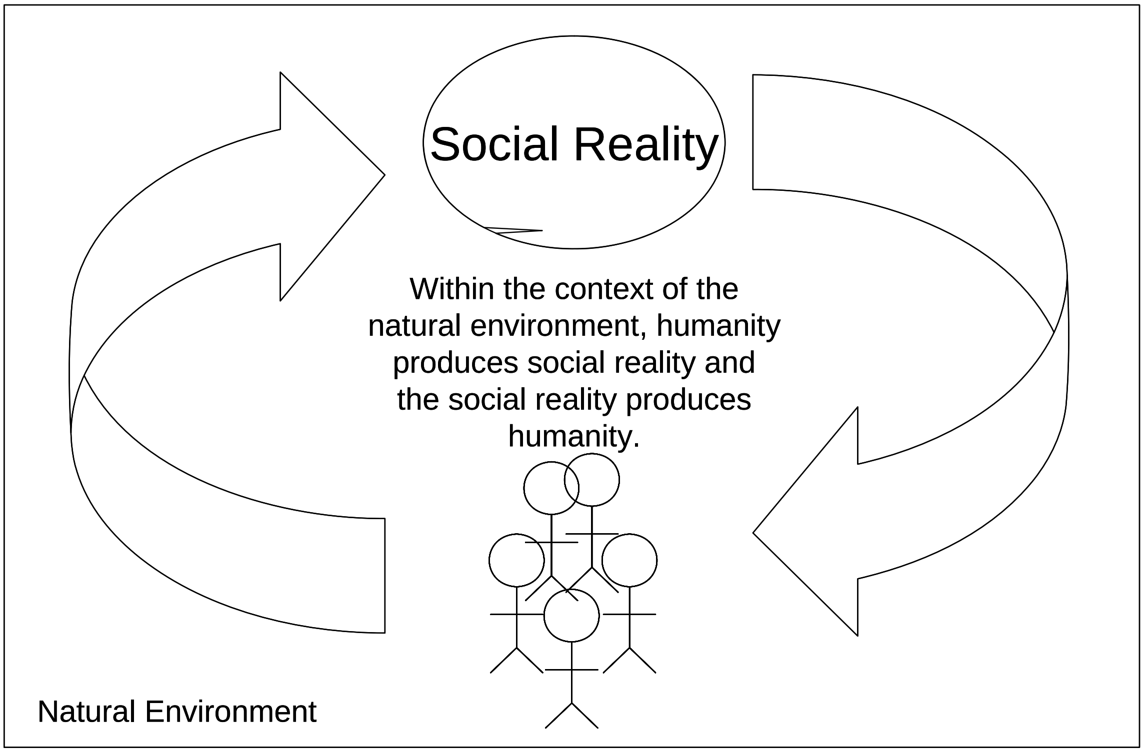


Figure 4. Dialectical Process of Society

Berger (1969) describes human beings as both the producers and a product of social reality:

> The fundamental dialectic process of society consists of three moments, or steps. These are externalization, objectivation, and internalization. Only if these three moments are understood together can an empirically adequate view of society be maintained. Externalization is the ongoing outpouring of human beings into the world, both in the physical and mental activity of men. Objectivation is the attainment by the products of this activity (again both physical and mental) of a reality that confronts its original producers as a facticity external to and other than themselves. Internalization is the reappropriation by men of this same reality, transforming it once again from structures of the objective world into structures of the subjective consciousness. It is through externalization that society becomes *sui generis*. It is through internalization that man is a product of society. (pp. 3-4)

This dialectical process of society described by Berger is arrived at through language. It is the means of externalizing, objectifying, and internalizing social knowledge. Language is devised in and only takes meaning within relationship. Language is not a mirror-like reflection of reality, but an expression of a communal perspective (Gergen, 1991). Gergen and Thatchenkery (2004) offer a postmodern view of “language as action” rather than “language as reflection.” Language is active participation in a set of relationships where words create worlds: “…this is to say that language for the postmodernist is not a reflection of a world but is world-constituting. Language does not describe action but is itself a form of action” (p. 237).

Giddens (1984) described a “double hermeneutic” (p. xxxiii) where our actions are made sense of by our models of reality and then we act in the future in accordance with those explanations. Theory exists within the reality of which it theorizes. Social actors through language make sense of their actions, build theories that describe and predict reality, and then act in accordance with their theories. Ferraro et al. (2005) summarize Giddens (1984) by suggesting that, “Actors see the world through the lenses of social theories, and social theories are built borrowing actors' categories and meaning” (p. 8). Our theories follow from language and then our language follows from theory.

Given this postmodernist insight into language, the words "Accounting: The Language of Business" (Meigs & Meigs, 1990, p. 3) take on new meaning. Accounting gives us the language for sensing and acting on what is important in business (Kofman, 1994). We plan, organize, control, and measure our results all in this language (Johnson & Bröms, 2000). Instrumental stakeholder theory is based in the language and theories of the interrelated disciplines of economics, finance, and accounting. The vast majority of organizational research into corporate social responsibility uses accounting measures such as return on equity, profitability, and change in market value as either the independent or dependent variable in some equation that attempts to show the value created for shareholders by acting in concert with or manipulating other stakeholders. We take it for granted that a business has to make a profit. Would our outcomes be different if our language of business had a language for reporting measures of joy, fun, challenge, health, well being, spirituality, environmental beauty, love?

Flowing from a communal view of language, Gergen (1994) proposes four assumptions of social constructionism. These assumptions guide this research and reflect the hopes of social construction written in Chapter 1. This first assumption brings into question the truths we hold about the purpose of the firm.

> **1. The terms by which we understand our world and our self are neither required nor demanded by "what there is."**
> Another way of stating this assumption is that for any state of affairs a potentially unlimited number of descriptions and explanations are possible. In principle (though not in practice) not one of these

> descriptions or explanations can be ruled superior in terms of its capacity to map, picture, or capture the features of the "situation in question." (p. 47)

Whether we believe that the most effective way for business to serve humanity is by focusing on shareholder value creation (Jensen, 2001) or by an agenda incorporating social and environmental concerns (Elkington, 1997; Korten, 1995), neither is true by virtue of some underlying external reality or "what there is." This assumption in itself is liberating. Our "taken for granted" beliefs are reduced to preferred perspectives now open to dialogue.

> In daily life, so many of our categories of understanding – of gender, age, race, intelligence, emotion, reason, and the like – seem to create untold suffering. And in the world more generally, so many common understandings – of religion, nationality, ethnicity, economics and the like – seem to generate conflict, alienation, injustice, and even genocide. From the constructionist standpoint we are not locked within any convention of understanding. (Gergen, 1999, pp. 47-48)

One of the emerging cultural perspectives leading to this work is that economic theory and language does generate conflict, alienation, injustice, and even genocide.

The implications of this next assumption are profound.

> **2. Our modes of description, explanation and/or representation are derived from relationship.**
>
> Language and all other forms of representation gain their meaning from the ways in which they are used within relationships. What we take to be true about the world or self, is not thus a product of the individual mind. The individual mind (thought, experience) does not thus originate meaning, create language, or discover the nature of the world. Meanings are born of coordinations among persons – agreements, negotiations, affirmations. (p. 48)

What we in the West take for granted about the nature of ourselves is merely a cultural convention. Gergen offers a view of the self as relational instead of individual. The self as individual is reinforced by our economic theory and our economic theory reinforces the self as individual. By expanding our view of language and self in relationship, we open new possibilities for new conventions of the purpose of the firm.

If our social reality is established through language, we have the power to change that reality.

> **3. As we describe, explain or otherwise represent, so do we fashion our future.**
> As our practices of language are bound within relationships, so are relationships bound within broader patterns of practice…Consider the implications: if we agree that there is nothing about the world that demands any particular form of language or representation, then all our institutions – our long-standing traditions of cultural life could be dissolved.…At the same time, constructionism offers a bold invitation to transform social life, to build new futures. (pp. 48-49)

We not only have the power to deconstruct and criticize, we have the power to shape and create our future. As we inquire into our economic reality and our desire for something different, we must also "confront the challenge of generating new meanings" (Gergen, 1999, p. 49)**.**

From these first three assumptions, we begin to see how important social science theory really is. Ferraro, Pfeffer, and Sutton (2005) describe how social science theories can become self-fulfilling through processes of shaping institutional designs and social norms and providing a language used to determine to what we pay attention, what we perceive and how we make sense of that. The language and assumptions of theory become taken for granted within the larger culture. As such, theory sets social norms and behavioral expectations; our theories create the results that they predict (Ferraro et al., 2005). From our perceived reality comes our theory and from our theory comes our perceived reality.

The fourth assumption suggests that we need to approach change with awareness.

> **4. Reflection on our forms of understanding is vital to our future well-being.**
> The challenge of sustaining valued traditions on the one side, and creating new futures on the other, is no small matter. Every tradition closes the doors to what shall we resist and destroy; what worlds should we create? (Gergen, 1999, p. 49)

We may reach broad agreement that we desire cleaner air and water, pristine forests, universal health care, social equity, and other such things good (as we periodically define them). We may even reach broad agreement that our assumptions under girding our economic system may be keeping us from these desired future states. From a social constructionist perspective, however, we need to critically examine and responsibly reflect upon what it is we hope to destroy and create with the realization that all is interconnected. We need to keep our awareness that our desired future stems from our favored traditions of discourse, not from some ultimately correct vision of the future.

Berger and Luckmann give us an idea of how social reality may be created and Gergen gives us insight into the nature of that reality and an idea of a road map for action. So, what does it mean to doubt what we know is true? If we can look at that which we hold true as something we have socially constructed, we can begin to inquire into its nature. We can open new understandings that open up new alternatives for life to emerge.

Conclusion to Literature Review

Chapter 2 explored the social construction of shareholder value theory and exposed some of its tacit assumptions and reinforcing mechanisms. This chapter also reviewed the extensive literature of stakeholder theory and concluded the extant theory was incommensurate. While intending to offer an alternative to shareholder value theory, the main body of empirical research of instrumental stakeholder theory actually reinforces shareholder value theory. In this strain of literature, organizational theory defers to economic theory and managerial practice. Then social constructionist theory was introduced, relating Berger and Luckmann’s construction of the dialectical process of society and Gergen’s four assumptions of social constructionism. The next chapter presents the methods used to answer to the central research questions asked in chapter 1.

Chapter 3: Methodology

Introduction

The purpose of this study is to advance knowledge and capability in the area of corporate social responsibility through an inquiry into the purpose of business. Chapter 1 established the relevance and importance of this research area and Chapter 2 explored the extant research literature. This chapter lays out the research design and path followed to generate new theory related to the research question: How are people in large organizations making sense of the antinomy inherent in the equation of modern business: simultaneously maximizing the seemingly mutually exclusive variables of shareholder value creation and service to society?

The spirit of this chapter is to share with the reader the reasoning and the process of learning used here to generate new theory. The hope is not to stifle dialogue by creating an impression of scientific authority or truth, but to stimulate new dialogue, build and strengthen relationship, and open new possibilities for learning.

The social constructionist direction of this study called for a qualitative research approach, an approach grounded in dialogue with the people involved in the phenomenon under study (stories of corporate purpose). This was important for two reasons. First, if our purpose is to understand how people in large organizations make sense of simultaneously maximizing shareholder value creation and service to society, and if we take seriously Gergen’s (1999) proposition that understanding is created through language in relationships, then the way to learn and create what we want to know, is to talk with the people involved. Second, as mentioned in Chapter 2, the bias of previous research towards quantitative methods has limited the relevancy of much of stakeholder research. The intention here was to move away from research directed by data that gives the illusion of being quantifiable. The preference away from quantitative analysis comes from my close familiarity with numbers and a social constructionist awareness of that relationship. I have participated in and have witnessed the impact of numbers on people in the discourse of modern business. In the discipline of finance, we employ the techniques and language of mathematics to prove our points. We exploit numbers to acquire the position of privilege they offer in the culture of business. The "obvious truth" offered by numbers dominates discourse and limits other forms of conversation. The following sections describe the application of generative theory in this research.

Generative Theory

With these considerations in mind, I selected generative theory (Gergen, 1978) as my primary research methodology. Generative theory describes theory that breaks with the existing commonly held view of the world. Generative theory serves to "challenge the guiding assumptions of the culture, to raise fundamental questions regarding contemporary social life, to foster reconsideration of that which is 'taken for granted,' and thereby to furnish new alternatives for social action" (p. 1344).Generative theory is the goal of this research. Gergen describes generative theory as follows:

> Generative theory is designed to undermine commitment to the prevailing systems of theoretical construction and to generate new options for action. It is the generative criterion that can, in my view, most effectively bring about a transformational shift. Generative theorizing frequently begins with critiques of existing accounts. Then, as the conceptual implications of the critique are progressively elaborated, the contours of a new ontology or world construction can slowly emerge, inviting and/or rationalizing new options for action. (1994, p. 91)

To make sense of the research question, I draw from three streams of conversation: the literature of corporate purpose including shareholder value theory and stakeholder theory, semi-structured conversations with finance executives, and journaling from my 25 years of experience as a finance professional and leader. In the tradition of generative theory, the conversations come together to explicate what we believe about corporate purpose, to call into question those beliefs, and then to explore alternate considerations for corporate purpose.

While this dissertation is fundamentally an attempt to create generative theory, throughout the research process I used some of the conventions of grounded theory (Glaser & Strauss, 1967; Strauss & Corbin, 1998) to read and makes sense of the literature, the interview transcripts, and my personal journal. The remainder of this chapter describes the full research process, including the conventions of grounded theory used.

Grounded Theory

Glaser's description of the product of grounded theory well articulates the larger process and product of this dissertation:

> The GT [grounded theory] product is simple. It is not a factual description. It is a set of carefully grounded concepts organized around a core category and integrated into hypotheses. The generated theory explains the preponderance of behavior in a substantive area with the prime mover of this behavior surfacing as the main concern of the participants….a straightforward conceptualization integrated into theory—a set of plausible, grounded hypotheses….and it is readily modifiable as new data come from whatever source—literature, new data, collegial comments, etc. The constant comparative method weaves the new data into the subconceptualization. (2004, p. 11)

To reframe Glaser's description, grounded theory is an approach to generating theory by systematically creating, interpreting and representing data in organizational research. It is an iterative dialogical process of inquiry into open-ended research questions through exploration, learning, and further exploration enroute to generating new theory. Theory emerges from its relationship with the data and its analysis in the research process. The researcher does not enter the research with a clearly defined research question or clear new proposed hypotheses of the area study (Glaser & Strauss, 1967; Strauss & Corbin, 1998).

The methodology as applied to this research involved an iterative process of the following general steps: (1) collecting data; (2) fragmenting that data through coding for concepts of interest within the data; (3) abstracting concepts, building conceptual categories and filling out the properties and dimensions of those categories through recursive comparison of the data; and, (4) reintegrating interrelated concepts to generate theoretical statements (Locke, 1996).

Description of the Conventions of Grounded Theory Used

This application of grounded theory began with selecting a research area and subsequent research question that was broad enough to allow latitude to follow the data where it directed, yet narrow enough to provide an entry point and guide towards theory development. The research process involved collecting data through theoretical sampling and then working closely with that data to explore interrelationships of concepts related to the phenomena described in the data. It is important to note that the following sequence was not chronologically linear, but as mentioned, recursive: an iterative process of sampling data, coding data, further sampling and coding based on emerging theory, and so on.

“The conceptualization of data through coding is the foundation of GT development” (Glaser, 2004, p. 13). Open coding was the first analytical step and it involved identifying, naming, categorizing and describing the concepts relevant to the phenomena described with an eye towards its relevancy to the research question. This was an inquiry into what is being said in the data beyond what is being said; what concepts are represented in the data and what is the depth and breadth of those concepts.

Open Coding

Open coding began with micro coding, or close line-by-line analysis, initially to generate concepts referred to as categories and later to identify properties and dimensions of categories. It evolved to concept-by-concept coding, which ranged from quotes of single phrases to paragraphs. The largest unit of text embodying a meaningful concept was examined to identify what it was about, what was being referenced, and what were its relationships to previous concepts identified. The label given to a concept such as a category or property is a code. An inventory of codes was developed with a comment memo written describing the code and often, as analysis progressed, a theoretical memo was written exploring the relationships of categories and emerging themes.

Axial Coding

Axial coding followed as the process of systematically relating and developing categories. As concepts developed, they were constantly compared with existing concepts for relationships of similarity, difference, intervention, context, consequence, causality and so on; memos were written describing those relationships. Interrelated labeled categories became the conceptual framework. As categories (and subcategories) were identified, the text was explored through constant comparison to identify properties and dimensions within those categories.

Grounded theory has its own rhetoric of exposition, analysis, interpreting, and evolving a set of hierarchal relationships. The exact terms used are not as important as consideration that the theory develops from relationships within the data and the concepts abstracted from the data. Consider the following example from textual data excerpted from an interview with an executive of a large automotive supplier.

> Many events have come together to cause us to be more socially responsible, and I think that is true of the automotive industry in general. …our customers, the OEMs [original equipment manufacturers such as Ford, GM Toyota], and their customers [consumers who purchase cars] just expect us to be meeting higher environmental standards…Now, if someone from an NGO [non-governmental organization] screams at me, that doesn't advance our company's corporate social responsibility efforts or really spur us to action. In fact, it causes me to be defensive and withdraw. I'm not going to respond to screaming…

One concept possibly described here is "pressures driving corporate social responsibility behavior." That might become a category to represent why people in an organization may act socially responsibly. A subcategory of that may be "external pressure" exerted on a corporation to act responsibly. "NGO pressure" and "institutional shareholder pressure" might become properties of that subcategory "external pressure." The category of "institutional shareholder pressure" comes from other data collected, as do some of the following dimensions. Dimensions of those properties could range from "supportive" to "attacks" and "public" to "private." Table 1 summarizes this example of coding from the data of the text fragment.

Table 2. Example of Coding Procedure Used

Category	pressures driving corporate social behavior
Subcategory	external pressure
Properties	NGO pressure institutional shareholder pressure
Dimensions	supportive pressure—attacks public pressure—private pressure

In this example, the story of interest seems to be what causes companies to engage in socially responsible behavior. The causal conditions include external pressure from outside the corporation. Negative "attacks" may have the consequence of turning companies away from responding to external pressures. Open coding might have involved labeling the specific phenomena that suggested a concept of interest and axial coding could be the relating of the categories, in this case around the axis of the category "pressures driving corporate social behavior." As more data is considered, the category is more fully developed.

As the process of interviewing, open coding, and axial coding continued, a core category began emerging as figural (that will be discussed in chapters 4 and 5). Other related categories also began to reach theoretical saturation, meaning that the categories became fully developed in the sense that no more description seemed to be plausible or valuable. An example of theoretical saturation was the recurring mention of a category representing the linguistic pattern referring to the importance of generating shareholder value, but that not being the ultimate reason for existence—"critical, but." This was an in vivo code, or a code captured directly from the language of participants. As almost each participant mentioned this phenomenon in slightly different ways, no further related concepts, properties or dimensions seemed likely to appear.

Selective Coding

With the core category developing, open coding and axial coding gave way to selective coding. Selective coding is the transition ending open coding and delimiting further coding to only those categories related to the core category and the emerging conceptual framework. From this process, the theory described in Chapter 5 emerged.

The next section will describe how the research question evolved and people who participated in this research. Central to this research is its relationship to the dissertations of Keith Cox, Mona Amodeo, Gus Gustafson, and to the Case Western Reserve University's program Business as an Agent of World Benefit (BAWB).

Selection of the Research Question and Participants

In the last chapter, social constructionist theory offered a relational view of ourselves. We are born into, develop in and exist within relationship to others. If we can tell our stories of self in relationship and not as an individual self, the world will look differently. In relationship, our planet is a closed system where, by definition, there can be no thing as a negative externality—it's all internal. As interconnection becomes evident, research such as this will be obsolescent. Thinking from this relational perspective, the story of this research and its development can only be told in the context of relationships.

As mentioned previously, Mona Amodeo, Keith Cox and I had together become very interested in the social responsibility of business early in our Ph.D. program. Then we had a guest speaker, Jim "Gus" Gustafson, who inspired us to continue along that path. Not only did he inspire us, but also his powerful stories helped move us in our research direction. Gus gave an overview of his then dissertation in progress titled *Socially Responsible Leadership: Lifting Humanity to Positively Transform the World.* Gus developed new theory of socially responsible leadership by studying founders of leading charitable organizations who had been in operation for at least five years and were making a “significant and sustainable positive contribution to the world.”

His stories were compelling accounts of people who had made a positive contribution through service from nonprofit organizations. He showed a video of his interview with Eleanor Josaitis of Focus Hope. Her story of great personal sacrifice to help rebuild Detroit after the 1967 riots held us breathless and tearful with hope. Keith Cox was inspired to do a project focusing on founders of for-profit businesses well known for their contribution to society such as The Body Shop. Mona Amodeo decided to do a focused look into Interface Inc., the world’s largest manufacturer of commercial carpets, and the sustainability transformation led by Ray Anderson.

One aspect of Gus's work that emerged figural from the background of his research was the population he interviewed—founders and leaders of organizations we have all heard of such as Habitat for Humanity. He, and then Mona and Keith, had chosen people recognized by society as exemplars of responsible business. These people all sounded as sure candidates for canonization. It is likely the stories of these people will inspire and provide a compelling image of the future. It is also likely that they might not be fully or immediately relevant to many business leaders, especially those in large corporations. More than that however, was the social constructionist thought of being leery of accepting of the constructions of good and evil that emerge from our cultural traditions.

I wondered about the stories of people who did not have the corporate social responsibility awareness, vision, or maybe good fortune to create their own organizations. People who are wrestling with the extrinsic demands to maximize shareholder value and the extrinsic and perhaps intrinsic drives to consider other people involved in business beyond those capital-privileged. People every day who were working through the antinomy described by Margolis and Walsh (2003).

Stories of people in large corporations doing good works were beginning to appear more often in the popular press. Although these stories may be as much marketing as they are tales of good works, they do surface from a sector of society that can most profoundly make an impact on humanity. I became interested in the stories of people in large corporations who seemed to be working for a positive contribution to society beyond the boundaries of maximizing shareholder value even though economic theory predicts that category would not exist.

What did corporate social responsibility mean to people who worked within a corporation where shareholder value maximization was the only clear purpose of their corporation? How were these people dealing with the antinomy of corporate social responsibility? How did these people's personal values begin to affect their organizations? How important is corporate social responsibility in large corporations? How can I build on my personal experience and that of others to advance meaningful theory that will contribute positively to corporate social responsibility and the field of Organization Development?

Another motivational and confirming influence was a class in appreciative inquiry as organizational change taught by Jim Ludema and David Cooperrider. The instructors used Business as an Agent of World Benefit (BAWB) as a vehicle for learning. BAWB is a global inquiry into how business is acting as an agent of world benefit launched by David from Case Western Reserve University. I saw Mona's, Keith's and my dissertation all emerging as part of BAWB. Another class of Jim Ludema's with Ken and Mary Gergen, two leading social constructionist thinkers, ignited within me a desire to enter this inquiry from a social constructionist perspective.

From the evening of dialog a few years ago with Mona and Keith, I was interested in building new and meaningful theory for corporate social responsibility. Social constructionism opened a new awareness into how shareholder value theory had been so dominant and constraining for me personally. After further reflection on my past experience and dialogue with Gus Gustafson, Jim Ludema, Jackie Stavros, and others, the research direction emerged towards inquiry into the efforts of people in large corporations from a from a social constructionist perspective. From these relationships, and building on the research agenda suggested by Margolis and Walsh (2003), emerged the research interest and the eventual question reiterated in the first paragraph of this chapter.

Phase 1: Early Field Work

I began to review generally the academic literature specific to stakeholder theory but avoided the vast popular literature of corporate social responsibility. A premise of grounded theory is to avoid an extensive literature review as in traditional research as it can block sensitivity to the stories and patterns of meaning generated by people in the study. Grounded theory emerges from “the data” and rests less on extant theory. Too tight a relationship to the literature can cloud the researcher’s ability to see new perspectives emerging from the data.

Initially, I wanted to talk with a broad section of people involved in this economic system. Obviously, that includes everyone on earth. However, a few thought experiments later, I realized that my quest for polyvocality was misplaced at this point in my research given my research question and intent. That would be for another day. This early field research began as talking with people whom I believed could provide some insight into two particular areas: the purpose of the firm and the relational nature of the self. Table 3 provides a summary of participants and significant learning events in phase 1.

Table 3. Phase 1: Early Field Work (January 2003 – May 2004)

Participant	**Position**	**Company**
Gerald Cavanaugh	Charles T Fisher III Chair of Business Ethics and Professor of Management	University of Detroit Mercy
John Daniels	Director	Leadership Development Institute (Service Learning Program of UDM)
Nick Difazio	Partner, Deputy Chairman	Deloitte
Joep C. de Jong	Directeur van de divisie Learning Solutions bij Syntegra	British Telecom
John Le Moyne	General, Chief of Personnel	US Army, Chief of Staff
Events		
Presenting at the Society for Organizational Learning (SoL) Greenhouse IV with Jackie Stavros on “The Social Construction of Corporate Social Responsibility”		
Presenting and facilitating a dialogue on the nature of the self at the Gestalt International Study Center in a session titled “At the Intersection of Social Constructionism, Gestalt Theory, and Zen Buddhism”		
Attendance at the Globe 2004 Conference on Sustainability in Vancouver, BC, Canada		
Attendance at the Case Western Reserve University Conference on Business as an Agent of World Benefit		
Hosting a discussion thread on Corporate Social Responsibility at the Case Western Reserve University Virtual Conference on Business as an Agent of World Benefit. The following people participated: Ann Busby, Stephen Calhoun, Don Child, Vishesh Churiwala, C. Keith Cox, Julie Evans, Sue James, Beverly Jenkins, Myriam Laberge, Amy Lenzo, Ravi Pradhan, John Spalding		

I interviewed the five participants using a modified BAWB interview protocol (Center for Business as an Agent of World Benefit, 2005) with additional questions of the purpose of the firm or questions of self-identity. Each interview lasted between 60-90 minutes and followed a semi-structured format (Rubin & Rubin, 1995). I tape recorded and transcribed each interview verbatim. They were joyful experiences providing rich data for me to begin to broaden my understanding of how and why people in corporations act in the world and a lot to reflect on considering how we define ourselves and exist only in relationship.

The events mentioned in Table 3 were related learning and data collection experiences. At each of the events I took careful field notes (Spradley, 1980) and kept a journal of my emerging thoughts, ideas, and questions. I regularly discussed my field notes and journal with colleagues and with my dissertation committee. Keith, Mona and I attended the Globe 2004 Conference together. Keith and I went to hear George Carpenter speak at a break out session. George is Vice President of Corporate Social Responsibility at Procter & Gamble (P&G). George described the plight of 1.2 billion people in the world without clean drinking water; he went on to tell us about and demonstrate the powdered technology that P&G had right now on its shelves that could bring clean drinking water to everyone. Then he transitioned the discussion to the need to justify further investment and development in this technology by the yardstick of financial returns to shareholders. After all, his presentation was about the business case for sustainable development.

That incredible discussion and subsequent discussions will be explored further in Chapter 4. From this early fieldwork, I realized that I needed to explore the nature of corporate social responsibility in large corporations and to narrow my research question.

Phase 2: Question Refinement and Setting the Context

In this phase, I began to target people directly involved in corporate social responsibility. For example, I interviewed the corporate social responsibility officers of P&G and Visteon, a senior executive of a large corporation who markets its corporate social responsibility presence (Nike), a senior executive of a company not marketing its relationship with corporate social responsibility (Wayne Wire Cloth Products), a CEO and portfolio manager of a large investment management firm specializing in socially responsible investing (Trillium Asset Management), a lobbyist who heads one of the largest political action committees in Washington (Deloitte Federal PAC), and several founders and leaders of corporations who have interwoven corporate social responsibility directly into their corporate purpose (Shorebank and Seventh Generation). In keeping with Strauss and Corbin's notion of "theoretical sampling" (Strauss & Corbin, 1998), I chose to interview these people because they represented the population that could best teach me what I wanted to know: "How do leaders in large corporations make sense of the antinomy of maximizing shareholder value and investing in social responsibility. Table 4 shows the participants, titles, and affiliations of the interviewees in phase 2.

Table 4. Setting the Context (May 2004 – August 2005)

Participant	**Position**	**Company**
Joan Bavaria	President and CEO	Trillium Asset Management
Karen Berger	Mother to Hallie, Joshua, Jaclyn, and family dog Tas; wife of Jim	Not affiliated
George Carpenter	Vice President, Sustainable Development	Procter & Gamble
Ronald Grzywinski	Chairman	Shorebank
Jeffrey Hollender	President & Chief Executive Officer	Seventh Generation
Mary Houghton	President	Shorebank
Patricia R. Malone	Chief Financial Officer	Wayne Wire Cloth Products
Gary J. Mayo	Director, Corporate Social Responsibility	Visteon
Cynthia M. Stevens	Director	Deloitte, Deloitte Federal Political Action Committee
Darcy Winslow	General Manager, Global Women's Fitness Division	Nike

With this group I used the same interview guide as I did in phase 1. Each interview lasted between 60-90 minutes and followed a semi-structured format (Rubin & Rubin, 1995). I tape recorded and transcribed each interview verbatim. These interviews helped me solidify my research question and set the stage for additional theoretical sampling in phase 3. In my phase 1 and 2 interviews, many people talked about the need to justify corporate social responsibility financially, and they pointed to the corporate CFO as the person who held primary responsibility for this. I will explore this idea further in Chapter 4, but here I want to illustrate this point briefly.

As mentioned previously, George Carpenter stressed the importance of “building the business case” for corporate social responsibility. Similarly, Gary Mayo of Visteon suggested that if academics really want to have an impact with their research, they need to prove a definitive causal link between corporate social performance (CSP) and corporate financial performance (CFP)—proving stakeholder theory finally. Darcy Winslow depicted an inspiring vision of corporate social responsibility as a way of being at Nike, yet Chairman Phil Knight referred to the shareholder as “deity” in the recent letter to shareholders in the annual report.

Through these stories, I began to see the CFO as a central participant in the corporate responsibility debate. CFOs were described as being “the ones we have to prove this to” and as “the central person responsible for ensuring the corporation fulfills its obligation to shareholders.” CFOs seemed to be the ones standing right at the intersection of shareholder value and corporate social responsibility.

Phase 3: Finance Executives—Final Sampling

The intention for sampling had come full circle. Moving from early thoughts of polyvocality, I now realized that I needed to talk with those central participants within the discourse of business—CFOs and other senior finance executives. The data acquired so far described finance as the major constraint on corporate social responsibility. Considering what people had said so far and the nascent concepts budding from that, senior finance executives seemed to be the ultimate group to develop those emerging categories. That group fit the preliminary question that surfaced after hearing of Gus Gustafson's choice of exemplars of good action. What about the people who were wrestling daily with this shareholder/stakeholder theory antinomy? People labeled neither as good nor bad in the system.

Considering the research question and intent, the choice was to search for participants who met criteria of being finance professionals who also contributed to their community. The group from which I invited participants included people with experience as a senior finance executive in a large publicly traded company with a graduate degree in business. They needed to have some experience in an area of finance that required in-depth theoretical finance knowledge. Equally important, the participants had to have demonstrated a real concern for the community and employees of their corporations.

Evidence of being well versed in financial theory included having served in managerial capacities requiring applied advanced financial theory such as international finance, mergers and acquisitions, capital markets, corporate finance and treasury planning. Action such as participation in community nonprofit boards, leadership in religious groups, active participation in politics not supported by their corporations, coaching of children's sports teams, significant volunteer work in local schools or universities employing their financial skills and knowledge indicated a community orientation. They had to epitomize the modern financial professional, be seen as good leaders with high integrity and as good citizens in their community. I identified the list of people to invite through personal knowledge and through consultation with senior finance professionals and their advisors.

These criteria significantly increased the probability that I would enter the next phase at the center of the antinomy. Table 5 identifies the people who contributed in one or more interviews. Their present or last position is shown if retired. All fourteen participants worked in a senior finance executive role in a *Fortune* 100 company for a good portion of their career.

Table 5. Finance Executive Participants

Participant	Position	Company
James D. Donlon	Senior V.P. and CFO	Kmart
James E. Berger	Director of Business Planning	DaimlerChrysler
Thomas P. Capo	Chairman of the Board	Dollar Thrifty Automotive Group
Thomas L. Martin	V.P. Finance, CFO	American Axle & Manufacturing
David E. Meador	E.V.P. and CFO	DTE Energy
Richard J. Noechel	V.P. and Controller	Goodyear Tire & Rubber
David H. Olsen	E.V.P. and Controller and Member of Executive Committee	DaimlerChrysler
Charles R. Pear	V.P. and Controller	Magna
Scott E. Reed	former Group President Electronic Systems, prior to that Executive V.P. and CFO	Donnelly
David Roady	former V.P. of Finance	Covansys
Carolyn D. Saint	V.P. and General Auditor	Sears
CFO Smith (alias)	CFO	Public company (confidential)
Henry G. Spellman	former V.P. of International Finance	Chrysler Financial Corporation
Steven L. Taflinger	former Group Controller	DaimlerChrysler
Martin E. Welch	former E.V.P. and CFO	Federal-Mogul

The interview protocol used in this final phase was open-ended as recommended by Glaser: "…an honest approach to the data that lets the natural organization emerge….researcher listens to participants venting issues rather than encouraging them to talk about a subject of little interest…to listen and observe and thereby discover the main [participant's] concern…" (Glaser, 2004, p. 12). It began with a short dialog about what was going on in their work and a general orienting reference to business school. Then I asked an intentionally ambiguous question, some form of the following: “What do you believe to be the purpose of the firm?” Worded in the language of finance texts, a simple answer could have been, “To maximize shareholder value.” If you remember the example in Chapter 2, this question was a “short answer” question from the test bank of a popular financial textbook.

Each CFO gave a long essay answer to the short answer question. The answers usually led to 15 to 30 minutes of related discussion. It is a referencing to the center of their formal teaching, but also one that has had a profound impact on all of their careers. The interviews then transitioned to related discussion and closed with a question asking the interviewee to provide advice for young CFOs or finance students. Each interview was recorded and transcribed verbatim.

Participant Observation

Another source of data is my own experience. I have worked in the financial analysis and control functions of several large corporations, moving from analyst through to CFO. While working at Chrysler in the early 1990s, I was part of a finance team that worked with the Organizational Learning Center at MIT. After exposure to ideas of organizational learning and social constructionism, my worldview changed significantly. I was first surprised to learn that other people could see and process information differently from me. I really thought that when someone disagreed with a logical, financially based argument of mine, that they were either mentally deficient or immoral. From mental models and dialogue, I went on to learn that this seemingly objective reality is really something we all conspire together to create. My perception of reality changed and my value as a finance professional diminished greatly. Later, while in the role of General Auditor of a different *Fortune* 500 company, I intersected ideas of organizational learning with corporate governance and internal control. We approached the internal audit process with an assumption that people were good and wanted to make a positive contribution, not that they were selfish and driven primarily by maximizing their own self-interest.

From that learning, I moved to Deloitte & Touche and started an innovative consulting practice building on that belief of the desire in people to contribute positively. That innovation grew into a successful business advising large companies, such as Boeing, Chrysler, DaimlerChrylser, DTE, GM, Intel, Kmart, Navistar, and the World Bank, on risk and control and I became the national partner in charge of a consulting practice called strategic risk and control consulting. Other personal experiences related to this research included working for a month in an isolated Inupiat Eskimo village north of the Arctic Circle as a US Army captain in Special Forces, attending the Wilderness Leadership School in South Africa, and completing the 15-month International Organization and Systems Development Program of the Gestalt Institute of Cleveland. Those experiences in total have brought me into the center of several different and conflicting perspectives on the nature of the world. I added reflections, thoughts, ideas, and questions from these experiences to my journal and discussed then regularly with colleagues and with my dissertation committee.

Use of Archival Documents

Archival documents were used minimally to triangulate the data analysis and to supplement areas not covered in the interview. As grounded theory is conceptual and not descriptive, I wanted to go into the interviews without new preconceptions of the corporate social responsibility activities of each CFO's corporation. The materials used were annual reports and other general information available on each company's website. Where applicable, some documents were coded.

Criteria for Evaluation

What makes this research legitimate science? What makes it an offering acceptable to the academy? What makes it worthy of consideration and potential application by the academy and by industry? Those are questions we are asking when we ask about the validity and reliability of research.

Social constructionism, as a post modernist perspective, offers several perspectives into the preceding questions. Couched within those questions are assumptions about power relations in the production of knowledge. Who is privileged to speak? What voices are unworthy? Also implicit are stories about the construction of knowledge. How have we socially developed stories about what is true knowledge? How does that type of knowledge come into existence? What are the routines of this language game we use to create the illusion of validity and to forget that we ourselves invented these routines?

Gergen and Thatchenkery (2004) remind us “our understandings of phenomena are themselves theory laden, as are the methods used in their illumination. It is only when commitments are made to a given theoretical perspective (or form of language) that research can be mounted and methods selected” (p. 235). The choices made within this research supposedly “grounded in the participants’ words” reflect countless biases on my part beginning with the choice of topic. Additionally, the ability to “hear” the concepts within the data requires a human instrument to be calibrated very similarly, if not exactly, as I have been calibrated.

Those questions seem to warrant eschewing additional discussion related to the scientific validity of a work claiming to embrace social constructionism; however, social constructionism also tells us we are participating in this discourse of academia. “To do science, then, is to participate actively within a set of subcultural relationships” (Gergen & Thatchenkery, 2004, p. 236). If I want to participate as a member in this discourse, I need to communicate in its given language. This is certainly true in the subculture of academia, but it is also true in the subculture of corporate practice. With these thoughts in mind, I have structured this research to be “legitimate” and relevant to three communities of discourse: scholars of organization development, corporate executives, and scholar/practitioners involved in social constructionism.

Criteria for Scholars of Organization Development

Grounded theory has long been regarded as a valuable research methodology in the field of organization development. As such, Glaser and Strauss (1967) describe four interrelated properties for evaluating how grounded theory speaks to those issues: fitness, understanding, generality and control. “The first requisite property is that the theory must closely fit the substantive area in which it will be used” (p. 237). The theory developed herein is grounded in data from the everyday realities of the participants involved in making sense of their corporation’s responsibility to shareholders and other stakeholders.

The second requirement is that the theory is understandable by those participating in the social responsibility of business. An important consideration in this design and writing is that this theory bridges among organizational theorists, business managers and those representing various stakeholder concerns. It reflects my background straddling the disciplines of finance and organizational development.

The third requirement of generality is achieved through the accumulation of diverse qualitative data from many perspectives from participants in this area. Following the process of grounded theory, “this diversity facilitates the development of a theory with both a sufficient number of general concepts and relevant to most situations and plausible relations among these categories to account for much everyday behavior…” (p. 243). Through the progression of interviews through the various research participant populations, I accumulated a large and diverse body of qualitative details on many different areas related to how people in corporations are handing the antinomy of corporate social responsibility. This diversity should allow the generation of sufficient general concepts and reasonable relations among those categories.

Fourth, the theory must enable users with an element of control. As described in the next section, this research facilitates understanding and prediction of the ongoing situational reality of the social responsibility of those in business. It must provide those involved with an ability to better see, make sense, predict, and act.

Criteria for Corporate Executives

The fourth criterion of Glaser and Strauss suggests that theory is only fully relevant if it can be applied in practice. To increase the probability of practical relevance for corporate executives, I conducted member checks (Rudestam & Newton, 2001) at several points during the research. When selective coding began, I conferred with several participants to test if my interpretations derived from the data made sense to them. As hypotheses emerged, I asked participants to play the role of “devils advocate” and ask tough questions related to potential relevancy. This elevates participants to the level of co-researcher. The conferences occurred via telephone or in person where possible.

Participants who assisted me were Joan Bavaria, Scott Reed, David Roady, and Hank Spellman. Joan is a founder and CEO of Trillium Asset Management, a socially responsible investment management firm. She has won numerous awards for social responsibility and she lives in awareness of the impact of the research question asked in this dissertation. David and Scott are two financial executives deeply versed in the theory and practice of finance. David earned his MBA at Harvard Business School and Scott his at Stanford where he graduated as the top student in finance. Hank is a senior mentor of mine whom I respected for his fluency in financial theory as well as his relational way of acting out of concern for others.

Criteria for Scholar/Practitioners of Social Constructionism

One last area for consideration is how well this research fully considers the perspective of social constructionism. This is perhaps the most important of the criteria in the sense of hoping to generate truly new meaningful theory. It is also the most difficult of the criteria to meet in the sense that it requires the impossible task of continually perceiving and questioning that which we take for granted.

In the course of this research, subjective responses of the participants reflecting their views about the world became data. Considering the data in aggregate, social constructionist theory suggests this is a view of how the world really is, at least within the historical and cultural traditions of the respondents. It describes a reality very much grounded in the world and language of large corporations. This is a story of externalization, objectivation, and internalization. It is the sample population’s language to describe the world. It is how they live and work in it and how they measure themselves in relationship to that world.

Continuously throughout this research process, I have referred back to the hopes of social constructionism outlined in Chapter 1 and to Gergen's words: "…one of the chief aims of constructionist scholarship is reflexive and emancipatory. By reflecting critically on our taken-far-granted worlds, and the way in which our lives are affected by these constructions, we may be freed to consider alternatives" (Gergen, 1999, p. 101).

This chapter described the process of listening and considering the stories told. The next chapter will relate the stories.

Chapter 4: Results and Analysis

Introduction

This chapter is organized around the central themes emerging from participant interviews and other data sources described in Chapter 3. It is an integrative narrative focusing on the core variable of "the firm as a nexus of relationships." Related themes are the view of corporate social responsibility as an equilibrating relationship in a community of common interest (Theme 1); the tacit, pervasive influence of economic theory on relational identity and behavioral norms (Theme 2); and, the individual as a nexus of relationships—the personal and institutional influences on the relational identity of the speaker (Theme 3).

The themes reflect the participants' stories, which describe the corporation as an interconnected web of relationships, not as an equation where logic necessitates maximizing a single variable. This multivariate relational view nourishes an environment where managers work to create value for the community of interests that comprise the corporation. The participants mentioned in Chapter 3 tell an emerging, living story of purpose, not as maximizing any one variable by suboptimizing the others, but as encompassing the entire system of stakeholders.

Economic theory and its assumptions influence the telling of these stories. The narratives reveal how economic theory affects language, relationships, behavioral norms, and organizational structure. Social forces among stakeholder interests also add to the tension in the business system.

The influence of economic theory is observable in the linguistic patterns of how the finance executives tell their stories. Their wording not only conveys their perspectives, but it is also situated a particular cultural discourse and corresponding relational identity. Together these themes reflect the interrelationship between people and organizations.

Theme 2 begins with a story identifying the speaker and his company Procter & Gamble. The final section, Theme 3 concludes with a story identifying the speaker and her company, Nike. The other stories are presented in a way to avoid identifying the speakers or their companies beyond what is provided in Chapter 3. Actual names are used in the Procter & Gamble and Nike stories because these interviews were conducted at an earlier point in the research when the agreements on privacy were different, the level of disclosure less personal, and/or their statements reflect those already made public by the speaker or the company. The finance executives are not identified by name and company because of my confidentially agreements with them; their stories are conveyed without identifying information and with references to “S/he” to maintain anonymity for certain participants.

Theme 1: The Corporation as a Community of Common Interest

A general pervasive theme is of the corporation in a dynamic, mutually beneficial relationship among various stakeholder groups. While the importance of providing a fair return to shareholders is central to each participant's description of the purpose of the firm, each also describes an obligation of meeting at least several other stakeholders' expectations. Descriptions of corporate social responsibility range from "a way of being" to "an additional consideration of modern business."

The following sections tell of intertwining stakeholder interests. The participants describe various degrees of interaction with stakeholders including employees, shareholders/investors, customers, the community, suppliers, the government, non-governmental organizations (NGOs), and the environment.

Balancing Multiple Common Interests

Participant 1 (P1) has been a large company CFO and an executive vice president of one of the ten largest companies in the world. As all the senior finance executives interviewed, P1 has an MBA but also a law degree. Like several others, P1 describes the purpose of a corporation as balancing among stakeholder interests for the benefit of all, or purpose as a community of common interest. S/he suggests that a narrow focus on shareholder value is a hollow goal for employees; s/he also provides historical examples of when an over emphasis on creating shareholder value has negatively affected society.

> I really think corporate purpose needs to be…I think it is a balance…. If you look at only return to shareholders, taking that to the ruthless extreme, it doesn't entail what anybody working in the corporation values…the people, the corporation doesn't want to do that if it becomes a, do whatever, it's a cutthroat world just do whatever you can to maximize that stock price and get the stock price up. Although from financial theory, that becomes a very clear way to operate. . . . I don't think that gathers everything that a corporation wants to become or in my view should become.

P1 discusses a conscious tradeoff required to treat other stakeholders fairly, even if it lowers the financial return to shareholders.

> There is a responsibility to all the stakeholders. I don't go to the socialistic extreme to say that the purpose of the corporation is to just provide good lifestyles to the workers but I think that there is something there. You cannot be a successful corporation and not treat people that are working for the corporation correctly even if it is not necessarily optimizing for the shareholder.

P1does not accept Friedman's dictate to externalize costs where possible to maximize shareholder return; rather, s/he offers an ethic of doing what is right and not searching for legal loopholes when it comes to the natural environment or community.

> … I think most people recognize social responsibility to one degree or another. If you go back to the early old 1900s corporations, where there maybe was not such a sense of responsibility…you don't maximize shareholder value by minimizing pollution. You can say a company can either take advantage of whatever laws and loopholes there are or they can say we're going to do the right thing and in balance with financial reality and make the right decisions… It's not maybe required by law and it's maybe not in the absolute best interest of the share stock price, yet it is reflecting the values of the people and the corporation and kind of being the right kind of person, the right kind of entity.

Having said all that, P1 comes back to the shareholder as a stakeholder. Just as the stakeholders deserve fair consideration for their contributions, so do the shareholders.

> As wrong as I think it would be to return to the model of the early 20th century company that polluted, exploited the workers and just made rich steel barons, the other side of that is a corporation has shareholders invested in the corporation who bought the stock with an expectation of financial return. I think it really is a balance.

P1 describes the relationship of the corporation to employees, the community, the natural environment, and shareholders. His or her words explicitly talk of not "optimizing" for any stakeholder—not the shareholder as capitalist theory suggests or not the worker as in Marxist theory. S/he uses the words "not either extreme" when talking about dialectical economic theory. This description of the corporation maintaining balance among stakeholders leads into the next story from Participant 2.

Fueling a Critical Need of Customers and Providing a Fair Return

Participant 2 (P2) is from a large company that serves the public. P2 chose to work there because the company had a sense of purpose beyond the economic aspect.

> I wasn't interested in leaving, but I was encouraged to go down and do an interview with a guy who is now our chairman. We got into a conversation like this [referring to the present interview between the CFO and me about corporate purpose]. And it really became clear to me that [his/her] vision was, you know, not only about the products that we provide…but we got into a conversation about that issue of saying "listen, we're here to make money but there's more than that." I mean not only is the service we provide a very essential service, but the idea of creating a company based on values that had a larger purpose, balancing its needs of all its stakeholders, whether it be the employees, communities, bond holders, whoever it might be; it intrigued me.

P2's attraction to a company concerned with balancing the needs of all stakeholders recalls P1's discussion, suggesting employees need a higher purpose and goals more meaningful than maximizing shareholder value. Both P1 and P2 describe corporate and individual purpose in terms of relationships with others. Their narratives, like most others, typically concern relationships, not individual self-interest.

As generative theory and grounded theory are the guiding methodologies underlying this dissertation, frequency of some responses over others is not relevant. The fact that something is said makes it relevant as an example of organizational process. However, it is interesting that P1 and P2's relational perspectives on the purpose of the firm are not unique among the interviews. Rather, they fit in the majority of responses. The next story from Participant 3 (P3) gets to the heart of the neoclassical economic view with shareholders dominant, but in a necessary relationship primarily with customers and employees.

Serving Customers and Employees as Necessary for Serving Shareholders

P3 spent many years speaking the language of Wall Street. Like all of the finance executives quoted here, s/he has felt intense pressure for short-term financial performance from shareholders, saying, "I think the purpose of the firm is to maximize shareholder value, that's probably first and foremost the key objective and everything else is at least half a step below that." Maximizing shareholder value, however, requires serving other stakeholders along the way. P3 believes this trend has developed over the past 15 to 20 years. S/he first mentions a shift in customer attitudes: “Customers more and more demand that the company they do business with take on some social and environmental responsibilities.” S/he then describes the increasing importance of corporate social responsibility in human resource issues.

> Certainly to maximize shareholder value, you have to attract and retain good people. And, I think younger people being hired in are more socially and environmentally conscious. They only want to work for companies. I’m speaking generally here, but a lot of good employees only want to work for companies that are socially and environmentally conscious.

P3 suggested that the three critical stakeholder relationships are those with shareholders, customers, and employees: “the two biggest constituencies, other than your shareholders, are your customers and your employees. I think that brings the company to the table on social and environmental responsibilities.” The next stories of Participant 4 (P4) relate the community to the corporation.

Community Interrelationship

P4 tells several intricate stories of holding in balance multiple stakeholder relationships. The first is offered here as an example of a reinforcing loop of the corporation benefiting from grateful employees and the corporation showing gratitude for the employees’ contribution.

> Back when they had the earthquake in Mexico City, the government was … asking companies what can you do to help us…[our company] thought to help the community instead of just giving them money, we’ll construct and we will fund a hospital. So [our company], we literally put the structure in place to build a hospital. All the capital requirements, the budgets, the capital plan, a kind of stand alone business, it was almost its own wholly owned subsidiary. Now we didn’t choose who the doctors were going to be or the nurses, that type of thing from an operational standpoint but we had a board, we had authorized spending and investments. If there were new equipment

> needs, radiation equipment, whatever the case may be, they had to come to us and then we would fund that to help support the community.

The hospital became a source of care, which was provided as a fringe benefit for the employees and families. P4 went on to tell of other infrastructures built by [the company], including a transportation system to get employees from their homes to the various plants around Mexico City, a financial institution, and low cost housing.

> Then when we got into major investment capital requirements, in building a new engine plant in [another city] as an example, because you're in a third world, we take a lot of things for granted but you have got to get people from point A to point B and they don't have any transportation…We had to put together a transportation company to get them from where they live and make sure that they can make it to work. …and help them work through this because, by the way, I have to bring these people in or how are they going to live? So now you can see at once how you're building on the other. So it's just not build a truck or build an engine and it's up to the you to get to work and back and have a decent place to live…You can't operate that way in a third world country….So you have that as an added responsibility.

P4's stories are not the marketing spin of a corporation acting benevolently. S/he tells of employees providing their labor as a resource for production and of a corporation providing fair consideration in return. It is also a story of deeper relationships between the company and the employees.

> In doing so we also said, as we expanded our business, we need to do the training and development; I mean these people are literally from the strong work ethic, it's just tremendous dedication and that in itself, that's a benefit to the company. We don't have to worry about absenteeism and turnover …. combined in Mexico it's only 1.5%. So there was an advantage workforce-wise and so we're going to take care of these people…. so it's not just a giveaway program.

> The relationship of [our company] and its employees also strengthened the company's relationship with the local and federal governments. Now, second thing is when you come down to doing business in Mexico, because of the way the tax, the customs, the duty, the leverage of balance to trade…Remember the government itself is, they're in it for the people too. They want the people to work. So you've got to get the cooperation of government. You get that cooperation of government then, what do they do to help me put the people to work. We'll give you concessions for doing that. And how do you put the people to work? Well, I'll tell you what. We'll also provide them lunch, food, some of the benefits….

Another systemic aspect of P4's story is a long-term, intergenerational relationship based on providing education linked to work opportunities.

> The third element of this thing is education. In a third world country, because the average age, they go to the third or fourth grade. Again, it's to our best benefit to help them stay in school as long as we can. Because part of what we committed to from the family aspect, we'll buy the uniforms, we'll buy the books, to get them in school. So hopefully they can graduate. That benefits the company.
>
> We extended this to immediate family members. Plus what we did, we gave them an option that we would also get them into secondary schooling. Then we set up a program that we would guarantee your family, your son, or your daughter would have the first opportunity to work for our company. So it became a family support structure from a company standpoint. We would give the family members, if they want to get into automotive…So you're supporting the education family values.

P4 tells another story from a company with which s/he is involved. A group of investors purchased a division of another large company in the early 1990s. They rescued the facilities from the wrecking ball and turned the former dysfunctional division of a global automotive manufacturer into one of the most respected manufacturing companies in the auto industry. This turn around had a significant positive impact on the local communities. P4 gave me a tour of the $40 million headquarters building built in a once devastated Detroit neighborhood.

P4's stories never sounded as though they were motivated by corporate altruism. Rather, the carefully told stories were of a business not externalizing costs, but paying fair consideration to those stakeholders who provide equal consideration in return. Although P4 the company expects a return even on its education and other youth-focused initiatives, described them as "programs that have a direct impact on our future workforce."

Three key elements of P4'stories are the interconnectedness of all stakeholders involved in the story, the time horizon of the relationship, and an expected financial return to shareholders. S/he describes the corporation acting from a long-term perspective. In the next story, Participant 5 (P5) adds the idea of the supplier as stakeholder.

Respect for Suppliers

P5 shared several models for ethical decision making related to corporate social responsibility.

> We actually have five different points we consider—the shareholder, the employee, the community, the customer, and the supplier. We look at all five… Regarding suppliers, we're trying to drive our costs down in the supply side, just like Chrysler, Ford, and the others have done it. We've done it in a different fashion though. It was a 6 Sigma project… Our sourcing is based upon real competition, real prices. It's not easy though. But there's also making sure that you're doing the right thing with the suppliers. And, then we try not to be punitive to the suppliers

> where…you just automatically do big deductions and just take the money on different issues. We treat our suppliers with respect.

While P5's first ethical decision model is the basic stakeholder model, but the next set of P5's criteria is not found in the extant literature. To evaluate potential capital spending for corporate social responsibility, such as capital spending for meeting environmental regulation, they employ an "illegal, immoral, or fattening" model:

> We can look at other points sometimes, but when we are evaluating spending, it should be for one of three things: Illegal, immoral, or fattening. Illegal - is it something we need to do for safety or environmental or something like that; it isn't up for debate; we do it. Immoral – if we've made a commitment to our customers, it's safe to say we honor our commitment. Fattening – does it improve the bottom line? So if it isn't doing one of those three things, we shouldn't be spending the money… The books are conservative and we make damn sure we honor the commitments and if there's an issue we deal with it.

P5 slips in another important consideration of corporate social responsibility, which was raised by the previous participants as well: presenting financial statements that fairly reflect the operational reality. S/he tells of "doing the right thing" and considering all who are affected by the corporation. P5 and the others share examples of the firm as a stakeholder-based nexus of relationships. The shareholder contributes a critical factor of production (capital) and has legitimate claim to fair payment for that contribution in the form of return on investment, just as employees have a right to fair compensation for their contribution in the form of wages. The next stories are of relationships with shareholders.

Shareholder Concern as Dominant

Participant 6 (P6) provides several perspectives on corporate social responsibility from experience in senior finance positions in several *Fortune* 50 companies. S/he describes corporate social responsibility as placed along a spectrum, one that emphasizes the need for balance among various stakeholders.

> I see the responsibility of business as along that spectrum. A company could go broke if it tried to be so benevolent that it tried to help every cause that came along, and that would be no good for the employees and the suppliers and the community that is around a company. I look at a company as though it is a **community of common interest**. My training would say that a certain amount of attention from that community to how they interface and how they react with the world around them is appropriate. I'm kind of on the [company a] model where you set an amount at 1% or 2% or maybe at a high end 3 or 5% of earnings, is an amount that we will set aside for interface with the community around us, and the rest of it we will hold dear and that will be for the shareholders.

P6 has worked in other companies known for long-term development of employees and, thus, s/he sees that as mutually beneficial.

> I viewed that as mostly it's in our interest to develop the employees and we get a business return for doing that. Coincidentally, it is very helpful to the employees and puts a good foundation under them for their own forward development. So when you find one that's kind of a win-win for the corporation and a win-win for the employee, you put some energy behind that, everybody comes out ahead. That's how we kind of looked at that employee development at [Company a].

While working at a different company, P6 had a different experience. This is a story from the other end of the spectrum s/he mentions. However, the story does not involve an unethical situation, just one where the balance is clearly tipped toward the shareholders.

> I would say much less [of a concern for the individual] than that at [Company b], much more of a pure capitalistic look. Like, if we want somebody with this degree I'll go out and pay for it, and so forth. And, if I don't need that skill level, then I just won't pay for it and I'll have someone at a lower skill level providing that service and we at the corporation, there are a few programs for helping employees but nowhere near the scale of what existed at [Company A].

Company B's lesser degree of relationship with the community parallels its lesser degree of relationship with the professional employees. Consider the differences in the human resources philosophies between Company A and Company B. The finance group at Company A has a developmental program for MBAs. They hire a group every year and rotate them through different areas of finance and accounting where they not only get a broad understanding of the business, but get exposure to and develop relationships with the finance leadership. Over the years, this group has risen to many those senior positions. By contrast, if Company B wants an experienced finance person, it goes into the market place and hires one. For the Company A finance staff, the personal identity and personal relationship have long historical interconnectedness. But Company B's relational roots are not as well developed.

P6 describes Company B as balancing stakeholder needs in favor of the shareholders, and s/he contrasts other differences from his/her previous companies.

> I have two or three different perspectives to bring to this… [Company B] with a private equity firm as majority investor, is oriented very heavily toward the shareholder value orientation. So I've had different viewpoints on this. The most recent one is the classic viewpoint that the company exists for developing returns for its shareholders. It should turn over those rewards to the shareholders, and that if the

> shareholders choose to do something of a beneficial effect, that is up to the shareholder to do, but the company should not take it upon itself to benevolently handle lots of topics with society. They should allow the individual shareholders to do that. So, my most recent one is kind of the back to the classic thinking.

P6 attributes the differences in corporate social responsibility orientation between Company B and his/her other employers to the extent to which the company was largely owned by one large financial investor in the company. A similar theme is found in the next section.

Shareholder Concern as Preeminent

Participant 7 (P7) describes similar phenomena at his/her company.

> Well, the number one thing is aggressive short-term scorecarding. You truly do get what you measure; I mean if there’s one cliché that rises above the rest, you absolutely get what you measure. So people who are really held accountable for short term results, none of that corporate social responsibility pays off in short term, it’s always a negative. And if the leadership at the top can’t sort its way through the measurement process, and the reward process, they’re going to have a tough time because I think that’s the number one thing. And, I also think in the case of [Company C] I think these guys were [private equity investor Firm B] and their issue was different. Their issue was all about being incredibly ruthless in terminating people and so forth.

P7 suggests one reason for this “ruthless” behavior: “I think they just live in such an isolated environment and they have this overriding ‘capitalism is the only thing that matters; the strong survive; the weak fail’…there’s no grey area.” P7 went on to provide an example that meets the requirements of the law, but that s/he felt was unethical.

> And even ruthless to the point…they threw the bankruptcy laws as a weapon, the idea that, ‘hey if this doesn’t work out screw them; I’ll just declare bankruptcy.’ I just can’t get that. But I think what drives them is a little bit different thing. I think they truly don’t get it and most of these Wall Street type guys have never had a real job. They’ve never dealt with large groups of people in the workforce, they don’t know about making things.

Both CFO P7 and P6 describe the influence of a large private financial investor as having a negative impact relative to corporate social responsibility in their companies. These two examples and the next one will be discussed in the summary that follows the story from Participant 8 (P8).

Socially Responsible Shareholders

P8 has been a force for change in how investors measure value creation. S/he provides another perspective on concentration of ownership and on how some investors and managers view the purpose of business. H/she describes the influence of shareholders on a company’s orientation toward corporate social responsibility.

> I think in the case of Sunoco, the fact that they had the Pew Foundation as the dominant shareholder for a long time didn’t work against them in terms of their social mandate. It worked for them because the Pew Foundation had such a strong environmental mission. So I think concentrated ownership can be a good thing or a bad.

P8 adds that, “…diffuse ownership can mean no action because most people don’t pay attention to it, the corporate governance issues.” This idea is explored in the next section.

Summary of the Corporation as a Community of Common Interest

The participants' stories both reflect and construct a view of the reality of large corporations. P6 captured this section's key theme when defining the corporation as a "community of interests." Each participant describes some aspect of the firm at the center of a wide range of stakeholder relationships. Another universal theme is the imperative for the corporation to make a profit.

This section closed with different stories of shareholder relationships. Two stories tell how the concentrated ownership by one shareholder has a negative influence on corporate philanthropy. P4's company, however, also has one prominent shareholder involved in the company; however, that person has a positive impact, perhaps by leading the corporate social responsibility efforts by example. At that company, the difference is that the prominent shareholder is a founder and is highly integrated into the day-to-day management of the company. That person has been deeply interrelated with the workforce and operations of the company, and with the community of Detroit.

From the words of CFO P7, one difference is the private equity investor's "degree of isolation" from the company and community. *Isolation* is another way of saying lack of relationship or interconnectedness. The previous stories suggest a correlation between the degree of relationship/isolation of a large investor with the corporation and its other stakeholders, and the firm's commitment to corporate social responsibility.

Theme 1, Sub-theme 1: The Infinite Interrelationships in the Data

In one respect, the stories shared so far tell of a traditional stakeholder model, with the "big 5" stakeholders—suppliers, investors, customers, investors, and community—along with a concern for the natural environment and governments. While that is one way of relating this story, it misses the richness of the participants' stories. The stories are not of entities, but of relationships. To illustrate, consider a partial intersection of the stories from just two participants. Participant 9 (P9), in the following paragraph, tells of joining forces with competitors to battle the State of California's emissions policies, which are more stringent than the other states' policies.

> …I know there have been a few initiatives, and the biggest reaction has come with actions that we've taken that have been controversial in one way or another… For example, I know that there are different industry lobbyists on SUVs where we've gotten somebody in the lawsuit and we joined other automakers regarding California …emissions. And there's people that think that's totally wrong.

P9 is very active in the Christian Faith, yet very private about religious and political inclinations. Like Participant10 (P10), s/he is both a customer and shareholder of the companies for which they work.

P10 tells of the senior executives of his/her company coming together to support the Republican candidate for president.

> But what I found very interesting…during the last two presidential elections, in terms of social responsibility, what I found just

> fascinating was how little interest there was in anything other than the business side of business. And if you make the assumption that, and this is a simplification, that the Republicans are going to be better for business, the first bottom line, and better for the executives' personal taxes, which is probably true, how there is absolutely zero consideration for other issues.

P10 mentions that the labor unions usually go the other way, so there is some balance in the system. In the interviews, both talk of their children and a concern for the environment. As a member of management, P10 may think the Republicans may best serve his family's interests, but s/he said that, as a member of the Jewish Community and as someone concerned about the environment, s/he thinks the other party best represents his/her interests. P10, an automotive executive, also said that s/he would be very much in favor of increased gasoline taxes to slow the rate of consumption, dependence on oil, and pollution. But P10's company is lobbying in the opposite direction. From just a few minutes of discussion with these two participants, some of complexity of the relationships described or implied can be seen in Figure 5.

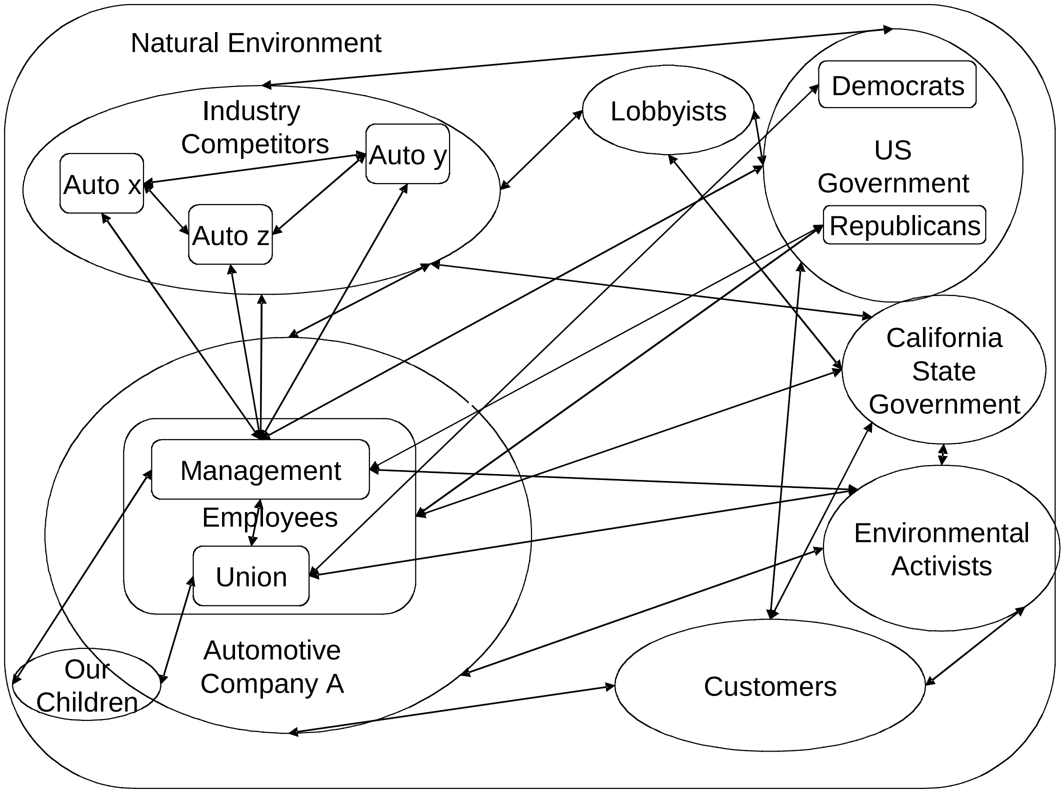


Figure 5. A Momentary Slice of Relationships—

Self Identity Derived from and Suspended in Relationship

Figure 5 scratches only the surface of this degree of interrelationship at any one given moment. Many researchers of stakeholder literature write that competitors are not stakeholders, because they have no stake in their competitors. The static view of five (or more) stakeholders connected in a production view (or managerial or other view) of the firm misses the interconnectedness of the relationships and the fact that no one exists only in one category. Our categories of relationship and relationships are fluid and continually shifting and changing.

In this example, competitors join forces against environmental activists and the California State Government. Each has a stake in the other as industry participants. They also join to petition the US government in areas of fuel economy, safety, and other regulatory and tax issues. Together as industry leaders, through lobbyists, and as individuals they work to influence governmental policy. Often forces even in a same stakeholder group are at opposites on the same issue. For example, management supported the reelection of President Bush while the unions supported Senator Kerry.

Participants 9 and 10, as members of the local community and as members of their families, express a concern for the environment, yet as members of the auto industry support lobbying against environmental activists. The discussion of whether competitors are stakeholders of each other is not at all simple either. On a deeper level, each participant, as a member of the community, has a stake in the other companies. The stakeholder theory and economic theory would suggest that the stakeholder group of management at GM would be happy to see DaimlerChrysler go out of business, or vice versa. But those members of management live in the same communities. If one company went out of business, housing values would be hurt, many in the community would be out of work, and the community would be hurt economically. There are family relatives working for the other companies. Any one person considered a member of a given stakeholder class, may hold membership in several other classes, or have stakes in all of the other stakeholder classes. An employee may also be a shareholder, customer, and community member, and may have a spouse who works for a supplier.

P10 also expressed a favorable attitude toward increasing gasoline taxes to slow the rate of consumption, dependence on oil, and pollution. But the company where P10 is an executive is lobbying in the opposite direction. The stories of Theme 1 tell of the relationship patterns within the firm and the attempts to balance the wellbeing of all stakeholders in an interrelated community of interests.

Theme 2: The Influence of Economic Theory on Relationship and Corporate Social Responsibility

This theme includes several examples of the corporate manager describing relationships mediated by economic concerns. The first story is from George Carpenter, Vice President of Corporate Social Responsibility for Procter & Gamble. The next stories relate two consistent patterns that emerged from the data. Several other stories of relationship driven by economic thought are included after that.

Before interviewing George Carpenter of P&G, I first heard him speak at the Globe 2004 Conference on the topic of building the economic business case for sustainable development. Carpenter described the plight of 1.2 billion people in the world without clean drinking water; he went on to demonstrate the powdered technology that P&G had right now on its shelves that could bring clean drinking water to virtually the whole world. Then he transitioned the discussion to the need to justify further investment and development in this technology by the yardstick of financial returns to shareholders. If P&G cannot distribute this product in a profitable way, the technology will remain on the shelf. P&G likely has a solution that would significantly alleviate a major source of suffering in the world, but it cannot deploy it unless it provides a reasonable return on investment. The economic imperative limits how P&G can be in relationship with those in the world and those with economic means.

Two Patterns

Two common patterns emerged in the interviews with the CFOs. Several began with a statement that the firm's purpose was to create value for shareholders, but then discussed other social responsibilities of business, and then they returned to clarify the importance of shareholder value creation. Also, nearly every participant mentioned Ford Motor Company CEO Bill Ford as an example of a socially conscious executive.

The first pattern I noticed was in the early part of the discussion of many participants. They opened with a statement of the firm's purpose being related to creating shareholder wealth or making a profit. They then expressed various social responsibilities and commitments. The latter took form when the participants spoke of the employees, customers, and/or the community as either intertwined with the purpose of the firm or as necessary from an instrumental standpoint. After discussing a broader purpose of the firm, several returned to their opening thought and clarified the importance of shareholders and profitability as critical to the firm's purpose. They seemed to be stopping in mid-thought to re-center themselves and confirm they were finance professionals. Several expressed beliefs that Friedman would clearly label as socialist. However, to be a finance executive in a large public company, to have such an identity, requires one to espouse a shared set of capitalist beliefs. Another interpretation of this pattern of "purpose as economic and social, but economic" could be that the person making the statement feared seeing the statement made public. Here is one example.

> Well, shareholder value creation is certainly [a purpose], and at the end of the day from the investor's perspective that's it. But I do think the larger a corporation is and the more impact it has on society, the more its other responsibilities come into focus. Things like the caring and feeding of the associates and making sure that you're paying them fairly, treating them fairly, and giving them a chance to grow. You have a place in society, you know, how you treat your customers, how you function in terms of paying your taxes when they're due…. But, at the end of the day, you have to provide a return on the shareholder's investment.

In the next example, the finance executive categorizes shareholder value theory as Republican. His/her orientation toward stakeholder theory suggests a conflict between relating to the world and relating to one's professional identity.

> I would say shareholder value creation is probably one of a number of purposes...I'm a die-hard Republican and having said that, I may be perhaps leaning left of some of these issues. Environmental responsibility is an important area for us today. I think people preach that the primary reason for their existence is to benefit their shareholders, but that is in addition to serving the society, though it might not be talked about. I would say some firms actually make

> social responsibility a part of the expectation. I'll go back to my CPA firm days at Price Waterhouse…there you were almost at an expectation to be out doing something good for society…. We're probably not as good at social responsibility thinking in this country as some others are, but some organizations are. However, if we don't make a profit, all else becomes irrelevant.

The next pattern of mentioning Bill Ford was nearly universal. His example serves as a metaphor for a heroic person with a passion to do what's right, but forced by systemic constraints to fall into line with the prevailing economic social norms at the risk of being outcast. His example also seems to represent the futility of trying to act socially in a capitalist financial market place. Several CFOs mention that they faced the same dilemma as Ford.

> So I think strictly from an altruistic perspective, I don't think that business has a sense of altruism in and unto itself unless you happen to have an individual who's leading a company, who has very definite altruistic thoughts about his/her company, talk about Bill Ford and his environmental involvement over the years…. He's been in that direction for 25 years, and I've known him for 15 years and he's never changed his thoughts. The degree to which a company does, however, depends on what they think they get back. You're not going to spread yourself into environmental advancements at the cost of losing your business. That's the bottom line. He is a very specific case in point of someone who believes very strongly in the need for industry particularly to do more than they have done before and in fact clean up the messes they have created, and he believes very strongly in that. Is it business driving it or is that an individual driving business or is it business driving an individual. I think it's an individual driving business. Would business react to that, dependent upon how other people view that approach? What's the reaction? Who knows what the reaction is? It takes time, but I certainly believe that there are a lot more very attentive CEOs thinking about the greening of business and it would not have been without his leadership.

This story of Ford is about one person influencing social norms and providing an example for others. It also includes the pervasive constraint of profitability. The next story tells of the perceived personal risk of being seen as a social activist.

> Most CEOs that I've dealt with in some amount of depth, maybe 15 to 25 different CEOs; I've had these kinds of discussions with them so you generally find that they're generally good people. They're very rarely somebody who would say screw it and do whatever it takes to get ahead. Generally, people do have a sense of responsibility in many different areas, but there's also the push on shareholder value. Look at Bill Ford, the classic example. As a director, he was pushing green all the way, and people were very excited about what he could have accomplished if he stayed on that agenda. When he became CEO, for a lot of reasons, he couldn't afford it. He had to go to where the competition was. Customers were demanding the SUVs that pollute the hell out of the place and he couldn't walk away from it. I'm sure for Bill, that was not an easy toss over to say hey screw all that stuff I used to talk about and now I'm in a different world. It wasn't an easy choice for him, I'm sure he, I know Bill, he cares, he's a caring person at the end of the day. So he agonized over it, but he was sort of boxed in. In the short term if he had a lot more profits rolling in, maybe he could have had the luxury to advance the green agenda, but given the survival instincts, he needed to compromise on ideology.

The third example tells of the personal dilemma this CFO faces, which is a dilemma faced by all of us in a consumer society when we become aware of the impact of our consumer behavior on the future of the planet. Where do we personally draw the line on how much we take and how much we leave? Is it hypocritical to fly to a convention on sustainability?

> The board gets criticized around the sustainability issue; we get criticized around coal. It's like the criticism of Bill Ford—you know how can Bill Ford talk about sustainability and still pump out these SUVs? I think that dilemma as being where I'm at today and where I want to go. Kind of a metaphor I use for that is when we do the high ropes course and there's this high wire you are walking across and

> they had these hanging down that are periodically placed. You couldn't grab the next rope without letting go, it was impossible to hold on to both and I think for a lot of companies they're still holding on to that last one trying to get to the next one. What's Ford going to do, stop selling SUVs tomorrow and kill the company? …And that gets back to the prior thing that says you've got to make the minimum profits. CEOs are going to get thrown out if they don't. So what do you do? So you sell what the consumer will buy and still have an eye towards sustainability in the meantime. It's a real tough spot to be in. If Bill Ford carries it too far, whether he's for it or not, he will not be in that job.

All three examples of Ford have the idea of profitability as a constraint on socially responsible behavior, and all contain the threat of being excommunicated from the mainstream business community for anyone who strays too far away from the maxim of maximizing shareholder value. There is also a message of hope. Obviously, Ford's advocacy for sustainability has influenced the automotive community and loosened social norms in the sustainability direction.

Other Stories of Relationship and Economic Concern

Participant 11 (P11) is a retired senior finance and international operations executive in the mid-fifties. S/he is a very active parent and is deeply involved in the local community and various social clubs. P11 mentions trends of corporate paternalism that make sense from a profitability point of view.

> Twenty years ago nobody would thought to have a gymnasium inside the corporate headquarters for all employees, concern for the overall well being of everyone…companies have found this valuable, it makes economic sense to them…and it's important for them to have children's care centers in many places. They provide a social benefit and value to some degree, but it's very much directed to the well being of the company to begin with. The sense I've always had is the purpose of commercial activity is to provide, at the end of the day, a

> profit, but they have to be able to adapt and modify the behavior to support the community around them.

P11 also mentions the need to be aware of trends in the business environment and uses diversity as an example of an important social trend.

> Obviously, you have to have a viably commercial operation and viable means at the end of the day you can pay your bills and make enough money to reinvest in the firm to provide for whatever it is that you're producing…. Having said that, you really need to step back and see how society's evolving around the business environment… If there's a movement that says that companies are taking the social responsibility of business seriously, then that needs to become part of your strategy. More directly, one thing driving that is diversity. That's probably the result of the changes from women and minorities and a push to have them better received and giving them more opportunities than they had in the past…. We need to do that; we need to be in touch with the ethnicity around us, because, at the end of the day, those are the people who are buying our products.

P11 brings in stories of social influences on managerial behavior. This theme will be explored further in Theme 3. Like many other participants, s/he coaches the sports teams of his/her children. Several other participants are active in the universities where they graduated and are on the investment committees of the universities' endowments where corporate social responsibility is a screening factor in the investments they approve. While not every individual story can be told here, every participant interviewed is deeply intertwined within their community and family. If you ask them who they are, most likely, they will respond with their title and company name, but that is only one aspect emphasized from a multifaceted relational identity.

Summary of the Influence of Economic Theory on Relationship and Corporate Social Responsibility

The stories of this section contain elements common to all the interviews. Our economic theory pervades our reality as evidenced in the stories, language, social norms, and corporate and institutional structures. The economic aspect of our lives also dictates how the interviewers identify themselves publicly. They tell of people in relationship in corporations in relationship—people who care about the social implications of their work and of people who want to do a good job at what they do. However, because of the way we chose to construct our reality, the social implications of our work are often at odds with the economic considerations.

Theme 3: The Corporate Manager in Relationship

This section looks further at the corporate manager in relationship. Although legally a corporation is a person, in practice the corporation is a collective of people in relationship. This section further describes the individual and corporation existing in relationship and it parallels and overlaps with Themes 1 and 2. While this theme is evident across many of the interviews, it includes brief examples from the finance executive interviews and closes with an extended look at Nike.

The next story tells of the relationship we have as consumers and the personal stake we have in corporate social responsibility. If we care about the social or the environmental aspects of business, we need to express that in our buying behavior.

> Well, some of it starts at the end of the food chain with the consumer who has the ability to take their purchasing power somewhere else. So collectively we are driving things but in a really selfish way. So when

> people say this costs a dollar today, I want it for 50 cents tomorrow. And, if it's produced for 50 cents nearby, you won't ask any questions. How did you do that? What community did you step on or who lost a job over this? And I think that starts with a selfish view that I want to take care of me and my family and to hell with some unnamed, unfaced individual who just lost his job in another community because I got this cheaper…Self-interest, well that's just kind of an element of capitalism and survival. I don't know that it's necessarily greed. It's just that if I have limited dollars and I have so many mouths to feed and I have to pay for college and pay for taxes and pay for this and I can get my car for $1000 cheaper but it comes from Korea, then do I care? You see that happening right now. It wasn't that long ago that you know even in this state that if you didn't drive the big 3 you were looked down on and had the risk of your car getting keyed… And, now I find myself with a Toyota, a Honda, and a Volvo and I think nothing of it because I'm looking for low cost, high quality.

Mediating the relationships described in this example are the economic assumptions of self-interest, scarcity, and survival. This participant is far into the upper 2% of the U.S. population in terms of household income, resulting in a high multiple of the median family income. But still, in his/her words, you can see what seems to be a story of scarcity and family survival at any cost to society. This is not a story of a greedy corporate executive; it is the story of most of us in our society. This person's relationships, like most of ours, are in part, delineated by mistaken economic assumptions that we made up, and then forgot we made them up.

The next speaker, P11 again, is the retired finance and international operations executive. S/he discusses the impact of leadership on the firm and its subsequent orientation to social and environmental issues. S/he talks of the self-imposed pressure on people in business to set and maintain a high level of earnings. This story is of people in limited relationship acting in their own self-interest, driven to maximize their own utility at the expense of society, just as economic theory predicts.

> Again, I believe it's the leadership of the company that sets the tone. There are arrogant leaders and there are arrogant men and women and if it's all about me and if that's where society is going then those kinds of bad decisions will happen more often or not in the future, which is a fear that I have. Because, I don't see people that involved as much…I see things in communities like in little league where you don't have nearly the involvement as before…. Here's the same guys stepping up doing the church stuff doing the little league stuff, they're the ones that are volunteering…. Keep the level of whatever you're economic levels need to be, you've got to be satisfied in that, but there's so much stress to achieve and to get and maintain those levels that people just don't have the time and look at what kids do now. You're not going to change the patterns and behaviors of the people who've evolved over time, so then it becomes a matter of how do you get their attention and get their involvement and get them to understand and view the importance of things that really do impact everyone in the community. Now let's talk globally. You can talk about the environment; everybody has to live on earth? And that's why I said I hope for the future there are more people that are willing to take this on whether the positions are popular or not, like Bill Ford has taken on and asking people to step up.

This next speaker discusses the Brazil project mentioned in Chapter 1. S/he was my boss at the time we did the project. We discussed what might be different now if we were looking at the project 15 years later.

> Doing a cheap assembly plant in Brazil in the middle of the rainforest is now clearly not the morally right thing to do. Forget about the profit side of it, to begin with I think we have a higher drive when it comes to those kinds of things. But to me that's a thought that's driven by a lot of different things and it's not to say that just because people don't get it doesn't mean that they're wrong; it's just that they have evolved differently. Also, we act differently at different points in our career. I hope that people would look at this differently today, but if someone is just looking at getting his ticket punched, establishing credentials, he may be more focused on moving up the next rung of the ladder.

These are stories of people in relationship and corporations in relationship. The next stories from Nike show the range of possibility and limitation of our evolving views.

Integrating the Whole Story at Nike

Darcy Winslow is the Global General Manager for Nike's Women's Division. The fact that she is a senior operating executive who has held positions of responsibility in corporate social responsibility at Nike is a meaningful data point indicating a corporate commitment beyond compliance or green marketing. The passion in her stories and the seeming degree of integration of corporate responsibility within her business are unique among the stories told so far.

> As of January 1st [2005], I'm going to be starting a new job overseeing our women's footwear and women's equipment business around the world so that's going to be quite a challenge from innovation through product creation process through supply chain, retail sales, brand marketing. So that's my job. What attracts me to Nike and to my work? There's almost nothing that doesn't. One, I've been an athlete my whole life so I'm connecting with our product, the environment, the mental aspect of sports and competing and health, the culture here is one that really challenges you to do your best, to look at things differently, to take risks, and to really bring your best work to work everyday. It's a highly competitive culture, and I mean that in a very positive way, and with its association with sports and competition and athletes it's not surprising. The people, the environment, the campus that we work on, Phil Knight, you know and him remaining the soul of the company and just the deeper connections that we're starting to create well beyond just product--corporate responsibility in the communities that we work in around the world and the connections that we're making with that part of business.

Winslow talks of the multiple points of contact that connect her relationally to the company and her community, including the influence of the CEO. She goes on to tell of the story of corporate social responsibility becoming integrated as a way of being at Nike.

> I would say in 1998, when I came to believe that we're really going to make a difference in sustainability and how we integrated that into what we do, which is, we don't create policies, we create products. That's what we sell. So we really had to integrate it into the businesses and make sure that being a good corporate citizen wasn't just about if you've got operations in Shanghai that you operate appropriately in that but that we really took it to why we're here.

I asked how much of this corporate social responsibility talk was corporate marketing or complying with regulations.

> That's not leadership. And leadership is part of the culture of Nike: if we're going to do something, we want to do it right. We're going to do it to the best of our abilities.… There are thousands of people here who truly believe that's the only way to do business in the future. This is not a superficial attempt at changing how we do business. This is very deep-seated. It's in our maxims; it's part of who we are now. So, compliance has had a good day. Our compliance laws are not right. We didn't want to have anything to do with just trying to be compliant and calling it a day…I mentioned our maxims, and one of them is do the right thing and that's where we really speak to it. But our #1 maxim is it is our nature to innovate. And to me, tackling corporate responsibility and tackling sustainability is all about innovation. Whether it's a product in process or your business model or how you distribute, it's all housed in differently….this is not just a sideline commitment to operating as a more responsible corporate citizen.

Nike has integrated corporate social responsibility into the corporation's values (social norms), economic theories in use, and language.

> It's become part of our vocabulary. It's not like you have to force it into the conversation anymore. For example, when we talk about it from a designer perspective, as they're describing their product you know there are certain attributes or performance requirements that need to be built into that product, or say from a development or engineering perspective. And it didn't happen overnight, either. And,

> just speaking from my team's perspective, it's a natural part of their conversation now. So it's been really exciting to watch, even with no prompting that we're going to use the green rubber, or we're going to use this because it requires less materials, not as many layers, doesn't create as much waste. So it's just a natural part of how they describe products versus just saying "well it's going to fit like this or it's going to perform like this" they talk about these attributes in the same breath as everything else. And that took a few years to get there.

The language and values shift is still unfolding. Today the corporation looks at new projects and products differently, using different performance metrics than it did just five years ago.

> So it's not forced, oh absolutely it remains very, very important to me. It's not something that you walk away from. I mean when you know the ramifications of not working, not going down that path, of continuing to do business the way we've always done, you just can't walk away from that. It affects everything you do and how you think about everything. If we're going to create x, it's going to take us five years to find out what are all the implications of that process and you need to ask those questions right up front. That's not something that we even knew to ask five years ago but we are now so it's part of all the metrics that we've put in place for new products now. And that's hard, you don't get there overnight.

She also describes some of the different ways employees of the enterprise, including suppliers and customers, relate to each other. Employees of Darcy's organization seem to have a broader sense if individual personal identity beyond the traditional economic-based identity. Her story also includes how business practices are changing and the positive impact this has had on other stakeholders including shareholders.

> That enables you to attract believers and people who you don't have to educate in order to get it. You know and they want to blend to that. I mean it's very powerful, very, very powerful so that when I interview people I ask them, "What are your thoughts on sustainability?" And if the answer is "What are you talking about?" Then I'll say, "ok, well let's just move on to the next person." I want people who really

> believe that it's meaningful and I think that it has a domino effect over time. I mean, I've got designers coming in from Switzerland who've actually studied this in college, and they're coming to their function of design already understanding what design for environment means.

Winslow then closes by directly connecting this way of being with providing a return to shareholders.

> Yeah the reason we come to work is to build kick-ass products for some of the best athletes in the world and that trickles down to us little athletes. I mean, that's why we come to work. That's why Phil Knight comes to work. We want to provide--and our mission statement says it--innovation and inspiration for every athlete in the world. And that athlete has a small little asterisk meaning it is all inclusive, we're all athletes. And that's what we do, and if we do that right, then we think about the bigger picture, which is do the right thing. And if we do all that then we maximize shareholder value. We maximize all the resources that we've got. We've leveraged every weapon that we've got within the company.

Nike has been a primary target for activists over the years. They have been attacked for social equity issues related to how their suppliers in lesser-developed countries have reportedly exploited workers, for the environmental consequences of their products, and for the social impact of their pricing policies and aggressive marketing creating demand for high priced athletic shoes for the young in the inner cities. Nike has also been accused of green washing, or using marketing to create and exploit an image of social responsibility while seeming not to adhere to those espoused practices.

However, Winslow's story of the transition of Nike is inspiring and seems to reflect a sincere commitment to a new pattern of business operations. Her story provides an example at one end of the corporate social responsibility spectrum. Another story from Nike tells of an example from the other end of the spectrum in its commitment to shareholder value creation.

In the recent 2004 annual report to shareholders, CEO Phil Knight reminisces about the challenges and successes of Nike. In closing, he reaffirms Nike's commitment to shareholder value maximization.

> … and underlying all the heady emotion of our industry, I am reminded of the unforgettable lessons of finance professor James T. S. Porterfield, who thundered in the classroom, 'Shareholders are the deity that you serve.' (Knight, 2005, p. 3)

Knight doesn't directly claim that shareholders are god, but he uses the words of a finance professor to imply that idea.

Conclusion to Results and Analysis

The stories of this chapter reflect the relational nature of the corporations and of the people working in and affected by the corporation. Within this system of relationships, the interplay of language, social norms, performance measurement, economic theory, other social theory, organizational structure, and institutional structure comes together to construct social reality. Phil Knight's words appropriately are the last story told in this chapter. They reflect the mixed message of American business and the tension between corporate social responsibility and economic theory.

The following chapter will draw conclusions from the data of this chapter and the review of literature in Chapter 2.

Chapter 5: Discussion and Conclusions

This dissertation began with an introduction to the pivotal role of business in modern society. Shareholder value theory and stakeholder theory were then introduced as alternate perspectives on the purpose for a firm. From the conflicting direction of those two theories, a question emerged to guide the subsequent research: ***How are people in large corporations making sense of the antinomy inherent in the equation of modern business: simultaneously maximizing the seemingly mutually exclusive variables of shareholder value creation and service to society?*** The literature review followed with a critique of shareholder value theory and an exploration of its underlying economic assumptions with its potential to skew the consequences of corporate behavior to the benefit of a small class and the detriment of society. Stakeholder theory was also critiqued and found inadequate as an alternative model of corporate behavior due to its emphasis on justifying itself with an instrumental argument. Social Constructionism entered as a framework for exploring corporate purpose further.

The methods section described the qualitative research path of generative theory taken to address the research question. That led to learning from those people who are most directly charged with maintaining the status quo of business, executives from the functional areas of finance and accounting in large corporations. The stories of these men and women varied. None seemed to fit well the predictions of economic theory, yet the influence of economic theory was evident. The stories captured in the conversational interviews told more of relationship to the people of the corporation, to its community, and to its shareholders. A phrase offered by Jim Donlon, CFO of Kmart, epitomized the stories told. He said, “I look at a company as though it is a community of common interest.” Yet, it is a community constrained by the reified assumptions of economic theory.

People in finance and accounting, along with others, are charged with making sense of the antinomy resulting from the seeming dichotomy of maximizing shareholder interests and serving the broader interests of society. The findings of this research suggest that the purpose and meaning of a corporation are beyond economic. The pervasive theme throughout the participant dialogs is relationship—the relationships of the speaker within his or her professional and personal life and the relationships of the corporation within “a community of common interests.” The story of the corporation emerges not as a “nexus of contracts” as described in economic theory, but more as a “nexus of relationships.” A nexus of relationships describes not only the corporation, but also the speaker. The corporation exists and thrives only in relationship equilibrium, as does the person.

In this chapter, I will interconnect the theories of corporate purpose and social constructionism with the theories in use by finance executives and propose an alternate metaphor for organizing.

A Story of Relationship

The finance executives told their stories primarily in relationship to others and of the importance of those relationships. Dave Meador discussed the serious responsibility of serving the community as an electric utility. Jim Donlon spoke of the days when Chrysler was struggling financially and his concern for the hundreds of thousands of people connected to the corporation—the workers, their families, the retirees, the local community, the suppliers and their families and so on. Dave Olsen spoke of the interconnectedness of spirituality in his life. A universal theme of the interviews was concern for developing others and being a mentor.

Beyond business, these men and women volunteer in their communities, churches, universities, and synagogues. They coach little league and teach Sunday school. They belong to learning communities, golf clubs, and poker clubs. They play racquetball and basketball. They have wives, husbands, children, parents, friends, dogs, and cats. Tom Martin spoke of both his company’s connection to the community and of his church’s connection to the community. Tom Capo said he had spoken with his father before our interview to get his perspective on corporate social responsibility.

The view of the individual existing in relationship rather than as an individual self is not new. It was briefly introduced in Chapter 2 in the section on social constructionism discussing Gergen’s (1999) four assumptions of social constructionism. The story of relational self has been available for much of human existence, though, and is a common one in indigenous and Eastern cultures. The concept of self-in-relationship or as a relational process is gaining currency across disciplines today in psychology (Epstein, 1991; Ogilvie & Ashmore, 1991; Wheeler, 2000) neuroscience (Damasio, 2003), physics (Capra, 1996), biology (Maturana & Varela, 1992), philosophy (Metzinger, 2003), and poetry (Graham, 2002).

For those of us who have grown up in the Western tradition of individualism, this concept of relational self can be difficult to comprehend. Our Cartesian history of separate minds located in our heads and Freudian models of self are deeply ingrained. The belief in the individual self is fundamental to our culture. Wheeler (2000) refers to this underlying worldview as the “paradigm of individualism” (p.10). He describes this as follows:

> …a set of basic assumptions, most of them outside our awareness and just taken for granted in the culture and the language, about human nature and the human self. This paradigm, or fundamental assumptive set, has a 3000-year pedigree in the West, from the pre-Socratics and the early Hebrew mythmakers right down in a largely unbroken line to the present day. (p. 10)

Several years ago, after hearing Ken and Mary Gergen speak on the concept of relational self, I struggled with the idea. On one level, it seemed intuitively understandable and hopeful, yet on another, it was perplexing. If I was not an individual self, who was wrestling with this question of relational self? Whose mind was generating the question?

Both of these metaphors of individual self and relational self are ways we make sense through language of our experience of consciousness; neither is correct nor incorrect. The individual self-view is seen as having served Western society in its technological advancement. The problem is that the individual self-view is often the only metaphor we have available in business and economic/financial theory. However, the individual self-view does not fully account for the stories told in chapter 4 or business behavior in general.

I am suggesting we can hold both metaphors and access them for different purposes. They do not need to be mutually exclusive and we are not required to choose either as correct. In introductory physics courses, students learn of the persistent question of the apparent dual nature of light: whether light is a particle or a wave. Einstein (1924) described the dilemma: “There are therefore now two theories of light, both indispensable, and - as one must admit today in spite of twenty years of tremendous effort on the part of theoretical physicists - without any logical connections” (Einstein, Appendix 3) . A few years later, Neils Bohr (1928) offered that both mutually exclusive theories (at the then present level of understanding) were equally valid in his *complementarity principle*. Bohr suggested that physicists could use either theory, depending on the nature of the phenomena observed. The complexity of the nature of light requires two differing theories, with neither ultimately true nor false. They are approximations valid in a certain relevant range of observation, as are the two views in the theory of self. Is the self an individual particle or a relational wave?

As an individual self, I am separate from you; you are essentially other. Given that isolation, the instrumentalist argument of stakeholder theory emerges: stakeholders are a means to creating value for shareholders. “If self is the center of one’s existence, and one can never know or fully trust another, then our primary mission must be to ‘look out for number one’” (Gergen, 1999, p. 119). Shareholder value, resource dependency theory, and the instrumental aspect of stakeholder theories are manifestations of the individual self. In those theoretical views, relationships are artificial. They serve as temporary resource bases available based on relative economic value. Agency theory also flows from this individualist paradigm with its basic assumption that each individual pursues rational self-interest. “No one can be fully trusted; everyone is primarily motivated by self-gain” (Gergen, 1999, p. 120).

Can you think of examples where it is clear how you are influenced by those with whom you have been or are in relationship? Consider the influence of those with whom you will be in relationship. Who are you today and how did you get here? What stories do you tell about your self? This perspective of relational self offers us much that is not currently accessible in the individual self. As we consider ourselves in relationship, the polarities of I/you and we/they fade. The fundamental assumptions of modern economics become strange. The model of the individual driven by self-interest, maximizing his or her own utility in a world of limited resources and unlimited wants ceases to make sense. The person “in here” is not separate from the environment "out there." And similarly, the organization is not separate from the environment. Environmental pollution is no longer seen as an externality—there are no externalities in a closed system.

There are instances from the finance and accounting area of DaimlerChrysler of considering events from a perspective of relational self. In the early 1990s, Chrysler shifted to a new cost accounting system called activity-based costing (ABC). Dave Meador, a participant in this study, was the team leader of the effort. ABC was to be more than just a new way to measure cost; it was the basis to "…transform a bureaucratic organization set in its ways…. Chrysler's leaders were determined to replace the company's hierarchical functional structure with the one that was more flexible, efficient, cross-functional, and process oriented" (Ness & Cucuzza, 1995, p. 53). As Meador's team implemented ABC, the team had some significant successes. The estimated return to Chrysler in the first three years was in the hundreds of millions dollars (Ness & Cucuzza, 1995, p. 51). However, the team also had some large-scale failures. Strangely, in some manufacturing plants the implementation went well and in others, it did not. In one stamping plant the results were impressive; in another stamping plant, the system produced much less value.. If viewed in the individualist tradition, the individual responsible for implementing ABC at the failing plants would be held accountable and blamed for the failure. Gergen (1999) refers to this as "systemic blindness" where the individualist tradition causes us to "suspect fault in the internal functioning of the individual" (121). Meador, with support from then Chrysler Controller, Jim Donlon, avoided locating blame with any individual and instead, chose to view the problem implementations from a systemic perspective. The Chrysler ABC team began working with the MIT Organizational Learning Center to help the team approach the implementation in a much different way.

The individualist tradition of business leads us to operate as if we do have unlimited wants and limited resources. It prescribes acting as individual agents in a view of life where we "are pitted against the other" (Gergen, 1999, p. 120). Gergen continues: "We must ask, then, is this sense of continuous embattlement desirable; must we necessarily build institutions that embody this view…" (p. 120)? From the social constructionist theory of relational self and the stories of relationship in corporations, it appears we have other options. The relational self gives us a different metaphor for acting and organizing and a new image emerges of a relational firm opening the possibility of more positive options for industry.

The Firm as Relational

In this section, I will propose a view of the relational firm that flows from the stories of the corporate executives and social constructionist thinking. In the next chapter, I will bring in other recent research in the field of organizational collaboration to suggest way to advance the practice of the relational firm.

As the person gains meaning through relationships, so does the firm. The firm's identity emerges through discourse among the many people in relationship with it.

The idea of the firm as relational is implied in social constructionism (Cooperrider & Whitney, 2003; Gergen, 1994, 1999) and follows from other research into organizational dialogue and identity (Hardy, Lawrence, & Grant, 2005; Weick, 1996; Weick & Roberts, 1993).

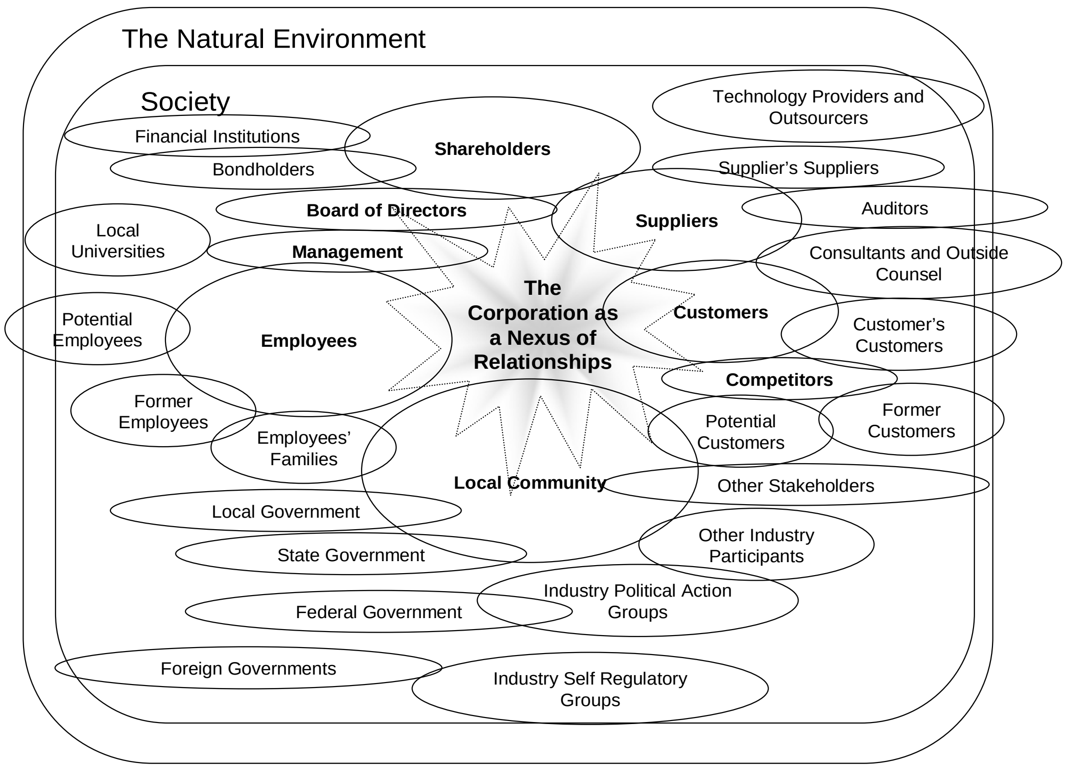


Figure 6. The Relational Firm

Within the boundaries and balancing forces of the natural environment and society, people who have a stake in the firm come together as a commercial enterprise to create value. Figure 6 is a representation of stakeholders in relationship. Figure 6 extends beyond the view of the firm existing separate from its environment as a processor of input factors creating product outputs. The successful firm generates synergy from the differences among stakeholders and each stakeholder bears some cost and gains some benefit. Every participant in this study agreed that the firm must make a profit. They said that a firm had to show evidence of value creation and create value for its various stakeholders in line with stakeholder expectations. The manner and degree to which stakeholders interrelate to create value makes each firm in some ways unique and continuously changing. Elements of purpose arise from the collective needs, shared intentions, and actions of the stakeholders and the equilibrating forces of the market.

Customers have need for and the ability to pay a fair price for the product of the firm. Employees have skills and abilities to contribute within the system that produces the product and have a need to be paid a fair wage for their contribution. Investors have capital to contribute and need to earn a fair return. Although the economic theory of firm purpose views the firm as a simple equation in which one variable can be maximized by minimizing the other variables, the complexity of the human-based organization limits the usefulness of that model. The firm can be more easily seen as an equilibrator of value among stakeholders in relationship.

For example, employee wages are a major expense for corporations. Why not reduce everyone’s wage to the minimum required by law and significantly increase the amount of money available to increase profits and provide a greater return to shareholders? If a corporation did that, market forces would quickly cause a shift. Most of the skilled, professional, and managerial employees who produce the products would leave that firm. Its ability to create any value would be lost. So, inherent in the strategy of the firm is a choice about how much to pay employees relative to the labor market and to other stakeholders.

In another example of customer relationships, if the goal is to maximize profit, why not increase the price of a product? If we are selling cars, why not raise the average price from $20,000 to $100,000 per car? It seems obvious that our customers would shop at the next dealership down the street and no value would be created for anyone. A similar example can be drawn related to shareholders. Let's say now that our firm has a new slogan, "The customer is number one." To benefit customers we could lower our prices to cover just variable cost; no profits would be left over to reinvest or return as dividends to shareholders. If a business were run this way, it would not be able to acquire the capital necessary to grow or even sustain its existence. In some writings on corporate social responsibility and sustainability, there are Marxist undercurrents critical of the need to pay shareholders. The critique of shareholder value maximization is not a critique of paying shareholders a fair return. In the US, many people are shareholders, at least indirectly through pension funds and 401(k) retirement savings plans. They are not the greedy capitalists of caricature, but average people saving for the future who have a right to expect a fair return earned in a responsible manner. On another extreme, a firm could take all of its profits and donate to some worthwhile charity favored by the CEO. That would not be fair to the shareholders who contributed capital to the firm with the expectation to receive a fair return. If I buy a share in Sears, I expect a fair return to accumulate in the stock price and be available for my retirement. I do not expect the management of Sears to give away shareholder capital to philanthropic causes in a manner that materially affects the value of my investment any more than I expect my bank to contribute money out of my checking account. Joan Bavaria, a participant in this study, has served as Founding President and CEO of Trillium Asset Management since its incorporation in 1982. Trillium is an investment advisor specializing in socially and environmentally responsible investing. Joan has been a leader in building the awareness and practices of corporate social responsibility. She made it clear during our conversation that she is also very focused on the economic return of her clients' investments. Her work requires earning a fair return on capital employed in companies that meet certain criteria indicating socially responsible behavior.

These few examples highlight some of the economic interrelationships among a few stakeholders. The firm is a complex system with relationships in a dynamic balance.

The Purpose of the Firm

The relational view implies that the firm does not operate as a simple objective function to maximize benefit to any one stakeholder and all stakeholders are interrelated. There is not perfect information that tells us how to price product, compensate employees, or provide the right return for shareholders. The complex system of the corporation requires a continuous balancing of providing fair returns to shareholders, fair compensation to employees, fair prices relative to product quality for consumers, and fair consideration for all other stakeholders. This is the beginning of a subtle shift beyond the normative aspect of stakeholder theory. Stakeholder theory, in its most enlightened sense, still maintains a view of the firm as a nexus of contracts held by individual stakeholders, often in adversarial opposition.

The firm as a nexus of relationships emerges from social constructionist theory of the relational self and from the conversations with business executives. The key shift is in the basic assumption of human nature as relational. Table 6 summarizes the shift in perspectives toward corporate purpose and social responsibility moving from shareholder value theory to stakeholder theory to relational theory. In the remainder of the chapter, I will develop and illustrate the theory of the firm as a nexus of relationships summarized in Table 6.

Table 6. The Nature of the Firm

	Shareholder Theory	Stakeholder Theory		Firm as a Nexus of Relationships
		Instrumental Aspect	*Normative Aspect*	
Purpose of Firm	Maximize shareholder wealth	Maximize shareholder wealth, consider other stakeholders	Nexus of contracts, commercially serving and balancing the interests of stakeholders	Nexus of relationships, creating value for all in relationship who constitute the firm
Behavioral Assumptions and Social Norms	• Individual self • Self interest is key motivator • Individual/firm is maximizer • Unlimited wants • Scarce resources • Privilege, power and dependency • Survival of fittest • Man has dominion over earth	• Individual self • Self interest is key motivator • Individual/firm is maximizer • Unlimited wants • Scarce resources • Man has dominion over earth	• Individual self • Self interest is key motivator • Individual/firm is balancer • Unlimited wants • Scarce resources • Man has dominion over earth	• Relational self • Communal wellbeing is key motivator • Individual/firm is aware balancer • Limited wants • Abundant resources • Symbiosis • Flourishing of the relational • Human has relational role in earth ecosystem
Who is a Stakeholder?	Those with potential influence on firm profits and survival	Those with potential influence on firm profits and survival	Those who can affect or are affected by the firm	Those in relationship or potential relationship with firm
Social Responsibility of Business	Societal interests are best served with shareholder value maximized	Interests of stakeholders subordinate to shareholders	Balancing legitimate interests of and serving all stakeholders	Operating with social awareness, environmental sustainability, and economic value creation

Purpose of the Firm

This view of purpose builds on what we now experience as business and our desire for something better. It begins with a seemingly subtle shift in how we describe our work in relationship. In the interviews, finance executives were asked what they thought the purpose of business to be. They answered in terms of relationships. Many types of relationships entered the conversations. Somehow questions of business purpose led to stories of coaching little league and tales of annually sponsoring a foursome for the Hillel Day School Golf Outing. Regardless of the myriad of human interactions that occur because of business, the central organizing stories of the purpose of business reflected people coming together in community for value-creating commercial purposes. For value to emerge there must be innovation, synergy, and then a fair distribution of that value. The firm must create value for the community of people with whom it is in relationship, that is, the various markets served by the firm. In this context, markets are considered temporal manifestations of the relational forces connected to the firm. Those in relationship to the firm extend beyond the traditional stakeholders such as customers, employees, and shareholders. The term stakeholder in this context encompasses all people who are in relationship or potentially in relationship to the firm, or, in a relational sense, those who are the firm. For example, those who live downwind of a plant that emits pollutants into the air are in relationship with the firm.

Relational theory holds a view of the firm as a nexus of relationships that creates value and balances the fair demands of the broad array of stakeholders in a dynamic relational equilibrium. Following from those implications, the purpose of the firm is to serve as the center for relationship in creating value for its various stakeholders in a commercial enterprise with value distributed in consideration of the relative contribution and risk assumed. The examples throughout this section begin to stake out a view of the relational firm.

A new metaphor of the firm as a nexus of relationships is proposed to advance dialogue into corporate purpose. This idea of relational purpose is not suggested to be complete or right; it is offered to evoke, or even provoke, further conversations of a new metaphor for business. The previous chapters identified several assumptions and practices embedded in the view of shareholder value maximization as firm purpose. How will some of these assumptions have to shift? What are some of the possible change processes for advancing a relational view of the firm? How might a relational firm operate differently, coexisting in a world where other firms and institutional structures rely on the individualist paradigm for direction?

Behavioral Assumptions and Social Norms

In Chapter 2, the underlying assumptions of economics were explored and rational individual self-interest as motivation was found to be the key assumption of modern (neoclassical) economics. The economic-based theory of human behavior espoused by Friedman frames the individual as selfish, not relational. The individual is driven to maximize his or her own utility—the fundamental nature of humanity is individualist. Early work in economics posited that we all behave according to economic utility maximizing rules (Samuelson, 1937). Rational behavior was that which maximized individual economic return. That model did not reliably predict or explain human behavior even though it provided clear utility functions and understandable equations. Consider the case of someone who decides to work in a job that pays less money than an available alternative because of a fondness for the coworkers. Is choosing lower pay to be considered irrational? Research into individual utility evolved beyond the limitations of economic-based rationality to encompass happiness as utility (Becker, 1991; Ng, 1997; Sen, 1980; Sen, 1984). In the evolving perspective into individual utility, rational choices are considered as ones that maximize self-interest. Accordingly, the most selfless leader or servant to humanity could be considered selfish. Mother Theresa's life of service to the sick and dying could be viewed as selfish because that service was what gave her happiness. Our economic theory has provided a lens where we can view everyone's behavior as selfish. From this normative individualist foundation, it makes sense for CEOs and other senior executives to push for compensation many multiples higher than their company's average worker's earnings.

If the self is viewed relationally, the "rational hedonist" (Sen, 1977) assumptions give way to interrelational interests, or a concern for the communal wellbeing. Advocates for shareholder value theory do not argue their points on selfish grounds. Friedman (1970) argues passionately for what he believes to be in the best interest of society. Jensen (2002) is also advocating shareholder value theory because he believes it to be the best route to "maximizing social welfare" (Jensen, 2002, p. 1). These are both examples of a concern for the wellbeing of others.

Viewed from a perspective of relational self, Milton Friedman's writing can be considered a concern for the wellbeing of the community. Conversely, from an individualist perspective, Mother Theresa's actions could be considered selfish. If from the individualist lens we can view any person's actions as selfish; then from the relational lens, we can view any person's actions as a concern for the community. From which starting assumption would society benefit more?

The inverse conclusions drawn here may seem clever rhetorical devices, but the intent is to get to the fundamental basis of the difference in assumptions that become available if we view our selves as relational. Western society socially constructed the story of the human as a maximizer of self-utility, but that does not make it correct. If we deconstruct those assumptions and offer a view of humanity as relational, we then have a different set of societal expectations for behavior.

If we assume the self is relational, the tacit behavioral assumptions and social norms shift along with assumptions of purpose. Communal wellbeing replaces selfishness as the primary motivator of behavior. This may sound illogical, but go back to Chapter 4 and scan the stories. They tell more of relationship than they do of individualism. When I began this research, I met with Scott Reed to get his sense for the value in deconstructing shareholder value theory from a research perspective. I asked him what he believed was the purpose of a firm. He began, as almost every CFO, briefly saying that he agreed that maximizing shareholder value was a purpose of the firm. Then he went on to talk in detail about building and being a member of a great team, mentoring, and developing others. He talked at length of his relationships with people over his career. Cognitively, he briefly connected with economic theory, but emotionally, the energy of the conversation naturally flowed from the stories of relationship. When we talk in relationship, we become balancers and not maximizers of our own economic interest. Tom Martin discussed the philosophy of his company, American Axle and Manufacturing, towards corporate philanthropy. He said that they did not feel that contributing to broad efforts such as tsunami relief to be the right thing to do from a corporate funds perspective; however, the senior executives connected with each other and made a meaningful contribution of their own money to the effort.

The relational view offers different assumptions that seem to harmonize with the stories of Chapter 4. As the person becomes a balancer rather than a maximizer, then the perspective of unlimited wants and limited resources also reverses. Personal wants become limited and resources are now unlimited. As we know, there is enough food and water for all of humanity. If we choose to, we can act differently and distribute it.

Who is a Stakeholder?

The inclusion of who is a stakeholder changes from those who can provide economic benefit to the firm to those who are in relationship with the firm. That includes those who absorb the economic costs of externalities. This relational view also extends to our role in the earth ecosystem. We clearly have a relational role in the ecosystem. By the time Andrew Carnegie was dying in 1919 in his home in Massachusetts, he was aware that he could not escape the pollution caused by his mills in Pittsburgh. Today we in the US are aware that what happens in China has a direct impact on us. The question of whether the natural environment is a stakeholder loses its meaning in a relational view—it is not a question of anthropocentricism, or whether the deed to the earth was passed to man by God in the *Book of Genesis*. We are integral to the natural environment, not separate from it. We need to be fully aware as we make tradeoffs to pollute our air, water, and land to gain short-term economic benefits. There are no negative externalities in a relational system. As in Daniel Quinn's book *Ishmael* (1993), there is a shift in awareness. The question for us is not, "With man gone, can gorilla survive" (p. 9)? It is, "With gorilla gone, can man survive" (p. 262)?

Conclusion

This chapter introduces the metaphor of the firm as a nexus of relationships. It begins to consider what a view of the organization as relational might imply. The intention is to start an *initiative conversation* (Ford & Ford, 1995) of a new story of the firm that liberates us from the reified constraints of shareholder value theory not addressed in stakeholder theory. It is not a utopian fiction nor a speculation of what might be if we were all just a little nicer. The foundation of this section is based on real stories of business people in relationship—it flows from "what is." The differences are in how we choose to describe "what is" and then to act in harmony with our descriptions. We can choose to describe ourselves as individual particles or as interrelated waves. The choice is fateful.

Chapter 6: Implications

Generative theory is a method for expanding inquiry into areas where available theory no longer seems to sufficiently explain and predict related phenomena. That seems to be the case with contemporary economic theories of corporate purpose based in rational self-interest. Our individualist, economic theories of behavior have enabled and sustained a small segment of the earth's population to generate an immense capacity to consume and create great wealth. The negative consequences of those theories, however, are rendering them increasingly untenable.

The earth's ecosystem is being destroyed at an alarming rate. Our planet cannot sustain our present levels of production and consumption. Beyond our environmental limitations, we have a dramatically inequitable distribution of resources in the world. Nearly three billion people live on less than two dollars per day (Gardner et al., 2002). Many Americans spend more than that at our local socially responsible coffee shop. Even the economic leg of the triple-bottom line is shaky. The economic viability of yesterday's leading corporations is today questionable: witness GM. Corporate scandals and disintegration from once venerable business icons such as Arthur Andersen have shaken confidence in the whole business system. There is growing clear evidence that operating with a "me first" assumption disadvantages us all in the long-run. Just as Andrew Carnegie realized later in life, isolation is a temporary illusion. Even the wealthiest of shareholders or CEOs cannot escape the social system that created the wealth or socially constructed its meaning.

While the generative theory direction of this dissertation is to call into question the assumptions and practices of our economic system, the intention portends hope for that system's evolution. The following two sections offer some beginning ideas of practice and research implications of a relational perspective.

Research Implications

Relational Dissertation

As I was performing this act of individual research, several close colleagues, Mona Amodeo and Keith Cox, were conducting related individual research. Researching and writing as an individual, I was learning from people in business about the relational nature of human work and building academic theory to influence future business practice. Doing this research in a traditional manner of individual research seemed somewhat incongruous. Three of us were moving along parallel individualist paths to advance relational practice in organizations. That was our choice. What if we had worked together on all, or parts, of the research process?

Is the dissertation the culmination of a student's educational experience (Rossman, 1995) where one demonstrates personal mastery in research and writing skills (Rudestam & Newton, 2001) as a rite of passage? If the primary purpose is to show an individual command of the literature and research methods with an ability to communicate findings to other researchers, then perhaps a collaborative approach does not fit the paradigm.

However, if the dissertation’s purpose is to contribute original knowledge, then collaborative research may allow a team to address more complex research questions and have a higher potential to make a significant contribution. In a discussion of joint dissertations, a researcher from the University of Pittsburgh offers: “‘Networked information’ is not just a technological concept; it is a metaphor that extends as well to human requirements for knowledge acquisition and intellectual development. If it is so important to link computers' ‘brainpower,’ then shouldn't we share our own” (Estrin, 2005)?

If we were to consider the relational as a serious metaphor of self and organization for education, what research practices would emerge? How could the requirements of a dissertation be fulfilled as a group project? What would a truly relational dissertation look like? Initially, developing a relational dissertation would likely require more time spent in extended dialogue to reach a consensus on a general topic area and a subsequent research question. More planning and coordination would be required to approach the literature review as a team and to agree on the research methodology. A method for dividing work and observance of a stringent timeline would be required. Frequent dialog and interim report writing among team members and more ongoing involvement with the dissertation committee would be required for the committee to gain an understanding of the contributions of each candidate.

Language and Relationship…Shifting the Assumptions, Relaxing the Constraints

This research began with an intention to generate new theory and insight into the purpose of the firm using social constructionism as a metatheoretical window. Gergen (1994, 1999) has staked out that path as inherently liberating, hopeful, and valuable. Although the route of this research began with postmodernist intentions, the modernist assumptions of business are evident in its conclusions. Self-constraints grounded in "what is" and systemic constraints of dissertations as individual feats of learning and evaluation limited the vision of what is possible. Systemic flaws also are evident in this inquiry from a postmodernist standpoint.

This alternate metaphor of relationship emerges from existing vocabularies "as made neither within a neutral and universal metavocabulary nor by an attempt to fight one's way past appearances to the real, but simply by playing the new off against the old" (Rorty, 1989). This relational pattern for a narrative is not privileged over other stories as more real, more correct, or truer. We also need to ask whose vision is this more desired relational future. Our discourse to alleviate constraints, will inevitably impose new constraints: "…those limiting its powers, those controlling its chance appearances and those which select from among speaking subjects" (Foucault, 1999 [1971], p. 415). And, most critically, inquiring into the system where change is desired to find alternatives may not be the right place to look. Derrida proposes that we cannot talk about any system without using the terms of that system: "We have no language--no syntax and no lexicon—which is foreign [to a system]" (Derrida, 1978

[1966], p.85). He goes on to say, “We can pronounce not a single destructive proposition which has not already had to slip into the form, the logic, and the implicit postulations of precisely what it seeks to contest” (p. 85). This suggests the negative consequences of the individualist paradigm and neoclassical economic theory cannot be addressed from the same capital-privileged perspective that produces them. While acknowledging that all research is limited by the language of the researcher, there are exciting possibilities for future research.

Through the course of the research, the relational self and relational firm emerged. Yet, the view of the self as relational was offered as optional, as a possibility among possibilities. That framing of optional views of self came from an assumption that research grounded in “what is,” will likely have a greater chance of being considered and may more possibly lead to system change by those participating in the “what is.” That assumption is consistent with those research methodologies more traditional (Glaser & Strauss, 1967) and even those most intentionally positive (Cooperrider & Srivastva, 1987). However, attempting to travel a postmodernist path with a modernist map and compass has made some destinations unreachable.

How can one advance the concepts of relational self and relational organization while eschewing the ground from which modern organizations emerge? What if a next phase of this research began with different assumptions and released its self-constraints? Future researchers could consider beginning with a strong acceptance of the relational self and the relational firm. They could adopt explicitly positive language of hope and flourishing.

One such path could integrate future research into our relational nature within the World Inquiry—a global forum of the Center for Business as an Agent of World Benefit (BAWB) centered at the Weatherhead School of Management at Case Western Reserve University. BAWB is a global invitation to inquiry into the best stories from business in relationship with society. Researchers interested in building and advancing relational theory could leverage research data collected and influence the future collection of data.

Isolation from Relationship

One theme not explored is that of isolation which emerged in some of the participant dialogues. Several of the CFOs described situations of isolation from relationship, for example: where the demands of private equity investors caused employees to focus narrowly on those actions where a positive economic return was highly predictable. They were prohibited from donating even nominal corporate sums to local charity fund raising events. Corporate interaction with the community was discouraged as it was seen as being irrelevant to the business. When business purpose is narrowly defined as purely economic, what follows organizationally? When reality is framed in economic terms and natural relationships constrained, would that likely lead to organizational problems? Is there a relationship between isolation and CEOs and other senior corporate officers acting solely in their self-interest? Is there a relationship to corporate malfeasance such as manipulating financial reporting to support large executive bonuses? What practices would serve to mitigate isolation?

Practice Implications

Language is a product of relationship and knowledge is a product of language. All that we know as real is based in language and through language we build our future. Ford and Ford posit that organizational change is a process and product of conversation (1995). Hardy, Lawrence, and Grant (2005) explore effective collaboration through discourse among people in organizations that come together to collaborate for some purpose. The authors define effective collaboration as follows: it "(1) leverages the differences among participants to produce innovative, synergistic solutions and (2) balances divergent stakeholder concerns" (p. 58). Although their research looked into a form of organization with some different attributes than a regular business firm, their research is directly convergent with this dissertation and suitable to build upon for considering corporate purpose.

Hardy et al. (2005) looked at interorganizational collaboration where the "participants rely on neither market nor hierarchical mechanisms of control to gain cooperation from each other" (p. 58). An example of interorganizational collaboration is the Automotive Industry Action Group (AIAG). The AIAG is a not-for-profit association comprising representatives from 1,600 of the world's automotive companies. They form to address issues related to automotive manufacturing, safety, and environmental concerns. AIAG participants have dual roles. They represent and are accountable to their separate companies and act as members of the collaborative organization.

However, a firm must also effectively collaborate and the relationships among stakeholders can be considered a form of collaboration where market forces and hierarchies bring additional dimensions to the collaboration. The nexus of contracts theory describes the firm in such a manner. Nexus of contracts theory describes a firm as a socially constructed “legal fiction” (Boatright, 2002b, p. 40). It comprises various stakeholders who choose to cooperate with each other in a way that could be described as “leveraging the differences among participants to produce innovative, synergistic solutions” (Hardy et al., 2005, p. 58) creating value for themselves that could not be created on their own (Boatright, 2002a). Just as in interorganizational collaboration, the firm’s constituencies in collaboration leverage the differences of stakeholders synergistically to create value and the firm must balance the divergent stakeholder concerns.

Effective collaboration results from a two-stage recursive process. Conversations among stakeholders produce discursive resources that lead to a collective identity and then collaboration stems from conversations drawing on those discursive resources (Hardy et al., 2005). A shared discursive object is a language construction in relationship or something two or more people have in common about the way they look at the world. A discursive object could be a story that organizational members tell of their history, purpose, values, or something else they consciously hold in common. A discursive object might be thought of as a shared perspective people develop, a shared mental model, or a common way they make sense of the world.

Many practices that have emerged over the past several years are based in relational dialogue and are congenial with the theory of the firm as relational. Appreciative inquiry, organizational learning, systems thinking, dialogue, and the large scale change methods such as whole-systems change, future search and open space name several practices that emerge from or are consistent with a relational view. These are all approaches anchored in human relationship that build discursive objects and collective identity and lead to effective collaboration. The theory of the firm as a nexus of relationships lends further support for such practices. As command and control are central organizing metaphors of the modernist firm, dialogue is the central metaphor for the relational firm.

Conclusion

This chapter has intentionally only opened a conversation into the practices, policies and processes of the relational firm. Several interesting questions emerge as to governance and control in the relational firm. How does the board of directors evolve? How are stakeholders represented in the firm? Another open question is about the role of corporate philanthropy beyond the borders, or the boundaries, of the firm and its salient relationships. Extending the metaphor of relationship to its farthest point, all humanity, all of the earth is related. However, it is impossible to comprehend or meaningfully interact with so large a population. So if all humanity is too large a stakeholder, how do we fairly delineate boundaries around who is a stakeholder and who is not?

This dissertation has been an inquiry into corporate social responsibility. It began by considering how we describe the purpose and underlying assumptions of business. In the tradition of generative theory, interviews with senior business executives from large corporations suggested that the purpose and meaning of a corporation extend beyond economic. The pervasive theme throughout the research is relationship—the relationships of the speaker within his or her personal and professional life and the relationships of the corporation within “a community of common interests.” The story of the corporation emerges not as a “nexus of contracts” as described in economic theory, but more as a “nexus of relationships.” A nexus of relationships describes not only the corporation, but also the speaker.

The firm as a “nexus of relationships” emerges from real stories of business people in relationship—it flows from “what is.” The work is an initiative conversation into a new story of the firm, one that liberates us from the reified constraints of shareholder value theory not addressed by stakeholder theory. It begins to consider what a view of the organization as relational might imply.

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