

The Integration of Corporate Social Responsibility and Sustainability into Responsible Management

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Introduction

“Problems cannot be solved at the same level of awareness that created them”.

– Albert Einstein

Introducing The Integration of Corporate Social Responsibility and Sustainability into Responsible Management

I wrote, curated and compiled the material in this book to capture and describe the current state of responsible management and corporate social responsibility. This book will also satisfy some of the frustrations that my students were experiencing as they sat through my offering of a 3rd year undergraduate course on Corporate Social Responsibility. I wanted to address these frustrations in the context of the vision of our institution “to improve lives” and that of our business school “to be recognized locally and globally for our commitment to developing future leaders for a more sustainable world”.

There are excellent published textbooks that provide many of the fundamentals of Corporate Social Responsibility such as *Strategic Corporate Social Responsibility: sustainable value creation* by David Chandler, *Strategic Corporate Social Responsibility: tools & theories for responsible management* by Debbie Hask-Leventhal, *The Age of Responsibility: CSR 2.0 and the New DNA of Business* by Wayne Visser, and *Corporate Social Responsibility* by Christopher Wickert and David Risi. All of them can be used as foundational books but they still did not fully address the following frustrations.

There is not enough Canadian (and thus, relevant) content.

Many textbooks take a neocolonial viewpoint based on typically North American or European views of responsible management and CSR. However, there is a lack of Canadian experiences or context to complement the narratives and cases. This is particularly important when considering some of the sustainable and existential issues in our current existential environment. Extractive industries are a key part of the Canadian economy, agriculture was and is fundamental to the growth and expansion of the Canadian provinces, fishing and living off the resources from the sea were and are critical to Canadians living off our three oceans. Canadians are also basically a mosaic of immigration from countries that over the past century have been less and less from neocolonial Westernized countries and more often from Asia, Latin America, and Africa. The end of the last century and for most of this 21st century, Canadians are dealing with the acknowledgment of past colonial wrongs to its indigenous people – recognized as Indians in federal legislation

but more formally known as First Nations, Metis, and Inuits. This narrative has largely been ignored in textbooks so it will be included in this one along the multiple dimensions encompassing responsible management and CSR.

There is too much of a focus on for-profit businesses.

We are a business school and we teach the fundamentals of management, accounting, marketing, economics, and other aspects of business on the assumption that most students will work in a for-profit business. But the reality is that today's societal environment and institutional environments are more holistic. The students that are exclusively in our business schools may end up working in social entrepreneurship ventures that are both socially and profit oriented, or in social enterprises that are purely socially oriented, or in government or non-governmental bodies setting policies and regulations for societies, or in not-for profit enterprises dedicated to the arts, to the environment, to community or other causes. In addition, the course that I teach is now a required course for students who minor in business from faculties as varied as environmental governance, international development, landscape architecture, geography, sociology, criminal justice, engineering, information technology and many of the other applied and pure science disciplines. Our fundamental vision of developing leadership skills and responsible management has to be expanded into more than just CSR but on the broader aspect of sustainability defined through supra-national institutions such as the United Nations as peace, prosperity, people, planet, and partnerships. Many textbooks address some of these elements by discussing impact investing, addressing the UN Sustainable Development Goals, addressing the base of the pyramid of the less advantaged global economies. In this textbook, we specifically steer away from making the focus – that of the for-profit business but lean more on responsible management for organizations in general.

There is too much reading of additional academic articles in addition to the required textbook.

It would be easy to dismiss frustrations about excessive reading to a typical student complaint but on reflection, there is a balance that is needed between too many readings and just enough to allow the students to accomplish their learning outcomes in an impactful way. However, there is a balance of reading that has to be considered in the current situation where students are not only balancing a full course load but may also be balancing other social responsibilities such as caring for siblings, parents, or children, working to pay for schooling and balancing health and mental fitness. Consequently, I have structured this textbook to focus on what I curated to be the important points of responsible management and I have provided a list of references and additional readings that can be consulted if a student feels particularly inspired or interested. Instructors who use this textbook can choose one, two, three, or no additional reading based on how they conduct their course and accomplish their required learning outcomes.

The textbook material can be inaccessible to some students due to individual financial situations.

Costs for academic textbooks whether they are new or used continue to increase. Electronic versions of academic textbooks are available for limited or life-time use but may still be out of reach for students who are experiencing financial challenges for many reasons including relocation (international or national), equity, diversity, inclusivity or accessibility issues. I am providing this open access textbook to allow for accessibility to most students. Instructors teaching a course on responsible management and social responsibility (including corporate and non-corporate social responsibility), business ethics, and sustainability can use this textbook with the awareness that the material will be accessible to most students.

The format of this book is designed to be taught over a semester (8 to 12 weeks) and so the 11 chapters in their four sections (Starting the Journey; Societal integration of responsible management; Responsible management and business considerations; Sustainability and sustainable development) can be parsed out according to the instructor focus. Every chapter begins with the learning outcomes for the chapter, followed with a case example – mostly drawn from current Canadian experiences, the conceptual text with theories, frameworks, and explanations, a list of suggested take-aways and some reflective questions that can be answered individually or form part of weekly assignments. The reference section is also a source of possible additional readings.

I hope that ultimately everyone of us embraces responsible management and contribute to improving lives in whatever organization we belong.

Acknowledgements

I acknowledge and thank all of the students in all of the classes on this subject that I have taught who have contributed to the content of this book in their comments throughout and after their semesters, to my teaching assistants, and to my research assistants who contributed to assembling this book. In particular, I wish to acknowledge and thank Alicia Chandrathasan and Adam Dencsak who spent countless hours assembling the required academic literature, images, examples and editing of the book itself. My colleagues have contributed through their comments at various stages of the development of this textbook and the Library staff at the University of Guelph led by Ali Versluis provided the logistic support and coordinated the funding that allowed this effort to result in this book.

Any errors in grammar, formatting, referencing or other omissions are my own. However, as this is an open access book, I will continue to edit the content based on input from students as my audience and from the relevant literature.

Enjoy.

PART I

STARTING THE JOURNEY

*The **key** to realizing a dream is to focus
not on success but **significance**,
and then even the **small steps** and
little victories along your path
will take on greater **meaning**.*

– Oprah Winfrey

From O Magazine, September 2002

Chapter 1 - Responsible Management - history and roots

Creating a strong business and building a better world are not conflicting goals – they are both essential ingredients for long-term success. (Bill Ford) (William Clay Ford Jr.)

Humans have wandered the Earth for thousands of years but never has our capacity to alter the Earth's ecosystem at a larger scale been more prominent than it is today (Kat Lahr)

Learning Objectives

In this chapter you will accomplish the following learning objectives

- you will understand the historical underpinnings to the principles of responsible management
- you will untangle the terminology and definitions associated with responsible management

Example: Fort McKay First Nation's Involvement in Reclamation Of Alberta's Oil Sands Development

Source: <https://cases.open.ubc.ca/fort-mckay-first-nations-involvement-in-reclamation-of-albertas-oil-sands-development/>

This conservation resource was created by Tyler Doucet; Hailey Woo; Maija Wootton; Shuomin Zhang;. It is shared under a CC-BY 4.0 International License.

Located within the boreal forest of northern Alberta, the Cree, Dene and Métis community of Fort McKay lies at the center of a large-scale oil sands extraction area. In the past decade, the influence of oil sands development to Fort McKay on land, water, air, and health aspects and the communities' legal and political has led to their participation in the oil sands development. However it has still sparked many concerns, with the Fort McKay community concerned about quality of the reclaimed land and its plants and animals, as well as the loss of "spirit" in the land (related to their spiritual beliefs) which leads to the loss in effectiveness of the plants used as medicines, etc. There are concerns of a rise in VOC (volatile organic compounds) levels in the air surrounding the oil sands and affecting the local residents of the first nations people. There are large impacts that the oil sands have on the traditional practices of the first nations community and the disturbance of the land they hold with great value. This has become not only an ecological problem but social and cultural as well.

Location

In the northeastern part of Alberta, Canada, the Athabasca oil sands surround Fort McKay, a small community a five hours' drive north of Edmonton. It is home to Cree, Dene and Métis First Nations communities, housing a total of 862 permanent inhabitants(1).

Duration

The disruption from the oil sands on the natural land surrounding Fort McKay is an ongoing issue, with no end in sight, and a mixed understanding of success upon completion. With some mines opening over 40 years ago, the current predicted completion date falling in 2060, and an additional 10-20 years of observation beyond that to become fully certified as reclaimed, there are many uncertainties(1). Most current mines have varying timelines as well; one being open for over a 30-year period with only 10% of disturbed land restored, compared to another where the disturbed land is equal to the amount of reclaimed land on a year-to-year basis(1). With so many contributing factors, it is hard to give a firm durational period, however it is likely it will exceed 100 years.

Negative Impacts

The most significant impact for the First Nations people has been the cultural loss they've experienced with the limited access to the land. Previously, the communities have used the land for hunting, trapping, fishing, and growing and collecting plants for medicinal purposes (1). With the interfering oil sands, many of these are now unachievable and have caused a dispersal of wildlife and environmental changes that are preventing proper growth of plants (1). As much as you can reclaim and replace the land, you can't replace the 'spirit', according to the residents, which in turn will lessen the effectiveness of the collected medicinal resources (1).

In addition, the residents have expressed concern on what and how the land will be reclaimed, mainly regarding the quality, mimicry and sustainability. With such chemically dense procedures occurring within the oil sands, environmental concerns include; contaminated reclaimed land (specifically oil sand tailings), water salinity levels, and insufficient topsoil (1). Oil sand tailings are physically and chemically different than tailings from other mining practices and tend to remain in contaminated liquids for longer, prolonging full reclamation(1). Water salinity is a significant concern as residence see it as equally important as land reclamation. Insufficient topsoil prevents the successful growth of plants, disallowing locals to have full abilities of gardening on the land (1). Muskeg is another significant concern. Alternatively known as organic wetland, there is currently no successful recreation attempt of these lands, meaning restoration to initial land capabilities, the standard asked by the community, is unachievable (1). With such diverse native wildlife and spiritual importance in these areas, they are very valuable to the First Nations ecologically and spiritually.

Conclusion

The restorative efforts of the First Nations people with the Athabasca oil sands is an ongoing issue and will be for many years to come. The policy of the issue is multilateral, including First Nations, various oil companies and the Government of Alberta, all with different motives and practices in the matter. With varying definitions of restored and other issues of incompleteness, such as observation and maintenance, it is hard to predict at this time what the final outcome of the situation will be. A co-management approach to the oil sands developed is the preferred option for this particular instance. By allowing the community, and the First Nations peoples of Fort McKay stakeholder status in the project so that oil companies may accommodate the land and its

inhabitants, as they see so fit. The development has granted the community huge financial and economic success that was relatively previously unforeseen, so it is in the First Nations best interests to continue to move forward in cooperation with the other actors. However, it would be the most beneficial for the First Nations to delay their involvement until technology has progressed in a way that development would no longer be a tradeoff between economic and environmental prosperity and the impacts are at a minimum. All efforts should not solely be exhausted on the current situation, but rather, formulating means to continue the work in a way that does not impede, the environment, the people or the culture of the land.

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Before diving into the principles of responsible management, it is important to situate the historical context and foundations that lead to the application of responsible management. As you can read from the example given above, the responsible management of organizations and their subsequent corporate social responsibility (CSR) is a multi-faceted and multi-level concept. The interests of stakeholders (such as indigenous people and extractive industries, their employees and other stakeholders) have to be balanced with responsibilities towards sustainability along societal, environmental, and economic constraints. These are not responsibilities to be ignored as the impact of humans on our globe are now so significant that we are considered to be living in the age of 'anthropocene'.

Anthropocene is defined by the National Geographic organization as "the most recent period in Earth's history when human activity started to have a significant impact on the planet's climate and ecosystems" (1). The anthropogenic age has caused visible and radical changes to our planet. There are many reasons for these changes to have occurred on a massive scale not the least of which is humankind's ability to scale. See Figure 1 for a graphic illustration of wildfires prevalent in Australia but also found in Canada and other parts of the world.

At the agricultural level, landscapes have been changed to address the needs of people for food, and for crops.



Figure 1. Anthropogenic Disturbance-Australian Wildfire -Photo by Matt Palmer on -Unsplash <https://unsplash.com/photos/kbTp7dBzHyY>

At the extractive level, the need for precious metals and elements to provide fuel for ever-growing energy requirements for urban development, technological development, and just to maintain the status quo has resulted in drilling for petroleum and its byproducts in all types of landscapes and conditions, open pit scarring of land for coal, copper; deep drilling for ore and precious metal deposit (see Figure 2 for an overview of strip mining and its scarring of the landscape). Ask yourself where does the cobalt used as a raw material in your hand-held device or the lithium used in the manufacture of electric batteries come from? Then dig deeper and look at the impact on surrounding communities and stakeholders – then you will be challenged in reconciling the need for sustainability from the viewpoint of effluents from technology with the harm in the supply chain of raw materials to create this technology.



Figure 2. Open-pit Mining – Photo by Adam Rhodes on – Unsplash <https://unsplash.com/photos/NFbX3s4LHe4>

At the urbanization level, the constant search and acquisition of land has changed landscapes, reclaimed land from the ocean, held back flooding and inundation, and concentrated human cohabitation in dense clusters to that the energy used to light our cities can be seen from space. Figure 3 illustrates the impact of human development as the light emitted from centers of human population, as viewed from space.



Figure 3. Earth (as seen from space) – Photo by NASA on Unsplash – <https://unsplash.com/photos/Q1p7bh3SHj8>

Humanity's ability to scale is fueled by the generation of profits from human activities which has led to disparities in economic conditions and societal living standards. Environmental conditions have also been so drastically affected that climate change has become an inescapable fact.

However, societal pressures and awareness of inequalities and disparities is causing the pendulum of social consciousness to swing back. Our greater awareness promoted through the ubiquity of the internet, social media, and virtually universal access to information is driving a movement that is known in a variety of ways. One term that is widely used in the structured corporate world is that of corporate social responsibility (CSR) which emerged after the second world war and is still used today (2). It implies an integration of an organization's strategic plan with a consideration of what has been described as the triple bottom line by Elkington in his 1997 book *Cannibals with forks: the triple bottom line of 21st century business* (3). The triple bottom line integrates a consideration of the planet, with people, and a consideration for profit in a holistic model. However, society has also adopted sustainability as a term to denote a concern for development that bridges multiple dimensions. Many practitioners revert back to the definition by the UN Brundtland Commission as "meeting the needs present without compromising the

ability of future generations to meet their own needs” (4). Other terms include that of flourishing organizations (5), and environmental, social, and governance (ESG) metrics as used by the finance and investment community to apply analytic measures to organizational performance (6).

In this book, we will refer to terminology such as CSR, sustainability, and flourishing as relevant terms that denote a societal concern and awareness of the linkages between the processes and outcomes that involve the environment, human welfare, and organizational economics. From an organizational perspective, these terms could be described as the principles for responsible management with an understanding that management is a human endeavour and that responsibility implies environmental, societal, and economic factors.

The Western societal perspective found in North American and European centric organizations can be summarized as exhibiting a neocolonial perspective to responsible management. In this perspective, CSR is viewed as centered around an organizational responsibility dependent on current societal needs and opinions. Many of the drivers for sustainability originate from a subjective viewpoint of current events and conditions – communications, brands, ecological sustainability, growing affluence (compressing of the pyramid structure described by Prahalad in his contrasting of Western economies and the potential growth of emerging economies (7)).

Although a positivistic view may be applied to moral and ethical reasons for integrating responsible management into daily living; the social constructivist view of business ethics driven by Carroll’s pyramid is not just taught academically but is then carried through into organizations. Carroll revisited his conception of the pyramid and although reaffirming the framework as an appropriate lens, does concede that the relationships are not necessarily linear and are also contextually dependent (8).

This textbook adopts a Canadian perspective on social responsibility which is coloured by the recognition of the importance of indigenous perspectives – often deemed as a First Nations, Inuit and Metis perspective. In addition, the Canadian perspective is further affected by the diaspora of cultures that have made their homes in this relatively young country (nationhood happening only in 1867). In the following sections, some of the additional perspectives that are implicitly accepted by Canadians as part of their heritage and sometimes explicitly manifested will be described. This is important in the context and philosophy that people construct their own reality in the middle of everyone’s other realities – and that societal expectations does require us to respect each other’s viewpoint to maintain a modicum of civilization in our dealings with each other.

There is an indigenous perspective, that exists outside of the neocolonial perspective but needs to exist within that framework as societal conditions dictate both an overlap of perspectives and some integration of one with each other. In this indigenous perspective, the relationship between the land, people, and knowledge systems is a holistic one (9). In addition, Zidny, Sjöström, and Eilks in 2021 (10) described sustainability from various indigenous perspectives as normative

rather than prescriptive. The variety of indigenous perspectives often draw in a sacred element to sustainability based on the indigenous knowledge and adaptation to changing natural resources (11). Additionally, according to Merio and Gustafson in a research article from 2021, indigenous people often assume a role of environmental stewardship (12).

In Canada, a reconciliation process was established that recognizes indigenous claims of colonialism and prescribes steps for reparation and understanding of past wrongs and traumas (13). In this way, Canadian society is taking initial steps to achieve a reconciliation between 'Western' viewpoints and indigenous viewpoints described to a certain extent in the reports from the Truth and Reconciliation task forces and committees. There is a fundamental commitment to the land, to ancestors and to future generations. This can be described as the seventh generation perspective (14).

In the broader picture, there is a global perspective that is negotiated at global platforms such as the United Nations (15). This global perspective is a negotiated framework arrived as a result of consensus among the UN signatories and is exhibited through the Sustainable Development Goals of the UN 2030 Agenda(16). Although the UN describes these goals as representative of the aspirations for all nations, it is important to remember about the plurality and complexity of representation at the UN itself. In many cases, the representatives of the nation states have been elected (but sometimes do not necessarily represent the majority of the population that elected them); they may have self-appointed themselves as representatives of their own nation states (without representation from their population); they are autocratic regimes; or they are duly appointed representatives but yet must deal with democratic constraints in extending UN decisions to their own communities.

In spite of these restrictions, the UN initiated altruistic goals – the Millenium Development Goals in an effort to break the cycle of poverty and need. The narrative behind the creation of the Millenium Goals and the path to the 17 Sustainable Development Goals was described by Sachs in *The Lancet* in 2012 (17). The intention has always been to address fundamental rights and conditions. A combination of anthropogenic events and the realization that clearer targets needed to be drawn; and the leadership at the UN and with member states evolved into the structuration of the UN Sustainable Development Goals. The SDGs were composed of 17 goals, many that were inter-related; 169 targets that defined the goals, and more than 230 indicators that were to be used by nation states to measure their progress (18). In essence, these aspirational goals were to be individually monitored by nation states and implemented through organizational actions, guided by voluntary standards or regulated by laws and regulations.

In the nature of their structure, the UN SDGs were to represent the various perspectives of the nation-states but unfortunately their perspective also became a neocolonial perspective that may not necessarily reflect the views of disenfranchised communities, indigenous communities, or populations not otherwise represented in the UN.

It is up to you to remain critical of the positive and negative attributes of individual and collective actions.

Key Takeaways

Your key takeaways may be that:

- there are now multiple ways of describing our human responsibilities defined by responsible management such as CSR and sustainability;
- the consideration of responsible management includes a mindfulness about many different stakeholders that may be directly or indirectly impacted by individual or organizational actions.

If you are interested about how Carroll (2015) viewed the CSR pyramid decades after he presented it, you may want to read the following article:

Carroll, A. B. (2015). Corporate social responsibility: The centerpiece of competing and complementary frameworks. *Organizational Dynamics*, 44(2). <https://doi.org/10.1016/j.orgdyn.2015.02.002>

There is a fascinating discussion on the history of the theories around CSR provided by Ming-Dong Paul Lee (2008):

Lee, M.-D. P. (2008). A review of the theories of corporate social responsibility: Its evolutionary path and the road ahead. *International Journal of Management Reviews*, 10(1), 53–73. <https://doi.org/10.1111/j.1468-2370.2007.00226.x>

There is a lot of discussion about how words mean certain things, and so Bansal and Song (2017) provides a great article on the evolution of terminology and concepts that resulted in terms like ‘corporate sustainability’ and ‘corporate responsibility’:

Bansal, P., & Song, H. C. (2017). Similar but not the same: Differentiating corporate sustainability from corporate responsibility. *Academy of Management Annals*, 11(1), 105–149. <https://doi.org/10.5465/annals.2015.0095>

How do you tie the past, the present and the future in the context of CSR? Schrempf-Stirling, Palazzo, and Phillips (2017) provide a really interesting discussion and perspective that is increasingly important in our age of greater awareness of responsibilities by firms:

Schrempf-Stirling, J., Palazzo, G., & Phillips, R. A. (2016). Historic corporate social responsibility. In *Academy of Management Review* (Vol. 41, Issue 4, pp. 700–719). Academy of Management. <https://doi.org/10.5465/amr.2014.0137>

Reflective questions

Take some time to reflect on how you would answer the following questions:

1. How might the ubiquity of the “internet, social media, and virtually universal access to information” impose certain pressures on perpetrators of anthropogenic climate change?
2. How can individuals contribute to mitigating the radical changes to our planet? How can corporations?
3. Think of anthropogenic disturbances that have immediate consequences for the Earth’s health in the short-term. How might this contribute to consequences for businesses in the medium to long-term?
4. How could the voluntary monitoring of the SDGs impact or hinder the process of achieving the goals? Is there a non-prescriptive approach that would help with sustainable development (instead of the SDGs)?
5. What are the consequences of not reflecting certain perspectives (communities, groups, populations) within the aspiration goals of the SDGs?
6. Does a negative impact on climate change remain an inescapable fact for companies that have no legal obligation to mitigate or disclose environmental degradation?
7. Why is there a concern for responsible management now? What is the driving force behind “un-responsible management” that prioritizes the profit motive over other motivations?

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Chapter 2 - Why now?

The business of business should not be about money. It should be about responsibility. It should be about public good, not private greed. (Anita Roddick)

Learning Objectives

In this chapter you will accomplish the following learning objectives:

- you will understand the role of responsible management (RM) in society
- you will be able to integrate the current view of RM within the greater goals of the United Nations and different perspectives of societal groups

Example: The Opportunity for Indigenous Community Forestry in Manitoba, Canada

Source: <https://cases.open.ubc.ca/the-opportunity-for-indigenous-community-forestry-in-manitoba-canada/>

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In Manitoba, Canada, expanding indigenous community forestry could one day be a framework for inclusive and equitable forest management in the province and beyond. 63 indigenous communities live in Manitoba's forested areas and have long-standing traditions linked to the land (1). The large indigenous communities in Manitoba's boreal forests, paired with the unused timber allocations have created a demand for indigenous involvement in these forest areas. This case study will examine specific local cases of the expansion of community forestry in Manitoba to highlight stakeholders, governance systems, land use management, as well as the partnerships formed between the Manitoba Indigenous communities and forestry companies. Community forestry is an evolving field. With collaborative indigenous community forestry the forests of Manitoba can be managed for productivity, sustainability, and benefit for all residents of the land. As of 2016, the province of Manitoba has a population of 1,278,365 people, with 223,310 people identifying as aboriginal (17.5%) (2). Many of these aboriginal people in Manitoba live in one of the 63 indigenous communities located in often forested areas of the province (1). A large amount of Manitoba is forested. The boreal forest covers 57,060,675 hectares of the province (3). Manitoba also has active forest management and harvesting operations, harvesting 7,644 hectares of wood in 2016 (4). While harvesting a significant amount of timber, the province imports over \$79 million worth of wood products to meet market demand (4). Despite this, 94% of forested land is owned by the provincial government, demonstrating an exclusion of other stakeholder groups (5). The gap in indigenous land tenure is apparent in Manitoba. As affected stakeholders of Manitoba's forests, the greater inclusion of indigenous peoples in forested land management is important and equitable. Whether creating land

management agreements for timber harvesting, non timber forest products (NTFPs), environmental protection or otherwise, indigenous community forestry could serve as a pathway to stronger and healthier management of Manitoba's forests. The government of Manitoba has made strides to improve indigenous involvement in land management, but the opportunity for much greater expansion is realistic and reasonable.

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Why is there a concern for Responsible Management (RM) now more than ever? The example that you just finished reading discusses a relevant concern in Canada that First Nations peoples have with the environment and the opportunities that are presented to them. First Nations are faced with the challenge of interacting as organizations with other stakeholders represented by capitalism for everyone's mutual benefit in the context of sustaining ecology. The indigenous communities in this example make their decisions as groups of individuals with distinct needs but respect for their environment and their society.

Starting from an existential perspective, people tend to organize into societies and these societies are pluralistic groups – decentralized and diversified for mutual support and growth (1). Throughout history, these societies have tended to organize into protective clans composed of insiders – and in the course of modern history, these clans as they developed expanded their sphere of influence to colonize other clans. This type of discussion leads to a domination of one mindset or perspective over other mindsets – often described as a colonization perspective (2). On a purely emotional viewpoint, the term colonization used in today's context is a pejorative and implies a coercive affect of the colonizers over existing or indigenous mindsets. In many ways, this is true and has led to the dominance of Western business concepts and traditions into the ways of doing previously dominated by North American indigenous groups (3), by African indigenous groups pre-colonizing, by South Asian indigenous cultures, etc.

Consider that businesses as discussed in the earlier chapter and described by Chandler (4) are given a societal licence to operate and through the influence of globalized communications

including social media and the domination of capital by Western influences, there is a convergence of organizational development tied to businesses (whether they are for-profit or not).

Therefore a discussion that discusses the responsible management of organizations such as businesses will often be dominated by the malfeasance of a colonizer's viewpoint or from the perspective of the dominant capitalistic viewpoint (Desmarais and Whitmann describe this in their discussion of food sovereignty among indigenous people in Canada (5)). For example historical descriptions of the emergence of concerns about CSR tend to be focused on the development of businesses in Western society (see example of timeline shown by Chandler (6)) and the concerns by stakeholders about the sustainability and social responsibility of these actors. Since the age of globalization, the ethnographic perspective is seen as the dominant discussion not only at the boardroom level but in the academic discussions relating to CSR and sustainability.

On a pragmatic level, an increased focus on social responsibility in the dominant forms of business would make the greatest impact but it is also important to consider the cultural level impact of globalization (localizing global business practices). The South African concept of 'ubuntu' (7), the Hindu concepts of 'dana' (8), the Islamic concepts of giving as part of 'zakat' (9) are used at the local level but not yet seen as impactful on a global basis by the Western-dominated academic literature except through the reputation of such authors as Prahalad who promoted economic growth at the base of the academic pyramid. Other leading practitioner academics like Mohammed Yunus also actively participated through the founding and promotion of the Grameen Bank for microfinancing (10) which eventually led to the creation of the Grameen Foundation (<https://grameenfoundation.org/>).

Globalization, however, does not just promote a colonial viewpoint but through the lens of democratization, resulted in an institution that represents all of the nations in the world, the United Nations (UN). The UN promotes a universal perspective beyond just the international declaration of human rights but one that is more directly linked to sustainable development (in the context of its initial development out of the Brundtland report of 1987) (11). This promotion of global sustainability was embodied initially through the adoption of the Millenium Goals at the turn of the twenty-first century but then adopted by all 193 nation states in 2015 as an Agenda with a target completion date of 2030 and better known as the UN Sustainable Development Goals (12). These UN SDGs are composed of 17 goals, 169 targets, and upwards of more than 232 indicators that encompass SMART objectives to accomplishing and addressing what has traditionally been known as the triple bottom line of planet, people, and profit (Elkington) (13) which was expanded to a 5P framework that included peace and partnership (see Figure 1) (14).

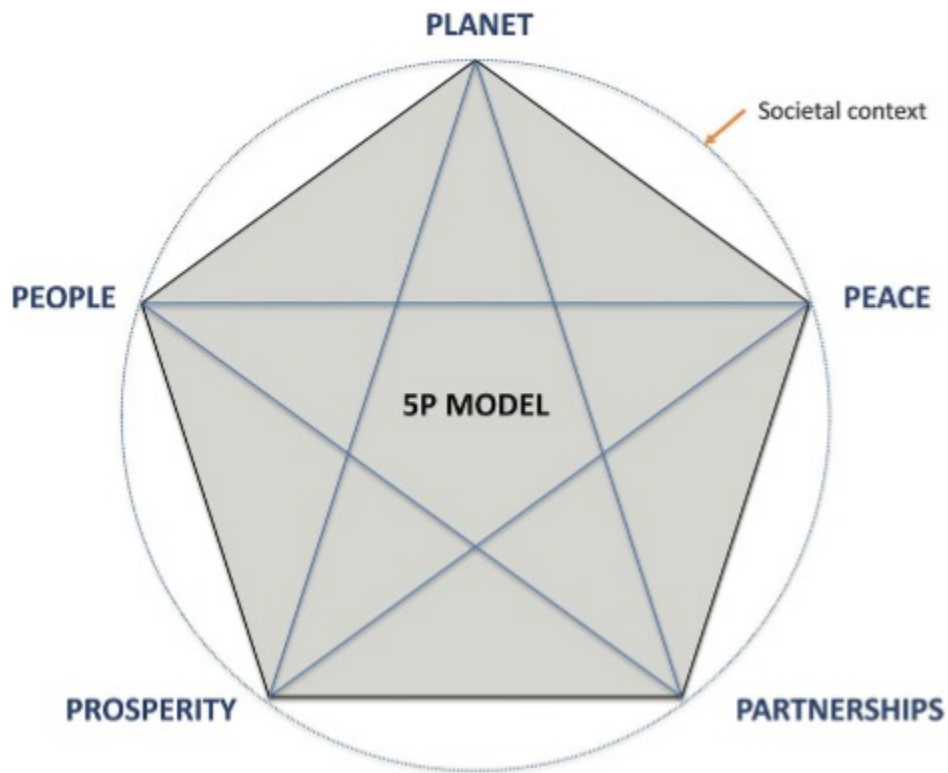


Figure 1. 5P Framework – This image is reproduced from [Lawrence, R. J. (2020). *Overcoming Barriers to Implementing Sustainable Development Goals*. *Human Ecology Review*, 26(1), 95–116.] and used in accordance with the fair dealing exception in Canada's Copyright Act. – <https://www.jstor.org/stable/27027239>

The SDGs themselves are a supra-national framework of objectives – essentially a North star that are monitored at the national level but not enforced through regulations or standards. Instead, the objectives are designed so that nations could formulate policies that would address the SDGs most applicable to themselves, create agencies or suggest voluntary standards that would engage the participation of organizations at every level (14). See Figure 2 for a graphical description of all 17 UN SDGs.

SUSTAINABLE DEVELOPMENT GOALS



Figure 2. Sustainable Development Goals <https://www.un.org/sustainabledevelopment/news/communications-material/>

In this way, the colonizing perspective is diluted through the nation-state regulation of activities relating to satisfying SDGs that reinforce the sustainable development of the world. Responsibilities are devolved to different institutional levels to address the SDGs in a way where stakeholders can hold the organizations to account. For example, businesses are encouraged to address the SDGs to achieve societal legitimacy and through their own monitoring and reporting using tools and accountability standards and metrics, most recently described as environmental, social and governance (ESG) metrics, they can report on their ability to achieve what society wants. More will be discussed about this later in this textbook.

On a parallel stream, the United Nations in the early part of the twenty-first century, after a 1999 World Economic Forum conference in Davos, Switzerland, coordinated a voluntary global agreement based on shared values and global commitments made by governments such as the UN Universal Declaration of Human Rights, the Rio Declaration on Environment and Development, the International Labor Organization's Fundamental Principles and Rights at work and the 2003

UN Convention Against Corruption. The ten principles, the Global Compact, are aligned along the dimensions of human rights, labour, the environment, and anti-corruption (see Figure 3) and can be accessed by linking to <https://www.unglobalcompact.org/what-is-gc/mission/principles>. Over twenty thousand organizations – for profit firms, not for profit private and public sector organizations have signed up to these principles and meet regionally to discuss strategies to achieve the Global Compact principles and address the UN SDGs.

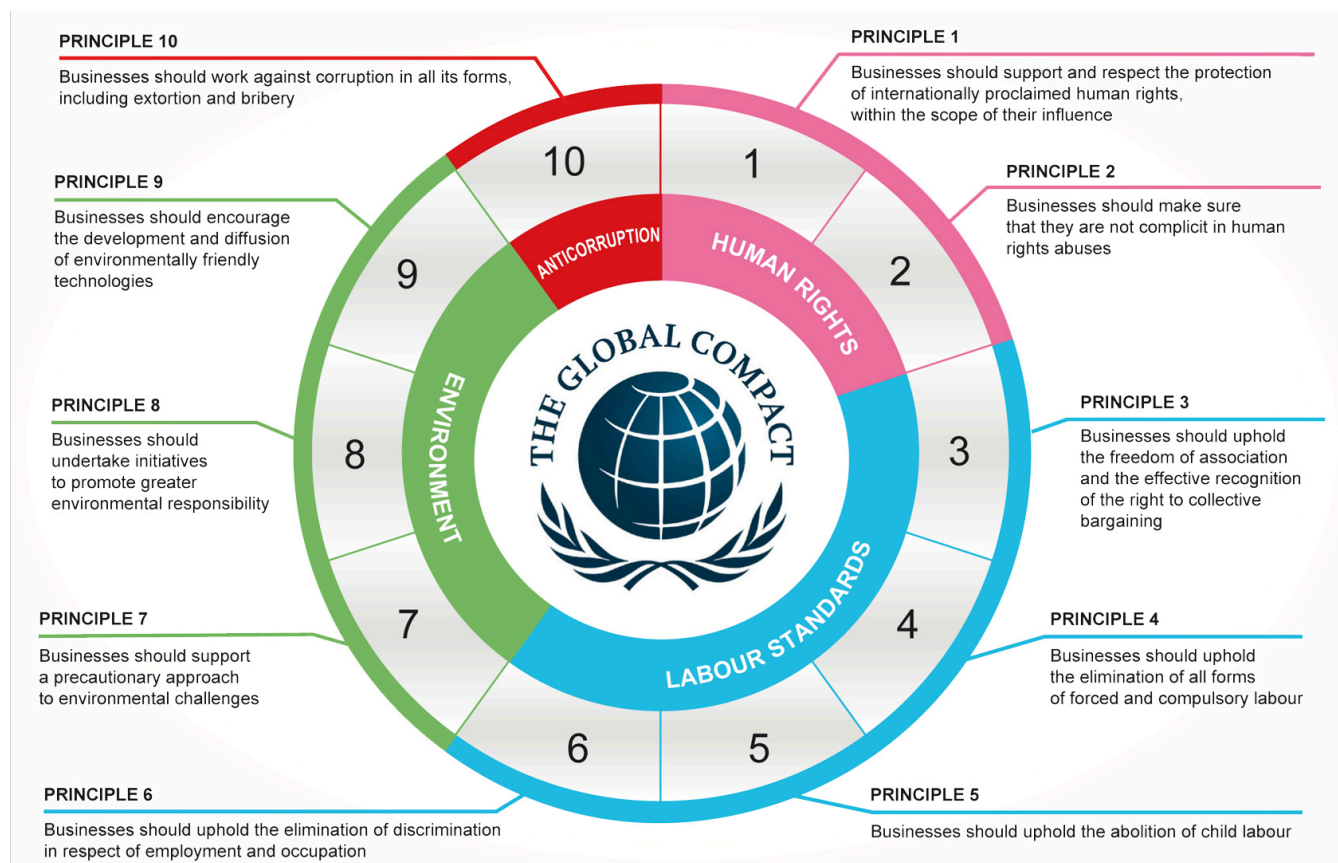


Figure 3. The Global Compact – This image is reproduced from [<https://www.unglobalcompact.org/what-is-gc/mission/principles>] and used in accordance with the fair dealing exception in Canada's Copyright Act.

So a discussion of ‘Why now?’ needs to be grounded on individual level, organizational level and societal level considerations. At the fundamental individual level, there is a sense of morality that evolves from shared responsibilities between individuals and the context in which they function. Similarly, organizations if considered an aggregate of individuals also have a moral responsibility to maintain social legitimacy in their societal context. Morality is difficult to define but query a group of undergraduate students as to the rightness of an action and they will often refer back to their

upbringing based on religion, society, and norms to explain their decision. In the age of increasing social media, is there a shared morality between individuals and to extend it to organizations, is there a shared morality that organizations try to maintain?

Why now, also refers to the increased concern with applying ethical principles; virtue ethics, consequential ethics (the end justifies the means), and categorical ethics (the means determines the ethics of an action). An ethical argument for applying responsible management relates to how the organization as a proxy for the individuals that compose that organization is behaving. Is it ethical for a baby formula company to select where to ship or ration its shipment of product on a global basis. What about the NGO who receives the baby formula – how should they prioritize its distribution? Understanding the ethical implications and guidelines driving the action-making of individuals in their RM of organizations is important as the world is increasingly aware of actions that happen in geographically distant locations.

Why now, finally also refers to an economic rational for organizations and individuals to participate in responsible management and show this through their CSR and activities. In the process of interacting with society for economic or other reasons, organizations need to conform to legal constraints, perform in a manner that stakeholders and shareholders approve, and solicit the support of their constituencies to not only continue operating but if driven by economic necessities, be able to perform and succeed.

Among the early proponents of CSR, Archie Carroll described a model that links the economic, legal, ethical and philanthropic responsibilities of businesses as necessary ingredients to the survival of the firm. The model is described as a hierarchical model and shown in Figure 4 but Carroll is careful to explain that this does not exclude the possibility that the levels of the hierarchy are highly interactive with each other (15). On revisiting this model, many years after its initial release, Carroll discussed its continued applicability to today's environment.

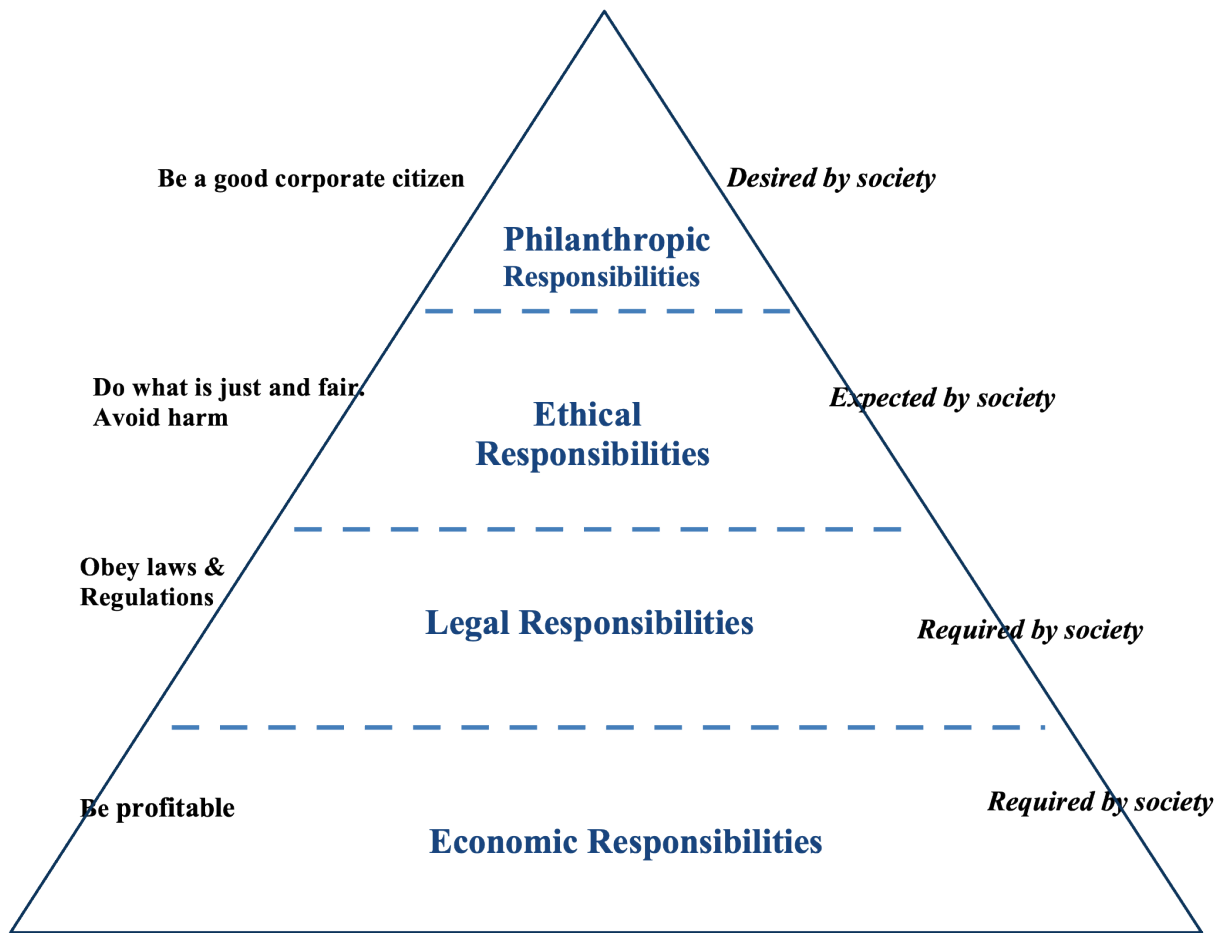


Figure 4. CSR Pyramid – This image is reproduced from [Carroll, A. B. (2016). Carroll's pyramid of CSR: taking another look. *International journal of corporate social responsibility*, 1(1), 1-8.]and used in accordance with the fair dealing exception in Canada's Copyright Act. <https://jcsr.springeropen.com/articles/10.1186/s40991-016-0004-6>

Finally, the context of Canadian society is an important one in the “why now” discussion. Canadian society, although rooted in colonialism, evolved a compromising way of dealing with conflicting viewpoints. In the earlier pre-confederation days, this was evidenced by the relatively peaceful negotiation between English and French settlers, and through the linking of the country with a transportation rail network, the negotiation among regional and federal governments. Only lately, through the Truth and Reconciliation Commission and the recognition of historical biases, has the First Nations, Inuit, and Metis perspective become a part of the context of mutual accommodations among people in Canada. This reconciliation effort is happening in the midst of multiculturalism, the move from rural to urban population centres and increasing power of middle

class demographics. The different perspectives and viewpoints that are recognized in Canada allows proponents of responsible management to take a unique global yet local viewpoint of various issues that are currently impacting our society.

Key Takeaways

Your key takeaways may be that:

- that a concern for responsible management through sustainability and CSR are found at the local and the global level;
- that achieving consensus and mutual accommodation in the face of conflicting or complementary goals is not easy.

If you are interested in reading about the Ten Principles in the context of management education, Haertle et al. (2017) provide a very readable perspective:

Haertle, J., Parkes, C., Murray, A., & Hayes, R. (2017). PRME: Building a global movement on responsible management education. *International Journal of Management Education*. <https://doi.org/10.1016/j.ijme.2017.05.002>

To carry on the context of human changes causing an anthropogenic impact, Shrivastava et al. (2019) describe the roles of finance, economics, and management on sustainability:

Shrivastava, P., Zsolnai, L., Wasieleski, D., Stafford-Smith, M., Walker, T., Weber, O., Krosinsky, C., & Oram, D. (2019). Finance and Management for the Anthropocene. *Organization and Environment*, 32(1), 26–40. <https://doi.org/10.1177/1086026619831451>

Reflective Questions

Take some time to reflect on how you would answer the following questions:

1. If the SDGs are not enforced through regulations or standards, where (who) does the accountability lie (with) for the progress of the 17 Sustainable Development Goals?
2. How does the open-ended nature of the SDGs promote synergies among individuals or organizations (or the North star effect)?
3. Who are the different types of stakeholders that can have a voice and potentially hold organizations to account for progress (or not) towards the SDGs?
4. How could ESG metrics be used for 'greenwashing' by organizations?

5. Why is incorporating a perspective that considers colonial and indigenous viewpoints important when discussing responsible management (RM)?
6. After reading chapters 1 & 2, why is the concept (and implementation and innovation) of RM a concern now more than ever?

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PART II

SOCIETAL INTEGRATION OF RESPONSIBLE MANAGEMENT

Sacred Trust

We are the keepers of this land

She shelters us and sustains us

Long after the flesh fails the spirit

We will care for these lands

Our drums will be hard upon the winds

Our voices in the rustle of the leaves

My people have a sacred trust with the land

A trust no man may break, a trust that death cannot sever

We were here when you first stepped foot upon this land

And here we will remain long after the last step has disturbed her soil.

-Chief R. Stacey Laforme – Chief of the Mississaugas of the Credit of the Anishinaabe

From *Living in the Tall Grass: Poems of Reconciliation*, Calgary: UpRoute Books and Media, 2017

Chapter 3 - Organizations

“Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it's the only thing that ever has.” (Margaret Mead)

“Society does not consist of individuals, but expresses the sum of interrelations, the relations within which these individuals stand.” (Karl Marx)

Learning Objectives

In this chapter you will accomplish the following learning objectives:

- You will understand some of the theoretical principles underlying responsible management (RM) and corporate social responsibility (CSR)
- You will integrate organizational forms and the role of governance in promoting RM and CSR

Example: Progression Of Community Forest Agreements in British Columbia Through Social And Political Pathways

Source: <https://cases.open.ubc.ca/progression-of-community-forest-agreements-in-british-columbia-through-social-and-political-pathways-a-study-on-the-history-of-cfas-with-context-from-a-specific-coastal-case/>

This conservation resource was created by Arlo Bryn-Thorn. It is shared under a CC-BY 4.0 International License.

Community forestry has conceptually, and in practice, existed globally for centuries. State-recognized management structures with community forestry components have been increasingly present and important since the 1970's (1). Rural and indigenous communities are often viewed with judgment for their supposed ignorance of the ecological implications of their natural resource use; this is exacerbated by state-imposed property systems that often disincentivize conservation and long-term management strategies (2). However, it is often the time-, and space-specific knowledge of local communities and individuals that make them excellent natural resource managers(2). The misconception of rural community as an antonym for progress has led forest management to represent and serve the objectives of government and state-institutions, rather than local and indigenous people for most of modern history (2). Agrawal et al (1999) call for the “decentralization, meaningful participation, cultural autonomy and conservation” through community participation in natural resource decision-making (2). What better representation of these components than a tenure system that supports the “sustainable use and environmental protection [that] intersects with ethical concerns for human rights and social justice and with local interests in improved livelihoods” (p. 11) (1). This is the working definition of Community-based forest management that best represents the objectives of the Community Forestry Agreement in British Columbia.

In Canada, it has been the combined effect of the social perception of mis-management from state institutions (BC Ministry of Forests, at the time), and the general criticism of the forestry industry's priority of economic development that has increased the salience of an alternative management system that better serves the people (3). According to Beckley (1998), institutional models like those supported by community forestry provide an opportunity to "maximize benefits of forest values to a different and usually wider range of stakeholders while simultaneously serving as mechanisms to reduce conflict between stakeholders" (p.736) (3); which is to say that community forestry enables a more broad array of objectives that represent more "sustainable and equitable outcomes" (p. 633) (2), serving multiple actors, rather than state or governmental groups.

Achieving simultaneous objectives is a difficult feat, however given the importance of environmental sustainability and protection, British Columbia's updated Forest Practices Code (1995) represented the global movement towards environmental preservation through improved governmental policy. According to Hayter (2008) (4), the 1995 revamp of the Forest Practices Code included reduced cut-block size, riparian protection and transparency in the permitting process, requiring public input for cutting permits. It is clear that complex objectives are often the result of clear public opposition to governmental actions.

This was especially evident in the "War in the Woods" of Clayquot Sound, recounted by Tindall's (2013) writing in a twenty-year anniversary article (5). It was this event of civil disobedience that paved the way for locals to protest the mis-management of their government in BC. Approximately 850 people were arrested during that 1993 protest, marking it the largest civil disobedience event in Canadian history. The early 90's proved productive for ENGO's, and environmentally conscientious citizens. The result of the "War in the Woods" was considerable strain on BC politics, and the establishment of the first First Nation-owned forestry company in BC (besides the unique North Cowichan Municipal Forest program (6): the Iisaak.)

The media coverage and outcome of the protests also provided a platform for women to express their disapproval of the current governmental structure, which clearly did not serve the people of the province or the environment on which they depended. The celebrated founders of the campaign were praised for their powerful and successful event, leading to an emergence of "strong female environmental leaders" (p. 3) (6). This was perhaps a contributing factor to the increase in female enrolment in environmentally-related university programs in the following years. Environmentalists learned from this opportunity; applying the fact that rallying for support internationally can be an effective tool for governmental persuasion to other causes. The involvement of ENGO's, providing resources and media coverage enabled a broad audience to which this event was exposed. As the salience of environmental stewardship in BC increased in the late 80s and 90s, the provincial government took action. Based on the democratic political structure of BC, the approval of the public is one of the most important concepts for elected public servants. In 1994, the government answered the calls of the public for more integrated, multi-objective forest land management (3). The result was the introduction of a new tenure form for forestry: British Columbia's Community Forest Agreement.

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Society has organized into groups, clans, and clusters of people since time immemorial. It is a fundamental assumption that people want to belong to organizations. It is wired into our genetics (1). It follows that these organizations can sometimes have conflicting interests, that each feel are worthwhile. The mutual accommodation of these interests can be read in the example above that led to the British Columbia's Community Forest Agreement.

It is no surprise that organizations of people clustered together to pursue common business interests. Adam Smith in his *Wealth of Nations* addressed many philosophical issues relating to the creation of firms and their responsibility to their workers and to society. Some consider Adam Smith to be at the forefront of social responsibility and even the forerunner of corporate social responsibility (CSR) (2).

The emergence of the industrial revolution also revolutionized the way people joined and created businesses and firms. The increased wealth of people and firms and their search for resources to supply a consumer market led to the colonization efforts of Western powers in different continents to the detriment and interruption of indigenous societies in the Americas, Asia, and Africa (3).

It is worth reflecting on the presence of ancestral and indigenous societies that had different value systems. These indigenous groups were enslaved, integrated, separated, and isolated to various levels and in various reserves in many parts of the world by colonizing groups at different stages of history. Only recently has an increased awareness of these historical situations been recognized and reconciled to varying degree (for a fuller discussion of the Truth and Reconciliation process in Canada read (4)). Figure 1 illustrates indigenous regions in the Americas as an example of pre-established grouping of societies. You can get several layers of analysis by accessing <https://native-land.ca>.



Figure 1. Indigenous linguistic regions in Canada. <https://native-land.ca>

Academic researchers have explored the organizational forms that societies have adopted and proposed a variety of theories relating to the behaviour of those organizations and the individuals who are engaged with the organizations. The industrial revolution and its visible output as shown in Figure 2 has expanded the number of ways that people organize. Theories abound to the way that organizations form and behave and in light of responsible management, researchers continue to explore reasons, mechanisms, and linkages between complex internal and external variables that lead to a firm behaving in one way – ethically and another behaving in a reprehensible way (5).



Figure 2. Industrial Revolution. Photo by Michal Pech on Unsplash https://unsplash.com/photos/GrijtNGd_g0

One of those theories focused on the organizational level of analysis is institutional theory as initially proposed by Meyers (6) and further developed by DiMaggio and Powell (7). This theory suggests that organizations – and in the context of responsible management, firms and businesses behave according to isomorphic constraints. That is organizations tend to behave and organize in similar ways due to societal pressures along mimetic, coercive, and normative dimensions.

Mimetic isomorphism refers to the process where organizations mimic others that are considered to be successful or have accumulated social legitimacy. As an example from the field of sustainability, organizations that lead with sustainability initiatives such as Unilever are often held as benchmarks for other organizations to follow. Politically and socially, organizational levers such as certifications by B-Lab Corporation and LEED signal high standards of sustainability whilst incorporating as a Benefit corporation in the US, as a Community Interest Company (CIC) in some European countries or a Community Contribution Company (CCC) in British Columbia similarly denote a legal commitment to sustainability along the dimensions of responsible management.

Coercive isomorphism explains how organizations will be constrained usually by political actors through rules and laws to organize or behave in a particular manner. For example, the Canadian government provides extensive guidelines on doing business abroad based on respecting Canadian regulations and international regulations (3). Local rules and regulations (standards) for

operating safely, sustainably in various industries and for various stakeholders are coordinated through the Standards Council of Canada through agencies such as the CSA group who provides standards that are often implemented into laws governing safety and uses of tools and materials. These political and regulatory constraints force organizations to create managing and reporting mechanisms to ensure legal legitimacy. Similar situations exist internationally within the constraints of their cultural and political systems.

Normative isomorphism describes how organizations will tend to organize similarly due to norms and rules imposed by professions; for example see the Chartered Professional Accountants (CPA) (see the Sustainability Accounting Standards Board logo in Figure 4) or Professional Engineering associations (coordinated in Canada by Engineers Canada) or other professional associations. Voluntary standards such as ISO 26000 (a global standard for corporate social responsibility) or specific norms such as Fairtrade Canada (enhancing social responsibility through fair trade of raw material – its logo is shown in Figure 3) and many others provide the opportunity for firms to organize in a way that benefits their own success and essentially mimic each other as a success strategy.

Firms however, need to function within the accepted boundaries of society. This is where one dimension of institutional theory explains that concerns with reaching legitimacy via conforming to implied or explicit rules assures the organization of survival in its macro-environment. Organizations can use signaling theory to reduce the information asymmetry with its stakeholders through its online presence, through an announcement of its initiatives, through formalized commitments or compliance to socially accepted norms. For example, there is a plethora of symbols, icons, and designations indicating conformance to various product requirements that add social legitimacy to corporations. This becomes a potentially risky strategy if stakeholders perceive the firms to be 'greenwashing' (falsely rating) their claims.



Figure 3. FairTrade.
https://commons.wikimedia.org/wiki/File:FM_RGB.jpg Fairtrade International e.V., CC BY-SA 3.0 DE, via Wikimedia Commons



Figure 4. Sustainability Accounting Standards Board (SASB).
https://commons.wikimedia.org/wiki/File:SASB_Logo_RGB-Reg-tm.jpg SASB, CC BY 4.0, via Wikimedia Commons

Individuals over history, embraced various grouping concepts in order to survive in society and so organizational forms evolved to address a variety of needs. For-profit firms as the economic engines of modern Western society provide the scalability to address profit-seeking opportunities. Organized isomorphically, they address needs along the raw material extraction, agrarian cultivation, industrial processing and production of goods and services that address human material needs.

For-profit firms, range from small to medium sized enterprises (SMEs) to large firms that may be multinational (MNCs) or global in scope and structure. Variations exist along various combination of state-owned and partially state-owned enterprises depending on the local political state of a nation (8).

Not-for-profit firms can range from cooperatives, through community enterprises, through private social enterprises and social entrepreneurship, non-governmental (NGOs) bodies, and other social ventures (9). They are mostly organized to address needs not otherwise addressed by government structures or through private enterprises. Their funding can result from for-profit enterprise philanthropy, community or crowd-funding, private funding, or government grants or loans.

Governments are socially constructed organizations of people grouped and assembled according to various electoral or appointed mechanisms to address the governance, infrastructure needs,

and defence of their population. Governance and policy is then administered through assemblies of people (elected or not depending on the political context). In Canada, the some of the levels of government groups are the rural councils, town councils, city administration, provincial governments, and the federal government. Beyond the federal government supra-national coalitions such as the United Nations (see Figure 5), the North American Treaty Organization, and internationally, the World Treaty Organization (WTO), the European Union (EU), Mercosur, the ASEAN group, and other regional coalitions exist (10).



Figure 5. United Nations Headquarters in Geneva Photo by Mathias P.R. Reding on Unsplash
<https://unsplash.com/photos/yfXhqAW5X0c>

Additional literature can be found and is described in the ‘key take-aways’ section relating to the economically disadvantaged part of the global population that is often considered the base of the pyramid (BOP). Since the initial concepts of the BOP model however, increasing affluence has changed this pyramid into a quadrilateral with a significant middle class but with economic disparities and inequalities still an issue from the global context (11).

Responsible management in organizations of all sorts and at all levels does not happen without the intervention of managers which then brings in agency theory (12), stakeholder theory (13), and managerial and governance frameworks which will be discussed in the next chapter.

Key Takeaways

Your key takeaways may be:

- that organizations try to be the same (isomorphism) for a variety of internal and external reasons and so responsible management is important to maintain a focus on sustainability and CSR throughout;
- that infrastructures exist with different types of organization that have a common goal of promoting responsible management.

The idea of organizational forms is not just a colonial concept, as economic development at the base of the economic pyramid (BOP) is always a global concern. Prahalad (2002) was instrumental in explaining this concept from the viewpoint of what multinationals can do to leverage local expertise whilst Kolk et al. (2014) reviews BOP research in the decade after Prahalad's ideas took root. Read the following articles for more information:

Prahalad, C. K., & Hart, S. L. (2002). The Fortune at the Bottom of the Pyramid. *Strategy+Business Magazine*, 26, 273. <https://doi.org/10.2139/ssrn.914518>

Kolk, A., Rivera-Santos, M., & Rufin, C. (2014). Reviewing a Decade of Research on the “Base/Bottom of the Pyramid” (BOP) Concept. *Business and Society*, 53(3), 338–377. <https://doi.org/10.1177/0007650312474928>

Tying everything together, you should read Calton et al.'s (2013) prescriptive work on decentralizing networks of individuals, leveraging “global action networks”, and recognizing the importance of knowing who the other is and the importance of place (“faces and places”):

Calton, J. M., Werhane, P. H., Hartman, L. P., & Bevan, D. (2013). Building Partnerships to Create Social and Economic Value at the Base of the Global Development Pyramid. *Journal of Business Ethics*, 117(4), 721–733. <https://doi.org/http://dx.doi.org.subzero.lib.uoguelph.ca/10.1007/s10551-013-1716-0>

Reflective Questions

Take some time to reflect on how you would answer the following questions:

1. When addressing the social, economic, environmental well-being of societies, why is it necessary to consider colonization and reconciliation efforts at the same time?
2. Reflect on the fundamental objectives of different organizational forms – for-profit firms, not for profit social enterprises, governmental bodies? How are they similar or different?
3. Explain who are the internal and external stakeholders for an organization? Does it change if the organization's objective is business or social enterprise?
4. In for-profit firms, individuals join this organizational form towards capitalistic end results of making a

profit. Explain how you would explain to an executive of this organization how this objective could encompass a social or environmental motive in addition to the profit motive.

5. How did the industrial revolution, in part, lead to colonization by Western powers? Do you believe that this inevitably led to a split between the profit motive and the social or environmental motive?
6. The UN SDGs were previously discussed; explain how coalitions such as the UN play a role in addressing societal needs, and forming societal aspirations. Do you see them as effective? Why or why not?

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- (8) Read Chapter 1 (pp. 1-19) in Sexty, R. W. (2020). *Canadian Business and Society: Ethics, Responsibilities and Sustainability* (5th Ed.). McGraw Hill.
- (9) Read Chapter 16.3 (pp. 309-312) in exty, R. W. (2020). *Canadian Business and Society: Ethics, Responsibilities and Sustainability* (5th Ed.). McGraw Hill.
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Chapter 4 - Individual Considerations

Now, the choice we face is not between saving our environment and saving our economy. The choice we face is between prosperity and decline. We can remain the world's leading importer of oil, or we can become the world's leading exporter of clean energy. We can allow climate change to wreak unnatural havoc across the landscape, or we can create jobs working to prevent its worst effects. We can hand over the jobs of the 21st century to our competitors, or we can confront what countries in Europe and Asia have already recognized as both a challenge and an opportunity: The nation that leads the world in creating new energy sources will be the nation that leads the 21st-century global economy. (Barack Obama, 2019)

Learning Objectives

In this chapter you will accomplish the following learning objectives:

- You will understand individual considerations in the application of the principles of responsible management (RM)
- You will integrate the relationship between RM and leadership as an individual consideration for performance of CSR and sustainability

Example: The Alberta to British Columbia Transmountain Expansion Project

Source: <https://cases.open.ubc.ca/the-alberta-to-british-columbia-trans-mountain-expansion-project/>

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Over the last decade, oil sands pipelines have been one of the most divisive issues in the political dynamics of energy in Canada. Oil sands are comprised of a mixture of sand, water, and bitumen (heavy oil which cannot flow on its own) (1). Due to their high viscosity and low mobility, oil sands are challenging to extract, transport, and refine. For these reasons, pipelines are considered to be the most convenient means of transporting crude oil and bitumen (2). At the centre of the discussions about oil sands pipelines is the Kinder Morgan's Trans Mountain Pipeline Expansion Project. This project is proposed by an energy transportation and distribution company, Trans Mountain Pipelines.

On June 18, 2013, Kinder Morgan filed an application with the Canadian National Energy Board to triple the capacity of the pre-existing Trans Mountain pipeline to 1,150 km that transports oil from Alberta to British

Columbia and Washington State (3). The Trans Mountain proposed to reactivate sections of the existing pipeline, enlarge storage terminals, and build new pump stations at the marine terminal in Burnaby (3). The federal government approved the Trans Mountain Expansion Pipeline on November 29, 2016 (3). However, the Federal Court of Appeal overturned the National Energy Board's (NEB) approval of the Trans Mountain Expansion Pipeline in August 2018, citing insufficient consultation with First Nations groups and assessment of its environmental impact (4).

In June 2019, the Canadian government approved the Trans Mountain Expansion Pipeline for a second time (5). In July 2020, the Supreme Court of Canada dismissed the application from the Squamish Nation, Tsleil-Waututh Nation, and Coldwater Indian Band looking to challenge the federal government's second approval of the Trans Mountain Pipeline expansion project. This decision by Canada's top court ended the potential for any further legal challenges of the expansion project (6). In September 2020, despite challenges including the COVID-19 pandemic, a global slump in demand for fuel, and a \$5.2-billion rise in its estimated cost to \$12.6 billion, CEO Ian Anderson announced the project is advancing on schedule for completion by the end of 2022 (7). In March 2021, a study in British Columbia estimated that Canada will lose \$11.9 billion because of the Trans Mountain pipeline expansion project (8). According to lead author and Simon Fraser University professor Thomas Gunton, the loss will be due to a "more than doubling of the Trans Mountain construction costs...combined with new climate policies that will reduced the demand for oil" (8).

INTERESTED STAKEHOLDERS AND RELATIVE POWER

The federal government of Canada is an interested stakeholder. They are a political decision-making body based in Ottawa, Ontario, outside of the Tsleil-Waututh First Nation community. The government of Canada has approved the Trans Mountain Expansion project because they believe it is in the Canadian public interest to provide thousands of middle-class jobs and increase access to global markets (9). Their objective is to generate \$46 billion in government revenues over the first 20 years of operation (9). Through this project, the government of Canada hopes to become a stable global supplier of oil. Once the NEB releases its final report on the assessment of the project, the federal cabinet has the power to approve or reject the pipeline.

The Kinder Morgan company is a parent company of the Trans Mountain Expansion Project and it is an interested stakeholder. It is a Texas-based company and holds great importance to the economies of British Columbia and Canada (10). Its interests are in expanding the existing Trans Mountain Pipeline to access global markets and increase its revenues and profits. They have support from the federal government of Canada and pro-resource development advocacy groups. While not as powerful as the government of Canada, the Kinder Morgan company has significant power to influence major decisions.

Environmental organizations such as Raincoast Conservation Foundation is an interested stakeholder. It is based in British Columbia and is comprised of conservationists and scientists committed to protecting habitats and resources of umbrella species (11). Raincoast Conservation Foundation teamed up with other organizations to file a motion in the Federal Court of Appeal to appeal the pipeline expansion approval in November 2019 (11). These environmental organizations have been successful before at convincing the court to overturn cabinet approval of the Trans Mountain Pipeline Expansion project(11). These organizations are not as powerful as the government of Canada and the Kinder Morgan company when it comes to major decision-making power.

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The previous chapter focused on the organizational form and the pressures and societal constraints that lead organizations to implement social responsibility (also known as CSR at the firm level) and more generally responsible management (RM). However, organizations are composed of individuals joining together for a common purpose. As the example in this chapter describes, the fact that Canada is a resource-rich country requires the negotiations and accommodations between different stakeholders to ensure a balance is struck among conflicting needs in the societal, environmental and economic dimensions.

In a for-profit firm, individuals join this organizational form towards capitalistic end results of making a profit within the ethical, rational, and economic constraints of what society imposes (1).

In a not-for-profit organization, individuals can choose aims that are aligned along multiple purposes, often-times in a way that aligns with the triple bottom line or the 5P model of sustainability (see Figure 1 that illustrates the 5P model) (2).

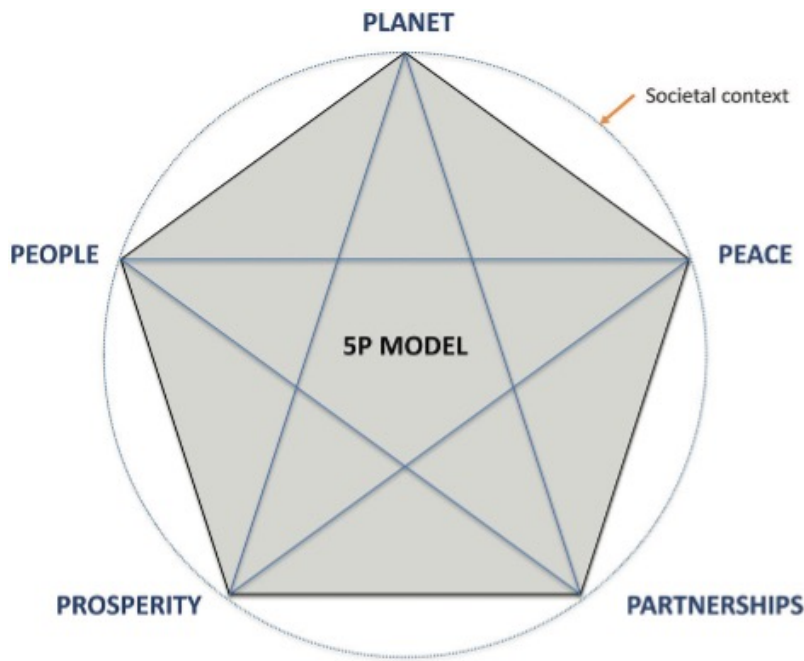


Figure 1. 5P Framework – This image is reproduced from [Lawrence, R. J. (2020). Overcoming Barriers to Implementing Sustainable Development Goals. *Human Ecology Review*, 26(1), 95-116.] and used in accordance with the fair dealing exception in Canada's Copyright Act. – <https://www.jstor.org/stable/27027239>

In governance-based organizations such as political groups or governments such as local councils, governing bodies, and other similar bodies, individuals can be elected or appointed to represent constituencies. The principles of responsible management here reflect the will of the society that the governing body represents in democratic institutions and the will of the governing body in more autocratic organizations. Our concern here is not with the political form but more with the implications for responsible management in the context of sustainability.

We can view individual considerations through the lens of several organizational theories which will be described with examples as to the individual contribution through these lenses to responsible management, to social responsibility, and to sustainability.

Agency theory is an important one to consider as responsible management by its very definition implies that the manager or leader is actually acting responsibly. The theory as initially proposed (3) was one that described the principal to agent relationship as a governance issue relating to conflict resolution between the two – owner to manager, employer to employee, etc. The important take-aways of agency theory are the resolution of information asymmetry between a principal and the agent, and the resolution of risks and uncertainties that result from this imperfect knowledge sharing (4). In the case for responsible management, agency theory is a

factor that can determine the organizational behavior of a firm. For example Rimanoczy (5) studied the sustainability mindset of leaders and found an impact of mindfulness and reflective practices that translated into an organizational wide vision and mission. Providing a unified purpose and reducing uncertainty through the action of leaders can address some of the challenges identified through agency theory (3)

From a broader viewpoint, Freeman (6), reflected on the importance of identifying and considering all stakeholders as important to organizational strategy making. Stakeholders are identified as “any group or individual who can affect or is affected by the achievement of a corporation’s purpose” (7, pp. 6). Replace corporation by organization and you will have a more contextually accurate description of how stakeholder theory can be viewed in today’s environment.

There is concern to ensure responsible management by managing for stakeholders (7). In that vein, it is important to identify who in fact are the stakeholders that should be prioritized as it is impossible to prioritize everyone. Mitchell and colleagues (8) described a conceptual model that prioritizes stakeholders according to their power, their legitimacy, and urgency as viewed by the management of organizations. This PUL model (shown in Figure 2) has been used in various project management settings and adjusted to account for additional vested interests (9). It is also used in considering the PUL from the viewpoint of sustainability (10)(11).

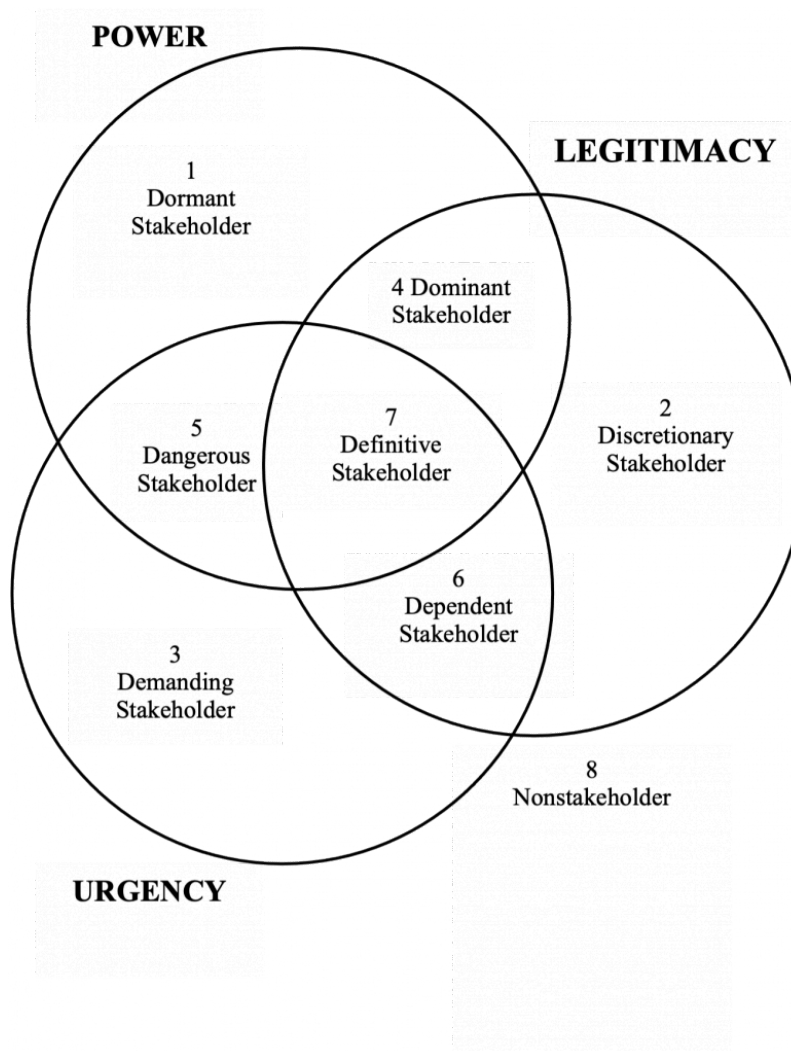


Figure 2. Stakeholder Typology: One, Two, or Three Attributes Present. – This image is reproduced from [Mitchell, R. K., Agle, B. R., & Wood, D. J. (1997). Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of management review*, 22(4), 853-886.] and used in accordance with the fair dealing exception in Canada's Copyright Act.

As responsible managers need to understand their organizational stakeholders, they also need to understand the relevance of contextual issues and how the organizations react to those issues. Zadek (12) provides an analysis that combines the salience of an issue with the organizational response by using real-life examples such as Nike, BP, Nordisk, and Rio Tinto. There are five stages that organizations exhibit systems-wide or specific to an issue (defensive, compliance, managerial, strategic, and civil) in the context of four stages of issue maturity (latent, emerging, consolidating,

and institutionalized). Navigating through these issue-specific stages and how an organization reacts to their current issue illustrates the importance of stakeholder salience.

When there are institutions that promote responsible management such as the Principles for Responsible Management Education group of the United Nations, it is important to consider whether institutions would consider whether joining PRME is relevant or adds value to their organization? Majoch and colleagues (13) reviews the empirical evidence and concludes that in fact, there is value in organizations joining PRME and that institutionally, this type of stakeholder salience analysis provides benefits to the firms.

Leadership theories abound and have developed in line with societal developments. Perceptions of what makes a leader, what makes a follower and the relationship of the leader and followers with each other and within their organizations are important in relating to responsible management in the context of sustainability (14). For example, the question to be reflected on is whether leadership affects behavior or sustainability performance in organizations, does gender matter, what about indigenous leadership? (See Figure 3 for an illustration of current indigenous conflict between pipeline construction and native land sovereignty.) Go to the ‘take-aways’ section to explore some of the recent articles discussing these topics.



Figure 3. <https://flic.kr/p/pPqJ7P> Image by Mark Klotz via Flickr

Ultimately, all individuals when faced with complex (or simple) problems follow a heuristic of decision making that can be derived from their ‘gut feeling’ (implicitly developed) or normative. Research theorists such as Jones (15) have proposed a model of decision making through the contextual lens of ethics, moderated by internal and external factors. Figure 4 describes the general steps towards ethical decision making. This model has been proposed and can be used in almost any situation. The complexity of decision making can increase when decisions are to be

made as a group or need to be conveyed by a leadership team and may result in various stages of negotiations towards a consensus or a best alternative to a negotiated agreement (BATNA as discussed in the negotiaton literature)(16).

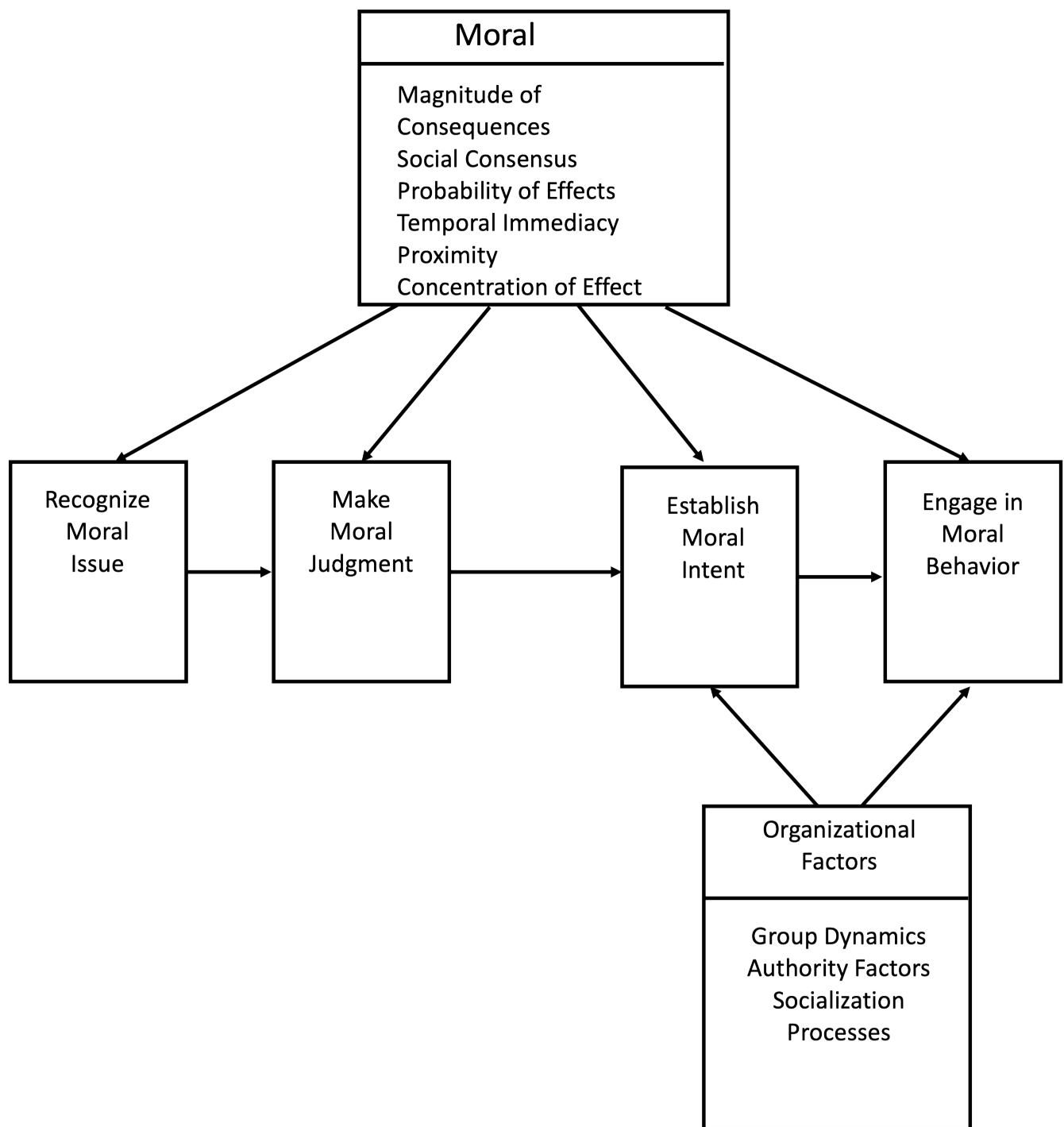


Figure 4. Decision-making model. – This image is reproduced from [Jones, T. M. (1991). *Ethical Decision Making by Individuals in Organizations: An Issue-Contingent Model*. *The Academy of Management Review*, 16(2), 366–395. <https://doi.org/10.2307/258867>.] and used in accordance with the fair dealing exception in Canada’s Copyright Act.

Contemporary concerns with sustainability – particularly the existential dilemma faced in today's anthropogenic age requires stakeholders to reflect deeply and make decisions that affect organizations, individuals, and political systems. This is where individual and organizational considerations overlap – as holistic considerations (often viewed through a systems theory lens) need to be viewed at multiple levels of analysis, at different times to arrive at decisions that are often just satisficing current problems rather than resulting in optimal solutions (17).

Responsible management is thus not just a leadership responsibility but cascades through all stakeholders involved in any issues (18). Results may be agreeable to many stakeholders but not provide evidence of an impact on sustainability which then results in other stakeholders actively reacting (see the example of stakeholder activism as a result of the laying of pipelines across Northern BC).

In the next chapter we will explore the linkages between organizational and individual considerations for responsible management in the context of sustainability.

Key Takeaways

Your key takeaways may be:

- that ethical decision making in the context of prioritization is not easy and is heavily context dependent;
- that responsible management should also be linked appropriate leadership behaviors that depend on the situation that an organization finds itself in.

Although important as an organizational theories, there are other theories that explain CSR as described by Frynas and Yamahaki (2016) in their roadmap article:

Frynas, J. G., & Yamahaki, C. (2016). Corporate social responsibility: Review and roadmap of theoretical perspectives. *Business Ethics*, 25(3), 258–285. <https://doi.org/10.1111/beer.12115>

If you are interested in more information about how sustainability and stakeholder theory intersect, you should read Schlange (2006) relating to identifying stakeholders and an interesting discussion of social capital and CSR as related to stakeholder theory by Russo and Perrini (2010).

Schlange, L. E. (2009). Stakeholder Identification in Sustainability Entrepreneurship. *Greener*

Management International, 55, 13–32.

Russo, A., & Perrini, F. (2010). Investigating Stakeholder Theory and Social Capital: CSR in Large Firms and SMEs. *Journal of Business Ethics*, 91(2), 207–221.

If you are interested in the leadership literature, explore the link with firm performance described by Wiengarten et al. (2017), or explore insights from indigenous leadership related by Gram-Hanssen (2021), or the relationship of leadership in the context of BOP supply chains described by Jaen et al. (2021), or the perspective of gender on CSR at the leadership level by Alonso-Almeida et al. (2016) or the question of appropriate leadership in enhancing diversity and inclusion as related by Daya (2013):

Wiengarten, F., Lo, C. K. Y., & Lam, J. Y. K. (2017). “How does Sustainability Leadership Affect Firm Performance? The Choices Associated with Appointing a Chief Officer of Corporate Social Responsibility.” *Journal of Business Ethics*, 140(3), 477–493. <https://doi.org/10.1007/s10551-015-2666-5>

Gram-Hanssen, I. (2021). Individual and collective leadership for deliberate transformations: Insights from Indigenous leadership. *Leadership*, 17(5), 519–541. <https://doi.org/10.1177/1742715021996486>

Jaén, M. H., Reficco, E., & Berger, G. (2021). Does Integrity Matter in BOP Ventures? The Role of Responsible Leadership in Inclusive Supply Chains. *Journal of Business Ethics*, 173(3), 467–488. <https://doi.org/10.1007/s10551-020-04518-0>

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Reflective Questions

Take some time to reflect on how you would answer the following questions:

1. What are the considerations that for-profit firms must take into account other than profit considerations (social and environmental sustainability and acting within the ethical, rational, and economic constraints of what society imposes)?
2. Think of some constraints that society imposes on for-profit forms
3. How do shareholders' interest become aligned with company business principles and practices (management/executives/agency)
4. Why is it in the interest of a corporation to create value for all stakeholders rather than just shareholders
5. Revisit the 17 SDGs – How do the 17 SDGs developed by the UN reflect the 5Ps (re-word). What goals reflect what P(s). How are the 5Ps reflected across the 17 SDGs

References used in the text – you are encouraged to consult these references through your institutional library services or through the internet

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green behavior and task performance. *Corporate Social Responsibility and Environmental Management*, 28(3), 1043–1054. <https://doi.org/10.1002/csr.2104>

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(16) There are many current textbooks focused on negotiation that explain BATNA; our reference is Lewicki, R., J., Barry, B., & Saunders, D., M. (2007). *Essentials of Negotiation (4th Ed.)*. McGraw-Hill Irwin.

(17) An excellent discussion of the challenges of applying a systems approach and embedding sustainability is discussed in Laszlo, C., & Zhexembayeva, N. (2011). *Embedded Sustainability: The Next Big Competitive Advantage*. Stanford Business Books.

(18) Responsible management is promoted through various institutions such as the PRME initiative from the UN SDGs. Dr. Laasch has written articles and a textbook focused on this topic. Read the following: Laasch, O., & Pinkse, J. (2020). Explaining the leopards' spots: Responsibility-embedding in business model artefacts across spaces of institutional complexity. *Long Range Planning* 53, 101891. <https://doi.org/10.1016/j.lrp.2019.101891>; also read Laasch, O. (2021). *Principles of Management: Practicing ethics, responsibility, sustainability*. SAGE Publications Ltd.

Chapter 5 - Forming Linkages

Sustainability is the integration of environmental health, social equity, and economic vitality in order to create thriving, healthy, diverse and resilient communities for this generation and generations to come. (UCLA Sustainability Committee, 2016)

Learning Objectives

In this chapter you will accomplish the following learning objectives:

- You will make the linkages between individuals and organizational performance of responsible management (RM)
- You will understand the importance of the base of the economic pyramid in global considerations for RM
- You will understand the linkages to equity, diversity and inclusivity as key components of RM

Example: The background of the emergence of Grameen Bank

Source: Rahman, R., & Nie, Q. (2011). The synthesis of Grameen bank microfinance approaches in Bangladesh. *International Journal of Economics and Finance*, 3(6), 207-218.

<https://ccsenet.org/journal/index.php/ijef/article/view/12701>

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The Grameen Bank started with the belief of an individual- a young economist visiting the famine driven rural communities of Bangladesh in 1974. Through a conversation encounter with a bamboo stool maker who was trapped in the vicious cycle of poverty, this young economist, by the name of Muhammed Yunus, discovered a dire condition and a dire need in Bangladesh (1). As the high-interest rates offered by moneylenders, many rural areas were cursed by poverty. With a strong faith in the poor- a faith that they would repay on time without the threat of confiscation or collateral, and faith that they would know how to maximize the benefits of their loans without any training – Yunus decided to take action, lending \$27 of his own money to the villagers (1). As his \$27 loan was fully repaid, Yunus was more influenced that the people who were poor were equally ready and capable to repay loan on their own ingenuity. This is also believed by him that he had found a workable process that might help the poorest of the poor earn through self-starting.

Yunus applied the Grameen Bank project in 1976 as pilot basis in Jobra village (a village adjoining to Chittagong University, Bangladesh) as a trial to judge his belief on a large scale. The research project was examining the possibility of designing a credit delivery system to provide banking services targeted at the rural poor. The

bank primarily restricted its extent to the village of Jobra, but after two years of success, it extended to the district of Tangail. The successful Grameen Bank project officially became the Grameen Bank in 1983- a self-regulating, member owned bank for the poor. Today Grameen bank is owned by the rural poor whom it serves. Borrowers of the Bank own 95% of its shares, while the remaining 5% is owned by the government (2) (3).

While small loans to women have been the primary focus of Grameen Bank since its inception in the course of its development, it realized that new organizations are needed to be established to focus on the non-banking activities. The Grameen family of organizations was thus founded and currently eight different organizations are providing devoted activities in the following areas: venture capital, communications, Internet service provision, textiles, energy, education, and telecom.

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Responsible management through corporate social responsibility initiatives or other sustainability initiatives happens because our society has embraced the organization of individuals into groups for profit-seeking activities (corporations), for social purposes (not-for-profit and NGOs), for political governance (governments) and for combinations of many of these purposes (social entrepreneurial enterprises are an example of firms that embrace profit-seeking motives but have a fundamental commitment to social contributions). And so it is that in the given example of the Grameen Bank, a shared value is created between stakeholders and the organizational business structure.

In previous chapters, we separated individual considerations, organizational considerations and discussions of theory. In this chapter, we provide linkages between these concepts based on current research in a Canadian context and premised on holistic lenses from broader societal goals articulated by organizations and agendas such as the UN Sustainable Development Agenda as promoted through the logo shown on Figure 1 (1), the Principles for Responsible Management initiatives (<https://www.unprme.org/>), and environmental, social, and governance (ESG) issues guiding corporate behaviour.



Figure 1. Sustainable Development Goals (SDGs). <https://www.un.org/sustainabledevelopment/news/communications-material/>

We adopt a social constructivist view of society which basically means that we, as participating members of society, construct our own reality and evolve it with changing societal conditions. This greater emphasis on stakeholder involvement for sustainability is described by Freudenreich and colleagues (2) as a need for businesses to consider the variety of stakeholder needs and changing values in the creation of value, not solely for the business but more specifically for enhancing stakeholder relationships.

Taking the Western view of management (sometimes referred to as a neo-colonizing viewpoint), groups of individuals gather into organizations to satisfy specific needs determined by the organizers of the group. In CSR literature and the responsible management (RM) literature, the focus is on corporations – that is businesses that operate according to certain regulatory principles and laws. These corporations are aligned behind a business vision (mostly articulated but sometimes implicit) that attempt to provide a guiding light with missions and strategies aligned to that vision. In most cases, the business's objective is to deliver value of some sort to consuming stakeholders and through this transactional operation become economically sustainable.

Porter and Kramer (3) in a seminal paper, explored the determination of value and its relationship to the firm and focused on the importance of creating shared value that integrated social good with a business framework to enhance competitiveness. In later research, the concept of shared value with explicit linkages between social and business results was expanded on by reconceptualizing the definition of the organizational outputs (products and markets), redefining the supply chain, and expanding on the benefits of mutual accommodations from cluster configurations and developments (4). The focus on shared value then is the underlying motive behind strategic purpose that incorporates the elements of sustainability. An example of the multi-dimensional aspect of sustainability is illustrated through Figure 2.

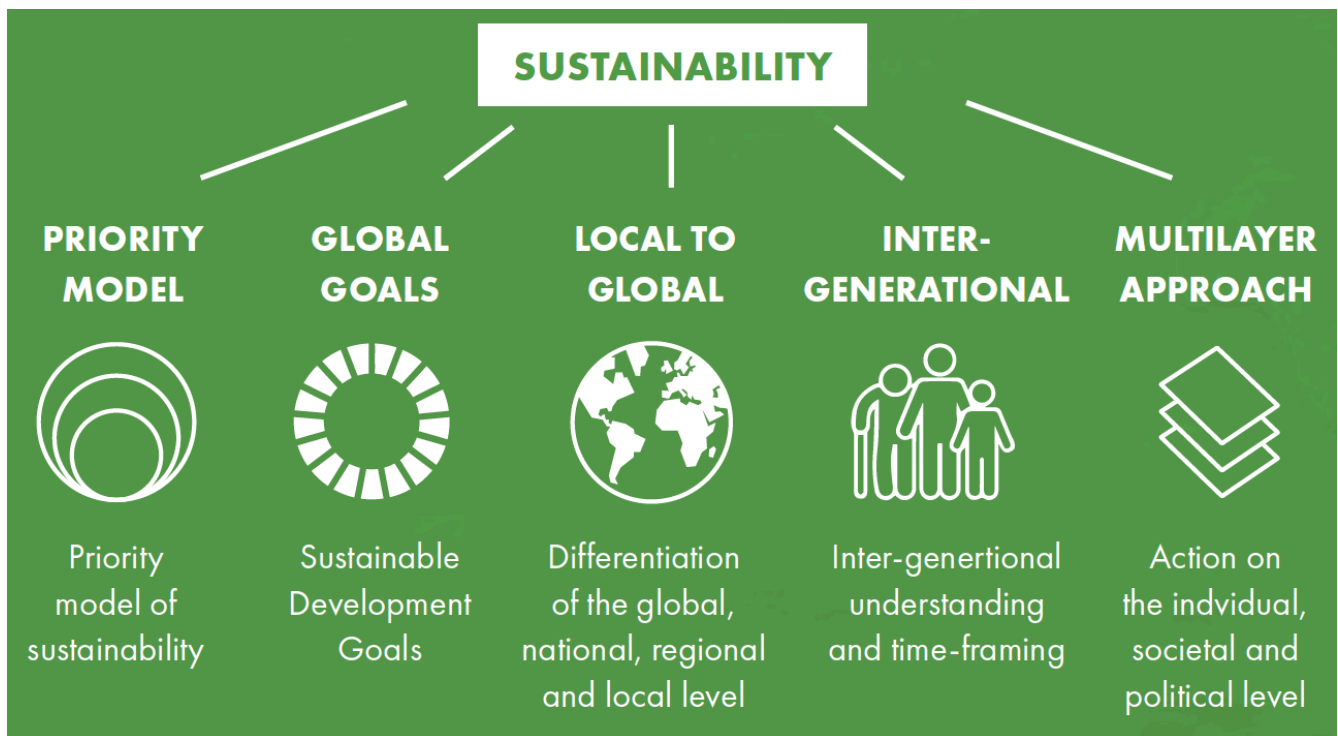


Figure 2. Sustainability. https://commons.wikimedia.org/wiki/File:SWS_definition_sustainability.png Shared under <https://creativecommons.org/licenses/by-sa/4.0/>

To achieve responsible management within the firm, it is important to embed sustainability principles in the process of determining the firm's strategy. This includes not only the transactional aspect of determining value for a firm's consumers but also for the other stakeholders who have input or influence on the firm. An often-neglected stakeholder group who not only helps to determine the firm's value but is also fundamental to its viability is composed of the individuals who make up the organization – employees, managers, owners, directors.

In their practical discussion of purposeful organizations, Houston and Pinches (5) have argued that the sustainability and success of firms are tied to the strength of the linkages between the purpose (defined through the greek word – telos) of the firm, its brand, and its culture all embodied through the commitment of the organizational members. Each one of the pillars are critically linked by transformational levers. This model is shown in Figure 3. The purpose/telos of the firm is embodied through the explicit and perceived branding that the firm portrays and is embedded through the lever of aspiration to its culture. Individuals feel more connected when their organizational purpose aligns with their own values. So the transformational lever of embodiment operationalizes or makes real that alignment between the culture of the organization and its brand. The leadership of the organization when appropriately contextually applied as servant, relational, or transformational leadership creates a condition where individuals can

believe that their own individual purpose is aligned with that of their organization. So, in effect, the firm's values can be shaped through its internal culture and sense of purpose (5).

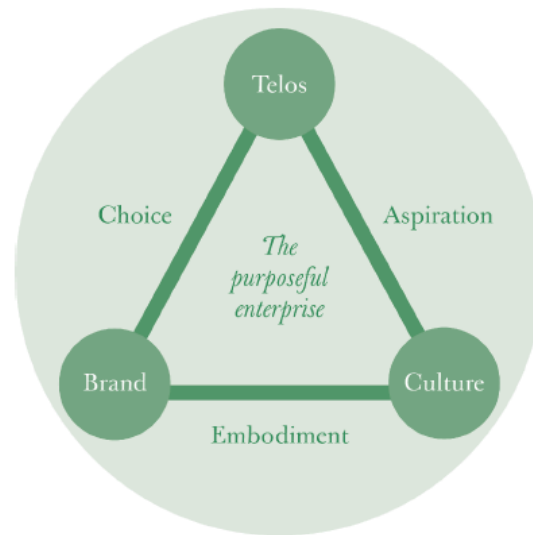


Figure 3. The pillars of a purposeful enterprise (Houston & Pinches, 2017, p. 58) – This image is reproduced from [Houston, C., & Pinches, J. (2017). *For Goodness' Sake: satisfy the hunger for meaningful business* (2nd Ed.). Chris Houston & Ogilvy & Mather.] and used in accordance with the fair dealing exception in Canada's Copyright Act.

One of the emergent concerns that impact social responsibility, particularly among nations that are existing beyond the subsistence level is the struggle to achieve equity, diversity and inclusivity (EDI) in all aspects of daily living. In Canada, a multicultural society, this concern extends beyond accessibility concerns for those individuals who are disadvantaged by services and products aimed at people who are unaffected by differently abled attributes such as blindness, deafness, inability to use one or more bodily function or limb and differently abled individuals with unique mental or intellectual abilities. Changing demographics in Canada and the rest of the world does demand a rethink. For example, Golub and colleagues (6) found how intergenerational equity based on a reflection on historical drivers of injustices and forms a frame for “restorative justice” and ultimately support for sustainability from a societal viewpoint. These concerns are often addressed by regulatory and legislative requirements for accessibility in federal, provincial and privately-initiated services.

In addition, responsible management has to be concerned with a widening concern for elder care (as particularly salient in the high death rate resulting from the COVID-19 pandemic in Canada) and for considerations and care for communities of people who identify in a different way than the majority of the population (whether that is defined by labels such as LGBTQ2 or

by racialized individuals or communities). The Canadian Charter of Rights and Freedom (7) in Canada and various human rights codes (for example the Ontario Human Rights code) specifically prohibit discriminations along multiple factors. In addition, supra-national initiatives such as the UN Sustainability Agenda have Sustainable Development Goals specifically aimed at reducing inequalities (SDG #10) and gender equality (SDG #5). (Each of the SDG logos are shown in Figures 4 and 5.) The application of EDI goes beyond just fulfilling legal and regulatory requirements but as Daya (8) explains from researching these issues in a South African context, organizational effectiveness improves when EDI becomes an inclusionary part of internal operations.



Figure 4. SDG 5 Logo. <https://www.un.org/sustainabledevelopment/news/communications-material/>



Figure 5. SDG 10 Logo. <https://www.un.org/sustainabledevelopment/news/communications-material/>

In the application of sustainability as envisioned by the SDGs (SDG 5 on gender equality and SDG 10 on reducing inequalities), Adamson and colleagues (9) ask us to be critical about understanding the differences between terminology that is currently used such as 'inclusion' and 'diversity'. They suggest that inclusion is linked to reducing barriers whereas the use of diversity implies the heterogeneous make up of an organization. However, aiming to achieve greater diversity and inclusion may also enhance organizational tensions when considering the different aspects of sustainability. Ashraf and colleagues (10) examined these tensions in the context of environmental projects such as reduction of waste and control of greenhouse gases to conclude that firms in effect, the organizations undergoing tension need to broker some type of accommodation between stakeholders groups to achieve a satisficing level that addresses different aspects of sustainability.

The gender aspect of sustainability is also important as Al-Shaer and Zaman (11) find that more gender diverse boards lead to greater quality sustainability reporting. Below the board level of management, however, Henry and colleagues (12) explains that top management diversity from the viewpoint of different functional skills leads to better performance in achieving triple bottom line goals. Gender diversity, in addition, influence leadership styles and subsequent integration of corporate social responsibility as Alonso-Almeida and colleagues (13) describe in their analysis of top managers in Spain.

Exploring the linkages between individuals and their organizations; the link to setting up values, and the preoccupation of achieving meaningful results against international sustainability

standards can also be viewed from the perspective of the ‘base of the pyramid’ segment of the global population. This base of the pyramid discussion was popularized by Prahalad and Hart (14), Hart and Christensen (15) among others, and further elaborated in a book by Prahalad (16) discussing the opportunities that exist in the lower economic tiers of the global population. These opportunities are viewed as synergistic and mutually advantageous to firms trying to leverage their presence in an emerging market and for local firms to leverage their innovations into value that can be translated not only within their market but in other markets. An example can be viewed through various efforts by firms such as Unilever and the innovations they developed for emerging markets and by innovators in emerging markets leveraging existing technology to address local economic and social needs. An example of the latter can be seen through the Grameem Bank in Bangladesh, set up by Ashoka Fellow Mohammed Yunus to provide micro-credit and lending opportunities for otherwise non-liquid borrowers who would not otherwise qualify for loans. This example has been copied and used in various parts of the world.

In this chapter, we expand our vision beyond the neo-colonial perspective that dominates transactional and global economics to an indigenous perspective. The indigenous perspective is described by the viewpoint of peoples who inhabited lands prior to the arrival of colonials – such as the Maori in New Zealand, the Aboriginal tribes in Australia (some interesting discussion is provided by Throsby and Peterskaya (17)), and various tribes and groups across Africa, most of North and South America (Merino and Gustaffson (18) discuss that indigenous movements in Peru are being recognized as environmental stewards). Scheyvesn and colleagues (19) looks at indigenous tourism practices in the context of indigenous people in Fiji, Australia, and New Zealand and how community engagement furthers the achievement of the SDGs. In the context of the Canadian experience in this book, the indigenous perspective is that of First Nations and Inuit people in Canada. This perspective has a holistic viewpoint expressed through covenants with each other, with the land, and across generations [refer to the seventh generation perspective described in the Truth and Reconciliation Committee reports]. Under this perspective the linkages between people and the land is mediated and given voice through a systemic execution of sustainability in their narratives, in their oral traditions, cultures and mores and in their traditional living (for an interesting narrative centered on this sustainability viewpoint read *Braiding Sweetgrass* by Robin Wall Kimmerer).

We appear to have come full circle with an initial chapter discussing the viewpoints of individuals, those of organizations, and by exploring the linkages in this chapter, we arrive at the proposition that individuals link through organizations to enable responsible management for the benefit of individuals. It is our responsibility to manage effective linkages, since as former UN Secretary General Byung Kim Moon stated – “We might have a plan B, but we do not have a planet B. I am confident that youth can and will make a difference in the fight against climate change. With dedication, passion and teamwork, we will make a notable difference—let’s preserve planet A” (<https://www.un.org/youthenvoy/2014/09/no-planet-b-for-youth/>).

Key Takeaways

Your key takeaways may be:

- that sustainability must involve stakeholders at all levels and forms of organizations;
- that CSR and sustainability movements need to be embedded in purposeful organizations and executed through appropriate leadership to ensure inclusivity and diversity are front and center.

If you are interested in the shared value literature, you should read Dembek, Singh, and Bhakoo (2016):

Dembek, K., Singh, P., & Bhakoo, V. (2016). Literature Review of Shared Value: A Theoretical Concept or a Management Buzzword? *Journal of Business Ethics*, 137(2), 231–267. <https://doi.org/10.1007/s10551-015-2554-z>

When reviewing the EDI literature with respect to sustainability, read Golub et al. (2013) and Ashraf et al. (2019):
Golub, A., Mahoney, M., & Harlow, J. (2013). Sustainability and intergenerational equity: Do past injustices matter? In *Sustainability Science* (Vol. 8, Issue 2, pp. 269–277). Springer Japan. <https://doi.org/10.1007/s11625-013-0201-0>

Ashraf, N., Pinkse, J., Ahmadsimab, A., Ul-Haq, S., & Badar, K. (2019). Divide and rule: The effects of diversity and network structure on a firm's sustainability performance. *Long Range Planning*, 52(6). <https://doi.org/10.1016/j.lrp.2019.04.002>

For an excellent perspective on the indigenous viewpoints, read Scheyvens et al. (2021) and Throsby and Petetskaya (2016):

Scheyvens, R., Carr, A., Movono, A., Hughes, E., Higgins-Desbiolles, F., & Mika, J. P. (2021). Indigenous tourism and the sustainable development goals. *Annals of Tourism Research*, 90. <https://doi.org/10.1016/j.annals.2021.103260>

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Reflective Questions

Take some time to reflect on how you would answer the following questions:

1. In general, what is the role of corporations, NPOs/NGOs, government, and social entrepreneurial enterprises?
2. Reflect on what it means and why it would be important to adopt a social constructivist view of society.

3. At what level are sustainability principles incorporated into a firm? (mission, strategy, vision)

References used in the text – you are encouraged to consult these references through your institutional library services or through the internet

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PART III

RESPONSIBLE MANAGEMENT AND BUSINESS CONSIDERATIONS

*When we think of sustainability,
concepts like stability and
consistency come to mind. Centuries-old
social structures were designed
to offer security to countries,
organizations, and individuals,
but institutions are no longer relied upon
or as trusted as they once were.*

-Salim Ismail

From p. 63 of *Awakening/Eveil*, published by the Office of the Lieutenant Governor of Ontario, 2018.

Chapter 6 - Economic Considerations

Corporate social responsibility is a hard-edged business decision. Not because it is a nice thing to do or because people are forcing us to do it... because it is good for our business”

(Niall Fitzgerald, Former CEO, Unilever)

Corporate social responsibility is not just about managing, reducing and avoiding risk, it is about creating opportunities, generating improved performance, making money and leaving the risks far behind. (Sunil Misser, Head of Global Sustainability Practice, PwC)

Learning Objectives

In this chapter you will accomplish the following learning objectives:

- You will understand some of the economic underpinnings of responsible management (RM)
- You will understand the importance of a holistic view of RM through the triple bottom line of sustainability
- You will understand the relationship between financial performance and social responsibility and sustainability principles of RM

Example: Time to rethink how we manage our forests: As Canada moves toward sustainability, it could start by cutting the waste out of forestry, and adopting a circular vision to help forests thrive By: Yannick Beaudoin April 2, 2019 Source:

<https://policyoptions.irpp.org/magazines/april-2019/time-rethink-manage-forests/>

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The world's forests are being cut down in ways and at rates that make natural recovery difficult, if not impossible — to the detriment of the life, livelihoods and services they support. The solution lies in radically changing how we value and manage forests. Forests will persist only when we pursue a circular approach that maximizes their value to our collective well-being and eliminates the wastefulness we have come to accept as inevitable.

According to the Ellen MacArthur Foundation, a circular economy is based on the principles of designing out waste and pollution, keeping products and materials in use and regenerating natural systems: “Looking beyond the current take-make-dispose extractive industrial model, a circular economy aims to redefine growth, focusing on positive society-wide benefits. It entails gradually decoupling economic activity from the consumption of finite resources, and designing waste out of the system.”

Canada's forests are more than a part of our culture and national identity. They're central to our food and water security, health and economy. With 9 percent of the world's forests, and 24 percent of the world's boreal forests, Canada can make important contributions to global well-being. Yet when we seek to measure the value of forests, we constrain ourselves by placing monetary value above all else. We see them for their timber, fruits and fibre — products that can be bought and sold. The recent federal budget framed the forest sector as an "important source of jobs and growth." It is that, but the value forests bring to things like biodiversity, culture and quality of life, where monetized value can be harder to prove, is no less important to human well-being.

Once we are able to embrace the worth of forests beyond a dollar value, we can adopt a management strategy based on their overall contribution to society. We can make better plans that take into account and safeguard their effects on human well-being. That means moving from an industry that depends on raw materials and creates waste to one that uses design, technology and manufacturing innovation, to make the idea of waste obsolete — an industry that prioritizes recycling, reusing and remanufacturing throughout the life-cycle stages. An industry that, in short, can do more, and profit more, with less.

The impact of embracing a circular vision goes far beyond protecting any one forest.

It's a rethink of the business model that is badly needed in Canada and beyond. This type of model, a central tenet of the circular and bioeconomy approaches, has been gaining ground throughout Europe. In 2015, the European Commission adopted an action plan to promote Europe's transition to a circular economy. Finland, widely seen as a leader in this respect, set out its own national circular economy road map the following year. It is committed to creating more value with much less waste. It's something we could learn from.

Canadian towns, cities and provinces have been taking action to reduce waste and move toward principles of a circular economy. Ontario's Strategy for a Waste-Free Ontario takes steps to reduce waste and use waste more responsibly. Vancouver has a goal to cut down on landfill waste by 50 percent by 2020. The federal budget has proposed investing \$251.3 million over three years in the forest sector, which would include support for innovation, renewable resources and clean growth. However, across the board, Canada lacks a comprehensive strategy for supporting this transition to a sustainable economy. Forests are a good place to start.

The impact of embracing a circular vision goes far beyond protecting any one forest. In Europe, circular economy strategies have been proven to create employment — with jobs that are well suited for the future — and to increase business competitiveness by reducing uncertainty around supply. A circular economy can also help mitigate the effects of climate change by reducing greenhouse gas emissions, which is in line with Canada's clean progress agenda.

The theme of this year's International Day of Forests was education. Let's take the time to educate ourselves not only about Canada's 347 million hectares of beautiful and essential forests but also about how we can keep our forests thriving into the future, long after the choices we make today take root.

Responsible management (RM) and its representation through CSR at the corporate level and sustainability via the triple bottom line (1) or the 5Ps of the United Nations Agenda implies that economics are interwoven in any discussion of RM.

The triple bottom line is described as extending the concern of corporations beyond just profit as a singular bottom line into a concept that also includes planet and people (1). The three P's as shown in Figure 1 are conceptualized as aspirational outcomes of businesses and organizations.

From a holistic sense, integrating these concerns made sense in the late 1990s, particularly as ethical lapses, environmental disasters and social concerns impacted the operation of organizations.



Figure 1. Relationship between the three P's.
[https://commons.wikimedia.org/wiki/
File:Figure_1_People_Profit_Planet.png](https://commons.wikimedia.org/wiki/File:Figure_1_People_Profit_Planet.png) Arowoshegbe, et
al., 2016, CC BY-SA 4.0, via Wikimedia Commons

As the basis for the UN Sustainable Development Agenda the triple bottom line was expanded to a 5P framework incorporating Peace and Partnerships in addition to Prosperity (profit), Planet, and People (see Figure 2). Seventeen goals of the Agenda include 169 targets with almost 232 economic indicators.

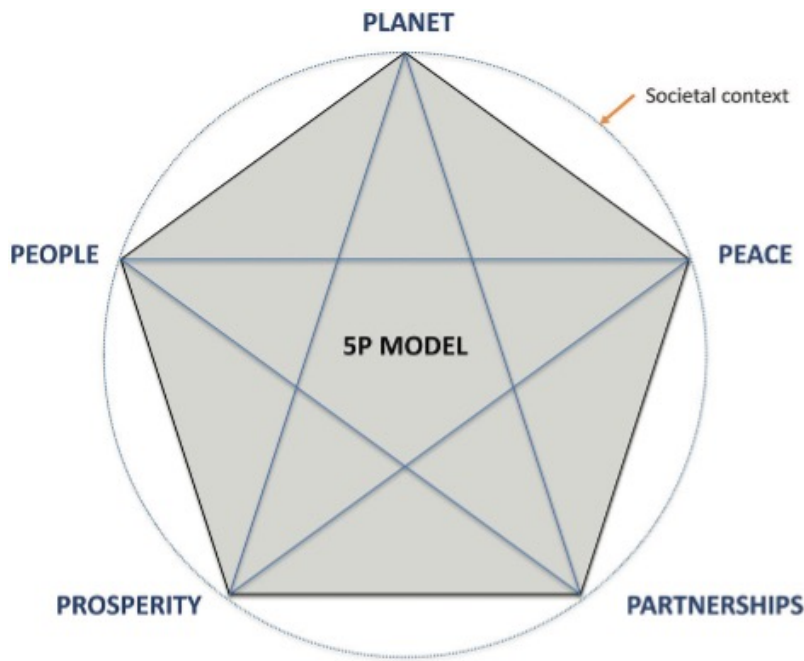


Figure 2. 5P Framework – This image is reproduced from [Lawrence, R. J. (2020). Overcoming Barriers to Implementing Sustainable Development Goals. *Human Ecology Review*, 26(1), 95-116.] and used in accordance with the fair dealing exception in Canada's Copyright Act. – <https://www.jstor.org/stable/27027239>

From an economic viewpoint, all SDGs are in some way involved even though they may have a focus on ecological or social objectives..

The link between a profitable and sustainable enterprise and its use of social responsibility has often been questioned and reviewed as lacking a direct relationship (2). Although a positive correlation between CSR and corporate financial performance (CFP) is not always clear from the perspective of individual organizations; on an aggregate basis the relationship is positive and may be an indirect relationship based on intangible factors linked to social and environmental progresses. Surroca and colleagues (3) describe a circular yet indirect relationship between CFP and CSR as described by the notions of leveraging intangible resources such as innovation, human capital, reputation and culture in a “virtuous circle”. For example, an excess of financial resources would allow the exploitation of intangibles to increase the CSR of an organization; and a commitment to CSR could leverage those intangibles to achieve better financial performance. This model as reproduced in Figure 3 from the original article is appropriate in a competitive environment as it identifies competences that could be used from a sustainability viewpoint and competitive viewpoint.

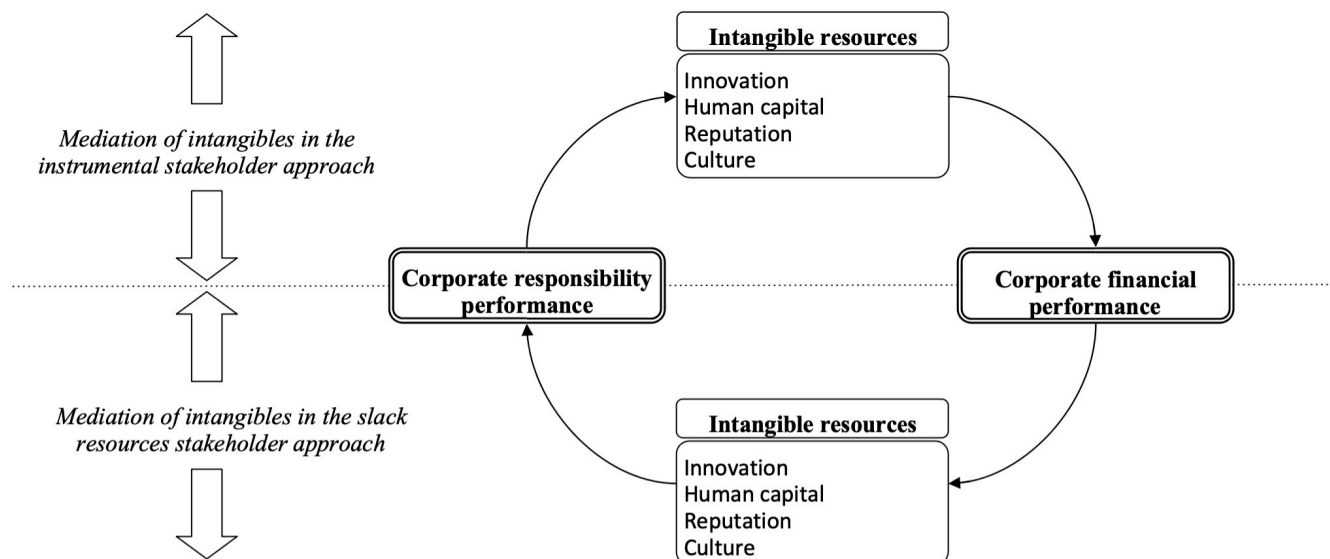


Figure 3. – This image is reproduced from [Surroca, J., Tribó, J. A., & Waddock, S. (2010). Corporate responsibility and financial performance: The role of intangible resources. *Strategic management journal*, 31(5), 463–490.] and used in accordance with the fair dealing exception in Canada’s Copyright Act. <https://www.jstor.org/stable/40587594>

Friedman, a Nobel-prize winning economist, made an argument in a 1970 NY Times article from the last century (but still oft-repeated) that organizations needed to focus on the economic argument (4) rather than to concern themselves with ‘social causes’. However a closer reading of the article and listening to Friedman on pre-recorded episodes available through the internet does highlight the concern of economists for economic arguments. It must be remembered that during those times (in the early 1970’s), the socialist versus capitalistic models were in sharp contrast with looming global tensions between Soviet economies and Western economies threatening to break out into actual global nuclear conflicts.

Fast forward fifty years and the prevailing institutional opinions among the major global accounting firms relate to the importance of the triple bottom line and the 5Ps as embodied through the UN Sustainable Development Agenda. Reports and tools relating to the increasing awareness for the UN Agenda are available from major consulting organizations such as EY (https://www.ey.com/en_gl/sustainable-development-goals), PriceWaterhouse (<https://datatech.pwc.com/SDGSelector/>), and KPMG (<https://home.kpmg/xx/en/home/about/citizenship/global-goals-sustainable-development.html>) among others detailing the prescriptive systems, and progress of firms in achieving the SDGs. The UN Global Compact, as another initiative promoting ten principles of doing business in a responsible manner (discussed in an earlier chapter) also regularly promotes the achievements of local firms and guides businesses

towards achieving the SDGs (see for example the local Global Compact Network Canada website at <https://globalcompact.ca/>).

Institutional investors such as BlackRock Inc. with control over trillions of dollars in investment (as of 2020) have specifically signaled to shareholders and stakeholders a commitment to sustainability (<https://www.blackrock.com/ca/investors/en/about-us/corporate-sustainability>). From the practical to the academic, we can view Laasch and Pinkse (5) describe four types of social responsibility models that firms embrace and explain this heterogeneity based on the context of the business environment that the firm finds itself in. They describe the models as embedding CSR through their “value proposition, creation, exchange, and capture” (5, pp. 16) in the following manner:

- (1) As Discretionaries are located in an institutional space of homogeneous commercial demands, they morph responsibility elements to make commercial sense;
- (2) Remedials’ heterogeneous institutional space is characterized by an ambiguity between commercial and responsibility demands, due to past responsibility transgressions which leads them to (over)compensate by intensively embedding responsibility;
- (3) Reactives operate in a heterogeneous institutional space with less intense demands, allowing them to conform to achieve legitimacy with moderate intensity of responsibility embedding;
- (4) Proactives share the same institutional space but choose to actively signal their leadership by intensively embedding responsibility to emerge as progressive responsibility leaders (5, pp. 16).

In addition to the high level impact investing that can be read about or seen in the current media, there are other specific actions that will impact the economic performance of firms. These ground level operational changes are reviewed below: **life cycle** pricing and the **circular economy** framework.

Life cycle pricing incorporates all inputs that leads to the production of a service or good into the pricing paid by the end user (see Figure 4). This includes the cost of replenishing the good consumed and by its very nature forces consumers to think and adjust their consumption behaviour (6, pp. 197-200). An example, although imperfect, could be the carbon tax applied at the gasoline pump as it tries to influence consumer behaviour by taxing the carbon content of fuel. Other organizations may also provide the information linked to processing along every step of their supply chain to highlight their steps towards sustainability (for an example of considering sustainability as integral to a corporate model listen to Interface’s late CEO Ray Anderson in this TedTalk https://www.ted.com/talks/ray_anderson_the_business_logic_of_sustainability).

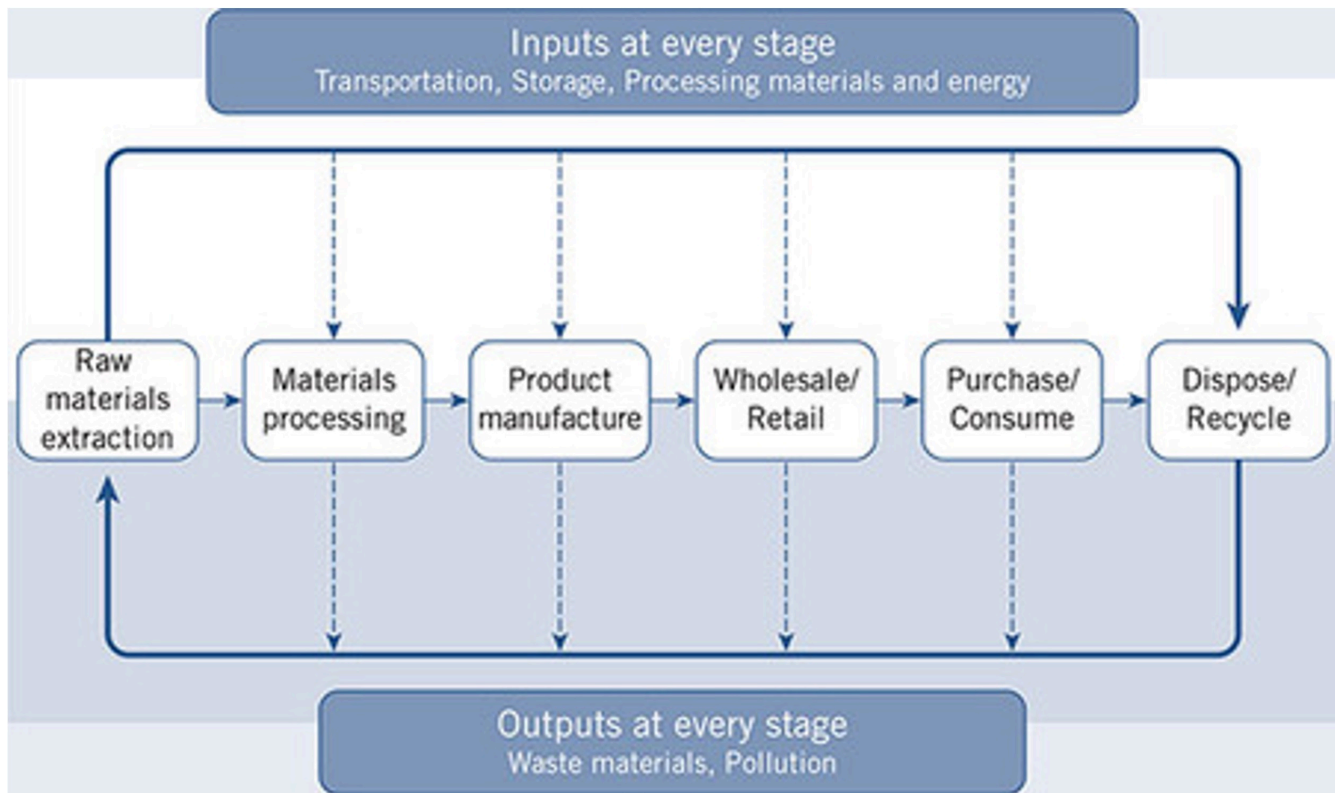


Figure 4. This image is reproduced from [Chandler, D. (2019). *Strategic corporate social responsibility: Sustainable value creation*. Sage Publications.] and used in accordance with the fair dealing exception in Canada's Copyright Act. <https://us.sagepub.com/en-us/nam/strategic-corporate-social-responsibility/book258527>

Circular economy frameworks are another way of integrating sustainability and principles of CSR. In a circular economy (as seen in Figure 5), the focus is on re-integrating organic components into the value chain and re-using or refurbishing inorganic goods. The Ellen MacArthur Foundation is an excellent resource to understand this framework and the impact that one can have within this framework (<https://ellenmacarthurfoundation.org/>). This holistic system can benefit from active participation by organizations in a geographical cluster. For example, the Guelph-Wellington Circular Economy Initiative was funded through a Canadian \$5 million dollar investment from the Federal Economic Development Agency (the result of a national competition) and is now focused on developing cooperative circular economy projects focused on food -related initiatives (<https://guelph.ca/2021/04/growing-the-circular-economy-in-guelph-wellington-and-across-canada/>).

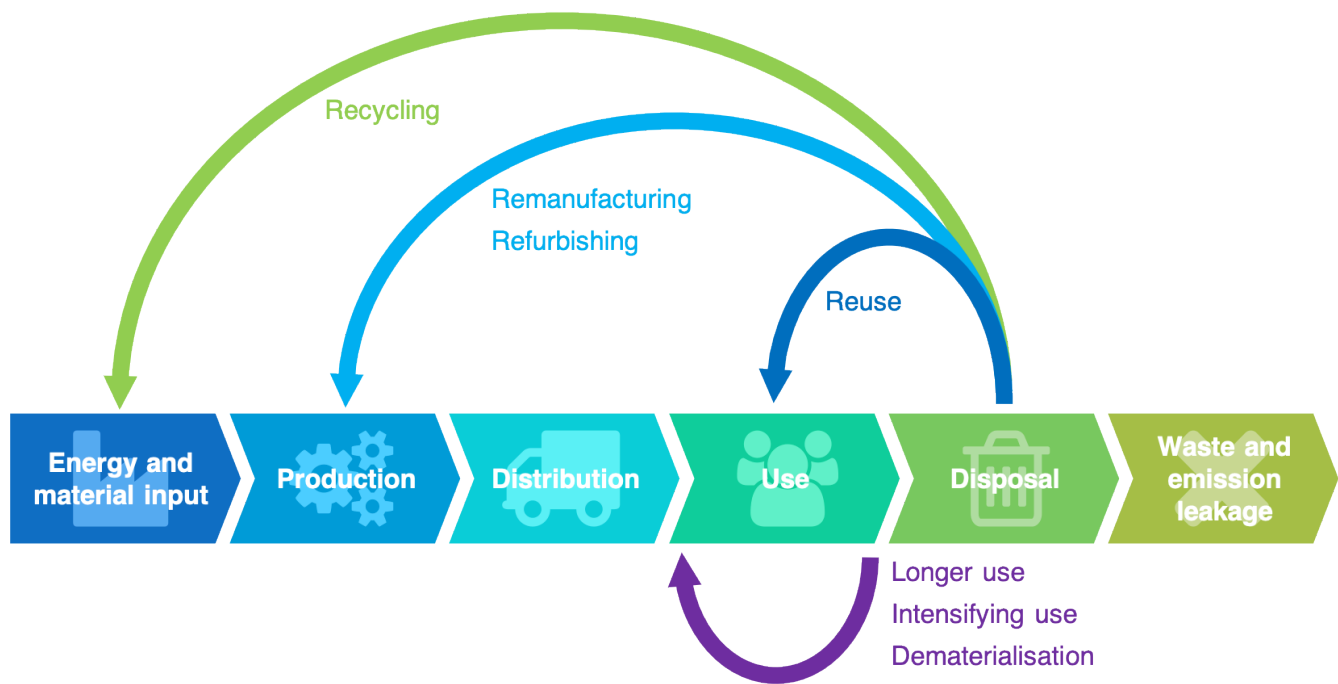


Figure 5. Circular economy https://commons.wikimedia.org/wiki/File:The_Circular_Economy_concept.png
Geissdoerfer, M., Pieroni, M.P., Pigosso, D.C. and Soufani, K., CC BY 4.0, via Wikimedia Commons

Other Economic Considerations

Organizations work within the regulatory constraints of their economic environment and few are more important than legislation that is applied across an entire economy. One such legislation is the cap and trade and carbon pricing models that are used or have been used to varying degrees in Canada and internationally. The cap and trade system is essentially a trading system to trade on emissions that extend beyond a regulatory cap. However, as discussed in this chapter, Canada uses a carbon tax to incentivize a move away from carbon producing fuels. A Greenhouse Gas Pollution Pricing Act was federally legislated in 2018 and is progressively adding a surtax to fuel in order to change consumer habits and incentivize innovations (<https://www.canada.ca/en/environment-climate-change/services/climate-change/pricing-pollution-how-it-will-work/putting-price-on-carbon-pollution.html>).

Other regulatory constraints exist depending on the industry or market segment. The Canadian government provides guidance on responsible management through CSR via its CSR Guidebook (<https://publications.gc.ca/site/eng/9.629847/publication.html>) which is applicable to organizations across Canada.

Organizations considering the economic aspect of the 5P framework, the triple bottom line, or economic sustainability need to implement processes at the outset of their organizational start-up if possible or consider their strategy through the lens of RM embodied through sustainability.

At the outset, a sense of purpose interlinked with an organization's management of its brand and culture are fundamental to the economic success of the firm (7).

Throughout its operation, organizations need to implement strategies with an awareness that adding them as 'saddlebags' to existing strategy will imply that the operations resulting from these strategies will be cut or curtailed at signs of economic distress (such as the recent covid-19 pandemic). However, if the strategies are adopted by embedding principles in the core of the organization then financial success can result (refer to the earlier discussion about the indirect relationship between CSP and CSR).

From an economic viewpoint in the context of an externally competitive world, embedding sustainability in the strategy and tactics of an organization can result in a competitive advantage particularly if that strategy leads to a core competence as described by Barney (8) through the VRIO framework of analysis.

Finally, consider that the competitive advantage (CO) of an organization can be described as a function of sustainable development (SD) which then links to a combination of organizational value (Ov), innovation (In), and social capital (Sk) (9).

$$CO = kSD = f(Ov; In; Sk)$$

This model is similar to the conceptualization provided by Surroca et al.(3) in that the strength of intangibles determine the competitive advantage of a firm. In this specific model, Sambiase et al. (9) focus on the importance of organizational values as determined by a sustainability mindset and the leadership that results from this purposeful consideration of sustainability.

In summary, responsible management and CSR impact organizations at an existential level, which is the economic underpinning of the firm. As Carroll (10)(11) described in his model describing the relationship between factors of CSR, the economic sustainability of the firm is an important pillar of the survival of any organization.

Key Takeaways

Your key takeaways may be that:

- that various economic models underpin responsible management such as the triple bottom line, the 5P framework, the life cycle model, the circular economy model;
- and that responsible management is also affected by leadership in the context of their organization's environment (as a social enterprise or for profit firm).

You may want to read more Laasch & Pinkse (2020) to more fully inform yourself on business models:

Laasch, O., & Pinkse, J. (2020). Explaining the leopards' spots: Responsibility-embedding in business model artefacts across spaces of institutional complexity. *Long Range Planning*, 53(4). <https://doi.org/10.1016/j.lrp.2019.101891>

The work by Surroca et al. (2010) is conceptually clean in promoting the importance of intangible resources: Surroca, J., Tribo, J. A., & Waddock, S. (2010). Corporate responsibility and financial performance: the role of intangible resources. *Strategic Management Journal*, 31(5), 463–490. <https://doi.org/10.1002/smj.820>

Wiengarten et al. (2017) describe the importance of top management in promoting sustainability: Wiengarten, F., Pagell, M., & Fynes, B. (2013). The importance of contextual factors in the success of outsourcing contracts in the supply chain environment: the role of risk and complementary practices. *Supply Chain Management*, 18(6), 630–643. <https://doi.org/http://dx.doi.org/10.1108/SCM-03-2013-0071>

Reflective Questions

Take some time to reflect on how you would answer the following questions:

1. On an aggregate basis, what type of correlation exists between CSR and financial performance of a company?
2. If the goal of business is to increase financial performance, how does integrating CSR into company principles contribute towards achieving this goal?

References used in the text – you are encouraged to consult these references through your institutional library services or through the internet

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Chapter 7 - Accountability

“It is wrong and immoral to seek to escape the consequences of one’s acts.” (Mahatma Gandhi)

“Accountability breeds responsibility.” – Stephen R. Covey

Learning Objectives

In this chapter you will accomplish the following learning objectives:

- You will understand accountability principles as they relate to responsible management (RM)
- You will understand some behavioural methods towards achieving RM

Example: Policy Making Through a Behavioural Lens – Nudging in action has given us more insight into the way people make decisions. The key now is to use that knowledge to design more realistic policies

By: Dilip Soman, June 3, 2013.

Source: <https://policyoptions.irpp.org/magazines/nudge/making-policy-through-a-behavioural-lens/>

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Five years ago, Richard Thaler and Cass Sunstein published *Nudge: Improving Decisions about Health, Wealth and Happiness*, a book that asked us to fundamentally change the way we think about how policy is made. Nudge challenged the prevailing approaches to policy-making and governance that were grounded in the appealing idea that human beings are rational decision-makers, cognitively sophisticated enough to process all relevant information and unswayed by emotion. It presented several years’ worth of research to demonstrate that, by contrast, our decision-making is surprisingly malleable and therefore dramatically influenced by context. And if that is the case, Thaler and Sunstein asked, is it not possible to create the context that steers people toward the right choice (or at least the one we believe brings about the greatest common good)?

Given that government budgets are shrinking and public opposition to taxes and bans is growing, nudging offers a good way to accomplish social good without the associated inefficiencies of traditional policy instruments. But while the deluge of recent evidence in favour of nudging has assuaged some of the criticisms, some concerns still make the rounds.

The first of these concerns is that nudging is manipulative: the citizen is being tricked by the technocrat into choosing a certain path. Yet one of the most fundamental goals of human enterprise is to influence and persuade others to follow a path—we are always being nudged. If nudging is manipulative, then so too are many

interactions that we routinely accept as fair, from advertising to parenting and teaching, from selling to the cornerstone activity of democracy: asking for a vote.

A second criticism is that we should be using education and not nudging to achieve our policy goals, reflected in the idea that education is empowering, nudging is demeaning. This argument would have merit if the proponents of nudging wanted to convert all policy and welfare interventions into nudges. They do not. Nudging is most effective in initiating actions, such as getting someone to open a bank account or visit a doctor, whereas education is paramount in nurturing activities, like managing a portfolio or leading a healthy lifestyle. The educating versus nudging debate is a false choice. The appropriate question is how to use these two approaches in tandem.

What can be done, then, to spread the word of behavioural insights and embed them more often in our policy choices? One of the key differences between the traditional and the behavioural approaches to economics is the nature of the science. The traditional approach is theoretical: it makes certain assumptions about the decision-makers and proceeds to make specific predictions about their choices. The behavioural approach is empirical. It essentially points to the data as the primary source of insights. It is imperative to build a widely shared, open-source database that measures the outcomes of various behavioural interventions and guides policy-makers on the suitability of nudges.

We now have some experience with nudges in action and its implications. We know, for example, that people are paralyzed when faced with too much information. The behavioural approach leads us to advocate for providing people with relevant and meaningful – but not copious – information, in conjunction with decision-making tools that organize information in meaningful ways. These “choice engines” could take the form of online Web-based tools or mobile smart-phone apps, what Richard Thaler and Will Tucker recently referred to as “smart disclosure.”

Nudge is not a panacea for all the problems that confront us. But it is showing itself to be an effective way to encourage socially beneficial behaviour. Most importantly, by getting our policy leaders to focus on how people actually behave rather than on unproven assumptions of economic rationality, the nudge approach kindles a fresh way of looking at problems, offering hope where we now see only obstacles.

As shown in the example in the section above, the principles of nudging as described by Thaler (1) can be used to change individual behaviour – and in the example, with policy-makers, towards ensuring responsible and accountable behaviour. Very specifically, Thaler states that “all nudging should be transparent and never misleading; it should be possible to opt out of the nudge, preferably with as little as one mouse click; there should be a good reason to believe that the behavior being encouraged will improve the welfare of those being nudged” (p. BU6).

An important part of responsible management enacted through sustainability and CSR is the concept of accountability. Organizationally or individually, the promise of actions remains a set of intentions until they are implemented and when this is done, stakeholders will want to verify and hold to account the responsible parties. This concept as a way of modifying behaviors supports the governance concepts of firms (2). This accountability mechanism could be used as a way of nudging towards responsible management.

Accountability bears many definitions and interpretations but at its core, accountability is the

process where one party holds another party to account by imposing rewards or sanctions as a consequence of a particular conduct (3). Accountability is a mechanism that is discussed in agency theory as a way to control agents who are in themselves trying to maximize their own utility (4).

Accountability can also be viewed as a process or an outcome (5). In either case, there is an expectation that there is an element of control or exercise of power between the stakeholders and the one who is responsible for the accounting; an exchange of information needs to take place in the context of transparency and ideally, stakeholders have the power to punish or sanction the account holder. An example is the discourse and ultimately exercise of power, through electoral changes exercised on the Ontario Liberal government during the implementation and then closing of gas-fired utility plants in Ontario in 2011 (6)(7). There was a flurry of blog postings by readers of the Toronto Sun, the Globe and Mail, and the Toronto Star around this issue with the discourse focused on transparency and accountability – eventually and arguably leading to the resignation of a sitting provincial premier and extensive discourse about a lack of accountability on this issue from an incoming premier (extensive details can be read from the Standing Committee on Justice Policy (SCJP) report of the Legislative Assembly of Ontario available at <https://www.ola.org/en/legislative-business/committees/justice-policy/parliament-41/reports/the-cancellation-relocation-gas-plants-document-retention-issues>).

A lack of accountability can result in behavior that favors one party without considering consequences on other individuals. High profile scandals can be easily sourced through an internet search which would lead to reports on the Enron Scandal of 2001, the WorldCom Scandal of 2002, the Freddie Mac Scandal of 2003, the Lehman Brothers Scandal of 2003 and in Canada the SNC-Lavalin affair involving both government and business. Accountability scandals from broader societal issues such as the #Metoo movement (see Figure 1), the #BlackLivesMatter movement, the Missing and Murdered Indigenous Women and Girls movement, and other current issues have stemmed from individuals pursuing personal or financial gains without considering social context and from systemic inequalities perpetuated by individuals or organizations wilfully ignoring or ignorant of societal context. It speaks to the strength of stakeholder activism that these individuals have been held to account or that organizations and institutions are being held to account for their lack of social responsibility.



Figure 1. MeToo Movement [https://commons.wikimedia.org/wiki/File:Oslo_Women%27s_March_IMG_4217_\(25945662328\).jpg](https://commons.wikimedia.org/wiki/File:Oslo_Women%27s_March_IMG_4217_(25945662328).jpg) by GGAADD, CC BY-SA 2.0, via Wikimedia Commons

At the organizational level, accountability problems can result from breaches of codes of conduct and ethics by individuals or groups of individuals (research the Enron scandal mentioned in the previous paragraph for example). Social accountability where societal groups exert a requirement for accounting from perpetrators (3) is visible when societal inequality issues are highlighted as discussed in the previous paragraph. Cases that also impact the environment such as the Deep Water Horizon disaster which created an environmental sustainability problem in the Gulf of Mexico in 2010 (see Figure 2) are also held up as particular examples where society expects the responsible parties to be held to account for perceived negligence.



Figure 2. Deepwater Horizon Oil Spill
Photo taken June 22, 2010. Photo courtesy Dr. Oscar Garcia / Florida State University. <https://www.flickr.com/photos/skytruth/4733161251>
<https://creativecommons.org/licenses/by-nc-sa/2.0/>

Accounting for sustainability at a consumer level brings in the discussion of greenwashing. Particularly prevalent in consumer markets, the practice of greenwashing is one where claims for a particular outcome or process usually linked to ecological sustainability are not borne out by actual performance. Greenwashing may be used to gain market share but when organizations promoting greenwashing claims are ‘caught up’ in their false claims, the backlash or accounting for bad practices expected by society can cause financial stresses. For example, consider the backlash from the information in the late 1990’s that Nike factories in Southeast Asia used child labour as opposed to the positive branding that was promoted at that time by Nike; or the more recent MetoWe backlash on its claims of doing social good, signals to stakeholders in particular and to society in general, that the organization in question needs to be punished or account for its misleading claims.

Accounting from a social viewpoint is fraught with ethical and moral dilemmas. From the Canadian perspective, accountability for colonialism and unfair and illegal treatment of indigenous peoples (First Nations, Inuit, and Metis) resulted in the Truth and Reconciliation Commission and a set of recommendations ((8); see Figure 3 – more information can be obtained through <https://nctr.ca/about/history-of-the-trc/trc-website/>). There are continuing calls for accountability from authorities and judicial bodies for continuing instances of discrimination and wilful neglect in situations such as cases of missing indigenous women; neglect of infrastructure requirements

(potable water for example); and a requirement for greater stakeholder involvement in the negotiation of land passages for pipelines and extractive industries. The discussions around acts of inhumanity and abuse at former residential schools continues to require a variety of stakeholders and administrators of these institutions to account for their actions to the people they were meant to serve. Although current Canadian society is viewed as tolerant and accepting of societal multicultural viewpoints, the historical and colonial heritage requires the accounting for past actions. The power to exercise accountability is then wielded through stakeholder activism and subsequent media visibility.



Figure 3. Truth and Reconciliation Commission of Canada. https://commons.wikimedia.org/wiki/File:TRC_Canada_Logo.svg Truth and Reconciliation Commission of Canada, Public domain, via Wikimedia Commons

Finally, accountability as a backward looking process can be powerful but it should also be considered as a forward looking mechanism. Organizational and individual behaviour can be modified using ethical and moral aspirational goals such as the United Nations Sustainable Development agenda. Returning to the nudging principles described by Nobel-winning economist Richard Thaler, the UN SDGs can be used as behavioural nudging instruments to encourage responsible management of organizations through processes encompassing all aspects of sustainability and CSR.

It is fitting that when viewing accountability, nudging towards principles in alignment with CSR and sustainability will help minimize the need to force individuals and organizations to account for misbehaviours and instead lead them to report positively on their actions. This will be the topic for the next chapter.

Key Takeaways

Your key takeaways may be:

- that accountability is not just a responsibility but a need for organizations;
- that accountability continues to be an issue that affects organizations of all types.

If you are interested in reading about accountability processes, read Brandsma & Schillemans (2012):

Brandsma, G. J., & Schillemans, T. (2012). The Accountability Cube: Measuring Accountability. *Journal of Public Administration Research and Theory*, 23(4), 953–975. <https://doi.org/10.1093/jopart/mus034>

In the context of sustainability, investors value the information that firms provide to account for their actions as described by Hawn et al. (2018):

Hawn, O., Chatterji, A. K., & Mitchell, W. (2018). Do investors actually value sustainability? New evidence from investor reactions to the Dow Jones Sustainability Index (DJSI). *Strategic Management Journal*, 39(4), 949–976. <https://doi.org/10.1002/smj.2752>

It is interesting to also read an Accounting Manifesto from several very prominent authors discussing the need for wider more inclusive perspectives on the practice of accounting itself:

Alawattage, C., Arjaliès, D. L., Barrett, M., Bernard, J., de Castro Casa Nova, S. P., Cho, C. H., Cooper, C., Denedo, M., D'Astros, C. D., Evans, R., Ejiogu, A., Frieden, L., Ghio, A., McGuigan, N., Luo, Y., Pimentel, E., Powell, L., Pérez, P. A. N., Quattrone, P., ... Sorola, M. (2021). Opening accounting: a Manifesto. In *Accounting Forum*, 45(3), 227–246 <https://doi.org/10.1080/01559982.2021.1952685>

Whilst Cho (2020) gives an interesting perspective on the current discussion on CSR accounting:

Cho, C. H. (2020). CSR accounting 'new wave' researchers: 'step up to the plate'... or 'stay out of the game.' *Journal of Accounting and Management Information Systems*, 19(4). <https://doi.org/10.24818/jamis.2020.04001>

Finally, accountability means that you are accountable via the way you report on your actions. Chatterji and colleagues (2018) discuss the use of social ratings on the measurement of CSR outcomes:

Chatterji, A. K., Levine, D. I., & Toffel, M. W. (2009). How Well Do Social Ratings Actually Measure Corporate Social Responsibility? *Journal of Economics & Management Strategy*, 18(1), 125–169. <https://doi.org/10.1111/j.1530-9134.2009.00210.x>

Reflective Questions

Take some time to reflect on how you would answer the following questions:

1. At a broad level, what is meant by the term “accountability”
2. What is meant by the term “greenwashing”?

3. Why would organizations want to engage with greenwashing and what problems might this pose?
4. How do aspirational goals such as the UN SDGs seek to promote accountability?
5. What is the nudging principle and how does it seek to promote accountability?

References used in the text – you are encouraged to consult these references through your institutional library services or through the internet

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Chapter 8 - Standards and Norms

“When sustainability is viewed as being a matter of survival for your business, I believe you can create massive change.” – Cameron Sinclair, architect and CEO of the Worldchanging Institute.

“Businesses must reconnect company success with social progress. Shared value is not social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success. It is not on the margin of what companies do but at the center. We believe that it can give rise to the next major transformation of business thinking.” (Michael Porter)

Learning Objectives

In this chapter you will accomplish the following learning objectives:

- You will understand the importance of standards and norms in reinforcing responsible management (RM)
- You will understand the linkages between reporting and good governance as part of the principles of RM

Example: Canadian CEOs out of step with stakeholders on ESG goals

By Erica Barbosa and Brian Gallant July 13, 2021

Source: <https://quoimedia.com/canadian-ceos-out-of-step-with-stakeholders-on-environmental-social-and-governance-esg-goals/>

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The pandemic has heightened awareness that continuing crises around climate, inequality and social cohesion are interconnected and must be addressed collectively. Economic thinkers from Mariana Mazzucato to Mark Carney agree that capitalism can no longer leave its negative impacts for government and philanthropy to solve.

The need to alter the economy's trajectory toward an inclusive, equitable and sustainable future is behind escalating interest in environmental, social and governance (ESG) investing and reporting. To safeguard our collective future, corporate Canada needs to collaborate with community and public sectors to reshape markets in the public interest.

In a recent federal government report entitled, *The Future of Business in Society*, Coro Strandberg, co-founder of the United Way Social Purpose Institute (SPI), writes, “All signs point to successful businesses embrac[ing] a stronger role in creating value not just for themselves and their shareholders, but also for society and stakeholders [so that] nature is replenished and people and communities thrive.” While the conventional role of

the United Way is to channel donations from companies to community organizations, the SPI offers assistance in the other direction – helping companies embed social values in their governance, business practices and reporting.

Too few of Canada's corporate CEOs are paying attention. Fewer than half of those responding to the 2021 PwC CEO survey plan to spend more on ESG issues over the next three years. Over two thirds have yet to factor climate change into their risk management strategies.

Of 3000 Canadians surveyed by the Canadian Centre for the Purpose of the Corporation, 85 percent agreed business should put shareholder interests on par with those of communities, employees, customers and the environment. Further, 75 per cent want capitalism reformed to be more inclusive, sustainable and fairer – or be replaced.

ESG criteria provide starting points for this shift, but mere risk management is not enough. Allyson Hewitt, who coordinates the Business for Purpose Network at MaRS Discovery District told us, “The key is to define a company's social purpose, align ESG activities around it, and engage with government and community partners around bold goals.”

The 17 UN Sustainable Development Goals (SDGs) outline a scientifically validated and widely endorsed set of bold goals for humanity. In many countries, they're shaping public policy, investment and civic engagement in systemic change – but not yet in Canada.

According to John McArthur, Director of the Centre for Sustainable Development at the Brookings Institution and an authority on SDGs, Canada is struggling to gain traction on many SDGs: “The country's corporate leaders need to play a much bigger role in helping to drive change,” he told us. Canada needs a corporate or tri-sector council on SDG implementation.

But not all CEOs are out of step; some are leading the way:

Advancing economic reconciliation

Reconciliation with Indigenous peoples includes making amends for the withdrawal of economic rights under the Indian Act. In cooperation with non-profit SHARE (Shareholder Research for Research and Education), the National Aboriginal Trust Officers Association and the Atkinson Foundation, TMX Group – which owns the Toronto Stock Exchange – has made a landmark commitment to this issue. Working with the Canadian Council on Aboriginal Business, TMX will set new targets around board and employee diversity and augment efforts to raise capital for Indigenous businesses.

Investing in employee equity

Non-profit Social Capital Partners (SCP) recently enabled 1200 employees of the US Taylor Guitar Company to purchase the company, in a \$100 million ESOP (Employee Share Ownership Plan) deal financed by the Healthcare of Ontario Pension Plan. As SCP founder Bill Young told us: “ESOPs enable wage earners to build equity and help ensure that good jobs stay in communities. Given how ESOPs have flourished in the UK and the US, their potential in Canada is enormous.”

Co-creating systemic change

The Transition Accelerator is a charity that creates values-based consortia to decarbonize Canada's economy in the energy, transportation and building sectors. It does so by convening academics with businesses, communities and governments. CEO Dan Wicklum told us, “Centering social values in Canada's transition to net zero is in the best interests of society. This in turn requires collaborative investment by philanthropy, the public sector, corporate finance and capital markets.”

We can and must do better. An economy that works for all and for future generations is within reach, if only the private sector works with community and public sector stakeholders to build it.

Reporting that you do what you have planned to do and that you plan what you will report, indicates a strong sense of governance for an organization. In the corporate world and in the not-for-profit world governance is critical towards achievement of strategic objectives. The article in the example pulled from various sectors mechanisms for reporting on what you do which is an important element of corporate governance.

What is commonly known as corporate governance could just as well be applied to organizational governance. It is that level of management that interfaces between its individual agents and stakeholders. It may be the top level management staff, the board of directors, or the principal or managing directors of an organization. Visser (1) in his CSR 2.0 book claims that sustainability and accountability are at the heart of corporate governance.

In effect, two of the key elements for effective governance are the transparency that is communicated and the accountability of the governance layer to its shareholders. To enable transparency and accountability within our societal context implies the use of reporting mechanisms. These mechanisms may be voluntary or regulated. For example, the UN Sustainable Development agenda has 232 indicators that are measured and reported back by national institutions to the supra-national statistical entities of the UN which then enables a fulsome measurement of the efficacy of the UN SDGs. These reports may or may not form part of national legal reporting requirements.

Of increasing interest are integrated reporting requirements emanating from financial market regulators. These reports increasingly require the explicit description of a company's actions along the environmental (E), societal (S), and governance (G) dimensions of their performance. These ESG reports form an important component of the information disclosed to investors and signal an institutional compliance by organizations to increasing societal compliance to a triple bottom line perspective.

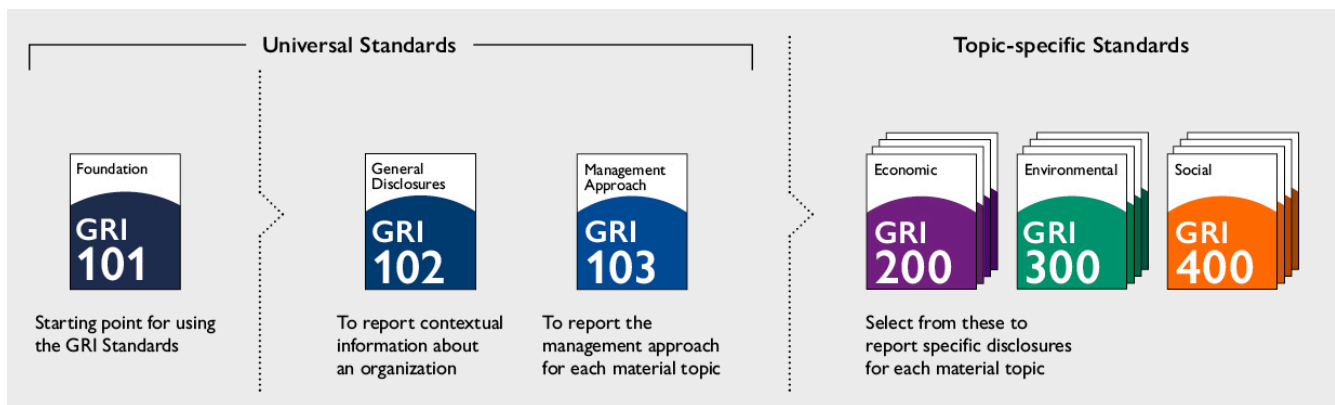


Figure 1. GRI Standards. https://commons.wikimedia.org/wiki/File:Schema_degli_Standards_GRI.png
Cash596, CC BY-SA 4.0, via Wikimedia Commons

In the US, regulatory requirements from the SEC require a materiality risk assessments in the annual reports. In addition, Canadian reporting follows the guidance of the Accounting Standards Board (AcSB) and may adopt IFRS © standards for reporting as appropriate. On a global basis, the Global Sustainability Standards Board (GSSB) is responsible for developing the Global Reporting Initiative (GRI standards). The GRI provides standards related to transparency and accountability along ESG dimensions and provides common terminology and metrics to compare organizational performances (see Figure 1). It has been reported that most of the global top Fortune 250/500 companies in the world use GRI metrics to provide integrated reports of their activities or else specifically align their activities with UN SDGs. The International Integrated Reporting Council (IIRC) has also published a framework detailing how to structure financial and ESG metrics (first published in 2013, it was updated in 2021 and can be obtained by accessing <https://www.integratedreporting.org/resource/international-ir-framework/>).

Judy Kuszewski is Chair of the Global Sustainability Standards Board (GSSB), the independent entity that sets the GRI Standards. She said about the new GRI 13 standard:

It's clear that 'business as usual' by companies will not result in the sustainability transformation we need to see. Shining the spotlight on the most significant impacts of organizations involved in crop cultivation, animal production, fishing or aquaculture, GRI 13 brings the clarity and consistency needed to inform responsible decision making. (<https://www.globalreporting.org/news/news-center/advancing-sustainable-production-on-land-and-sea/>)

The Canadian government provides a guide through its Government of Canada website that details reporting guidelines for any business involved in CSR. It can be accessed through this link: (https://www.ic.gc.ca/eic/site/csr-rse.nsf/eng/h_rs00599.html#s3.3.4). Pay particular attention to sections 3.3 and 3.4 of this guide as it outlines prescriptively, CSR reporting and its relationship with legal constraints.

Finally, the use of standards and norms form a critical aspect of reporting and ultimately the transparency and accountability of the organization.

Standards are driven by stakeholder needs and often result in institutional isomorphism in the way electrical installations are done, construction is assembled, trade is conducted, goods are manufactured, and even guide the professionals like engineers, accountants, and medical practitioners. When standards are legislated, then accountability to the standards is expected as a legal requirement whereas when they are voluntary, stakeholders may be expecting compliance or at least reporting to those standards. There are even standards designed to integrate CSR into an organization such as ISO-26000. Waddock (2) discussed the institutionalization of various standards and norms into organizations. Integrated reporting mechanisms are also guided by standards whether voluntary or legislated to inform stakeholders and signal organizational sustainability and CSR initiatives.

As transparency and accountability are the key concepts to reporting frameworks, it is wise to reflect on the type of organizations that one belongs to and the regulatory or voluntary requirements that need to be complied with in order to achieve societal acceptance and to signal a commitment to responsible management, CSR and sustainability.

Key Takeaways

Your key takeaways may be that:

- Standards and norms whether regulated or voluntary are important elements in the reporting of sustainability and CSR; in effect showing the outcomes and guiding the process of responsible management;
- Second, that corporate governance is guided by accountability and transparency so that all stakeholders feel engaged in the organizational purpose and drive towards sustainability.

There are so many directions that can be taken in this chapter.

For those with an accounting and finance focus, you may be interested in reading Zadek (1998) and his article on balancing business ethics and accountability or Milne and Gray (2013) in their linking of the triple bottom line with the GRI and sustainability reporting;

Zadek, S. (1998). Balancing Performance, Ethics, and Accountability. *Journal of Business Ethics*, 17(13), 1421–1442. http://resolver.scholarsportal.info/resolve/01674544/v17i0013/1421_bpeaa

Milne, M. J., & Gray, R. (2013). W(h)ither Ecology? The Triple Bottom Line, the Global Reporting Initiative, and Corporate Sustainability Reporting. *Journal of Business Ethics*, 118(1), 13–29. <https://doi.org/10.1007/s10551-012-1543-8>

Those who are interested in the Canadian perspective with respect to disclosure, should read Dilling and Harris (2018) as they explored financial and sustainability reports by Canadian companies:

Dilling, P. F. A., & Harris, P. (2018). Reporting on long-term value creation by Canadian companies: A longitudinal assessment. *Journal of Cleaner Production*. <https://doi.org/10.1016/j.jclepro.2018.03.286>

Adopting the SDGs is the theme of a fascinating article by Rosati and Faria (2019) and a variety of institutional norms, standards and guidelines is discussed by Waddock (2008):

Rosati, F., & Faria, L. G. D. (2019). Business contribution to the Sustainable Development Agenda: Organizational factors related to early adoption of SDG reporting. *Corporate Social Responsibility and Environmental Management*, 26(3), 588–597. <https://doi.org/10.1002/csr.1705>

Waddock, S. (2008). Building a New Institutional Infrastructure for Corporate Responsibility. *Academy of Management Perspectives*, 22(3), 87–108. <https://doi.org/10.5465/AMP.2008.34587997>

A critical view of sustainability disclosure and a possible theoretical lens to see how organizations are constrained by societal viewpoints is described by Cho and colleagues (2015):

Cho, C. H., Laine, M., Roberts, R. W., & Rodrigue, M. (2015). Organized hypocrisy, organizational façades, and sustainability reporting. *Accounting, Organizations and Society*, 40, 78–94. <https://doi.org/10.1016/j.aos.2014.12.003>

As a bridge to sustainable development, Gulluscio et al. (2020) and Gray (2006) provide an excellent literature review of the accounting literature around sustainability and climate change:

Gulluscio, C., Puntillo, P., Luciani, V., & Huisinigh, D. (2020). Climate change accounting and reporting: A systematic literature review. In *Sustainability (Switzerland)* (Vol. 12, Issue 13). MDPI. <https://doi.org/10.3390/su12135455>

Gray, R. (2006). Social, environmental and sustainability reporting and organisational value creation? Whose value? Whose creation?. *Accounting, Auditing & Accountability Journal*.

Reflective Questions

Take some time to reflect on how you would answer the following questions:

1. What are two of the key elements for effective governance?
2. How is transparency and accountability enabled?
3. What are the different dimensions of integrated reporting that are important for organizations to report on and disclose

References used in the text – you are encouraged to consult these references through your institutional library services or through the internet

(1) Visser, W. (2011). The Ages and Stages of CSR: Towards the Future with CSR 2.0, Social Space 2011.

(2) Waddock, S. (2008). Building a New Institutional Infrastructure for Corporate Responsibility. *Academy of Management Perspectives*, 22(3), 87–108. <https://doi.org/10.5465/AMP.2008.34587997>

PART IV

SUSTAINABILITY AND SUSTAINABLE DEVELOPMENT

*If you look at a map of the national and
provincial parks of Canada,
you will see a pattern of tiny islands
of green against a vast expanse of grey.
If we are to get to a sustainable way of life,
we need to invert the diagram.*

-Bruce Mau (p. 111)

*I have heard it said
that we treat our natural world
– our lands and our rivers, lakes, and oceans
– as both a pantry and a toilet.
We rely on them for our sustenance,
and we use them as our garbage dump.
That way of living, that stupidity,
has to become a relic of ignorance.*

-Bruce Mau (p. 113)

From *Awakening/Eveil*, published by the Office of the Lieutenant Governor of Ontario, 2018.

Chapter 9 - Sustainable Development

“We are living on this planet as if we had another one to go to.”

– Terry Swearingen, Nurse & Winner of Goldman Environmental Prize in 1997

“Our biggest challenge in this new century is to take an idea that seems abstract – sustainable development – and turn it into a reality for all the world’s people”

– Kofi Annan – Former secretary general of the United Nations

Learning Objectives

In this chapter you will accomplish the following learning objectives:

- You will understand principles of sustainability as applied to responsible management
- You will integrate various concepts of sustainability including conceptions with indigenous considerations, and global framing of sustainability challenges

Example: Trade agreements must be climate-focused, new IPCC report shows – Governments need to repair the incoherence between climate objectives and the emissions-intensive trajectory of the global economy

By: Sabaa Khan February 28, 2022

Source: <https://policyoptions.irpp.org/magazines/february-2022/trade-agreements-climate-action/>

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The latest Intergovernmental Panel on Climate Change (IPCC) report gives more stark evidence that ecosystems and human societies are on the brink of collapse, and that our efforts to adapt have been no better than efforts to mitigate the crisis.

The cascading impacts of an overheating climate will especially affect the most vulnerable — people already suffering extensive loss and damage. The persistence of global inequalities in socioeconomic development will lead to millions more people facing energy, food and water insecurity.

The recent report, Impacts, Adaptation and Vulnerability, calls for transformational change in the way we produce and consume, and points to the dire need for governments to invest more in adaptation. But domestic and international climate policy alone can’t solve this problem. Governments need to acknowledge the profound impact of their trade and investment policies on climate change, and reverse longstanding patterns of

deep incoherence between our climate policy objectives and the emissions-intensive trajectories of the global economy.

This is the second of three working group reports, which along with three special reports and a synthesis report make up the IPCC's Sixth Assessment (AR6). The first, released in August 2021, assessed the physical science, showing climate change is widespread, rapid and intensifying. The third, expected in March, will focus on climate change mitigation.

The latest report signals that behavioural changes are required throughout society — from individuals and communities, to institutions and governments. But it's clear that, above all, governments must assume with far greater urgency their shared responsibility to set the parameters of the global economy to enable everyone to adopt more climate-sensitive lifestyles and ensure global inequalities don't worsen.

As one of the largest per capita greenhouse gas emitters and exporters of coal, oil and gas, Canada has a major role to play. The report should motivate government to enhance the international co-operative dimensions of its National Adaptation Strategy to assume its fair contribution to international climate finance and, most importantly, to mobilize its trade and investment policies as real vectors for climate action.

Although multilateral and bilateral agreements for sustainable trade and investment are key to changing global industrial production and consumption patterns, trade wasn't a major topic at the 2021 COP26 climate summit in Glasgow. But commitments made by Canada and others, including those aimed at halting deforestation and ending international fossil fuel project financing, have clear links to trade and investment policy.

Just a few days after COP26, Canada and the member states of the Association of Southeast Asian Nations (ASEAN) announced negotiations for a comprehensive free trade agreement. While these could be an opportunity to create trade rules and practices aligned with international and domestic climate policy objectives, climate change wasn't mentioned in the international trade minister's notice of intent to enter negotiations. The minister's mandate letter incorporates expectations linked to advancing Canada's climate change commitments, but it doesn't include any explicit references to climate change regarding free trade opportunities.

A joint economic analysis by the trading partners projected that a trade deal with ASEAN could increase Canada's GDP by US\$2.54 billion, but it offers little insight into how the projected growth relates to and may negatively affect the climate, nature and pollution crises.

In light of the recent IPCC reports, Canada's so-called progressive approach to free trade negotiations is outdated and risks exacerbating the climate crisis. Canada should follow the transformative lead of New Zealand, Costa Rica, Fiji, Iceland, Norway and Switzerland: In 2019, they started negotiating an Agreement on Climate Change, Trade and Sustainability, intended to bring together climate, trade and sustainable development agendas.

The ACCTS negotiations cover removal of barriers to environmental goods, binding commitments on environmental services, efforts to eliminate fossil fuel subsidies and guidelines for high-integrity eco-labels. Canada should draw on this innovative approach and reorient its trade policy agenda to centralize the economic, social and environmental threat of the climate crisis. To ensure that greening trade policy doesn't impact poor countries, it must also incorporate rules to promote transfer of sustainable technologies and increase access to intellectual property.

In the face of an existential threat, there's no room for 20th-century approaches to international trade. As a globally interconnected society, transnational partnerships and global solidarity are key. We need a vastly

different kind of economic globalization, an overhaul of the fundamental principles that underlie our commercial relations, including abandoning investor-state dispute settlement processes.

International trade was promoted after the Second World War under the belief that greater economic interdependence would reduce protectionism and war, and foster peace and prosperity. Sadly, the way we've liberalized trade has increased health inequities in the globalized workforce and worsened the climate, nature and pollution crises. Exploitation-based growth has fuelled global conflict and inequalities. We must act now to avoid history repeating itself.

Responsible management integrates concepts of sustainability into its principles. The IPCC report described in the example above is an outcome of global concern with the state of our climate which is the result of sustainability efforts (or lack of them) by global human society.

Remember that words and terms used in the sustainability literature have roots that may impart meaning a multitude of meanings. However, our social constructivist approach to responsible management means that we need to consider the meaning of sustainability within today's context and its relevance to societal thinking. In this chapter we look at the environmental considerations relating to sustainability with the constant awareness that responsible management holistically integrates principles covered in corporate social responsibility, in ecological sustainability, and social purpose actions. We will start with a broad view of our impact on the planet's ecology, discuss the reports underpinning our awareness of our own anthropogenic impacts, and drill down to collective considerations often found through indigenous considerations and our own individual considerations.

It is widely reported that we have reached the Anthropocene age where our human actions (or inactions) create permanent change to the planet ecology. In the past 100 years, human activity along industrial, agricultural and societal dimensions have impacted the complex environment and relationships of the globe to a point that threatens its resiliency (1)(2).

In the colonial viewpoint, human economic development is a zero-sum contest when contrasted to ecological considerations (3). Human activities in this context used resources extracted in some way from the planet to better the well being of society. It is debatable as to when this activity materially impacted the earth, but one could consider the example of the tragedy of the commons (4) where mono-agricultural and farming activities exhausted the local availability of certain foodcrops and denuded landscapes to benefit the farming of sheep. As an isolated incident in the geologic timescale of the earth's development, the tragedy of the commons could have been healed over the long term through natural forces. However, the struggle to gain greater resources and human ingenuity accelerated the need for more planetary resources to the point where the transition from an agrarian economy exploded into the industrial revolution – the 'discovery' of

new worlds by Western colonials, and possibly worst of all, the subjugation of local indigenous societies by these colonials in their effort to acquire more resources and 'riches' for themselves.

It is argued that in the past 100 years, more damage has been done to the planet than in the previous 200,000 years of human evolution. Part of human evolution includes the globalization of communication and the increasing awareness of our impact on the planet. It could be argued that the severity of our impact was brought to light most universally when nations realized that we were actually creating holes in our ozone layer due to our polluting air-borne fluorohydrocarbons. Global conferences generated agreements such as the Montreal Protocol in 1987 to address ozone depletion, the Rio Agenda 21 of 1992 to address sustainable development which included environmental concerns, the Kyoto Protocol of 1997 to rein in and provide regulatory constraints on greenhouse gas emissions, and various global conferences to address what we view as an existential crisis to human survival (more about these Conferences of Parties – COP later).

In the same time frame, the United Nations, commissioned a report by the Brundtland Commission into sustainable development which resulted in an oft-quoted definition of sustainable development as development “that meets the needs of the present without compromising the ability of future generations to meet their own needs” (5). At the Rio Conference in 1992, nations discussed and agreed to efforts in promoting goals that would remedy economic and social disparities along with what was becoming viewed as environmental challenges and promoted this Agenda. In 1997, Secretary General Kofi Annan led a Millennium Assembly towards reforming the UN mission towards environmental and societal positive changes resulting in the Millennium Goals in 2001. These goals as described in the list below address human needs (goal 1, 4, 6), societal needs (goals 2, 3, 5), environmental needs (goal 7) and partnerships towards economic development (goal 8). Hulme and Scott (6) provide a summary of the development of the Millennium Development goals and how their lack of specificity made them difficult to assess their success. The full list of Millennium Development Goals can be seen below and more information can be found at (<https://www.un.org/millenniumgoals/>).

The 8 Millennium Development Goals are to:

1. Eradicate Extreme Poverty and Hunger
2. Achieve Universal Primary Education
3. Promote Gender Equality and Empower Women
4. Reduce Child Mortality
5. Improve Maternal Health
6. Combat HIV/AIDS, Malaria and Other Diseases
7. Ensure Environmental Sustainability
8. Global Partnership for Development

Through the experiences of the Millenium Goals, the UN with the guidance of Secretary-General Ban Ki-moon created working groups to improve the effectiveness of the goals and to provide measurable indicators towards their achievement. This resulted in the UN Sustainable Development Agenda 2030 which was composed of 17 Sustainable Development Goals (see Figure 1) described through 169 targets and over 232 measurable indicators. These SDGs were meant to act as supra-national objectives that would be monitored by national governments to be reported back to the UN on a yearly basis. The responsibility for achieving the goals was not defined to any single entity but instead was a collective 'task' which resulted in activist organizations putting pressures on institutions and corporations, on standard setting organizations providing guidances, norms and standards to voluntarily or regulatorily control the achievement of the goals – enforcing principles of transparency and accountability.



Figure 1. Sustainable Development Goals. <https://www.un.org/sustainabledevelopment/news/communications-material/>

In a more existential vein as described by this chapter's example the UN also has a working group, the Intergovernmental Panel on Climate Change (IPCC), that was tasked with reviewing and

sharing knowledge about climate change resulting from human impact. They provide scientific documenting of the state of the planet. Since 1988, the IPCC has released periodic reports that have been the guiding documents for UN Conference of the Parties (COP) meetings dealing with environmental concerns and climate change. The COP 21 conference in Paris in 2015 was famous for its global unanimity in agreeing to address climate issues by commitments by all participating nations to restrict their carbon equivalent emissions and restrict global warming to an average of less than 2 C by the mid 21st century. The IPCC report of 2022 and the COP26 conference in Glasgow however recognized that this target may not be achieved which resulted in stakeholder activism and demonstrations across the globe. This IPCC report, the Sixth Assessment Report of the IPCC can be accessed through (<https://www.ipcc.ch/report/ar6/wg2/>) in a variety of formats. Some of the key points described in the summary for policy makers are (note that the summary report is over 40 pages long and so only a few of the key points are listed below):

- that climate change has caused drastic impact on ecosystems globally with disproportionate impact on indigenous communities world wide,
- that advances to meet the SDGs are negatively impacted by the severity of climate change outcomes,
- that in the short to mid term (2021-2040) and in the mid to long term (2040-2100), climate change due to increases of 1.5C or higher will increase risks to biodiversity, natural resource availability, and human socio-economic conditions,

However, the IPCC also suggests that:

- adaptation options are possible and that current societal awareness and actions by most countries (“at least 170 countries”) has resulted in policy changes and adaptation policies,
- that multi-sectoral adaptations and conservation measures can be effective in reducing risks,
- but that increasing global warming outcomes may constrain human and natural system adaptation unless institutional and political mobilization of resources are used to increase resilience and improve sustainability.

Throughout this increasing awareness of ecological impact by neo-colonial powers and by emerging nations, there has been a growing awareness of the holistic perspectives of indigenous peoples when it came to sustainability. Although, there are always exceptions to this consideration, it is believed that most indigenous peoples that were colonized or are undergoing colonization, lived traditions that were more in harmony with the planet than current traditions.

Kealiikanakaoleohaililani and Giardina (7) describe foundations of indigenous sustainability as part of the relationship and sacred exchanges that happen between human and natural resources. In South America, for example among the indigenous peoples of Peru, their activism has conceptualized them as environmental stewards particularly in the Amazonian jungle where

territorial rights are in danger (8). Quechuan culture in the Andes, also promotes a framework of relationship with nature. There is a term for the earth which implies a maternal relationship with it – Pachamama; and a thankfulness for its abundance in providing food for its carers. Some of the earliest peoples in Peru practiced sustainable agriculture that leveraged the cultivation of crops along elevations and conditions in traditional ways considered as subsistence farming by neocolonials but that is holistic and integrated with a deep respect for nature and the earth (9).

In North America, the indigenous peoples and their way of synergistically relating to Turtle Island (as the North American continent is known by many peoples) and our awareness of this relationship has led to conflicts, reconciliations, and further conflicts into an awareness of other ways of dealing with the land than in a purely one-way manner or zero sum manner. If you are interested in this perspective, there are a variety of indigenous authors who can provide insights from the ecological viewpoint (*Braiding Sweetgrass* by Robin Wall Kimmerer) or a societal viewpoint documenting the sundering of this relationship and struggles to re-establish it (*Five Little Indians* by Michelle Good). As in all societal groups, there are a multiplicity of views regarding sustainability when balanced with economic or health-related well-being. For example, some of the clearest examples are the discussions and challenges when dealing with extractive industries where some indigenous peoples will accept or reject certain capital developments along a spectrum of reasons ranging from traditional to pragmatic economics (for an example of this difference in perspectives read about the conflict with the Coastal GasLink pipeline in Wet'suwet'en territory in Western Canada by accessing CBC News at <https://www.cbc.ca/news/indigenous/wet-suwet-en-coastal-gaslink-pipeline-1.5448363>).

In our next chapter, we will further explore sustainable development with a focus on human organizations and from the social aspect of this definition.

Key Takeaways

Your key takeaways may be that:

- environmental sustainability is interlinked with a global complex adaptive system that is framed by our responsible management of societal and natural resources
- second, that supra-national efforts and initiatives exist but can only be implemented through activism at various levels of operationalization.

If you are interested in the transition from the Millennium Goals to the SDGs, you may want to read Sachs (2012) in:

Sachs, J. D. (2012). From Millennium Development Goals to Sustainable Development Goals. *The Lancet*, 379(9832), 2206–2211. [https://doi.org/10.1016/S0140-6736\(12\)60685-0](https://doi.org/10.1016/S0140-6736(12)60685-0)

You are encouraged to read the impact of the Anthropocene age as related in this invited paper by Steffen et al. (2011):

Steffen, W., Persson, Å., Deutsch, L., Zalasiewicz, J., Williams, M., Richardson, K., Crumley, C., Crutzen, P., Folke, C., Gordon, L., Molina, M., Ramanathan, V., Rockström, J., Scheffer, M., Schellnhuber, H. J., & Svedin, U. (2011). The Anthropocene: From Global Change to Planetary Stewardship. *AMBIO*, 40(7), 739–761. <https://doi.org/10.1007/s13280-011-0185-x>

The ‘tragedy of the commons’ from a sustainable development viewpoint can be viewed as one of three game theories in addressing sustainable development as described by Lozano (2007) [the other two scenarios are the ‘prisoner’s dilemma’ and the ‘Nash equilibrium’]:

Lozano, R. (2007). Collaboration as a pathway for sustainability. *Sustainable Development*, 15(6), 370–381. <https://doi.org/10.1002/sd.322>

From an economically based institutional perspective, Daddi et al. (2020) describe how companies adopt climate actions based on institutional pressures:

Daddi, T., Bleischwitz, R., Todaro, N. M., Gusmerotti, N. M., & de Giacomo, M. R. (2020). The influence of institutional pressures on climate mitigation and adaptation strategies. *Journal of Cleaner Production*, 244. <https://doi.org/10.1016/j.jclepro.2019.118879>

Finally, from a mindset of flourishing and promoting positivity with sustainability Cooperrider and Fry (2012) provide an introductory chapter to a special issue on sustainable enterprises (<https://www.jstor.org/stable/jcorpciti.issue-46>):

Cooperrider, D., & Fry, R. (2012). Mirror Flourishing and the positive psychology of sustainability+, *The Journal of Corporate Citizenship*, 46 (Summer), 3–12

Reflective Questions

Take some time to reflect on how you would answer the following questions:

1. Identify the main consequences stemming from the transition of an agrarian economy to the industrial revolution.
2. The responsibility of achieving the SDGs is not placed on any single entity and the methods to achieve the goals remains open. Reflect on how this can be seen as both advantageous and a hindrance for achieving the goals.
3. Review the summary report for IPCC 2022. List some of the key conclusions of the report and what should society do to accomplish what is needed to avoid a global climate catastrophe.

4. Identify and reflect on some of the holistic perspectives of indigenous peoples as it relates to sustainability.

References used in the text – you are encouraged to consult these references through your institutional library services or through the internet

- (1) Steffen, W., Persson, Å., Deutsch, L., Zalasiewicz, J., Williams, M., Richardson, K., Crumley, C., Crutzen, P., Folke, C., Gordon, L., Molina, M., Ramanathan, V., Rockström, J., Scheffer, M., Schellnhuber, H. J., & Svedin, U. (2011). The Anthropocene: From Global Change to Planetary Stewardship. *AMBIO*, 40(7), 739–761. <https://doi.org/10.1007/s13280-011-0185-x>
- (2) Steffen, W., Crutzen, P. J., & McNeill, J. R. (2007). The Anthropocene: Are Humans Now Overwhelming the Great Forces of Nature. *AMBIO: A Journal of the Human Environment*, 36(8), 614–621. [https://doi.org/10.1579/0044-7447\(2007\)36\[614:TAAHNO\]2.0.CO;2](https://doi.org/10.1579/0044-7447(2007)36[614:TAAHNO]2.0.CO;2)
- (3) Parks, B. C., & Roberts, J. T. (2010). Climate Change, Social Theory and Justice. *Theory, Culture & Society*, 27(2–3), 134–166. <https://doi.org/10.1177/0263276409359018>
- (4) Hardin, G. (2009). The Tragedy of the Commons *. *Journal of Natural Resources Policy Research*, 1(3), 243–253. <https://doi.org/10.1080/19390450903037302> [*Originally published in: *Science*, Vol. 162, No. 3859 (13 December 1968), pp. 1243–1248. Reproduced with kind permission of the American Association of the Advancement of Science]
- (5) Brundtland, G., Khalid, M., Agnelli, S., Al-Athel, S., Chidzero, B., Fadika, L., Hau, V., Lang, I., Shijun, M., Morino de Botero, M., Singh, M., Okita, S., and Others, A. (1987). Our Common Future ('Brundtland report'). Oxford Paperback Reference. Oxford University Press, USA.
- (6) Hulme, D., & Scott, J. (2010). The Political Economy of the MDGs: Retrospect and Prospect for the World's Biggest Promise. *New Political Economy*, 15(2), 293–306. <https://doi.org/10.1080/13563461003599301>
- (7) Kealiikanakaoleohaililani, K., & Giardina, C. P. (2016). Embracing the sacred: an indigenous framework for tomorrow's sustainability science. *Sustainability Science*, 11(1), 57–67.
- (8) Merino, R., & Gustafsson, M. T. (2021). Localizing the indigenous environmental steward norm: The making of conservation and territorial rights in Peru. *Environmental Science & Policy*, 124, 627–634.
- (9) Sumida Huaman, E. (2016). Tuki Ayllpanchik(our beautiful land): Indigenous ecology and farming

in the Peruvian highlands. *Cultural Studies of Science Education*, 11(4), 1135–1153. <https://doi.org/10.1007/s11422-014-9622-z>

Chapter 10 - Organizational constraints

“The basic building block of peace and security for all peoples is economic and social security, anchored in sustainable development. It is a key to all problems. Why? Because it allows us to address all the great issues-poverty, climate, environment and political stability-as parts of the whole.” (Ban Ki-moon)

Learning Objectives

In this chapter you will accomplish the following learning objectives:

- critically review organizational linkages and constraints through the lens of responsible management
- understand relationships to sustainability and CSR in the organizational literature

Example: Ottawa's new climate reporting requirement is good for business: Here are four ways it can help position firms for cleaner performance and competitiveness post-COVID-19, as part of the large employer loans program By: Stewart Elgie, Andrea Moffat June 5, 2020

Source: <https://policyoptions.irpp.org/magazines/june-2020/ottawas-new-climate-reporting-requirement-is-good-for-business/> This work is shared under a Creative Commons/No Derivatives licence <https://creativecommons.org/licenses/by-nd/4.0/>

In mid-May, the federal government announced a major program to help large companies address the economic impacts of the COVID-19 crisis. The Large Employer Emergency Financing Facility (LEEFF) will provide bridge loans to help companies address cash shortfalls due to the downturn. To access the program, companies must meet several requirements. One of them is to publish annual climate disclosure reports consistent with international standards, including how their future operations will contribute to achieving Canada's climate goals.

Having companies report climate progress and risk exposure is smart. Climate-related financial disclosures are a reporting technique companies use to identify and disclose the material risks posed by climate change to their operations. This information helps companies to plan investments that mitigate the risks posed by climate impacts on their operations, supply chains, products and strategy. It also helps investors, lenders and insurers understand the risks a business faces.

Climate reporting is becoming increasingly common; 79 percent of Canada's TSX-listed firms now provide some level of climate disclosures. Under the federal LEEFF program, firms' reporting must follow the

standards set by the Task Force for Climate-Related Financial Disclosure (TCFD) – a widely accepted international best practice that has been endorsed and adopted by over 1,000 global companies and investors with a combined market cap of US\$12 trillion.

Accessing LEEFF funding also requires companies to report on how their plans align with Canada's international climate commitments – to achieve a 30 percent reduction by 2030, and net-zero emissions by 2050. This is smart policy. It supports emission reductions, and helps Canadian businesses prepare for where the global economy is going. Most firms are already moving in this direction by boosting energy efficiency, shifting to renewable power, adopting cleaner technologies, and developing plans to succeed in the global transition to a low-carbon economy, which offers a \$26 trillion market opportunity across all sectors.

Some have taken issue with adding climate (and other) conditions to these federal loans, arguing that they should come with no strings attached. That is short-sighted. Responsible climate reporting and performance is increasingly becoming a requirement to secure investment, as evidenced by Blackrock, the Norwegian Pension Fund and many others who have recently announced they are divesting from high carbon businesses. To attract private capital, Canadian companies will need to meet the disclosure standards that most major investors are adopting.

Given that Canadian taxpayers are providing *public* money to support large businesses (as we should in this difficult time), it is smart and responsible to require those same world-class climate reporting standards. It is also entirely appropriate that those funds produce both private and public benefits – such as protecting workers' pensions, promoting equity (by avoiding executive bonuses), and preparing for a low carbon future.

Responsible management may be executed as a holistic operation by individuals in organizations and is thus contingent on the particular ethical lens of the decision-making individuals within the context of their environment. Chandler (1) prescribes the use of CSR filters in the operationalization of organizational strategies into tactics. These filters are analogous to mediums that transmit the desired products to the end user – think of the sieves that allow fine grains but retain the husk. With that image in mind, consider what parameter constrains the use of those filters and how that then shapes the direction and actions of the organization.

By reflecting on the pyramid of social responsibility (see Figure 1) and the discussions by Carroll (2) of the interactivity of its levels: one can consider the organizational constraints inherent in the levels of economic responsibilities, legal or regulatory responsibilities, ethical responsibilities and philanthropic responsibilities.

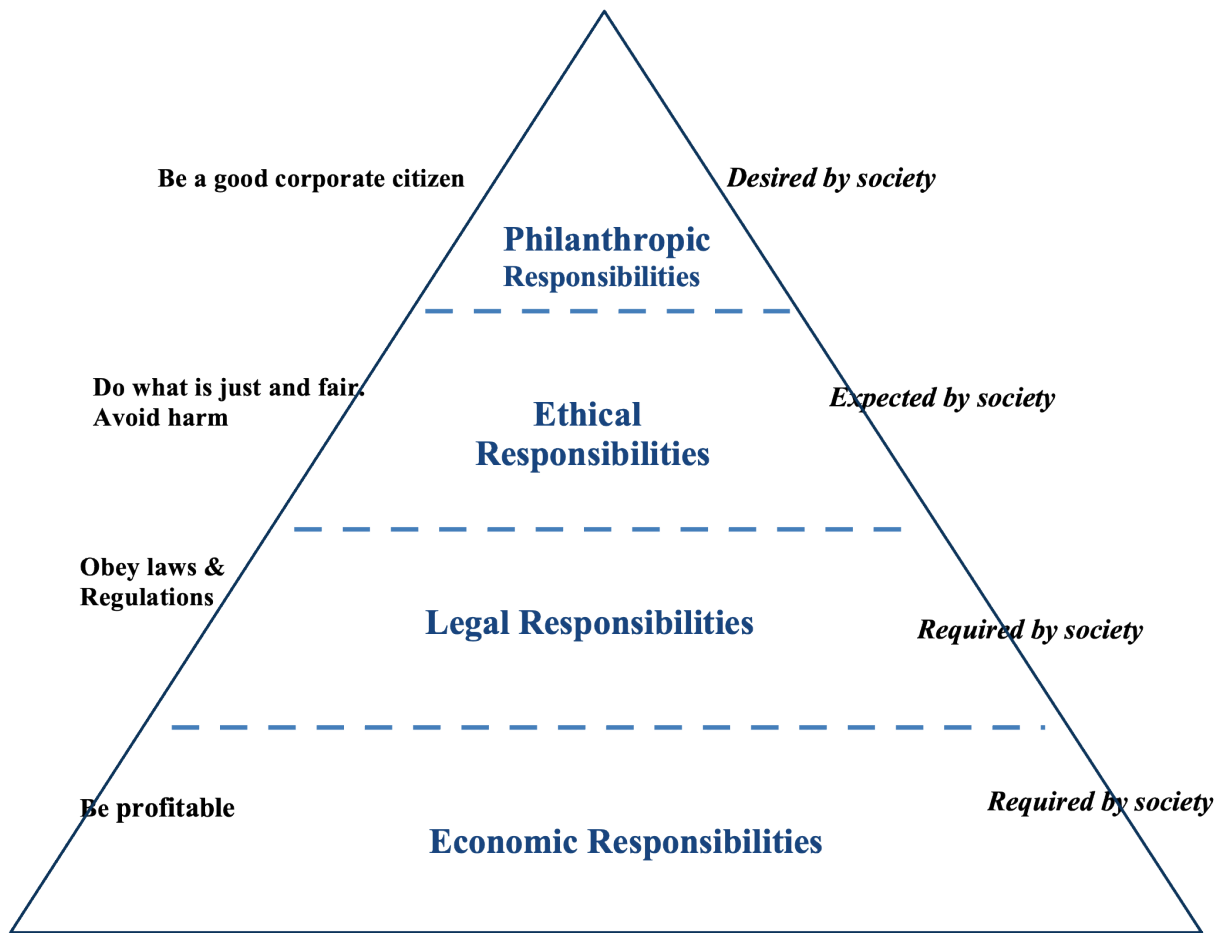


Figure 1. Pyramid of social responsibility- This image is reproduced from [CSR Pyramid. Carroll, A. B. (2016). Carroll's pyramid of CSR: taking another look. *International journal of corporate social responsibility*, 1(1), 1-8.] and used in accordance with the fair dealing exception in Canada's Copyright Act. – <https://doi.org/10.1186/s40991-016-0004-6>

Economic constraints

Organizations function within a societal context where they need to operate with economic constraints. One way to look at the constraints on an organization is to take a resource based view (3). Barney (3) described a framework where unique resources form the basis for competitive advantage. Every firm or organization possesses competences or capabilities that they can do well but there are unique ones that can lead to a competitive advantage over others in the same space. Barney (4) provides a guide to identifying this core competence by using a VRIO framework where V defines the value of the competence, R defines its rarity, I defines its inimitability or uniqueness and O defines how this competence is organized or leveraged within the organization.

However, a contrasting view of economic constraints is proposed through the framework of industrial competition. Porter (5) considers four attributes at a national level in a ‘diamond’ framework to define the competitive advantages of nation (see Figure 2). There is an assumption of linkages and interactions between a firm’s strategy and structure at a local level, the nature of its demand (or local requirement) conditions, its attributes relating to ‘factors’ (availability of infrastructure and resources), and the impact of clustering or related industries. At an organizational level, Porter further explains the importance of a five forces model that considers the firm’s place within its industry as constrained by competitive rivalries, threats of potential market entrants or substitute products/services, and the constraints resulting from power imbalances between suppliers and buyers.

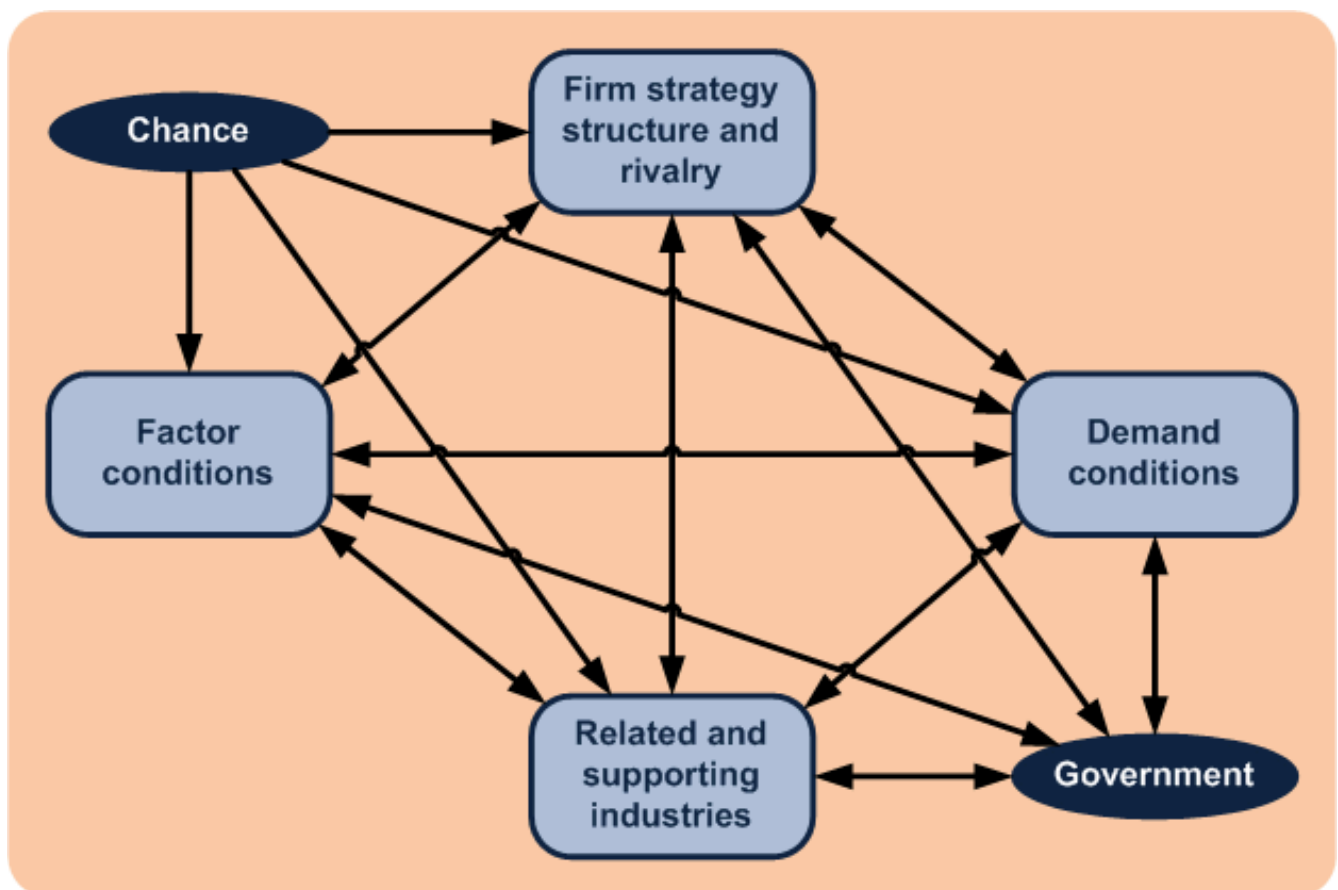


Figure 2. CSR Diamond-Framework Porter and Kramer (2006). <https://commons.wikimedia.org/wiki/File:Porter-diamond.png> Grochim, CC BY-SA 3.0, via Wikimedia Commons

The perspective of the stakeholder forms part of a holistic perspective as organizations exist

within the constraints of society. Porter and Kramer (6) expanded on the concept of generating value that matters by a deeper consideration of stakeholders and what they value. In a complex and inter-related world, the concept of responsible management, then extends beyond considering resources exclusively or competitive industry pressures exclusively but rather integrates the perspective of what stakeholders value. The value proposition and its consideration become key to sustainability (7).

Responsible management links the economic survival of an organization to balancing the needs of society as described through sustainability efforts. Organizations need to incorporate responsible management through sustainability practices and CSR at the outset, through strategic planning and execution. This incorporation needs to be framed from an educational purpose at the outset of the academic journey (8) so that subsequent deep learning can form part of the behaviour of graduates as they engage with organizational careers (9). Ensuring that sustainability is part of this deep learning also requires intentional reinforcement of thinking along the ecological worldview, using a systems perspective, developing emotional and spiritual intelligence (10). Eventually responsible management depends on individuals making the 'right' decisions within the framework of achieving sustainability and CSR. The importance of individual actions can't be minimized. Jaen, Reficco, and Berger (11) found that promoting inclusivity in a supply chain in the context of weak infrastructures such as the base of the economic pyramid requires a strong ethical foundation and behaviour by the organizational leader.

Legal or regulatory constraints

The legal and regulatory constraints are often governed by local governments and are highly context specific. Although, international guidance can be provided through supranational institutions like the UN and its 2030 Agenda of 17 SDGs or the ISO standards relating to CSR and sustainability (for example ISO-2600 is specifically oriented around implementing CSR within an organization), organizations isomorph towards conformance to local requirements. In Canada, the federal government provides guidelines for implementing CSR practices as suggested practices (<https://ised-isde.canada.ca/site/corporate-social-responsibility/en/implementation-guide-canadian-business>); regulatory and standards bodies such as Standards Canada (<https://www.scc.ca/>) provide guidance from the mundane to the technical aspect of daily life. One of the standard bodies, the CSA Group provides information and guidance to all stakeholders regarding the linkages between the SDGs and the use of CSA standards (<https://www.csagroup.org/sdg/>).

Ethical constraints

Ethics and morals are linked. Stages of moral development influence the ethical orientation of individuals. Kohlberg's stages of moral development were described by Baxter and Rarick (12) as important in the education of managers. Individuals go through six stages of moral development

segmented into preconventional morality (where there is an orientation in the first two stages to obey rules and be transactional with obtaining rewards), conventional morality (where individuals over two stages are aware of social censures and approvals) and postconventional morality (where actions in these two stages are guided by more mature ethical principles that may lie along teleological or deontological dimensions).

Teleological ethics, as a consequential framework, focuses on the outcomes whereas deontological ethics, are focused on the process of universal rights and duties. From both of these views, as well as other views of ethics (such as virtue ethics, ethics of caring, ethics of justice and other frameworks), responsible management makes decisions that contingent on situational and personal circumstances result in outcomes that can impact sustainability and CSR. Jones (13), as discussed in an earlier chapter describes the ethical decision making process as one dependent on multiple factors but hinging on one's perspective of ethics.

Constraints to purely philanthropic efforts

Rounding out the framework proposed by Carroll (2)(14), the philanthropic aspect of CSR depends on how responsible management views its applicability. As a purely non-transactional action, philanthropy can be highly individualistic. However, as part of responsible management it can be not only strategic in its implementation but also signal to external stakeholders a commitment to societally acceptable causes such as ecological and societal sustainability. Husted (15) provides a CSR governance model where philanthropy becomes embedded in an organization's strategy by examining the centrality (how important is it to the core purpose of the organization) and specificity (how transactionally important is it to the organization) to classify relationships and networks to form partnerships through collaboration, focus on charitable giving or take a philanthropic project in-house.

This chapter described the constraints on an organization through the CSR framework provided by Carroll (2) composed of economic, legal, ethical and philanthropic responsibilities by viewing those responsibilities as constraints on organizational action. This is just one of many possible ways of looking at the organizational constraints that must be considered by responsible management in their efforts towards sustainability and CSR.

Key Takeaways

Your key takeaways may be:

- that the pyramid of CSR framework provided by Carroll can be useful in describing organizational constraints;
- that responsible management needs to consider external and internal factors to achieve societal objective of sustainability.

If you are interested in exploring how business processes of SMEs can align with the SDGs, Verboven and Vanherck (2016) provide some prescriptive ideas to link tangible actions to the goals:

Verboven, H., & Vanherck, L. (2016). Sustainability management of SMEs and the UN Sustainable Development Goals. *Uwv UmweltWirtschaftsForum*, 24(2–3), 165–178.
<https://doi.org/10.1007/s00550-016-0407-6>

Furthermore, Miola and Schiltz (2019) describe a way to monitor policy actions from a European context, while Burga et al. (2022) in a CSA white paper examine the linkages between CSA standards and the SDGs:

Miola, A., & Schiltz, F. (2019). Measuring sustainable development goals performance: How to monitor policy action in the 2030 Agenda implementation? *Ecological Economics*, 164(January), 106373.
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Reflective Questions

Take some time to reflect on how you would answer the following questions:

1. Reflect on the “CSR pyramid” and identify the broader responsibility for an organization at each level of the pyramid. How does Carroll state that the pyramid levels are related to each other – are they interlinked, are they hierarchical, are they unique and different?
2. Identify some of the key constraints placed on organizations (economic, regulatory, ethical, and philanthropic constraints) discussed in this chapter.
3. How do the UN SDGs act as a regulatory constraint (or what is their relationship) at a national or organizational level?

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Chapter II - Activism Enabling Responsible Management, Sustainability and CSR

“Sustainability is a political choice, not a technical one. It’s not a question of whether we can be sustainable, but whether we choose to be” (Gary Lawrence)

“The best way to predict the future is to invent it.” (Alan Kay)

Learning Objectives

In this chapter you will accomplish the following learning objectives:

- understand how conceptual frameworks such as purposeful organizations and individual sustainability mindset are linked;
- reflect on the variety of perspectives that may be used for responsible management, sustainability and CSR in organizations.

Example: Sustainability Mindset for Accelerating the Pace of Sustainable Development Goals (SDGs)

Source: Sharma, R. R. (2021). Sustainability Mindset for Accelerating the Pace of Sustainable Development Goals (SDGs). *Review of Professional Management*, 19(2).

<http://www.rpmdim.org/index.php/ropmj/article/view/167749>

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Mindset has multifarious connotations at present, but it was developed by Carol Dweck¹ by contrasting different beliefs about where our abilities came from. The concept got popularised with publication of her book on Mindset in 2006. Sustainability mindset has been defined as “a way of thinking and being that results from a broad understanding of the ecosystem from social sensitivity, an introspective focus on our personal values and higher self and finds its expression in actions for the greater good of the whole”². Sustainability mindset has been garnering attention of academia and industry in recent years due to growing concern about ecological and societal dimensions, as the purpose of business has undergone change over time from common

wealth (self-interest & rational self-interest) of Adam Smith³ to shareholder interest (Alfred⁴, 1999) and further to stakeholder interest (Freeman⁵, 1984). Also, focus has shifted to business practices concerned with environmental degradation, climate change and alternative energy.

Sustainability, with multiple perspectives, has a long history but it acquired centre stage in 1983 when United Nations created the Brundtland Commission (6) to unite countries in pursuit of sustainable development. It defined development as sustainable “if it meets the needs of the present without compromising the ability of the future generations to meet their needs”. The Brundtland Commission published a report in 1987 ‘Our Common Future’ (7) which highlighted that human resource development in the form of poverty reduction, gender equity, and wealth redistribution was imperative to developing strategies for environmental conservation, and that environmental limits to economic growth in industrialized and industrializing societies. A number of developments have taken place during the past two decades or so. Elkington (8) introduced the concept of triple bottom line, referred to as 3Ps- people, profit and planet.

At a UN summit in 2000 eight measurable goals, called Millennium Development Goals (MDGs) were signed by leaders of 189 countries to be achieved by 2015. Substantial progress was reported regarding the MDGs by the target date. In 2015 UN General Assembly Open Working Group (OWG) proposed a document containing 17 goals to be placed for the approval of General Assembly. This document formed the basis for 17 SDGs as the global development agenda to be pursued during 2015-2030 (<https://www.sdgfund.org/mdgs-sdgs>). Hence concerted efforts are being made to work towards these. The recent trends around sustainability are: reduction in energy consumption, microgrids for secure and reliable power supply, green grids for green energy, sustainability reporting, plant-based diets, water conservation and net-zero initiatives. Companies are manufacturing electric cars and two-wheelers and making climate commitments and commitment to carbon zero initiatives.

Industry alone cannot achieve the SDGs, academia which provides human capital to industry needs to be a partner in this endeavour. Management education has been under scathing attack from various quarters for its focus on knowledge on skills for maximising profits which were leading to unhealthy competition and ethical issues. Mintzberg (9) in his 2004 book *Managers Not MBAs* has been critical of the thrust in management education and Sumantra Ghoshal (10) in 2005 raised questions regarding management theories as the basis of management education. In the above scenario responsibility and sustainability need to be the dominant paradigm in management education which can be built on Principles of Responsible Management (PRME). The question is of operationalisation of PRME principles in management education for sustainability mindset. Sharma (11, 12, 13) has developed a competency model, CAMB integrating PRME principles which is being used across geographies for developing sustainability mindset for sustainable development (14). As business schools prepare human capital for industry, they are best positioned to inculcate sustainability mindset leveraging technology and innovations.

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In this final chapter, we explore prescriptive and normative ways to incorporate responsible management and corporate social responsibility into organizations. The main part of this book explored relationships between RM and CSR and theory, societal context in Canada, and sustainability both from a Canadian and global perspective. It is expected that most graduates from an institute of higher learning will ultimately be engaged with an organization – be it a for-profit firm, a not-for-profit entity, a non-governmental organization, a government, or an ad hoc group of people with similar interests.

Sharma's introduction to Sustainability Mindset for the *Review of Professional Management* given in this chapter's example section above, describes one of the fundamental requirements for responsible management through exercising purpose, and that is a sustainability mindset (1). Consider 'purpose' in the sense explained by Houston and Pinches (2) as a motivational driver for an individual within any organization. Matching an individual purpose with the organization's purpose is one of the three pillars that are needed to drive the purposeful organization as illustrated in Figure 1. Houston and Pinches (2) reflected a practitioner view of having a purposeful enterprise by focusing on a holistic and systemic view of organizations. Based on a lifetime of

consulting work, both Houston and Pinches (2) reflected that people will be committed to an organization when their own purpose matches that of the organization. This purpose is embodied through the organizational culture and the brand message that the organization exhibits.

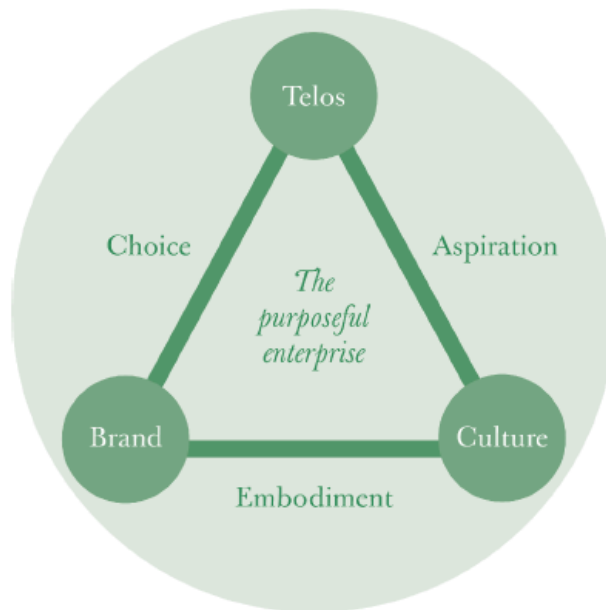


Figure 1. The pillars of a purposeful enterprise (Houston & Pinches, 2017, p. 58) – This image is reproduced from [Houston, C., & Pinches, J. (2017). *For Goodness' Sake: satisfy the hunger for meaningful business* (2nd Ed.). Chris Houston & Ogilvy & Mather.] and used in accordance with the fair dealing exception in Canada's Copyright Act.

Embedded within this purpose will be the need to achieve a sustainability mindset (3). This conceptual framework shown in Figure 2 describes four components of a sustainability mindset as the ecological worldview, a systems perspective, spiritual intelligence and emotional intelligence. The ecological worldview can be described by an individual's perceived contribution and their ecoliteracy. The systems perspective can be described by an individual's long term thinking, their perception of flow, their 'both+and' (systemic) thinking, and their perception of interconnectedness. Their emotional intelligence can be described through their perception of creative innovation, reflection, and self awareness. Their spiritual intelligence can be described their sense of oneness with nature, their mindfulness, and their sense of purpose (3). In this way, purposeful companies are composed of individuals with their sustainability mindset.

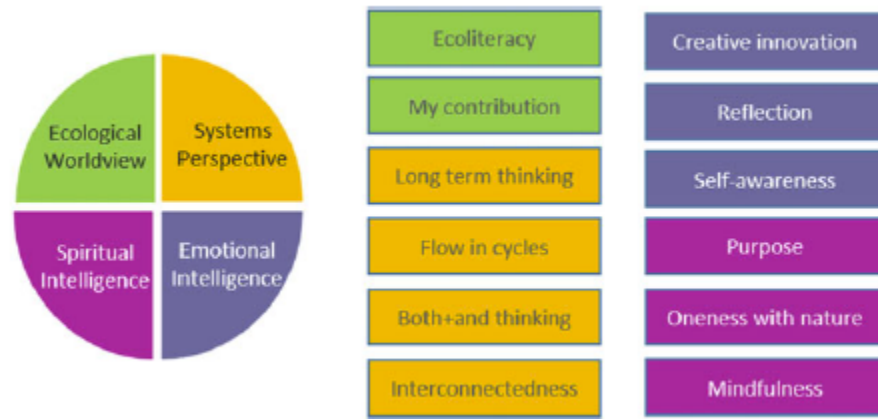


Figure 2. Four content areas describing the Sustainability Mindset with 12 mindset principles. (Ritz & Rimanoczy, 2021, p. 132 fig. 6.3) – This image is reproduced from [Ritz, & Rimanoczy, I. (2021). *Sustainability Mindset and Transformative Leadership: A Multidisciplinary Perspective*. Springer International Publishing AG.] and used in accordance with the fair dealing exception in Canada's Copyright Act. – <https://link.springer.com/book/10.1007/978-3-030-76069-4?noAccess=true>

Implicit in that discussion of purpose and mindset is the consideration of stakeholders as critical to the existence and societal acceptance of the organization. As previously discussed, the stakeholder view of an organization incorporates the resource based view of the firm where their success depends on the appropriate allocation of resources and their consideration of external competitive pressures.

Organizations with purpose still need to define themselves among other ones – if not for promoting valuable services or products then for legitimacy. It all starts with an organizational vision with a purposeful message that stakeholders support. Then this vision is implemented through a mission that details strategies to address the long-term vision of the organization. The resource-based view of the firm suggests that defining a core competence will provide a differentiation for the organization in its societal environment. This core competence is defined through the acronym VRIO which allows the stakeholders in the organization to recognize the value that they provide to others and in a competitive world, provides a signal for others to support a common interest.

The question is often asked whether CSR or sustainability led initiatives will help organizations define themselves or position themselves uniquely in society.

The premise is that it is easier to build a purposeful enterprise if a sustainability mindset of CSR is built into the core of the organization at the very start. For businesses that are established, revisiting their core mission may be more difficult to address than for new entrepreneurial

organizations but in either case, it may be possible to improve financial performance by addressing some of the pillars that underlie responsible management.

For organizations that are not-for-profit and for those that are for-profit, the pre-eminent concern today is about sustainability as has been described earlier in this book. An organization, as a sum of its members, needs to incorporate a sustainability mind-set through the individuals that lead the organization.

Is it important? In the age of ubiquitous social media, it is critical to signal to all stakeholders that you, as an organization or as a member of an organization, are actively concerned with the 5Ps of sustainable development, discussed earlier in this book and embodied in the UN's 17 Sustainable Development Goals – planet, prosperity, people, peace and partnerships. Many major global consultants emphasize the link between ESG and success; and stakeholder acceptance. NGOs and social enterprises with 'social' in their core mission are increasingly active in making a difference.

For example, some organizations as businesses have embraced the concept of conscious capitalism as an active way of making a difference (<https://www.consciouscapitalism.org/>). The four principles for conscious capitalism in businesses are (1) to aim for a higher purpose, (2) to have a stakeholder orientation, (3) to have conscious leadership, and (4) to have a conscious capitalism (taken from the philosophy of conscious capitalism in their organizational website).

Other businesses led by social entrepreneurs signal to society at large the importance of making a difference by contributing to society and to their own success. Leaders in this domain can be seen through the Ashoka Fellowship and their mentoring of social entrepreneurs (<https://www.ashoka.org/en-us/program/ashoka-fellowship>). Institutes of higher education partner with private businesses and societal groups to promote the Principles for Responsible Management in Education (PRME) initiative (<https://www.unprme.org/>). Some initiatives include initiatives such as AIM2Flourish.com (<https://aim2flourish.com/>) to promote local flourishing businesses and the SDGs coordinated through Case Western University in Ohio. The AIM2Flourish initiative promotes the flourishing of innovations among small businesses as a way to address the UN SDGs and to make a difference. Another example of impactful organizations can be observed through the actions of ENACTUS (<https://enactus.org/>) which provides a platform for students to explore social entrepreneurship as an extra-curricular activity.

Non-aligned groups of individuals (loose informal organizations) led by public figures such as Greta Thunberg take activism to the streets and demand change from decision makers. (View the 11 minute video of Greta Thunberg at a recent TedTalk.)



One or more interactive elements has been excluded from this version of the text. You can view them online here:
<https://books.lib.uoguelph.ca/mgmt-3020/?p=62#oembed-1>

“The Disarming Case to Act Right Now on Climate Change” is available from [ted.com](https://www.ted.com) and is licensed under CC BY-NC 4.0

Many other loosely-formed and informal organizations across the world try and make a difference in their local settings. These organizations can be incorporated as charitable groups, they can be social enterprises or informal groups such as Crowd-doing (<https://www.crowddoing.world/>) which attempts to gather like-minded people to make a difference on relevant topics such as the UN SDGs.

There is a recognition of indigenous considerations in Canada and other countries and an awareness that certain ways of living may promote sustainability in a more holistic manner. This awareness of the differences in perspectives between neo-colonial ways of approaching the world and indigenous viewpoint, has caused many people to reflect and approach relationships with each other and the world in incrementally more humane ways. There is still a problem with inequity and living conditions among indigenous communities in Canada. Similarly, there is still a problem with equity, diversity and inclusivity across the global societies. But as the Truth and Reconciliation committees in Canada, in South Africa, in Rwanda, and in other conflicted areas of the world, have determined, the first step towards progress and reconciliation is to recognize the unfairness of what has been done, give voice to those who did not or do not have the power to have a voice, and then to promote inclusivity and acceptance within societal groups.

In the end responsible management of organizations depend on stakeholders, inside and outside the organization. Regardless of legislation and recommendations, it ultimately falls to the individual to consider their world, their purpose within this world in the context of the existential survival of the planet and to step into making a difference within a for-profit business, a not-for-profit organization, or a governmental or other organization.

It is not just ethical but moral to do this.

Your key takeaways may be that:

- responsible management integrates a variety of perspectives from individuals,
- that outcomes of sustainability and CSR begin with individual actions that impact organizational behaviour.

As we continue to wrestle with linking the SDGs with CSR action, it may be wise to look back at recent literature reviews that highlight challenges and issues between the two interlinked concepts as described by ElAlfy et al. (2020):

ElAlfy, A., Palaschuk, N., El-Bassiouny, D., Wilson, J., & Weber, O. (2020). Scoping the evolution of corporate social responsibility (CSR) research in the sustainable development goals (SDGS) era. In *Sustainability (Switzerland)* (Vol. 12, Issue 14). MDPI. <https://doi.org/10.3390/su12145544>

Some readers may be interested in the specific intersection of CSR with politics and so a read of Lyon et al. (2018) illustrates the importance of assessing this aspect of organizations:

Lyon, T. P., Delmas, M. A., Maxwell, J. W., Tima Bansal, P., Chiroleu-Assouline, M., Crifo, P., Durand, R., Gond, J. P., King, A., Lenox, M., Toffel, M., Vogel, D., & Wijen, F. (2018). CSR needs CPR: Corporate sustainability and politics. *California Management Review*, 60(4), 5–24. <https://doi.org/10.1177/0008125618778854>

The perspective of investors is also important, particularly when dealing with their involvement as financial stakeholders. Do they take care about a firm's involvement with the Principles for Responsible Management? Majoch, Hoepfner, and Hebb (2016) claim that there are pragmatic reasons for investor concerns:

Majoch, A. A. A., Hoepfner, A. G. F., & Hebb, T. (2017). Sources of Stakeholder Salience in the Responsible Investment Movement: Why Do Investors Sign the Principles for Responsible Investment? *Journal of Business Ethics*, 140(4), 723–741. <https://doi.org/10.1007/s10551-016-3057-2>

Does major global events such as COVID-19 impact sustainability performance? Bose et al. (2022) suggest that when stakeholder value is a central tenet of the organization, then its sustainability and overall performance is less affected:

Bose, S., Shams, S., Ali, M. J., & Mihret, D. (2022). COVID-19 impact, sustainability performance and firm value: international evidence. *Accounting and Finance*, 62(1), 597–643. <https://doi.org/10.1111/acfi.12801>

Finally, where is CSR going? Wickert (2021) explores this question in the context of the *Journal of Management Studies* and finds a shift from focusing on businesses but rather on the broader organization and so the importance of responsible management and leadership becomes important in this shift to a societal focus:

Wickert, C. (2021). Corporate Social Responsibility Research in the Journal of Management Studies: A Shift from a Business-Centric to a Society-Centric Focus. In *Journal of Management Studies* (Vol. 58, Issue 8, pp. E1–E17). John Wiley and Sons Inc. <https://doi.org/10.1111/joms.12775>

Reflective Questions

Take some time to reflect on how you would answer the following questions:

1. How does an organization reflect/show/embody their purpose and why is this purpose important to signal to stakeholders?
2. What is the stakeholder view of an organization?
3. What is the main purpose for an organization in identifying their mission?
4. What is meant by a sustainability mindset and why is it important for any type of organization to have?
5. What do you believe is the link between ESG and organizational success or failure?
6. Reflecting back on this whole textbook what do you believe responsible management depends on?

References used in the text – you are encouraged to consult these references through your institutional library services or through the internet

- (1) Rimanoczy, I. (2017). Chapter 9. Developing the sustainability mindset. In *Handbook of Sustainability in Management Education* (pp. 221–241). Edward Elgar Publishing. <https://doi.org/10.4337/9781785361241.00019>
- (2) Houston, C., & Pinches, J. (2017). *For Goodness' Sake: satisfy the hunger for meaningful business* (2nd Ed.). Chris Houston & Ogilvy & Mather.
- (3) Ritz, A. A., & Rimanoczy, I. (Eds.). (2021). *Sustainability mindset and transformative leadership: a multidisciplinary perspective*. Springer Nature.

Conclusion and Final Thoughts

Integrating corporate social responsibility and responsible management is a journey. It can be academic and involve research on the various elements that impact responsible management. It can also involve studying the multiplicity of definitions around corporate social responsibility, sustainability and responsible management. The academic research in this area is dynamic and constantly evolving.

The journal readings suggested in this book are current to mid-2022 and so you are encouraged to keep exploring academic and non-academic literature with a critical eye to the evolution of the terminology that frames concepts supporting responsible management such as corporate social responsibility, sustainability, the triple bottom line, environmental-social-governance (ESG), etc.

Or it can be normatively part of your daily life as you make sense of the expectations of society and the cultural and organizational environment in which you belong. What is it that will promote the survival of the planet and its inhabitants? – since it is unlikely that we will have an alternative planet or alternative environment within these next few generations.

Or the integration of responsible management can be very prescriptive as you integrate the environmental, social, and governance metrics that is described by ESG and demanded by stakeholders; or as you define how sustainable you or your organization is within the framework of the UN Sustainable Development Goals.

One important take-away that you should retain is that there is in fact, no single ideal solution to the problems and challenges that we have created in the Anthropocenic Age but that instead we need to work holistically, systemically, and within our own capabilities as sentient and caring humans, with a sustainability mind-set, to improve lives, and to make things better for the next generation and the succeeding ones – echoing the seventh generation perspective of the Haudenosanee, one of our indigenous stewards of this Turtle island:

“The Seventh Generation Principle is an Indigenous Concept, to think of the 7th generation coming after you in your words, work and actions, and to remember the seventh generation who came before you”¹.

Ruben Burga – July 25, 2022

¹ <https://theseventhgeneration.org/blog-the-seventh-generation-principle/>