



Leadership Dilemmas – Building Trust With Differing Perceptions of What Makes a Responsible Organization

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Perceptions of “Responsibility”

What's the deal with CSR?

- Lots of opinions about CSR– Why?
 - Milton Friedman's famous "one and only one social responsibility of business– ...to increase its profits... without deception or fraud."
 - Corporate Citizenship movement– companies ought to "give back" to their communities.
 - Environmentalists: companies have a duty to be ecologically-responsible. Organic. Carbon-neutral
 - Human Rights Activists: companies are accountable for their entire supply-chain's labor practices. Fair Trade
- Goal: Understand what shapes people's opinions of CSR activities.

What's the deal with CSR?

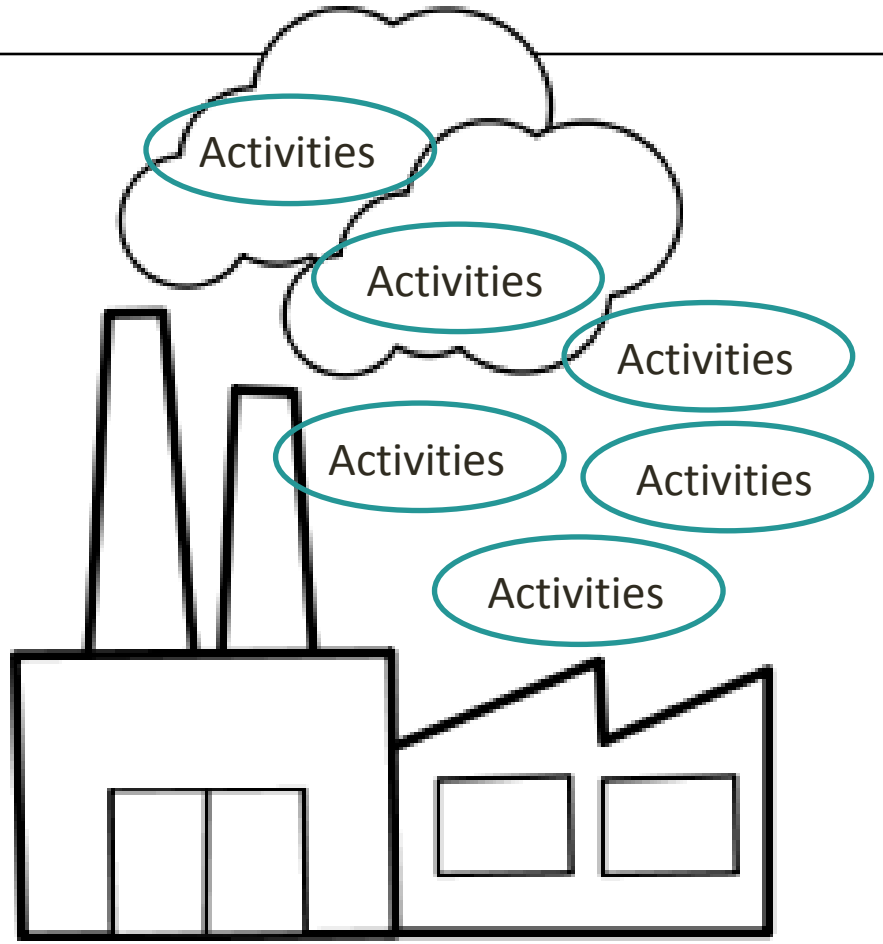
- Why do people have such different opinions about what a “responsible business” looks like?
- Is there a universal standard of a responsible company?
- Does a “good” company look different depending upon how one is connected to the company?
- Is it just a matter of personal opinion?

Stakeholders

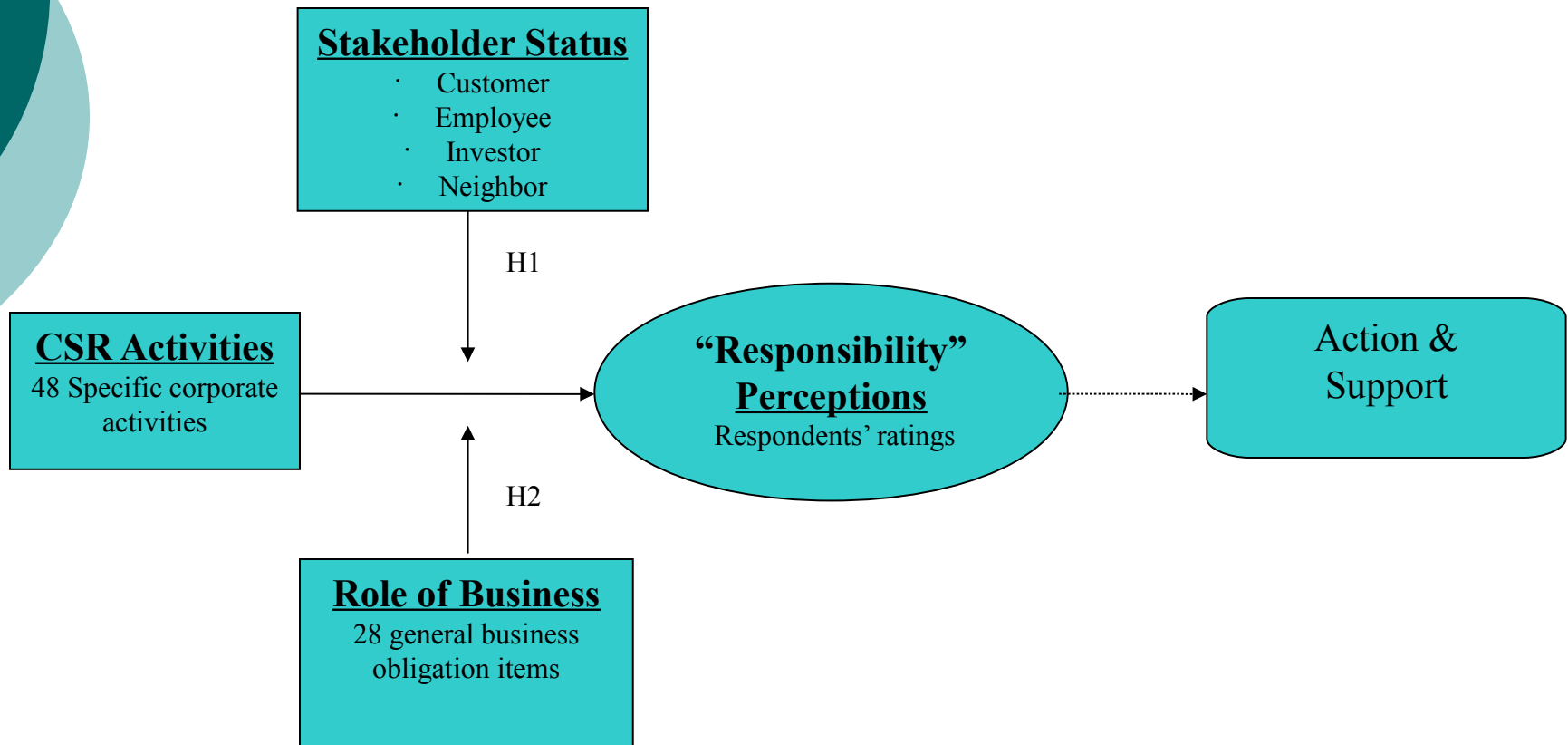
- How you feel about the company's activities depends upon whether you're a customer, employee, investor or neighbor.
- Picture yourself as (stakeholder)... how would you feel about (specific activity)?
 - Now imagine you're (a different stakeholder) ... how would you feel about it?
- This was our main hypothesis: we wanted to assess how stakeholder-status influenced people's perceptions of CSR activities.
 - Called this "360°-CSR"

Role-of-Business Expectations

- Regardless of our stakeholder-status, we carry around some baseline expectations for all businesses.
 - E.g., If I'm a committed environmentalist, this will influence all my interactions with a company– as customer, employee, investor or neighbor.
- Rooted in the role we believe business ought to play in society



The Conceptual Model



Quasi-Experimental Design

- 4 versions of the questionnaire
- Randomly assigned to 4 conditions
 - Customers, Employees, Investors, Neighbors
- Manipulation check
 - 575 Respondents took survey
 - Tendency to stop before end (n=498)
 - Self-identified stakeholder question at end
 - Only condition-check “match” used
 - Resulting sample size = 403
- No significant demographic differences between conditions

Respondents' Demographic Profile

GENDER	Female 48.5%	Male 51.5%				
AGE	<20 4.2%	20-29 47.5%	30-39 15.8%	40-49 16.5%	50-59 10.2%	60+ 5.8%
EDUCATION	Some high-school 0.5%	High-school graduate 1.3%	Some college 13.9%	College graduate 52.4%	Graduate degree 31.9%	
FIELD OF STUDY	Science or Engineering 7.1%	Arts & Humanities 9.4%	Social sciences 4.2%	Law or Medicine 5.5%	Business 67.6%	Other 5.3%
WORK STATUS	Student 20.8%	Stay-at-home parent 2.2%	Part-time 12.5%	Full-time 50.5%	Self-employed 8.5%	Retired 5.4%
WORK LEVEL	Entry-level 32.8%	Senior employee 27.4%	Manager 20.4%	Executive 9.0%	Owner 10.5%	
WORK TENURE	<5 years 37.3%	5-10 18.4%	10-15 8.8%	15-20 9.0%	20+ 26.6%	
WORK SECTOR	Not-for-profit 15.0%	Government 8.6%	Private company 54.3%	Public company 22.1%		
INCOME	<\$30,000 20.3%	\$30-50,000 13.1%	\$50-70,000 13.6%	\$70-90,000 13.2%	\$90-110,000 13.2%	\$110,000+ 26.5%
RELIGION	Buddhist 0.9%	Catholic 6.9%	Protestant 69.1%	Other 13.5%	None 9.6%	
RELIGIOSITY	Extremely devout 24.7%	Active participant 39.1%	Occasional attendance 16.5%	Familial tradition 10.2%	Not applicable 9.5%	
RESIDENCE	U.S. 97.4%	Other 2.6%				

Dependent Variable

- Feelings about specific CSR Activities
- Factor analyzed 48 CSR Activities
- 5 Scales formed:
 - *Environmental Activities*
 - *Human Rights Activities*
 - *Community Activities*
 - *Operational Activities*
 - *Grey-Area Activities*
 - Reliability: Cronbach's Alpha = .72-.89
(See Handout for items in each scale.)

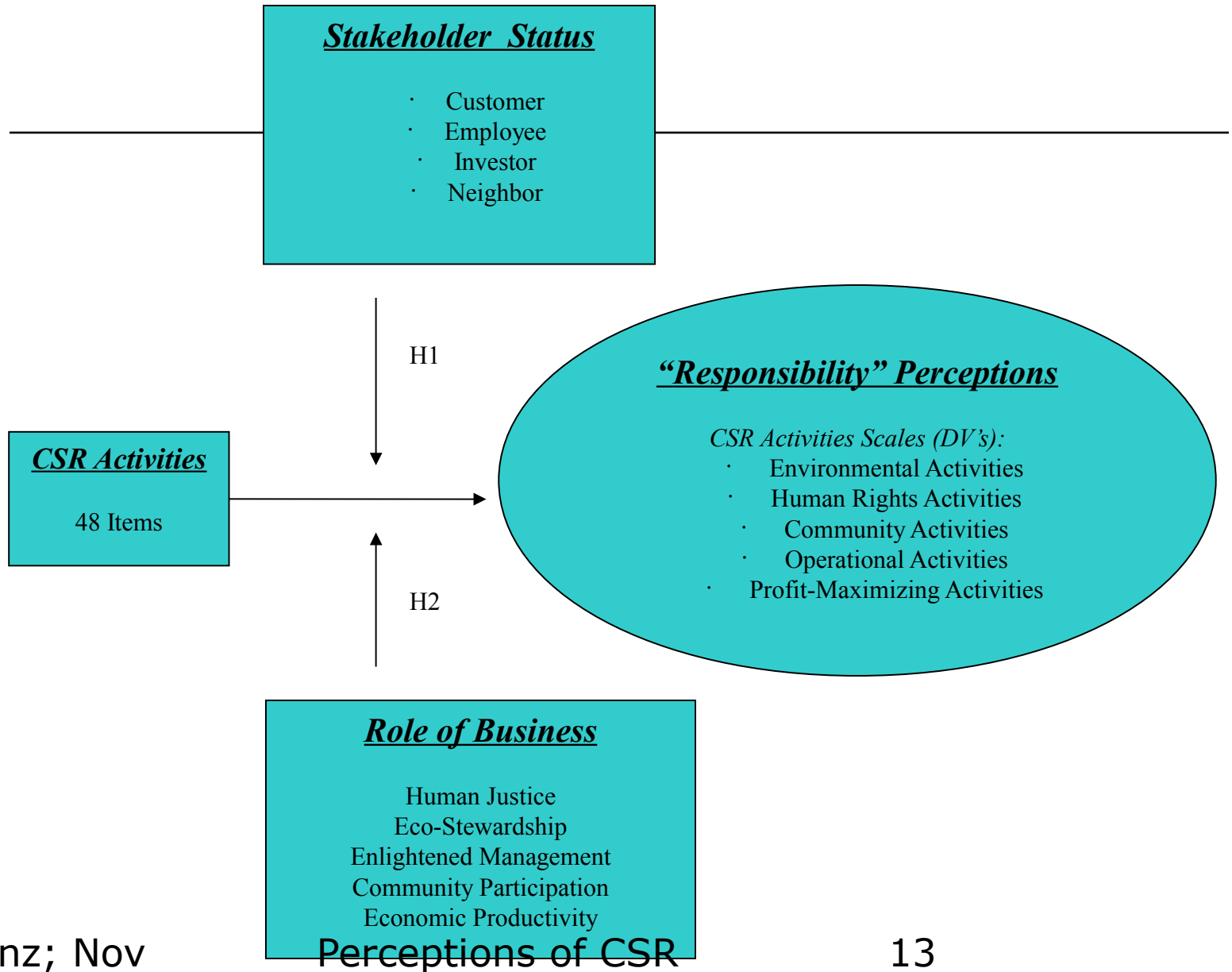
Role of Business

- General obligations for all businesses
- Factor Analyzed 28 RoB items
- 5 Dimensions identified:
 - *Human Justice*— honoring cultural values and respecting individual rights
 - *Eco-Stewardship*— using resources conscientiously and preserving the natural environment
 - *Enlightened Management*— enabling personal growth and enhancing employee self-expression
 - *Community Participation*— supporting the local community and solving societal problems
 - *Economic Productivity*— producing products and creating wealth

Role of Business: 5 Dimensions



Summary of Model



Key Findings

- Significant explained variance
- Interesting demographic trends
- Some significant stakeholder group effects on 4 of 5 DV's (H1)
- Some interesting and significant RoB effects on 5 of 5 DV's (H2)

TABLE 4.

REGRESSION RESULTS

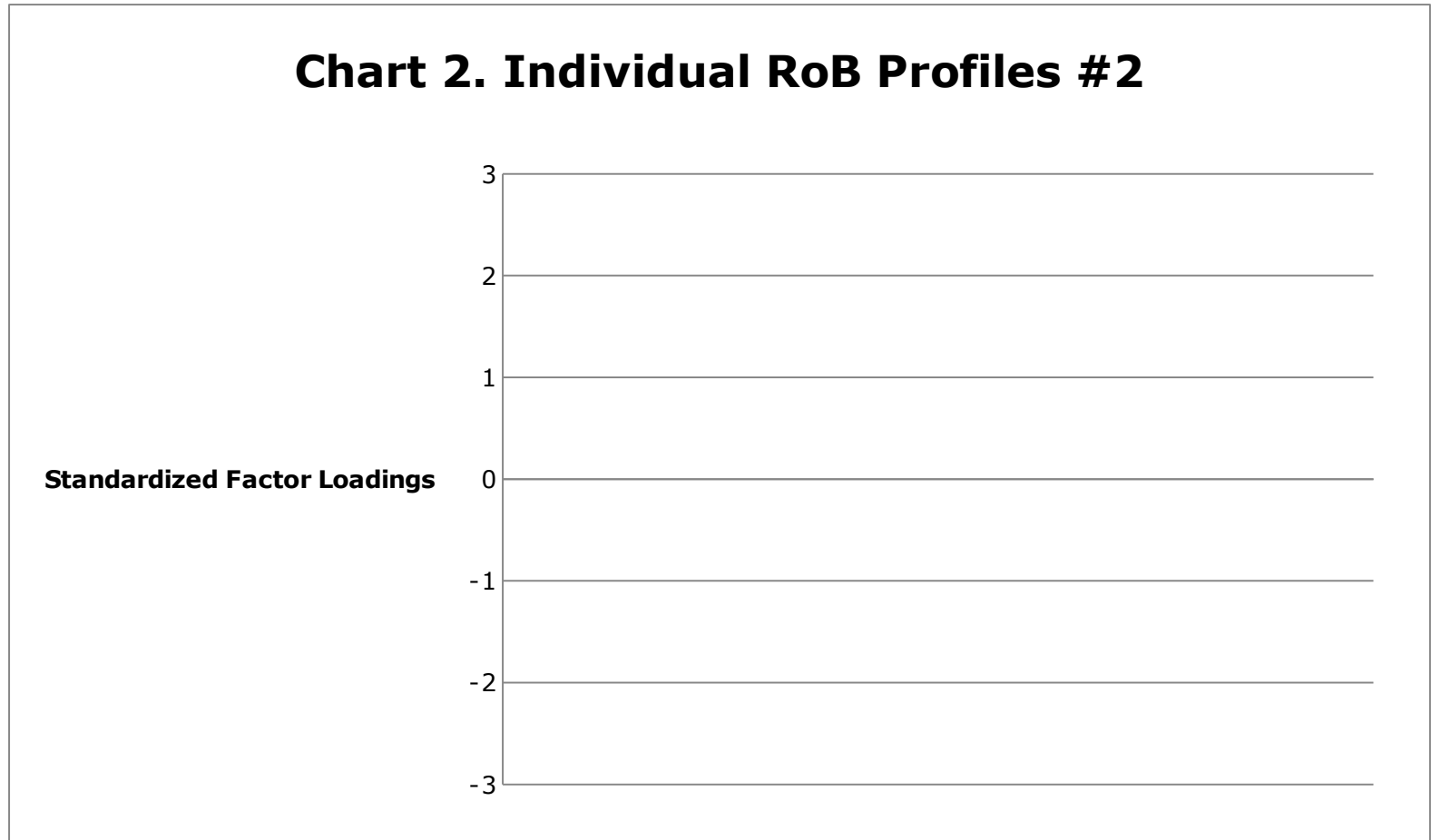
	Environmental Activities		Human Rights Activities		Community Activities		Operational Activities		"Grey Area" Activities	
	<i>Model1</i>	<i>Model2</i>	<i>Model1</i>	<i>Model2</i>	<i>Model1</i>	<i>Model2</i>	<i>Model1</i>	<i>Model2</i>	<i>Model1</i>	<i>Model2</i>
Demographics:										
<i>Age</i>	-0.349	-0.544*	-0.402*	-0.533*	-0.154	-0.253	0.306*	0.268*	-0.669*	-0.606*
<i>Gender (male)</i>	-2.229*	-0.677	-2.516*	-1.321*	-0.986*	-0.141	-0.151	0.488	1.209*	0.461
<i>Religiosity</i>	-1.381*	-0.798*	-0.888*	-0.645*	0.149	0.248	0.000	0.033	0.392*	0.336*
Stakeholder Status Groups:										
<i>Customer</i>	0.559	0.194	-0.035	-0.160	0.068	0.109	-1.220*	-1.043*	-0.897*	-0.860*
<i>Employee</i>	-0.405	0.056	-0.244	0.062	0.087	0.198	1.303*	1.223*	0.407	0.204
<i>Investor</i>	-0.669	-1.004*	0.405	0.224	-0.870*	-1.058*	0.146	0.017	0.807*	0.833*
<i>(Neighbor)</i>	0.515	0.754*	-0.126	-0.126	0.715*	0.751*	-0.229	-0.197	-0.317	-0.177
Role-of-Business Dimensions:										
<i>Human Justice</i>		0.096		0.392*		0.296*		0.318*		-0.452*
<i>Eco-Stewardship</i>		1.221*		0.528*		0.205*		0.080		-0.156
<i>Enlightened Management</i>		0.003		-0.102		0.014		0.144		0.171
<i>Community Participation</i>		0.164		0.266*		0.382*		0.141		-0.125
<i>Economic Productivity</i>		-0.486*		-0.401*		-0.192		0.082		0.292*
F=	11.455*	45.677*	11.645*	27.655*	2.422*	11.848*	5.602*	10.908*	6.995*	11.761*
Adjusted r ² =	0.137	0.554	0.139	0.426	0.021	0.232	0.065	0.216	0.083	0.231



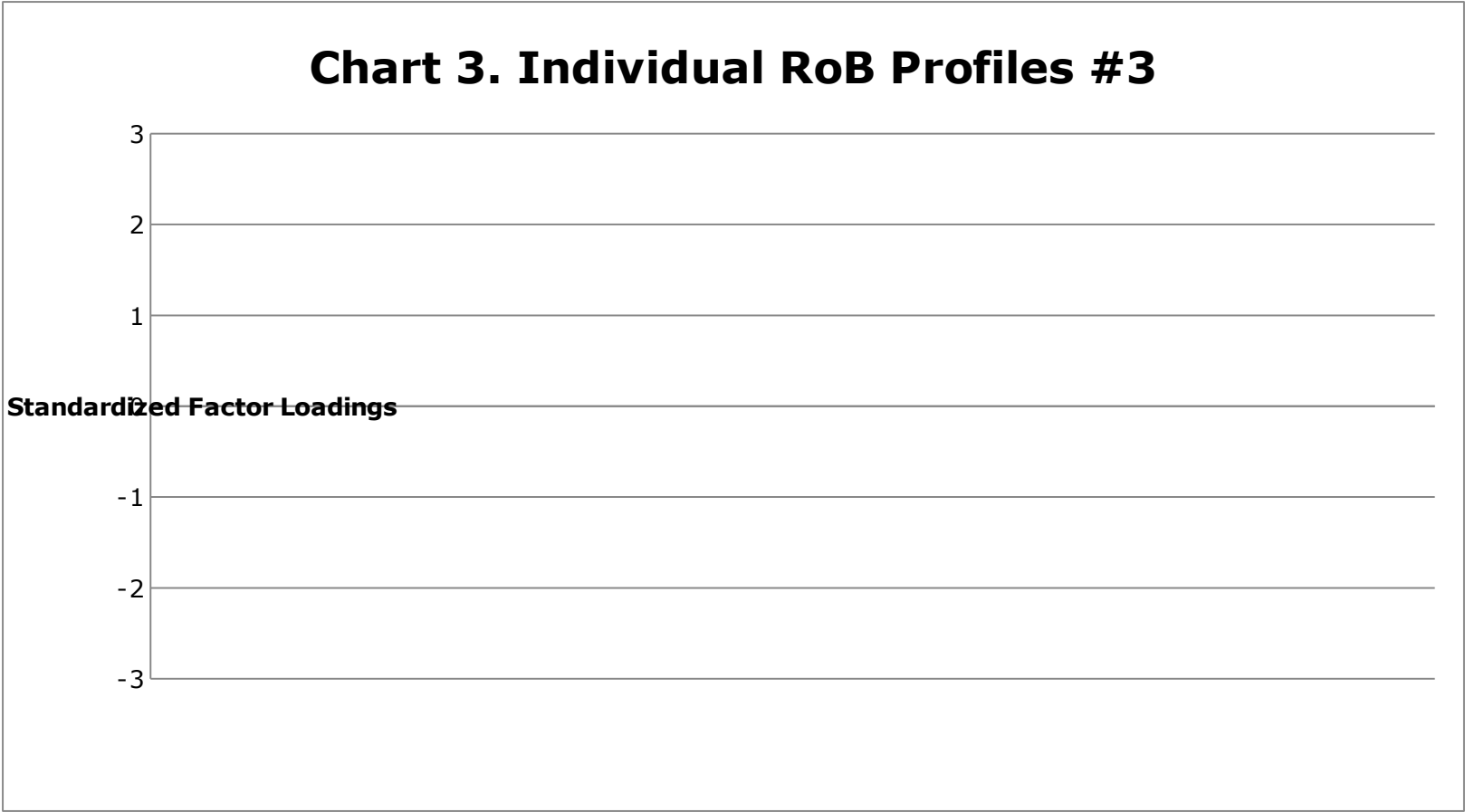
Individuals can have either a narrow (all negative) or expansive (all positive ratings) conception of RoB.

Or people can be all over the RoB "map."

Chart 2. Individual RoB Profiles #2



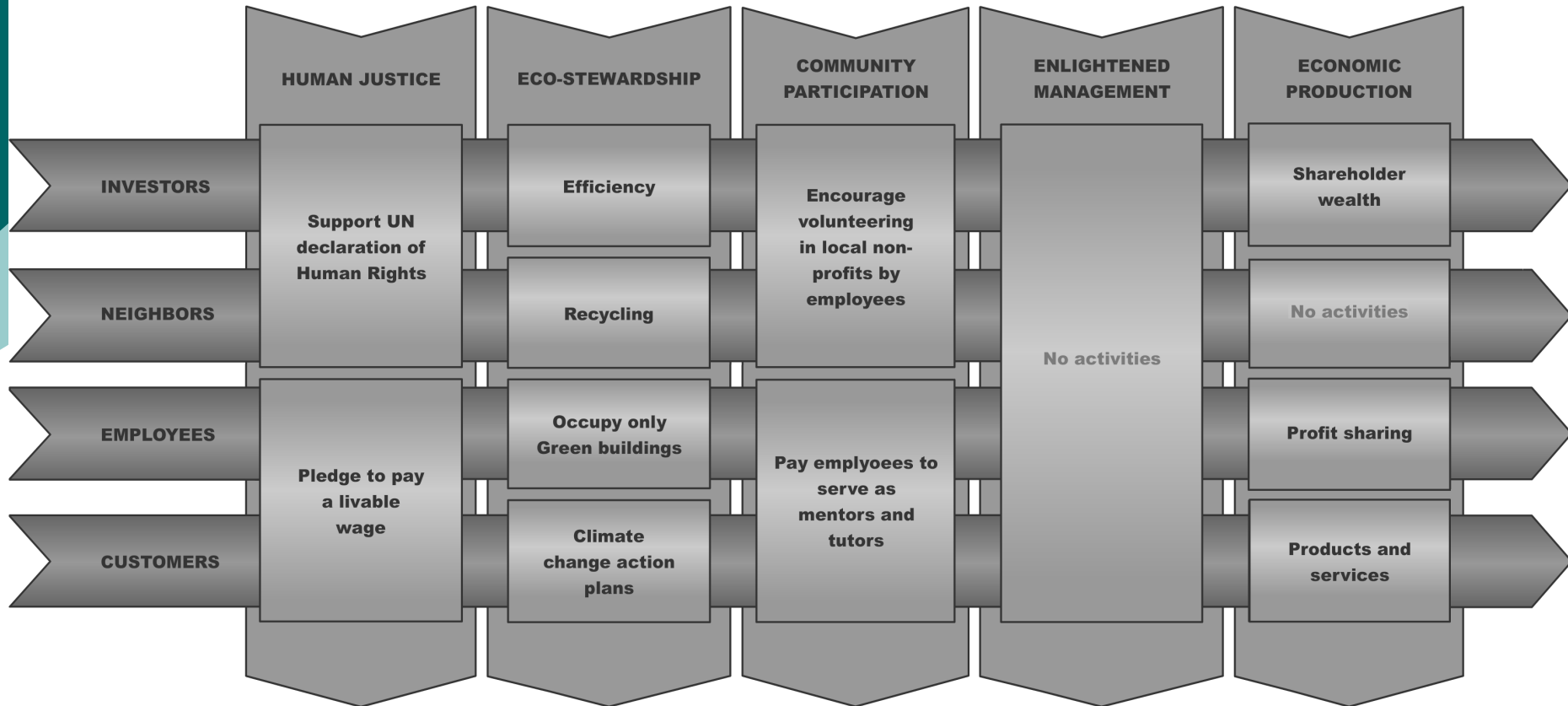
Or have fundamentally different "visions" of business.



Implications for Companies

- Manage a portfolio of CSR activities
 - Use 5 RoB dimensions to identify “gaps”
- “Project” RoB expectations
 - Clarifying and defining company’s RoB
- Monitor stakeholder perceptions
 - Dialogue & engagement
- Utilize iRoB profiles
 - Selection, partnerships & vision

The Responsibility Matrix



- 
-
- How are we using this in practice?

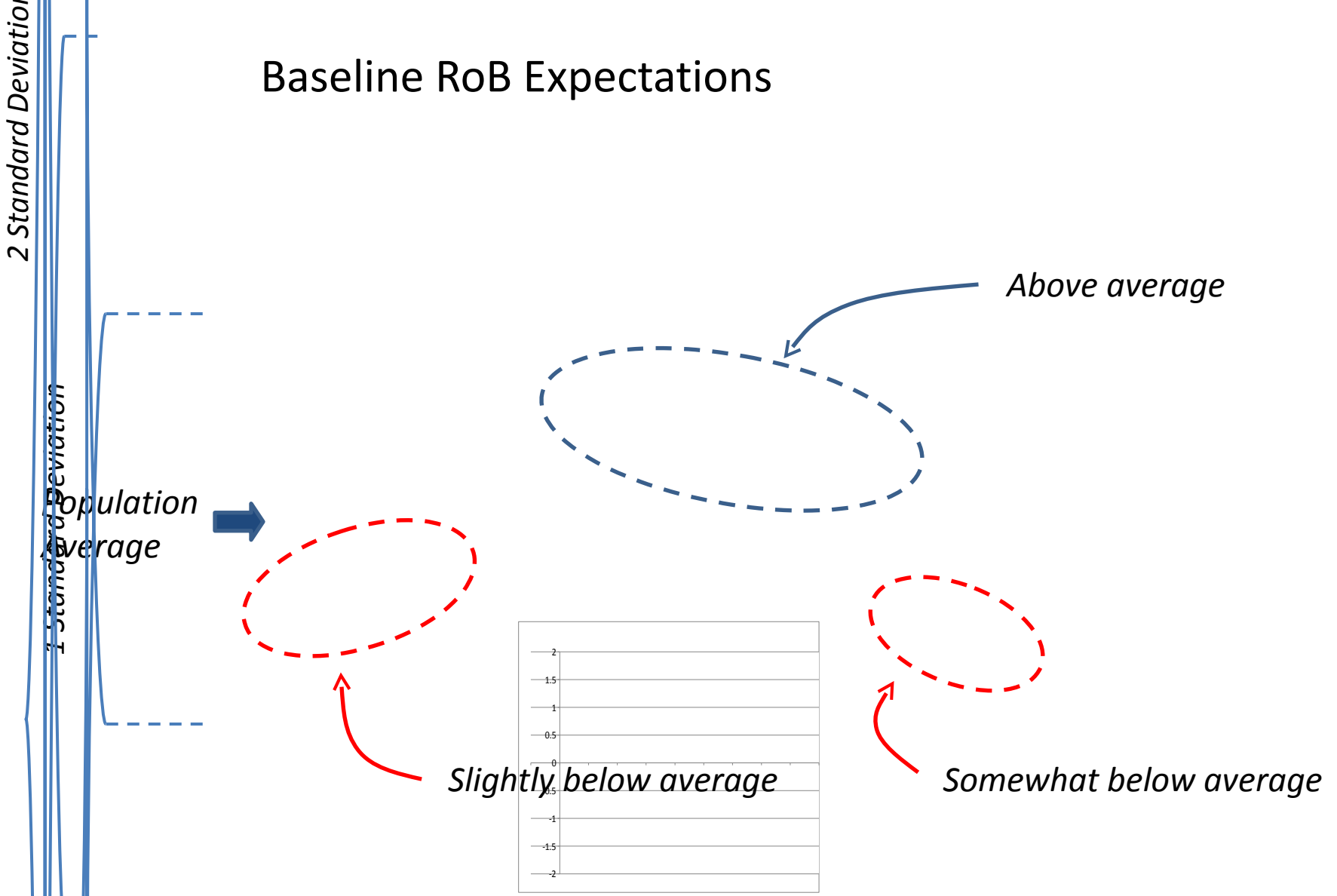
In a Real Company

Process

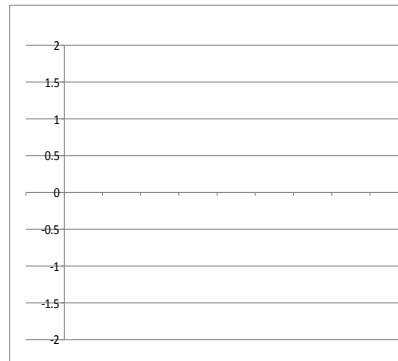
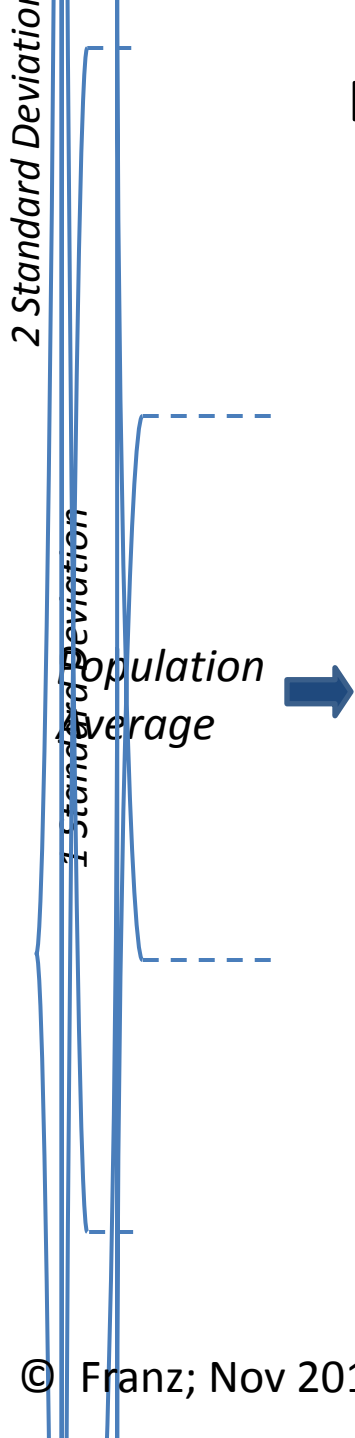
Leadership Team

- Took online survey to capture “baseline” expectations for all businesses
- Interviewed managers about their perception of the company’s responsibility and to create a comprehensive list of current CSR activities
- Shared results and initiated dialogue with team about creating a shared

Baseline RoB Expectations

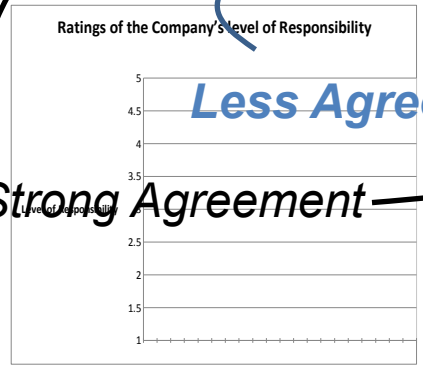
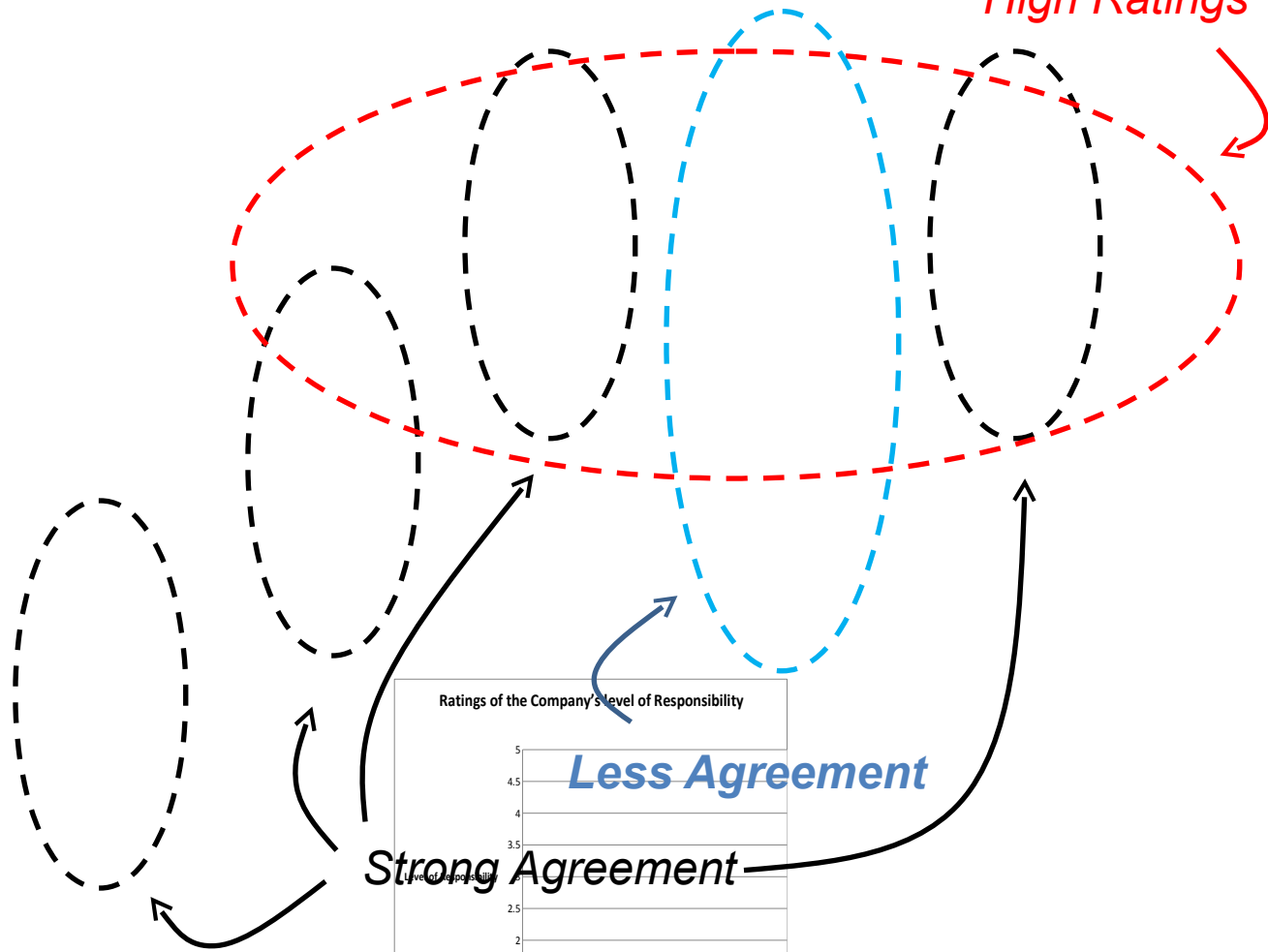


Baseline RoB Expectations



Extremely High

High Ratings

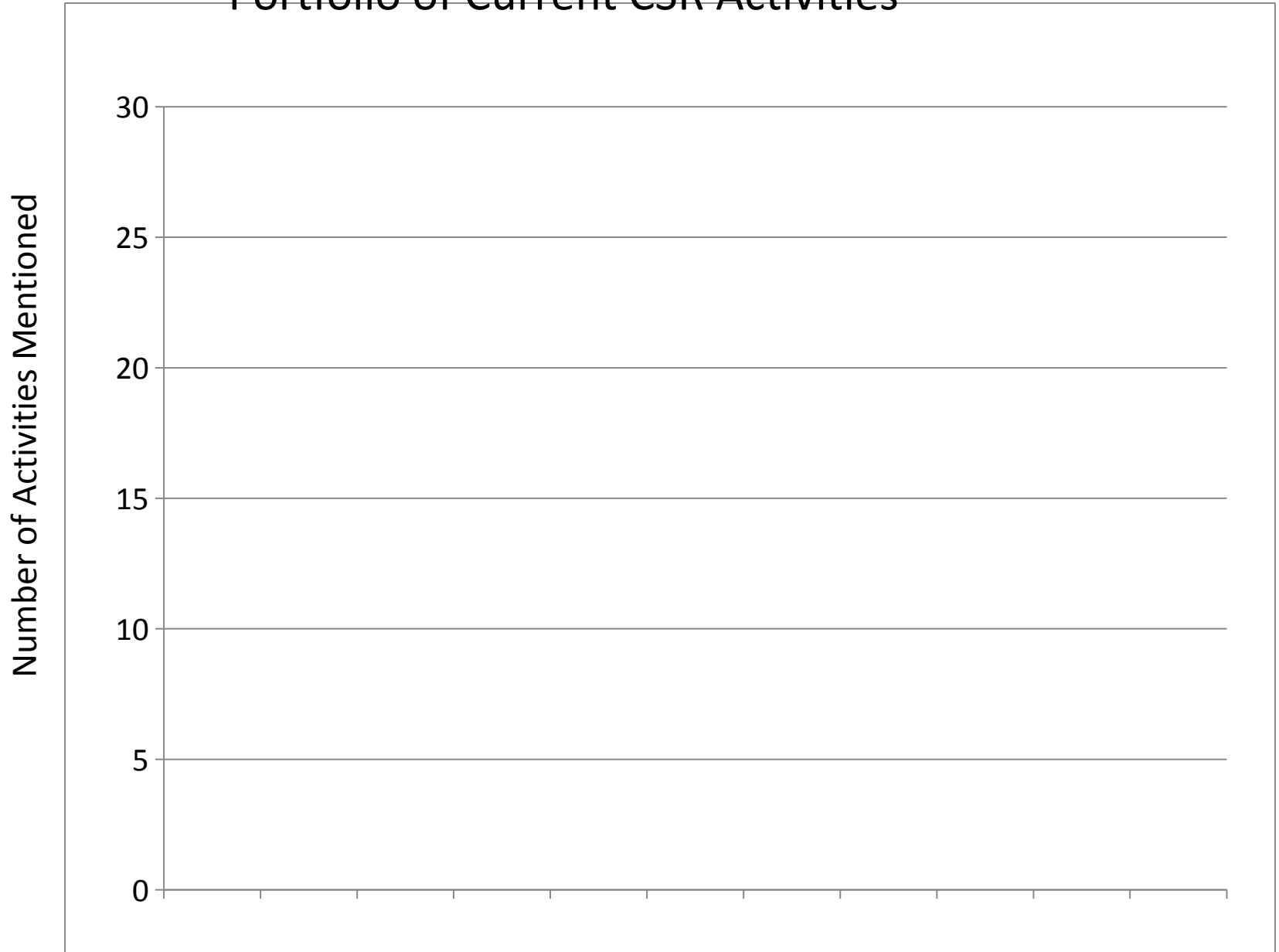


Extremely Low

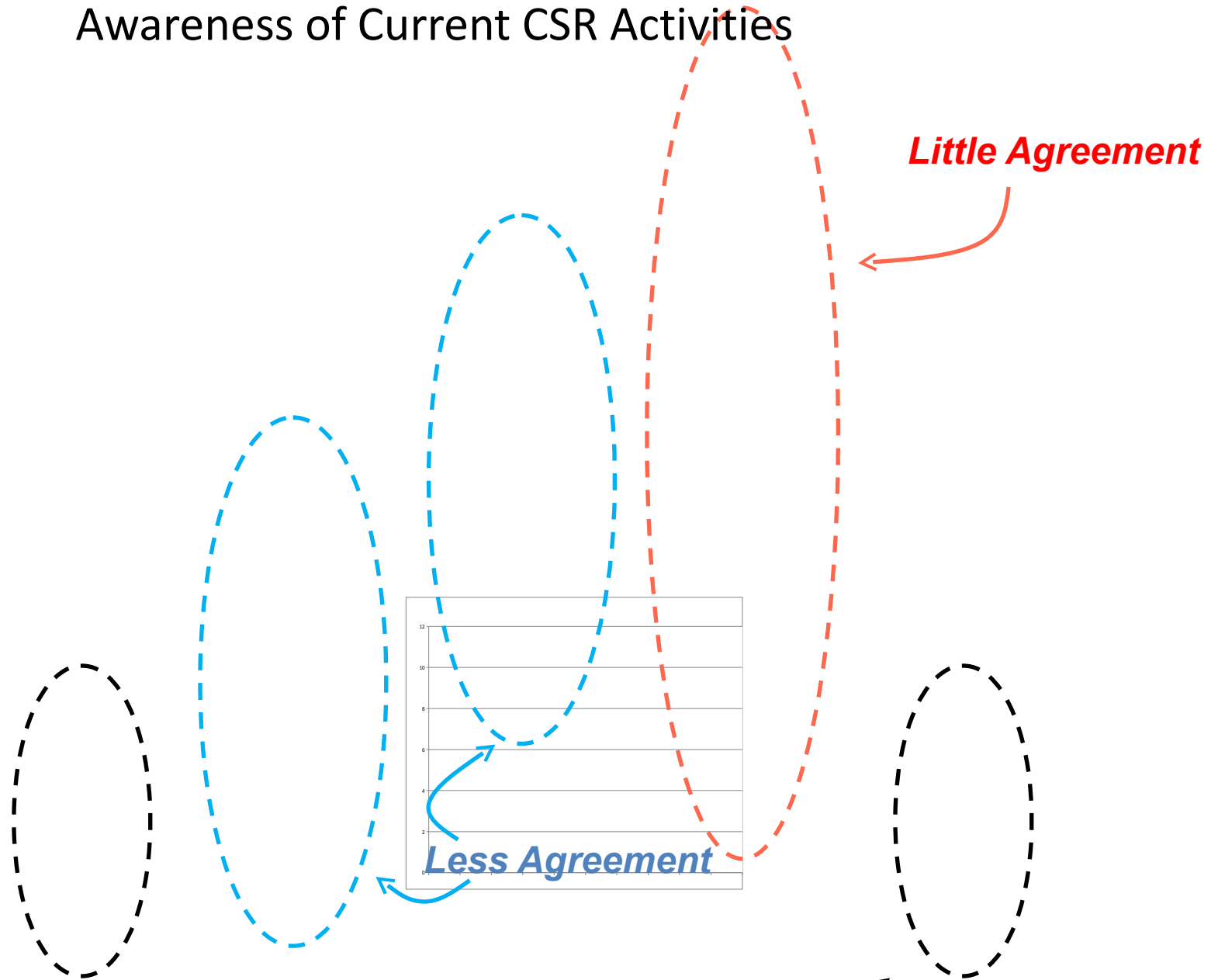
Creating the Portfolio

- A compilation of all the activities mentioned
- Categorized into the 5 Role-of-Business dimensions
- Redundancies removed
- Then, the number of activities was counted.
- NOTE: does not distinguish between “big” and “small” activities– they each count the same.
 - This portfolio needs to be fine-tuned to reflect the relative weighting and significance of the various activities.

Portfolio of Current CSR Activities



Awareness of Current CSR Activities



Closing Thoughts

I hope I've demonstrated:

- Usefulness of Role-of-Business expectations
- Importance of crafting and projecting a consistent company-specific RoB model
 - Defines what you will be held accountable for
- Need to manage your company's "portfolio" of CSR activities