

A STAKEHOLDER PERSPECTIVE ON CORPORATE SOCIAL RESPONSIBILITY

by

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B.A., Kansas State University 2008

A THESIS

submitted in partial fulfillment of the requirements for the degree

MASTER OF ARTS

Department of Communication Studies  
College of Arts and Sciences

KANSAS STATE UNIVERSITY  
Manhattan, Kansas

2010

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## **Abstract**

The adoption of a corporate social responsibility (CSR) policy affords a company with the opportunity to engage with stakeholders in a manner that is not necessarily tied directly to a company's business as usual. CSR research has burgeoned in the last several decades, keeping pace with companies worldwide and their steady incorporation of CSR policies into their business models. To that end, research has been primarily focused on CSR policy perception from external stakeholders or managers. This research project examines the sensemaking processes related to an environmental sustainability-related CSR policy among a diverse group of internal stakeholders at a mid-sized electric utility company. An analysis of the data suggests that hierarchical divisions of employees are non-existent when the CSR policy is enduring, consistent, and upholds company values. Moreover, employee enactment of CSR policies operates as a mechanism whereby employees internalize the promoted corporate values. Such environmental CSR policies tacitly reinforce an organization's cultural values among its employees. Additionally, environmentally sustainable CSR policies supported by environmentally exhausting companies induce a minimal justification hypothesis when dissonance is present between the nature of a company's industry and practices related to sustaining the environment.

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## **Acknowledgements**

A thank you must first go to my thesis committee. To Dr. Charlie Griffin, Dr. David Procter, and Dr. Nicole Laster, thanks. Your guidance and support were absolutely invaluable, and are the reason for this thesis's existence. Dr. Laster deserves a special thank you for serving as my major thesis advisor. Thank you for challenging me to "find the communication." Thank you for your advice and assistance, as well as the much needed coffee table talk over these past few years. Ultimately, my only regret at the end of this process is that I was unable to muster up a longer project title.

I am also indebted to my family and friends. Thank you for your encouragement and love throughout this lengthy process. Thanks for listening while I worried about coding categories and impending deadlines. Thank you, too, for keeping your sense of humor, especially around the third hundredth final edit. (Aren't you glad I didn't say twelve hundredth?)

## **Chapter 1 - Introduction**

Every year during the month of October, individuals hurrying past the Student Union coffee shop at Kansas State University may notice that the coffee cup holders, sandwich boards, and even select packages of coffee beans appear to be tinted pink and emblazoned with ribbons, signifying the commemoration of Amy Erickson, a former employee who lost her battle with breast cancer in the 1990's. The beribboned products sold at this popular coffee retailer chain provide a tangible example of companies who marry social cause with business, a practice formally known as corporate social responsibility (CSR). Although the most basic of definition describes it as a social obligation for an organization (Bowen, 1953), CSR is conceptually and operationally diverse. Brønn and Vriani (2001), for instance, have documented sundry CSR policy definitions that encompass corporate philanthropy, social disclosure, a company's environmental record, workforce diversity, financial health, and community involvement.

Regardless of its variety of definitions, recent CSR research has been one-sided, persistently focusing on one particular stakeholder—the consumer. Stakeholders are described broadly by Freeman and Reed (1983) as “any identifiable group or individual who can affect the achievement of an organization's objectives or who is affected by the achievement of an organization's objectives” (p. 91), and CSR research has predominantly focused on targeting one type of stakeholder, that of the consumer and her perceptions. Specifically, researchers have examined attitude variables such as consumer identity (Peterson, 2009), customer satisfaction, and favorable firm image (Brown & Dacin, 1997; Luo & Bhattacharya, 2006) in order to study how consumers align themselves with companies based on their CSR policies. For example, Peterson's (2009) findings reinforce the importance of aligning a CSR policy with the core values of target customers in order to prime feelings of positive association. Core values are an

important part of the discussion on how CSR policies are ultimately processed and understood by stakeholders. Core values are classically and generally defined as “...a type of belief, centrally located within one's total belief system, about how one ought or ought not to behave, or about some end-state of existence worth or not worth attaining (Rokeach, 1968, p. 124). Apart from influencing customer perceptions, research suggests that CSR policy is connected to the core values of a company as well. For instance, Chong (2009) found that when CSR policies are aligned with corporate values, enacting a CSR policy may lead stakeholders to “internalize an organization’s core values” when the policy reflects said organization’s values (p. 114). Thus an understanding and examination of organizational values becomes important when understanding how stakeholders make sense of CSR policies. All told, research suggests that the implementation of a CSR policy has widespread consequences for a variety of stakeholders.

The sheer number of research articles devoted to CSR plainly illustrates this topic’s academic saturation. However, two findings from extant research provide rationale for further examination. First, CSR has steadily proliferated in the decades since the first documented CSR partnerships that occurred between the Austin Motor Company and the Royal National Life-Boat Institution in 1964 (McElhaney, 2008). In 2008, audit, tax, and advisory firm KPMG reported that of the top 250 companies listed on the 2007 Fortune Global 500 list, 79 percent produced an annual, stand-alone corporate responsibility report, up from 52 percent in 2005 (International Corporate Social Responsibility Survey). The report also suggests that CSR’s influence is seen globally, gaining traction in companies in France, Norway, Switzerland, Brazil, and South Africa.

The proliferation of corporate CSR policies has also prompted the establishment of CSR consulting firms like ORENDA (<http://www.orendaconnections.com>). These firms promise to

fine tune companies' existing CSR policies so as to maximize productivity and customer loyalty and the like. Thus, in a modern organizational structure, CSR is treated as a fixed component. CSR has even become integral to a company's image (e.g., Wright, 2007; McElhaney, 2008) and employee recruitment (Ray & Richard, 2006). Consequently, CSR is a value-added organizational component worthy of continued investigation. But simply recounting data reports of companies' steady CSR policy implementation provides this research project with only a partial rationale for adding to the saturation of CSR research.

The other half of the rationale is evident in findings by researchers such as Lee (2009) who suggests that external stakeholders such as customers who purchase a company product (e.g., individuals frequenting McDonald's) are sometimes wary of a company's CSR policy. Application-based research efforts have thus focused on developing methods for improving CSR policies by actively incorporating stakeholder concerns (e.g., Maignan & Ferrell, 2004). This is an important distinction to make because while there are many studies relating to CSR, a preponderance of research focuses on the perspective of the consumer or the manager.

Understanding the "focus" of a CSR policy itself can be understood generally and formally with a stakeholder orientation. Specifically, stakeholder orientation is concerned with the impact corporate policies have on different and unique stakeholders. Again, Freeman (1984) provides an instructive definition of a stakeholder as, "any group or individual who can affect or is affected by the achievement of the firm's objectives" (p. 25). Generally in research, the corporate policies are examined in a macro sense. If CSR and stakeholder orientation are related, the research couples the two tangentially. Most literature examines the relationship between stakeholder orientation and the planning of corporate mission statements (Greenley & Foxall, 1997), as well as utilizing a content analysis of policy or annual company reports (Gray, Kouchy,

& Lavers, 1995). For instance, Sweeney and Coughlan (2008) studied CSR via corporate annual reports spanning 30 companies and six industries. With such a focus, stakeholder orientation studies are typically relegated to management or marketing journals. For instance, Kujala (2010) found that managers rank concern for stakeholder orientation towards employees in third place behind customers and owners, respectively. Some researchers like Puri and Borok (2002) are so concerned with (and displeased by) this focus that their research is focused on recommending specific corporate amendments with the intent of protecting the interests of employees as “important corporate stakeholder[s]” (p. 49). A somewhat dramatic and high-profile illustration of Kujala’s (2010) findings is offered by Royle (2005), who found a discrepancy between fast food industry giant McDonald’s 2004 corporate social responsibility report (which claimed to value employees) and the general treatment of its employees. This example of hypocrisy unveiled through corporate social responsibility can be perhaps partially explained by Cooper, Crowther, and Davis (2001), who suggest that when managers do concern themselves with stakeholder orientation, their focus is on ranking stakeholders in order to direct CSR policy toward fulfilling the needs of the most consequential stakeholder. These findings indicate that both researchers and managers tend to focus on external stakeholder perceptions and pay lip service to other stakeholders. Genuine concern for the internal stakeholder is seemingly absent from the conversation.

However, a select number of studies do argue for the broadening of the research base in order to address CSR policy effects on employees as an essential unit of analysis (Blackburn, Doran, & Shrader, 1994; De Bussy, Ewing, & Pitt, 2003; Sumner, 2005). Interestingly, although much of the findings easily name a general malaise that affects CSR policy (e.g., consumer-perceived corporate hypocrisy, Wagner, Lutz, & Weitz, 2009 or consumer-perceived suspicion



of company motive, Vlachos, Tsamakos, Vrechopoulos, & Avramidis, 2009), research offers little in regard to how employees make sense of and interpret their company's CSR policies. Specifically, there is no research examining how different employee constituents (e.g., upper management versus HR or sales) make sense of an organizational CSR policy and for what reasons they are processing them a particular way. Yet there is evidence based on methodological weaknesses, as well as findings in organizational change research, that indicates the importance of examining these constituents. Rooney et al. (2010) studied organizational change among a cross-section of both internal and external stakeholders. They found that groups employed in lower brackets of hierarchical organizations not only had a stronger identification with the organization, but also found it very difficult to adjust to the organizational change. Conversely, supervisors and external stakeholders (among the three surveyed, a state government department policy leader, a former minister for health, and a senior executive) reported less identification ties with the organization and more positive feelings for change. Rooney et al.'s (2010) findings, while not explicitly related to CSR policy, are important as they lend credence to the idea that stakeholders interpret organizational functioning differently depending on their hierarchical position and relationship with an organization. Finally, there are several tentative findings that suggest that stakeholders themselves are confused regarding the nature of their company's CSR policies. In a 2004 survey conducted by employment search company Monster.com, 84 percent of respondents indicated that they either did not understand the definition of CSR or were ignorant of their company's CSR policies (Pandya, 2004). Sen, Bhattacharya, and Korschun (2006) found that undergraduates who did not understand a company's CSR policy were less likely to express desire to affiliate themselves stakeholder-wise (i.e. as a consumer or a prospective employee) with the company.

Finally, it is necessary to introduce findings which have problematized research regarding CSR policy and its relationship to stakeholders. Blackburn et al. (1994) specifically tackle prevalent methodological difficulties in studying CSR and the related issues in regard to stakeholders. For example, they cite the CSR survey developed by the Council of Economic Priorities (CEP) in 1972. This CEP survey was used in several academic studies in the 1970s, despite the fact that it is flawed in a significant way. Blackburn et al. (1994) found that this survey approaches CSR as one-dimensional, supporting the inaccurate assumption that all stakeholders hold common interests.

Thus taken together, CSR policy is often presented as one-dimensional and frequently oriented toward (and easily accepted by) a specific group of external stakeholders (Cooper et al., 2001). In response to this presentation, employees are at best confused (Rooney et al., 2010) and at worst ignored (Royle, 2005).

Given the steady proliferation of CSR policy into organizations, its treatment as a fixed organizational component, research findings that indicate ignored stakeholder perspectives, and stakeholder dissonance regarding CSR policy, this research project proposes a stakeholder theory perspective on the sensemaking processes among stakeholders employed in various departments within organizations.

An examination of stakeholder sensemaking among different organizational ranks and positions is an important distinguishing factor for this study. Not only may real perceptual differences exist between those who make the decisions (upper management) and those who are affected by them, but there may also be elements attributed to a particular CSR than could be accounting for these differences. Before new CSR policy methods can be analyzed or adopted wholesale, a careful stakeholder perspective on CSR policy will be helpful to determine how

different departments of in-group stakeholders make sense of employers' CSR policies. This is especially important given CSR's connection with the corporate values of an organization (Chong, 2009). Indeed, Whitehouse (2006) found that when managers were asked to define CSR in relation to their companies, they tended to link the policy with corporate values. One participant described CSR as "a mix of values, reputation and cost efficiency" (p. 285).

At present, two gaps exist in the research. First, no comprehensive explanation of CSR implementation efforts exists. Yet reasons exist that stakeholder react to organizational policies differently. Therefore, it is not unlikely that two departments with different stakes in CSR may not understand a policy in a uniform manner, and differences may create potential concerns for the policy adoption and success. Thus, one purpose of this study is to examine how CSR interacts in relation to organizational culture. Second, research illustrates a tentative connection between the values of an organization and the type of CSR policy implement. An additional purpose for this study then is to explore the relationship between organizational values and CSR policy. The constructs of CSR and stakeholder theory are clarified and operationalized in chapter two. The existing literature is also reviewed, providing a historical and theoretical grounding for each construct as it relates to this research project. Chapter three elaborates this project's methodology, while chapter four reports the data into several overarching theme. Finally, chapter five offers conclusions, limitations, and future research directions for CSR policies.

## **Chapter 2 - Literature Review**

### **Stakeholder and CSR Conceptualized**

As noted previously, the term “stakeholder” stands in for concerned constituencies who are affected by or able to affect a corporation (Freeman & Reed, 1983). It is important here to note that existing research complicates the term “stakeholder” (Donaldson & Preston, 1995). Some authors conceptualize the term selectively, clearly implying “consumer” where “stakeholder” is used. Still others like Schiebel and Pochtrager (2003), Clarkson (1995), and Marsden and Andriof (1998) depict “stakeholder” as an umbrella term for groups with a vested interest in an organization. Stakeholder groups include customers, employees, business partners, communities, investors and the environment. Stakeholders have also been classified by dimension as either primary or secondary (Wheeler & Sillanpää, 1997). In order to minimize confusion, “stakeholder” is conceptualized after Schiebel and Pochtrager (2003), and limited within the purview of this study to refer to all hierarchical levels of employees working within an organization.

Additionally, it is important to reiterate that CSR policy can and does take on many different manifestations (Brønn & Vrioni, 2001). Lee (2009), for example, analyzed the cause-related marketing concerning the sport industry, while Del Matto (2007) looked at sustainability initiatives at a Canadian ski resort. Heath and Ryan (1989) note that companies themselves often exercise varied operationalizations of CSR policies, with definitions ranging from expansive and general to narrow and specific. Sheth (2006) and Sweeney and Coughlan (2008) also illustrate that CSR policy may vary from industry to industry. With a clearer contextualization of this research project’s pertinent terms, a more detailed analysis of CSR and stakeholder theory, and organizational culture can be put forth.

## Corporate Social Responsibility: A Historical Perspective

“We have a desire to change the way business is done today. Call it a revolution, call it big thinking. We like to think of it as our responsibility to look out for one another.”

- Brochure for Project – 7, a consumer goods company

CSR attained widespread prevalence during the 20<sup>th</sup> century. From the outset of the century, the economic hardship wrought by the Great Depression triggered a public distrust of companies (Perrow, 1978). In the late 1930s, Chester Irving Barnard, president of the New Jersey Bell Telephone Company (now AT&T), was responsible for contesting the one-dimensional understanding of organizations as a passively constructed collective. Barnard (1938) introduced the dynamic conceptualization of an organization as an executive-driven cooperative or community that achieves goals unattainable by individuals. This conceptualization was realized in part by the Bell Company whose progressive management style became popularized among competing companies that had been more apt to view employees as machine cogs (Perrow, 1978). J.M. Clark took Barnard’s conceptualization one step further. He felt that companies had an ethically driven need to engage in social action. As such, he encouraged businesses to look beyond their profit margins and shoulder an element social responsibility (Champlin & Knoedler, 2004). In the academic field, scholars such as Theodore Kreps pushed for CSR to become a viable subject of research (Stanford GSB News).

In the mid century, CSR began to flourish. In 1953 Howard R. Bowen, known as the “Father of Corporate Social Responsibility” (Carroll, 1999), published *Social Responsibilities of the Businessman*. Bowen offered a popular definition of CSR: “It [CSR] refers to the obligations

of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (p. 6).

From this early point-of-departure definition, other scholars began adding their personal interpretations of CSR. In the reviewed literature, it is apparent that CSR’s definitions and interpretations evolved rapidly. Almost immediately, writers diversified how and to whom CSR policy should be directed. For instance, Clarence C. Walton (1967) introduced the idea that social engagement should be voluntary on the part of the corporation. This was a departure from J.M. Clark’s construction of CSR, who saw CSR as all but mandatory. In the 1970s, whole taxonomies were constructed to help manage CSR’s burgeoning definitions. For example, the Committee for Economic Development (CED), a nonprofit economic research organization, used a concentric circle model to classify CSR definitions according to the number of responsibilities a company assumed (1971).

By the end of the 20<sup>th</sup> century, CSR had become established as both an empirical construct and as a practical facet of organizational structure (Carroll, 1999). In regard to practicality, the organizational incorporation of a CSR policy has become a strategic value-add for a company. Scenario-based experiments tentatively illustrate that CSR policies positively impact a consumer’s intention to buy a company’s product (Summer, 2005). However, field studies indicate that it is difficult to connect the implementation of CSR policies with an increase in profit with any measure of certainty (Oxley Green & Hunton-Clarke, 2003). Despite these findings, Mallin (2009) found that investors’ interest in CSR policies was a factor in companies’ adoption of these policies. Additionally, a small amount of research indicates that CSR policies are an important key to understanding an organization’s values (Chong, 2009).

Organizational values belong under the purview of the field of organizational culture. Organizational culture can be comprehensively defined as “...the importance for people of symbolism – of rituals, myths, stories, and legends – and...the interpretation of events, ideas, and experiences that are influenced and shaped by the groups within which they live” (Frost, Moore, Louis, Lundberg, & Martin, 1985, p. 17). Culture can be understood on several different levels – ranging from visible artifacts to intangible core values shared among employees. Diagnosing a company’s culture became *de rigueur* within the field of organizational communication in the 1970s and 1980s (Schein, 2004). These early studies offered insights that, if correctly interpreted, might benefit an organization. Scholars examined how thoroughly company values were reinforced through employee behavior. Organizational values, as a facet of organizational culture, are valuable in that they point to what binds a company together behind the utility or product they provide. Duarte (2010) believes that CSR policies affect a company’s values, stating that “the embedding of CSR values in organizational discourses and practices often leads to the creation of a CSR culture that over time permeates the broader culture of the organization” (p. 14). Given Durate’s perspective and combined with the understanding that a CSR appears to be related in some way to culture, and more specifically the values that culture promotes, a research question emerges:

RQ1: In what ways is an organization’s CSR policy related to its organizational values?

Combined pressure from consumers and shareholders, the possibility of increased profits, and the lure of a mechanism by which organizational values can be illustrated to stakeholders have combined to popularize CSR policy over the last century. In order to create a research focus, scholars in the late 20<sup>th</sup> century began to shape CSR into related concepts such as “CSP

[corporate social performance], stakeholder theory, business ethics theory, and corporate citizenship” (p. 288). Stakeholder theory, in particular, is of interest to this study’s construction, and is discussed in a subsequent section. Before framing CSR in accordance with stakeholder theory, it is useful to review recent research that provides a theoretical grounding for differentiating among the myriad operational definitions of CSR.

### **Corporate Social Responsibility: A Theoretical Approach**

CSR research findings become complicated in several ways. First, a historical review of literature confirms that there exists an abundance of CSR definitions. As a result, CSR policies range considerably, from spelling out how a company will save energy (Del Matto, 2007) to developing and marketing products whose profits will go to funding AIDS research (Peterson, 2009). Carroll’s (1999) findings illustrate the difficulty of pinpointing a unified definition of CSR, noting that the top ranked research areas in social issues of the management field range considerably from “business ethics” to “environmental issues” to “business and government/public policy.” Note that even Carroll’s categories could possibly be open for interpretation.

A second difficulty in providing a theoretical conception of CSR relates the fact that when researchers conduct studies on interpretations and/or perceptions of stakeholders, these researchers often refer to the consumer stakeholder orientation and downplay the managers’ focus. This is evident even in the recent turn in research focus toward the communication medium of CSR policy between management and stakeholders. Fleck, Kirchhoff, Meckel, and Stanoevska-Slabeva (2007) note the popularity of online communication as a way of disseminating CSR policy information. Specifically, Fieseler, Fleck, and Meckel (2007) examine how McDonald’s used blogging to promote the company’s CSR initiatives. Dawkins (2004) used



data extensively from MORI, a UK market research company, to assess public perception of communication efforts companies used to relay their CSR policies. These studies again illustrate the outward focus of many companies' CSR policies.

As mentioned, CSR is also diverse in regard to subdivisions of areas of study. Cause-related marketing (CRM) is one of the most popular subdivisions: Promotion Marketing Association and Gable Group found in a 2000 study that 85 percent of corporations surveyed employed a CSR policy in the form of a type of CRM. It then makes intuitive sense that CSR literature is overwhelmingly done from the perspective of the public. A sampling of the research questions that guide such literature include:

- How do Millennials' self-identities inform their views of cause-related marketing? (Peterson, 2009)
- ... [Do] Cypriots prefer to buy a brand from a company that practices CRM? (Demetriou, Papasolomou, & Vrontis, 2010)
- What are the strengths, weaknesses, opportunities, and threats of some recent cause-related marketing campaigns designed to raise funds for breast cancer awareness and research? (Landreth, 2002)

While the preceding research questions are representative of CSR's recent treatment in the literature, there are scholars who argue for turning attention toward the interpretation of CSR policies from internal stakeholders' (e.g., employees) point of view. Blackburn et al. (1994) found that CSR policies are multidimensional, and that their complexities affect different groups of stakeholders in different ways. That is, interpretations of CSR policy are a function of the stakeholder group appraising the policy. This eye-of-the-beholder finding is important because it suggests that extant research focusing on consumer perspective may not be transferrable to employee perspective, and adds credence to the argument for studying the effects of CSR policy

on internal stakeholders like employees. Furthermore, it is important to remember Sweeney and Coughlan's (2008) findings that suggest that managerial perspective may be contingent at least in part on the company's industry classification. These findings are taken into account in the methods section of this paper.

### ***Corporate Social Responsibility: Influencing Factors***

Liu, Liston-Heyes, and Ko (2010) are among the few who have researched the relationship between CSR and employees. Liu et al. analyzed to what extent corporations included the input and interpretation of employees when formulating or revising company CSR policies by interviewing 43 managers who had been involved in creating their company's CRM policies. The findings indicate that numerous factors influence employee interpretation of CSR policies including the size and type of the company (i.e., financial firm versus retail industry), as well as employees' personal proclivity to engage in socially responsible behaviors. Furthermore, Liu et al. (2010) found that employees have relatively little power in the decision-making process for future CSR policy. Ultimately, the researchers found that utilizing CSR policy as a method of company legitimization is more successful when the policy recognizes or accounts for internal stakeholders (i.e., employees).

A limitation of Liu et al.'s (2010) study lies in its methodology, which relies on companies aligned with the social causes of non-profit organizations. Liu et al.'s findings may not be applicable to companies who choose alternate, non cause-related marketing types of CSR policy. Furthermore, managers were the only individuals interviewed. Thus, these interviews represent an incomplete, secondhand view of employee perceptions of CSR policies. That is, interpretations may differ between employees in different departments (Gallivan, 2001).

Collier and Esteban's (2007) findings also suggest the importance of employee consideration in the creation and implementation of CSR policy. They found that truly achieving an "integrative CSR culture" (p. 30) means first imbuing employees with the company's own CSR values. Just as consumers may be dismayed to discover a level of hypocrisy between an organization's CSR policy and action, Collier and Esteban (2007) warn that employees as important stakeholders intended to internalize as well as espouse a CSR policy are also at risk for disillusionment.

The findings from Liu et al. (2010) and Collier and Esteban (2007) are important as they illustrate that employees are a significantly different stakeholder group than consumers, and that CSR policies created with employees in mind may benefit the company. However, current research does not clarify the extent to which hierarchically diverse employees interpret company CSR policies.

CSR is a dynamic concept that, when applied in organizations, reifies the early 20<sup>th</sup> century notion expressed by J.M. Clark: companies have social obligations. Additionally, CSR creates a tangible, although perhaps vastly varied, relationship between company and stakeholder among different organizations. For consumer goods companies, that relationship is often symbiotic. In the case of Project 7, the company whose CSR policy was partially quoted at this literature review's outset, items like water bottles and packs of gum are produced. Employers market these goods, consumers consume them, and the company directly profits while achieving the CSR policy goal of contributing funds to a social cause such as rainforest conservation. Alternatively, Gap, another consumer goods company whose (PRODUCT)<sup>RED</sup><sup>™</sup> campaign arranged for the partial donation of their specialty clothing line to the Global Fund to Fight AIDS, Tuberculosis and Malaria (Peterson, 2009).

### ***Corporate Social Responsibility: Exploring the Opposition***

CSR is not without its critics, and it is useful to explore a few opposing viewpoints in order to present CSR in a balanced manner. The chief trouble with CSR lies at its core purpose. Although CSR policy definitions differ conceptually and thus operationally, inherent in all CSR interpretations is the belief that corporations have ethical obligations that extend beyond reaping profits. As such, CSR requires the rejection of laissez-faire organizational principles, and some critics see CSR as meddlesome (e.g., Moskowitz, 2002; Korten, 2001). These critics take their cue from notable economist Milton Friedman. Friedman (1962) staunchly opposed CSR in 1962, hailing it as “a fundamentally subversive doctrine” (p. 133).

Others maintain a negative view of CSR for feasibility reasons. Moore (2001), for instance, voiced the concern that researchers have had difficulty tangibly connecting CSR policy to market results. CSR policies cover a wide range of activities, some more costly than others. For example, Balabanis, Phillips, and Lyall (1998) found that CSR policies relating to the environment had a negative relationship with a company’s future profits. Conversely, organic, in-house CSR policies (Balabanis et al. give the example of funding an initiative to mentor women) tend to have an indirect and latent effect on company finances. So, companies with a strictly profit-driven bottom line may see little benefit to CSR. Additionally, Oxley Green and Hunton-Clarke (2003) found that managers tend to be reluctant to engage stakeholders due to time and money costs. It is easier for managers to simply assess the most salient stakeholder (usually the consumer) and direct CSR policies accordingly. And in the eyes of the media, Vallentin (2003) found that high CSR-active companies are those who receive a high preponderance of criticism versus less CSR-active companies.

Finally, some consumers react unfavorably to companies whose CSR policies seem to be out of line with company actions (Wagner et al., 2009), and others simply are suspicious of CSR and the companies who enact policies therein (Vlachos et al., 2009). Wagner et al.'s (2009) point was recently illustrated in devastating fashion when, for several months in 2010, a gulf oil leak effectively tarnished gas and oil company BP's environmentally-related CSR policy. In 2004, Vice President and Country Manager of BP Algeria Dai Jones gave an address stating, "At the same time, and in parallel, BP actively pursues excellence in all operations. Excellence is founded on responsibility, and starts with responsible operations that promote safety and integrity; minimise the impacts to the environment; and provide a healthy and safe work environment for its employees" (8th Africa Oil and Gas, Trade and Finance Conference and Exhibition, 2004). The findings of these two studies alone might give some companies pause before plunging in along with the CSR movement.

Despite these negative views, research proliferation and statistics indicate that the pro-CSR following is more vocal than those with pessimistic attitudes toward CSR. Data such as KPMG's 2008 report suggest that critics are not successfully competing with the current momentum of CSR allies, both academic and corporate.

Thus from its early origin as an organizational perspective, CSR has arrived in the 21<sup>st</sup> century as a dominating force in both the research field and organizational vernacular and practice. CSR is still operationally and conceptually diverse: its applications range from environmental (Del Matto, 2007) to health-oriented (Peterson, 2009), with most of the literature devoted to the consumer's interpretation of the policy. Moreover, CSR policy is not without its critics: purists reject CSR based on laissez-faire business principles, and others oppose the

concept's implementation due to research suggesting that the end result of resource-heavy CSR policies is only vaguely connected to profit (Oxley Green & Hunton-Clarke, 2003).

With a clear placement of CSR's theoretical background, the construct must now be grounded in a theoretical framework in order to secure CSR as a viable research focus.

Stakeholder theory is the natural choice for this research project for several reasons. Although the nature of the social cause can and does vary, CSR policies necessarily by definition force a very public company connection a social cause. Several studies suggest that it is important for managers to be aware of the constituents involved and affected by CSR policies. Cai and Wheale's (2004) study on CSR and trust indicates the importance of instituting regular stakeholder audits and providing opportunities for stakeholder dialogue. These steps, Cai and Wheale (2004) argue, help ensure that the effects of enacted CSR policies are fairly and appropriately distributed. Stakeholder theory offers a mechanism to determine how CSR policy is balanced among stakeholders. In the next section, stakeholder theory is discussed historically, and then presented as a viable platform for this research project. Additionally, the underpinnings of the theory and its modern applications are discussed.

### **Stakeholder Theory: An Ethical, Multifaceted Managerial Model**

Stakeholder theory developed as an outgrowth of CSR. In a reading of a basic definition one can begin to understand how CSR might easily fit within the framework of stakeholder theory: "A stakeholder approach to business is about creating as much value as possible for stakeholders, without resorting to trade-offs" (Freeman, Harrison, Wicks, Parmar, & de Colle, 2010, p. 28). CSR, too, is directly concerned with social policies developed to benefit, or value,

an organization's stakeholders. From this perspective, it is evident that CSR, stakeholder theory takes a social rather than an economic orientation.

As early as 1971, modern stakeholder theory had already begun to coalesce. In his *Business in Contemporary Society: Framework and Issues*, Johnson (1971) defined and analyzed several definitions of CSR, including his interpretation of CSR: "a socially responsible firm is one whose managerial staff balances a multiplicity of interests" (p. 50). Carroll (1999) interprets this "multiplicity of interests" to mean stakeholder groups, such as shareholders and customers. But it was Freeman (1984) whose seminal work established a respected place for stakeholder theory in the academic field. One of the salient points Freeman's work discussed was stakeholder legitimacy. "Stakeholder" groups can be numerous, and the thought of incorporating each and every group's interests might be overwhelming from a managerial perspective. Freeman's conceptualization of stakeholder theory is purposefully coupled with strategic management. This coupling is meant to address concerns such as stakeholder legitimacy at the outset in order to help companies realistically incorporate and balance social obligations with economic ones. One model Freeman conceptualized assists corporations in realizing which stakeholder groups are legitimate through the identification of stakeholders, organizational values, and societal issues. Thus, while CSR can at times seem unwieldy and even utopian, stakeholder theory provides the necessary tools to organize policy in a responsible and manageable fashion.

### ***Stakeholder Theory: Definitional Overview***

Stakeholder theory is a useful frame for studying CSR due to its flexibility. Unfortunately, this strength is also stakeholder theory's most outstanding weakness. As is the case with CSR, Donaldson and Preston (1995) note that stakeholder theory is plagued by a

diversity of interpretations. Agle, Mitchell, and Wood (1997), for example, offer an extensive chronology of stakeholder definition, dating from 1963 to 1995. Out of the definitional melee, though, descriptive, instrumental, and normative branches of stakeholder theory have emerged and are generally accepted as an umbrella for the host of interpretations (Donaldson & Preston, 1995; Lewis, 2007). The descriptive branch of a stakeholder perspective involves simple reporting of observations taken by the researcher. The instrumental branch incorporates the observational approach of the descriptive branch and then moves a step beyond by attempting to diagnose communication weaknesses within an organization. The instrumental branch of stakeholder theory is commonly aligned with CSR-related research (e.g., Kotter & Heskett, 1992). Researchers studying organizations with the normative branch will focus on moral and ethical corporate obligations. Donaldson and Preston (1995) further differentiate normative from instrumental, depicting the normative approach as categorical – “Do (Don't do) this because it is the right (wrong) thing to do” – and the instrumental approach as hypothetical – “If you want to achieve (avoid) results X, Y, or Z, then adopt (don't adopt) principles and practices A, B, or C” (p. 72). But the definition of stakeholder theory is just one facet needing to be addressed.

Recent research has incorporated the framing influence of constituents as one of the hallmarks of stakeholder theory. As previously discussed, before making decisions regarding policies such as CSR policy, managers tend to weigh the importance of stakeholders (Kujala, 2010). Importantly, Harvey and Schaefer (2001) found that managers consistently use personal perception rather than any other objective measure of stakeholder influence. This finding may in part explain the popularity of the tri-dimensional framework of stakeholder influence conceived by Mitchell et al. (1997) as a way of interpreting the often informal ranking system used by managers. Specifically, Mitchell et al. proposed that combinations of power, legitimacy, and



urgency are significant factors that determine the overall salience and influence of a stakeholder. Within the framework, power, legitimacy, and urgency have a number of subheadings, and certain groupings of the three dimensions create the subsequent classes of latent, expectant, definitive stakeholders. Power is transitory, and refers to a relationship wherein “a party...can gain access to coercive, utilitarian, or normative means, to impose its will in the relationship” (p. 865). Legitimacy is “a desirable social good” (p. 867), easily perceived not only by the individual but by his or her associates. Urgency is concerned with time sensitivity and criticality, referring to “the degree to which stakeholder claims call for immediate attention” (p. 867).

Since the initial publication of the framework, numerous studies have researched the application of its dimensions. Agle, Mitchell, and Sonnenfeld’s (1999) findings offered initial support for Mitchell et al.’s (1997) proposed dimensions (i.e., that power, legitimacy, and urgency do matter to managers). Parent and Deephouse (2007) ran a quantitative analysis on the framework and discovered that, from the perspective of the manager participants, power is the most salient influence. Harvey and Schaefer (2001) found that managers tend to view stakeholders with legitimacy favorably, but do not defer to their interests, policy-wise. For this research project’s purposes, one should note that the aforementioned studies used managers and not stakeholders as the unit of analysis. Again, the picture is incomplete. Stakeholder theory for this research project will be decidedly focused inward on employees.

Stakeholder theory is further complicated by a facet known as *multiplicity*. It is not sufficient or even accurate to define and treat stakeholders as isolated, independent cases; Rowley (1997), for instance, illustrated the interactivity of various groups of stakeholders (e.g., a consumer might also be a prospective employee for a company). Thus Oliver (1991) defines stakeholder multiplicity as, “the degree of multiple, conflicting, complementary, or cooperative

stakeholder claims made to an organization” (p. 162). Neville and Menguc (2006) expounded stakeholder multiplicity upon Mitchell et al.’s (1997) framework of stakeholder influence by attempting to account for a more nuanced understanding of relationship complexities between groups of stakeholders who, in the eyes of management, hold varying degrees of power, legitimacy, and urgency. Neatly defined stakeholder influence is a rarity, and thus Neville and Menguc (2006) urge managers to consider stakeholder multiplicity when making CSR policy decisions. This finding is important as it adds a new aspect of study for this research project, that of stakeholder multiplicity among different hierarchical levels of employees.

Stakeholder theory is a time-tested perspective for many researchers’ purposes. Its flexibility of approaches (i.e., descriptive, instrumental, and normative) makes it appropriate for a variety of methodologies, and its underpinnings (i.e., the tri-dimensional framework of influence) have been successfully duplicated by successive experiments. But the most intriguing reason to choose stakeholder theory for this research project is that it has never been specifically applied to internal stakeholders’ perspectives. Studying employee perceptions within organizational hierarchy is fairly new territory. As such, this project is concerned with mapping employee-based interpretations of CSR policy in various organizational departments. Consequently, the choice of approach is descriptive in nature. CSR and stakeholder theory are two constructs important to the foundation of this research project. CSR in its most basic form aligns a business cause with a social one. Its history is still unfolding, and research is still tentative in connecting a company’s CSR with an increase in profits. Nonetheless, CSR’s steady population indicates that its presence may have staying power beyond a corporate buzzword.

The literature heretofore has studied CSR’s effects on the external stakeholder (i.e., the consumer). A few findings have suggested the need to examine CSR from within its company.

To do so, this research project suggests the utilization of stakeholder theory. As suggested by Cai and Wheale (2004), stakeholder theory complements CSR by encouraging companies to consistently survey the policy effects on stakeholders. A variety of stakeholders are impacted by CSR (Schiebel & Pochtrager, 2003), and because CSR holds increasing prominence in modern businesses worldwide, it is necessary to understand how stakeholders interpret these policies. As this literature review suggests, despite findings that indicate its importance (e.g., Neville & Menguc, 2006) most research has not been concerned with creating a holistic picture of a company's affected stakeholders. Internal stakeholders, specifically employees at varying hierarchical levels within a company that has adopted a CSR policy, are therefore the focus of this research project. A second research question drops out here in an attempt to understand this internal stakeholder focus:

RQ2: In what ways do internal stakeholders make sense of their organization's CSR policies?

Furthermore, stakeholder discussions of CSR policy will add to existing CSR literature and assist in filling in the gap regarding internal stakeholder interpretation.

## **Chapter 3 - Method**

### **Overview of Methodology**

This research project investigates how employees make sense of their company's CSR policy. In order to extend current research understanding in this area, this research project focuses on one instance of CSR policy type and to see how it impacts internal stakeholders and is examined across the organization. Employees working at a company with this type of CSR policy were solicited for interview participation.

The choice of CSR policy type for this research is identified under the label of environmental sustainability. Environmental sustainability is encompassed under the purview of popular CSR policy. Del Matto (2007), for example, summarized research relating to sustainable ecotourism. Del Matto's work highlights the way in which a ski resort is able to utilize CSR policy to counteract the more unsavory effects their business. This application of CSR policy departs from its previously reviewed uses. Here, the selection and integration of this particular CSR policy type is a self-conscious reaction on the part of the organization. That is, CSR policies are implemented in attempted response to a harmful effect on the environment, sometimes resulting from a company's very business practices. As stated previously, Duarte (2010) studied the CSR policy of a Brazilian mining company. While research illustrates deleterious effects of mining on the environment through symptoms such as contaminated aquifers and metal toxicity in plants (Ripley, Redmann, & Crowder, 1996), Duarte observed what she called a "fundamental dilemma" playing out at this Brazilian mining company. The company's leadership understood the environmental harm and thus implemented a CSR policy dedicated to completing environmentally beneficial objectives that connected the company's employees with the

surrounding community in an attempt to positively distance the company's mining practices from the company's employees.

Like CSR, the concept of sustainability has grown with steady popularity. In Carroll's (1999) content analysis of CSR definitions, the category of "environmental issues" ranks fifth. Indeed, some researchers believe that the term "sustainability" will eventually become synonymous with CSR (Paul, 2008). Environmental sustainability can be and has been interpreted broadly and incorporated across a range of industries (Business for Social Responsibility Education Fund, 2009). In a 1987 report, the United Nations defined environmental sustainability as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." This far-reaching definition can be related into a more concrete initiative. For example, Associated Business Systems, a Rioch company provider of office equipment provider headquartered in Portland, Oregon, has interpreted its understanding of environmental sustainability into a 5-step program to save energy, reduce resource consumption, promote air quality, comply with relevant standards, and recycle end-of-life equipment and supplies.

It is clear that a CSR policy of environmental sustainability is tethered in an interest in protecting the environment. One of the antecedents of environmental sustainability is climate change. In a 2009 survey of its 300 business members, the Business for Social Responsibility Education Fund (BSR) found that 41 percent of respondents chose climate change as "a very significant priority" for their business. Specifically, 44 percent of respondents identified energy efficiency as the most important element of their climate strategy. These results from the 2009 BSR survey suggest that environmental sustainability may be a natural area of CSR policy focus.

Creswell (1998) notes that the research question often determines the methodology. A qualitative method is an appropriate method to examine how employees are interpreting and perhaps even continuing with a CSR policy. In the following sections, interviewing as a methodology, the data collection and data analysis process are discussed.

## **Qualitative Methodology: The Interview**

The interview as a qualitative research method responds to the critique of the inflexible survey. Researchers who structure their methodology with the interview aim to recapture the nuances of the human experience absent in a fixed, predetermined survey of the quantitative research brand (Gergen, 2001). Several advantages to interviewing have been noted by Marshall and Rossman (1999), who argue that the interviewing process can lead a researcher to gain quality results via “immediate follow-up and clarification,” (p. 110). Furthermore, despite the structure of a traditional interview protocol, there exists the potential to frame personal responses according to each participant’s perspectives on the protocol topic. This potential might be viewed as an asset, especially for a research project interested in discovering the sensemaking mechanisms of the study’s participants. Thus, for the aforementioned reasons, this research will utilize the qualitative interview.

## **Data Collection**

**Organizational Site.** Interview participants were solicited from Eastern Electric, a mid-sized Midwest electric utility company. Eastern Electric has approximately 2,500 employees, and provides service to nearly 700,000 customers. Eastern Electric currently supports the Sustainability Squad, a 20-year-old CSR policy dedicated to completing a variety of sustainability-related projects for communities within Eastern Electric’s service territory. Sustainability Squad projects are highly diverse in nature, ranging from building bridges in

wildlife reserves to clearing debris caused by severe weather. The Sustainability Squad is a volunteer-driven initiative. In the early 1990's, Eastern Electric's CEO recognized that environmentally sustainability was becoming a hot topic for organizations, but it was an employee with a background in public relations who acted as the catalyst for forming the Squad. Since 1990, a core group of Eastern Electric employees have sustained this initiative, meeting twice a year to plan out and discuss upcoming projects. This core group includes two employees hired specifically by Eastern Electric to oversee the coordination and promotion of Sustainability Squad projects. While Sustainability Squad members describe the initiative as a bottom-up grassroots movement, the Squad is enthusiastically supported by Eastern Electric. The company provides equipment, and also allows employees to use eight hours of paid time each year to work on Sustainability Squad projects. Project updates are carefully documented in the company's weekly newsletter, and calls for participation in Sustainability Squad projects are delivered via email, flyer, or from a supervisor.

Specific numbers for Sustainability Squad membership fluctuates over time as employees retire or transfer, but participation in the Squad's projects, however, is not limited to official Sustainability Squad membership. Eastern Electric's Sustainability Squad is an easily recognized CSR policy from an external perspective. Its lengthy history, as well as its strong presence in this researcher's community made the Sustainability Squad a natural subject for study.

**Population.** Fourteen Eastern Electric employees were solicited for interviews. Their organizational roles ranged from linemen to middle managers. As the literature review illustrates, this group of stakeholders (i.e., general and diverse employees impacted by an organization's CSR) is generally silent, both in the eyes of their managers (Kujala, 2010) and in the majority of

CSR research (Blackburn et al., 1994). A large number of existing studies have been structured around one company or product, using case studies as their mode of finding data (e.g., Hunter, 2007).

**Process.** Eastern Electric employees were solicited in the form of an email that describes the research and purpose of this study. The email contained instructions to forward the information on to interested employees (See Appendix A). Once accepted by company employees, semi-structured interviews were scheduled and subsequently taped and transcribed. When possible, interviews occurred face-to-face. When geography proved to be an issue, interviews were conducted via telephone. Interviews took place over the phone and in person over the period of two months, and resulted in 70 pages of transcribed, single-spaced data. After the completion of 2 or 3 interviews, the data were assessed independently to ensure the effectiveness of the protocol. Several corrections were needed immediately following the first interview. For instance, employees emphasized clearly that Eastern Electric's CSR policy was voluntary. Thus, the original version of the protocol was revised in order to reflect a more accurate description of the CSR policy. (See Appendix B for the final version of the protocol.) Initial sampling occurred via convenience sampling that was not representative of Eastern Electric's population. From there, snowball sampling was used to identify additional participants. In order to avoid an overtly biased nomination of participants, several different informants unrelated in work and personal environment were used, such that the sampling pool contains several "snowballs." This modification to snowball sampling is modeled after Press (1991). As mentioned, several participants representing different departments were selected from Eastern Electric including supervisors, office assistants, and linemen. It was the intent of this study to



gain an added measure of verisimilitude by utilizing participants with experience as employees affected by CSR policy, rather than undergraduate volunteers who may lack on-the-job experience.

**Protocol.** A 10-item protocol was used to conduct the interviews. The protocol helped focus sensemaking interpretations from employees by asking participants about their level of awareness of a CSR policy, as well as asking them to identify the orientation of their company's CSR policy and the impact of the policy Eastern Electric's company values. For example, participants were asked to explain, "Does this campaign make sense for your company?" and "Is there another campaign that would make more sense to the company?" In accordance with effective and rigorous fieldwork, the protocol was evaluated regularly. As previously stated, the original version of the protocol was necessarily altered as more data were collected (See Appendix A). This interviewer continued to interview Eastern Electric employees until a clear impression of reoccurring themes was apparent in the data. As mentioned previously, a total of 14 interviews were collected, yielding 70 pages of single-spaced transcribed data.

## **Data Analysis**

Utilizing NVivo 8.0 software, the researcher engaged in a rigorous method of coding. In accordance with Glaser and Strauss (1967), the constant comparative method was applied. This method involves "identifying and categorizing concepts" discovered among the data (Strauss & Corbin, p. 84). Each interview began with a process of open coding, wherein the researcher considered the data in detail while developing initial categories. Interviews were coded by sentence or paragraph (Strauss & Corbin, 1990). For example, the initial pass of the transcripts yielded broad categories such as (a) feelings about the Sustainability Squad and (b) feelings

about sustainability, general. In total, about 17 initial categories were generated. Next, the researcher moved into a more selective coding scheme, or axial coding, where data were systematically coded with respect to an iterative coding schemata as well as the research question. The initial broad categories were tightened and collapsed into seven larger codes to achieve a more sophisticated and precise coding categories. Data were condensed into emergent and analyzable segments in an effort to generate analytical concepts and conclusions (Saldana, 2009). This selective coding scheme transformed the first pass category “feelings about sustainability, general” into several more specific categories such as, (a) Personal life engagement in outdoor activities readily leads to appreciation of Sustainability Squad.

To ensure the strength of the coding scheme, two verification processes were applied, negative case analysis and member checks. First, a negative case analysis was performed. Negative case analyses involve the process of refining coding schemes by comparing existing codes to new incoming data. This process helps add a measure of verification to the coding schemes, and a measure of credibility to the researcher as the analyses force the research to critically question his or her biases (Morrow, 2005). For instance, several participants believed that Eastern Electric was unique in its CSR policy, indicating “other utility companies don’t care” (#118, line 118). This point of view was in conflict with other participants’, who indicated experience and/or knowledge regarding other utility companies’ CSR policies that were similar in nature to Eastern Electric’s Sustainability Squad. This negative case was reconciled with the fact that these participants held employment positions in sales and office assistants. That is, these participants may have not been in a position to know about the policies of other electric companies as their daily tasks are tied directly to customer service.

A second verification process, member checks, was performed after the interviews were conducted. Member checks are critiques of coding schemes. The difference between member checks and expert panels lies in the source of the critique: member checks come from within the population while expert panels utilize the opinions of scholars within a field relevant to the study. After collection, they also are used in the data analysis process when a researcher checks his or her findings against members of the target population. Member checks then provide the protocol with a measure of credibility by allowing relevant voices to assess the protocol and the initial findings from said protocol (Lindlof, 1995). One individual who had been interviewed was contacted. The researcher relayed several key findings from the data to this participant, who was in full support of the researcher's interpretation, noting that employees generally view the Sustainability Squad favorably, and that the Sustainability Squad helps combat some of the impact of the negative environmental effects resulting from Eastern Electric's industry.

As a result of the data analysis, all major and minor themes uncovered were presented in accordance with supporting data in an effort to draw conclusions from the data and respond to the research question. The analysis of data yielded from the interview allowed conclusions to be made regarding this project's research questions. The protocol was designed to elicit general demographic responses as well as specific responses regarding employee interpretations of his or her company's CSR policy. A summation of the analyzed data as it pertains to this project's research questions follows.

## Chapter 4 - Results

Current research indicates that there is a lack of understanding regarding the link between organizational culture and CSR policy (Duarte, 2010). Research also has not thoroughly explored the sensemaking processes employees undertake toward their company's CSR policy. A bulk of extant research is dedicated to interpreting external stakeholder perceptions of CSR policies, despite indication that internal stakeholders, such as employees, are an important consideration (e.g., Blackburn et al., 1994; Maignan & Ferrell, 2004). In order to address these research gaps, two research questions were proposed. Research question one examined the impact of CSR policy on organizational values. Research question two sought to answer how employees in different hierarchical divisions make sense of their company's CSR policy. An analysis of the data revealed two broad themes. In the following section, each theme and subtheme is introduced and addressed in-depth in the discussion section of this research project.

The first theme, *values enacted, values internalized*, illustrates that CSR policies reify promoted values of the company, especially when those company values are reflected in the mission and purpose of a CSR policy. The Sustainability Squad – its mission, its projects, its volunteers – promote a certain image that is valued by Eastern Electric. This is an image of Eastern Electric as a good environmental steward with employees who maintain a strong connection with the communities in its service territory. The held value of environmental mindedness is inculcated into Eastern Electric through firsthand participation in Sustainability Squad projects. Three subthemes support this first theme relating to the connection between CSR policy and organizational values: (1) personal affinity for the outdoors, (2) an alignment of job description and CSR policy function, and (3) linking the Sustainability Squad to other Eastern

Electric-supported CSR policies. This first theme addresses the first research question, and offers a way of understanding CSR policy as a mechanism by which a company's core values are affected.

The second theme is called *dissolving dissonance*, pertaining to the level of protection an enduring, well-supported environmental sustainability related CSR policy provides to a company whose business model is at odds with practices geared toward sustaining the environment. The subthemes here include (1) acknowledgment of the deleterious environmental effects of running an electric utility company and (2) Eastern Electric's enduring and consistent support of the Sustainability Squad. Dissonance, and the processing involved therein, plays an important role in understanding the data. As an electric utility company, Eastern Electric is in the business of burning fossil fuels to provide electricity for customers in its service territory. The basic mission of its Sustainability Squad, alternatively, is to promote environmental sustainability through a wide variety of projects ranging from building coops for an endangered species of prairie chickens to digging out a dammed river channel. Employees must address the disconnect that exists between Eastern Electric's industry and the Sustainability Squad's environmentally-minded projects, and it is this resolution of dissonance that actively affects the way in which employees make sense of their company's CSR policy.

*Research Question 1: In what ways is an organization's CSR policy related to its organizational values?*

### **Values Enacted, Values Internalized**

This first theme argues that Eastern Electric utilizes the Sustainability Squad as a vehicle for relaying its core values. The enactment of Sustainability Squad projects consistently reminds

and infuses employees with a tangible sense of company values. There are several elements within this theme, the first of which is illustrated with the natural merging of personal with professional values felt by Eastern Electric employees with a personal affinity for the environment.

### **Engagement in the Outdoors**

Participant narratives about Sustainability Squad experience consistently communicated a common connection between the goals of the Sustainability Squad and their personal attitude toward sustainability. They express appreciation for the Sustainability Squad and its goals, explaining how they align with their personal goals. Specifically, many participants were future-minded, explaining that sustainability efforts should impact the next generations. As one participant put it:

Like I said, as an avid hunter and fisher I think anything to help the ecosystem or just other habitat for wildlife would be a great initiative for the future people...young folks coming up. (#114, line 120)

Participants who hunt and fish appreciated Sustainability Squad projects relating to preserving wetlands and maintaining animal populations. Participants with a personal stake in land ownership felt similarly.

You know, we own some land and you have to be a conservator of the land because there's just too many people that want to come in and do developments and things like that. I mean, the land has to last us for generations. (#118, line 113)

A sense of finite resources is an important premise in this participant's response. Here, this participant links the role of a land owner with a responsibility for its use. As a consumer of

natural (and limited) resources, Eastern Electric will not singlehandedly replace the admittedly high-functioning way in which electricity is produced and harvested. As a partial “owner” of the electric utility industry, however, Eastern Electric has found other methods of acting as a “conservator.” Environmental sustainability was also discussed as an attitude. This approach was general and without specific reference to types of sustainability efforts such as animal population control or smart land development:

It [environmental sustainability] is a purpose; it’s a passion for leaving the world better than when you found it. You know to me, in my opinion, people have a natural desire to be involved in something bigger than themselves, and for me that’s what it’s about. It’s about [the fact that] I’m going to leave this world better than I found it. (#106, line 232)

This participant expressed a positive attitude regarding sustainability that was quite generic in nature. This participant’s regard for sustainability is all encompassing, and without the attachment to and mention of a hobby or financial decision expressly connected with sustaining the environment. Thus, Eastern Electric employees with a personal stake in environmental sustainability – be it related to hunting or land ownership –found the Sustainability Squad more naturally aligned with their attitudes. All told, participants possessed an attitude toward environmental sustainability that was unique and separate from the values held by the Sustainability Squad. However, it was this commonality of values that served as the basis of attraction between Eastern Electric employees and the Sustainability Squad.

### **An Alignment of Personal Passion and CSR Function**

This subtheme suggests that there is a relationship between the job description of an Eastern Electric employee and the ready acceptance of the Sustainability Squad. That is, Eastern

Electric employees who are able to use a skill set honed by their job description in concert with Sustainability Squad projects will more readily internalize Eastern Electric's values that are promoted through the activities of the Sustainability Squad. As one participant illustrated,

And I think that people get excited about that kind of stuff, and, it's hard...A lot of it's hard work, which is always, I mean, that always cracks me up that people don't realize...I mean they get out there and they work and they complain while they're out there how hard it is, but then that next day after it's over, or that next Monday, there's something to be said for doing hard, physical work. (#113, line 192)

A little more than half of the participants were either employed as linemen at the time their interview or had worked as linemen for a long period of time prior to being promoted. The job description of a lineman involves installing, repairing, and maintaining the telephone lines and transformers that run through an electric utility's territory. This sort of work is, of course, confined to an outdoor venue. Participants were accustomed to physical outdoor labor necessitated by their job description. But here physical outdoor labor and the idea of working for a cause beyond one's job description are visibly married. This combination was gleefully described by several participants in the narratives they told regarding participation in specific Sustainability Squad projects. A participant elaborated on this theme while incorporating the aspect of weather extremes she experienced while working on a project:

And, um, I think my first venture with the Green Team was we went to McPherson and we made these kinds of water fowl boxes that...and it was freezing! We made those in the morning and then in the afternoon we were cutting down trees on a dyke. It was labor-intensive, but it was a good workout. (#118, line 122)

Similarly, another participant elaborated:



There was a bridge, a railroad bridge that they were trying to get this area transitioned from a railway to a hiking area. The bridges were incredibly important to us, but the outfit couldn't afford to replace these railroad bridges, and so we were taking out this wall jam that was eroding the bank and threatening this bridge, so we got down there and it was terrible. It was a mixture of logs and mud and so you had to chainsaw out the wall, and dig out the mud, and get the log...and we did this at the end of July, so it's 100 degrees; it's just sweltering and humid!...And it was amazing. (#106, line 467).

Peterson (2004) summarized dominant research findings regarding employee motivations for volunteering for corporate-supported volunteer initiatives. Peterson deduced six categories of motivation, among them being altruism, social relations, status reward, material reward, ideology, and time. It seems that another category – application of known skills and environment – might be a useful addition for this table. Participation in the Sustainability Squad's projects is a natural progression for employees with experience and knowledge of outdoor physical work. The added element of working together further empowers Eastern Electric employees in the completion of their task, suggesting that maximizing employee participation in a CSR policy must play to an employee's strengths.

### **Commonality of CSR Policies**

This theme suggests that an understanding of the Sustainability Squad's significance in acting as a conduit of company values can be accessed through a holistic perspective of additional CSR policies supported by Eastern Electric. That is, the Sustainability Squad cannot be understood by isolating the policy, its projects, and its goals. At the outset of this research project, the researcher posed the question as to whether or not CSR policy is understood

differently depending on one's role in the company. Analysis of the data, however, revealed negligible differences in sensemaking between hierarchical divisions of employees. Supervisors as well as linemen were likely to talk about the Sustainability Squad and its projects in a similar manner. All participants spoke highly about the Sustainability Squad, regardless of length of Eastern Electric tenure, or even participation level in the Squad's projects. All of the participants discussed how it was important it was to give back environmentally, especially as an electric utility company in the business of burning fossil fuels. It became apparent early on in the data collection phase that sensemaking processes of the Sustainability Squad was a unifier of sorts – a common identity trait – for all types of Eastern Electric employees. The way in which participants interpreted the data was indicative of the presence and reinforcement of core values in an organizational culture. Participants consistently discussed other policies and programs that involved Eastern Electric's employees in the community. One participant noted:

Companies that are successful have a very clear cut strong employee proposition, which is, this is who we are, this is what we do, this is what we believe, and these are the things that we do not just as a company – whatever we produce – but as company in our communities, if this is what fits you, you need to come work for us. I think we have a very, very strong commitment to almost any key service component in the community.

(#116, line 213)

Here, the success of company is defined through its service connections with a community. The participant spoke in careful generalities, arguing for the importance of a well-rounded and diverse selection of policies involving the community. The participant also intimates that company values can be expressed through CSR policies. Besides the Sustainability Squad, Eastern Electric aligns itself with several other CSR policies not specifically related to

environmental sustainability. The following participant more explicitly links Eastern Electric's myriad CSR policies together, emphasizing that the common denominator among the policies is giving back to the community.

We have a lot of other civic participation that the company itself is involved in, like United Way. The employees themselves recognize that we're a good company, we're fortunate to have jobs nowadays, so they are very willing to give back to the community. So the Sustainability Squad is another way of doing that. Everybody may not be able to participate in United Way and Project Topeka, and there's folks that like to get out and work with their hands and build things, so this is just another way of being able to do that and give back to the community. (#109, line 214)

The theme of Values Enacted, Values Internalized focuses on CSR policies as an employee mechanism for internalizing company values. Participants recognized the connection between their personal values and the values expressed through the Sustainability Squad. Several participants, for instance, enjoyed hunting and thus conveyed their approval and support of Sustainability Squad projects relating to sustaining animal population and preserving wetlands. Moreover, Eastern Electric employees whose skill set drew from experience as linemen were able to apply those skills on the project site for the Sustainability Squad. Narratives centered around the kind of physical labor required to undertake a project as well as the positive effects associated with completing, say, a suspension bridge. The third subtheme tied the Sustainability Squad to other CSR policies supported by Eastern Electric. This bond illustrates that the Sustainability Squad is not an isolated initiative, but rather part of the fabric of Eastern Electric values. Eastern Electric values active employee engagement in the community, as well as maintaining a good company image. As such, Eastern Electric supports a variety of CSR policies

fulfilling different community needs (i.e., environmental sustainability via the Sustainability Squad). Employees participating in such CSR policies internalize these company values through the enactment of policy projects.

*Research question 2: In what ways do internal stakeholders make sense of their organization's CSR policies?*

### **Dissolving Dissonance**

This theme explains how employees manage the recognition of disharmony between Eastern Electric's position toward environmental sustainability and the type of business Eastern Electric conducts through the Sustainability Squad. This theme also argues that distinct characteristics of the Sustainability Squad are attributed to the successful transmittance of company values to Eastern Electric employees.

### **Rewriting Business as Usual**

A fundamental dilemma, as Duarte (2010) explains, is related to the disharmony between a company's product and their company values. Rewriting business as usual can be described as an active effort on the part of employees to develop a viable response to this fundamental dilemma. According to Eastern Electric employees, that response is the Sustainability Squad:

It's our product – we take coal and wind and a lot of energy sources to produce what we do, and so this [the Sustainability Squad] is a way of maybe giving back to the environment by doing some things that can help. (#109, line 205)

Participants are plainly aware of this dissonance, and this participant proffers up the Sustainability Squad as a possible method for combating the fundamental dilemma. In this

instance, the participant implies that Eastern Electric's energy consumption is negative, and juxtaposes the effects of the consumption with the Sustainability Squad in order to "give back." Most participants were realistic in the dissonance between product and value. The participant that is quoted below, for example, identified Eastern Electric's energy consumption as an unfortunate necessity. However, his reasoning for an environmentally sustainable CSR policy is stronger than the first participant perspective:

The nature of our business is unfortunately...the way we conduct business damages our environment, and so to the extent that we possibly can have initiatives to improve the environment, I think that that's ethically and morally the right thing to do. (#111, line 115)

Not all participants took a hard line of an environmentally sustainable CSR policy as a moral imperative; others took a milder approach.

Q: So do you feel that the Sustainability Squad is a good match for Eastern Electric?

A: Oh, yeah, I think, yeah. I mean, I think that a utility company that makes the majority of their electricity by burning a fossil fuel...I think it's definitely something that they need to do. (#113, line 130)

Here, participants were frank and reflective when contemplating the Duarte's (2010) fundamental dilemma, and quick to rewrite the dissonance with the Sustainability Squad and its projects. The next subtheme suggests that certain standout characteristics in the Sustainability Squad allow employees to internalize Eastern Electric's positive company values of environmental sustainability through community connection.

### **The Sustainability Squad: Enduring and Consistently Upheld**

One of the hallmarks of the Sustainability Squad is Eastern Electric's support of the policy. This theme, the enduring and consistently upheld CSR policy, can be explained through the tangible benefits the Sustainability Squad receives from management. Eastern Electric provides fulltime paid leadership, equipment, recognition through company newsletter write-ups, and time off from work for employees interested in participating in a Sustainability Squad project. The 20-year-old policy retains its volunteer-run status, but employees recognize and welcome the guiding hand of Eastern Electric in the Sustainability Squad:

And, you know, it's a big effort. It is employee driven, but it's got to have employee support because we do an awful lot at work on our "own time," on weekends and evenings, but obviously there's also time that has to be spent during the work day. And from time to time we have to use company equipment – from time to time, depending on what we're doing. So it takes a lot of management support to understand the sustainability piece of the Sustainability Squad. (#106, line 35)

This participant understands what it takes to maintain the Sustainability Squad. Here the conversation turns to the long-term viability of the Squad. Instead of focusing on the environmentally-related outcomes of Sustainability Squad projects, this participant highlights the tangibles required from Eastern Electric to support the Squad. The consistent backing that Eastern Electric provides, as illustrated above is, in part due to the company's belief that the Sustainability Squad is reflective of the kind of message that Eastern Electric wants to promote:

At the same time, the company was proud of it, and so it became a bottom-up kind of initiative where the company was supportive, and, you know, pat them on the butt once and awhile and say, "keep up the good work." (#107, line 394)

Eastern Electric endorses the Sustainability Squad and its goals by providing a number of

resources, supplying volunteers with necessary equipment, transportation and even a limited amount of paid company hours to complete a project. Additionally, Eastern Electric pays two employees full time coordinate and organize projects. This well-established operation provides leadership and materials for the Squad's sustainability-related projects while allowing members to retain control over projects that interest and excite them, thus serving a dual purpose of promoting popularly accepted sustainability ideals while dissolving dissonance in the minds of fellow Eastern Electric employees. Additionally, the Sustainability Squad benefits from its level of maturation. Participants who arrived at Eastern Electric after the Squad's implementation were introduced to the policy during new employee orientation:

It [the Sustainability Squad] was discussed with me in I believe my second visit in Eastern Electric, and it was also mentioned as one of the opportunities to serve during employee orientation. (#116, line 43)

The benefit here is a framing opportunity. That is, as an established program, Eastern Electric is able to carefully construct the Squad's legacy, casting it with appropriate heroes like Thomas Wilkinson, head of the Sustainability Squad, who stands up for his members ability to vote for or against projects ("They're not employees, they're volunteers. And he [the new CEO] was wise enough to real quickly understand that these people have ownership, and I need to go through the process," #107, line 442). The enduring aspect of the Sustainability Squad has allowed Eastern Electric to support the projects just enough so that the results of the Squad align with company values.

Two broad themes emerged that address this research project's research questions. The first theme, *values enacted, values internalized*, refers to the reification of organizational values

through the enactment of a CSR policy. The data points to the fact that a CSR policy can indeed act as a vehicle for company values. And it also is suggesting that in companies whose product reflects negatively on their values, when employees participate in such CSR policies created to soften this dissonance, employees internalize the company values, often times adding those values to a set of pre-employment values, especially when the CSR policy is related to environmental sustainability. This theme can be understood further by the subthemes which include (1) personal affinity for the outdoors, (2) an alignment of job description and CSR policy function, and (3) linking the Sustainability Squad to other Eastern Electric-supported CSR policies.

The second broad theme, *dissolving dissonance*, addresses an environmentally sustainable CSR policy's ability to bring out the more positive company values of sustainability that compete with the company's business model. In essence, this study found that employees are conscious of this dissonance, and that a CSR policy directed at maintaining the environment helps to counteract this dissonance while absorbing the message that their company is environmentally-minded, despite its product. To support this finding, the subthemes here include (1) acknowledgment of the deleterious environmental effects of running an electric utility company and (2) Eastern Electric's enduring and consistent support of the Sustainability Squad.

These results are discussed in the next section. Theoretical implications, limitations, and future directions of research are also addressed.



## **Chapter 5 - Discussion**

CSR research tends to focus on the perceptions and sensemaking habits of external stakeholders. This research project diverged in both theoretical and practical focuses, orchestrating a qualitative study that examined the relationship between CSR policies and organizational values as well as the perspectives of different divisions of employees through stakeholder theory. Through a grounded understanding of the sensemaking processes of 14 employees at a mid-sized electric utility company, the goal of this study was two-fold. First, it sought to reveal if, and in what ways, cultural values are linked to a CSR and secondly, it examined the ways in which unique hierarchical levels of employees differ in their understanding of—and engagement in—a CSR policy. Notably, in this case, the policy reviewed was related to environmental sustainability. Recognizing that this is a case study revealing the results of a convenient sample of 14 Eastern Electric employees, the data yielded several conclusions regarding CSR policies and internal stakeholders. First, the data suggests that hierarchical divisions of employees are non-existent when a CSR policy is enduring, consistently supported by management, and upholds and is reflective of company values. Second, CSR policies provide a medium for relaying company values whereby participation aids in employee internalization of corporate values. Such CSR policies tacitly reinforce an organization's cultural values among its employees. Lastly, CSR policies related to environmental sustainability are not always rational, but rationalizing. Specifically, environmentally exhausting companies appear to be inducing a minimal justification hypothesis. If a dissonant space exists between a company's industry and actions, and its values related to sustaining the environment, dissonance is reduced by “giving back.”

These conclusions point to an understanding of how enduring CSRs related to environmental sustainability function within the context of an electric utility industry. Specifically, the findings of this research project advance the field of CSR research, arguing that CSRs facilitate employee understanding of their company's organizational values, and that there are important and definitive characteristics pertaining to a company and its CSR policy that will predict how internal stakeholders make sense of the policy. Each conclusion is discussed below in terms of theoretical and practical explanations. Study limitations are also discussed, as well as future research directions for CSR and stakeholder theory.

#### **No difference: Employees make sense of a long term CSR policy similarly**

Regardless of hierarchical distinctions, similar sensemaking processes are undertaken when employees approach an environmentally sustainable CSR policy that is enduring, consistently supported by management, and upholds company values. This finding runs contrary to this research project's initial hunches originally based on several studies concerning organizational change (e.g., Rooney et al., 2010; Gallivan, 2001). These findings illustrate that when companies implement certain organizational changes, different groups of hierarchical employees made sense of the change differently. When envisioning the implementation of new CSR policies, this research project initially suggested that diverse groups of employees may interpret CSR policies differently as well. The organizational site chosen for this research project, however, featured a 20-year-old volunteer-run CSR policy that was firmly entrenched within the company, to the point where it was highlighted and discussed in all new employee orientations. These two characteristics – an enduring and volunteer-run policy – explain this research project's findings for a *No Difference* theme of sensemaking processes.

Ultimately, the unit of analysis of an enduring CSR policy is not comparable to the unit of analysis of a newly introduced organizational change. It was determined that the age of change can drastically impact the way stakeholders are reacting to the CSR policy. This finding can be explained through organizational change research. In this case the age of an implemented CSR policy was a key to understanding how different divisions of employees will make sense of the policy. Organizational change involves a disruption in the status quo. As no organizational change takes place in isolation (Dessler & Phillips, 2007), it makes intuitive sense that employees with varying levels of responsibilities would interpret said change by utilizing different sensemaking processes. For example, Gallivan (2001) interviewed managers and employees at four IT firms that were in the process of reskilling their employees through the implementation a new client/server development system. Conversely, long-established CSR policies – especially those that are volunteer-based – do not carry the same threat to status quo. Change in organizations is understood as new practices or policies that are implemented by management. Change literature treats change as either episodic or continuous. Weick and Quinn (1999) define episodic change as “infrequent, discontinuous, and intentional” (p. 365) and continuous change as “ongoing, evolving, and cumulative” (p. 375). Moreover, Lewin’s (1947) classic 3-step model helps illustrate episodic organizational change: current organizational attitudes and practices are unfrozen, a new change is implemented, and then the new attitudes and practices resulting from the change are frozen into place. The chief difficulty with implementing an episodic organizational change is that its adaptation and acceptance requires an employee shift in attitude, a process that can be impeded by employee suspicion of management’s intentions, or simple unwillingness, among other reactions (Eccles, 1994). The variety of reactions documented by Eccles indicates that employees interpret an episodic change

dissimilarly because its occurrence is an apparent disruption whose ripple effects are unevenly handed out depending on one's job description. The merger of two call centers, for instance, would yield very different experiences for a salesperson and a manager. A manager might have doubled the number of employees she usually manages, but salespeople might have to double up on cubicle space in order to accommodate the influx. Given the uneven effects of an organizational change, the reactions documented by Eccles can be explained through Watson's (1967) cycle of change resistance. Here, employees move through such stages as refusal, persuasion, acceptance, and support – the final stages indicating when the new change graduates to status quo standing. Enduring CSR policies are not episodic changes. In fact, after the implementation stage is complete, it may be difficult to identify the stages of refusal and persuasion because employees may have already moved into a stage of final acceptance and support. As an accepted and supported policy, a CSR is integrated into the fabric of the company. At the organizational site of this research project, when new employees are hired, the enduring CSR policy is presented part and parcel in the process of organizational socialization. Van Maanen (1976) defines organizational socialization as “the process by which a person learns the values, norms and required behaviours which permit him to participate as a member of the organization” (p. 67). Thus the management-directed information regarding an enduring CSR policy is equally distributed and displayed among hierarchical divisions of employees at the commencement of their employment. This enduring CSR has a leveling effect among employees' sensemaking processes, and the fact that a CSR policy is already considered status quo by employees and managers alike helps explain the uniformity of sensemaking that takes place among diverse groups of employees.

The *No Difference* theme can also be explained through the volunteer-run characteristic of an established CSR policy. A volunteer-run CSR policy does not demand much time or focus from employees, regardless of their job description. In this case, participation in a CSR policy that is encouraged by management rather than mandated will be more positively received. This is supported by research on mandatory volunteerism by Stukas, Snyder, and Clary (1999), who found that individuals have low future intentions of volunteering when participation in social issue-related programs is mandated. Requiring an individual to volunteer elicits reluctance to participate in future volunteer programs. Stukas et al.'s finding can be compared with research on employee interpretation of a mandatory organizational change. A policy requiring active participation in the form of, say, learning and using a new client/server system will elicit sensemaking processes different from those that occur from a voluntary policy. Depending on the job description, an employee's career may be contingent upon her participation in a new organizational change. That participation with a CSR policy is voluntary alternatively ensures that only the dedicated volunteers will take on actions typically associated with an organizational change, such as rearranging their work and/or life schedule to accommodate CSR participation. The occurrence of organizational change can bring forth negative reactions among employees such as anxiety (Miller & Monge, 1985) and uncertainty (Ashford & Black, 1996), reactions that follow from a change in status quo. Certainly these unfavorable reactions are related to the amount of individual adjustment based on job description that an employee must make to adapt to the change based on his or her job description, as was the case with Gallivan's (2001) IT firms. Similar unfavorable reactions to a voluntary CSR policy will be minimized simply because participation in such a CSR policy will not affect employees differently on the basis of job description. Participation for a lineman will require no more work than participation for a

manager, thus reducing the necessity for these groups of internal stakeholders to make sense of the CSR policy differently. It is useful to note here an addendum to the topic of volunteerism. Variables affecting volunteerism can be more accurately portrayed along a continuum. Research on social pressures to volunteer illustrate that especially in a work setting, individuals may feel obliged to volunteer for a company-supported cause in order to maintain or further workplace rewards such as recognition (e.g., Pelozo & Hassay, 2006). It is important to note that this research project did not nuance the social pressures of volunteering with Eastern Electric's Sustainability Squad.

The uniformity of sensemaking among hierarchical employees regarding CSR policies can be attributed to the age of implementation and its voluntary nature. Organizational change literature suggests that disruptions in the status quo foster resistance to change which is evidenced in a variety of employee reactions as they interpret the change (Eccles, 1994). Further research on mandatory volunteerism illustrates that participation requirements result in negative and averse attitudes (Stukas et al., 1999). An established CSR policy is already considered status quo. When such a CSR policy is also volunteer-run, reasons for employees to interpret this change differently further diminish. Regardless of one's position in a company, equal amounts of attention and focus (i.e., none) on a volunteer-run CSR policy are necessitated in order to perform one's job. Given consistent support from management and a strong connection between policy and company values, it is realistic to predict that hierarchical divisions of employees might undergo similar sensemaking processes.

### **CSR Policies are Value Vehicles**

Whitehouse (2006) argues that managers define their company's CSR policies in terms of core company values. This research project's conclusions echo Whitehouse's finding, indicating that CSR policies provide a medium for relaying select company values. When employees participate in a CSR policy tailored to carry one or more company values, the tangible enactment of organizational core values facilitates their internalization of those values. This finding is not specific to CSR policies related to environmental sustainability per se, but rather relates to the general nature of CSR policies. If a company value, such as giving back to the community, is infused in a company's CSR policies, employees are better able to naturalize these values. Company values impact and shape a CSR policy, especially one that is enduring and consistently upheld. The importance of such value-laden CSR policies lies in adage of "walking the talk." Wagner et al.'s (2009) findings are illustrative of the negative effects resulting from a company's failure to measure up to stated values. In persuasion literature, CSR policies are proactive communication strategies, involving a given company statement followed by a company action. Wagner et al. found that companies that make a positive statement (i.e., a CSR policy) and follow it with a negative action are at risk for being perceived as hypocritical among external stakeholders. This finding is consistent with Barden, Rucker, and Petty (2005) who posit that perceived hypocrisy is lower among individuals that commit an offense first and issue a reactive statement second. The reactive statement to observers that a favorable dispositional change ("lesson learned") has taken place, whereas a proactive implementation (which is given and then broken) suggests that individuals are at risk for being seen as hypocritical. Barden et al. suggest that perceived hypocrisy can be attributed to "saying one thing and then doing another" (p. 1474). After this finding, Collier and Esteban (2007) are correct in urging the formation of a strong connection between employees' understanding of a company's core values, and the CSR

values reflected therein. Furthermore, companies should ensure that when planning an enduring, value-laden CSR policy it can be accurately and definitively upheld: Collier and Esteban (2007) and Chong (2009) found that employees are at risk for disillusionment if a CSR policy is weakly upheld and only vaguely tied to core values. The benefit for companies who successfully connect values and action (via a CSR) will be seen in employees who view their company's CSR, and, by extension the company, positively. With this knowledge, companies would do well to create CSR policies that incorporate their core values.

In sum, this second theme explains how environmentally sustainable CSR policies that are enduring and consistently upheld by management work to disseminate information about a company's values in an egalitarian manner among all employee divisions.

### **A Fundamental Dilemma Leads to Rationalization**

Certainly, functional tension exists between electric utility companies and the environmentally-minded CSR policies they employ. This research project found that employees are aware of this tension, and express desire to identify and utilize a coping mechanism to resolve the dissonance. When employees identify their company's environmental sustainability-related CSR policy as that mechanism, they engage in minimal justification hypothesis (Festinger, 1957). Notable cognitive dissonance scholar Festinger (1957) hypothesized that when desiring attitude acceptance, a small incentive given to engage in a behavior will be enough to affect an attitude. That is, to affect an attitude, a behavioral change is made. In this case, the attitude is employees dealing with dissonance that stems from a company whose industry practices are harmful to the environment and a company whose core values oppose these practices. Enacting the CSR policy is the behavior whereby employees are able to justify



accepting the promoted attitude that their company is environmentally conscious, at least on some local scale. Of course, one of the natural responses to an increase in company engagement with CSRs is increased media attention. Vallentin (2003) found that companies with very active CSRs received more criticism than companies with less active CSRs. Moreover, in a meta analysis of reported stakeholder focus from six industries, Sweeney and Coughney (2008) found that the oil and gas industry support a primary stakeholder focus on the environment, and a secondary one on the consumer. These findings taken together suggests that if a company in the oil and gas industry implements a CSR policy, it may as well be related to the environment in order to deflect negative media attention. This decision to adopt a CSR reduces the seemingly problematic concerns of the organization by enlisting support from its employees, thus likely deterring resistance.

Thus, Sweeney and Coughney's (2008) findings become of further interest in light of this research project. Their report indicates that oil and gas industry companies focus first on the environment, and then on the consumer. As was illustrated typically in the literature review, extant research indicates that a calculated interest in the employee is absent. However, this research project's findings indicate that employees experience dissonance stemming from an electric utility company's actions and the company's values. That gas and oil companies create CSR policies related to environmental sustainability first with the environment in mind, and then the consumer, might suggest that these CSR policies play an unintended dual role in resolving dissonance for both consumer and employee. This suggestion presumes, of course, that the reason why this particular industry focuses on environment and consumer owes to the fact that companies, such as the mining Duarte (2010) studied, proactively create CSR policies in order to manage their public images. This finding indicates the presence of some crossover sensemaking

processes occurring between employee and customer, and that both groups of stakeholders might seek dissonance reducing strategies when a company's environmentally-minded core values run contrary to a company's industry product. Perhaps in the case of this particular type of CSR policy and industry, Kujala's (2010) finding may not be bad news. Kujala found that managers were ranked concern for stakeholder orientation towards employees in third place behind customers and owners, respectively. And yet unbeknownst to the manager, the creation of a CSR policy related to environmental sustainability resolves dissonance for two groups of stakeholders.

In sum, the three conclusions for this research project include (1) a common process of sensemaking among hierarchical divisions of employees when a CSR policy related to environmental sustainability is enduring and consistently supported by management, (2) the internalization of company values when employees participate in CSR policies that uphold company values, and (3) employee engagement in minimal justification hypothesis when seeking to resolve dissonance between company product and company values. These conclusions illustrated that a CSR policy related to environmental sustainability is an asset for an electric utility company.

### **Practical Implications**

The conclusions of this research project extend to companies in the CSR planning stages or those with an existing CSR policy related to environmental sustainability. Two practical implications can be applied to the aforementioned company types: ***Ensure an Alignment of a CSR and Plan for a Long-term CSR***. First, this study suggests that CSR and organizational value alignment is critical. Therefore, when planning a CSR, that policy must (at the very least)

be understood in relation to, but better when aligned and incorporated with company values. The reasoning for this company value alignment is two-fold. First, perceptive stakeholders – internal and external alike – are often able to detect a measure of hypocrisy between statement and action (e.g., Royle, 2005; Wagner et al., 2009). In a hypothetical example, say a value-laden CSR policy is planned and then implemented. Suddenly, a company action is found to be to be incongruent with the CSR. Barden, Rucker, and Petty (2005) found that perceived hypocrisy is higher in this case than if a company first made a blunder and then issued a reactive CSR policy (or statement) second. If planning for a non-reactive value-laden CSR, a company's values should be closely aligned with said CSR.

A second reason for a CSR value-alignment follows from this research project's third theme of resolving dissonance. If an electric utility company wishes to offset or mitigate the dissonance caused by their product – that is, creation of electricity – this value for sustaining the environment must be very clearly established in the CSR policy.

Moreover, when implementing a CSR, management should also plan long-run support for the CSR. Enduring CSR policies legitimize, especially when these policies reflect a company's core values. As such, CSR implementation and support should not be approached casually. Additionally, companies should utilize a voluntary participative model for the CSR policy. As change literature illustrates, mandatory change can cause stress, confusion, and resentment (e.g., Miller & Monge, 1985; Ashford & Black, 1996). The voluntary nature of a CSR policy will in effect cushion the impact of the implementation of a new policy. Additionally, it is essential that internal stakeholders have a voice in the functioning of a CSR policy. For instance, if a company is sincere about sustaining the environment and connecting with the communities it services, it makes intuitive sense to permit employees to control the direction of these community projects.

This research project found that employees appreciated directing efforts to, say, plant trees in the park near their home. This personal connection between an employee's home and their company's CSR policy helped to employees to internalize their company's values. The voice given to employees further ensures management's focus on internal stakeholder needs.

## **Limitations**

Although a useful perspective of an environmental CSR, this study has a few limitations. First of all, this project is limited by its design—a case study. It presents the conclusions of a single organizational site at an electric utility company. A small sample is an obvious limitation to this research's conclusions. Furthermore, this experiment lacked a dual organizational site focus, which may limit the general scope of application for these CSR policy findings. For instance, CSRs related to non environmentally-minded policies may not function as a mechanism for transmitting organizational values. Additionally, the CSR policy examined for this research project had reached a mature state of implementation: the 20-year-old policy often predated the participants interviewed, and new hires are introduced to the CSR policy during a mandatory employee orientation, giving management the opportunity to selectively frame the policy after their own motives. This is not to suggest that management's framing of a mature CSR policy renders an organizational site unsuitable for study. Rather, this suggests that the conclusions found here may have a prohibiting narrow application to policies with particular tenures. Future research might first replicate this experiment using more than one organizational site for a comparison of results before concluding that all mature CSR policies are readily accepted and utilized for transmitting company values via employee participation. An additional consideration here is that the various stages of CSR policy implementation may affect its embedment in an

organization's culture and among its employees. At this point in research, comparisons regarding employee sensemaking at companies with CSR policies at various ages have not been made.

With that end in mind, future research directions are discussed in the following section.

### **Future Research Directions**

The avenues of research on CSR and stakeholder theory from this point can be posited into two distinct research trajectories. Foremost on the agenda should be an attempt to duplicate the results of this research project. The conclusions here reflect a 20-year-old CSR policy examined in case study format. Future research should study other electric utility companies with environmentally sustainable CSR policies in order to confirm (or disconfirm) the following conclusions: similar sensemaking among diverse groups of employees, CSR policies as a mechanism whereby employees internalize the promoted corporate values, and the employee rationalization in the presence of a fundamental dilemma between the nature of a company's industry and practices related to sustaining the environment. Of further importance in this first research trajectory is the focus of this research project on a CSR policy that was matched with its industry: an electric utility company in the business of using unsustainable fossil fuels and the company's environmental sustainability CSR. The results discussed in Chapter 5 explain internal stakeholder sensemaking of a CSR policy that is congruent with its industry. Future research should experiment with CSR policies that are incongruent with a company's industry – such as an electric utility company and its heart disease awareness CSR – in order to compare data.

A second trajectory from this research project might examine the volunteer-based CSR policies and the related power components therein that correspond with Mitchell et al.'s (1997) framework for stakeholder identification and classification. Research suggests that while

employees possess legitimacy, their levels of power and urgency are not always consistently held (Harvey & Schafer, 2001). Thus, employees as stakeholders usually lack a classification of power. This balance of power, however, may be altered in the instance when companies depend on a strong volunteer-run CSR policy that successfully embodies core company values. In the case of this research project, the success of the CSR policy was owed in part to continued, 20-year dedicated participation of its employees. Without this volunteer base, the policy may have ceased to function. Future research should construct experiments to test internal stakeholder power among companies with volunteer-run CSR policies in order to assess stakeholder identification and classification after Mitchell et al. (2007).

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## **Appendix A - Email Invitation for Study Participation**

Dear [Employee Name],

My name is Esther Otis, and I am a graduate student in Communication Studies at Kansas State University. To help complete the requirements for my Master's thesis, I am conducting research on companies with environmentally related corporate social responsibility initiatives. I am looking to interview different employee divisions (e.g., HR, marketing, etc.) within your organization on their perceptions of said corporate social responsibility initiative. I spoke with HR Training Director \_\_\_\_\_, who suggested that you might be willing to be interviewed for this research project.

The research process is rather straightforward. I am willing to meet either in person or over the phone, whichever is more convenient. With your permission, the interviews will be audio-recorded, and will take 20 to 30 minutes to complete. Your identity and related responses in this study will remain completely anonymous. In addition, Eastern Electric will not be named within the final report. Instead, they will be referred to as a "midsized Midwestern company" to help ensure anonymity. Any/all of your quotes utilized in the final report will have pseudonyms assigned. All interview data will be located in a secure file cabinet in my office on Kansas State University's campus.

Your participation in this study will benefit my thesis immensely. Please let me know if I can address any questions you may have. Thank you for your time and consideration!

Sincerely,

Esther Otis  
Graduate Research Assistant  
Kansas State University

## **Appendix B - Interview Protocol**

### **Background Questions**

1. Tell me a little bit about your organization and the role you perform at this company/organization.
2. Are you aware of any Social Responsibility Campaigns your organization supports?
  2. a. Please describe how you became aware of your company's social responsibility campaign.
  2. b. Did the company solicit any information from its stakeholders (e.g., its employees) before creating the initiative?
  2. c. After the initial communication regarding the campaigns, was there any follow-up communication from the company?

### **Communication About Campaign**

3. To whom is this campaign directed? What leads you to believe this? Can you provide several instances that support your opinion?
4. In what ways do people talk about these campaigns at work?
  4. a. How do these campaigns impact your daily work? Has this impact been significant or minimal?

### **Reactions to and Sensemaking of the Campaign**

5. What do you think about this campaign?
  5. a. What leads you to think this way about it? Can you provide examples?
  5. b. How would you describe this campaign to a new coworker? To a loved one?
6. In what ways, if at all, are you engaged in this campaign?
7. Does this campaign make sense for your company? In what ways?
  7. a. Does this campaign make sense for you and your coworkers? In what ways?

### **Suggestions for Campaign**

8. What do you think about the cause this campaign supports?

9. Is there another campaign that would make more sense to the company? To its employees?

10. Say your company decides to incorporate another social responsibility campaign. Would you want to be involved in the choosing/implementation process in a different capacity than the one you had for this campaign? Please explain.

## **Endnote**

In the initial stages of this research project's data collection, two interview sites were selected with environmental sustainability-related CSR policies. It was believed that cross-sectional interviews would provide depth seen in case studies but at the same time allow flexibility in the data source. As the data began to amass, however, it became clear that the two companies' CSR policies were disparate, and that a comparison of the two would be fruitless. As a result, the company with the strongest and most clearly defined CSR policy was kept.

Initially, an additional set of data was collected alongside the first few interviews: in that initial email or letter, a measure adapted from Sheth's (2006) survey was attached. Sheth's (2006) survey is a four-item questionnaire created for the purpose of assessing a participant's definition of his or her company's CSR policy (See Appendix C). As stated previously, CSR policy has many subdivisions, and CSR is interpreted differently depending on the assessor. Originally, Sheth's questionnaire was implemented with the intent of gauging the similarities and differences between an employee's self-constructed definition of his or her company's CSR policy, and the company-sanctioned definition. During data collection a better understanding was gained regarding the Sustainability Squad's purpose and function. The Squad is an initiative that is supported but not mandated by Eastern Electric. This volunteer-driven initiative was universally understood among the participants. The modified Sheth questionnaire was thus discontinued, as it was originally believed that dissimilarities in definitions might corroborate findings by Pandya (2004) and Rooney et al. (2010), and further the body of research suggesting that clear policy understanding from internal stakeholders is deemed inconsequential or at least an afterthought by management (Cooper et al., 2001).