

How Do Executives' Values Influence Corporate Responsibility Adoption

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Abstract

This research paper is a working paper, which seeks to explore how executives' values influence CR adoption. Paucity of qualitative research that provides insights into the complexity of executives' value-to-action translation processes highlights a significant research gap in understanding the importance of Strategic Leadership on CR adoption beyond normative theories. This paper adopts an interpretive research paradigm using a semi-structured interview method to gain an in-depth understanding of how their management decisions and behaviours are being influenced by their values. Sixteen senior executives were interviewed. The interviews revealed that executives' past experiences are instrumental in shaping their value principles, their value awareness and their value strength. Further, findings revealed that the ongoing learning these executives gleaned from culmination of experiences continues to reinforce those value principles, which in turn guides their ongoing behaviours. This research paper aims to contribute to furthering knowledge in strategic leadership and how it could enhance CR adoption. To enable organizations to strive towards sustainable and responsible practices, how values influence executives' fields of vision and their interpretation of information needs to be understood by management practices.

Keywords: Corporate Responsibility, Corporate Social Responsibility, Strategic Leadership, Values

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Introduction

Corporate responsibility (CR) is the responsibility of a business towards its larger set of stakeholder group to maintain its license to operate. Because the concept of CR is voluntary and discretionary (McWilliams and Siegel, 2001), it is de facto a value-laden concept. However, in mainstream management literature, the values influence on CR adoption from the upper echelon of organizations is largely ignored.

Strategic Leadership theory posits that senior executives are responsible for shaping their organizations' strategic direction (Cannella et al., 2008). According to Rokeach (1973), values are central to behaviour. Executives' value systems therefore will have significant influence on organisational approaches to CR adoption (Hemingway and Maclagan, 2004; Hemingway, 2005). Not only do their value systems act as perceptual filters (England, 1967) which influence how the executives scan, interpret information (Phipps, 2012; Nadkarni and Narayanan, 2007) and indirectly trigger CR adoption (Hemingway, 2005; Hemingway and Maclagan, 2004), their moral values are found to reinforce existing organizational values that influence individuals' values (Duarte, 2010; Gini, 1997; Klettner et al., 2014). Further, executives' value priority and the awareness were found to influence the strength of values on behaviour (Verplanken and Holland, 2002). Value priority allows individuals to make trade-offs between competing priorities (England, 1967; Schwartz, 2012), while value awareness allows explicit articulation of one's values and enhances their strengths (Strand, 2011). Hence, the influence of executives' values influence on CR adoption is also contingent upon their own awareness of their value priority and the strength of their personal values.

Research method

Paucity of qualitative research that provide insights into the complexity of value-to-action translation processes (Hemingway, 2005) highlights a significant research gap in understanding the importance of strategic leaders (i.e. executives) (Strand, 2014) on CR adoption beyond normative studies. Many qualitative researchers criticized the inadequacy of positivist studies in understanding the humanness in social science (Lincoln and Guba, 1985). This is because positivist empirical studies tend to focus on the causal relationships between individuals' values and different levels of CR performance or actions. The results were inconclusive findings, falling short of validating the bearings established by normative theories that values are at the centre of what governs our behaviour and actions (Margolis and Walsh, 2003; Margolis and Walsh, 2001). Hemingway (2005) and Crane (2000) criticized the dominance of quantitative methodologies with a positivist orientation. This predominance of positivist research methods to study values in management, denies the possibility of values as socially constructed and ignores the importance of humans as the potential "free agents" at the nexus of organizational strategies and strategic decisions. This highlights current research gaps, whereby the adoption of different research approaches could yield different insights into how values influence responsible practice.

Values are not directly observable (Chin et al., 2013), however they can be brought to awareness through discursive consciousness (Giddens, 1984). Hence, this research inquiry adopts an interpretive research paradigm, using interview methods to enable in depth exploration of meanings behind actions.

This research inquiry is currently a work in progress, targeting twenty executive interviews of which sixteen have been completed. The interview data was analyzed based on the following four main topics:

- Executives’ life experience and defining moments
- Influence of life experience on executives’ values and beliefs
- Executives’ attitudes towards CR
- Executives’ CR adoption actions and management behaviours

Four main themes emerged from the data analysis: 1) *Triggers*, 2) *Beliefs*, 3) *Context* and 4) *Practice*. A summary of the emergent themes is illustrated in Table 1.0.

Table 1.0 Emergent Themes

Trigger	Belief	Context	Practice
Encountered Challenges	Fulfillment <ul style="list-style-type: none"> • Make an Impact • Life Priority 	Locus of Control	Care for Employees
Formative Values	Personal Values <ul style="list-style-type: none"> • Principle-centred • Convictions • Others 	CR Attitudes <ul style="list-style-type: none"> • Biz Sustainability • Obligations • CR Outcomes 	Set Culture
Personal Growth	Perspective	Worldview <ul style="list-style-type: none"> • Financial Health • Tone at the Top • Org. Culture 	Drive Change

Emergent Themes

Triggers

“*Triggers*” are significant life and professional experiences the executives shared with the researcher. As the executives retold various defining moments in their lives, they reflected on these moments and shared with the researcher how these “triggered” events or culmination of pieces of their lives’ snapshots influenced their personal and professional paths, shaping who they are today as an executive.

There are three subthemes under “*Triggers*”. The two subthemes 1) *Encountered Challenges* and 2) *Formative Values*, highlight how these defining moments of experience made an imprint on the executives’ self-identity. The third subtheme “*Personal Growth*” reflects executives’ introspection on their own development through time, life stages and different exposures to different life experiences.

In one case, the notion of sustainable practice came to this executive rather serendipitously. He was dropping his children off to school and he saw a sign with a red circle and a line across it warning people that the neatly manicured lawn had harmful chemicals. He then thought to himself,

It was pretty ridiculous in my head that people's lawns were plagued with pesticides that could potentially be dangerous for young kids in areas where young kids were known to be playing, in playgrounds, in school yards and so on.

Executive, Commercial Service

This challenging encounter consequentially spurred a series of actions taken by this executive including lobbying the government for regulatory changes and impacting his business strategy on sustainable practices.

Formative Values, which reflect the cultural values an individual was exposed to through their various influences such as family, religion and corporate environment, were found to lay the foundation of values and beliefs for the individual executives. These values are often deemed as acceptable norms in the communities and the companies in which the executives were brought up. Through a series of *Encountered Challenges*, these *Formative Values* were either reinforced or challenged.

This executive, shared with the researcher how his *Formative Values* were formed:

So I had taken a university course as part of my electives in feminism and so I don't see gender in the workplace.

Executive, IT

The following *Encountered Challenge* reinforced his *Formative Values*:

This guy proceeded to use the most misogynistic language talking about my manager. I couldn't believe it. I had never seen sexism in the workplace.

Executive, IT

The third sub-theme *Personal Growth* highlights executives’ self reflection on their personal development and the meanings implied from various experiences over time.

This executive reflected on how his thinking has evolved through his professional journey:

*In my previous last employment, was a period during which my own thoughts in this regard shifted pretty considerably...
Executive, Consumer Services*

Their past experiences and meanings behind their experiences formulate the executives' respective value priority and strength. Their values continue to evolve as new experiences, new thoughts, new revelations emerge through the passage of time.

Beliefs

“*Beliefs*” reflect the belief system of the executives. Belief system includes their value priority and attitudes (Rokeach, 1968). Executives seldom articulate their values and beliefs directly but rather it is through their stories retold, and their own introspection and reflections on the experiences, that their values and beliefs surface in their narration. Therefore it is the meanings extracted from their own experiences that brought out the executives' values and beliefs.

There are three main subthemes under “*Beliefs*” identified as: 1) *Fulfillment*; 2) *Personal Values*; 3) *Perspective*

This executive's definition of *Fulfillment* demonstrates that he knows he is making a difference to fight climate change. He said,

*Earning a lot of money right now isn't important to me.... So success now is about making some difference in what's going on in X. I feel strongly aligned with the purpose of this organization.... that gives me a lot of personal satisfaction, and gets me up here every day.
Executive, Consumer Service*

Anchoring their actions on a set of *personal values* is a common theme across many of the interviewees. On the topic of bribery, this executive said with assertion,

*We started doing a whole series of business in Country X. And again the issue of bribery came up. And I said that no, I don't want to become involved with bribery.
Executive, Chemical*

This executive's rationale behind his decisions to pull out was anchored on his belief that his products could bring tremendous customer value and therefore he believed that he did not need to be held hostage by his customers.

Another executive reflected a strong conviction around a particular issue.

I believe strongly in climate change... influence of man on climate, it's never been a doubt for me...

... [A] lot of people agree and they believe it, [but] very few people are really doing anything that makes the difference.

Executive, Consumer Service

These strong *personal values* or convictions become the motivation behind their actions.

The last subtheme highlights executives' *perspectives* on the world. It is the lens through which they view the world. The notion of "short-termism" or "linear thinking" appears amongst many of the interviews as a criticism of executives' myopia with regards to decision-making.

[I]f you look at any of those right things in a very kind of quarterly profit very short term driven perspective, you might miss doing the right thing.

Executive, Private Equity

Many of the participants commented on the long-term damage companies could wreak upon themselves if they focus on short-term results, negating factors that enable long-term success.

Context

Executives' perception of their context and the meanings derived from their world, when combined with their values and beliefs influence their actions and behaviours.

Values and beliefs, according to Rokeach, are constructed at a general abstract level. Actions and behaviours on the other hand are context and situation specific. Values and beliefs influence how individuals perceive their environment, the information they would collect and possess (Cannella et al., 2008). And so it is through their perception of the context that their values and beliefs influence actions and behaviours.

One of the sub themes emerged is *Locus of control*, which is the perception of individual power to drive change and his or her ability to align his or her own beliefs with actions.

Back to the story where the executive was upset about the pesticide used in lawns, he said,

We were successful in changing local policy... it was interesting for me to see that there are things happening out there that make absolutely no sense, [and] until someone steps up and actually challenges what is being done is wrong for a number of reasons, it would continue to happen.

Executive, Commercial Service

He further added that it is,

[I]n having the realization that you can make a difference, and you can change; or otherwise [nothing] would be changed, had you not got involved and taken a stand.

*So that was enlightening for me.
Executive, Commercial Service*

This executive's *locus of control* was reaffirmed with his lobbying success. And in turn his positive experience enhanced his sense of power, reinforcing his own values and beliefs.

Another executive believes he has the responsibility to drive change, he said,

*I just think we have personal responsibility to change. And that is not just environmentally or socially, but I think from an innovative [perspective], those who stand still get left behind. I just totally believe that. And I think you know shame on the executive who wants the status quo even at the great risk that comes with [the inevitable environmental] change.
Executive, CIO*

Another emerging theme is *CR Attitude*. This sub-theme reflects executives' CR beliefs, and what CR means to them from a normative perspective. Many believe that businesses have obligations towards their stakeholders, the society and the wellbeing of the environment. However, many also believe that business sustainability in terms of financial health is equally important.

This executive explained the balance that businesses need to maintain:

*[T]hey're there to make a profit and to make the right business decisions, but they also have to be very mindful of the approach that they're having on the community in which they live.
Executive, Retail*

Another emerging theme is *Worldview*, which reflects executives' perception of their business reality, reflecting the meaning they derived from the world they experience through their own lens, influenced by their values and beliefs. Tone at the top is one of the emerging subthemes.

Many believe that change lies at the top, and the top needs to set the example. The same executive from this Commercial Service Company saw the CEO as the most important position that would influence an organization's CR adoption. He said,

[I]t's the senior executives in an organization that need to be engaged, and need to be motivated to drive this type of activity. You have a CEO that is not

committed; that for some reasons is not an executive that feels passionate about something that is bigger than what the company is trying to do; and I would tell you that individual's done a disservice to his shareholders, a disservice to his team members.

Executive, Commercial Service

Board also plays an important role. This executive who also held board positions, believed the board is even more critical than the CEO. He said

One of the most important jobs of the board is to pick the right CEO. And if you pick a CEO without putting in what are the values we expect from the CEO, then the board is not doing their job.

Executive, Chemical

Practice

The theme “*Practice*” illustrates the decisions, actions and behaviours executives undertake based on their values and beliefs and their understanding of their own reality – their “*Context*”.

Tying *Practice* to the importance of *Tone at the Top, Setting Culture* is considered by many interviewees as a key part of their actions to enable the adoption of CR and sustainable practices. Hence, *Setting Culture* emerged as a sub-theme under *Practice*.

This executive recalled his very first - most effective – alignment exercise he devised was hosting multiple weeklong retreats to build value alignment amongst his teams. With a set of aligned values, he believed they could create a company that reflected a strong set of corporate values as a team. He said,

I insisted on a very open conversation, a very vulnerable one about who we were as people and what we wanted to accomplish as a business.

Executive, Private Equity

With a set of aligned values, Private Equity Executive sought to set the right example through hiring and firing practices. He added,

[W]e started at the top and making it a priority and making it a touch stone the way that we operated. But then frankly we made it happen throughout the whole organization. Not just by declaring this is the way of the world, [but] acted on it by hiring and firing.

Executive, Private Equity

In terms of *Driving Change*, another emergent sub-theme under *Practice* that the Chemical Company executive shared with the researcher was his story of innovating and changing the way chemicals were transported in Canada to create a fail-safe way of transport. He explained that the old tank cars that were used to transport chemicals on

rail, when there was a rail accident, the tankers could get punctured and the spill could be very dangerous to the people living in the communities where the accident happened, and could cause significant damage to the environment. Under his leadership the company redesigned the safety valve of those tank cars so that in the event of any derailment accident, the spill could be safely contained.

He said with great pride,

So since 1981 to today, despite of [the many] unit trains crisscrossing the continent all the time. You've not heard of [a major] sulphuric acid spill.
Executive, Chemical

The Commercial Service executive demonstrated CR adoption actions when he lobbied to change government policies and led the way in transforming his business practices. His company was the first to ban the use of toxic chemicals in cosmetic lawn care. He successfully lobbied the municipal government to ban all toxic pesticides for use in areas where children would be seen playing. These were transformational changes that altered government and business practices.

When asked if he was faced with resistance or challenges, he said some clients did resist, but very quickly, he and his team managed to influence change upon their clients. He said,

We met with senior executives of our client organizations to try to explain how the alignment of the brand and image around environmental stewardship was being eroded ... and basically you know they got it pretty quick that you know, being a leader means you do things that are different than everyone else.
Executive, Commercial Services

This Executive worked tirelessly to convince others to adopt the change – that is the right thing to do – the principle and the mission of his company:

So we had to work hard to try and get the client to embrace the concept of relaxing their economic business case performance in exchange for some benefits around the brand and image.
Executive, Commercial Services

Care for Employees is another subtheme that emerged under *Practice*. It reflects executives' personal behaviours towards their employees.

This executive said,

I believe in helping people be successful. That's kind of job one for me.... if they're successful, I enjoy their success too.

Executive, Transport

Many also articulated that *caring for others* gave them fulfillment and was part of what success meant to them.

Discussions

Values and beliefs provide motivations for individuals' actions (Schwartz, 1987) The strengths of these values and beliefs are reinforced by the valence of the outcomes from their actions (Posner and Schmidt, 1984; Elizur and Sagie, 1999).

Some of the actions and decisions discussed under the three emergent CR adoption themes (*Care of Employees, Set Culture and Drive Change*) reflect executive's individual personal behaviours more than organizational initiatives or decisions. These actions do not necessarily reflect firm objectives, or strategic plans, but rather a set of personal actions that these executives explicitly wanted to undertake as a result of their values and beliefs. This finding reveals that the influence of personal values is significant at a personal level in terms of actions and behaviours. Strategies are by and large calculated. However, in terms of business situation dilemmas, organizational culture, and social and environmental issues, values play a significant role as reflected by the executive's narratives, in how they treat employees and how they set the culture. Further, they can also influence the nuances of strategy depending on the executives' perception of their locus of control.

It is found that *Triggers* from past experiences create certain beliefs and affect the strengths of those beliefs and values. These values and beliefs in turn influence their perception of their context. It is therefore the combination of the strengths of these values and beliefs, as well as context, which influences executives' actions regarding CR adoption.

Amongst the stories shared by some of the executives, several reflected life changing traumatic events. These life-altering events appear to have had an impact on the executives' value awareness and the strength of their values. These *Triggers* act like an amplifier on the *Formative Values* these executives were brought up within, taught during their lives, or otherwise influenced by. Values and beliefs, whether they were raised under some unfortunate circumstances or through positive reinforcement, in a few of the examples discussed have revealed an important role they play in influencing the types of actions executives chose to undertake. The strengths of their values and beliefs matter when it comes to motivating the individuals into actions.

The Commercial Service Executive reflected on his various experiences and the importance of personal experiences in shaping who he is now as a leader. He remarked,

[T]he experiences of a senior executive establish the direction of the organization, or candidly, the individual's perspective on life. I shared with you these examples [the stories he told of his past], because they have a dramatic effect on the areas that I have been focused on and the investment of time and resources that I personally made.

Conclusions

The contribution from this research paper towards theory is to deepen our understanding of the role values play in influencing executives' actions with regards to CR adoption. There remains a lack of understanding around how leaders' values influence corporate responsibility adoption. Many studies adopt a positivist approach to understanding specific relationships between values, CR and sustainability performance outcomes (e.g.(Agle et al., 1999; Ramasamy et al., 2010; Chin et al., 2013)). But little is known in terms of how values translate into actions ((Meglino and Ravlin, 1998; Eyal et al., 2009; Groves and LaRocca, 2011).

The contribution this research paper seeks to make in management practice is to highlight the need to focus on strategic leadership and how it influences organizational strategies, in particular focused on CR adoption. To enable organizations to strive towards sustainable and responsible practices, how values influence executives' fields of vision and their interpretation of information, which then influence their behaviours and their enterprise decisions, needs to be understood by management practices. "Values" within strategic leadership theory is underexplored in management research, in business education, in leadership development, and in executive selection (Groves and LaRocca, 2011).

In conclusion, if we would like to make bigger strides toward more ambitious and more transformational goals we need to look at: 1) executive recruitment: who do we hire, and how do we select these executives becomes important. Their values matter – the strength of their values matter as influenced by their experiences; 2) leadership development and business education for the next generation of leaders, including board members, on how we raise the importance of individuals' value principles and convictions, so that personal motivation becomes the force needed to drive positive change and CR adoption.

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