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Linda O'Riordan

Managing Sustainable Stakeholder Relationships

Corporate Approaches to Responsible
Management

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Series editors

Samuel O. Idowu, London Metropolitan University, London, United Kingdom

René Schmidpeter, Cologne Business School, Germany

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Linda O’Riordan

Managing Sustainable Stakeholder Relationships

Corporate Approaches to Responsible
Management

Linda O’Riordan
FOM University of Applied Sciences
Hochschule für Oekonomie & Management
Essen
Germany

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This book is dedicated to the people who have the ambition, the courage, and the will to make choices which advance the positive impact of business in society.

To the Reader: I trust that your genuine interest in this theme implies that this book is dedicated to you!

Endorsements

This is a comprehensive look at how companies can create value for their stakeholders in a responsible and sustainable way. It will repay reading, many times over.

—**R. Edward Freeman**, University Professor, The Darden School,
University of Virginia

This book is about re-thinking business purpose. Focusing on the connections in stakeholder networks, it advocates re-designing business models as the catalyst for stakeholder value creation instead of the traditional and much too narrow shareholder view. It demonstrates how organisations can sustainably serve their shareholder's economic and social interests by seizing commercial opportunities which enhance the well-being of society and the environment.

—**Jan Jonker**, Professor of Sustainable Entrepreneurship,
Nijmegen University School of Management

Linda has done an incredible job by contributing significantly to the stakeholder theory for organizations and society. Gradually we will have to go to a more conscious capitalism since we have seen that the consequences of unconscious versions of capitalism and communism have led to unacceptable maldistribution of wealth and neglect of any basic forms of integrity. Moreover, Linda gives us pathways to guide us in the right direction. A must read.

—**Fons Trompenaars**, co-author of the *Nine Visions of Capitalism*

How much longer must we put up with the absurd contention that shareholders 'own' the ingenuity, commitment and life-chances of those who work for a living and have a real, abiding stake in their companies? It should be obvious that shareholders with commitments as short as their attention spans are not what we need. Wealth belongs to those who do the actual work and invent our future. It is

wonderful to read a book that makes the case so comprehensively. Why it might even help to halt the precipitous decline of western economies!

—**Charles Hampden-Turner**, Management Philosopher
and Creator of Dilemma Theory

Foreword

The *Corporate Report* of the *Accounting Standard Steering Committee (ASSC)*, UK, in 1975 and nearly one decade later Ed Freeman's world-class piece on stakeholder strategic management in 1984 laid the foundation for the debate and serious research on the issue of stakeholders. These two events took place towards the end of the twentieth century. The two documents in our view gave credence to the global recognition of the term *stakeholder* in both the literature and the world at large. Needless to say, prior to the global recognition of the importance of the stakeholder theme in the literature and business circle, it was only the needs and interests of the provider of capital to the enterprise—the *shareholder*—that were deemed necessary; in fact, the annual report provided by the *agents*—directors—was the only account of their stewardship to these providers of capital. Perhaps, it was an era of total ignorance in the free market capitalist world or part of the nonchalant attitude of the old capitalism! The world we now live in has understood that a corporate entity which fails to recognise and embed the needs of all its key stakeholders in its corporate strategy will not survive beyond the short term. This is because each of these stakeholder groups hold the licence to operate which all corporate entities need in order to remain in operation, regardless of whether or not they are profit seeking or not for profit.

The era we now live in is a very different era from what it used to be; it is an era of responsibility. This is perhaps an obvious statement to make, but we need to reiterate it because Linda O'Riordan's book has made it compellingly so. Professor O'Riordan's masterpiece on the theme of corporate responsibility with reference to responsible stakeholder management has touched on a number of noteworthy issues that all practitioners and CSR scholars cannot but take cognisance of if the debate on sustainable stakeholder management is to be raised to the next level.

We congratulate Professor O'Riordan for this addition to the literature, and having browsed through it carefully, we are delighted to recommend it as a must-have companion to today's CSR scholars, practitioners, and research students who reside in the length and breadth of our world. The issues encompassed in the UN Sustainable Development Goals 2030 have challenged both corporate and

individual citizens of the world to behave and operate sustainably; this also requires corporate entities of the modern era to sustainably manage their dealings with all their classes of stakeholders—that's what will survive them in both their local and global markets. We recommend the book to you all unreservedly.

London, UK
Cologne, Germany
October 2016

Samuel O. Idowu
René Schmidpeter

Preface

This book investigates stakeholder relationships between business and society. It draws from over a decade of rigorous academic and practical research originating from a long-standing interest in the topic of responsible business. Experiences during childhood in West Africa triggered awareness for the complex concerns and questions addressed in this book surrounding the complicated challenges inherent in business purpose, impact, and the distribution of the value created by organisations.

As concepts of responsible management continue to evolve, the key objective of the book is to explore the opportunities and predicaments facing business decision-makers when addressing the abundant interests of various stakeholders. The study is prompted by a review of the extensive literature in this field, which reveals that corporate approaches to responsible stakeholder management and its conceptualisation are underdeveloped. To address this lacuna, the research includes a case study of the pharmaceutical industry in the UK and Germany. This sector was chosen as a particularly dramatic example of the stakeholder management dilemmas faced by business decision-makers. Qualitative exploratory empirical data, collected from senior executives in the target countries, obtained via multiple research methods, including a survey and interviews, are presented to investigate the corporate approaches to stakeholder management of leading pharmaceutical companies.

In addition to providing an update on a selection of key relevant terms and concepts in this intensely debated field, the case study focus reveals how decision-makers in the pharmaceutical sector respond in everyday practice to their particular context-specific management challenges. The findings are employed to examine and revise a pre-specified stakeholder management framework, which was developed and repeatedly revised by the author in separate scholarship. The resulting new updated framework is the main conceptual contribution of the book. By depicting a set of inclusive strategy formulation steps, it is designed to serve as an innovative, comprehensive, yet practical tool-guide for stakeholder management. It aims to assist decision-makers to attain the greatest optimal outcome from

the resources they invest through conscious consideration of the purpose and impact of their actions not only for their shareholders but more holistically for a broader range of stakeholder interests. Ultimately, it demonstrates how optimally harmonised stakeholder management can serve as a powerful catalyst to unleash viable business opportunities in the mutual interests of *both* business and society.

Inspired by the quest to appreciate the underlying mechanisms more fully, the insights presented in this book update and develop upon theoretical and empirical research findings, which were originally gathered for a PhD dissertation (O’Riordan, 2010). Since the appearance of my first academic work in this field entitled ‘*Trans-national Corporations and the Third World*’ (O’Riordan, 1990), additional directly related academic publications include two papers in the *Journal of Business Ethics* (O’Riordan & Fairbrass, 2008; O’Riordan & Fairbrass, 2014) focused on the theme of managing stakeholder engagement, a chapter in a Gabler/Springer edited volume ‘*New Perspectives on Corporate Social Responsibility: Locating the Missing Link*’ (O’Riordan & Zmuda, 2015, pp. 473–504), a paper in the FOM CSR Series: ‘*Responsible Stakeholder Engagement: A Comparison of Corporate Approaches in the UK and German Pharmaceutical Industry*’ (O’Riordan & Fairbrass, 2016), and ‘*New Business Models: Examining the Role of Principles Relating to Transactions and Interactions*’ (Jonker & O’Riordan, 2016).¹

From the perspective of a Western industrialised scientific culture, based on a humanist, Eurocentric world view, the book is designed for those who seek responsible choices in their everyday decision-making activities. It strives to convincingly demonstrate both *why* and *how* a more inclusive regard for society and the environment, in addition to economic gain (i.e. profit), comprises a rational business option. By focusing attention towards a greater regard for multiple, collaborative, connected values to create stakeholder value (success) in everyday business strategy, this book advocates that the long-term value maximisation interests of individual stakeholders are most optimally achieved when the interdependencies between business and society are holistically regarded, harmonised, and mobilised.

Düsseldorf, Germany
Spring, 2017

Linda O’Riordan

¹For further details, please refer to the list of references in Chap. 1.

Concept Overview and Structure

*The tree is more than first a seed, then a stem, then a living trunk, and then dead timber.
The tree is a slow, enduring force straining to win the sky.*

(Antoine de Saint-Exupéry)¹

This book comprises three parts containing 10 chapters.

Part I: Setting the Stage

Part I sets the stage by introducing the rationale for examining the ‘*why*’ and ‘*what*’ of responsible stakeholder management.

Chapter 1 accustoms the reader to the unique quality of the stakeholder management journey by highlighting its similarity to being on a mission without a roadmap or on the high seas without a compass (!). It presents an introduction to the purpose, aim, and scope of the publication. It highlights the relevance, novelty, and progressiveness of the theme, as well as the practical approach adopted in the book to examine and achieve responsible stakeholder management solutions within the complex, comprehensive, and challenging context of business decision-making.

Chapter 2 introduces the key relevant terms related to responsible stakeholder management. By addressing the multifarious mix of concepts and changing stakeholder expectations on the role of business in society, it strives to navigate through the escalation in debates and discussion, as well as the extensive range of existing literature and the increasing volume of material which continues to appear on this broad-ranging theme. In the quest to eliminate many of the management misconceptions surrounding the topic, some of the main misunderstandings inherent in the usual ‘mind-set’ regarding the role of business in society are addressed.

¹Free translation from: *The Wisdom of the Sands*.

Chapter 3 focuses on introducing a case study of the responsible stakeholder management challenges facing decision-makers in the pharmaceutical industry in the UK and Germany. It highlights the specific contextual operating dilemmas in what could be considered a highly complicated operating context. This context-specific focus emphasises the complex quality of the quest to harmonise stakeholder interests in a responsible way for this sector.

Chapter 4 highlights the considerable gap in research specifically aimed at explaining how decision-makers in the pharmaceutical industry in the UK and Germany undertake responsible decision-making. In the search for value via sustainable solutions it reveals that despite the vast amount of new literature, as well as the proliferation of emerging new solutions, such as cradle to cradle, the circular economy, and other innovative advances in themes related to stakeholder relationship management, corporate approaches to responsible management and their conceptualisation remain underdeveloped.

Chapter 5 examines past scholarship in search of useful concepts, approaches, and tools to facilitate decision-makers to manage sustainable stakeholder relationships. It initiates a first step to address the gaps identified in the previous chapter by proposing a management framework based exclusively on desk research, which endeavours to capture the relevant elements in corporate approaches to responsible management. It concludes that because this framework is entirely theoretical, empirical research is required to examine its usefulness in a practical management operating context.

Part II: Gathering Evidence

Part II develops a systematic plan to study the academic and practical research challenge.

Chapter 6 explains the research design. Building a methodology to fill the identified gaps, it presents the qualitative exploratory research approach via multiple research methods which is adopted to investigate the responsible stakeholder management practices of leading pharmaceutical companies in the UK and Germany. Using this approach, the data were primarily collected from senior executives in the target countries.

Chapter 7 presents research findings from the multiple data collection methods explained in the previous chapter. They facilitate the conceptualisation of corporate approaches to managing stakeholder relationships by delivering insights into key stakeholder relationship management on six specific practices, including Terminology, Stakeholders, Communication, Organisation/Governance, Projects, and Expectations, which were identified in the literature review as salient. The results facilitate comprehension on three key themes including the target group's responsible stakeholder management practices, an Anglo-German comparison of the identified practices, as well as their influencing factors. These insights serve to inform and critically examine the pre-specified initial desk-based research framework prototype which was presented in Chap. 5. This input enables the framework's revision, which is the subject of the next chapter.

Part III: A Compass for Stakeholder Management

Part III introduces the rationale, i.e. the ‘*why*’ for examining the ‘*how*’ of stakeholder management.

Chapter 8 summarises and critically evaluates the research findings presented in the previous chapter. By establishing the overall contribution of the research results regarding their implications for the academic literature, as well as management practice, the data trustworthiness is substantiated and the research assumptions are tested. This verification, as well as the review of the research limitations, serves to analytically validate the robustness of these findings for examining, testing, and improving earlier versions of an explanatory management framework conceptualisation presented in previous chapters. Ultimately, this appraisal leads to the development of a new Stakeholder Relationship Management Framework (Version 4) for enabling stakeholder value creation, which is the main conceptual contribution of this book and the subject matter of the next chapter.

Chapter 9 applies the research findings to update the earlier Management Framework versions presented in previous chapters. The resulting new Stakeholder Relationship Management Framework (Version 4) for enabling stakeholder value creation is the main conceptual contribution of the book. It proposes four strategy formulation steps portraying the components of a management ‘pathway’ for those who seek responsible choices in their everyday corporate decision-making activities. In identifying, defining, and explaining a holistic, inclusive, integrated corporate approach to stakeholder relationship management, the framework is designed to serve as a comprehensive but practical tool to guide the organisational value creation process. Ultimately, by focusing on the value-producing potential inherent in the stakeholder connections, it depicts the transformation route to an innovative business model.

Chapter 10 highlights the emerging but compelling aim to create long-term stakeholder value derived from entrepreneurial PURPOSE (the ‘*why*’) as the principle connector, harmoniser, and differentiator for generating responsible profits. Emphasising the human role of people as the fundamental basis for all organisational activity, the chapter critically reflects on the four generic steps presented in the Stakeholder Relationship Management Framework in the previous chapter (the ‘*how*’). Focused on the search for meaning as a key driver of individual purpose, the chapter draws attention to the requirement for a transformed corporate approach, which manifests itself in stakeholder values (the ‘*why*’) driving the organisation’s mission and vision. This approach recognises the salience of profits (as a consequence of effective stakeholder management) for the long-term success of the business while augmenting the corporate commitment beyond a narrow shareholder focus to inclusively embrace a broader scope of stakeholder groups. The underlying rationale assumes that connecting the various stakeholder interests leads to greater value creation for all groups. While the aim to optimally leverage the corporate impact for their stakeholders is not new in the sense that in practice, the entrepreneurial spirit has been following this approach for years, the research outcome identifies that the current management tools for developing and measuring

a stakeholder-connected resource investment strategy are underdeveloped. Because they primarily focus on a profit-maximisation business purpose, their narrow approach is fueling a disconnection between how successful entrepreneurs actually behave and how economics and business studies are comprehended and taught. The chapter concludes that to effectively manage sustainable stakeholder relationships, in order to make organisations relevant for their stakeholders, this theoretical, practical, and educational missing link in corporate approaches to responsible management requires connection.

Target Audience

This book targets all those who have the ambition, the courage, and the will to make choices which contribute to promoting a better way forward for business in society. While it should primarily be of interest to upper undergraduate, graduate, and academic researchers who take a critical perspective on the underpinning theoretical approaches in the study of responsible management, the new conceptualisation which emerges from the research is predominantly designed to be of practical use for professional/practitioner decision-makers when managing their stakeholder activities. The purposeful focus on a case study of the pharmaceutical industry provides a practical example for business managers by demonstrating *how* to make a reflected, reliable, and most significantly, *tangible impact* on their stakeholders in their field of competence for both their organisation and society.

Given that the book aims to contribute to broad awareness, understanding, and learning when making decisions which contribute to the design of a different future, its practical nature warrants its additional relevance for a more general audience. This could embrace anyone interested in recognising responsible options when making decisions. As a result, the target group could include a range of decision-makers, as well as those from organisations, politicians, policymakers, academics, and business-studies students.

The ideas in this book and the resulting stakeholder relationship management framework can be employed to guide decision-makers in a corporate training setting and/or as a teaching aid (e.g. potentially students via a tutor in a lecture or classroom setting) for achieving a flexible, systematic, and comprehensive approach to value creation in complex context-specific management settings.

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Last but not least, I would like to thank my son Liam, without whose understanding, acceptance, and resourcefulness, this book could never have been written.

About the Author



Linda O’Riordan is a Professor of Business Studies & International Management and the Director of the Research Competence Centre for Corporate Social Responsibility at the FOM University of Applied Sciences in Germany. She is a general manager by profession with a PhD from the University of Bradford in the UK. Dr. O’Riordan researches and writes with a focus on stakeholder management based on an holistic approach to organising sustainable business in society. She has led an edited book on CSR ‘New Perspectives on Corporate Social Responsibility: Locating the Missing Link’; she is the editor and reviewer of various leading international journals, and her work has been published in

prominent peer-reviewed publications, such as the *Journal of Business Ethics*. In her educational role, Dr. O’Riordan lectures MBA and Bachelor students in subjects including International Management & Business Strategy, Corporate Responsibility, Marketing and Customer Relationship Management, Intercultural Competence Studies, and Management Consulting and Problem-Solving. Additionally, she is a guest lecturer at various Universities including the University of Applied Sciences and the Heinrich-Heine University in Düsseldorf. Previous to her academic role, she gained business and consultancy experience from working in industry. Some of her past employers include Accenture, UCB-Schwarz Pharma, and the Government of Ireland (Bórd Bia), as well as apprenticeship positions during her studies in Ireland at the Irish Telecom Company, Dublin (now Eircom), and the Bank of Ireland, Cork. Dr. O’Riordan’s academic qualifications include an MBA and a Masters in Research from the University of Bradford in the UK and a Bachelor’s degree in Business Studies from the University of Limerick, Ireland.

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List of Abbreviations

ABPI	Association of the British Pharmaceutical Industry
ACCA	Association of Chartered Accountants, UK
ATC	Anatomical Therapeutic Classification
BBDO	Marketing Communication and Advertising Agency, Germany
BITC	Business in the Community
BM	Business Model
BMI	Business Model Innovation
BMJ	<i>British Medical Journal</i>
C2C	Cradle to Cradle
CE	Circular Economy
CFP	Corporate Financial Performance
CG	Corporate Governance
CR	Corporate Responsibility
CSF	Critical Success Factor(s)
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
D	Germany
EMAS	Eco-Management and Audit Scheme
EMEA	Europe, the Middle East, and Africa
EU	European Union
GRI	Global Reporting Initiative
HR	Human Resources
IBLF	International Business Leaders Forum
IBM	Innovative Business Model
IFPMA	International Federation of Pharmaceutical Manufacturers' Associations
ILO	International Labour Organisation
IMS	Official Health Data Source for the Pharmaceutical Industry
ISO	International Organisation for Standardisation
MOOC	Massive Open Online Campus
NGO	Non-Governmental Organisation
NMI	Natural Market Institute

OECD	Organisation for Economic Co-operation and Development
PPPP	People, Planet, Prosperity, Profits
PR	Public Relations
R&D	Research and Development
RQ	Research Question
SE	Stakeholder Engagement
SHI	Statutory Health Insurance
SVC	Stakeholder Value Creation
TBL	Triple Bottom Line
TNC	Trans-National Corporation
TTL	Triple Top Line
UK	United Kingdom
UN	United Nations
WBCSD	World Business Council on Sustainable Development
WCED	World Commission on Environment and Development
WHO	World Health Organisation

Part I

Setting the Stage

Chapter 1

Welcome to Corporate Responsibility

On a Stakeholder Management Journey: Over the ‘High Seas’ Without a Compass!

If you want to build a ship, do not begin by gathering wood, cutting boards, and distributing work, but instead awaken within the heart of man the desire for the vast and endless sea.
(Antoine de Saint-Exupéry)¹

1.1 Perspective: Research Context

1.1.1 Background

What if . . . we lived in a world where responsible² business behaviour were seen as being in a company's intrinsic best interest? If competition were focused on inclusively striving together to accomplish honourable deeds recognising the wider benefits and costs for many? If exclusively fighting against one another to accumulate money and materialistic objects for a chosen few were deemed irrational? If society understood that ‘sufficient’ is often superior to ‘more’ in an economy that valued all relevant forms of capital?³ If success were measured: not merely by monetary recognition but also by social outcomes of performance and the effective

¹This freely translated quote is attributed to Saint-Exupéry as it appears in one American translation of ‘Citadelle’.

²The word ‘responsible’ is employed in this book as an adjective in the sense of *being* accountable. It is assumed to mean to *be* responsible compared with the closely related noun ‘responsibility’, which is inferred to imply the obligation or duty to *have* a responsibility.

³In this definition, ‘capital’ is understood as an extension of the economic notion of capital resources for enabling the production of more resources. The term ‘capital’ refers here not merely to the traditional industrial capitalist understanding of wealth in the form of money, funds, means, resources, or other assets owned by a person or organisation or available or contributed for a particular purpose, such as starting a company or investing in commercial activities. The term ‘capital’ is intended to signify the broader aspects of the capital provided by the natural environment, including natural resources and human capital (e.g. Hawken, Lovins, & Lovins, 1999).

use of resources? Where generally accepted accounting principles recognised natural and human resources, not as a free amenity in inexhaustible supply, but as a finite and integrally valuable factor of production? And people's talents were leveraged to their optimum, so that individuals predominantly invested their time 'making a difference' in a meaningful way for both themselves and society? . . . And what if, in the absence of a proven 'business case' regarding the financial outcome of such transition, policy and business decision-makers were to adopt this attitude as the basis of their corporate approaches based simply on the conviction that it 'makes sense'?

In this type of operating environment, the primary role and purpose of business would recognise that commercial opportunity is conceived via innovative solutions to key stakeholder challenges in society and the ecological environmental. Within the context of this construct of transformed values and logic underlying its strategic purpose, business could act as a powerful catalyst for creating a new type of value. In this scenario, business success in designing, developing, and delivering sustainably sourced innovative products and services would be measured by its ability to simultaneously yield an optimally harmonised inclusive stakeholder impact. This would augment societal value by utilising effective processes to minimise social and environmental damage (avoiding bad), while simultaneously ensuring economic success via the identification of innovative strategic solutions as a key prerequisite for safeguarding the long-term advantage of a broad range of stakeholders and other constituents. The pragmatic alternative proposed in the altered mind-set inherent in this transformed corporate approach advocates a new route to managing sustainable stakeholder relationships which could conceivably lead to sustained competitive advantage.

Does this depiction present some unobtainable ideal of an unreachable 'nirvana', fantasising a fictional 'best state' business operating environment in the illusory 'nowhere' of a perfected society, which is ultimately inaccessible?⁴ Some fond hope in a fool's paradise which merely portrays its author as a 'dispenser of nonsense'?⁵ Or do these suppositions merit a critical review of all commercial performance based on the rationale that they call into question some fundamental inconsistencies in today's strategic purpose and the role of business in society?

1.1.2 Complications

1.1.2.1 General Management Challenges

The issues posed by the questions stated immediately above, as well as the consequences of their answers, are just some of the challenges which continue to affect

⁴In line with the original meaning associated with the term 'Utopia' presented by Thomas More (1516) in his book with the same title (More, 2016).

⁵'Hythlodæus', which translates into 'dispenser of nonsense', is the narrator's name in More's controversial book (More, 2016). While the book's intended implication is still debated, some suggest that More envisioned his message to be interpreted as a [humanist](#) debate about the meaning and achievement of true nobility in society.

organisations, their stakeholders, and/or the general public (O’Riordan & Fairbrass, 2016). While the traditional view of the corporation suggests that its primary, if not sole, responsibility is to its owners, or stockholders, the stakeholder concept⁶ (Freeman, 1984) adopts a broader view advocating that an organisation’s responsibilities address not only shareholders and owners but many other constituencies as well, including employees; suppliers; customers; the local community; local, state, and federal governments; environmental groups; and other special interest groups. This contemporary view has been labelled ‘corporate social responsibility’ (CSR), which, from the many possible definitions available, can be defined as the “economic, legal, ethical, and philanthropic expectations placed on organisations by society at a given point in time” (Carroll, 1991).⁷ Because the increased range of responsibilities inherent in both the inclusive stakeholder concept and the four components of the CSR definition significantly broaden the scope of management attention, they collectively determine the highly multifaceted and complex nature of responsible decision-making for business in general.⁸ This expanded scope considerably complicates the task of managing sustainable stakeholder relationships from a corporate perspective.

In addition, significant, persistent, complex issues, arising from adverse man-made and/or natural events taking place at the macro-level (such as climate change, resource depletion, environmental degradation, pollution, changes in commodity prices, the global financial crisis, poverty, and access to healthcare and education), as well as stakeholder interest in the behaviour of firms, and large companies in particular, have been reignited in the past decade or so as a result of numerous reported adverse ‘events’ involving firms from a range of industry sectors, such as banks, telecoms operators, energy companies, and many others (see, e.g., Mallenbaker, 2012; May, Cheney, & Roper, 2007, p. 7; Peters & Roess, 2010; The Economist, 2013a; Wagner, 2006). A range of diverse, broad-ranging, interrelated issues resulting from these events pose practical management challenges for decision-makers. Moreover, they trigger complex questions with respect to who is deemed to be responsible for what, who has a duty to whom, and how to optimally organise and harmonise competing stakeholder interests.

The ultimate solutions to these challenges require a fundamental reconsideration of the role business in society which necessitates a comprehensive review of the entire macro-level system (including political, economic, social, and technological

⁶Please refer to Chap. 2 for further details.

⁷Explained in greater detail in Chap. 2.

⁸For clarification, given the fact that a range of different terms are typically employed to depict the concept of a broader purpose and responsibility for organisations than merely focusing in the first instance on their shareholders, the use of terminology to represent this relatively new phenomena is a key theme of this research. Chapter 2 addresses the wide range of utilised terms in greater detail and attempts to highlight their similarities and differences. However, the ensuing ‘confusion of tongues’ necessitates explanation with respect to the label adopted in this book to depict this broader scope of responsibility. Consequently, Chap. 2 defines the term ‘Responsible Management’ as a subset of ‘Responsible Business’ and establishes this term as the label employed in this book to generally reflect the notions inherent in the related concepts of sustainability and CSR, among others, which are addressed in greater detail in Chap. 2 and in the glossary section at the end of this book.

structures and incentives, etc.). While this scope clearly reaches beyond the capacity and influence of individual decision-makers within isolated companies, the quest to identify an improved role for business in society prompts the requirement for decision-makers at all levels to critically consider the impact of their actions when designing economic policies and commercial strategies.

In parallel with the increased critical public and media attention which the adverse events noted above have provoked, there has additionally been a burgeoning of the academic research into the topic of ‘corporate social responsibility’ (e.g. Carroll, 1979; Lindgreen & Swaen, 2010). Since the Brundtland Report (1987) on ‘Our Common Future’, the United Nations in its drive to encourage and propagate corporate responsibility has been involved in a number of activities worldwide.⁹ Equally, there has also been a growth in practitioner concern for responsible business practice, sustainable development, and stakeholder management (see, e.g., International Business Leaders Forum (IBLF), 2010; International Organisation for Standardisation (ISO), 2011, p. 4; Organisation for Economic Co-operation and Development (OECD), 2001; World Business Council for Sustainable Development (WBCSD), 2002).

1.1.2.2 Specific Management Challenges

As the field of corporate responsibility increases in importance in many key areas including business, politics, academia, and civil society in general, these developments are triggering the very real challenge for business managers of deciding how, on a day-to-day practical basis, to operationalise corporate responsibility and manage their firm’s obligations to their various stakeholders (O’Riordan & Fairbrass, 2014).

Corporate responsibility¹⁰ (CR) and stakeholder engagement¹¹ (SE) are umbrella labels used to denote the voluntary response by decision-makers in companies who increasingly find themselves held accountable not only to

⁹Including several UN Climate Change Conferences, the latest being Paris 2015, as well as the UN Global Compact which has the world’s largest corporate responsibility initiative, the 8 UN Millennium Development Goals (MDGs) 2000–2015, and now the UN Sustainable Development Goals (SDGs) 2030, which was agreed in 2015.

¹⁰While the term ‘CSR’ is typically more widely used in Europe, in line with the term ‘responsible management’, this book employs the label ‘Corporate Responsibility’ (CR), which is interpreted to depict a broad range of organisational accountability. This includes environmental and social, in addition to the organisation’s economic responsibilities.

¹¹Stakeholder Engagement (SE) is defined in this book within the context of Freeman’s (1984) stakeholder concept as an inclusive management approach, which encourages an organisation to involve stakeholder interests when identifying, evaluating, responding to, leveraging, and reporting on sustainability issues, challenges, concerns, and opportunities. SE thereby enables organisations to appreciate, be answerable, and explain its decisions, actions, and performance in an inclusive approach to its stakeholders. As a result, SE is interpreted as a fundamental accountability mechanism in the corporate management of sustainable stakeholder relationships. For further details, please refer to Chap. 2 and in the glossary section at the end of this book.

shareholders but additionally to other stakeholders and society at large. Today the corporate responsibility challenge is no longer about the question of *whether* to behave responsibly, but *how*. When addressing this challenge, business decision-makers face a complicated balancing act when attempting to unite their company's economic interests with the broader interests of society and the environment. Identifying how to leverage the resources of the firm to most optimally address the sustainable development challenges noted previously is a complex management task, which is complicated by the subjective nature of the multidimensional expectations involved in this emerging field. As a result, responsible management remains an ambiguous endeavour. Because it is difficult to define, it persistently remains a matter of vivid debate, the overall outcome of which is challenging to measure, and therefore problematic to justify as a strategic approach using conventional financial management or accounting methods (Jonker, 2012). Significantly in this regard, a review of the latest literature suggests that the management tools for translating notions of sustainable responsible management into everyday business practice are limited. The instruments available inadequately provide feasible management solutions either because they are underdeveloped and lack comprehensiveness or, in contrast, they are so overly complicated that management decision-makers view them as incomprehensible (O'Riordan & Zmuda, 2015). The resulting lack of transparency for all stakeholders, but in particular for decision-makers facing the management challenge of identifying an optimal response, additionally triggers intense debate regarding the rationale, i.e. *why* integrating responsible solutions into business operations might be considered a good idea.

When designing their strategic commercial response to these challenges, some business decision-makers choose to 'manufacture' responsibility via short-term orientated, glossy marketing claims and other white-, blue-, or green-washing tactics, in the hope that they can leverage assertions of a 'responsible' stance to raise profits (either by increasing sales or decreasing costs) without their stakeholders noticing the fabrication. Many of the advocates of the ensuing contrived rhetoric are compelled by the traditional understanding, which still frequently predominates in business, alleging the lack of a persuasive business case for responsible initiatives. Based on the rationale that CR merely serves to increase costs, thereby putting firms at an economic competitive disadvantage (e.g. Rost & Ehrmann, 2015, p. 2), this traditional mind-set poses a significant obstacle to achieving sustainable business impact.

While in general, a sceptical stance with respect to a proven connection between corporate social performance and corporate financial performance could be deemed reasonable (in the sense that the current measurement tools for *assessing the return* to the company of engaging in social performance, and moreover the question of *how to measure value outcomes* generated by the firm are seriously limited), based on the same rationale, claims that a positive relationship between corporate social engagement and financial success does *not* exist, such as those made by Rost and Ehrmann (2015) by definition equally require logical questioning. Moreover, ignoring global problems of a size and complexity which have never before been experienced, let alone solved, relating to a combination of financial, energy, and

climate crises among other factors, in favour of instead choosing to cling to a world view based on solutions which were designed for addressing challenges at the time of the Second Industrial Revolution¹² could today be considered outdated and possibly even risky (Jonker & O’Riordan, 2016, p. 3).

In an operating environment of snowballing ‘visibility’,¹³ corporate (mal)practices and (mis)deeds are increasingly likely to be discovered. Steadfastly assuming that social and environmental responsibility, which goes beyond merely complying with the law might actually detract from a firm’s financial performance (e.g. Friedman, 1970; Jensen, 2002), is a corporate governance position which could arguably be considered short-sighted. Given the permanent transparency and communication possibilities of today’s connected stakeholders, regardless of the inherent opportunity cost of choosing a broader more holistic perspective, the lack of a credible corporate responsibility strategy could possibly be judged to potentially drive increased risk to reputation and sales leading to the larger cost of lost business and winning back trust among customers, employees, and other key stakeholders.

1.1.3 The Quest for New Purpose

The various challenges noted immediately above indicate that the current economic construct is under duress. They suggest the need for business decision-makers to consider choosing a more fundamental grass-roots approach to search for commercial opportunities via the identification of new ways of investing their resources to ultimately deliver innovative answers to some of the most vast and complex challenges being faced by mankind (e.g. Hawken, 1993). In the words of Tex Gunning (2011), in beginning this process, although there are no guidelines to follow, one thing is clear: “... We cannot keep heading in the direction we have chosen” (Gunning, 2011).

Awakening to this realisation means that new alternatives are required. It highlights the unique quality of the stakeholder management journey which could be equated to being on a mission without a roadmap or on the ‘high seas’ without a compass. Transcended beyond the familiar territory on this journey, it is no longer possible to rely on received rules and guidelines of customary convention. This recognition transposes the theme of responsible business into the field of complex management, i.e. an operating arena, in which the impact of decisions has effects

¹²Which arguably led to enormous growth in prosperity in the years following the Second World War ... but that was then and this is now. ...

¹³Innovation in stakeholder networking is enabling new forms of social communication via a range of factors. These include technological advancement in electronic media, as well as a rising word-wide diffusion of and access to information, due to a cost decrease and performance increase of information technology (Sustainability, 2016).

that are unexpected or difficult to predict. In the words of Simon Henley, former Director of Service Strategy for Rolls Royce:

The key to managing complexity is to understand where the complexity originates, and ensure that a strategy is put in place up front to manage each element of complexity identified by the analysis. (Henley, 2016)

In the quest for new routes to address the identified issues, challenges, and complexity, various researchers have suggested that innovative ways of organising are essential in which sustainability¹⁴ might play a more central role (Braungart & McDonough, 2009). For instance, a recent paper by Jonker and O’Riordan (2016) examines the role of new business models¹⁵ as one solution option. It advocates that new ways of organising are emerging in which a more sustainable approach to business is often central. For those decision-makers faced with the task of responding in an operating environment in which a range of different sources are increasingly and more consistently indicating how conventional current economic ideas are no longer optimal, the authors propose that such business models offer an interesting alternative. Significantly, the reasoning underlying this new approach suggests the potential to create stakeholder value creation logic (Ćwicklicki & O’Riordan, 2017; Elkington, 1997; Jonker, 2012; O’Riordan, 2010), i.e. one that is community-driven instead of organisation-centred. The essence of which is to collectively consider a broader range of values in the cost-benefit analysis, when establishing an organisation’s strategy thereby creating value which is more broadly shared by a group of people (Jonker & O’Riordan, 2016, p. 1). By definition, the novel business model approach proposed by these authors differs substantially in comparison with conventional business models, in which only one (economic) value is central. In this new approach, instead of focusing the business purpose on the narrow interests of the organisation (and typically, with precedence, its owners) as *the* priority (as is the case in the value creation logic of conventional business models), the new stakeholder value creation logic broadens the strategic perspective by proposing *harmonised value optimisation* which more *inclusively addresses the interests of a broader range of constituents*. This broadens the exclusive economic business intent driven by an exclusive profit maximisation objective to one of value optimisation.¹⁶ The transformation between this and conventional approaches is not merely that the exclusive economic intent of profit maximisation is expanded. More significantly, the new value optimisation logic strives to create a different way of organising, based on the ambition of a newly designed economy (Jonker, O’Riordan & Marsh, 2015). In this regard, some authors suggest that the inherent mind-set underlying this new approach triggers the need for a transition towards the achievement of a *circular economy*, i.e. a systems evolution which would require a fundamental change in organising the role of business in society *per se* (Jonker & O’Riordan, 2016).

¹⁴Defined in Chap. 2 and in the glossary section at the end of this book.

¹⁵Defined in Chap. 4 and in the glossary section at the end of this book.

¹⁶In place of profit maximisation, value optimisation aims to maximise the interests of a range of stakeholder groups.

Crucially, however, in order to avoid falling into the trap noted in the opening sections of this chapter of merely furthering an illusory discussion surrounding some vague utopian role for business in general in society, the next section commences a critical review of one context-specific field of commercial performance. It highlights some fundamental inconsistencies and complications with respect to the specific strategic purpose and role of one particular business sector in society: the pharmaceutical industry.

1.2 Focus: Study Overview

1.2.1 *Stakeholder Challenges in the Pharmaceutical Industry*

The inherent comprehensive and broad-ranging challenges involved in responding to the issues and solutions highlighted in the previous section are provoking a fundamental reappraisal of a ‘licence to operate’ (e.g. Ulrich & Fluri, 1995) and an ‘unspoken contract’ between business and society. Significantly, however, in addition to posing potential threats, they simultaneously trigger commercial prospects which can serve to ‘legitimise’ the business activities (e.g. Campbell, 2000; Gray, Kouhy, & Lavers, 1995, p. 52; Haniffa & Cooke, 2005, p. 3; Lindblom, 1994; Stark, 1994; Woodward, Edwards, & Birkin, 2001, p. 357). Finding business opportunities in societal and environmental challenges could, as a result, be considered a key step towards creating shared value (Porter & Kramer, 2006, 2011). The quest to practice sustainable business via a stakeholder approach (e.g. Freeman, 1984 ; Freeman, Harrison, Wicks, Parmar, & de Colle, 2010) is consequently redefining the debate with respect to the roles and responsibilities of business in general (O’Riordan & Fairbrass, 2016).

These issues are indeed especially heightened for the industry, which has been selected as the focal point for the study reported in this book: namely, the pharmaceutical sector. Arguably, the moral dilemmas surrounding corporate responsibility and its realisation are more acutely highlighted in this particularly ‘sensitive’ industry (e.g. Fischer, 2009; Miles, Munilla, & Covin, 2002; Spinello, 1992) because it undertakes a social mission to advance health in society. As a result, decision-makers in this industry face a particularly challenging responsibility task of recognising how to harmonise the varying (often conflicting) aims and expectations among their stakeholders with respect to providing access to effective healthcare solutions at affordable prices while simultaneously satisfying their investors with solid financial performance. Within this endeavour, managers in the pharmaceutical industry struggle to weigh up the competing considerations of their stakeholders’ interests, such as product pricing and distribution, the ethics of animal testing, the generation of (excessive) profits, and the need to invest large sums to develop medication which can effectively combat serious, life-threatening

disease (O’Riordan, 2010, pp. 44–49). In doing so, pharmaceutical companies in particular attract critical attention due to their size and success, as well as the ‘social’ nature of the ‘needs’ which their business and products address (ISO, 2011, pp. 65–66; O’Riordan & Fairbrass, 2008; Rifkin, 2005). As one of the most profitable industries in the world (Forbes, 2013; Fortune 500, 2012), the pharmaceutical industry is the focus of this study, partly given its social mission because it is such an important ‘test case’ of corporate responsibility and stakeholder management, but also because despite some relevant exceptions (e.g. Doh & Guay, 2006; Esteban, 2008; Maon, Lindgreen, & Swaen, 2008; Silberhorn & Warren, 2007), research specifically relating to stakeholder management and its conceptualisation is generally lacking for this sector (e.g. O’Riordan, 2010; O’Riordan & Fairbrass, 2016).

When attempting to decide what constitutes an appropriate responsible response to the issues noted immediately above, business executives typically face at least two specific management predicaments. First, there is the inherent elusiveness of corporate responsibility as a topic, and second, there is the increasingly demanding nature of doing business in complex global operating environments. The issues involved are often numerous, wide-ranging, ill-defined and vaguely scoped, frequently complicated by conflicting expectations, and usually multifaceted in nature (Bowmann-Larsen & Wiggen, 2004; Carroll & Beiler, 1997; Carroll & Buchholtz, 2009; Castka, Balzarova, Bamber, & Sharpet, 2004; Deresky, 2000; Fairbrass, O’Riordan, & Mirza, 2005; Kotler & Lee, 2005; Mallenbaker, 2004; O’Riordan & Fairbrass, 2008; O’Riordan, 2006; Stigson, 2002, p. 2). The abundant literature on broader topics, such as the relationship between business and society, stakeholder theory, and the range of related corporate responsibility and stakeholder management themes often complicate operative management, while the literature on how to practically manage corporate responsibility is limited (Crane & Matten, 2010, p. 224; Ferrell, Fraedrick, & Ferrell, 2008). Moreover, designing a research study which relates to questions concerning what constitutes ‘responsible strategic business responses’ requires insights into management perceptions and practices. Bearing in mind that the pharmaceutical industry tends to operate on a multinational or global scale, such research by definition addresses key questions concerning social obligations and justice within the context of diverse cultural and other influencing factors (Deresky, 2000; Hofstede, 2015; O’Riordan, 2010). In short, these contextual operating factors additionally indicate the relevance of situating the study within some specific geographical focus. In light of these challenges, the next section now specifies in greater detail the limitations of the previous research relating to the areas, which have been identified as key to the study theme.

1.2.2 Identifying the Knowledge Gap

The gaps ascertained in past scholarship drive the research endeavour. While the general academic literature in this field on related aspects, such as the relationship

between business and society, stakeholders, stakeholder engagement, and corporate responsibility is vast and continually increasing, past scholarship is limited in explaining precisely *how* pharmaceutical decision-makers responsibly manage their stakeholder engagement activities and what factors influence these practices (e.g. Crane & Matten, 2010, p. 224).

A comprehensive review of the past scholarship in the field of responsible corporate approaches to managing sustainable stakeholder relationships suggests that the topic of healthcare in the pharmaceutical sector has been under-researched. The need for fresh research on this theme became evident during an extensive review of previous relevant academic literature which revealed a significant lack of empirical data relating to the pharmaceutical industry and its stakeholder engagement activities (see, e.g., O’Riordan, 2010; O’Riordan & Fairbrass, 2008, 2014, 2016). More specifically, an examination of the extant scholarship revealed that the evidence regarding both the business techniques and tools employed when managing firm-stakeholder relationships in general was limited (Crane & Matten, 2010, p. 224; O’Riordan, 2010, p. 5; O’Riordan & Fairbrass, 2014).

When the pharmaceutical industry was specifically considered, a review of the literature revealed that despite the controversial nature of this sector’s business activities (see, e.g., ISO, 2011, pp. 65–66; O’Riordan, 2006; Silberhorn & Warren, 2007), the theme of corporate approaches to responsible stakeholder management for this sector has been under-researched (O’Riordan & Fairbrass, 2016). Notwithstanding the lack of research focusing specifically on how stakeholder relationships are managed by this industrial sector, recent research by O’Riordan and Fairbrass (2016, p. 3) identified that past scholarship clearly indicates how managers in general need to expand the role of stakeholders in corporate responsibility processes if they wish to improve their efforts to build legitimacy, a positive reputation, and lasting stakeholder relationships (see, e.g., Donaldson & O’Toole, 2007, pp. 21–26).

In addition, an appraisal of the latest literature suggests that the management tools for translating the concept of managing sustainable stakeholder relationships and responsible management into everyday business practice are limited (e.g. Crane & Matten, 2007, p. 516; Ferrell, Fraedrick, & Ferrell, 2010; Lindgreen & Swaen, 2010; Lindgreen, Swaen, & Johnston, 2009; O’Riordan, 2006, 2010; O’Riordan & Fairbrass, 2008, 2014). These gaps trigger the requirement for practically orientated research, which aims to contribute to the responsible management debate by more closely examining how the target sector interacts with its stakeholders in society. As a result, this research specifically focuses on the target firms’ approach to managing sustainable stakeholder relationships and its influencing factors.

This book aims to address the identified lacunae by rigorously reviewing the key related themes and relevant conceptualisations with respect to managing sustainable stakeholder relationships and corporate approaches to responsible management.¹⁷ This review has implications for both management practice and academic enquiry. To elaborate, it highlights both the need for a new management and

¹⁷These aspects are addressed in greater detail in Chaps. 4 and 5.

societal ‘mind-set’ and a more comprehensive conceptual contribution, which could better encompass many of the existing isolated management concepts which are deemed valuable *per se* but not sufficiently broad in range to address the complex management challenges involved (O’Riordan, 2006).

Significantly, since this original research commenced nearly 10 years ago, evidence emerging in the meantime from the fallout from the global economic crisis, which is still being felt 5 years later, has called into question the ‘nastier’ side of business ‘misjudgements’, ‘risk-taking’, and ‘collective delusion’ (The Economist, 2013b). Combined with worrying new facts on climate science (e.g. The Economist, 2013c; Intergovernmental Panel on Climate Change (IPCC), 2013), the enduring nature of these events indicates that the quest for improved ways to address the role of business in society has never been more acute.

Consequently, the research presented in this book could conceivably be deemed necessary for three reasons. First, despite the complex nature of the ‘sensitive’ pharmaceutical business which particularly exposes this industry to sceptical stakeholder attention (see, e.g., Ethical Corp, 2009; Forbes, 2006; ISO, 2011, p. 65–56; O’Riordan, 2006), a review of the academic literature reveals some significant gaps in this field (O’Riordan & Fairbrass, 2014). These include precisely *how* pharmaceutical firms in the UK and Germany manage their stakeholder engagement activities and what perceptions influence these practices, i.e. *why*. Second, although past scholarship suggests potential differences in the corporate responsibility response between the UK and Germany based on their differing political and cultural approaches (e.g. Habisch, Jonker, Wegner, & Schmidpeter, 2005), scant research exists to substantiate these claims for this target industry. Third, potentially due to the abundance of academic and other literature in this broad field, a review of past scholarship reveals that conceptual frameworks to facilitate practical corporate responsibility management and to explain its influencing factors are incomplete (Cropanzano, Chrobot-Mason, Rupp, & Prehar, 2004, p. 109; Murray & Vogel, 1997, p. 141; Saravanamuthu, 2001, p. 295). This lacuna is significant because a good reputation in society could help to legitimise pharmaceutical companies’ activities, which, in turn, can help to attract and retain employees, investors, and customers (Marsh, 2013). Consequently, it could be reasoned that undertaking and communicating responsible behaviour addressing an inclusive range of stakeholder interests might improve the competitiveness and long-term chances of survival of pharmaceutical companies.

1.2.3 Study Specifications

A review of past scholarship reveals that fundamental information is lacking on how the pharmaceutical industry, which has been chosen as the target sector for this study, in general manages its stakeholder relationships (see, e.g., Burchell & Cook, 2006; Greenwood, 2007, pp. 317 and 322; Greenwood & van Buren, 2010; Mitchell, Agle, & Wood, 1997). Moreover, past scholarship fails to address whether or

not the current management approach is effective. Because few definite answers exist on how to practically manage responsibly on a day-to-day basis across various national and cultural operating contexts (Crane & Matten, 2004, p. 144), key aspects of responsible management consequently remain unclear. More specifically, this lack of clarity includes questions regarding what concept of corporate responsibility decision-makers follow, and within that concept, which stakeholders are targeted, and/or how their interests are addressed.

Ultimately, these gaps generate the need for new research to more clearly illuminate the target groups' corporate responsibility perceptions and practices. A systematic review of the academic literature indicates that fresh data is required in six specific areas of responsible management which appear to emerge as salient. These include: how the target group manages stakeholder prioritisation, the choice of terminology and projects/activities in stakeholder communication, how the corporate responsibility response is organised, corporate responsibility expectations, and the factors which influence these aspects. Furthermore, the contrasting political, historical, and cultural environments highlighted by past scholarship (e.g. Habisch et al., 2005), in which the stakeholder management policies and strategies of multinational and global companies are developed, necessitate a geographical emphasis to both contextualise the research and to provide a more solid foundation to discuss the theme of corporate approaches to responsible stakeholder engagement. Given that the pharmaceutical industry tends to operate on a multinational or global scale, questions concerning social obligations and justice within the context of diverse cultural and other influencing factors need addressing. A geographical focus would facilitate a precise inquiry, via a deeper understanding of the norms, ideas, rationales, and influencing factors, into how pharmaceutical firms manage their stakeholder engagement activities in specific contexts. The requirements stated in these specifications lead to the choice of two particular European Union (EU) countries: namely, the UK and Germany. Given that no sufficiently specific research exists from which to assess the degree of similarity or difference between the practices employed by the pharmaceutical firms in these two countries with respect to the research theme, this choice both anchors and develops the research perspective. In addition, the multinational or global operating context of pharmaceutical operations is further explored via a case study of a leading transnational corporation's stakeholder activities.

1.2.4 Objectives and Questions

In light of the recent global financial crisis, the study presents a timely contribution to the rekindled debate concerning the interdependency between modern business and society within a capitalist system (Fürst & Wieland, 2004; May et al., 2007; Wagner, 2006; Welford, 1995, p. 114, 2013). In order to expand the empirical knowledge regarding how stakeholder engagement is responsibly managed in the pharmaceutical industry, to address the knowledge gaps and specification

requirements stated immediately above, the following research objective was formulated to drive the research enquiry:

Research Objective: To undertake exploratory research to identify and describe corporate approaches to managing sustainable stakeholder relationships, which establishes whether differences exist between the responsible management approaches adopted in various operating contexts and to explain the factors that influence the chosen practices.

This research objective is translated into the following research questions:

Research Question 1: What stakeholder practices are undertaken by the target sample of pharmaceutical companies with respect to the six attributes, which the secondary literature indicates are salient in stakeholder relationship management?

Research Question 2: Do similarities and differences exist between the stakeholder practices undertaken by the target sample of pharmaceutical companies in the UK and Germany?

Research Question 3: What factors appear to influence the stakeholder practices undertaken by pharmaceutical companies in general, and do these help to explain the similarities and differences identified in the corporate approaches of the target sample in the UK and Germany?

1.2.5 Research Design

1.2.5.1 Philosophical Stance

To achieve the research objective and to answer the research questions presented immediately above, a critical realist philosophical stance is adopted (Smith, 2003; Robson, 2004, p. 41). Ontologically, this perspective suggests a world view which recognises that knowledge is typically influenced by perceptions and experience (Tsang & Kwan, 1999). To examine the extent to which and how the pharmaceutical industry manages its response to the stakeholder engagement challenge, this perspective presumes that what people regard as reality, as well as the mechanisms and interactions involved can be conceptualised (Robson, 2004, p. 42). Within this approach, critical realism offers a third way between positivism and relativism while concurrently holding emancipatory potential (Bryman & Bell, 2007; Robson, 2004).

Epistemologically, the social nature of the research is acknowledged. Based on the social constructionist viewpoint which suggests that facts are human creations and truth depends on who creates it (Easterby-Smith, Thorpe, & Jackson, 2008, p. 62), ‘seeing’ through the ‘eyes’ of the study subjects is interpreted as acceptable

knowledge (Smith, 2003). Within this approach, a flexible research design is chosen. The aim is to expand empirical knowledge by describing and explaining the perceptions and practices of the selected sample with respect to corporate responsibility (Robson, 2004).

1.2.5.2 Data Collection Details

Based on this approach, the unit and focus of the analysis is primarily a sample of senior business executives from major pharmaceutical companies in the UK and Germany, as well as senior experts from a leading European transnational corporation. In light of the complex setting involved, a high level of description is reported at a rich level of detail based on a concern for explanation. The investigation mainly comprises the collection of qualitative data concerning the opinions and behaviour of those internal company agents. In order to contribute to the literature by addressing the identified gaps, a comparative evaluative empirical research approach using a case-study strategy employing mixed methodologies is chosen. A major strength of this research design is the use of different methods which allows the capture of diverse evidence. Such triangulation assists in establishing rich data with greater trustworthiness (Robson, 2004).

The primary research, which was completed between 2005 and 2014, employed a range of research methods including the documentary analysis of 36 company websites and reports, a telephone survey of 46 companies, observation of the responsible stakeholder management practices of 142 firms, and in-depth interviews with senior managers from the pharmaceutical industry. The underpinning objective for undertaking the research was to identify and test those key elements of their responsible stakeholder management activities which may be particularly salient to business managers in the pharmaceutical industry. The study was undertaken as a linear overlapping sequence of stages which verify secondary and capture primary data to map the practices and compare similarities and differences between the UK and Germany, as well as to validate the overall findings. During these stages, research questions based on a set of previously defined assumptions were tested empirically, and the assumptions were revised where necessary. As a result, the work has an emergent character in the sense that the methodology was refined as the data was gathered (Bryman & Bell, 2007; Easterby-Smith et al., 2008). Within this process, content analysis was employed based on the six previously mentioned codes to analyse and present the qualitative data. They include 'terminology', 'stakeholders', 'organisation/governance', 'communication/dialogue', 'projects/activities', and 'expectations'.

1.2.5.3 Conceptual Framework Development and Testing

The data collection produced a substantial and detailed corpus of fresh empirical data in an ongoing study approach over a 10-year period, which successively revealed significant insights into the views and behaviour of practicing business

managers in the pharmaceutical industry. Via this approach, the research design both inductively and deductively expands empirical understanding of corporate responsibility management. It achieves this by deriving knowledge from the perceptions and meanings which the target practitioners attach to stakeholder relationship management. Ultimately, this new evidence provided a database which was employed to explore, examine, update, and thereby improve a conceptual framework which was built exclusively from secondary data as one of the preliminary phases in the research (O’Riordan, 2006). The fresh data thereby served to test various versions of an original conceptual framework prototype.¹⁸

To elaborate, while this first conceptual framework was designed to be of practical value to business managers by assisting them in their day-to-day corporate responsibility and stakeholder management activities, its validity was limited by the fact that it had been developed exclusively from desk research. To address that shortcoming, extensive primary research was undertaken in order to test, refine, and thereby improve the original conceptualisation. The outcome of the data gathering process was a new conceptual framework which aimed to more accurately reflect the key determinants of stakeholder engagement for corporate responsibility managers in the pharmaceutical industry than the first conceptual framework proposal from 2008 (O’Riordan & Fairbrass, 2008). Later, it too was published in the *Journal of Business Ethics* (O’Riordan & Fairbrass, 2014). Subsequently, further data was additionally gathered in the form of in-depth expert interviews with executive decision-makers from a leading transnational company to more intensively test the conceptualisation (O’Riordan & Zmuda, 2015). Those findings have also meanwhile been published in a chapter of a Gabler-Springer book entitled *New Perspectives on Corporate Social Responsibility: Locating the Missing Link*. Springer-Gabler (O’Riordan, L., Zmuda, P. & Heinemann, S. (Eds.), 2015). Figure 1.1 depicts the sequence of stages during which the framework was developed from both the secondary and primary data. Stage 1 illustrates how the first framework was developed exclusively from secondary data, while in Stages 2 & 3 primary data were successively collected to map and compare the practices of decision-makers in the pharmaceutical industry. Stage 2 resulted in the first conceptual framework publications (O’Riordan & Fairbrass, 2008, 2014), and Stage 3 led to a subsequent publication update (O’Riordan & Zmuda, 2015).

The research presented in this book serves as a fourth stage of revision to update the framework version depicted in the third stage in Fig. 1.1. The resulting new updated framework (Version 4) is the main conceptual contribution of the book. By depicting a set of inclusive, integrated, interrelated steps, it is designed to serve as an innovative, comprehensive, practical tool guide for stakeholder management. It aims to assist decision-makers to attain the greatest optimal outcome from the resources they invest through consciously leveraging their choices via a purpose

¹⁸The original framework prototype has since been revised and various versions have in the meantime been published for example in the *Journal of Business Ethics* (see O’Riordan & Fairbrass, 2008, 2014).

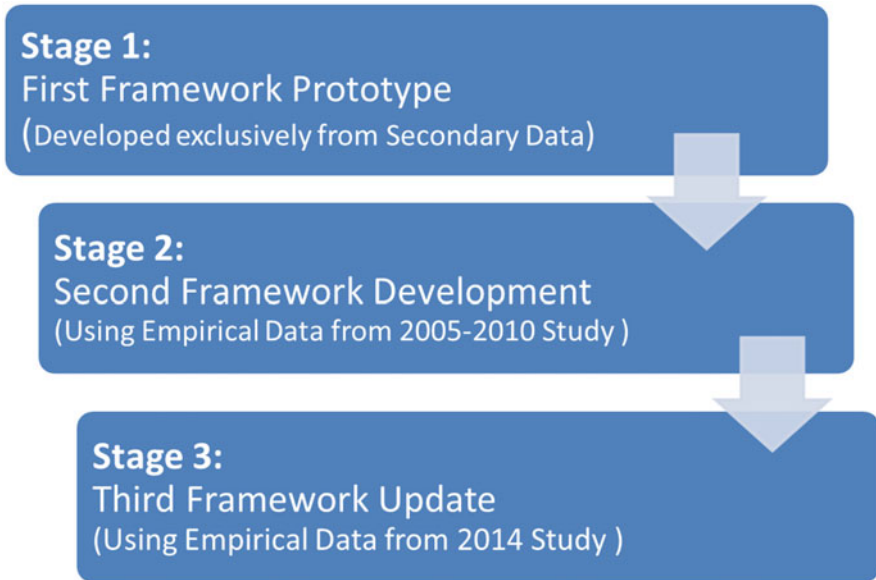


Fig. 1.1 Framework development stages (Source: Author)

not merely focused on the impact of their actions for their shareholders, but more holistically for a broader range of stakeholder interests. Ultimately, this new framework serves as a means to demonstrate the main message of the book: how optimally harmonised stakeholder management can serve as a powerful catalyst to unleash viable business opportunities in the mutual interests of both business and society.

1.3 Rationale: The ‘Why’ and the ‘Logic’ of Value(s)

A key complication (noted in the previous ‘challenges’ section above), highlighted that the lack of transparency for all stakeholders resulting from inadequate management instruments particularly poses challenges for decision-makers facing the task of identifying an optimal strategy for investing resources within the scope of their responsibility. Clearly, this triggers a complicated debate about the rationale, i.e. *why* integrating responsible solutions into business operations might be considered a good idea.

Advocates of an exclusive focus on economic value(s) tend to favour white-washing tactics as a short-term response to the corporate responsibility challenge. This choice is possibly rationalised by the traditional understanding, which still often predominates in business, based on the assumption that no persuasive business case exists for corporate social initiatives. This ‘logic’ assumes that

responsible practices frequently merely serve to increase costs, thereby putting firms at an economic competitive disadvantage (e.g. Rost & Ehrmann, 2015, p. 2). On the other hand, proponents of a fundamentally longer-term, grass-roots corporate responsibility purpose for business choose to believe that business can act as a powerful catalyst for creating optimally balanced triple bottom line¹⁹ value outcomes (thereby actually improving its economic interests in the process). Given today’s operating environment of snowballing ‘visibility’, in which corporate (mal) practices and (mis)deeds are increasingly likely to be discovered, while it might appear that steadfastly clinging to the conventional idea that responsible business practice denotes a cost to the business rather than a key route to opportunity and prosperity (for the business as well as other stakeholders in society), regardless of the ultimate outcome, both of these choices are matters of subjective judgement and both ‘drift’ the question of business purpose into the domain of individual motivations, expectations, and value decisions.

The subjective aspect of responsibility could be interpreted to introduce a moral/ethical sphere to stakeholder management, which, as a result, clearly generates challenges when attempting to measure outcomes for both business and society objectively. While recognising that individual values undoubtedly inherently influence human behaviour,²⁰ the stance adopted in this book seeks to avoid the burden of a normative or moral/ethical stance in place of a pragmatic approach. Given that moral views are subjective, responsible stakeholder management is interpreted as a matter of individual accountability. While the legally binding rules established by external regulators, as well as the internal operating standards (via for instance voluntary codes of conduct) as part of the corporate governance determined by organisational leaders clearly establish behavioural ‘norms’ for business practice, the approach adopted in this book seeks to progress the concept of responsible stakeholder engagement and management out of the normative realm of subjective values or beliefs (morals and ethics) and into the scientific sphere of empirical testing (e.g. Küpper, 2011, pp. 140–144). In line with the academic empirical or ‘value-neutral’ approach to business,²¹ this progression aims to obtain the most optimal outcomes for both business and society (e.g. Homann & Lütge, 2005) without the burden of a normative stance (O’Riordan & Zmuda, 2015, pp. 486). This approach attempts to focus the discussion of responsible business behaviour on judgements relating to the scientific realm of measurable results and impact and away from the subjective sphere of motivations, intentions, and morals²²

¹⁹The triple bottom line concept is addressed in greater detail in Chap. 2. It stands for an approach for creating value in which companies simultaneously create social, ecological, and economic values. This globally employed concept serves for many companies as a starting point to develop their sustainability strategy.

²⁰For example, in line with the concept of social constructionism and empiricism as an idealist approach to knowledge construction (see, e.g., Smith, 2003, p. 131).

²¹For example, along the lines proposed by Max Weber (1917, 1988).

²²In the words of Shakespeare (1992), “...for there is nothing either good or bad, but thinking makes it so”[!] (Hamlet, Act 2, Scene 2).

(O’Riordan & Fairbrass, 2016). While simultaneously acknowledging the key importance of leadership values in successful business management, the rationale for this focus on measurable impact is its application to the discipline of management.²³

Because the complicated moral and strategic nature of ethical decision-making in business itself determines that it is difficult to achieve consensus on what is considered the ‘right’ approach, this work presumes neither to address ‘ethical’ questions nor to provide answers regarding what is considered by the author to signify the ‘right’ approach. Rather than moralising on specific situations, it instead attempts to inform decision-makers about current practices and to provide them with practical management tools which are designed to help them to navigate the complicated corporate responsibility terrain by facilitating them to make informed responsible business decisions. Overall, this pragmatic approach aims to improve their capacity to make better decisions. Concretely, the new revised version of the management framework presented in this book is designed as a means for enabling and mobilising this aim.

Crucially, because the discussion of the role of business in creating value for society is clearly fundamental to this study, the research approach assumes that a key prerequisite for distributing wealth is first generating it. Accordingly, only a naïve view of corporate responsibility would interpret a conflict between profit generation and the creation of social and environmental value. Significantly, a Triple Bottom Line (Elkington, 1997) or Triple Top Line (McDonough & Braungart, 2002) strategic orientation is not interpreted in this work to constitute a conflict between social, ecological, and economic interests, but rather greater awareness of the possibilities for a more optimal integration, harmonisation, and mobilisation of their related relevance.

Consequently, in the aim to present the most ‘value-neutral’ position possible in responsible management, a prerequisite for addressing the complicated questions regarding the general acceptance of business in society is the emergence of a new quality of management focusing on an organisation’s ability to create, preserve, or erode economic, environmental, and social value for itself, its stakeholders, and society at large (see, e.g., GRI, 2016; O’Riordan & Fairbrass, 2016). In the quest for a better way forward with respect to managing their stakeholder responsibilities, the complex and broad-ranging context of social challenges, such as access to healthcare in the context of the pharmaceutical industry, offers decision-makers the unique opportunity to reconsider the essential role and strategic purpose of their business choices. While this study is designed to help decision-makers to appreciate both why and how others have responded to these challenges, ultimately, the difficult choices with respect to the use and distribution of, as well as access to scarce resources, including the role and contribution of the organisation in solving overarching societal issues, nevertheless finally rests within the capacity of the subjective value judgements of individual decision-makers.

²³This theme is addressed in greater detail in Chap. 2.

1.4 Contribution: Research Implications in Theory and Practice

This book serves to document the qualitative examination of corporate responsibility practices and perceptions (corporate responsibility responses) of a certain target group of senior decision-makers from major pharmaceutical firms in the UK and Germany, as well as leading experts from a prominent transnational corporation (TNC) with a European Headquarters based in Belgium. It presents primarily qualitative exploratory rich empirical data sourced from multiple research methods to investigate how selected pharmaceutical firms manage their stakeholder engagement activities. This achieves three aims: to map the practices of the target group, to compare the similarities and differences between the corporate responsibility practices in the two countries, and to identify their influencing factors. The results are then employed to examine a pre-specified framework which was successively developed in separate research as explained above. The secondary and primary empirical data which were gathered serve to inform, re-examine, and improve the previously published versions of that framework. The new updated explanatory framework (Version 4) which results from the fresh research presented is the main conceptual contribution of this book. It serves as a management tool which aims to assist decision-makers to attain the greatest optimal outcome from the resources they invest by depicting stakeholder relationship management as a set interrelated management steps. By consciously leveraging their choices via a purpose not merely focused on the impact of their actions for their shareholders, but more holistically for a broader range of stakeholder interests, this new conceptualisation is designed to be of practical use for decision-makers when managing their stakeholder activities. Because the research produces useful recommendations for practitioners, it is essentially applied and normative in nature. Ultimately, by indicating how optimally harmonised stakeholder management can serve as a powerful catalyst to unleash viable business opportunities for the benefit of both business and society, the new framework proposed in Chap. 9 of this book portrays one potential pathway for those who seek responsible choices in their everyday decision-making activities.

1.5 Structure: Chapter Overview

To demonstrate how sustainable corporate responsibility can be translated into optimal stakeholder solutions, this book is organised into three parts containing ten chapters.

Part I sets the stage by introducing the rationale for examining the ‘why’ and ‘what’ of responsible stakeholder management. Within this section, Chap. 1 introduces the research theme; Chap. 2 presents a literature review of the key relevant terms and concepts; Chap. 3 highlights the specific responsible stakeholder

management challenges which are typically faced by decision-makers in the pharmaceutical industry; Chap. 4 identifies the research gap; and Chap. 5 examines past scholarship in search of useful concepts, approaches, and tools to facilitate decision-makers in responsible stakeholder management. As a first step to address the research gap, it proposes a management framework prototype based entirely on secondary data, which endeavours to capture the relevant elements in corporate approaches to responsible management.

Part II presents a systematic data collection plan for gathering the evidence. In this section, Chap. 6 addresses the research design and Chap. 7 presents research findings from the multiple data collection methods which help to answer the research questions and thereby serve as an information basis for the subsequent chapters.

Part III proposes a compass for responsible management by introducing a rationale for examining the ‘why’ and the ‘how’ of stakeholder management. In this section, Chap. 8 critically evaluates the findings, which were presented in the previous chapter and their implications for both the academic literature and management practice. This forms the basis for the revision of earlier versions of the management framework. Chapter 9 applies the overall research findings to present the main conceptual contribution of the book *A New Sustainable Stakeholder Relationship Management Framework* (Version 4). Chapter 10 concludes the book by focusing attention towards a greater regard for sustainable value creation in everyday business strategy driven by a clear sense of entrepreneurial purpose in harmony with a holistic scope of stakeholder interests. By emphasising some key opportunities for the pharmaceutical industry to optimally leverage its resources for achieving long-term success for a range of interest groups, the book both highlights why and how business could responsibly serve as a catalyst for positive change in society, as well as the requirement for greater awareness, appreciation, and action regarding the connections between business and society.

1.6 Wrap-Up: Synopsis

This chapter has outlined the research background, problem, and aims. It presented an overview of the purpose of the book by introducing the research topic and proposing the academic and management rationale for its examination. By establishing the research context and purpose, and identifying key gaps in knowledge, the chapter highlights the need for new research. To fill the identified gaps, the research objectives and questions which drive the study were presented, and the selected research design was explained. The research rationale and contribution were set down before an overview of how the book is organised was outlined. The chapter concluded with a wrap-up synopsis.

In overview, the chosen topic is considered worth researching on the grounds of its inherent business, academic, and social relevance. While the significant issues, such as climate change and the global economic crisis, have sparked questions

which have catapulted corporate responsibility into the realm of what is today termed a ‘hot’ topic (Carroll, 1999; Crane & Matten, 2010; Fairbrass et al., 2005; Ferrell et al., 2010; Habisch et al., 2005; Preston, 1979–1982; Reich, 2007, p. 168; Sethi, 1971; Votaw & Sethi, 1974; Welford, 2004), a responsible role for business in society was recognised well before these dilemmas as key to the future sustainable competitive advantage of the firm (e.g. by Porter & Kramer, 2006). As ‘disruption’ is currently becoming the new buzzword in boardrooms, this book advocates that the most striking opportunity for business today is making itself relevant to its stakeholders. However, a review of the latest literature suggests that the management tools for translating notions of sustainable stakeholder management into everyday business practice are limited. The instruments available inadequately provide feasible management solutions either because they are underdeveloped and lack comprehensiveness, or, in contrast, they are so overly complicated that management decision-makers view them as incomprehensible (O’Riordan & Zmuda, 2015). The resulting lack of transparency poses issues for all stakeholders, but in particular for decision-makers in the especially sensitive pharmaceutical sector facing the management challenge attempting to identify a rationale for a responsible role, as well as practical solutions with respect to its operationalisation into business practice. Against the background of that context, the gaps in knowledge identified in this chapter highlight the specific need to examine more precisely for this target sector: what corporate responsibility is, what it is not, and what it could ideally become. Consequently, based on the rationale that effective stakeholder management conceivably comprises an optimal route to innovation via a credible, connected, and impact-orientated organisation purpose (e.g. O’Riordan, Jonker & Marsh, 2013), describing, conceptualising, and explaining the stakeholder management process in general, as well as for the controversial but under-investigated pharmaceutical sector in the UK and Germany, is deemed a necessary, meaningful, and worthwhile research endeavour.

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Chapter 2

A Multifarious Mix of Concepts

Changing Stakeholder Expectations on the Role of Business in Society

If a man who cannot count finds a four-leaf clover, is he lucky?
(Stanisław Jerzy Lec, 1957)¹

2.1 Introduction

This chapter aims to provide a broad coverage of many of the areas relevant to the current development and practice of responsible² management. It initiates the exploratory research investigation by critically reviewing relevant past scholarship related to responsible stakeholder management. The chapter begins by positioning the work within the context of the broad debate regarding the relationship between business and other stakeholders in society. It then examines responsible management and its related concepts, including stakeholder theory, management, and engagement. Finally, similar to Lec's (1957) aphorism of a man who cannot count finding a lucky four-leaved clover, it highlights a selection of management misconceptions surrounding the research topic. Akin to Lec's aphorism, this equates responsible management with the appearance of something valuable, although its potential is not, for various reasons, recognised.

¹From 'Unkempt Thoughts' [Myśli nieuczesane] (1957).

²The word 'responsible' is employed in this book as an adjective in the sense of *being* accountable. It is assumed to mean to *be* responsible compared with the closely related noun 'responsibility', which is inferred to imply the obligation or duty to *have* a responsibility.

2.2 Business and Society

2.2.1 *Room for Improvement*

The recent global financial crisis has triggered overarching questions concerning business practices which reach to the fundamental roots of the capitalist system itself (Holland & Albrecht, 2013; May, Cheney, & Roper, 2007, p. 7; The Economist, 2009, p. 11; Wagner, 2006). When the global financial system seemed on the verge of collapse, prevailing notions about how the economic and financial worlds are supposed to function were called into question. As trust evaporated about how markets work, it was not until governments stepped in, late in 2008, to guarantee that major banks would not fail, that the financial markets settled down and began to (fitfully) function again (Fox, 2013).

The collapse of Lehman Brothers in 2008 and the mixed results of the Copenhagen Summit in 2009 have had game-changing consequences, which are redefining the roles and responsibilities of many of the major stakeholders in society (Peters & Roess, 2010, p. 8). According to one media company (BBDO, 2009), research on changing values since the fallout from the financial crisis suggests that the spotlight on responsibility and the business sector's role in society has intensified. Overall, these developments are related to the diffusion of power among the groups and organisations within the multiple publics, systems, and constituents in the macro-environment of a pluralist society (Carroll & Buchholtz, 2009, p. 8).

These events have re-sparked an increasing awareness and concern among many people in society, which were previously highlighted by Gro Harlem Brundtland, Chairperson of the World Commission on Environment and Development. She noted in a 1987 report titled 'Our Common Future' the occurrence of 'major unintended changes', which, despite some positive trends with respect to falling infant mortality, increasing lifespan, and education opportunities for children, among other developments, are influenced by and influence a vastly increased human population. The report points, for instance, to various political crises in developing countries leading to conflict which threatens, destabilises, and kills thousands of people; to the miserable state of poverty, the lack of access to clean water and food which causes illness, malnutrition, and death among huge numbers of the world's population (particularly children); to industrial accidents which have aggravated damage to the environment; as well as to the failure of political and economic systems to avert life-threatening activities provoking the destruction of forests and other natural resources (Brundtland Report, 1987). Nearly two decades earlier again, similar concerns were forecast in the 1972 book *The Limits to*

*Growth*³, which was commissioned by a think tank called the ‘Club of Rome’. The forecast was developed by researchers working out of the Massachusetts Institute of Technology, including husband-and-wife team Donella and Dennis Meadows, who built a computer model to track the world’s economy and environment (Meadows, Meadows, Randers, & Behrens, 1972). While the findings they reported on ‘the predicament of mankind’ have been frequently criticised as doomsday fantasy, four decades after the book was published, new research from the University of Melbourne in Australia has found that the researcher’s forecasts were remarkably accurate. This appears to vindicate the Limit to Growth’s report estimates, suggesting the need to pay attention to its controversial global collapse projections regarding the patterns and dynamics of human presence on earth if ‘business as usual’ is continued (Turner & Alexander, 2014).

2.2.2 *Great Expectations*

Ominously, decades later, despite some advances, the collective negative impact of the forces mentioned immediately above continues to directly affect both the quality of life and thereby the future of all life forms on earth. Given that the rate of change is outstripping the ability of scientific disciplines to assess and advise, these concerns call for concrete proposals to address these developments. This challenge, which mankind faces together as a ‘society’, requires a critical examination of the effectiveness of the systems and structures which have been created to achieve constant human and economic expansion. Moreover, progress on these matters is inherently dependent on the shared conviction that “... it is possible to build a future that is more prosperous, more just and more secure for all” (Brundtland, 1987). This requires sustaining and expanding the basis for development by connecting economic interests with social and ecological welfare (Jonker, O’Riordan, & Marsh, 2015).

2.2.3 *The Key Players and the Missing Link*

The *private sector*’s role in this agenda is conceivably reflected in the triple bottom line (TBL) (Elkington, 1997), or triple top line (TTL) (McDonough & Braungart,

³*The Limits to Growth*, a study of the patterns and dynamics of human presence on earth, pointed towards environmental and economic collapse within a century if ‘business as usual’ continued. In 1972, the book’s findings sparked a worldwide controversy about the earth’s capacity to withstand constant human and economic expansion. More than 40 years later, with more than 10 million copies sold in 28 languages, this ‘little book with powerful ideas’ endures as a touchstone for anyone seeking to understand the complex relationships underlying today’s global environmental and economic trends (Dartmouth Education, 2016).

2002), which are based on the principles of sustainable development put forward in the Brundtland Report (1987).⁴ They advocate that business plays a key role in society in generating prosperity for current and future generations. This prosperity arises not merely by creating profit and other economic wealth, such as jobs based on agency theory which focuses on exchange risk (e.g. Donaldson & O'Toole, 2007, pp. 21–36; Eisenhardt, 1989), but, more significantly, the TBL/TTL principles imply that companies have the potential to contribute to the social and environmental needs of society (see, e.g., Roddick, 2000, p. 14). Clearly, however, these principles reflect a value stance with respect to the purpose, role, and aim of business practice in society, on which consensus does not always exist.

In parallel, the *public sector*'s role is becoming increasingly proactive in encouraging an enabling environment for responsible business⁵ behaviour (Albareda, Lozano, Tencati, Midttun, & Perrini, 2008; Fox, Ward, & Howard, 2002; Moon, 2004). Based on their anticipation of its synergic potential to concurrently enhance sustainable and inclusive development, increase national competitiveness, and foster foreign investment, some suggest (e.g. ISO, 2010, p. 7; Peters & Roess, 2010, p. 8) that governments around the world have begun to see the relevance of corporate responsibility for public policy.

In the search for new routes to address the undesirable past developments noted previously, it is arguably too simplistic to diagnose the sole cause of the current concerns to lie in the greed which led to irresponsible risk-taking by individual business executives from the private sector. More comprehensively, the recognition that all forms of life on earth are connected into a 'biosphere', a word which literally means 'living planet' or 'life-sustaining unit', highlights the natural interdependency between economic, social, and ecological interests. It is therefore all the more perplexing that the main thesis of a recent book entitled *New Perspectives on Corporate Social Responsibility: Locating the Missing Link* (O'Riordan, Zmuda, & Heinemann, 2015) specifically highlights the opposite, namely, a significant *disconnection* between the economic and social system. Positioned at the intersection of economics, business, and the humanities, the book suggests that the noted separation is amplified by a lack of management awareness and, hence, vision, regarding the positive commercial opportunities inherent in innovatively investing business resources to creatively solve social and ecological challenges. In line with similar claims by other authors, such as the Harvard University Professor of Government Michael Sandel, this 'oversight' implies that instead of nourishing the 'life-sustaining unit' which connects society as a whole, the collective impact

⁴The 1987 Brundtland Report 1987 'Our Common Future' helped to define the concept of sustainable development. It is addressed in greater detail in separate sections below.

⁵For clarification, the term 'responsible business' is employed in this book to reflect the collective result of 'responsible management'. In this sense, responsible management is interpreted as a subset of responsible business. Please refer to subsequent sections for further details on the assumed delineations between the terms employed.

of the political and economic forces continues to adversely affect both its living quality and none less than its future survival. More specifically, Sandel (2016) states that over the past three decades, the USA has drifted from a market *economy* to a market *society*.⁶ This development can conceivably be interpreted to have led to an expansion of markets and market values into spheres of life where they do not belong. Consequently, this indicates that the role which markets and business play in society needs to be reassessed (Sandel, 2012, p. 7). Reflection on these phenomena suggests that this reconsideration is required at the public sector: macro-level of the state (see, e.g., Peterson, 2013), as well as at the micro- and internal business level – private sector. Most importantly, the highlighted emphasis on the natural link, interdependency, and connectivity between business and society, with a view to the optimal ultimate survival of both, by definition requires collective attention. For those seeking to understand the complex relationships underlying today's global environmental, social, and economic trends, this recognition specifies the requirement for new patterns and dynamics of human presence on earth.

2.2.4 Market Mechanisms in the Political and Economic Realm

In responding to stakeholder interests, business and government, as the main institutions in society, have undeniably become subjects of scrutiny and criticism in a pluralistic, special interest society (Carroll & Buchholtz, 2009, p. 11; Peterson, 2013, p. 288). The statements by Michael Sandel noted immediately above accentuate how, over the past three decades, markets and market values have come to govern society as never before. Similar to suggestions by the former Norwegian Prime Minister Gro Brundtland over a decade earlier, Sandel notes that society did not arrive at this situation by any deliberate choice. Rather "...it came upon us..." (Sandel, 2012, p. 5) under conditions described by Gro Brundtland as the: "...political and economic institutions which evolved in a different more fragmented world to adapt and cope" (Brundtland, 1987). Nevertheless, Sandel explains how, due to their success at generating affluence and prosperity, markets and market thinking have evolved to enjoy unrivalled prestige as a pragmatic mechanism for organising the production and distribution of goods (Sandel, 2012, p. 5).

⁶In a talk and discussion given by Michael Sandel (2016) via the TED platform, he says, "It's fair to say that an American's experience of shared civic life depends on how much money they have" (three key examples: access to education, access to justice, political influence). As a consequence of this assessment, he asks his audience to think honestly about the question: in our current democracy, is too much for sale?

2.2.5 *Market Values in Social Spheres*

This ‘unintentional’ development in the field of politics and economics stipulates that market values have evolved to now play a greater role in social life. This is relevant to a discussion on responsibility because the logic of markets (i.e. buying and selling) no longer applies to material goods alone but increasingly governs the way society is organised. As a result, Sandel suggests that in their predominant focus on monetary value outcomes, markets (and by definition the behaviour of business within these structures) have become detached from social values. This assertion is confirmed by the aforementioned book on the ‘Missing Link in CSR’⁷ theme (O’Riordan et al., 2015), which specifically calls attention to the significant *disconnection* between the economic and social system. Consequently, if a sustainable responsible role for business in society is expected, this ‘missing link’ needs to (somehow) be reconnected. In Sandel’s words, “It is time to ask whether we want to live this way. . . but it is not obvious what [the answer to this question] could mean or how we should go about it” (Sandel, 2012, p. 6).

Clear answers to these issues are not immediately apparent. In line with the emerging nature of the term ‘responsibility’, several likely contributing factors have been noted to explain the origin of the emergence of more ‘connected’ approaches, such as ‘conscious’ and ‘inclusive’ capitalism (e.g. Peterson, 2013, p. 9; Prahalad & Hart, 2002). Such contributing factors include changes in technology, rising prosperity and environmental values, awareness of the earth’s limits, an emerging understanding of the powerful positive impact which can be accomplished by business, as well as the rising importance of the role of such influence factors including intangible assets, non-governmental organisations, and branding as a social phenomenon (see, e.g., Hollender & Breen, 2010). Developments with respect to what has been termed ‘inclusive capitalism’ take a broad and collaborative view of value creation. Along the lines depicted in a widely cited 2002 article, ‘The Fortune at the Bottom of the Pyramid’, by two of its earliest advocates C. Prahalad and S. Hart (2002), the concept of inclusive capitalism focuses on changing the conventional view of competition by altering the underpinning logic of value creation. Its originators suggested that powerful corporations have the potential to improve the conditions of the world’s poor by promoting commercial activity, employment opportunities, access to credit, and wealth creation among those at the base of income distribution – a group they refer to as the world’s poorest 4 billion people (Ćwicklicki & O’Riordan, 2017).

This shift in the conventional view of competition requires a new value stance by decision-makers when organising the production and distribution of goods. Moreover, it recognises the powerful role of commercial activity as a mechanism for generating affluence and prosperity in society.

⁷For clarification, the term ‘CSR’ is employed here and throughout this chapter for brevity purposes. As later defined in this chapter, it is intended to signify the concept of responsible management within a corporate sustainable stakeholder relationship setting.

2.2.6 The Role of Globalisation

Against the backdrop of these coexisting challenges and opportunities with respect to the role of business in society, seeking to understand the complex interrelationships noted above is greatly convoluted by complexities related to globalisation. In the global arena, economic exchanges are not limited to the concepts of agency theory which focuses on exchange risk (e.g. Donaldson & O'Toole, 2007, p. 21–36; Eisenhardt, 1989). Instead, they go beyond national boundaries and the organisations which operate in civil society (Albareda et al., 2008, p. 349). As advances in communication, technology, and transportation are diminishing the world's borders, transactions across national boundaries bring people together from countries with different cultures, values, laws, and ethical standards (Ferrell, Fraedrick, & Ferrell, 2010, p. 409). Because business has become less territorially fixed, these challenges include new issues involving frequently contradicting ethical demands in varying cultural settings (see, e.g., Daniels & Radebaugh, 2001; Deresky, 2000; Donaldson, 1996; Kumar & Steinmann, 1998; Trompenaars & Hampden-Turner, 2004).

Within the context of the macro-environment of this global economy, decision-makers find themselves attempting to deal with complicated broad social, political, economic, legal, ethical, technological, and other issues, which may well have pre-empted their business activities (Carroll & Buchholtz, 2009, p. 7; Crane & Matten, 2004, p. 14; O'Riordan, 1990; Scholte, 2000). As a consequence, the influence of globalisation implies that business needs to carefully consider its relationships with and its impact on society when undertaking its activities (e.g. Deresky, 2000; Donaldson & O'Toole, 2007, p. 21–36; Zadek, Hojensgard, & Raynard, 2001). Significantly, this realisation emphasises the mounting demand for corporate accountability⁸ as businesses become dominant actors on an ever-emerging global stage (Crane & Matten, 2010, p. 9; Schwartz & Carroll, 2008).

2.3 Reviewing the Relationship

2.3.1 Navigating the Diverse Complexity and the Normative Debate

Within the context of the complicating role of globalisation driving many of the challenges highlighted above leading to 'disconnection' resulting from increasing market mechanisms, as well as shifting values and expectations in political and social spheres, the search for obvious solutions to questions regarding a responsible role for business in society is further convoluted by an interrelated broad range of

⁸The theme of corporate accountability is addressed separately in greater detail below.

existing and emerging additional aspects of complex diversity. These continually evolving trends include: a view of corporate sustainability which extends beyond its original environmental concept (see, e.g. Hediger, 1999; Marrewijk & Were, 2003; Schwartz & Carroll, 2008) to one which is linked with the long-term maintenance of the TBL perspective (Crane & Matten, 2004, p. 481); sustainable development (Brundtland, 1987; Dobson, 1996; Gladwin, Kennelly, & Krause, 1995); stakeholder theory (Freeman, 1984; Freeman, Martin, & Parmar, 2007); reconsideration of stakeholder management and engagement (e.g. Crane & Matten, 2010; Ferrell et al., 2010; Greenwood, 2007; Greenwood & van Buren, 2010; Mitchell, Agle, & Wood, 1997) with respect to the concepts of stakeholder democracy (Freeman, 1984); the institutionalisation of business ethics by governments and society (e.g. Ferrell et al., 2010); business and societal governance (e.g. Wolf & Barth, 2005); legally binding codes of corporate governance to regulate the various rights of stakeholder groups (Crane & Matten, 2004, p. 53); social business (Crane & Matten, 2010, p. 478); assessing ethical and social performance (see, e.g., Ferrell, Fraedrick, & Ferrell, 2002, p. 196; Greening & Turban, 2000; Wood, 1991; Zadek, 1998); social accounting (see, e.g., Gray, Dey, Owen, Evans, & Zadek, 1997); integrated sustainability reporting (GRI, 2016); social reporting and human resource management (see, e.g., Greenwood, 2007); as well as business ethics education and training (e.g. Crane & Matten, 2010, p. 299; Greenwood, 2002; Holland & Albrecht, 2013; Matten, 2009).

With respect to the long list of these and many other themes which could be deemed salient when reflecting on the comprehensive issues inherent in the relationship between business and society, the general academic literature on topics related directly to responsible management is considerable and continually growing. Drawing from this long list, eight areas emerge as particularly pre-eminent. These include corporate accountability, business ethics, sustainability/sustainable development, stakeholder concept, stakeholder management, corporate social responsibility, corporate citizenship, and corporate governance (adapted from Schwartz & Carroll, 2008, p. 148). Unsurprisingly, these themes themselves address a plethora of overlapping concepts, which give rise to a range of definitional challenges. These themes are addressed separately in greater detail in subsequent sections below.

While the theoretical and practical legitimacy of these responsible management concepts is no longer questioned, confusion usually arises due to difficulties in understanding what each concept means, and normative debates typically unfold with respect to what they 'should' mean, as well as how each might relate to the others (see, e.g., Schwartz & Carroll, 2008). Moreover, an ongoing discussion has been fuelled for over 40 years by a variety of studies (e.g. Margolis & Walsh, 2003) debating whether a persuasive business case for social initiatives even exists (see, e.g., by Rost & Ehrmann, 2015). Arguably one of the most prominent cases against social responsibility was put forward by Milton Friedman in his well-known article in the *New York Times*, in which he stated that the social responsibility of business is to increase its profits (Friedman, 1970). In accusing business decision-makers who believe they are defending free enterprise when promoting social ends of 'unadulterated socialism', he also remarked on the issue that discussions of the

‘social responsibilities of business’ are notable for their analytical looseness and lack of rigor. In short, the ensuing assortment of research since then has been continually seeking and finding varied and mixed results regarding the likelihood or otherwise of an association between corporate social conduct and financial performance. This clearly highlights a serious need to shed some light on the research presented in this field. Most significantly, this theoretical debate further complicates the detection of practical solutions in a real-world setting. Because the issues involved are typically diverse, complex, and interrelated, comprehension of what responsible business behaviour precisely entails (or should entail) is difficult to pinpoint in practice. As a result, a clear blueprint for the precise actions required by business decision-makers to enable a responsible role, let alone permit its explanation, reasoning, and communication, is problematic. Not surprisingly, potentially due to this ‘untidy’ operating scenario, the prevailing public opinion on the role of business in generating social and ecological impact is frequently inexact and, more often than not, negative.

2.3.2 Critical Reflection on the Role of Business in Society

Against the backdrop of the complexity connected with the ongoing developments emerging from the themes and issues listed above, trust in companies and their leaders appears to have reached an all-time low (e.g. Mallenbaker, 2013; May et al., 2007, p. 7; Peters & Roess, 2010, p. 8). For example, the fraud associated with the Enron debacle is considered to have triggered an ‘ethical tsunami’ which has redefined business’s relationships with the world (Carroll & Buchholtz, 2009, p. 4). In the aftermath of past corporate ‘scandals’ including the recent economic crisis, many businesses and other organisations have found their corporate responsibility strategies (of which many stakeholders were typically sceptical anyway, e.g. Badaracco (1997, p. 20)), particularly strongly criticised (May et al., 2007, p. 7; Phillips, 2003, p. 6). According to one source, businesses have found themselves ‘in over their heads’ with their attempts to rebrand their business practices in a more ‘social’ light to their stakeholders (May et al., 2007, p. 18). Without doubt, many of the notorious past events have “cut to the heart of [stakeholder] confidence” (Naughton, 2002, p. 55).

Because the prevailing view of trade has been described as ‘commerce without a conscience’ (e.g. Roddick, 2000), interactions between business and society could in general be considered controversial (Sorrell, 1998; Stark, 1994). According to some authors, firm’s inadequate assessment of risks coupled with a narrow focus on short-term returns has led to a destabilisation of markets (e.g. Peters & Roess, 2010, p. 8). The list of undesirable business activities, which are frequently cited as evidence of business irresponsibility, is long. It involves the subject areas: corporate governance including executive compensation, unethical accounting and stock option practices, insider trading, misuse of intellectual property rights, bribery and fraud, unsafe production processes for products or services, exploitation of

employees and poor/unhealthy working conditions, discrimination, sexual harassment, various forms of environmental pollution, and deception of unwary consumers, as well as other forms of lying or abusive and intimidating behaviour (see, e.g., Carroll & Buchholtz, 2009, p. 4; Crane & Matten, 2010, p. 4; Ferrell, Fraedrick, & Ferrell, 2008; Mallenbaker, 2013; Wagner, 2006). Such examples of corporate (mis)behaviour, which capture the daily media headlines, have formed a public perception of business which has been described as ‘alienating humanity’ (Roddick, 2000, p. 7).

As various stakeholder groups have become increasingly adept at holding companies to account for the social consequences of their activities (Porter & Kramer, 2006), society’s awareness of undesirable business activities typically derives from media reports which describe the company doing something wrong or abusing its corporate power (Crane & Matten, 2004, p. 12). The charge levelled against corporations can be summarised as a general disregard for the interests of society and its stakeholders’ rights, as well as insufficient respect for environmental, social, and governance issues in the course of their business operations (Peters & Roess, 2010, p. 8). A further general public criticism of business is whether the ethical responses they increasingly claim under various labels (including CSR or corporate citizenship, etc.) realistically represent a genuine commitment to accept their social responsibilities or whether this merely portrays an increasing sophistication in deflecting scepticism through smart public relations (PR) techniques, i.e. window dressing (Crane & Matten, 2004, p. 175) or ‘whitewashing’. This critical stakeholder attention puts mounting pressure on ‘big business’ operating in complex global contexts to take action (see, e.g., Glouberman & Zimmerman, 2002).

2.3.3 Business as Part of the Problem and the Solution via Market Mechanisms

Because business operates as an integral, interdependent, and interconnected part of society, it could arguably be accused of aggravating the alarming and unacceptable trends mentioned immediately above. However, in the search for new ways to address the undesirable past developments noted previously, earlier sections established that it is arguably too simplistic to diagnose the sole cause of the current concerns to lie in irresponsible risk-taking by individual business executives from the private sector. While focusing on past deeds can help to establish the nature of business’s past role, an alternative approach concentrates on seeking a better way forward, based on a review of how business operates now, aimed at identifying sustainable responsible future solutions. Following the idea that business can cause negative impact for society through to its logical conclusion highlights the conversely powerful impact which business could likewise achieve if acting as a catalyst for generating positive change. Such a transition however requires a new

perception of the role of business in society. This recognises in particular the valuable function of business for those in society in need of its offerings. Significantly, this realisation triggers interesting commercial opportunities for all market segments, as well as in particular for those consumers, for example, at the base of the pyramid (e.g. Prahalad & Hart, 2002).

Strategic business purpose, as well as the resource allocation for the goods and services that are produced (supply), is developed within and exchanged to customers/consumers/users (demand) via enabling market mechanisms. These market mechanisms are interrelated within society as a whole. The political and economic system is thereby interlinked with society based on some apparent commonly held 'rationale' of value creation. These connections constitute 'exchange possibilities' which influence not only the way in which business provides access to the wealth it creates to its various stakeholders and other constituents but additionally hinge on societal attitudes (normative value stance) towards the perceived value of what is being exchanged. The commonly held rationale of value creation over the past decades could arguably be interpreted as strongly orientated towards an economic logic of profit maximisation (e.g. Friedman, 1970; Jensen, 2002). This rationale assumes that any business activity which goes beyond simply complying with the law detracts from a firm's financial performance.

In highlighting a gradual drift to a disconnected market society, in which markets have become detached from social values due to a predominant focus on monetary value outcomes, Michael Sandel (2016), among others, critically questions this value rationale. Significantly however, rather than posing a hazard for business and society, these questions could be interpreted to designate new opportunities for management decision-makers. As key players within market systems, and as 'architects' of market structures, when designing their business strategies, management decision-makers could re-examine the commonly held 'rationale' (or value stance) inspiring their investment choices. In doing so, exchange 'instances' within market mechanisms could be considered as adjustment 'opportunities' to improve the 'connection points' via which business operates as an integral part of society. Moreover, this type of market 'reconstruction' could constitute blue ocean operating space along the lines originally defined by W. Chan Kim and Renée Mauborgne and in their Harvard Business Review book (2005) entitled *Blue Ocean Strategy*.

The opportunity for developing inter-connectivity via market mechanisms means that business is not merely part of the *problem*. It can play a significant role in realising powerful solutions. Crucially, this link suggests that if business is criticised for using its resources to generate negative impact, conversely, it could just as certainly become admired as part of the solution. Channelling its efforts to create a fairer distribution of the wealth it generates for a broader range of stakeholders than merely its shareholders highlights the prospects inherent in a new way forward for achieving sustainable value creation, aimed at optimally leveraging organisations as catalysts for positive change in society.

Significantly, however, this inter-connectivity also implies that all stakeholder groups including all individuals within them collectively play a key role in the quest

for answers to the solutions that are needed (Jonker et al., 2015). Moreover, although advances in technology, communication, and knowledge determine that society's combined ability to address these challenges has never been greater, the ferocity of recent events: economically (the financial crisis), socially (continued war, poverty, and the resulting human dislocation, access to healthcare and education), as well as climatically (pollution, as well as rising sea levels and storms causing havoc and death (see, e.g., CSR-Asia, 2013)), including the recent research from the University of Melbourne in Australia (Turner & Alexander, 2014), which appears to vindicate *The Limit to Growth's* report estimates on global collapse projections, suggest that the need for change has never been greater.

Optimistically, despite the controversial nature of the relationship between business and society noted above, a modern view of a positive role for business in identifying appropriate solutions which recognises the potential of corporations as social and political actors to address these challenges does appear to be emerging (Schwartz & Carroll, 2008, p. 171). Moreover, the positive outlook adopted by authors in books such as Gunter Pauli's *The Blue Economy* (2010) advocates the benefit of focusing business purpose on the generation of greater value, instead of blindly cutting costs. It proposes that the way in which industrial processes operate can be altered to tackle environmental problems, refocusing from the use of rare and high-energy cost resources to instead seek solutions based upon simpler and cleaner technologies. In a similarly hopeful vein, Diamandis and Kotler (2012), the authors of *Abundance: The Future Is Better Than You Think*, suggest that thanks to technological innovation, great challenges can indeed be met via novel business solutions.

2.3.4 Responsible Business Is a 'Hot' Topic and Getting 'Hotter'

Ultimately, the recurring media reports of irresponsible business behaviour, which are continually bringing countless social and moral issues to the attention of society (see, e.g., Carroll & Buchholtz, 2009, p. 3; May et al., 2007), have generated a public perception of business which fundamentally questions the basic potential for the possible existence of accountable behaviour by business *per se* (Crane & Matten, 2004, p. 7). Within the context of the continually evolving, growing, and materialising debate on responsible business behaviour (see, e.g., Acutt, Medina-Ross, & O'Riordan, 2004; Crane & Matten, 2007; Hond, Bakker, & Neergaard, 2007; O'Riordan & Fairbrass, 2014; Welford, 2008), responsible business practice has become catapulted into the realm of what can today be termed a 'hot' topic (e.g. Carroll, 1999; Fairbrass, O'Riordan, & Mirza, 2005; Habisch, Jonker, Wegner, & Schmidpeter, 2005; May et al., 2007, p. 7; Preston, 1979–1982; Reich, 2007, p. 168; Sethi, 1971; Votaw & Sethi, 1974; Welford, 2004).

Against the backdrop of this observable broader public dispute which is arguably fuelled by significant, persistent, complex issues, arising from adverse man-made

and/or natural events, the quest for identifying innovative business opportunities which recognise the inter-connectivity between business and society is redefining the debate with respect to the roles and responsibilities of business in general (O’Riordan & Fairbrass, 2016). This discussion is calling into question the essential strategic purpose and the role of business in society to tackle the ‘great challenges’ identified in the previous section.

The inherent comprehensive and broad-ranging choices involved in responding to these issues via commercial opportunities are just some of the uncertainties which affect organisations, their stakeholders, and/or the general public. They are provoking a fundamental reappraisal of a ‘licence to operate’ (e.g. Ulrich & Fluri, 1995) and an ‘unspoken contract’ between business and society. Significantly, in addition to posing potential threats, the consequences of these choices simultaneously trigger commercial prospects, which can serve to ‘legitimise’ the business activities (e.g. Campbell, 2000; Gray, Kouhy, & Lavers, 1995, p. 52; Haniffa & Cooke, 2005, p. 3; Lindblom, 1994; Stark, 1994; Woodward, Edwards, & Birkin, 2001, p. 357).

The commercial opportunities inherent in the kind of ‘future’ envisioned in the optimistic book mentioned in the previous section (*Abundance: The Future Is Better Than You Think*), in which, thanks to technological innovation, billions of people have access to clean water, food, energy, healthcare, education, as well as other essential necessities associated with a First World standard of living (Diamandis & Kotle, 2012), highlight not only the huge potential for business prospects lying dormant at the base of the pyramid sector. More broadly, they optimistically suggest the significant role that business can play in counteracting the increasing depletion of the world’s resources, as well as in neutralising the widening gap between the rich and the poor in society in general.

Because seizing business opportunity in solving societal and environmental challenges could be interpreted as ‘connecting’ economic and social interests, it could conceivably be construed as a key step in creating what Porter and Kramer (2006, 2011) label ‘shared value’ via Freeman’s concept of an inclusive stakeholder approach (e.g. Freeman, 1984; Freeman, Harrison, Wicks, Parmar, & de Colle, 2010). Ironically, the increase in public awareness as a consequence of the ‘fallout’ from the recent economic collapse could be inferred to have had a positive impact on public opinion in the sense that it serves as a catalyst for triggering a necessary and elementary reconsideration of how business and society collectively creates sustainable value.

Within this context, novel developments in the broader macro-environment, such as transitioning to a ‘cradle to cradle’ (Braungart & McDonough, 2009) design approach or the ‘circular economy’, which have been described as possibly “the biggest revolution and opportunity for how we organize production and consumption in our global economy in 250 years” (World Economic Forum, 2016), or potentially ‘new business models’ (e.g. Jonker, 2012; Jonker et al., 2015), as well as ‘reverse innovation’ (e.g. Ćwicklicki & O’Riordan, 2017), among others, indicate novel ways for realising sustainable value creation in organisations. These new developments and their concepts are explicitly addressed in greater detail in

Chap. 4. Precisely due to the social implications of past (mal)practices, these emerging notions highlight interesting possibilities, indicating that responsible business behaviour is currently, and will likely remain, a very prominent management topic (Crane & Matten, 2010, p. 224; Ferrell et al., 2010). Consequently, a review of the literature confirms that addressing questions relating to the ‘why’ and the ‘how’ of corporate responsibility in light of these emerging developments has materialised as a key priority for business decision-makers in their quest to optimally manage their sustainable stakeholder relationships (Porter & Kramer, 2006).

2.4 Key Underpinning Concepts

2.4.1 *Definitional Challenges with Responsibility Terminology*

An upsurge in the literature, arising both from the topic’s actuality and the proliferation of associated themes (noted above), has re-sparked an ongoing discussion, in which opinion varies significantly (e.g. Fairbrass et al., 2005), regarding the exact meaning of the term: responsible management.

This discussion on the subject of terminology is closely linked with additional controversial subjects, such as the business case for *why* as well as *how* to implement responsible behaviour into the business sphere (e.g. Burke & Logsdon, 1996; Crane & Matten, 2004; Handy, 2003; Reich, 2007; Stigson, 2002; Welford, 2004, 2008). A key practical challenge for those attempting to manage responsibly is establishing what actually ‘counts’ as responsible behaviour and who defines this. These questions are complicated by the varying interpretations of progress and value creation inherent in a TBL/TTL stakeholder approach to business. The debate is partly fuelled by the search for causes of and solutions for broader issues related to recent adverse events, such as those noted previously, including climate change and the global financial crisis (Carroll & Buchholtz, 2009), which are stimulating increased interest in specific topics, such as the requirement of values in management and the role of corporations in society. This discussion is triggering a range of new related terminology in order to describe, study, and act upon the phenomena (May et al., 2007, p. 7). It has led to a patchwork assortment of definitions from which differing concepts of responsible management and a variety of practices and organisational approaches have emerged (Crane & Matten, 2007; Freeman, 1984; Habisch et al., 2005; O’Riordan & Fairbrass, 2008; Welford, 2004).

To elaborate, the general academic literature on topics which are directly related to responsible management is considerable and continually growing (see, e.g., Werther & Chandler, 2011). The broad range of relevant concepts and themes include: the relationship between business and society (e.g. Carroll & Buchholtz, 2009; Eisenhardt, 1989; Fifka & Loza Adauí, 2015a; Ruggie, 2011; UN Global Compact, 1999); stakeholders (e.g. Freeman, 1984; Freeman et al., 2010); the triple

bottom line concept (TBL) (e.g. Elkington, 1997); triple top line (TTL) (McDonough & Braungart, 2002); business ethics (e.g. ISO, 2010, p. 12); stakeholder engagement (e.g. Mitchell et al., 1997); stakeholder management (Greenwood, 2007); corporate sustainability (Schwartz & Carroll, 2008); CSR (e.g. Carroll, 1991); corporate citizenship (e.g. Maignan & Ferrell, 2000, 2001; May et al., 2007, p. 7); responsible leadership (INSEAD Knowledge, 2016); human resource management (e.g. Gray et al., 1995; Greenwood, 2007); supply chain (e.g. Drake & Rhodes, 2015; McCarthy & Marshall, 2015); measurement of corporate social performance (e.g. Rost & Ehrmann, 2015); corporate reporting of integrated performance (e.g. Fifka & Loza Adai, 2015b; Möller, Koehler, & Stubenrauch, 2015; OECD, 2014); business ethics/responsible management education and training (e.g. Matten & Moon, 2008; O’Riordan et al., 2015, pp. 507–626).

As a result, no global consensus on a single definition of corporate responsibility exists (Bertelsmann Stiftung, 2013). Moreover, because responsibility and, by definition, responsible business behaviour are notions similar to concepts such as ‘liberty’ or ‘equality’, they are regularly redefined as needs change over time (WBCSD, 2002, p. 6). Furthermore, definitional approaches may differ according to specific situational contexts (see, e.g., Crane & Matten, 2010, p. 149; Daniels & Radebaugh, 2001; Deresky, 2000). The ensuing collection of underlying concepts and interchangeably used related labels has resulted in the use of varying terminology being employed to signify what then becomes broadly ‘understood’ as some common ‘notion’ of responsible business behaviour. In the 1970s, some authors already appreciated that corporate responsibility is not a clear concept but rather, at best, a diffuse idea:

The phrase corporate social responsibility has been used in so many different contexts that it has lost all meaning. (Sethi, 1975)

The term [Corporate Social Responsibility] is a brilliant one; it means something, but not always the same thing, to everybody. (Votaw, 1973)

As a result, despite the abundance of past scholarship surrounding these aspects of responsible management in general, there is a similarly significant *absence* of research precisely explaining what is exactly meant by the term ‘responsible’ or ‘sustainable’ management (Jonker, 2012, p. 28). In practice, their elusive nature determines that it is not always easy to ascertain their components, mechanisms, interrelationships, and relevant influencing factors (Ferrell et al., 2010; Murray & Vogel, 1997; O’Riordan, 2010). This lack of precision causes difficulty when attempting to logically establish why responsible strategies are a justifiable investment of business resources, as well as how to manage the allocation of those resources and measure their exact return.

To address this ambiguity, the subsequent sections attempt to navigate the broad range of inherently interrelated concepts and themes, the very proliferation of which could itself be considered to add to the definitional challenge. Within the scope of this dynamic debate, which has been rekindled by fundamental questions on the subject of responsible business behaviour and the role of business in society

(e.g. Carroll & Buchholtz, 2009; Schwartz & Carroll, 2008), from the long list of complex, interconnected, diverse, continually evolving trends, themes, and terms identified above as relevant to responsible business behaviour, the following areas were purposefully selected as particularly salient. They include corporate accountability, business ethics, stakeholder concept, sustainability, corporate social responsibility (CSR), corporate citizenship (CC), and corporate governance (CG) (adapted from Schwartz & Carroll, 2008, p. 148). Unsurprisingly, these themes themselves address a plethora of overlapping concepts, which give rise to a range of definitional challenges. They are now addressed in greater detail.

2.4.2 *Responsible Management Themes*

2.4.2.1 Corporate Accountability

Accountability has been defined as the corporation's responsibility to an audience with reward or sanction power (Beu & Buckley, 2001, p. 58). More recently, the ISO 26000 principles for social responsibility define accountability as:

The responsibility of an organisation for its decisions and activities, and the state of being answerable to its governing bodies, legal authorities, and more broadly its other stakeholders regarding these decisions and activities. (ISO, 2010, p. 2)

This definition highlights two key aspects. First, it exemplifies the close interrelationships between both the *private sector* (via organisations such as business firms) and the *public sector* (via government regulation, the legal system, and society as a whole) within the context of their individual inherent roles of creating an enabling environment for responsible business behaviour (Albareda et al., 2008; Fox et al., 2002; Moon, 2004). Second, this definition implies that an effective examination of this 'connection' prompts the need to establish what common 'notion' of responsible business behaviour is understood by the both business (the private sector) and its relevant (public sector) audience.

Establishing some basic common agreement on this notion is significant because, as noted previously, this commonly held 'rationale' of value creation influences the ensuing 'exchange possibilities' via which those 'connections' between business and society operate. Accordingly, within the context of the broader political and economic structure among which society operates, the resulting 'system' influences not only the way in which business provides access to the wealth it creates to its various stakeholders and other constituents. More significantly, the perception of the 'value' created hinges on *societal attitudes towards the perceived benefit and cost of what is being exchanged*. This triggers questions pertaining to the particularly ambiguous theme of how value is 'counted' and 'measured'. This in turn additionally prompts broader questions regarding who in society controls corporations (thereby determining what costs and benefits get counted in the value equation), as well as to whom corporations are accountable for

the consequences of their actions (both with respect to short-term internal efficiency and the additional array of external costs and benefits which they generate). Moreover, as noted previously, answers to these persistent questions are constantly affected by the individual subjective interests and perceptions of those concerned, as well as more generally by the collective varying (and frequently conflicting) perspectives, which may be held in the many regions of the world with respect to the very purpose and aim of business in society *per se*. The global nature of most business operations today accordingly raises thought-provoking, complex, and challenging questions regarding the role and behaviour of business in society which necessitates the establishment of some basic common agreement on the 'notion' of what is interpreted to designate 'right' and 'wrong' (see, e.g., Castka, Balzarova, Bamber, & Sharpet, 2004; Crane & Matten, 2010, p. 149; Daniels & Radebaugh, 2001; Deresky, 2000; Stigson, 2002).

The following sections elaborate more specifically on these matters by examining ethical matters in business. This review covers a comprehensive range of aspects concerning the history of ethics and business; the distinction between individual morals and the legal system; morality, ethics and ethical theories; the empirical rationale for morality; the role of values in general and in business; the (elusive) aim for value neutrality in responsible decision-making; pluralist ethical theory as a potentially useful middle ground; business ethics and its definitional levels of analysis; the business rationale; management challenges and their pragmatic solution; the stakeholder concept; and various corporate approaches to responsible management, including the concept of sustainability, CSR, CC, and CG.

2.4.2.2 Ethical Matters in Business: Background

Ethics and business have a long, varied, and volatile history (Küpper, 2011, p. 3). In ancient times, ethics, as an applied philosophy, already dealt with economics (Schneider, 1990, p. 888). According to Aristoteles, politics, economics, and ethics comprised the key pillars of practical philosophy amidst which ethics held primacy (Aristoteles, 1993, 2001; Löhr, 1991). Adam Smith, who is widely considered among one of the fundamental founders of economics and capitalism, likewise addressed ethical questions⁹ with respect to human nature, as well as the connections between happiness, virtue, fame, and fortune (e.g. Roberts, 2014). It was around Smith's time in the eighteenth century that economics was first separated from practical philosophy (Löhr, 1991, p. 70; Smith, 1776).

⁹See, for example, Smith's earlier and less-known work *The Theory of Moral Sentiments* (1759).

2.4.2.3 Ethical Matters in Business: The Distinction Between Morals and the Law

Ethics is one of the five major areas of philosophy.¹⁰ It is derived from the Greek word ‘ethos’, which can be interpreted to mean a custom, habit, convention, or tradition (Pieper, 2003, p. 24). The concept of ethics is thus determined by morals¹¹ and the law,¹² based on some ethos¹³ or attitude which significantly influences the subject’s appreciation, insight, and actions. As a result, ethics, by definition, addresses subjective perceptions according to some (accepted) moral understanding regarding what might be considered as proper, appropriate, even correct behaviour. This uniform (accepted) understanding of ethics as an academic discipline is typically reflected in patterns, rules, standards, norms, and maxims which address values as the basis for moral actions (see, e.g., Küpper, 2011, p. 15). They may be enforced by legal standards including sanctions for cases of non-compliance. Because many laws broadly address generally accepted themes regarding issues of right and wrong, such as the prohibition of murder, theft, dishonesty, and forgery or in a business setting, correct and transparent accounting and compliance in the case of purchase agreements, for example, the law can be interpreted as an institutionalisation or codification of ethics into specific social rules, regulations, and prohibitions (e.g. Goebel, 2013, p. 25). Nevertheless, the two are not equivalent. As a result, the law could be understood to comprise a definition of the minimum acceptable standards of behaviour, while morally contestable issues, either in business or elsewhere, are not necessarily covered by the law (Crane & Matten, 2010, p. 5). For example, what would generally be considered to encompass positive qualities of conduct, such as the virtues of faith, hope, and charity or love (including sincerity, tolerance, gratitude for the performance and/or receipt of good deeds, helpfulness towards those in need, etc.), as well as those qualities of conduct which might typically be deemed as negative, such as the vices of pride, greed, lust, envy, gluttony, wrath, sloth, etc., are all areas of behaviour, which are not explicitly covered by the law. As a result, ethical matters go beyond the law and thereby fall into a category of decision-making which has been labelled a ‘grey area’ (e.g. Crane & Matten, 2010, p. 7).

¹⁰The other areas include metaphysics, epistemology, logic, and aesthetics.

¹¹Morals refer to what is collectively generally considered at a certain time in a certain society to represent actions, states, or attitudes that are either good and desirable or evil and forbidden, depending on the respective prevailing morality (Goebel, 2013, pp. 23–27).

¹²The law can be understood as a system of (positive) forced standards and related sanctions which are addressed towards people (Goebel, 2013, pp. 23–27).

¹³‘Ethos’ or ‘attitude’ refers to the significant influence on a subject’s actions when they detect a certain morality to be appropriate or mandatory in a given situation (Goebel, 2013, pp. 23–27).

2.4.2.4 Ethical Matters in Business: Distinguishing Between Morals, Ethics, and Its Theories

The absence of a legal framework in many regions and potential contexts, in which business operates, means that there is no law in many countries preventing business from selling weapons or landmines, supporting oppressive regimes, or undertaking practices, which may well be deemed illegal in their home country of operation. However, even in those countries which do possess a legal framework, the scope for interpretation within the realm of this ‘grey area’ between the law and ethics reflects the different understandings of what constitutes morality or ethics. While these two terms are often employed interchangeably in everyday use, a clear distinction was suggested by Crane and Matten (2010, p. 8), which suggests that morality precedes ethics, which in turn precedes ethical theories. For clarification, their proposed distinction is adopted in this study which employs the following definitions:

Morality is concerned with the norms, values, and beliefs embedded in social processes which define right and wrong for an individual or a community. (Crane & Matten, 2010, p. 8)

Ethics is concerned with the study of morality and the application of reason to elucidate specific rules and principles that determine right and wrong for a given situation. (Crane & Matten, 2010, p. 8)

Ethical theories are the rules and principles that determine right and wrong for a given situation. (Crane & Matten, 2010, p. 92)

These three aspects are now addressed in greater detail in the subsequent sections.

2.4.2.5 Ethical Matters in Business: The Empirical ‘Rationale’ for Morality

The definitions presented immediately above highlight the broad scope for individual (subjective) interpretation, which generates a certain degree of uncertainty with respect to matters of human rationality and abstract reasoning. As a result, this inherent quality of morality and ethics is, by definition, likely to remain a controversial field of debate. For the purposes of this study, ethics is interpreted along the lines suggested by Crane and Matten (2010, pp. 8–9) as an attempt to systemise or rationalise morality. Within the range of various empirical disciplines, including meta-,¹⁴ descrip-

¹⁴Meta-ethics does not aim to make substantial statements about what might be considered morally good but, instead, examines ethical statements. Its focus is accordingly not on morals and ethos but, rather, on analysing moral concepts and terminology, as well as basic ontological questions with respect to the character of moral qualities, to what extent moral facts can exist, and epistemological questions for justifying certain moral judgements (Scarano, 2006).

tive,¹⁵ and prescriptive or normative¹⁶ ethics, meta-ethics forms the basis for the other two. While meta-ethics deals with establishing the conceptual basis for the scientific analysis within the phenomenon of morality, the key difference between the descriptive and normative decision logic concept is that descriptive ethics attempts to attain *neutral* rather than *value* judgements. The objective of descriptive ethics is accordingly to ‘impartially’ describe the various aspects and manifestations of morality and to devise explanations for them (insofar as this is possible based on a cultural, anthropological, social, moral psychological, and/or evolution theory perspective). In contrast, normative ethics is the more developed of the two. In search of the ‘right’ moral approach, it is focused on the formulation and evaluation of standards, principles, and rules for human actions and institutions (Küpper, 2011, p. 21). Normative ethics accordingly proposes generalised rules and advice, which aim to offer ‘rational’ solutions in decision-making situations of moral uncertainty based on shared assumptions about what ‘should be’.

To elaborate, within this context, while an attempt has been made to distinguish between theological and deontological conceptualisations, such differentiation is complicated in practice due to challenges associated with achieving a clear separation between the moral right and the pre-moral¹⁷ good (Werner, 2003, p. 123). Nevertheless, theological approaches derive from the Greek word ‘telos’ which refers to completion, fulfilment, purpose, or objective. This raises the expectation that *actions should aim to achieve that which is good, based on some broad understanding of how ‘good’ is defined* (Küpper, 2011, p. 21). Not surprisingly, normative ethics is critically debated not least due to its ambitious goal to achieve some ‘final justification’ concerning what is ‘good’. Part of the problem revolves around the point that if a moral standard should be justified by this branch of ethics, then its explicit validity must also be rationally stated. Despite these theoretical difficulties in establishing a coherent conceptual representation within these various approaches, normative decision-making theory is a fundamental part of economic research and practice (Küpper, 2011, p. 113). With respect to business practice, for instance, the regulation of corporate governance is one example of the establishment of such norms.

¹⁵Descriptive ethics describes the empirically valid norms that developed historically and/or culturally and are accepted in certain societies among certain groups. This determines what is understood as ‘good’ (Goebel, 2013, pp. 27, 28, & 29).

¹⁶Normative ethics searches for reasoned and binding statements about behaviour including what should be done (action norms or obligations) and what should be aimed for (quest objectives or values/goods), as well the underlying stance with respect to the standards or virtues for this behaviour (Goebel, 2013, pp. 27, 28, & 29).

¹⁷Relating to the stage of development before one acquires moral responsibility

2.4.2.6 Ethical Matters in Business: Values

Within the context of the term ‘morality’, which addresses traditional notions of what might be perceived to comprise good or bad deeds, values form the basis for moral actions (Küpper, 2011, p. 15). Values can accordingly be understood as comprising the ideas, standards, or conduct that is recognised by a community as desirable and which provide orientation for the people in a community. In this sense, morality is based on a (frequently unconscious and not necessarily thoroughly reflected) knowledge of values, which determines a general ‘moral conscience’ concerning some notion of behaviour which then becomes unquestioningly accepted, valid, and binding in a particular cultural environment or community. This general moral conscience develops and changes over time via a historical and cultural process. Consequently, the validity of morality is based not on a reasonable rationale but on the members of a society, who believe these morals to be for mandatory for them. Significantly, such ‘beliefs’ can vary and have changed over time. This is illustrated by the numerous examples of the various views of different well-known philosophers.¹⁸

Within the context of these various views on what might be interpreted as ‘noble’ virtues, a coherent rationale for morality is clearly lacking due to an absence of objective validity inherent in a range of vaguely sketched related claims and expectations regarding some intended ‘telos’ or ‘understanding’ of ‘good’ and its ‘justification’. Notwithstanding the neutrality issues noted previously with respect to a normative approach to ethics, failure to comply with the prevailing morality of the group’s ‘moral conscience’ is punishable by social ostracism. This is significant to a study focusing on managing stakeholder relationships because earlier sections previously established that altering and increasing stakeholder expectations are necessitating a fundamental reappraisal of the ‘licence to operate’ (e.g. Ulrich & Fluri, 1995) or ‘unspoken contract’ between business and society. Consequently, the establishment and communication of a coherent rationale for its business decisions can serve to ‘legitimise’ business activities in line with the prevailing morality of the relevant stakeholder group (e.g. Campbell, 2000; Gray et al., 1995, p. 52; Haniffa & Cooke, 2005, p. 3; Lindblom, 1994; Stark, 1994; Woodward et al., 2001, p. 357). The achievement of this legitimisation in everyday practice is however fraught with a range of challenges, which are addressed in subsequent sections below.

¹⁸For example, Socrates (469–399 BC) suggested that the meaning and purpose of human endeavour lies in achieving happiness through virtuous action. Plato (427–347 BC) stated the importance of cardinal virtues, describing the idea of the ‘good’ to include wisdom, courage, moderation, and justice. Aristotle (384–322 BC) provided instruction for character virtues, suggesting that intellectual virtues can be derived from knowledge, while ethical virtues can be obtained through undertaking ‘honourable’ action. More recently, Hans Jonas (1903–1993) held that ethics is not merely confined to interpersonal matters but must more broadly take into account the treatment of nature so that the effects of all actions are non-destructive for the future possibilities of such a life (or in other words, sustainable).

2.4.2.7 Ethical Matters in Business: Values in Business

Events such as the corporate meltdown of a number of high-profile US-based corporations, including Enron, Arthur Andersen, WorldCom et al. (e.g. May et al., 2007, p. 7; Wagner, 2006), including further scandals associated with numerous other countries, such as Volkswagen in Germany or Parmalat in Italy, etc., as well as the global financial crisis (e.g. The Economist, 2009), document the invigoration of a debate which appears to be turning gradually towards an increased awareness of values in business (e.g. BBDO, 2009; Ferrell et al., 2010). This discussion revolves around the ‘unspoken contract’ pertaining to the expectations associated with the prevailing ‘moral conscience’ which either authorises or rejects behaviour in a particular culture or other context.

Although the first corporations were originally established for public purposes, it was not until well into the nineteenth century that they developed into the self-serving vehicles of commerce they have become in recent years (Sisodia, Wolfe, & Sheth, 2015, p. 220). Focused on adopting actions in eager pursuit of shareholder value interests, the virtually exclusive profit maximisation orientation since the arrival of business studies at the beginning of the twentieth century (e.g. Küpper, 2011, p. 3) was often realised at the expense of other stakeholders, as noted in previous sections. To counteract this development, some groups chose to assume an ethical normative approach (Küpper, 1988; Schneider, 1987, p. 136). For instance, in Germany, Eugen Schmahlenbach proposed a principle of ‘public service effectiveness’ for business. After the Second World War, this perspective was adopted by supporters of an explicitly Christian orientation (Fischer, 1964; Kalveram, 1949). The effects of this attempt to establish an ethical orientation for business are hardly recognisable today (Küpper, 2011, p. 3). To fill the gap, the current corporate accountability definition and business codes of conduct are examples of a normative approach based on values, such as integrity and honesty, respect, diversity, empowerment, innovation, balance, safety, etc. (see, e.g., Crane & Matten, 2010, p. 194–195). They principally prescribe how business *should* be answerable to a broad range of stakeholders for the impact of its decisions and its ensuing activities. Regardless of such good intentions, the elusive nature of a normative stance is affected by both frequently differing and potentially conflicting perceptions typical of stakeholders in society *per se* with respect to what might signify ‘right’ and ‘wrong’ within the context of some notion of what such ‘answerable’ business practice might entail. Moreover, establishing common agreement on value questions among the various groups of stakeholders in the many regions of the world in which global businesses typically operate, clearly further complicates matters significantly.

In an attempt to address these issues, those economists, who address ethical matters in their academic considerations, instead frequently choose to adopt a ‘value neutral’ stance based on Max Weber’s concept (Weber, 1917, 1988). Despite ideas proposed by Immanuel Kant (1724–1804), who stated that ethical principles are binding for all people and that the justification of morality is based not on

chance but on reasonable logic which can be discussed and decided upon, Küpper (2011, p. 3) notes the usefulness of a value neutral¹⁹ stance, which is assumed to avoid ‘discussions’ surrounding subjective moral standards in the business sphere.

While a value neutral stance theoretically facilitates the scientific maintenance of accurate validation and thus a high level of ‘objectivity’, its application to the entire business discipline is problematic. This is due both to issues related to inherent misconceptions concerning the ability to undertake value neutral science in the academic field *per se* (e.g. Smith, 2003, pp. 3–16) and on the fact that key fields of economic research focus specifically on explicit normative approaches, e.g. normative decision approaches. This emphasises how normative underpinnings including the fundamental importance of values clearly impact the field of economic research. As a result, the significant role of values further determines that those who dare to address the business ethics theme in practice may typically expect to be accused of attempting to awaken the scientifically unproductive (non-scientific) realm of ethical-normative economics (Küpper, 2011, p. 4).²⁰

Despite the inherent difficulties surrounding its practical applicability, a value neutral approach to responsible business within the realm of the concept of descriptive ethics attempts to attain *neutral* rather than *value* judgements. The objective is accordingly to ‘impartially’ describe the various aspects and manifestations of morality and to devise explanations for them.²¹ This approach at least attempts to progress the discussion of responsible business out of the normative realm of subjective values or beliefs (morals and ethics), and into the scientific sphere of empirical testing (e.g. Küpper, 2011, pp. 140–144). Consequently, this progression aims to obtain the most optimal outcomes for both business and society (e.g. Homann & Lütge, 2005) without the burden of a normative stance (O’Riordan & Zmuda, 2015, p. 486). While recognising that values undoubtedly influence human behaviour,²² as well as the compelling dilemma facing those attempting to harmonise the ‘ethic of responsibility’ [Verantwortungsethik] with the ‘ethic of conviction’ [Gesinnungsethik] triggering the requirement to reconcile the dual propositions (e.g. Trompenaars & Hampden-Turner, 2004, pp. 195–211) of idealism and pragmatism (Weber, 1965), this approach attempts to focus the discussion of responsible behaviour on judgements relating to the scientific realm of

¹⁹Value neutrality or ‘Wertfreiheit’ is the aim to avoid normative content in the philosophy of science. The term is often used in a narrow sense which aims to exclude subjective moral reviews. The key idea of value neutrality in the sciences implicitly assumes the acceptance or rejection of a theory based on the facts alone and not on the values of the scientists.

²⁰The physicist and philosopher from Ulm – Albert Einstein (1879–1955) – supported value neutrality in both research and decision-making. He stated: “Science can only ascertain what is, but not what should be, and outside of its domain value judgements of all kinds remain necessary” (Source: *Out of My Later Years*).

²¹Insofar as this is possible based on a cultural, anthropological, social, moral psychological, and/or evolution theory perspective.

²²For example, in line with social constructionism and empiricism as an idealist approach to knowledge construction (see, e.g., Smith, 2003, p. 131)

measurable results and impact and away from the subjective sphere of motivations, intentions, and morals.²³

2.4.2.8 Ethical Matters in Business: Pluralist Ethical Theory as a Useful Middle Ground

Ethical theories aim to provide a systematic, rational, understandable argument to defend, justify, and explain business decisions to a stakeholder audience. However, in practice, the span of their scope of possibility ranging between the opposite spectrums of absolutism and relativism (e.g. de George, 1999) generally render them less useful for the practical purposes of either making or appraising business decisions. To overcome this issue, a pluralist ethical theory offers a third way between absolutism and relativism. As a result, from the broad range of possible ethical theory perspectives, because pluralism accepts different moral convictions and backgrounds, while at the same time suggesting that a consensus on basic principles and rules in a certain social context can be reached (see, e.g., Crane & Matten, 2010, p. 93), it could be interpreted to constitute a useful middle ground.

Significantly, however, before ethical concepts come to play a role, previous sections already highlighted morality based on individual values foremost as a social phenomenon for establishing the ‘rules and arrangement’ for living together as social beings in groups (Kaler, 1999). Descriptive relativism accordingly emphasises the possibility for a resulting wide diversity of moral views and convictions based either on religious, philosophical, or other principles. This implies that *one ‘objective’ widely accepted conviction of what is ‘right’ (optimally avoiding harm and providing benefits) does not exist but rather a range of interpretations of its underlying rationale* (see, e.g., Crane & Matten, p. 93).

As a result, understandings with respect to what might constitute societal interpretations of some notion of the benefit and harm of business behaviour are accordingly conceptualised in varying ways via numerous ethical theories. These then propose the rationale for the conventional ‘moral conscience’. Such conceptualisations include Smith’s (1776) liberalist economics proposal suggesting the theory of egoism, which advocates that a decision-maker achieves the overall maximum benefit for society by pursuing short-term desires or long-term self-interest from an individual perspective. The rationale behind this theory of egoism is that the pursuit of individual self-interest is acceptable on the grounds that individual decisions are restricted by the limited insights of the decision-maker regarding the potential future consequences of its resulting impact.²⁴ Furthermore,

²³In the words of Shakespeare (1992): “. . .for there is nothing either good or bad, but thinking makes it so”[!] (Hamlet, Act 2, Scene 2).

²⁴Self-interest addresses the motivation for undertaking or not undertaking actions with a focus on self-preservation, the satisfaction of individual needs, desires, and happiness. Actions which are based on self-interest motives are considered to be ‘enlightened’, when they appreciate their inherent connection with the interests of others, as well as the long-term consequences. For example, a wise business person would not sell goods of inferior quality to regular customers.

Smith suggested that the ‘invisible hand’ of the marketplace would guide the decision-maker and thereby ensure a morally acceptable outcome.²⁵ In contrast, one of the most commonly accepted ethical theories: utilitarianism, which was proposed by the philosophers Jeremy Bentham and John Stuart Mill, suggests that the overall maximum benefit to society results by aiming to achieve the greatest amount of good for the greatest amount of people affected by the action (Stanford, 2009). Significantly, both of these ethical theories claim morally acceptable outcomes based on the premise that some inherent *mechanisms* in the system will enable the realisation and distribution of ‘optimal maximal benefit’ for society. In the case of Smith, the mechanism is the marketplace. The presumption of the presence of some possible effectively functioning correcting market, political, or social mechanisms, as well as the supposition that each perspective of benefit is not realised at the expense of other perspectives, determines that ethical theories in decision-making hold a number of intrinsic challenges which are addressed in greater detail in subsequent sections. First, however, the next section focuses on one specific field of applied ethics by turning to the topic of business ethics and its various units of analysis.

2.4.2.9 Ethical Matters in Business: Business Ethics and Its Definitional Levels of Analysis

Since the arrival of business studies at the beginning of the twentieth century, the intricate relationship between ethics and business in evidence today applies the previously discussed (uncertainly defined) notions of morals and values to the economic sphere. More precisely, within the broader context of ethics in general, business ethics is assigned to the area of applied ethics. In theoretical terms, Crane and Matten (2004, p. 8) define business ethics as:

The study of business situations, activities, and decisions where issues of right and wrong are addressed.

In a similar but expanded definition the ISO 26000 Standard defines ethical business as behaviour which is:

In accordance with accepted principles of right or good conduct in the context of a particular situation and consistent with international norms of behaviour. (ISO, 2010, p. 12)

These definitions address the ethical issues of ‘good’ and ‘proper’ actions and attitudes, as well as morally desirable states with regard to the systems and subsystems of the economy. Within this context, business ethics is an umbrella concept which refers to moral matters in the economic system at macro-

²⁵According to most economists, the market combines the maximisation of self-interest with the well-being of the general public via the sufficient supply to all citizens with necessary goods as a prerequisite for a good life.

level.²⁶ To elaborate, moving from the general to the specific, the broadest level of **business ethics** in the economic system is **regulatory or institutional ethics**. It addresses the economic conditions for institutions at national and supranational level, such as competition policy, for example. Significantly, because regulations and institutions influence individual actions by predetermining in part the possible values and purposes, thereby affecting the resulting resources and actions as a consequence, they could be considered to contribute to both the complexity and the opportunity in and via which individuals ‘connect’ with the economic system. At the next level, **corporate ethics** addresses moral questions at the corporate decisions-making level of organisations. It includes the moral standards of a company which aim, at the management level of the firm, to legitimise the company’s actions and describe its moral and social responsibility (Jonker, Stark, & Tewes, 2011, pp. 9–10). **Individual ethics** refers to the actions of individual economic actors within the context of corporate and institutional ethics. It concerns the responsibility of individual actors as consumers, producers, and investors towards themselves and their broader environment. Accordingly, this responsibility implies that the actor does not only seek a direct benefit to satisfy the achievement of individual self-interest objectives but also takes into account social and moral rules. In this way, each individual is both the source and the means of moral behaviour. Individual ethics consequently examines the duties of the individual to themselves, others, and nature.

Significantly, however, within the context of these various definitional levels of business ethics, formal economic principles are void of any moral content because they aim to achieve a scientific, value neutral approach focusing on the use of resources, the result of which is to maximise (maximum principle) or to minimise (minimum principle) the given means employed (Goebel, 2013, p. 58). While the assumption that *homo economicus*²⁷ always chooses the alternative that promises the highest (material) benefits when given preferences and restrictions and will

²⁶In order to reflect variations at the various levels of analysis unit, a distinction is often made between regulatory or institutional, as well as business, corporate, and individual ethics. Despite these distinctions, the many similarities and interlinkages which exist between these various levels render it difficult to establish a clear distinction, and accordingly a coherent demarcation is also problematic.

²⁷In economics, *homo economicus*, or economic man, is a concept which is featured in many economic theories portraying humans as consistently rational and narrowly self-interested agents who usually pursue their subjectively defined ends in an optimal way. Generally, *homo economicus* attempts to maximise utility as a consumer and profit as a producer (Tregarthen & Rittenberg, 2000). This theory stands in contrast with the concepts of, for example, behavioural economics, which examines actual economic behaviour, including widespread cognitive biases and other irrationalities, and *homo reciprocans*, which emphasises human cooperation. Moreover, other critics of the *homo economicus* model of humanity point to the excessive emphasis on extrinsic motivation (rewards and punishments from the social environment), as opposed to intrinsic motivation. For example, it is difficult if not impossible to understand how *homo economicus* would be a hero in war or would get inherent pleasure from craftsmanship (Frey, 2012).

adapt to any changes in the restrictions in a rational way is generally interpreted as unrealistic, nevertheless, economics assumes the self-interest of all parties including the economic operator. Consequently, economic principles focus on the ‘rational’ choice acts of individuals who aim to improve their own material situation in a world of unlimited needs and scarce resources (e.g. Goebel, 2013, p. 62). Notwithstanding the inherent difficulties of aiming to progress the concept of responsible business behaviour and corporate accountability out of the normative realm of subjective values or beliefs (morals and ethics) and into the scientific sphere of empirical testing (e.g. Küpper, 2011, pp. 140–144) while recognising that values undoubtedly influence human behaviour, a **value neutral descriptive decision logic** approach to ethical matters attempts to attain *neutral* rather than *value* judgements. Within the domain of the objective of descriptive ethics, which aims to ‘impartially’ describe the various aspects and manifestations of morality and to devise explanations for them²⁸ *it strives to focus the discussion of responsible behaviour on judgements relating to the scientific realm of identifying the most optimal outcomes for both business and society via measurable results and impact thereby away from the subjective sphere of motivations, intentions, and morals*. The resulting challenge for business then focuses on considerations which minimise the burden of a normative stance while optimising the achievement of pragmatic responsible behaviour.

While acknowledging this aim to reduce a normative stance in responsible business management, clearly, the sustainable stakeholder-orientated TBL/TTL aim of value optimisation itself (as opposed to an exclusive shareholder profit maximisation focus) comprises a value stance with respect to subjective opinions regarding how business can operate for the ‘greater good’ of society. Moreover, within the TBL/TTL aim, questions relating to the aspired balance/harmony between the economic, social, and environmental aims may well remain a matter of subjective interpretation. Nevertheless, despite these challenges, ensuring some degree of empirical ‘rationale’, as a basis for legitimising the investment of business resources in responsible management activities, is a crucial first step to safeguarding stakeholder acceptance.

2.4.2.10 Ethical Matters in Business: Empirical Justification as a Basis for Business Rationale

Previous sections highlighted the sheer scope and wide-ranging complexity associated with the aim to determine a precise meaning for the notion of responsible business behaviour. The upsurge in the literature, arising both from the topic’s actuality and the proliferation of associated themes, confirms this phenomenon.

²⁸Insofar as this is possible based on a cultural, anthropological, social, moral psychological, and/or evolution theory perspective.

The previous sections emphasised the requirement to ensure some degree of empirical justification as a basis for legitimising the investment of business resources in responsible management activities. As a crucial first step to safeguarding stakeholder acceptance, the task of establishing some basic common agreement on a business logic for why, as well as how, to implement responsible behaviour into the business sphere was nevertheless highlighted as inherently complicated. This is due to the absence of a commonly held ‘rationale’ regarding some notion what is deemed, and, accordingly, gets ‘counted’ as valuable, as well as the dilemma of how to effectively measure value creation. Within the context of the broader political and economic structure among which society operates, ‘notions’ regarding the business ‘logic’ were noted to influence the way in which business seeks opportunities and provides access to the wealth it creates to its various stakeholders and other constituents. This logic is in turn affected by societal attitudes towards the perceived benefit and cost of what is being exchanged, which fundamentally influences the ensuing ‘exchange possibilities’ via which those ‘connections’ between business and society operate in the resulting ‘system’.

A current example of this dilemma is illustrated by the recent debate regarding the ‘sharing’ (or possibly more accurately ‘access’) economy. As technology has reduced transaction costs, making sharing assets cheaper and easier than ever, the availability of more data about people and things allows physical assets to be disaggregated and consumed as services. Such ‘collaborative consumption’ is considered by many to be the latest example of the internet’s value and is accordingly viewed by many consumers and investors as a positive development for several reasons. In theory, all sharing/access is good news for the environment. By allowing resources to be reused more easily, these services could help reduce overproduction and waste. Owners make money from underused assets; the environmental benefits of renting a car when needed, rather than owning one, means fewer cars are required and fewer resources must be devoted to making them (Economist, 2013). This is not to say that participants are motivated by altruism. This move to ‘collaborative consumption’ is more often driven by price, convenience, or, in the case of apartment sharing services such as Airbnb, a desire for more ‘authentic’ holiday experiences. Borrowing anything from a car to a power drill has the benefit of not being responsible for its maintenance and care. But proponents nevertheless argue that sharing-economy services are affecting a cultural shift, in which access to an asset is valued over ownership, which could help to reduce consumption. However, not everyone is as delighted by the rise of the sharing economy as its participants and investors. Taxi drivers on both sides of the Atlantic have complained loudly (and, at least in Milan and Paris, violently) about the intruders who, they say, not only undercut their fares but are poorly vetted and underinsured. They have found ready listeners among officials and judges. As a result, this emerging model has now become large and disruptive enough to awaken the interest of a range of regulators and competitors who do not always agree about the value of these developments (Economist, 2015).

2.4.2.11 Ethical Matters in Business: Management Challenges

The inherent issues posed by this example, including the multifaceted nature of the various definitions, related perspectives, and themes, as well as differing, frequently interrelated analysis levels noted previously, highlight how management decision-making holds a number of intrinsic management challenges. In summary, these issues include:

- Unresolved questions regarding the way in which:
 - Morals (should) play a role in business decisions.
 - Mechanisms in the system (economic/market, political, social) serve to ensure the greatest benefit and the least harm both at individual and societal level.
- The subjective nature of establishing some rationale for what might be construed as a ‘morally acceptable’ or ‘optimally intended’ or ‘maximum benefit/utility’ outcome.
- Consensus with respect to how the realised benefit or utility is defined, captured, measured, and distributed.

For clarification, these challenges emphasise how applying ethics to business imposes the presumption of a *value stance* into the concept or notion of responsible behaviour, which inherently complicates both its management and its study as a scientific discipline (O’Riordan & Zmuda, 2015, p. 486).

In practical terms, this means that no universal agreement can be assumed due to the inherent nature of subjective values in any given situation. More specifically, the intrinsic value stance, which underlies the perceived (mentally constructed) positions with respect to what might entail ‘good’ conduct or what could be considered to constitute ‘right’ and ‘wrong’, clearly restricts the possibility to adopt a ‘scientific’ approach. Consequently, while the subjective interpretative nature of ethics *per se* limits its rational application in business practice, in order to address the expectations of all actors within the economic system, as well as the broader consequences of business actions for all stakeholders, a feasible alternative approach for determining and assessing responsible economic thinking and actions is required. This new approach must be capable of observing and interpreting both the ‘zones’, as well as the ‘grey areas’, the interrelationships and ‘connections’ between the economic system, business ethics (at all levels), and other relevant disciplines, such as politics and the law. The comprehensive character of this requirement suggests that responsible business practice is a holistic, general, complex, and multifaceted task.

These intrinsically comprehensive challenges including all facets of their issues and debates clearly complicate the precise detection of practical responsible business solutions in a real-world setting. As a result, a clear blueprint for the specific actions required by business decision-makers to at least enable (if not accomplish) a responsible role, let alone permit its explanation, reasoning, and communication, is problematic.

2.4.2.12 Ethical Matters in Business: Pragmatic Solutions to Management Challenges

Within the domain of descriptive relativism, which emphasises the possibility for a wide diversity of moral views and convictions based either on religious, philosophical, or other principles while acknowledging that one ‘objective’ widely accepted conviction of what is ‘right’ (optimally avoiding harm and providing benefits) does not exist but rather a range of interpretations of its underlying rationale, a value neutral descriptive decision logic approach to ethical matters attempts to attain neutral rather than value judgements.

Nevertheless, while striving to focus the discussion of responsible behaviour on judgements relating to the scientific realm of identifying the most optimal outcomes for both business and society via measurable results and impact and away from the subjective sphere of motivations, intentions, and morals, the subsequent sections clearly adopt a value stance in proposing stakeholder value creation as the most optimal outcome for both business and society. While by definition this approach may be deemed reasonable, apparent, and convincing even, it nevertheless evidently adopts a certain degree of subjectivity (with respect to the prescription of a harmonised value optimisation approach to organisational value creation as an alternative for the previous profit maximisation value focus). Nonetheless, the obvious normative impact is assumed to be minimised by the widespread scientific evidence pointing to the existence of sustainability issues, which could be interpreted to curtail the burden of moral opinion in preference of the requirement for plausible pragmatic solutions to address pressing pervasive problems. Consequently, the discussion at this point leaves the moral domain of what is ‘right’ and ‘wrong’ to instead enter the realm of ‘what business approach offers the most optimal solution to address the persistent sustainability challenges facing mankind?’.

The increasing influence of differing stakeholder perceptions and expectations noted previously not only poses as a challenge when managing sustainable stakeholder relationships but additionally signifies new opportunities for business decision-makers. Nevertheless, the lack of a reasonably sound basis for a persuasive business rationale for social initiatives (see, e.g., by Rost & Ehrmann, 2015) noted earlier clearly determines that some decision-makers still prefer *not* to adopt a broader stakeholder role in society as a solution to these challenges (see, e.g., Crane & Matten, 2004, p. 69). Clearly, the underlying motivation and rationale for (or against) a stakeholder stance, or otherwise, are related to subjective perceptions of what determines and ‘counts’ as ‘value’. These are important themes which are reserved for later sections below.²⁹

²⁹Chapter 4 subsequently explicitly defines a concept of stakeholder value creation (SVC) based on three interrelated principles of multiple, collaborative, and shared values, which derive from a stakeholder approach.

A stakeholder approach evidently adopts a value stance in proposing the achievement of optimal value for the organisation via a strategy of attaining sustainable development via a leaning towards broader stakeholder interests. Irrespective of their value standpoint and the question of whether decision-makers are entirely convinced of the value creation logic of adopting a stakeholder perspective, the literature review previously presented in this chapter suggests that firms evidently do increasingly strive to pay attention to matters regarding the impact of their business actions on their stakeholders in society (see, e.g., Carroll & Buchholtz, 2009, p. 5; Crane & Matten, 2010; Ethical Corp, 2009; Freeman et al., 2007; May et al., 2007, p. 7; Maignan & Ferrell, 2000, 2001; Maignan, Ferrell, & Hult, 1999; Peters & Roess, 2010, p. 8).

Regardless of the nature of the motives which trigger decision-makers to consider a sustainable stakeholder role for business in society, such as whether this response may be voluntary, self-interest driven, or compulsory due to reasons of public pressure (for greater detail on this theme please refer to subsequent sections), stakeholder theory of the firm has been noted as probably the most popular and influential theory to emerge in its field (Stark, 1994). Moreover, it is now generally acknowledged that responsible management³⁰ comprises business practice which pays attention to the impact of company behaviour on all of its stakeholders in society (Carroll & Buchholtz, 2009, p. 5; Ethical Corp, 2009; Freeman et al., 2007; May et al., 2007, p. 7; Peters & Roess, 2010, p. 8). Based on this rationale, a stakeholder approach is interpreted as one pragmatic solution to the management challenges facing corporate decision-makers.

2.4.2.13 The Stakeholder Concept

While the term ‘stakeholder’ was first recorded in the 1960s, the theoretical approach was essentially developed by Edward Freeman (1984) in the 1980s. Thereafter, Laplume, Sonpar, and Litz (2008) note a substantial rise in stakeholder theory’s prominence since 1995. As a prerequisite for a sustainable approach focusing on the organisation and its responsibilities, the stakeholder approach emphasises the legitimate interest of a whole range of other groups alongside shareholders (Crane & Matten, 2004, p. 50). Content analysis of the major themes in stakeholder theory reveals that the literature on this theory clusters around five topics. These include definition and salience, stakeholder actions and responses, firm actions and responses, firm performance, and theory debates (Laplume et al., 2008, p. 1160). Drawing from these themes, the aspects of their definition and theoretical basis (in the sense of action and response) determine their ‘connecting’ character and, in turn, their potential for improved performance (within the context

³⁰Also depicted under alternative labels such as corporate responsibility, corporate social responsibility, etc. (see subsequent sections for further details on the terminology discussion surrounding this topic).

of those connection opportunities). The remainder of this section now discusses these aspects in greater detail.

Overall, these themes highlight the salience of stakeholders, acting either formally or informally, individually or collectively, as a key element in the firm's external and internal environment which can positively or negatively affect the organisation. More specifically, because the stakeholder concept addresses those who hold some possible 'interest' in the business, previous research has identified how the term 'stakeholder(s)' is broad ranging in scope (see, e.g., Greenwood, 2007; Mitchell et al., 1997, p. 853–854; O'Riordan & Fairbrass, 2008). As a consequence, 'stakeholders' have been defined as meaning all those individuals and groups with a 'critical eye' on corporate actors (Bowmann-Larsen & Wiggen, 2004). More neutrally, Freeman states that stakeholders are:

Groups and individuals who can affect or are affected by, the achievement of an organization's mission. (Freeman, 1984, p. 52)

Based on this definition, Crane and Matten (2004, p. 50) apply the principles of corporate rights and effect (Evan & Freeman, 1993) to more precisely define corporations' stakeholders as:

An individual or group which is either harmed by, or benefits from the corporation, or whose rights can be violated, or have to be respected by the corporation. (Crane & Matten, 2004, p. 50)

These definitions emphasise how organisations by definition typically have many stakeholders, including customers, employees, local communities, as well as investors, each with distinct types and levels of involvement and often with diverse and sometimes conflicting interests and concerns.

Within the scope of these definitions, a network model of stakeholder theory of the firm (Rowley, 1997) recognises the company as one player within the context of the complicated web of duties and obligations which all stakeholders hold (see, e.g., Crane & Matten, 2004, p. 51). Significantly, this depiction emphasises how the stakeholder concept 'connects' the business with the market and the social system. More generally, the stakeholder view highlights the salience for decision-makers of recognising that organisations do not operate in isolation but are instead part of a number of communities which require new forms of interaction (e.g. Burchell & Cook, 2006, 2008, p. 40; Ethical Corp, 2009; Mitchell et al., 1997). For instance, in this regard, 'customer capitalism' (Martin, 2010) suggests that it may be appropriate for managers to look to the firms' constituencies and stakeholders when approaching strategic planning activities (Murray & Vogel, 1997, p. 142).

Within the context of these connections, stakeholder and legitimacy theories (Gray et al., 1995, p. 52; Lindblom, 1994; Stark, 1994) are concepts which imply that stakeholders have a 'stake' in the business (Campbell, 2000; Haniffa & Cooke, 2005, p. 3; Mitchell et al., 1997; Woodward et al., 2001, p. 357). These both legitimise stakeholder interests and justify that managers invest time and other resources on their stakeholders (O'Riordan, 2006). This suggests that a key aspect of responsible management involves maintaining with its stakeholders a 'licence and goodwill to conduct business' (e.g. Ethical Corp, 2009; Ulrich & Fluri, 1995). As a

result, stakeholders, acting either formally or informally, individually or collectively, can be interpreted as a key element in the firm's external environment, which can positively or negatively affect the organisation (Murray & Vogel, 1997, p. 142).

2.4.2.14 Black Box Challenges Inherent in the Stakeholder Concept

While Mitchell et al. (1997) and others (e.g. Clarkson, 1999; Frooman, 1999; Greenwood, 2007; Greenwood & van Buren, 2010) have undertaken comprehensive studies of stakeholder typologies and their significance for managers, the precise practice of stakeholder identification and specific salience remain the topic of substantial and ongoing debate (see, e.g., Laplume et al., 2008, p. 1161). Moreover, the definitions and other themes presented above determine that in management practice, the range of stakeholders differs from company to company, and even for the same company in different situations, tasks, or projects. As a result, stakeholder identification is context specific, and all-purpose definitions of stakeholders, such as the examples noted above, do not allow the identification of a definitive group of relevant stakeholders for any given corporation in any given situation (Crane & Matten, 2010, p. 62).

Furthermore, because stakeholder matters are often isolated from economic or legal imperatives, and despite the substantial body of literature which has appeared over the last half a century on this theme, as well as its many previously noted related topics, the discretionary nature of decision-making in strategic theory (e.g. Carroll, 1979, 1999; Kotler & Lee, 2005) has two implications for responsible stakeholder relations. First, the literature suggests that its voluntary nature determines that corporate responsibility efforts are targeted towards those stakeholder audiences with the greatest capacity to impact operations (Trebeck, 2008, p. 352). As a result, stakeholder demands are often 'ranked and prioritised' (Trebeck, 2008, p. 357). Due to a lack of clear data with respect to the value rationale underlying this ranking process, the new opportunities for management decision-makers inherent in a stakeholder approach are not sufficiently documented. Instead, certain literature more generally implies that any business activity (e.g. social initiatives) which goes beyond simply complying with the law, ultimately detracts from a firm's financial performance (shareholder interests), thereby posing a hazard for the business and potentially as a result, in a broader sense, for society (e.g. Friedman, 1970; Jensen, 2002; Rost & Ehrmann, 2015). Clearly, the discretionary (moral and strategic) nature of the context-specific actions chosen by management decision-makers regarding the relevance of potential influencing factors including power, legitimacy, and urgency (Mitchell et al., 1997, p. 854) highlights some of the black box challenges inherent in the stakeholder concept.

2.4.2.15 The Proliferation of Stakeholder Expectations

Despite the uncertainties noted immediately above, the ongoing developments in the contextual environment in which business operates, including the previously presented themes of globalisation, climate change, demographic trends, and the

global economic crisis, among others, have led to increased stakeholder pressure on both public and private resources and their allocation. These developments are being amplified by technological progress in the field of information availability and communication which are triggering a range of new stakeholder expectations (Jonker et al., 2011, p. 22). The previous sections highlighted how shifts and changes in the global economy in recent years are consequently leading to new perceptions regarding the role of business in society (Carroll & Buchholtz, 2009; French, 1979; Moore, 1999; Schwartz & Carroll, 2008).

Within this emerging concept, confining the role of corporations to their initial purpose of producing goods and services in a way that yields maximum profit for the shareholders of the corporation could arguably be considered overly narrow (Crane & Matten, 2004, p. 70). Nevertheless, the lack of a reasonably sound basis for a persuasive business case for broader stakeholder initiatives (see, e.g., by Rost & Ehrmann, 2015), as well as the inclusion of a range of (subjective) moral (ethical) advice into the business analysis as discussed in greater detail above, merely serve to distance the stakeholder value creation topic from becoming firmly established as a key interest in the business proposition (Crane & Matten, 2004, p. 42; Ferrell et al., 2008).

While these issues are conceivably complicated by a range of *management misconceptions* related to the lack of a clear commercial rationale for social initiatives in business practice,³¹ the resulting intensified discussions which they have triggered since the late 1980s have, in parallel, given rise to an expansion in the range of sustainability and stakeholder-related topics and aspects leading to a proliferation of emerging and evolving terminology.

2.4.2.16 The Proliferation of Stakeholder-Related Terminology

The proliferation and extension of terms inherently related to the concepts presented above include a broad-ranging and extensive scope of themes, a selection of which is listed here in an order moving from the general to the specific. They include: sustainability (see, e.g., Marrewijk, 2003) and sustainable development (Brundtland Report, 1987); stakeholder theory (Freeman, 1984; Freeman et al., 2007; Phillips, Freeman, & Wicks, 2003); stakeholder capitalism (Freeman et al., 2007); business and societal governance (e.g. Wolf & Barth, 2005); legally binding codes of corporate governance to regulate the various rights of stakeholder groups (Crane & Matten, 2004, p. 53); social business (Crane & Matten, 2010, p. 478); assessing ethical and social performance (see, e.g., Ferrell et al., 2002, p. 196; Greening & Turban, 2000; Wood, 1991; Zadek, 1998); business ethics (e.g. May et al., 2007, p. 7); corporate sustainability (e.g. Acutt et al., 2004; Marrewijk, 2003; Marrewijk & Were, 2003); corporate social responsibility, corporate responsibility, social responsibility (e.g. Bowmann-Larsen & Wiggan, 2004; Habisch et al., 2005),

³¹For clarification, these misconceptions are subsequently addressed in greater detail in a later section below.

and corporate social performance (e.g. Margolis & Walsh, 2003, p. 273; Wood, 2010); corporate citizenship (e.g. Altman & Vidaver-Cohen, 2000; Maignan & Ferrell, 2000; 2001; Maignan et al., 1999; van Parijs, 2000; Waddell, 2000); corporate philanthropy, corporate community involvement, community relations, community development, corporate giving, community affairs, and global citizenship; corporate social marketing and green marketing (e.g. Kotler & Lee, 2005); social or sustainable investment (e.g., Forum for Sustainable Investment, 2016); social accounting (see, e.g., Gray et al., 1997, 1998); integrated sustainability reporting (GRI, 2016); social reporting and human resource management (see, e.g., Greenwood, 2007); as well as business ethics education and training (e.g. Crane & Matten, 2010, p. 299; Greenwood, 2002; Holland & Albrecht, 2013; Matten, 2009).

Moreover, the wide-ranging inventory of subjects listed immediately above is not even complete! Associated with the sustainable stakeholder relationship management theme, the academic and other literature frequently employs even more terms including ‘responsible business practice’, ‘social responsibility’, and ‘responsible practice’ (e.g. Bowmann-Larsen & Wiggen, 2004; Habisch et al., 2005), which are employed when referring to the related broad range of emerging and complex themes as novel ways for creating sustainable organisational value. These novel approaches further include reference to the terms ‘organic’, ‘fair trade’, ‘cradle to cradle’, ‘circular economy’ (Jonker, 2012), natural capitalism (Hawken, Lovins, & Lovins, 1999), industrial ecology (Allenby, 2006; Frosch & Gallopoulos, 1989), the collaborative economy or sharing economy (Hamari, Sjöklint, & Ukkonen, 2015; Puschmann & Alt, 2016), the access economy (Eckhardt & Bardhi, 2015), and the blue economy (Pauli, 2010), among others.³² The emergence of these themes could be interpreted to derive from the trend towards a broader scope of business purpose in society and the ecological environment triggered by the sustainable approach inherent in stakeholder theory.

2.4.2.17 Sustainability, Sustainable Development, and the Triple Bottom Line

In contrast with the traditional profit maximisation (shareholder) perspective, the increasing influence of stakeholder theory (Freeman, 1984) and the resulting differing and increasing stakeholder perceptions and expectations noted previously with respect to what constitutes value broaden the scope of the mission of business in society (Grant & Jordan, 2015, pp. 20–21). In this new scenario, organisations are assumed to create value, not merely by generating profits for their shareholders³³ but, in addition, by finding commercial opportunities in solving societal

³²For clarification, these themes are addressed in greater detail in Chap. 4.

³³In addition to creating other economic wealth, such as jobs and taxation payments, based on agency theory, which focuses on exchange risk (e.g. Donaldson & O’Toole, 2007, pp. 21–36; Eisenhardt, 1989)

and environmental challenges. When distributing the value they create via the conduct of production and commerce, decision-makers within business make value judgements regarding how value is first created and then allocated among the different parties.³⁴ The rationale for a new vision for undertaking such decisions can conceivably be reflected in the recognition of a triple bottom line (TBL) (Elkington, 1997) or triple top line (TTL) (McDonough & Braungart, 2002). That vision is based on the principles of sustainable development put forward in the Brundtland Report (1987). Within the context of these principles, the definition of sustainability adopted in this book derives from the one provided by the World Commission on Environment and Development (WCED), also known as the Brundtland Commission (1987):

A development which meets the needs of current generations without compromising the ability of future generations to meet their own needs.

While it could be argued that this is a rather ‘old’ and general definition, this definition is adopted based on the rationale that it still offers a useful clarification for interpreting sustainability in a specific context, issue, or setting.

Applying this definition of sustainability in a business context clearly requires expanding the basis for commercial development by connecting economic interests with social and ecological welfare (Jonker et al., 2015). Based on this approach, sustainability can be construed as a general (overarching) value, within which the three TBL/TTL (social, economic, and ecological principles) are brought into harmony. The rationale behind these principles assumes a broadening of the current economic focus of business value creation to include not merely one isolated economic but three objectives for value creation, i.e. including social and environmental as well. While this new rationale is still frequently contested (as noted in the last footnote above), this expanded scope envisages greater, more harmonised, sustainable value creation in the long term.

For clarification, as noted in previous sections, similar to the notion of responsible business behaviour *per se*, sustainability is understood to exemplify a concept, which is comparable with themes such as ‘liberty’ or ‘equality’ whose meaning is regularly redefined as needs change over time (WBCSD, 2002, p. 6). As a result, the notion of sustainability is viewed in the research presented in this book as ‘work in progress’, rather than a rigorously definable entity. Ultimately, this understanding views sustainability as an evolving concept or intent for creating organisational value,

³⁴Against the background of the lack of a reasonably sound case for (or against) a broader role for business in society (see, e.g., Rost & Ehrmann, 2015), regardless of the nature of the motives behind the management decision to consider a broader corporate purpose, Freeman’s (1984) influential stakeholder theory (Stark, 1994) clearly denotes a changing value stance for resource allocation. This gradually emerging transition, which is based on the rationale that an organisation’s success is dependent on its licence to operate from society (e.g. Jonker & O’Riordan, 2016), is being increasingly recognised as an important route to achieving strategic competitive advantage (e.g. Porter & Kramer, 2006, 2011).

which expresses a value stance regarding what is of value to and for whom, rather than a matter which itself requires organising (Ćwicklicki & O’Riordan, 2017).

This albeit loosely defined notion of sustainable organisation assumes a fundamental transition in the ‘ethos’ or ‘attitude’ of the key ‘players’, which significantly influences their appreciation, insight, and actions regarding the purpose and role of business in society. Clearly, this shift to an ethos of sustainable business behaviour stands in contrast with an exclusive short-term focus on economic value generation. As an overly-narrow focus on shareholder interests in the first instance at the expense of other stakeholders is being increasingly negatively perceived for its machiavellian characteristics of duplicitous interpersonal style, its cynical disregard for morality, and its focus on self-interest and personal gain, decision-makers’ actions are being influenced by this transition in the sense that many progressively detect an inclusive stakeholder TBL/TTL approach as appropriate or potentially even mandatory, in a given business situation.

Despite the controversial debate associated with the business case for objectively measuring the impact of transitioning to sustainable initiatives and its frequent link with subjective moral opinion, which serves to distance the topic of sustainable management from becoming firmly established as a key interest in the business proposition (e.g. Crane & Matten, 2004, p. 42; Ferrell et al., 2008), the literature suggests that firms evidently do increasingly strive to pay attention to matters regarding the impact of their business actions on their stakeholders in society (e.g. Crane & Matten, 2010; Peters & Roess, 2010, p. 8).

Within this context, the TBL principles signify the value(s) (what), behind the means (how), via which companies have the potential to contribute (for whom) to the social and environmental needs of society (see, e.g., Roddick, 2000, p. 14). The resulting outcome can be labelled their ‘sustainable business proposition’ (Ćwicklicki & O’Riordan, 2017).

In an attempt to address the practical issues which emerge for both academics and practitioners from the resulting ‘confusion of tongues’ associated with the proliferation of related themes and terms addressed in this section, subsequent sections propose a working definition for responsible business practice. First however, the next sections aim to furnish more insight on three of the most well-known concepts of responsible business, namely, corporate social responsibility, corporate citizenship, and corporate governance.

2.4.2.18 Corporate Social Responsibility

According to Crane and Matten (2004, p. 43), probably the most established and accepted concept of responsible business was initially proposed by Archie Carroll (1979) under the label of corporate social responsibility (CSR). Over the last half a century, many different concepts and principles have been declared and debated in relation to a notion of CSR (Carroll, 2008), which was subsequently refined in later publications to encompass:

The economic, legal, ethical, and philanthropic expectations placed on organisations by society at a given point in time. (Carroll & Buchholtz, 2009)

Meanwhile, as noted in previous sections, a patchwork assortment of definitions and practices has formed a concept of CSR, in which a variety of practices and organisational approaches have emerged (Crane & Matten, 2007; Freeman, 1984; Habisch et al., 2005; O’Riordan & Fairbrass, 2008; Welford, 2004). As a result, it is generally acknowledged that there is no universally accepted definition of CSR (e.g. Carroll, 1999; Driver, 2006; Garriga & Melé, 2004; Marrewijk, 2003). Consequently, similar to the notion of sustainability, CSR has often been referred to as a contested concept (Jacobs, 1999; Kurucz, Colbert, & Wheeler, 2008).

Despite the lack of consensus on its definition, in view of its inherent underlying related concepts, alongside a wide range of interchangeably employed associated labels (noted above), the literature does however reveal some explicit references to more specific responsible business practices which are generally described as being aimed at:

Achieving commercial success in line with ethical principles, respect for people, communities and the natural environment. (Acutt et al., 2004)

From amidst the broad choice of definitions available, the World Business Council on Sustainable Development (WBCSD) defines CSR as:

...the integration of social and environmental values within a company’s core business operations and [...] engagement with stakeholders to improve the well-being of society, and the commitment of business to contribute to sustainable economic development. (WBCSD, 2002, p. 6)

The strategic nature of the CSR concept was highlighted by the European Commission, which, since 2001, successively updated its definition of CSR. It suggests that CSR is not something that can be ‘bolted onto’ the core business. Instead, CSR is presented as a type of voluntary management quality which incorporates social and environmental concerns into business operations via interactions with stakeholders. By definition, CSR accordingly concerns measures taken by companies which go beyond their legal obligations towards society and the environment. Clearly, this triggers key questions with respect to whether and how corporations might have social as well as financial responsibilities, including the nature of those social obligations (e.g. Crane & Matten, 2010, p. 51).

Despite the debatable and subjective nature inherent in the answers to these questions, which determine that this concept remains a relatively vague and arbitrary construct, CSR can be understood to conceptualise a strategic and business process-orientated aspect of responsible corporate practice with regard to how corporations actively respond to social concerns and expectations in their commercial undertakings (e.g. Crane & Matten, 2010 p. 57). Archie Carroll (1979) distinguished between four ‘philosophies’ or strategies of corporate social responsiveness with respect to the capacity of a corporation to respond to social pressures. Frederick (1994) built on what is often termed ‘the action phases of CSR’ originally presented by Carroll (1979) and Wood (1991). Moving from the least responsive response: *reaction* (denial of any blame), through *defence* (admission of

responsibility but limited superficial, mainly public relations response), and *accommodation* (accepting responsibility and compliance with relevant stakeholder demands), Frederick highlighted the most responsive (proaction) response, in which the corporation seeks to do more than ‘expected’ by surpassing industry norms and anticipating expectations in advance.

According to Crane and Matten (2010, pp. 59–60), many corporations appear to be shifting their strategy of social responsiveness to achieve a range of corporate social performance (CSP) outcomes. CSP advocates the idea to measure, rate, and classify companies with respect to their social performance in a similar way to the approach taken to account for their economic performance. In this regard, Donna Wood (1991) suggested that CSP can be observed as the *principles* of CSR, the *processes* of social responsiveness, and the *outcomes* of corporate behaviour. She explained these outcomes to include social policies (values, beliefs, intent, and goals), social programmes (activities and instruments for achieving social policies), and social impacts (consideration of the concrete changes that can be achieved by the corporation). Clearly, however, the actual measurement of social performance remains a complex task (Crane & Matten, 2010, p. 61).

2.4.2.19 Corporate Citizenship

Against the background of the broader ongoing discussion surrounding a social responsibility for business which has continued since the 1950s (Jonker et al., 2011, p. 79), Crane and Matten (2010, p. 73) note that the term ‘corporate citizenship’ (CC) emerged in the middle of the 1990s as a new way of addressing the social role of the corporation. While it was initially favoured primarily by practitioners (Altman & Vidaver-Cohen, 2000), CC is increasingly addressed in the academic literature (e.g. Jonker et al., 2011, p. 79).

Crane and Matten (2010, pp. 73–82) point out that because past scholarship on CC is relatively new, a widely accepted definition of CC has not yet been established. They note differing definitions in the literature which reveals three perspectives of limited, equivalent, and extended CC. These perspectives highlight the broad range of understandings which exist when discussing this topic both in the academic field, as well as in practice. To elaborate, while the limited view likens CC with corporate philanthropy, the equivalent view equates it with CSR. Only the extended view acknowledges a comprehensive political role of the corporation in society. While CC is typically employed by academics and in management practice mainly in the limited and sometimes in the equivalent sense, the extended view addresses a more prominent feature of corporate accountability with respect to the context of globalisation and sustainability (Crane & Matten, 2010, p. 82).

André Habisch (2003, p. 53) defined CC as cross-sectoral cooperation projects involving companies and at least one partner from the social field focused on the solution of social problems. Such partners can include the stakeholder groups: non-governmental organisations (NGOs); educational, social, or cultural institutions; government; and other groups. CC engagement may be performed via a range

of instruments including corporate giving, corporate volunteering, and corporate foundations, among other methods (Jonker et al., 2011, p. 79).

Based on these characterisations, CC can be described as the commitment of the company, as a good citizen or as a valuable member of a society or nation, to represent (co-)responsible activities, which invest in and thus shape the social (and potentially also regulatory or ecological) environment through volunteering, donations, and other instruments. Consequently, CC can serve as a strategy to build social capital through support from its target audience (e.g. at regional community, state institutional, NGO, or other social, ecological, or socioculturally orientated facilities) for the performed services or activities.

In a global context, as the traditional role of governments is declining while corporate power is rising (Carroll & Buchholtz, 2009, p. 11), the recently emerged extended view of corporate citizenship suggests a notion of liberal citizenship which recognises the responsible role for corporations in protecting, facilitating, and enabling the social, civil (e.g. Boele, Fabig, & Wheeler, 2001), and political (e.g. Hertz, 2001) rights of individuals (see, e.g., Crane & Matten, 2004, p. 61). Significantly, these are areas which were previously considered to be the sole duty of government. Consequently, CC is a prominent term in key debates regarding the role of business in society (e.g. Jonker et al., 2011, p. 79).

2.4.2.20 Corporate Governance

The fraud associated with the corporate failures, scandals, and collapses mentioned previously including Enron, Parmalat, Barings Bank, Royal Bank of Scotland, and many more has influenced the rapid growth of corporate governance (Mallin, 2013, p. 7). The regulation of corporate governance (CG) was previously noted as one example of the establishment of a normative stance via business norms. While its various definitions range in scope and country of origin, and consistent theory to describe and explain the concept does not exist³⁵ (Tricker, 2009), CG can be broadly understood as a relatively new area still seeking its theoretical foundations (e.g. Mallin, 2013, p. 23), which addresses the relationship between a company's board, its shareholders, and other stakeholders (OECD, 1999). Due to a divergence of the interests of various parties and groups within the company (such as owners, managers, and other relevant stakeholders), each party typically attempts to influence decision-making processes within the organisation to their own advantage. The success or otherwise of each (internal or external stakeholder) party's influence

³⁵Corporate governance is theoretically addressed and empirically explored from the perspective of various disciplines including new institutional economics, law, accounting, management, organisational behaviour, sociology, political science, and philosophy, among others. While each of these streams of theory illuminates a particular sphere of the corporate governance phenomenon, none are able to sufficiently comprehensively and holistically describe and explain the entire spectrum of actors, their actions, and relationships (Mallin, 2013, p. 23; Tricker, 2009; Welge & Eulerich, 2012).

attempt is determined by the position of the power they hold, which serves as an important source of their interest enforcement. Aiming to promote balance among these various interests and influence of power, the purpose of CG is to regulate the competitive pursuit of individual benefits among the various parties, thereby ensuring the functional capability and operation of the business via predefined standards and operational norms.

CG can accordingly be interpreted as the factual and legal regulatory framework for ensuring the direction, management, control, and monitoring of the organisation regarding the distribution of various rights and responsibilities among its various stakeholder groups (Welge & Eulerich, 2012). This includes the process through which a corporation's objectives are set and pursued within the context of the social, regulatory, and market environment (Cadbury, 1999). Governance mechanisms thereby include the practice of monitoring and controlling the actions, policies, practices, and decisions of corporations, their agents, and affected stakeholders.

The CG theme is accordingly relevant to the discussion of the responsible corporate management of sustainable stakeholder relationships, particularly with a view to transparency and disclosure, control, and accountability, and the most appropriate form of board structure to prevent the occurrence of future scandals (e.g. Mallin, 2013, pp. 7 & 253). Corporate governance is practiced based on both 'hard' law (e.g. legal regulations such as the Sarbanes Oxley Act (SOX, 2002)) in which the federal government of the USA attempted to legislate several of the principles recommended in the Cadbury (1992) and OECD reports (1999, 2004, 2015), as well as voluntary soft law principles, such as the UN Global Compact (1999) or the ISO 26000 (2010)). Within this context, CG comprises guidelines for the results-orientated management and responsible supervision including aspects such as the corporate constitution,³⁶ as well as incentives and motivation functions, codes, and disclosure rules, and ensuring compliance via monitoring and sanction mechanisms.

In this way, CG concerns the institutional surveillance and its associated organisational framework for action from both an internal and external perspective. The internal perspective addresses the company constitution as the corporate instrument for normalising the various stakeholder interests (taking into account legal regulations concerning the rights and obligations of the company representatives in corporate constitution), as well as the binding organisation and coordination of internal work processes. The external perspective of CG refers to the management of the company's major external stakeholders.

Despite its current focus on agency theory and shareholder interests, it is expected that CG will continue to develop to reflect the influence and change inherent in its multitude of underlying disciplines (such as finance, economics, accounting, law, management, and organisational behaviour). Within the context of

³⁶A company **constitution** is a document which generally specifies the rules governing the relationship between the activities of the company, its directors, and its shareholders.

this development, Mallin (2013, pp. 23–24) equates CG as a global occurrence involving a complex labyrinth of differing business forms, legal, cultural, ownership, and structural characteristics, as well as varying actors (directors, shareholders, and stakeholders). Consequently, CG can conceivably be interpreted as an important but still evolving system for overseeing and organising the interrelationships between organisational actors and its operating environment.

2.4.2.21 The Debate Surrounding the Social Role of Corporations

The debate surrounding the social responsibility of corporations in society can be classified into two main streams. The first advocates that the only responsibility of companies is to achieve profit maximisation, which is implicitly understood to optimise the common good via ideal resource allocation (Friedman, 1970; Pommerening, 2005). Positioned on the opposite end of the responsibility spectrum, the converse view promotes the idea that companies are expected to orientate their purpose, allocate their resources, and organise their activities towards the needs of society.³⁷ Within the range of this spectrum of interpretation regarding the role of corporations in society, clearly, CSR and CC are both concepts which position the social purpose of companies beyond profit maximisation as their central role and accordingly purpose. While the management stance with respect to CG clearly addresses stakeholder interests in general and while stakeholder theory is playing an increasing role as companies realise that they do not operate in isolation, according to Mallin (2013, p. 23), the main theory that has affected its development and that provides a theoretical framework within which CG most naturally seems to rest is agency theory. Accordingly, in practice, the legal framework within which corporations operate in most countries frequently focuses on the main obligation of the board of directors primarily towards shareholder interests with a key emphasis on profit maximisation. While a stakeholder approach clearly includes shareholder interests, and holds the additional advantage of embracing a broader range of constituents in the interest of the firm, nevertheless, the legal framework for corporate approaches largely continues to remain fixed on a narrower shareholder focus.

With respect to the concepts of CSR and CC, while both concepts are frequently employed synonymously, Jonker et al. (2011, p. 79) note that they are essentially different. Whereas CSR focuses on the business activity of the company or the social responsibility *within* the organisational value chain, CC focuses on activities *outside* the value chain. As a result, in everyday practice, regardless of the various textbook definitions noted previously, CSR is frequently interpreted to address how companies make money, while CC is about how they spend it (St. Gallen University, 2016). Based on this interpretation, the limited view of CC could be interpreted to

³⁷One way to achieve this is via organisational purpose aimed at achieving what could be termed ‘value optimisation’ inherent in, for example, a stakeholder value creation approach which is proposed in later chapters.

restrict entrepreneurial responsibility as a marketing or communication instrument, while CSR addresses business aspects of a strategic character.

Evidently a broad range of potential roles for business in society are possible within the wide spectrum of possibilities presented above ranging between a narrow economic profit maximisation purpose for business at one end and a stakeholder value optimisation intent on the other. Notwithstanding which ‘interpretation’ of CC or CSR is adopted, or for that matter the terminology chosen to depict it, the notion of a social role for business as either *separate* from or alternatively *integrated* within its core business activity denotes a value stance. Undoubtedly, this mind-set notion is wrought not least with complicated issues related to subjective interpretations of value and the most effective approach to its creation, quantification, as well as measurement challenges, and debates regarding justice and the distribution of utility. These matters could, in short, be interpreted to revolve around the question of whether companies can ‘do well by doing good’. Uncertainties surrounding whether companies could actually possibly even perform better financially by attending not only to their core business operations from an exclusive shareholder perspective but more broadly in the interests of some understanding of their responsibilities towards creating a better society, triggers complex questions regarding the theme of value propositions which require consideration of what has been termed: ‘the business case’ for responsible commercial behaviour.

2.4.2.22 The Elusive ‘Business Case’ for a Social Role of Corporations

In business practitioner terms, a ‘business case’ is a pitch for investment in a project or initiative based on the expectation of yielding a suitably significant return to justify the expenditure (Kurucz et al., 2008). If the purpose of strategy is to help business to survive by creating value (adapted from Grant, 2006, p. 69) measured in economic terms, a firm’s value-added is the difference between the value of its output and the cost of its inputs. Kurucz et al. (2008, p. 84) note the long tradition of scholars who have examined the business proposition both theoretically (e.g. Carroll, 1979; Swanson, 1995, 1999; Wood, 1991) and empirically (Cochran & Wood, 1984; Graves & Waddock, 1994; Mattingly & Berman, 2006; Russo & Fouts, 1997) in an attempt to measure the value-added of a social role for business. Highlighting a predominant focus on conceptualising, specifying, and testing some relationship between corporate social performance (CSP) and corporate financial performance (CFP), these and other authors emphasise that the results of previous scholarship are decidedly mixed. Consequently, depending on which studies are consulted, the findings indicate that a firm which dedicates resources to fulfilling (what is perceived to reflect) its social responsibilities, will perform either financially better, worse, or the same, as it might have done otherwise (Kurucz et al., 2008). This conclusion is substantiated by more recent research which highlights the ongoing discussion in a variety of studies for over 40 years (e.g. Margolis & Walsh, 2003) debating whether a persuasive business case for social initiatives even

exists (see, e.g., by Rost & Ehrmann, 2015). In short, the ensuing assortment of research over this period, which has been continually seeking and finding varied and mixed results regarding the likelihood, or otherwise, of an association between corporate social conduct and financial performance, highlights the need to examine the value judgements underpinning what could be considered as the clearly elusive case depicted in the extant literature for sustainable³⁸ business purpose. It is important to note that the results depicted in the past scholarship are not at all surprising given the fact that they seek to employ economic measurements to assess sustainable value. By definition, however, an effective assessment of the sustainable value created by companies requires measurement instruments capable of capturing TBL/TTL outcomes.

In this regard, a summary of key value propositions evident in the research on the business case for CSR by Kurucz et al. (2008) described four general ‘types’ of business cases where each type rests on a broad value proposition for corporate social responsiveness and performance based on four ‘modes’ of value creation including cost and risk reduction, competitive advantage, reputation and legitimacy, as well as synergistic value creation focused on creating value on multiple fronts simultaneously (Kurucz et al., 2008, pp. 103). In their recommendations for building a better business case for CSR, the authors acknowledge the complexity of the sustainable value creation theme. They advise allowing for a broader locus of reference for the business beyond organisation-centric to an organisation-society view, building integrative capacity for a more holistic approach, and enhancing value creation by encouraging a move beyond positivist and constructivist epistemologies towards a pragmatic perspective (Kurucz et al., 2008, pp. 103–105). In the words of Kurucz et al. (2008, pp. 105–106):

If the four modes of value creation in CSR are viewed along a holarchic progression, where each is inclusive of the last, and if CSR objectives are defined integratively, as creating simultaneous value for organizations and society, and if the business case for CSR is framed as a pragmatic, experimental pursuit towards a better society and better organizations, then the business case for CSR would be a relevant concept, and would look quite different than it does currently. The case for socially responsible thinking and action would extend beyond the economic business case. It would attempt to connect the identity of the organization and of individual members, and it would be an argument for a more richly and deeply conceived notion of value creation.

2.4.2.23 Examining Value Judgements in the Case for Sustainable Business Purpose

In practice, the extent to which firms adopt a narrow (shareholder) or broader (stakeholder) view of their purpose is based on value judgements. Essentially, when ascertaining their business purpose as the fundamental basis for all

³⁸The term ‘sustainable’ is employed here to signify social, ecological, as well as economic and other value outcomes in the long-term interests of the firm and its stakeholders.

subsequent business behaviour, the literature frequently refers to the way in which decision-makers make judgement calls to realise what is labelled as ‘the trade-offs’ required to ‘balance’ the interests of important stakeholder groups. For instance, as Milton Friedman (1970) points out, in his or her capacity as a corporate executive and an employee of the owners of the business, the decision-maker is an agent of the individuals who own the corporation, and this decision-maker’s primary responsibility is to those owners:

In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom.

While this view was originally portrayed by Friedman to support his well-known shareholder (profit maximisation) claim which proposed that the social responsibility of business is to increase its profits via a primary focus on making money in the first instance, in the meantime, due to its failure to address the external costs to society inherent in this exclusive profit maximisation focus, Friedman’s view of the role of business in society is often interpreted as being overly narrow (e.g. Jonker & O’Riordan, 2016). In contrast, notwithstanding the measurement issues associated with establishing social value noted previously, the evidence indicates that judgement calls which more broadly seek to harmonise (rather than trade-off or balance) varying stakeholder interests can generate more optimal value for organisational enterprise. According to Grant and Jordan:

...the world’s most consistently successful companies in terms of profits and shareholder value tend to be those that are motivated by factors other than profit. (Grant & Jordan, 2015, p. 22)

More specifically in this regard, Grant and Jordan (2015) refer to a succession of practical examples including Henry Ford at the Ford Motor Company, Bill Gates at Microsoft, and the entrepreneur visionaries Steven Jobs and Steve Wozniak at Apple, Lady Gaga, Jeff Bezos, and others, whose dominant driving force was entrepreneurial creativity and the desire to make a positive difference in the world by eagerly fulfilling some essential anticipated purpose rather than the pursuit of profit in the first instance (e.g. Grant, 2006, p. 41). In a similar vein, other studies similarly point to:

...the role of strategic intent, vision, and ambitious goals in driving corporate success. (Grant & Jordan, 2015, p. 22)

This recognition of the powerful role of strategic purpose is depicted by the analogy expressed by Dennis Bakke, founder of the international power company AES, who stated:

Profits are to business as breathing is to life. Breathing is essential to life but it is not the purpose for living. Similarly, profits are essential for the existence of the corporation, but they are not the reason for its existence. (Grant & Jordan, 2015, p. 23)

As noted previously, the powerful role of entrepreneurial purpose has however been thwarted by an over-exclusive focus on profit motives since the late nineteenth century as corporations increasingly developed into the self-serving vehicles of commerce they have become in recent years (Sisodia et al., 2015, p. 220). Focused on adopting actions in eager pursuit of shareholder value interests, the virtually exclusive profit maximisation orientation since the arrival of business studies at the beginning of the twentieth century (e.g. Küpper, 2011, p. 3) was often realised at the expense of other stakeholders and has as a result frequently generated a negative impact on society. According to some authors, an inadequate assessment of the risks coupled with a narrow focus on short-term returns has led to a destabilisation of markets (e.g. Peters & Roess, 2010, p. 8). Such behaviour has led to the long list of undesirable business activities previously noted above, which is frequently cited as evidence of irresponsible business behaviour. Despite the fact that the phenomenal possibilities for ‘creative accounting’ and other exploitative tactics to increase corporate profitability and shareholder returns experienced in the 1990s appears to be diminishing (Grant, 2006, p. 510) and transparency is on the rise (e.g. BBDO, 2009; ISO, 2010; Times Foundation, 2009), nevertheless trust in companies and their leaders appears to have reached an all-time low (e.g. Mallenbaker, 2013; May et al., 2007, p. 7; Peters & Roess, 2010, p. 8). For example, the fraud associated with the Enron debacle is considered to have triggered an ‘ethical tsunami’ which has redefined business’s relationships with the world (Carroll & Buchholtz, 2009, p. 4).

In light of the fact that the prevailing view of trade has been described as ‘commerce without a conscience’ (e.g. Roddick, 2000), interactions between business and society could, in general, be considered controversial (Sorrell, 1998; Stark, 1994). As a result, a value stance which overemphasises profits at the expense of society and the ecological environment can be interpreted to fundamentally damage the relationship between business and society. Significantly, this not only ignores the fact that business depends on society to achieve its success in the sense that business relies on society as the source of its employee pool, as well as the origin of its customers who buy its products and suppliers who provide the components of its offerings. Possibly even more importantly, an excessive focus on profit maximisation ignores the enormous commercial opportunity for business to use its resources to effect positive change in society. In this regard, Grant and Jordan (2015, p. 23) point out that a fixation on the pursuit of profit in the first instance often fails to realise its goal because obsession with profitability can blinker and thereby limit managers’ perceptions about the genuine determinants of profit, as well as the sources and drivers of superior performance in its operating environment. Consequently, in contrast with a narrow shareholder focus, the qualities inherent in a management mind-set embracing broader stakeholder attention is interpreted as a sustaining business purpose leading to superior competitive advantage, ultimate long-term profitability, and overall success.³⁹ This sustainable business purpose is based on a

³⁹For clarification, while the rationale for a stakeholder value perspective is established here (why), the approach and processes for implementing this concept (how) are explained in later chapters.

keen sense of creative intent which is embedded in the organisational culture and implicit in the strategy and behaviour of corporate leaders. Crucially, this broader stakeholder attention, by definition, inclusively incorporates shareholder interests and thereby acknowledges the importance of the economic responsibility of business inherent in the TBL/TTL principles of sustainable value creation.

If we assume, as Friedman (1970) pointed out, that a corporate executive has direct responsibility to conduct the business in accordance with the desires of his employers, then based on the rationale that profits are essential as a necessary result for long-term survival (i.e. the consequence of what the business does) but neither the *raison d'être* nor a component of the driving determinants of competitive advantage (i.e. the business purpose), the broader stakeholder approach presented above could conceivably be inferred as a logical solution to sustainably ensure the future long-term business success (thereby clearly optimally fulfilling the desires of the business agent's employer and fully in line with Friedman's interpretation of responsibility). This suggests that to optimally unleash the influential force of business as a powerful catalyst for making a positive difference in society, a transition in business decision-makers' value judgements towards a more inclusive approach is required. Ultimately, this mind-set transformation could, from a TBL/TTL perspective, more harmoniously ensure the long-term sustainable survival of the firm and, thereby, serve as a sustainable strategy for both the business *and* society. Crucially, however, a prerequisite for successful transformation at corporate level is an enabling external social, political, and legal environment which requires an equal mind-set transition regarding perceptions of what constitutes value between those stakeholder groups involved including customers, regulators, and competitors, among others.

2.4.3 *Responsible Business: Definition Attempt (!)*

In light of the evolving, emerging, and increasingly escalating theme of what might be perceived as a generally acceptable concept of a responsible role for business in society, from the range of possible interpretations, in an attempt to navigate the 'confusion of tongues' noted previously in this chapter, this section first provides a summary of the combined essence of the selected range of related concepts and terms presented. This summary is intended to serve as an information basis for the subsequent definition attempt and rationale for the choice of terminology selected to depict the concept of responsible business and responsible management practice⁴⁰ adopted in this book.

Summary of the predominant approach to date with respect to business purpose:

⁴⁰For clarification, as previously established, the term 'responsible business' is employed in this book to reflect the collective result of 'responsible management'. In this sense, while responsible management is interpreted as a subset of 'responsible business', in everyday practice, a clear delineation between the two is clearly problematic.

- Business decision-makers within companies have primarily in the past and largely still continue to typically adopt an internal organisational-centric focus for their business activities. This perspective assumes the maximisation of income (profit) for the organisation's shareholders/owners as the main motivation and purpose of business in society. The resulting mind-set orientation promotes business strategies which aim to maximise sales and minimise costs for the business without consideration of the external costs to society and the environment inherent in this approach.
- The economic and legal system in principal supports this internal profit maximisation organisational focus, which essentially recognises shareholders as the key responsibility for the business. In this way, the current system evidently and openly endorses companies to internalise profits for their shareholders and owners while externalising the costs of their activities to society.

In contrast with this approach, the following basic characterisation of responsible business behaviour is assumed and presented as a potentially better way forward:

- Value optimisation advocates a stakeholder-orientated purpose for business in society as an alternative to the narrower shareholder-orientated profit maximisation approach. Based on TBL/TTL values of sustainability, a stakeholder value optimisation approach to business purpose characterises a process for discovering, enabling, and realising access to the supply of offerings to clients, customers, and/or the community and other constituents, based on the fundamental idea of a value proposition seeking value maximisation for each party. Because the generation of value among a range of stakeholders is inter-related among the parties involved, it strives to ultimately (re)design via co-discovery and co-creation the way an organisation creates value and enables access to its offerings for and by an inclusive range of constituents.⁴¹
- The new stakeholder-orientated approach to organisational purpose recognises that the success of companies is dependent on their interrelationships with society. Via investing and organising resources and distributing their offerings, driven by stakeholder value judgements, decision-makers can achieve their essential economic interest for long-term survival, by making profits that minimise the cost/harm to other interest groups (thereby maximising the return to their shareholders as a consequence).
- Based on stakeholder-orientated principles of value creation, a pragmatic (as opposed to an ethical) approach to responsible management essentially involves discovering and developing commercial offerings via products and services, which serve society by solving social and environmental needs based on ultimately adding value (benefit > cost). This recognises the realisation that

⁴¹For clarification, stakeholder value creation is defined and explained in greater detail in subsequent chapters.

business success is ultimately dependent on a flourishing society (comprising customers, employees, suppliers, etc.) in a healthy ecosystem.

- Stakeholder-orientated solutions add social and environmental value via business decisions focused on investing and organising resources via the adoption of accountable operating processes. This includes behaving fairly and transparently with employees, customers, suppliers, and other stakeholders.
- A company striving to be credibly perceived by its stakeholders as a responsible actor both avoids misconduct (i.e. complies with a set of predetermined soft and hard law codes, policies, rules, and regulations) but, more importantly, proactively seeks opportunities which offer products and services based on stakeholder-orientated solutions.
- Responsible business behaviour, as a result, promotes sustainable development, by encouraging the advancement of new markets and new growth opportunities. This stakeholder-orientated approach enables the achievement of optimal value-added (maximum benefits with minimal costs) for both business *and* society.

Within the context of this reasoning, ‘responsible management’ is *defined* in this book as:

The strategic task of sustainably and transparently investing, organising, and leveraging the organisation’s resources focused on management choices which harmonise the interests of multiple interest groups, to create value for the organisation’s current and future customers/consumers/users and other stakeholders via exchange and access opportunities, aimed at optimally enabling the organisation’s capability as a catalyst for generating stakeholder value creation⁴² impact.

For clarification, based on the characterisation of responsible business behaviour presented above, this definition assumes an inclusive, collaborative, connected value optimisation ‘mind-set’, business ‘philosophy’ or ‘intent’ as the underpinning logic behind the strategic purpose of business in society. It thereby replaces the isolated, fragmented, organisation-centric, internally orientated profit maximisation focus predominant in many business strategies to date. This definition consequently implies the integration of social and environmental values within a company’s core business operations in line with the previously established concepts (e.g. WBCSD, 2002, p. 6). More specifically, these definitions, which highlight the overarching TBL/TTL aspects of businesses activities (Elkington, 1997; Braungart & McDonough, 2009), emphasise a synergic focus on the social (i.e. community programmes, e.g. Hahn, 2009), the economic (i.e. employment, e.g. Carroll, 1999), and the environmental accountability of corporate behaviour (i.e. waste reduction, e.g. Crane & Matten, 2007; O’Riordan & Fairbrass, 2008). Consequently, the responsible management definition presented here inherently incorporates the concept of sustainability or sustainable development (defined previously and based on the World Commission on Environment and Development (WECD), also known as the Brundtland Commission (1987).

⁴²This concept is more explicitly defined in later chapters.

In order to avoid definitional and labelling issues inherent in the many diverse terms⁴³ typically associated with this theme, the terms: ‘responsible business’, ‘responsible management’ and ‘corporate responsibility’ are employed interchangeably in this book to broadly denote the concepts inherent in the label ‘CSR’ and ‘sustainability’ or ‘sustainable development’, as well as many of the other terms presented in this chapter. Accordingly, these may be interpreted by the reader to be broadly understood as interchangeable. Nevertheless, for clarification, due to the inherent nuances of their differences depicted previously, the ‘responsible business’, ‘responsible management’ and ‘corporate responsibility’ terms are intended to signify a concept of corporate approaches to responsible management which are synonymous with sustainable business practices, based on TBL or TTL and other principles of a stakeholder-orientated commercial value proposition.

2.5 Managing Sustainable Stakeholder Relationships

2.5.1 *Introducing Stakeholder Engagement*

Having established in general terms *for what* the corporation is responsible and *to whom*, this section investigates in greater detail the management challenges facing decision-makers when attempting to respond to stakeholder expectations. Against the background of the increased emphasis on the social (and ethical) responsibilities of companies within the macro-operating environment (see, e.g., Blair, 1998; Carroll & Buchholtz, 2009; Donaldson & Preston, 1995; Ferrell et al., 2010), this section specifically considers the scope of the company’s obligation within the context of the broad range of competing rights and responsibilities to its stakeholders as previously outlined above.

A recent Deloitte report on stakeholder engagement (Deloitte, 2014) highlights how companies need to ‘remain relevant’ in order to survive in a challenging business environment. It stresses that ‘being relevant’ requires regular interaction with important stakeholder groups. This presupposes robust stakeholder engagement so that companies are able to understand and respond to legitimate stakeholder concerns.

In line with Freeman’s original definition of stakeholders (Freeman, 1984), the AccountAbility Institute (Accountability, 2015) defines stakeholders in its AccountAbility 1000 Stakeholder Engagement Standard as.

⁴³For clarification, precisely due to the previously noted abundance of terms in use, as well as the varying interpretations thereof, the ever-proliferating range of terms related to responsible management presented in this chapter are understood by definition as both interconnected and typically employed in an overlapping way in everyday use (both in and out of context). To address and shed some light on this aspect, the theme of terminology in responsible management practice is a key focus of the research findings presented in subsequent chapters of this book.

...those groups who affect and/or could be affected by an organisation's activities, products, or services and associated performance. (ibid., 2011, p. 6)

Within the context of the stakeholder concept which was previously presented above, this definition emphasises how organisations will, by definition, typically have many stakeholders, including customers, employees, local communities, as well as investors, each with distinct types and levels of involvement and often with diverse and sometimes conflicting interests and concerns.

2.5.2 Stakeholder Engagement Definition and Distinction from Stakeholder Management

Within the context of the broader definition of stakeholders, stakeholder engagement (SE) is defined by AccountAbility 1000 as "... the process used by an organisation to engage relevant stakeholders for a purpose to achieve accepted outcomes" (AA1000, 2011, p. 6). The same institute emphasises that while stakeholder engagement is not a new concept, it has widely become recognised as crucial to an organisation's success. This is in part due to the principle of inclusivity, which encourages the practice of including the interests and participation of stakeholders when taking strategic business decisions, with the ultimate aim of developing and achieving an accountable and strategic response to sustainable TBL/TTL value creation (AA1000, 2011, pp. 4 & 6).

Since stakeholder engagement obliges an organisation to involve stakeholders in identifying, understanding, responding, and reporting on sustainability issues and concerns,⁴⁴ it is now becoming recognised as a fundamental accountability mechanism. Within this context, SE can be viewed as a management activity which enables organisations to explain and be answerable to stakeholders for decisions, actions, and performance (AA1000, 2011, p. 6).

Greenwood (2007, p. 317) defined SE as those practices which an organisation undertakes to involve stakeholders in a positive manner in organisational activities (Greenwood, 2007, p. 317). SE can accordingly comprise the process of establishing, developing, and maintaining stakeholder relations. This can include stakeholder identification, consultation, communication, dialogue, and exchange (Burchell & Cook, 2006; Greenwood, 2007, p. 322). More recently in this regard, the ISO 26000 principles for social responsibility define stakeholder engagement as all those activities which are undertaken to:

Create opportunities for dialogue between an organisation and one or more of its stakeholders with the aim of providing an informed basis for the organisation's decisions. (ISO, 2010, p. 4)

⁴⁴Defined in previous sections as aspects related to: "Meeting the needs of the present world without compromising the ability of future generations to meet their own needs" (Brundtland, 1987, p. 1)

Stakeholder engagement activities may accordingly exist within a broad range of business activities. In short:

The impetus behind the use of the term ‘engagement’ in the stakeholder theory and corporate social responsibility (CSR) literatures is the need to emphasize that, for firms merely to interact with stakeholders is no longer sufficient, if, in fact, it ever was. Interaction with stakeholders is a logically necessary activity of business. (Noland & Phillips, 2010)

Within this context, SE can be seen as a mechanism to achieve a number of objectives including consent, control, cooperation, accountability, and involvement, as a method for enhancing trust or as a substitute for true trust, as a discourse to enhance fairness or as a mechanism of corporate governance (Greenwood, 2007, p. 318).

Based on these definitions, SE is positioned in this book as an approach which enables organisations to appreciate, be answerable, and explain its decisions, actions, and performance in an inclusive manner to its stakeholders. As a result, SE is interpreted as a fundamental accountability mechanism for realising responsible management aimed at ultimately enabling a stakeholder-orientated business purpose. Drawing from these insights, ‘stakeholder engagement’ is *equated with managing sustainable relationships* and *defined* in this book as:

An inclusive management practice, which obliges an organisation to involve stakeholder interests when identifying, evaluating, responding, leveraging, and reporting on sustainability opportunities, issues, challenges, and concerns. It serves as a mechanism for organisations to achieve a range of objectives, including consent, control, co-operation, accountability and involvement, as a means of enhancing discourse and potentially trust between business and society.

Based on this definition, ‘stakeholder management’ is understood as the management practices inherent in stakeholder engagement. According to this definition, stakeholder management can be interpreted as an umbrella concept encompassing all those management activities required to mobilise stakeholder engagement.

Due to their comprehensive inclusion of a broad-ranging assortment of interests, alongside the inherent opportunities for business, both the stakeholder management and stakeholder engagement concepts undoubtedly give rise to a range of issues, challenges, and concerns, which simultaneously present a myriad of uncertainty for management decision-makers. The next section now turns its focus on these matters.

2.5.3 The Element of Moral Neutrality in Stakeholder Engagement

Phillips (1997, p. 54) suggested that SE could be interpreted as a mutually beneficial and just scheme of cooperation which takes the form of a ‘moral partnership of equals’. Further past scholarship similarly reveals a clear normative stance in claims regarding what is termed: the “proper motivation, method, and manner of engaging stakeholders” (Noland & Phillips, 2010). Such behaviour is stated to

culminate in the emergence of a greater awareness of the need to reconceive the purpose of business and the nature of the firm. Noland and Phillips (2010) highlight how the most prominent recent trend in this respect is proposed by those scholars who take an ethical strategist view, whose interpretation is purported to provide the theoretical basis for including honest, open, respectful engagement of stakeholders as a vital part a firm's strategy.

They do this by calling our attention to the stakeholders who constitute the firm as people with 'names and faces' and reminding us of business's role in society's pursuit of the good life. (Noland & Phillips, 2010)

While a review of an assortment of economic and behavioural exchange theories provides various insights for examining the independencies in SE relationships (see, e.g., Donaldson & O'Toole, 2007, pp. 21–36) and numerous possible depictions of SE emerge from a variety of theoretical traditions, such as business ethics, social accounting and reporting, as well as human resource management, Greenwood (2007, p. 318) reasons however that SE is, for the most part, morally neutral. In line with this viewpoint, O'Riordan and Fairbrass (2016) advocate that SE can be employed as a means to an end in both a moral and an immoral way. To elaborate, Greenwood (2007, p. 320) suggests that in business practice it is the *virtue of the actor* which ultimately determines the motive behind the engagement undertaken. As a result, it can be inferred that engagement with stakeholders *per se* does not necessarily equate with maintaining sustainable stakeholder relationships and accordingly does not represent responsible business behaviour or responsible management by definition either. In this regard, Greenwood (2007, p. 325) aptly notes how the argument that stakeholder engagement is automatically linked with responsible treatment of stakeholders is simplistic.

It can however be inferred that the cognitive transition inherent in an inclusive SE approach has the potential to (neutrally) empower the organisational purpose, and thereby cumulatively, the capitalist system within which they operate. This approach could accordingly conceivably most optimally invest organisational resources to enable the creation of synergic value for *all* stakeholders as originally suggested by Freeman (e.g. 1984, 2007).

2.5.4 Communication and Dialogue in Stakeholder Engagement

The transition towards a greater focus upon stakeholders noted in the previous sections has resulted in the development of a broad range of engagement strategies stretching from increased dissemination of information through detailed reporting practices towards more interactive stakeholder relationships (Burchell & Cook, 2008, p. 35). Within the construct of stakeholder engagement, Mitchell et al. (1997) highlight that while rigid identification of the exact persons who qualify as stakeholders may be displaced, identification of what counts as a stakeholder claim

is vital. In everyday business practice, once stakeholders have been identified, increased emphasis is placed upon the concept of stakeholder communication and dialogue and its many formats (Burchell & Cook, 2006; ISO, 2010, pp. 73–76; O’Riordan, 2010, pp. 39–40). Because stakeholder communication and dialogue are identified in the literature as salient to SE, the remainder of this section addresses this theme in greater detail.⁴⁵

‘Stakeholder communication’ has been defined by the Natural Market Institute (2009) as:

Conveying the right message and the right amount of information delivered through the right vehicle.

The recent ISO 26000 Standard highlights that internal and external communication is critical to many different functions of responsible management. This includes demonstrating accountability and transparency, engaging and creating dialogue with stakeholders, disclosing information, and demonstrating the organisation’s awareness and commitment to responsible behaviour. This helps to facilitate comparison with other organisations. According to the ISO (2010, p. 73), communication of responsible action, openness, integrity, and accountability may also play a role in engaging and motivating employees and in enhancing the organisation’s overall reputation by strengthening stakeholder trust in the organisation.

The Environmental Leader (2009) highlights, in this regard, that while most consumers prefer to learn about responsible business behaviour through news media (a preference, which is possibly due to the media’s assumed third party reference point), interestingly, company websites and product packaging also apparently play very important roles for consumers. Since both of these vehicles are ‘organisation controlled’, the practice of stakeholder communication and dialogue in stakeholder engagement could be considered to comprise a vital part of corporate strategy and responsible management.

According to various sources, an effective strategy to communicate CR to various stakeholders has never been more paramount for brand equity and market share (BBDO, 2009; Times Foundation, 2009). The fall in stakeholder confidence which many cases of past notorious corporate behaviour have induced (see, e.g., May et al., 2007, p. 7; Naughton, 2002, p. 55; Peters & Roess, 2010, p. 8) has prompted some companies to take ‘first steps’ to explore the potential of more open and communicative approaches (for instance, in the area of environmental risk management – see, e.g., Gouldson, Lidskog, & Wester-Herber, 2007).

The increased visibility of firms claiming to engage in responsible business behaviour over the past decade noted by Habisch et al. (2005, p. 6) has led to:

A dramatic increase in companies seeking to engage in processes of stakeholder dialogue and engagement to increase trust and accountability and provide better processes of communication regarding their activities. (Burchell & Cook, 2006, p. 154)

⁴⁵To further address and shed some light on this aspect, the theme of communication and dialogue in responsible management practice is a key focus of the research findings presented in subsequent sections of this book.

‘Stakeholder dialogue’ has been described to include all forms of intercourse which bring together diverse voices (e.g. Chapman, Ramondt, & Smiley, 2005; Rockwell, 2003, p. 31) and demonstrate openness and a willingness to consider alternative viewpoints (e.g. Daft, 1999; Isaacs, 1994). As a result, stakeholder dialogue is identified as a progressive form of engagement in its role as a channel through which to transcend traditional conflicts via processes of communication (Burchell & Cook, 2008). Within the context of this definition, stakeholder dialogue can be seen as a key vehicle for the ‘exchange’ of responsible business ‘offerings’ between the firm and its stakeholders (Murray & Vogel, 1997, p. 142). This exchange is one in which the firm offers something of value (typically a social benefit or public service) to an important constituency and, in turn, anticipates receiving the approval and support of key individuals and/or sociopolitical groups in its environment (O’Riordan, 2006). From a normative perspective, Burchell and Cook (2006, 2008), among others, note how stakeholder dialogue has come to be seen by some as part of the broader spectrum of socially responsible action and activities companies ‘should’ undertake. This transition in manager-stakeholder relations has been described as an evolution from:

The need for unilateral managerial cognition and control to a perceived need by some for reciprocal engagement and new dialogic forms of collective cognition. (Payne & Calton, 2002, p. 121)

In this regard, social/relational exchange theory views relationships as social entities within the context of a social structure (Granovetter, 1985) where firms are interdependent and rely on reciprocation (Blau, 1964; Donaldson & O’Toole, 2007, p. 29). In this regard, the essential nature of relational contracting as social exchange has been well documented (e.g. Dore, 1983; Macneil, 1980). This form of social exchange concentrates on the relationship and the interaction between the parties in that relationship rather than on the transaction (e.g. Ford, 1990; Håkansson, 1982).

Significantly, however, the communication strategies developed to communicate relational exchanges between the firm and society (i.e. the fulfilment of stakeholder expectations of company obligations) have generated sceptical discussion due to alleged gaps between ‘rhetoric’ and ‘reality’ concerning CR policy and practice (O’Riordan & Fairbrass, 2008). This may be because:

A one-way dissemination of information from company to stakeholders is regarded as a relatively weak form of engagement. (Burchell & Cook, 2006)

More specifically, recent research suggests that NGOs are unhappy when dialogue processes are one-sided. In some cases, they feel they were being mined for information with no guarantee of implementation or feedback (Burchell & Cook, 2008, p. 41). Accordingly, an interactive form of communication with stakeholders is deemed valuable (Crane & Livesey, 2003, p. 46). However, detailed analysis on these processes *per se* or on their beneficial impact is lacking (Burchell & Cook, 2006, p. 154).

As consideration for stakeholders is widely documented in the literature to comprise one of the integral elements of corporate reputation or identity (see, e.g., Ethical Corp, 2009; Schreyögg & Werder, 2004, pp. 1262–1263; Schwalbach, 2000), it could be inferred that SE can help to avoid the risk of damaging publicity and thereby increase the potential social capital of the firm. In this regard, a survey

undertaken in Germany revealed that the most powerful motive for companies to seek dialogue with stakeholders is to forestall possible risks to their greatest asset: their corporate reputation (Pleon Kohtes Klewes, 2005). However, recent literature suggests that in communication contexts where trust had already been lost, open engagement can lead to an actual initial *deterioration* in relations between companies and stakeholders during the process while conflicting viewpoints are initially being ‘discussed’. Nevertheless, it is also argued that in the longer term, trust can be built which leads to gradual improvement in levels of credibility and shared understanding over time (Gouldson et al., 2007). This transition towards stakeholder relationship management clearly creates increased interest in identifying effective processes to manage stakeholder engagement (Burchell & Cook, 2006).

Consequently, SE, which involves collective communication and dialogue forms, could conceivably be interpreted to play an important role in determining how the firm’s CR response is viewed and evaluated by stakeholders (O’Riordan & Fairbrass, 2006). Accordingly, it is deemed to play a vital part in the development of corporate approaches to responsible management.

Nevertheless, the broad and diverse nature of the term ‘stakeholder’, including its inherent range of actors, as well as the varying interpretations of CEOs depending on their perceptions regarding value outcomes of performance (see, e.g., Agle, Mitchell, & Sonnenfeld, 1999; Maak, 2007), intrinsically poses a considerable challenge in the search for a clear working definition of what denotes responsible management (e.g. O’Riordan, 2006). As a result, the task of managing sustainable stakeholder relationships facing individual business managers in general, but in particular in the pharmaceutical business, an industry that is often termed ‘sensitive’, as described in the previous and more specifically in the subsequent chapter, can be considered demanding (O’Riordan, 2010, p. 44; O’Riordan & Fairbrass, 2016). In order to build an information base which enables more specific examination of the responsible management issues facing decision-makers in specific contexts such as the pharmaceutical industry sector, the next section now addresses a range of general management issues in stakeholder engagement.

2.5.5 Management Issues in Stakeholder Engagement

2.5.5.1 Focusing on Creating ‘the Best’ Together

From a micro-perspective of the firm, the concepts proposed in stakeholder theory (Phillips et al., 2003; Freeman, 1984) which later evolved into notions of stakeholder capitalism (Freeman et al., 2007) suggest that investing time and other resources in addressing stakeholders’ interests is a rational managerial activity. In contrast with the former exclusively profit-orientated (shareholder value) focus held by businesses (e.g. Jensen & Meckling, 1976; Friedman, 1970), other authors (e.g. Greenwood, 2007, p. 321; Greenwood & van Buren, 2010) more recently suggest that the more contemporary acceptance of the broader contribution of a stakeholder imparts a duty upon the organisation towards that stakeholder. This has triggered novel and ongoing

developments in management thinking and practice (see, e.g., Ferrell et al., 2010). In this evolving approach, the social nature of value creation is more attentively acknowledged as it advocates focusing management attention on “the best that can be created together rather than avoiding the worst” (Freeman et al., 2007, p. 313).

For clarification in this regard, in line with the overall perspective assumed in this book, a value neutral stance is again adopted with respect to stakeholder management. Similar to the study of optics, which demonstrates that the phenomenon of light has a physical presence of its own, whereas darkness only exists when light is extinguished, the metaphorical relationship between light and darkness is applied as a plausible approach in the stakeholder management task of creating ‘good’ and avoiding ‘bad’ implied immediately above. Based on this understanding at the metalevel of ethics (i.e. the ethics of ethics⁴⁶), ‘goodness’ is interpreted as a natural state of ‘being’ that cannot be opposed,⁴⁷ and ‘badness’ is a *privatio boni*, i.e. the privation of good. This assumes that ‘badness’ (i.e. corporate decisions and processes, which result in negative outcomes for some stakeholders in the sense that they take away some part of what would naturally be the case) is not substantial in itself but instead an imperfection of the natural state of being or, in other words, simply the ‘lack of good’.

With respect to stakeholder management, this, which could be interpreted as ‘neutral’ stance, suggests that the fragile state of natural order is subject to imperfection and the impact of human activity on it is ‘bad’ if it increases the imperfection and ‘good’ if it strengthens its natural goodness or avoids further imperfection. In practical management terms, the decision-maker’s task is to identify structures within a system which most optimally serve the creation of ‘good’ and the avoidance of imperfection. In doing so, the decision-maker strengthens their individual role in nature, as well as nature itself. While this concept of the existence of a natural state is quite old, it could be construed as useful in light of the limits of more modern approaches. Nevertheless, in a modern sustainability management context, defining the natural state, and understanding the opportunity cost of using resources, which can by definition potentially preserve or squander the natural state, is complicated in the sense that it triggers measurement issues with respect to measuring good and bad (i.e. optimally harmonised value outcomes).⁴⁸ This measurement issue theme is addressed in greater detail in subsequent sections of this chapter.

⁴⁶Please refer to previous sections for further details.

⁴⁷Traditionally *privatio* is a mode of opposition, called ‘privation/habitus’, that can be found in Aristotle: the natural state is called ‘habitus’ and the state in which some of the natural goodness has been taken away is called ‘privatio’.

⁴⁸These measurement issues can be compared with the current development of the ISO system. While old norms, such as ISO9001, prescribe precise measurements that are codified in a quality handbook, newer norms, such as ISO26000, allow for far less precise measurement *per se* but instead provide horizons and checklists. While this change indicates an assumed improvement to the previous approach with respect to measurement dilemmas, it nevertheless opens up a whole new range of issues and challenges for effectively measuring the value outcomes of a stakeholder-orientated approach.

2.5.5.2 The Challenge of Prioritising and Harmonising Stakeholder Interests

For individual business managers who are searching for a clear working definition of stakeholder management, one of the fundamental dilemmas of stakeholder management is the test of knowing how to prioritise and then harmonise the myriad and diverse stakeholder claims from the broad range of actors involved. The main challenge for businesses is the task of concretely identifying to whom they are responsible and how far that obligation extends (Greenwood, 2007; Mitchell et al., 1997, pp. 856–63; O’Riordan, 2010; O’Riordan & Fairbrass, 2008, pp. 747–48, 2014). In this regard, Mitchell et al. (1997, p. 853) note the ‘maddening variety’ of signals on how questions of stakeholder identification might be answered. The difficulties of managing the relationship between a business and its stakeholders are summarised to include the issues of:

- Divergent and often conflicting expectations between stakeholders (e.g. Brammer & Pavelin, 2004, p. 706; Bowmann-Larsen & Wiggen, 2004; Castka et al., 2004; Deresky, 2000; Greenfield, 2004; Mallenbaker, 2004; Murray & Vogel, 1997; Oxfam/VSO/Save the Children, 2002; Stigson, 2002; The Globalist, 2004).
- Contextual complexities (Bowmann-Larsen & Wiggen, 2004; CSR Risk Mapping Initiative, 2004; Daniels & Radebaugh, 2001; Freeman, 1984)
- Diverse perceptions due to cultural differences (e.g. Matten & Moon, 2008). The contextual complexities noted immediately above are further complicated by varying interpretations arising out of different geographical regions and cultures (Bowmann-Larsen & Wiggen, 2004; Castka et al., 2004; Crane & Matten, 2007, p. 511; Deresky, 2000; Epstein & Roy, 2001; Haugh, 2003; Maignan & Ferrell, 2003; Maignan & McAlister, 2002; Mallenbaker, 2004; Stigson, 2002; Woodward et al., 2001). The resulting national differences prompt the question of whether Europe will develop its own distinctive and unique model that will emerge out of the diversity of individual national concepts (e.g. Habisch et al., 2005, p. 6).
- Determining an ‘optimal’ approach: the challenge of identifying what might be considered as valid ‘best practice’ with regard to some concept of a responsible stakeholder management strategy and then communicating this to stakeholders (Weiss, 1998).

Attempting to manage these challenges which affect the relationship between a business and its broad responsibility to multiple stakeholders in society assigns a new role to management (Freeman, 1984). Rather than simply acting as agents of shareholders, the modern view of stakeholder democracy, corporate accountability, and governance means that managers are required to take into account the (frequently competing) rights and interests of all legitimate stakeholders. Essentially, corporate decision-makers face the task of addressing the competing interests of many stakeholders in order to ensure the long-term survival of the firm (O’Riordan,

2010, p. 37). As a result, the issue of identifying and prioritising stakeholders and then ‘harmonising’ their claims, along the lines originally noted by Mitchell et al. (1997, p. 853), is more pertinent than ever today, and potentially, this task is, as a result, interpreted to comprise an important component of achieving competitive advantage and the ultimate long-term success of the firm (e.g. Porter & Kramer, 2006, 2011).

2.5.5.3 A Modern View of Corporate Accountability via Stakeholder Engagement

The resulting newly evolved role for corporate decision-makers with respect to their broadened stance vis à vis their stakeholders is directly aligned with the modern view of corporate accountability,⁴⁹ which recognises the increasing role of corporations as social and political actors. To elaborate, this extended view can include concepts of stakeholder democracy in which corporations have a stakeholder board of directors which gives stakeholders the opportunity to influence and control corporate decisions (Freeman, 1984) and a legally binding code of corporate governance⁵⁰ to regulate the various rights of stakeholder groups (Crane & Matten, 2010, p. 64). In an operating scenario, in which the boardrooms of companies have been termed ‘the command centres’ of capitalism (The Economist, 2010, p. 72), part of the aspired new order of corporate governance includes increased transparency as a key feature of demonstrating their accountability. This was partly driven by (controversial) Sarbanes-Oxley legislation (Schlesinger, 2002; SOX, 2002; Wagner, 2006). One crucial aspect of corporate accountability via corporate governance is the inclusion of board members from outside the firm to create an independent balance of stakeholders. This creates a governance environment for stakeholder management, in which companies have powerful shareholders and independent directors to keep a watchful eye on their managers (Carroll & Buchholtz, 2009).

Nevertheless, good corporate governance alone is not expected to protect companies from a toxic corporate culture (The Economist, 2010, p. 72). Consequently, responsible business operations involve additional corporate practices, such as accessing responsible performance (see, e.g., Ferrell et al., 2002, p. 196; Zadek, 1998), social accounting (see, e.g., Gray et al., 1997), formally and informally organising responsible programmes (see, e.g. Trevino, Weaver, Gibson, & Toffler, 1999) within specific management cultures (see, e.g., Trevino & Nelson, 1999, p. 204), and effective leadership (Badaracco & Web, 1995; Gini, 1997; Kotter, 1990).

⁴⁹For clarification, the corporate accountability concept was presented in greater detail in earlier sections of this chapter.

⁵⁰For clarification, the corporate governance concept was presented in greater detail in earlier sections of this chapter.

2.5.5.4 Enabling Effective Stakeholder Management

To enable effective stakeholder management, Mitchell et al. (1997, p. 854) propose an approach to help decision-makers to manage their response to the broad range of interests which are now deemed to fall within the scope of companies' responsibilities. The approach focuses on three key relationship attributes, which they suggest are likely to determine stakeholders' salience. These include stakeholder's *power to influence the firm*, the *legitimacy of their relationship with the firm*, or the *urgency of their claim on the firm*. In addition to these relationship attributes, Greenwood (2007, p. 321) suggests organising stakeholders according to strategic definitions. Essentially, however, the task of considering how far their responsibilities extend determines that stakeholder management is broad in scope. It can constitute a whole range of formal and informal business activities including production, marketing, accounting, and personnel, among other fields. As a result, stakeholder management may involve the decision-making processes of planning, leading, organising, implementing, and controlling (adapted from Crane & Matten, 2010, p. 185).

Consequently, attempting to manage the challenges identified with respect to the relationship between a business and its broad responsibility to multiple stakeholders in society assigns a new role to management as indicated immediately above. Significantly, the complexities of narrowly endeavouring to measure the relationship between a business and its stakeholders in society from a financial accounting perspective (see, e.g., Greenfield, 2004) provide a strong indication of the associated practical dilemmas facing decision-makers. Most importantly, a review of the literature reveals insufficient material regarding the specific CR stakeholder management activities of this target group (O'Riordan & Fairbrass, 2014). More generally, however, managing business relationships via company policies, practices, and programmes, such as stakeholder prioritisation and other choices (i.e. Hill & Jones, 2007, p. 374–377), involves decisions about *how to engage* with a range of stakeholders. However, due to a range of management issues in stakeholder engagement, these choices are not always clear, easily rationalised, and communicable. It is to this topic of the specific management issues in stakeholder engagement that the next section now turns.

2.5.5.5 Uncertainty and Lack of Understanding

According to a recent article in Forbes (2012), companies spend millions of dollars every year on socially responsible activities based on the rationale that being part of the solution and taking on responsibility in society builds trust with key stakeholders (Nielsen, 2012). Study results from CSR RepTrak™, which indicate that 42% of business reputation is driven by perceptions of citizenship, governance, and workplace (Nielsen, 2012), evidently suggest that the owners of businesses

apparently favour broader (value optimisation) judgement calls in business decision-making.

Significantly, however, the same article questions the effectiveness of the outcome for the business from the millions of dollars spent per year on stakeholder programs and large-scale campaigns. Interestingly in this regard, the author of the article quotes a stated global expert on responsible companies who states that:

...companies still do not fully understand the real value from CSR. (Nielsen, 2012)

This lack of understanding is particularly relevant in light of the growing transparency of corporate activities. Ongoing developments in the contextual environment in which business operates, including globalisation, climate change, demographic trends, and the global economic crisis, have led to increased pressure on both public and private budgets and spending. This tension is triggering a range of new stakeholder expectations, which are being amplified by technological progress in the field of information availability and communication (Jonker et al., 2011, p. 22). Against the background of the increased ease of communicating information across individuals, space, and time,⁵¹ current trends suggest that companies are seeking more comprehensive sources of competitive advantage in their strategic management scope, which relates strategy, structure, and management systems to organisational performance under conditions of complexity and unpredictability (e.g. Grant, 2006, pp. 511–515; Kurucz et al., 2008, p. 84).

Triggered by the underlying deficiencies in understanding regarding the value outcome of undertaking responsible business behaviour noted above, these developments require attention because Elkington's (1997) TBL approach is a fundamental concept of SE, suggesting the necessity for managers to invest time and resources to establish a more equitable harmonisation of broader stakeholder interests when developing their business strategies. As a result, this uncertainty is rekindling an active debate on the pragmatic subject of what denotes responsible management behaviour with respect to the impact of an organisation's business model or value chain processes (Jonker et al., 2015) on society and the environment.

2.5.5.6 Awareness of the Missing Link

In a recent article in a Deloitte online newsletter entitled '*The Missing Link in Corporate Responsibility: Connecting for Sustainable Growth*', the authors (O'Riordan, Marsh, & Jonker, 2016) highlighted their concern for a growing awareness that something is 'missing' in the current approach at both the macro- and micro-level (including the business model and value chain processes) regarding the way in which products and services are produced and consumed. The authors

⁵¹For example, due to improved technology, which enhances internet access and communication, as well as social networking.

labelled this the ‘missing link’, which they claim is central to the predicament inherent in the ongoing debate on responsible business and a stakeholder orientation. Moreover, in the newsletter, they reasoned that business and society could be currently operating in a vacuum due to a profound ‘disconnection’ between the economic system (including by definition business strategies and models) and the social system (driven by a sense of responsibility as human beings).

This ‘missing link’ was particularised to include the three key components comprising: separation of ownership and responsibility, emphasis on monetary transaction value, and lack of transparency. To elaborate, the first component entitled separation of ownership and responsibility was stated to comprise the mental construct, in which companies have almost exclusively pursued the interests of their shareholders, which has driven managerial capitalism through the twentieth century and still remains the prevailing narrative of business today. It establishes the sustaining mechanism for the next component. The authors maintain that the second component, which has been termed emphasis on the monetary transaction value, determines that money has come to be perceived as the most rational method to measure value and value creation. The authors assert that as a result, virtually all business activity is conducted and its value calculated via a straightforward cost/turnover equation. This determines that money is the key transaction value used to estimate profit and loss on business and societal balance sheets. The authors deduce that this has led to what could be considered an obscure perception of how resources (including natural and human) are valued in the corporate conversion process on monetary and social markets. Consequently, they claim that it appears as if markets, with an emphasis on money, seem to disregard the fact that the concept of ‘value’ embraces much more than what currently gets measured in financial accounts. The third component, highlighted by the authors, was depicted as lack of transparency. It addressed how variables (things), nature, and people are systemically and interdependently connected or linked. In this regard, the authors claim that:

... a fundamental tragedy of our time is the lack of sufficiently reliable, accessible/user-friendly, actionable data for those attempting to recognise and address missing links issues. As a result, because we no longer understand or feel how we as human beings are connected to the system, we cannot ‘see’ the connections. This results in behavior which often takes place in a ‘vacuum’ and is disconnected from what matters. So lack of connectivity and lack of transparency function like a pair (negatively) reinforcing each other. (O’Riordan et al., 2016)

According to the authors, the consequence of these observations is that individual actions are not connected to – and do not have an impact on – what matters collectively. The authors suggest that the three ‘missing link’ inconsistencies elaborated above imply a profound ‘disconnection’ between the economic and social system. They highlight that this lack of basic connection between people and an operational ‘sense of responsibility’ calls for measures and effective (management) mechanisms within the system to enable those connections which prove critical to the collective well-being of business and society (O’Riordan et al., 2016).

2.5.5.7 The Search for Enabling ‘Connections’ to Address Stakeholder Expectations

These insights give rise to an increasing and altering scenario of stakeholder expectations. Significantly, this changing scenario addresses not only the responsible business responses stakeholders expect from organisations but most importantly, in addition, it triggers new demands with respect to what internal decision-makers operating within organisations expect of the organisation itself (in its role as a powerful catalyst for change). Crucially, this prompts a series of management issues related to a stakeholder orientation to responsible business management, which drive the key focus for the research presented in this book.

The complex, complicated, and emerging nature of these issues emphasises the general requirement for the emergence of *a new quality of management* focused on measuring, in a harmonised way, an organisation’s ability to create, preserve, or erode economic, environmental, and social value for itself, its stakeholders, and society at large (see, e.g., GRI, 2016). This perspective of stakeholder value creation suggests that in the search for stakeholder-orientated business solutions to address the many challenging questions surrounding an improved acceptance of business in society, spirited leadership appears to be paramount. It further implies that effective stakeholder relationship management conceivably requires decision-makers to contemplate their investment and organisational choice options from the perspective of *identifying and accepting responsibility for those aspects of the business which are of greatest concern to its stakeholders and most significantly for their long-term survival, in which the business can realise the greatest positive impact for both itself and society*. Moreover, this perspective of stakeholder value creation appears to suggest that a key prerequisite for achieving the organisational transformation needed to deliver the said value requires effective management mechanisms and a transition to a system which encourages and enables innovative ‘connections’ to further the collective well-being of business and society.

2.5.5.8 Mainstreaming Business Choices Targeted at Stakeholder Value Optimisation

The literature presented above could indicate that making business choices from a stakeholder value optimisation perspective to generate stakeholder value outcomes (as opposed to a narrower profit maximisation shareholder perspective) is being progressively recognised as key to achieving strategic success. This appears to suggest that mobilising responsible stakeholder relationships can, as a result, serve to identify business opportunities and to circumvent business risks. However, a transformation in strategy based on this broadened business purpose ultimately leading to accountability, transparency, and credibility, remains a speculative assumption, which is clearly not yet generally established either in the mind-set of business managers, nor in the economic and financial instruments available to measure business results (e.g. O’Riordan, 2010; O’Riordan et al., 2016).

The lack of conventionality and reliable evidence of the likely success of pursuing a stakeholder value optimisation perspective triggers a range of management issues which represent a particularly challenging dilemma for those decision-makers, who strive to follow this new rationale. Their management predicament is specifically fuelled by an ongoing controversial debate noted in previous sections, which has prevailed over the past decades, surrounding the business case for social initiatives *per se* with respect in particular to measurement challenges and subjective opinion regarding the notion of value creation (see, e.g., by Kurucz et al., 2008; Rost & Ehrmann, 2015). Clearly, the new ‘inclusive’ approach to stakeholder value creation advocating the requirement for an underlying leadership mind-set, which views commerce, society, and environmental restoration as interdependent and equally valuable in the long run, is not yet widely established either in theory and practice. More specifically, it represents a leadership value stance, which is not conventionally accepted in the broader sense, neither legally from a corporate governance perspective nor economically from a commercial standpoint.

Consequently, stakeholder-orientated organisational activities focused on creating future, collective, collaborative, long-term sustainable wealth via business strategies, which are inherently designed to increase the general well-being of humankind via a combination of creative invention and an innovative, holistic, humanist philosophy towards the role of business in society (e.g. Hawken, 1993; O’Riordan & Fairbrass, 2008, pp. 746, 2014), remain an emerging and embryonic concept as a business approach. Indeed, albeit at government level, the current developments in the USA following the election of Donald Trump serve to highlight the strong debate among various stakeholder groups regarding the diverse range of stakeholder perceptions with respect to what might be viewed as ‘the best’ way forward. Based on the evidence of the decisions which have been made in the first few weeks in office at the time when this book went to press, the Trump team’s approach appears to be moving away from the stakeholder concept of indivisability, liberty, and justice for all. As a result of their emergent character, the lack of meaningful management criteria to measure stakeholder-orientated outcomes determines that business decision-makers find themselves dogged by uncertainty about the perceived acceptability and possibly even the responsibility (from a corporate governance perspective) of social initiatives with respect to the interests of their broader stakeholder constituents, as well as in particular their shareholders. The deficiencies and uncertainties presented in this section are conceivably founded on a range of misunderstandings or potential misconceptions, which are the focus of the next section.

2.6 Management Misconceptions and Unsolved Challenges

This section draws from the literature review presented in this chapter to propose eight, what could be termed management ‘misunderstandings’, ‘misconceptions’, ‘open issues’, or ‘unsolved challenges’ emerging within the context of managing

sustainable stakeholder relationships from a corporate perspective. Extrapolating from past scholarship, these eight aspects are interpreted as apparent in the typical prevailing general ‘mind-set’ with respect to the role of business in society. Crucially, these are inferred as significant to the topic of managing sustainable stakeholder relationships based on the rationale that they may pose potential barriers to unleashing the full potential of corporate responsible management strategies. They include:

1. **The illusion of separation and the absurdity of ignoring the connections.** **Instead:** The inherent interdependencies between business and society ascertain that organisational success clearly relies on and requires a constructive relationship with society.
2. **Overlooking the obvious at everybody’s peril.** **Instead:** The recognition of the need for a new way forward to solve the pressing sustainability issues of our time requires a transition to measures and effective mechanisms both within the economic, social, and political system, as well as at organisational (management) level.
3. **The ‘blind’ belief that the business of business is business.** **Instead:** The business of business is serving society’s needs with valuable commercial solutions.
4. **The paradox of profits and the limits to altruism.** **Instead:** Over time, a business that is not profitable (either due to an overemphasis on increasing sales or decreasing costs or, alternatively, as a result of excessive philanthropy) runs the risk of operating as a burden to taxpayers or ceasing to exist. In both cases, the resulting economically unprofitable organisations deliver no value to society.
5. **The false truth of ‘ethical’ business.** **Instead:** The voluntary nature of responsible business behaviour determines that it cannot be generally prescribed or judged in the normative sense. As a result, ethical matters are context specific. While extremely important as drivers of business values in an organisational context, they are decided and practiced exclusively on an individual basis and consequently require evaluation at an individual level of analysis. While individual motivation, as well as the structures, systems, and processes for ensuring ethical conduct, all play a key role in responsible profits, it is difficult to deem or measure business via indicators such as ‘ethical’ or ‘unethical’.
6. **Rethinking the logic of competition.** **Unsolved challenge:** Inclusive stakeholder value creation along the lines of inclusive capitalism takes a multiple, collaborative, and connected view of value creation, which could unleash the mechanism of competition to unlock its full potential and thereby more extensively distribute the wealth it generates for the advantage of a broader range of interests. How precisely can these mechanisms be effectively unleashed to achieve a stakeholder orientation?
7. **The mystery of measurement and management.** **Unsolved challenge:** If effective measurement is a prerequisite for all management practice, including by definition those decisions with respect to the responsible investment of the

firm's resources, what precisely counts as value, who decides, and how is this measured?

8. Necessity is the mother of invention and perfection is the child of time.

Unsolved challenge: Transforming to a new more sustainable future necessitates a change in the current system, mechanisms, and methods. This in turn requires a broadening of the time horizon perspective in policy and business planning. As a result, transition of a fundamental nature in the traditional industrial capitalist system is required to address the issues presented in this chapter.

Clearly, because corporate approaches to responsible management involve the proactive (subjective) choice to focus management decisions of an internal and external dimension towards value creation, which goes beyond compliance with existing legal requirements, it represents a value judgement. Unsurprisingly, as a possible result of inadequate common agreement with respect to the misconceptions and challenges presented above,⁵² as well as a lack of consensus on how the perceived value generated by business in society is created, measured, and reported, the topics of business accountability and responsibility remain elusive notions, which continue to remain contested issues for business managers and their stakeholders (see, e.g., Acutt et al., 2004, p. 302; Carroll, 1999; Crane & Matten, 2010, p. 224; Ferrell et al., 2010; O'Riordan & Fairbrass, 2008, p. 746). To address these matters, this book aims to shed some light on these important, yet unsolved misconceptions and challenges for business and society, with a specific focus in the first instance on stakeholder relationships in the pharmaceutical industry.

2.7 Signposting

This chapter has presented a broad coverage of many of the areas relevant to the current development and practice of managing sustainable stakeholder relationships from the perspective of corporate approaches to responsible management. It drew from a literature review of many relevant themes to highlight a selection of management misconceptions surrounding the research topic. This served to position the complex management topic of sustainably harmonising stakeholder interests within the broader context of the relationship between business and society. Comparable with Lec's (1957) aphorism of a man who cannot count finding a lucky four-leaver clover, overall, the discussion broadly equated corporate approaches to responsible management with the appearance of something valuable, although its potential is not yet, for various reasons, recognised. In continuing to set the stage to establish the 'why' and 'what' of responsible stakeholder management, the next

⁵²For clarification, Chap. 10 revisits the misconceptions and unsolved challenges presented in this section thereby aiming to shed some light on these themes based on the insights obtained from the data collected in the research study, which forms the information basis for this book.

chapter now turns to address the selected sector of focus for this research study, namely, the pharmaceutical industry.

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Chapter 3

Case Study on Stakeholder Relationships

Managing Stakeholder Expectations in the UK and German Pharmaceutical Industry

Man cannot discover new oceans unless he has the courage to lose sight of the shore.
(André Gide)¹

3.1 Introduction

This chapter focuses on the healthcare sector and the stakeholder relationships of the pharmaceutical business in society in general, as well as more specifically in the UK and Germany. Prompted by the controversial nature of its business activities, it introduces the study focus of the empirical research presented in this book. By providing an overview of the pharmaceutical industry and critically examining secondary data evidence with respect to this sector's stakeholder relationships in general, as well as in the target countries, the UK and Germany, it investigates the reasons why sustainable stakeholder relationship management could be considered particularly challenging for decision-makers in this sector. In doing so, it establishes both the rationale for the focus of the research study and an information base from which the research gaps and questions for the empirical study are developed. Most importantly, it highlights the mind-set transition required by decision-makers in this industry if they are to succeed in discovering innovative opportunities on 'new shores' as suggested in the essence of the quote presented at the beginning of this chapter.

¹French writer, humanist and moralist, 1947 Nobel Prize in Literature, 1869–1951.

3.2 Why Focus on the Pharmaceutical Industry?

3.2.1 *Uniquely Interesting and Challenging Operating Environment*

The pharmaceutical industry has been selected as a uniquely interesting case study for researching the theme of responsible² stakeholder relationships for a number of reasons. First, owing to the very high level of profits it makes in delivering healthcare solutions, combined with an extreme concentration of power, the ensuing influence controlled by the industry has been described as having ‘reached staggering proportions’ (Rifkin, 2005, p. 2). According to Hooper (2016), pharmaceuticals are unique in their combination of extensive government control and extreme economics based on conditions of high fixed costs of development and relatively low incremental costs of production (Hooper, 2016). Accordingly, because the pharmaceutical sector ranks high on the list of ‘big business’ organisations which “control vast resources, cross national borders, and effect every human life”, it has as a result been described as comprising one of ‘the most powerful social entities on earth’ (Phillips, 2003, p. 1). A second remarkable feature of the pharmaceutical sector is that its resources are derived from what some have described as a basic human need, namely, human health (O’Riordan, 2006, 2010, pp. 44–51; O’Riordan & Fairbrass, 2008). This determines the third reason for its appeal. Given the nature of its products and other offerings (i.e. therapies for human consumption to enhance the quality of life, to cure illness, and/or to save lives), the industry operates in a highly relevant but also disputed context, in which varying opinions regarding the rights and obligations of various stakeholders prevail. Fourth, potentially due to the social relevance and profitability of its commercial offerings, the industry experiences a relatively highly regulated and competitive market place (OECD, 2001; PWC, 2016). In short, the industry’s uniquely interesting operating environment is aptly depicted in the following Economist Newspaper excerpt:

Of all the goods and services traded in the market economy, pharmaceuticals are perhaps the most contentious. Though produced by private companies, they constitute a public good, both because they can prevent epidemics and because healthy people function better as members of society than sick ones do. They carry a moral weight that most privately traded goods do not, for there is a widespread belief that people have a right to health care that they do not have to smartphones or trainers. (The Economist, 2014)

Consequently, the pharmaceutical industry can be described as a dynamic environment with consolidation occurring since the early 1990s and continuing thereafter (Pharmaceutical Technology, 2015). A particular challenge facing pharmaceutical companies includes, for instance, complicated issues surrounding

²The word ‘responsible’ is employed in this book as an adjective in the sense of *being* accountable. It is assumed to mean to *be* responsible compared with the closely related noun ‘responsibility’, which is inferred to imply the obligation or duty to *have* a responsibility.

biotech developments, such as influencing genetic coding to ‘improve’ the characteristics of organisms or species, as well as germ line therapy (e.g. O’Riordan, 2006, p. 16, 2010, p. 48). These distinctive characteristics could be considered to especially expose this industry to particularly strong sceptical stakeholder attention (see, e.g., Ethical Corp, 2009). The resulting controversial nature of its activities conceivably creates a particularly challenging operating scenario for decision-makers attempting to develop sustainable stakeholder relationships and responsible response strategies in this sector.

3.2.2 *Negative Perception of this ‘Sensitive’ Sector*

Against a backdrop of general business ‘scandals, affairs, and campaigns’ allegedly caused by irresponsible managers (see, e.g., Carroll & Buchholtz, 2009, p. 4; Kröher, 2007, p. 1; May, Cheney, & Roper, 2007, p. 7; Peters & Roess, 2010, p. 8; Roddick, 2000; Wagner, 2006, p. 8), decision-makers in pharmaceutical companies regularly find themselves facing sceptical stakeholder attention (e.g. Business Week, 2007; Forbes, 2006; Mallenbaker, 2004; The Economist, 2004; Time, 2004). Essentially, the critical stance assumed by stakeholders towards pharmaceutical companies implies that they are far from satisfied with the stakeholder relationships of this target sector. To elaborate, possibly because good health is seen as a basic human entitlement, many stakeholders are keen to highlight what they see as the industry’s many faults (Anderson, 2014; O’Riordan & Fairbrass, 2008, p. 746). Specifically, despite the many demonstrable benefits which their research and development (R&D) has delivered (e.g. Anderson, 2014; O’Riordan, 2006), some academic literature documents how the industry has traditionally been strongly criticised (see, e.g., Crane & Matten, 2010, pp. 364, 408 & 520; O’Riordan & Fairbrass, 2008, p. 746). According to O’Riordan and Fairbrass (2016), because pharmaceutical companies tend to have a business model which invests profits to fuel constant innovation of new medicines and treatments, their resulting pricing strategies to revamp their investment costs tend to attract highly acute attention.

Critics of the industry conceivably expect large and successful pharmaceutical companies to give high priority to their social responsibilities (e.g. O’Riordan, 2010, pp. 44–51). In actual fact however, the industry’s past stance regarding the distribution of essential healthcare products and services in society in general, but specifically in developing countries, has often generated a predominantly negative public perception (Miles, Munilla, & Covin, 2002; O’Riordan, 2006, p. 15). In this regard, according to a study of the pharmaceutical industry in emerging markets such as Brazil, this sector faces the threat of getting “... permanently tagged as a model of social irresponsibility” (Esomar, 2006). The same report highlights how a multiplication of pressures accumulates to represent a unique scenario. These could conceivably result, for example, from a combination of societies with high social needs, the growing upper hand of large (particularly multi-national) pharmaceutical

corporations linked with a corresponding reduced role of the state due to fiscal underperformance and explicit destabilisation of the economy, as well as conflicts of interests between the industry and the government, frequent episodes of corporate misconduct or failures to properly address problems, and negative coverage by the media, among other pressures.

While the pharmaceutical sector's operations could be interpreted as highly translatable into opportunities for social engagement via the development of medicines to save lives and alleviate suffering, thereby fulfilling stakeholder expectations of positive and responsible behaviour in society, the above issues are normally interpreted as a barrier to establishing stakeholder relationships. Within the context of the typically negative perception of 'big business' held by the general public *per se*, the pharmaceutical industry's position is often criticised on a range of issues. According to a BBC business report:

While pharmaceutical companies have developed the vast majority of medicines known to humankind, they have profited handsomely from doing so, and not always by legitimate means. (Anderson, 2014)

Such allegations include excessive profit margins, malpractice, collusion, overcharging, investment in 'unnecessary' drug development, (mis)use of patents, high price levels and price fixing, limiting patient access to life-saving/extending/enhancing medication, disproportionate marketing expenditures, inappropriate animal testing, as well as its research and development procedures (including research methods and patient clinical trials), political lobbying (including more general accusations of 'creative' accounting and unwarranted executive salary levels), and environmental concerns, among others (see, e.g., Anderson, 2014; Brammer & Pavelin, 2004; CSR Risk Mapping Initiative, 2004; Ethical Corp, 2009; Forbes, 2006; Get Ethical Matters, 2004; Haugh, 2003; Miles et al., 2002; Newsaic, 2001; O'Riordan, 2006, 2010, pp. 48–51; O'Riordan & Fairbrass, 2008; PriceWaterhouseCoopers, 2006; Quist-Arcton, 2001; Third World Network, 2004). As a result, their allegedly excessive profit levels have given rise to complaints from society that the decision-makers involved have made business choices which espouse economic profits over peoples' health and the more 'noble' interest of saving human lives (O'Riordan, 2010, p. 49).

Given the range and intensity of these allegations, while most business organisations consider how their stakeholders both view and evaluate them as a matter of significant managerial interest, pharmaceutical companies, in particular, regularly face informed, critical, and active stakeholder 'interest' from government, the media, NGOs, and the public at large. This is possibly because many stakeholder groups (who are affected by and attempt to affect the pharmaceutical industry) regard health to varying degrees as a fundamental human right and the direct responsibility of a sector that makes high profits relative to other industries (e.g. ISO, 2010, pp. 65–66).

In attempting to respond to the pressure of a range of rising stakeholder expectations, the nature of their relationships and communications with their stakeholders accordingly becomes especially important. Consequently, the onus to act

responsibly and to engage effectively with those stakeholders in what could be described as a particularly ‘sensitive’ sphere is heightened. However, at the same time, financial stakeholders and regulators continue to place more demands on financial performance and information requirements (O’Riordan & Fairbrass, 2008, p. 746). Similarly, the influence of the changing role of governments in societal matters (e.g. Albareda, Lozano, Tencati, Midttun, & Perrini, 2008; Crane & Matten, 2010, p. 495; Klein, 2000; Reich, 2007) and the increasing healthcare budgets requirement due to demographic developments, among other factors, potentially combine to further impact societal expectations regarding the role of industry to address these shortfalls.

3.2.3 *Rationale for the Study Focus*

Due to these issues, in their attempt to balance the competing interests of their various stakeholders when developing, producing, and marketing their core products and services, the pharmaceutical sector could be considered to present a very vivid example of some of the particularly challenging and compelling social questions associated with managing corporate approaches to responsible stakeholder engagement (e.g. Silberhorn & Warren, 2007). The allegations charged against the industry, which were noted immediately above, combined with the social focus of its commercial activities, present an acutely complicated operating scenario (O’Riordan & Fairbrass, 2016). This thought-provoking contextual setting forms the basis for the rationale to choose the pharmaceutical industry as a case study for the empirical research presented in this book. The specific combination of the distinctive nature of its business with its focus on providing health solutions, coupled with its stakeholders’ expectations, its particular characteristics, as well as the complex operating context in which pharmaceutical companies operate, serves to cumulatively create a particularly complicated operating scenario and thereby interesting stakeholder conditions for the study of responsible business practice (e.g. Crane & Matten, 2010, p. 364, 408 & 520; Miles et al., 2002; O’Riordan, 2006, p. 15).

Consequently, based on the allegations noted in the previous section, which in effect charge the pharmaceutical industry with favouring profits over peoples’ health (i.e. economic profits over social interests), the pharmaceutical industry could be considered to reflect in a particularly compelling way the challenging dilemmas facing decision-makers when attempting to *identify*, *respond to* and *harmonise* stakeholder interests in a business setting (O’Riordan & Fairbrass, 2014). More specifically, the accusations noted immediately above are significant because a good reputation in society legitimises pharmaceutical companies’ activities which in turn can help to attract and retain employees, investors, and customers (Marsh, 2013, p. 49). As a result, it could be reasoned that undertaking and communicating responsible behaviour might improve the competitiveness and long-term chances of survival of pharmaceutical companies. Nevertheless, despite

the particularly testing challenges noted above, which strongly expose this industry to the critical spotlight, a review of past scholarship reveals significant gaps in knowledge about how pharmaceutical firms manage their stakeholder relationships *per se* as well as in the particular context of the UK and Germany.

To furnish an information base on the case study in greater detail, the remainder of this chapter provides an overview of the pharmaceutical industry in general before focusing on the target countries: the UK and Germany. Based on the limited secondary sources available, it examines the role of the pharmaceutical business in society, i.e. for what it claims it is responsible and to whom, as well as its stakeholder relationships. First, however, the contextual operating environment of the industry is addressed as a basis for the subsequent critical examination of how this sector manages its sustainable stakeholder relationships.

3.3 The Pharmaceutical Industry in Overview

3.3.1 *Description and Revenues*

According to an OECD Report (2001), pharmaceuticals are an important feature of health services in general. Most OECD countries spend between 10% and 20% of total health expenditure on pharmaceutical products. The pharmaceutical industry operates in a high-technology and knowledge-intensive sector, which develops, produces, and distributes (markets) chemicals as medications and device equipment with therapeutic value.

Data from Statistica (2016) confirm the immense importance of global pharmaceuticals with worldwide market revenue reaching nearly one trillion US dollars. The largest pharmaceutical companies have revenues in the billions and tens of thousands of employees. The leading 15 pharmaceutical companies by revenue in 2014 included all of the traditional ‘Big Pharma’ players such as Johnson & Johnson, Novartis, Roche, Pfizer, Sanofi, Merck, GSK, AstraZeneca, Bayer, AbbVie, Lilly, and Bristol-Myers Squibb, as well as some relative new comers: Gilead Sciences, Teva, and Amgen. These 15 companies amassed impressive sales revenue in 2014 of just under US\$527 billion (Forbes, 2015). North America is generally responsible for the largest portion, generating more than 40% of these revenues. This is mostly due to the leading role of the US pharmaceutical industry. However, as in many other industries, the Chinese pharmaceutical sector shows the highest growth rates over the last years.

Still, however, the leading pharmaceutical companies come from the USA and Europe. The ten largest drug companies control over one-third of the market, several with sales of more than US\$10 billion a year and profit margins of about 30%. Six are based in the USA and four in Europe. Based on prescription sales, Pfizer is the world’s second largest pharmaceutical company. In 2013, the company generated some US\$45 billion in pure pharmaceutical sales, while total revenue

stood at nearly US\$52 billion. In addition to the top global players from the USA including Pfizer, Johnson & Johnson, Merck, and AbbVie, the European ‘Big Five’ include Novartis and Roche from Switzerland, GlaxoSmithKline and AstraZeneca from the UK, and the French Sanofi (Statistica, 2016). While companies spend heavily on both marketing and research & development (R&D), they currently spend one-third of all sales revenue on marketing their products – roughly twice what they spend on R&D (WHO, 2016a). Going forward, it is predicted that North and South America, Europe, and Japan will continue to account for a full 85% of the global pharmaceuticals market (Statistica, 2016).

3.3.2 Research and Development

More than any other industry, the pharmaceutical sector is highly dependent on its R&D activities. The industry has a two-tier structure, in which the largest firms account for the majority of the R&D investment in the industry and hold the majority of patents, while a large number of smaller firms manufacture off-patent products or under license to a patent holder. As a result, the pharmaceutical industry is characterised by substantial investment in R&D and a continuous flow of new innovations. As a result, almost all the R&D of the industry is carried out by the large multinational firms. Such pharmaceutical companies invest 20% and more of their revenues in R&D measures. The USA is a traditional stronghold of pharmaceutical innovation. Most new substances introduced to the market trace their origin to the USA. Because of the steady loss of patent protection, the invention of new drugs is of vital importance for the pharmaceutical industry. Revenue losses due to patent expiry are often very significant, as can be seen with Pfizer’s Lipitor (Statistica, 2016). R&D is primarily funded from the profits flowing from the exclusive rights granted to a patent holder during its lifetime. These exclusive rights can lead to substantial market power and wide margins between price and cost for the holder. Many companies have sought to extend patent life in the pharmaceutical industry, in part to offset the substantial costs and delays associated with obtaining marketing approval. At the same time, many countries have adopted policies to encourage competition from rival manufacturers once a patent expires (OECD, 2001, p. 22).

3.3.3 Marketing and Production

Marketing expenditures exceed expenditure on R&D. An important component of the marketing effort is the practice of ‘detailing’ – i.e. promotional visits by sales-force representatives to individual prescribing physicians. Although virtually all OECD countries have some domestic production of pharmaceuticals, the bulk of pharmaceutical production occurs in Japan, Switzerland, the USA,

and the EU (particularly the UK). Although the largest pharmaceutical companies may produce competing products, the main form of competition between these companies is competition in innovation, i.e. in developing new and/or improved therapies. In contrast with the first tier of manufacturers, the second tier in the industry comprises those companies which produce generics or products under license, conduct relatively little R&D of their own, and compete in the market mainly on the conventional dimensions of price, service, and efficiency (OECD, 2001, p. 7).

3.3.4 Regulation

The pharmaceutical and life sciences industry is among the most heavily regulated in the world (PWC, 2016). Few aspects of the industry are unaffected by regulatory controls. All phases of the life cycle of new drugs are regulated, from patent application to marketing approval, commercial exploitation, patent expiration, and competition with generic substitutes. All the important actors in the pharmaceutical industry, i.e. the manufacturers, wholesalers, retailers, and prescribing physicians, are also subject to regulatory controls. These regulatory controls pursue three primary objectives: (a) preserving the incentives for R&D and the flow of new innovative drugs, (b) ensuring the safety of drugs consumed by the public, and (c) controlling the quantity and quality of drug expenditures. Moreover, rising per capita expenditure on pharmaceuticals in several OECD countries over the last decade has focused policy attention on the pharmaceutical industry and controls on pharmaceutical expenditure (OECD, 2001, p. 7). As a result, today, pharmaceutical companies face unprecedented compliance challenges. Moreover, the close regulatory scrutiny to which they are subject is unlikely to abate anytime soon (PWC, 2016).

3.3.5 Innovation, Intellectual Property Protection, and Pricing

The protection of intellectual property rights, especially patents, has been noted as fundamental for ensuring a continuing flow of innovative new drugs. There is evidence that the pharmaceutical industry is more reliant on patent protection for innovation than other industrial sectors (OECD, 2001, p. 7). According to the Economist Newspaper:

Patents on drugs are in the interests of the sick as well as the industry. Protection should not be weakened. (The Economist, 2014)

The research and development process for new drugs is costly and risky. A sizeable proportion of pharmaceutical manufacturers' revenues derive from relatively few products because relatively few new chemical entities ever receive marketing approval, and of those which do, only a few are actually commercially successful. As a result, pharmaceutical companies are unusually heavily reliant on intellectual property right protection (and, in particular, patents) to preserve the income flows from actual market launches necessary to finance R&D. To elaborate, R&D is a risky business. Of every 10,000 products patented, only 100 will reach human trials, and only 10 will be marketed. Research has found that 75% of drug company profits come from just 10% of all drugs. For some major firms, three products account for 70–80% of total pharmaceutical sales (OECD, 2001, p. 7).

Despite the risk associated with R&D investment, Anderson (2014) claims that pharmaceutical companies are nevertheless widely regarded as 'vampires' exploiting the sick and ignoring the suffering of the poor in pursuit of 'profiteering'. Supporting this perspective, statistics published by Forbes (2014) highlighted that pharmaceutical companies have typically enjoyed up to double the profit margins of the next leading sectors (such as banks, car makers, oils and gas, and media). According to Anderson:

...in 2013 the US giant Pfizer, the world's largest drug company by pharmaceutical revenue, made an eye-watering 42% profit margin. [...] Stripping out the one-off \$10bn (£6.2bn) the company made from spinning off its animal health business leaves a margin of 24%, still pretty spectacular by any standard. [...] Last year, five pharmaceutical companies made a profit margin of 20% or more—Pfizer, Hoffmann-La Roche, AbbVie, GlaxoSmithKline and Eli Lilly. (Anderson, 2014)

These statistics and the debate they trigger are significant given that high drug prices often make them unaffordable, thus denying their access to many in need. Because innovation accounts for most of the cost of production, the price of drugs is much higher than their cost of manufacture. This limits their availability for those who cannot afford them. In the past, firms in the industry have typically protected the intellectual property of their drugs and sued those who tried to manufacture and sell patented drugs cheaply. Criticism of such behaviour reached a crescendo more than a decade ago at the peak of the HIV plague. When South Africa's government sought to legalise the import of cheap generic copies of patented AIDS drugs, pharmaceutical companies took it to court. The case earned the nickname 'Big Pharma v Nelson Mandela'. It was a low point for the industry, which subsequently backed down. Now arguments over drug pricing are rising again. Activists are suing to block the patenting in India of a new hepatitis C drug that has recently been approved by American regulators. Other issues with respect to drug pricing are also emerging in countries from Brazil to Britain, as well as with respect to the Trans-Pacific Partnership, a proposed trade deal between countries in Asia and the Americas. The parties have yet to reach agreement, partly due to drug pricing issues (The Economist, 2014).

3.3.6 *The Role of Health Insurance*

The demand for pharmaceuticals, and therefore the market, is fundamentally influenced by the presence of health insurance (both public and private).³ In many countries, health insurance often pays for all or part of the costs of some pharmaceuticals (particularly ‘prescription’ pharmaceuticals). Since the insured consumer does not face the full cost, the incentives on the consumer to curtail his or her demand are weakened.

As a consequence, health insurers adopt a host of mechanisms to control the quantity and quality of drug expenditures. These mechanisms include the use of copayments, formularies, and controls on the prices paid for drugs, on prescribing physicians, and on pharmacists. For those pharmaceutical purchases which are covered by health insurance, the health consumer is partially or fully insulated from the cost and therefore has a weakened incentive to trade-off cost and quality, to substitute other treatments, or to forego treatment entirely. In this regard, three pharmaceutical markets are distinguished: (a) the market for non-reimbursed or over-the-counter medicines, for which the consumer pays the full price; (b) the market for reimbursed, prescription, or ‘ethical’ medicines, for which the demand is affected by health insurance; and (c) the market for pharmaceuticals purchased by hospitals. Hospitals often manage their own pharmaceutical expenditures and may have incentives for controlling costs and using pharmaceuticals effectively (OECD, 2001, p. 8).

In the case of prescription medicines, since the final consumer has little incentive to control his/her consumption, responsibility falls to the health insurer (which is often closely linked to the government) to control the quality and quantity of drug expenditures. There are a variety of mechanisms which health insurers can use to ensure cost-effective drug consumption, including the use of copayments, formularies, and controls on the prices paid for drugs, on prescribing physicians, and on pharmacists. As a result, many countries have established specialised systems or agencies to take responsibility for managing pharmaceutical expenditure. This often includes maintaining the national formulary (a list of drugs which are covered by health insurers, as well as any conditions on use or prescribing), setting copayment and reimbursement policies (most health insurers also control the prices that they pay for drugs or limit the price which will be reimbursed for a drug), and establishing regulatory and financial controls, such as budgets and guidelines for physicians to ensure the most cost-effective patient treatment. These controls typically take the form of prescribing guidelines or controls determining who may prescribe certain medications. Some countries also impose nominal or explicit ‘budgets’ on prescribing physicians or give a financial incentive to doctors who achieve a certain level of generic prescribing. In a few cases, the payment to the

³By definition, as noted in the previous section, this means that in those countries where the drugs are not covered by health insurance, access to medication is limited for those who cannot afford them.

healthcare provider is fixed, giving strong incentives to decision-makers on the use of pharmaceuticals to economise along with all other health inputs. Many insurers also control the activities of pharmacists. Since pharmacists are typically compensated on the basis of a percentage margin on the products they sell, in the absence of explicit controls, they have an incentive to increase rather than reduce the price of the medications they sell. As a result, many countries allow, encourage, or require substitution of cheaper bioequivalent products (OECD, 2001, pp. 9–10).

3.3.7 Access to Pharmaceuticals and Retail Distribution Costs

The widespread availability of and access to pharmaceuticals is one component of the quality of healthcare services. However, the rising cost of pharmaceutical expenditure (see below for further details), coupled with issues related to access to medication for those in need who are not covered by health insurance noted previously, poses challenging questions for policy and business decision-makers. Nevertheless, the aim to provide access to medication to save lives and improve the health of the world's most vulnerable (e.g. MSH, 2016) is frequently portrayed on the websites of many pharmaceutical companies as a key aim of responsible management.

With respect to retail distribution costs, when consumers are insured against the prices of pharmaceuticals, they have no incentive to shop for the cheapest pharmacy so that competition between pharmacies cannot be relied upon to ensure efficient and effective delivery of pharmacy services. As a result, knowledge of the costs of maintaining each pharmacy (or each network of pharmacies) in the retail distribution network is required, and the expense of maintaining a retail distribution network is accordingly a substantial component of the total costs of pharmaceuticals. In such cases, the margins of pharmacies are sometimes regulated (OECD, 2001, p. 10).

3.3.8 Variations in Price Control Policies Across Different Countries

Differences in policies regarding price controls lead to differences in the wholesale prices of pharmaceuticals across different countries. This, in turn, encourages international trade in pharmaceuticals. This trade, although currently small, potentially undermines the ability of pharmaceutical manufacturers, governments, and health insurers to pursue different policies across different countries. Differences in price control policies encourage traders to purchase pharmaceuticals in low-price countries and sell them in high-price countries. This gives rise to parallel trade,

which not only limits the ability of countries to pursue independent pharmaceutical price-fixing policies and potentially results in higher prices in poorer countries (OECD, 2001, p. 11), but can also put patients at risk. According to the Guardian:

... pharmaceutical manufacturers want a crackdown on the practice of buying cheap medicines to re-export at a higher price, a trade that creates shortages in countries such as Greece—and, arguably, allows in dangerous counterfeits. (The Guardian, 2008)

3.3.9 Market Definition and Competition Issues

When defining the relevant market for pharmaceutical products, it is common to start with standardised classification systems such as the anatomical therapeutic classification (ATC) system, which is recognised by the World Health Organization (WHO). The classifications of drugs given by this system are often used as a starting point for market definition, with other drugs excluded (or added) when the ATC is too broad (or too narrow) for competition purposes.⁴ Within this classification system, branded, patented medicines by far make up the largest share of pharmaceutical revenues. For instance, Humira, an anti-inflammatory drug, generated nearly US\$10 billion of revenue worldwide. Likewise, oncologics continue to be the leading therapeutic class based on revenue. In 2013, cancer drugs made around US\$67 billion of revenue globally. Other major market therapeutic classes include pain drugs, antihypertensives, and anti-diabetics (Statistica, 2016).

Competition law applies in full to the pharmaceutical industry (with possible derogation for ‘regulated conduct’). Many of the therapeutic classes by which pharmaceutical markets are defined are concentrated with one or two firms typically accounting for the majority of sales. OECD competition authorities have additionally addressed a range of further issues including vertical and horizontal mergers and vertical and horizontal arrangements along with cases of abuse of dominance. Some of the most difficult issues involve the handling of mergers or agreements, which might have an impact on the incentives for innovation (OECD, 2001, pp. 11–12).

3.3.10 Trend: Increasing Expenditure on Pharmaceuticals

In most OECD countries over the last decade, expenditure on pharmaceuticals is growing at a faster rate than healthcare expenditure overall (OECD, 2001, p. 7).

⁴It may also be necessary to distinguish pharmaceutical product markets according to the mode of administration (an injectable drug may not be considered to be a substitute for an oral drug) or different distribution methods (a hospital-only drug may not act as a competitive constraint on a widely available prescription drug) (OECD, 2001, pp. 11–12).

This has focused public policy concern on mechanisms for controlling pharmaceutical expenditure. Cross-country comparisons of pharmaceutical consumption show that although richer countries consume more pharmaceuticals per capita, some countries, such as France, the USA, and Japan, have high pharmaceutical consumption per capita which cannot be explained on the basis of higher national incomes alone (OECD, 2001, p. 21). In addition, factors such as demographic changes and an increasing elderly population result in enhanced demand, which, combined with the high cost of drugs, have implications for policymakers and patients in the pharmaceutical industry with respect to access to medication and coverage of the associated costs (e.g. Alpern, Stauffer, & Kesselheim, 2014). According to the Economist Newspaper:

The resurgence of conflict over drug pricing is the result not of a sudden emergency, but of broad, long-term changes. Rich countries want to slash health costs. In emerging markets, people are living longer and getting rich-country diseases. This is boosting demand for drugs for cancer, diabetes and other chronic ailments. In emerging markets, governments want to expand access to treatment, but drugs already account for a large share of health-care spending—44% and 43% in India and China respectively, compared with 12% in Britain and America. Meanwhile, a wave of innovation is producing expensive new treatments. In 2012 American regulators approved 39 drugs, the largest number since 1996. Cancer treatment, especially, is entering a new era. (The Economist, 2014)

Addressing the challenges and opportunities inherent in this trend of rising costs and demand due to diseases that come with age, not from ‘out-of-control’ viruses, will require a tailored economic response to ensure access to medicine for those in need (The Economist, 2014).

3.4 The Pharmaceutical Industry in the UK and Germany

3.4.1 *The Rationale for the Target Country Choice*

Within the context of the general characteristics of the pharmaceutical industry presented in overview immediately above, when exploring the question of how pharmaceutical firms manage their stakeholder engagement activities, the pharmaceutical industry in two European Union (EU) countries, the UK and Germany, was purposefully chosen. The rationale for this choice was based on their strategic importance, as well as an interest to both specify and anchor the research perspective. The need for fresh research with respect to the pharmaceutical industry in these two countries additionally became evident because an extensive review of previous relevant academic literature revealed a significant lack of empirical data relating to the pharmaceutical industry and its stakeholder relationship activities (see, e.g., O’Riordan, 2010; O’Riordan & Fairbrass, 2016).

The addition of geographic substance via a multiple case-study enquiry focusing on these two countries aims to achieve a deeper understanding of the norms, ideas,

rationales, and influencing factors affecting this industry from these two context-specific perspectives. More specifically, the UK and Germany were selected because past scholarship pointed to some important contrasting political, historical, and cultural environments, in which the stakeholder management policies and strategies would be developed by the companies (e.g. Habisch, Jonker, Wegner, & Schmidpeter, 2005). A comparison of stakeholder relationship behaviour within these two countries in a European setting is expected to potentially enhance illumination of the target sample's responsible management practices. To examine how decision-makers manage their response to their stakeholders' expectations within this specific setting, these countries were selected as institutionally similar research locations with some inherent contextual differences. The remainder of this section now elaborates on these points by briefly examining the general literature available relating to the contextual aspects within which stakeholder relationships transpire in the UK and Germany.

3.4.2 The UK and Germany in Context

3.4.2.1 General Country Comparison

While each country has its own unique political, cultural, and economic history and differs significantly in terms of core characteristics, such as business-government (e.g. Crane & Matten, 2010, p. 495) and/or business-employee relationships (Maignan & Ferrell, 2003, p. 56), both countries share common defining features. These include democratic institutions, a similar level of economic development in Western industrialised systems, close geographic proximity, and membership of the EU⁵ and other international organisations, such as the OECD and the UN. Both have undergone strong political, institutional, and economic reform. For example, both countries have experienced significant macro-economic policy reforms via integration into the EU in many areas, such as legal reform, tax reform, and other political, institutional, and economic areas, including service industry change. These laws, regulations, and guidelines impact the corporate governance (CG) codes of conduct governing behaviour in each country, as well as their differences and similarities (Fürst & Wieland, 2004; Wagner, 2006, p. 13). While CG has been described as a global occurrence (e.g. Mallin, 2013, p. 23),⁶ the many differences including business forms, legal, cultural, ownership, and structural characteristics, as well as the varying expectations and practices of the varying actors (directors, share-

⁵For clarification, the data upon which the research presented in this book is based was undertaken in the period before the Brexit referendum, and this text accordingly refers to the situation before the Brexit decision in the UK.

⁶Please refer to Chap. 2 for further details.

holders, and stakeholders) provide an interesting setting for examining sustainable organisational-stakeholder relationships in a responsible management context.

To establish an information basis for examining the still evolving system for overseeing and organising the interrelationships between organisational actors and their operating environment in the UK and Germany, the subsequent sections now first address the healthcare system in general and then pharmaceutical practices at organisational level in both countries.

3.4.2.2 The Healthcare System in the UK

The UK healthcare system, National Health Service (NHS), came into existence in the aftermath of the Second World War and became operational on the 5th July 1948. It was first proposed to the Parliament in the 1942 Beveridge Report on Social Insurance and Allied Services and is the legacy of Aneurin Bevan, a former miner, who became a politician and the then Minister of Health. He founded the NHS under the principles of universality, free at the point of delivery, equity, and paid for by central funding (Delamothe, 2008). Since then, the NHS has evolved to become one of the largest healthcare systems in the world. Despite numerous political and organisational changes, the NHS remains to date a service available universally that cares for people with an emphasis on predictive, preventive, and personalised medicine elements, on the basis of need and not ability to pay, and which is funded by taxes and national insurance contributions (Grosios, Gahan, & Burbidge, 2010).

Healthcare in the UK is organised in a devolved manner, in which England, Northern Ireland, Scotland, and Wales each have their own systems of publicly funded healthcare, financed by and accountable to separate governments and parliaments, together with smaller private sector and voluntary provision. As a result of each country having different policies and priorities, a variety of differences now exist between these systems (BBC, 2008a, 2008b). Despite the separate health services in each country, the performance of the NHS across the UK can be measured for the purpose of making international comparisons.⁷ Since 2005, a leading European provider of consumer information on healthcare, Health Consumer Powerhouse, has produced its annual EuroHealth Consumer Index, ranking European health systems according to their performance on a host of indicators focusing on (1) patient rights and information, (2) accessibility, (3) outcomes, (4) range and reach of services, (5) prevention, and (6) pharmaceuticals (BMJ, 2016). In its most recent iteration, the UK ranked only 14th of 35 countries studied (BMJ, 2016). This stands in stark contrast to the assessment by the Commonwealth Fund (2014) just a year before, in which the UK was rated as the best performing

⁷While many health systems' rankings have been widely criticised, such the 2000 World Health Report, according to the *British Medical Journal* (2016), these are far more transparent, methodologically, than the EuroHealth Consumer Index. However, similar to other complex systems, there is no universal consensus on the 'right' way to rank health systems.

health system among a set of high-income countries in 2014. Furthermore, while the UK's palliative care has been ranked as the best in the world, according to the Economist Intelligence Unit (EIU, 2015), in 2005–2009 cancer survival rates lagged 10 years behind the rest of Europe although survival rates continue to increase (The Guardian, 2015). Nevertheless, as noted in the footnote above, the reliability of these indices have been criticised by academics:

While we understand the excitement surrounding health system rankings, we caution against over-interpreting them and, the EuroHealth Consumer Index [...] is especially problematic. (BMJ, 2016)

3.4.2.3 Healthcare Expenditure and Trends in the UK

According to the UK office for national statistics from 2015, total healthcare expenditure in the UK from both public and private sectors was £150.6 billion in 2013, representing an increase of 2.7% between 2012 and 2013. Total healthcare expenditure as a percentage of GDP rose sharply between 2008 and 2009, as GDP fell, but has decreased since 2009 (UK Statistics Office, 2015). The total expenditure on healthcare as a proportion of GDP in 2013 was 8.8%, below the OECD average of 8.9% and considerably less than comparable economies, such as France (10.9%), Germany (11.0%), the Netherlands (11.1%), Switzerland (11.1%), and the USA (16.4%) (OECD, 2015). The percentage of healthcare provided directly by the state in the UK is higher than most European countries, which have insurance-based healthcare with the state providing for those who cannot afford insurance. The figure in 2013 was 84% in comparison with Germany at 77% (OECD, 2014).

According to a Deloitte report (2015a), the most pressing issue facing the UK's National Health Service (NHS) in 2015 was balancing the country's increasing healthcare needs arising from changing population demographics against constrained funding to meet those needs. Questions exist regarding the amount of funding required to better align supply to demand and, in particular, how to fund integration and primary care while meeting increasing demand for acute activity. Added complexity comprises the issues of inefficiency in the current use of NHS funds and the need for significantly more investment if the system is to remain solvent. To address these issues, the NHS likely needs a further £8 billion a year by 2020 (Deloitte, 2015a).

The same report highlighted elections and the use of health as a political 'football' as the UK's dominant healthcare issue. It suggests that:

... while all political parties continue to support the idea of NHS care free at the point of need, and recognize that this will require increased funding, the differences between the parties is by how much and where the funding will come from. This, in turn, is likely to halt or slow down reform. (Deloitte, 2015a)

3.4.2.4 The Healthcare System in Germany

Germany has the world's oldest national social health insurance system with origins dating back to Otto von Bismarck's social legislation (Ulrich, 1996). It was established at national level by the following bills: Health Insurance Bill of 1883, Accident Insurance Bill of 1884, and Old Age and Disability Insurance Bill of 1889 (e.g. Sauerborn & Bähringhausen, 2002; WHO, 2005). Its origin is based on the three key principles of solidarity, subsidiarity, and corporatism. *Solidarity* implies that the government is responsible for ensuring universal access by helping those who are in need and potentially unable to participate in the private health sector.⁸ The idea of social partnership is also upheld, reflected by the similar contributions made by employers and employees. *Subsidiarity* suggests a decentralised system under which policy is implemented with minimal political and administrative influence. This doctrine is endorsed by political parties of all persuasions and is embedded in the German constitution – the Basic Law of 1949. In healthcare, subsidiarity means that the government is only responsible for setting the legislative framework and establishing the corporatist bargaining process. *Corporatism* is reflected in the democratically elected representation of employees and employers on the governing boards of sickness funds, as well as in the importance of national and regional decision-making bodies. These bodies negotiate the terms of medical care and reflect the interests of groups, such as doctors, dentists, pharmacists, the pharmaceutical industry, as well as insurers. The result of this system is that it is often difficult for any one group to change the rules, or to raise fees or contribution rates without the consent of the other parties (Rosewitz & Webber, 1990). This leads to the issue that required changes meet against vested interests (Altenstetter, 1987). Moreover, similar to the UK, German healthcare suffers on occasion as a result of the ruling parties' differing ideologies. Due to this, healthcare policies are often fragile and 'diluted' in order to protect the cohesion of the central government coalition and in danger of being reversed once the balance of political power changes (Civitas, 2013).

The Federal Ministry of Health controls all aspects of state healthcare, organised in a similar structure to the pre-1974 NHS in the UK, with the ministry working directly with hospitals and GPs and with local council delegations in many city areas (The Guardian, 2011). Responsibility for the healthcare system in Germany is shared between the Länder [states], the federal government, and civil society organisations. In this approach, vertical implementation of policies is combined with strong horizontal decision-making. Mandatory health insurance originally applied only to low-income workers and certain government employees, but has gradually expanded to cover the great majority of the population (e.g. Civitas, 2013).

⁸While this implies that citizens contribute according to their means, public sector monopoly is not implied as might be inferred in the UK.

Approximately 95% of the population is covered by a ‘Statutory Health Insurance’ plan, which provides a standardised level of coverage through any one of approximately 1100 public or private sickness funds. Its reimbursement plan is estimated to be approximately 95% similar (GKV-Vergleich, 2016). Historically, the level of provider reimbursement for specific services is determined through negotiations between regional physician’s associations and sickness funds (Civitas, 2013). The statutory health insurance plan is funded by a combination of employee and employer contributions, as well as government subsidies on a scale determined by income level. Citizens pay into one of the statutory state sickness funds through their payroll or bank. Payments are around 15% of gross earnings, and citizens can elect to switch funds to save on premiums, as well as compare fund rates online.⁹ Although regulation and practices have recently changed in this regard, German patients generally have access to visit any GP or specialist they wish. The system is decentralised with private practice physicians providing ambulatory care and independent, mostly non-profit hospitals providing the majority of in-patient care (Civitas, 2013; The Guardian, 2011). Although Germany’s public system will likely continue to play a dominant role in healthcare going forward, the proportion of private spending is expected to rise gradually as the government remains focused on the steady consolidation of public finances (Deloitte, 2015b).

Higher-income workers sometimes choose to opt out of the standard plan, in favour of ‘private’ insurance. As a result, approximately 12% of those employed opt out of the state scheme for private health insurance, usually when they are younger, as premiums are lower (The Guardian, 2011). Nevertheless, more than 20% of the publically insured population has an additional private health insurance to improve their healthcare (Deloitte, 2015b). These premiums are not linked to income level but instead to health status (Rosewitz & Webber, 1990). The unemployed are funded separately through the social fund or the AOKs (Allgemeine Ortskrankenkasse), the local funds of last resort, which cover about one-third of the population (The Guardian, 2011).

German hospitals operate under diverse ownership, with a mixture of state, private, mutual, and friendly societies. In-patient stay reimbursements are complex and are not based on treatments, a situation that has caused many experts to suggest health reforms [Gesundheitsreform]. The German healthcare reform law (January 2004) simplified a previously highly complex administration, seeking to reduce paper trails and sickness fund premiums as a result (The Guardian, 2011).

⁹For clarification however, comparing the healthcare contribution rate is complex because accident insurance [Arbeitsunfallversicherung] and long-term care insurance [Pflegeversicherung] are usually bundled with health insurance by many funds.

3.4.2.5 Healthcare Expenditure and Trends in Germany

Germany's total healthcare expenditure as a percentage of GDP fell to 11.3% in 2013, the lowest level since 2008. However, it is forecast to rise gradually in 2014–2018, to 11.7% of GDP. Total estimated healthcare spending in 2013 was €326.6 billion/US\$411.5 billion. Spending is expected to increase in 2014–2018 by an annual average of 3.8% (in local-currency terms) to €373 billion/US\$470 billion (Deloitte, 2015b).

Similar to other developed nations, Germany is instituting healthcare cost containment and process optimisation programs, including value-based pricing models and pay-for-performance mechanisms. In addition, provider consolidation is taking place, evidenced by an increasing tendency towards hospital mergers and the creation of strategic partnerships to concurrently increase capabilities. Although Germany's ratio of 3.8 doctors per 1000 people is higher than the OECD average, the number of healthcare graduates has fallen over the past decade, resulting in recruitment problems (Deloitte, 2015b).

According to a recent Deloitte report (2015b), an ageing population combined with the increasing prevalence of lifestyle-related chronic diseases is expected to boost healthcare demand in Germany, even as the federal and regional governments continue to attempt to hold down spending growth in healthcare budgets and reduce existing overcapacities in the healthcare provider market. An EIU report further highlights that:

Germany has a particularly high elderly population who are funded by a public healthcare insurance system. [...] The proportion of people 65 or older already exceeds one in five, and is expected to rise to over 22% by 2018—pushing up demand for treatment of age-related conditions and elderly care, and putting considerable stress on the overall healthcare budget. Germany is second only to Japan in terms of its old-age dependency ratio, at an estimated 32% in 2013 compared with Japan's 39%. (EIU, 2014)

Due to these developments, its ageing population is identified as one of Germany's biggest challenges to healthcare cost containment. This segment of the population is noted as one of the most vulnerable in the world of healthcare, mainly because of their susceptibility to contracting disease, issues related to access to healthcare insurance, long-term care, and/or reduced quality of life. Moreover, there are concerns that political issues, such as the Russia/Ukraine and Syrian crisis, as well as the effect of resulting current and potential sanctions, may place economic stress on Germany and other European Union countries. That stress may constrain future government healthcare spending and lead to even more stringent pharmaceutical price controls (Deloitte, 2015b).

3.4.3 *Target Country Comparison*

3.4.3.1 **The UK and Germany: Similarities and Differences in Healthcare Systems**

According to The Guardian (2011), usually due to historical reasons, differences between almost all countries' healthcare systems exist with respect to their organisational structures, along with the way their insurance system is administered. While Belgium, France, Germany, and Sweden run publicly funded health services similar in scope to the UK's NHS, they do so in very different ways. An interesting aspect is the similarity of these countries' administration to the UK's pre-1974 NHS structure, which evolved because of county council involvement. What differs in particular is the way treatment is controlled at the point of care and how the patient pays and is reimbursed. The Guardian Newspaper states:

In some countries, this has profound implications for the unemployed or homeless, although most doctors will treat first and organise the paperwork afterwards. (The Guardian, 2011)

Similar to other European Union countries, the UK and Germany seek to address rising levels of consumer demand via optimal healthcare at all levels. This trend is expected to intensify due to the ageing population and other factors. As a result, most developed nations are instituting healthcare cost containment and process optimisation programs (e.g. Deloitte, 2015b).

3.4.3.2 **Strategic Relevance of the Pharmaceutical Sector**

In both countries the pharmaceutical industry is of key strategic importance. For instance, according to the Association of the British Pharmaceutical Industry (ABPI) (2010), the British pharmaceutical sector is one of the world's largest exporters of pharmaceutical products by value with exports in 2005 at £12 billion. An analysis of the world's top 100 medicines reveals that, after the USA, Britain's pharmaceutical companies' market share is greater than all its European competitors combined (ABPI, 2005, 2010, 2013). Additionally, pharmaceuticals consistently lead in the top three industrial sectors in terms of trade surplus. The salience of the industry in the UK is highlighted as a vital part of the country's economy by the UK chemical industry association, which represents chemical and pharmaceutical companies (CIA, 2015). Due to exports of nearly £50 billion each year, the industry is noted as the UK's largest manufacturing export sector, with growth in jobs in the pharmaceuticals sector of 10% and a total of 30,000 full-time equivalent roles in R&D. As a result of this salience Steve Elliot, the Chief Executive of the CIA stresses the industry's 'outstanding achievement', which is: "...helping to meet the world-wide need for safe and reliable products for treating illnesses and injuries" (CIA, 2015). According to Mr. Elliot, this signifies the role of the

pharmaceutical industry as “... a positive force for good in this country and beyond”... and “an essential partner ... of today’s society” (CIA, 2015).

Similarly, in Germany, according to the federal ministry of economic affairs and energy, the chemical and pharmaceutical industry is Germany’s third largest industrial sector in terms of revenues. With revenues of over €190 billion in 2013, the German chemical and pharmaceutical industry is by far the largest European chemical and pharmaceutical industry, as well as being the fourth largest worldwide, according to data provided by the German chemical industry association VCI [Verband der Chemischen Industrie]. Revenues from the chemical and pharmaceutical industry constitute nearly 11% of the total revenues in Germany’s processing industries. Similar to the UK, the German chemical and pharmaceutical industries both hold a strong position in the field of research. Its high number of innovations and wide range of products make the industry a major supplier for other industries. Expenditure on R&D was around €10.5 billion in the year 2013, according to the VCI. This positions the German industry at third place in an international comparison. In the year 2010, 77% of the companies in Germany’s chemical and pharmaceutical industry brought new products to the market. Some €13 billion altogether was invested in innovation. According to data from Germany Trade & Invest, Germany holds third place worldwide in the number of patent applications filed for chemical products. Germany is also among the top-ranking countries in its number of patent applications for pharmaceutical products (MIIG, 2016). According to Finance Maps (2016), Germany is the third largest pharmaceutical market in the world and the largest in Europe with one of the top sector yields in Europe. It also has the largest generic drugs market in Europe (VFA, 2005, 2010, 2013). With revenues of €3.8 billion, Germany is the third largest market for pharmaceuticals in an international comparison. According to the German Federal Office for Statistics, the pharmaceutical industry employed over 110,000 employees in 2011 (BPI, 2013, p. 9). However, the Euro zone economic crisis slowed pharmaceutical growth. In 2012, the pharmaceutical industry in Germany produced pharmaceuticals valued at €28 billion (BPI, 2013, p. 8). The industry uses major technologies for R&D, as well as drug manufacturing. The German pharmaceutical market is dominated by some big companies and many small- and medium-sized enterprises, such as fast-growing SMEs. Of the approximately 854 pharmaceutical companies operating in Germany (BPI, 2013, p. 6), many are located in Berlin. While the leading companies adopt an innovation-driven market model to launch new drugs, rising healthcare costs and an ageing population are curbing government spending and leading to the introduction of restrictions on the pricing of the drugs which puts certain restrictions on the trade of the pharmaceutical products.

Despite these trends towards increasing restrictions, the German pharmaceutical industry association, Bundesverband der Pharmazeutischen Industrie e.V. (BPI), discusses its philosophy of “... focusing on health and people...” (BPI, 2013). The industry association also stresses that discussions on the cost of medication also have to consider the interests of the patients and society (BPI, 2013, p. 24). To

examine this apparent contradiction the next section turns to explore stakeholder relationships and its challenges in the pharmaceutical sector.

3.5 Stakeholder Relationships and Influencing Factors

3.5.1 *Pharmaceutical Industry Perspective*¹⁰

To counterbalance the negative perception of the pharmaceutical sector which was previously presented in this chapter, this section introduces the theme of stakeholder relationships from the perspective of the pharmaceutical industry. By providing a selection of quotes, which were chosen to represent how the industry views its role in society, it aims to reflect the sector's own understanding of its global contribution to society from a European standpoint. According to the Association of the British Pharmaceutical Industry (ABPI)¹¹:

The pharmaceutical industry today is more than just about developing new medicines and technologies that bring benefits to patients and therefore mankind. Our member companies seek to operate in an ethically-responsible manner, leading the way in developing innovative approaches to improving and increasing length and quality of life, whilst also considering global developing world and environmental issues. (ABPI, 2013)

Within the scope of its business activities,¹² the international association of research-based pharmaceutical companies, International Federation of Pharmaceutical Manufacturers' Association (IFPMA), highlights a range of stakeholder-orientated activities, which pharmaceutical companies undertake within the context of their business scope. The IFPMA¹³ explicitly declares its understanding of its social role in society in stating:

The primary societal responsibility of the pharmaceutical industry is to discover and develop new drugs and vaccines. The industry currently has more than 100 new drugs and vaccines in development for HIV/AIDS, plus major industry-supported initiatives to advance research and development for new drugs in malaria, tuberculosis and other diseases prevalent in developing countries. [...] Between 1998 and 2002, contributions

¹⁰This section is adapted from text which originally appeared in O'Riordan (2010, pp. 44–48).

¹¹The ABPI represents large, medium, and small, innovative research-based biopharmaceutical companies in the field of biosciences in the UK. It is recognised by the Government as the industry body negotiating on behalf of the branded pharmaceutical industry, for statutory consultation requirements including the pricing scheme for medicines in the UK.

¹²The business activities of research-based pharmaceutical companies have been described above as developing and producing pharmaceutical products and services as therapies and diagnostics for human application/consumption aimed at enhancing the quality of life as well as to cure illness and/or save lives.

¹³The IFPMA quotes presented in this section were made by the Director General of the IFPMA, Dr. Harvey Balle.

from the 10 largest pharmaceutical companies for health-related programmes in the least developed countries, totalled US\$2.2 billion. (IFPMA, 2009, p. 1)

More specifically in this regard, according to the ABPI (2013), UK-based pharmaceutical companies are among those leading the way in both the effort and resources they offer to tackle developing world diseases.

Many countries lack the most basic health services and even the cheapest treatments cannot be afforded. As a result, diseases which have been largely eliminated from the developed world, including tuberculosis and cholera, continue to flourish in poorer countries. Other diseases that are also far more common in developing world countries than elsewhere include leprosy, malaria and trachoma, and the spread of HIV/AIDS has added to the overwhelming problems which face some of the poorest countries in the world. (ABPI, 2013)

This contribution from its inherent business activities, which could be construed as a benefit to society in general, indicates an assortment of broad-ranging business operations to implement both a sustainable and a responsible business concept. The reported approach is:

Multi-dimensional, encompassing a wide range of business practices (e.g. health and safety policies, community involvement, stakeholder dialogue, adherence to regular codes of conduct), but also covering activities that go beyond companies' operations. (IFPMA, 2009, p. 1)

Within this approach, the activities involved are reported to cover:

A number of areas such as: improving access to medicines [...], donation programmes, research and development for diseases prevalent in developing countries, investing in health-related education and prevention programmes, and establishing global safety and ethical standards into daily business practice. (IFPMA, 2009, p. 1)

Moreover, with respect to its future business strategy, the international pharmaceutical association states its ongoing responsibility plans:

Confronted with new emerging diseases and increasing microbial resistance to existing medicines, the most important role of the research-based pharmaceutical industry is to continue to create and develop new products. (IFPMA, 2009, p. 1)

While a clear definition of *for whom* the industry precisely perceives responsibility is lacking, these statements indicate a broad understanding of obligation to society as a whole, which includes the needs of those in the developing world. As part of their endeavour to balance their various stakeholder interests, many companies in the research-based pharmaceutical industry claim to have responded to the needs of society in general by fully integrating responsible business practice as an “element of their strategies and operations” (IFPMA, 2009, p. 1). More precisely in the words of the IFPMA:

... in addition to following a socially responsible business model (consistent with global standards such as health, safety and environment policies, for example), pharmaceutical companies undertake many additional activities related to healthcare, particularly (but not exclusively) in developing countries. (IFPMA, 2009, p. 1)

In addition to this contribution, the association makes further claims regarding its ongoing work to alleviate global illness:

The industry has made and continues to expand its efforts to ensure that patients have access to the medicines they need. The vision for the pharmaceutical industry's role in global healthcare is to create and develop medicines that save and improve the lives of millions of people and, in partnership with governments and other organisations, to help improve access to them. (IFPMA, 2009, p. 1)

To achieve this, the association further emphasises the cooperative aspect of its responsible business practice:

Currently there are more than 50 separate public-private partnerships around the world, based on individual company contributions or working through groups of companies in collaboration with international bodies. In addition to donations, there are numerous initiatives where the industry provides education, infrastructure and technical assistance to developing countries. (IFPMA, 2009, p. 1)

3.5.2 Managing Stakeholder Relationships: Pharmaceutical Industry Challenges

3.5.2.1 Sustainable Stakeholder Relationship Opportunities

Because it undertakes a social mission to advance health in society, arguably, the dilemmas surrounding responsible management and its realisation are more acutely highlighted in the particularly 'sensitive' pharmaceutical industry (e.g. Fischer, 1964; Miles et al., 2002; Spinello, 1992). The first chapter of this book highlighted how the quest for a responsible response is provoking a fundamental reappraisal of a 'license to operate' (e.g. Ulrich & Fluri, 1995) and an 'unspoken contract' between business and society. In addition to posing potential threats, this quest simultaneously triggers commercial prospects which can serve to 'legitimise' the business activities (e.g. Campbell, 2000; Gray, Kouhy, & Lavers, 1995, p. 52; Haniffa & Cooke, 2005, p. 3; Lindblom, 1994; Stark, 1994; Woodward, Edwards, & Birkin, 2001, p. 357).

Finding business opportunities in societal and environmental challenges could, as a result, be considered a key step towards creating shared value (Porter & Kramer, 2006, 2011) and ultimately stakeholder value as defined in Chap. 2. According to a number of reports (e.g. Booz & Company, 2013; PWC, 2016), stakeholder management is a key opportunity for pharmaceutical companies and the life sciences industry. This requires the consideration of a wide range of emerging opportunities and risks as decision-makers in this industry adapt their business to changing regulatory and market-driven pressures, including globalisation, the advancement of technology, and the changing expectations of stakeholders (Booz & Company, 2013; Esomar, 2006). Although new information systems, strategies, and processes to manage stakeholder interests are rapidly evolving in response to these pressures, a range of additional issues continue to influence the

management of stakeholder relationships in the pharmaceutical industry. These include management challenges inherent in stakeholder engagement in general *per se*, including those highlighted in the previous chapter, such as uncertainty, lack of understanding, as well as a range of ‘missing links’ which were addressed in greater detail in Chap. 2. Within the context of those more general issues, this section draws from the literature review presented in the previous chapters to summarise the specific contextual challenges facing decision-makers in what could be considered a highly complicated and ‘sensitive’ operating scenario.

3.5.2.2 Sustainable Stakeholder Relationships as a Source of Competitive Advantage

As companies are seeking more comprehensive sources of competitive advantage in their strategic management scope via new connections between strategy, structure, and management systems to organisational performance (e.g. Grant, 2006, pp. 511–515; Kurucz, Colbert, & Wheeler, 2008, p. 84), the negative public perception associated with the pharmaceutical sector, which was outlined in this chapter and previous chapters, suggests a particularly complex operating environment for decision-makers in this industry. The strategic conditions of complexity and unpredictability regarding the value of practicing responsible business, combined with increasing transparency due to technological advances in communication,¹⁴ is triggering an increased emphasis on the social (and ethical) responsibilities of companies within the macro-operating environment (see, e.g., Blair, 1998; Carroll & Buchholtz, 2009; Donaldson & Preston, 1995; Ferrell, Fraedrick, & Ferrell, 2010). Within this context, the complex quality of the pursuit to harmonise stakeholder interests in a responsible way for all businesses but in particular for the pharmaceutical industry in general, as well as specifically for the case of the UK and Germany, prompts a range of questions relating to stakeholder expectations regarding *for what* the corporation is responsible and *to whom*. In the quest for sustainable value creation, these questions require attention because the principles inherent in Elkington’s (1997) TBL or McDonough and Braungart’s TTL (McDonough & Braungart, 2002) sustainability approaches, among others, comprise the fundamental underpinning rationale of responsible stakeholder management. This suggests the necessity for managers to invest time and resources to establish an equitable parity of broader stakeholder interests when developing their business strategies.

¹⁴Resulting from an upsurge in connectivity related to the ease of communicating information due to improved technology, which enhances internet access and communication, leading to increased social networking.

3.5.2.3 ‘Remaining Relevant’ via Stakeholder Engagement in a Challenging Environment

A recent Deloitte report (2014) presented in the previous chapter suggests that if the pharmaceutical industry wishes to ‘remain relevant’ in order to survive in its challenging operating environment, regular interaction with important stakeholder groups, as well as robust stakeholder engagement are crucial in order to ensure that companies are able to engage with their stakeholders, i.e. to understand and respond to legitimate stakeholder concerns. When responding in their everyday operations to their stakeholders’ interests and expectations of its stakeholders, this presupposes a specific consideration of the scope of the company’s obligation within the context of a broad range of competing stakeholder rights and responsibilities. For the specific case of the pharmaceutical industry, the ABPI (2013) emphasises a focus on three key areas of social and environmental interaction or connection:

- **Environmental impact:** Striving to contain their environmental impact and reducing their carbon footprint.
- **Global access to medicines:** Investing effort and resources to tackle developing world diseases.
- **Community support:** Their role within their local communities.

3.5.2.4 Sustainable Stakeholder Relationship Management Challenges

According to the ISO 26000 standard, the salience of health as an essential element of life in society implies that health is a human right. This is inferred as a key rationale for organisations to contribute within their means to the promotion of health by preventing damage and improving access to health services (ISO, 2010, pp. 65–6). As a major source of medical innovation to promote health and save lives (including the development of a range of treatments such as anaesthetics and oxygen; analgesics, anti-inflammatories, anti-pyretics, and anti-allergies; antidotes; anti-infectives; anti-fungals; pain medication; blood and cardiovascular products; dermatologicals; diagnostic agents; disinfectants and antiseptics; diuretics; gastro-enterological medications; genito-urinary medications; hormones and contraceptives; immunosuppressants; immunologicals; muscle relaxants; psychotic therapies; respiratory drugs; vaccines; vitamins and minerals; and drugs acting on the ear, nose, and throat (WHO, 2016b)), which has undoubtedly significantly improved and increased the quality of life of those able to obtain access to good quality supervision, the benefit to society of the pharmaceutical industry clearly has to be balanced against the range of allegations (or costs to society) associated with the critical stakeholder attention noted in previous sections.

This requirement to balance stakeholder interests highlights a range of management challenges as well as opportunities for decision-makers in this industry, who face a number of issues when attempting to respond to stakeholder expectations.

These include the aspects noted previously in this chapter, such as industry structure, regulation to ensure safe effective and high quality drugs as a condition of market access drug utilisation, pricing levels and health-insurance systems, price regulation, funding of R&D costs, as well as issues related to marketing and promotional expenditure.

Operating in this complicated environment heightens the uncertainty in establishing answers to the pragmatic questions of what denotes a responsible role for the industry on these and other issues? More precisely, at organisational level, such questions are rekindling active reconsideration of the impact of the pharmaceutical business model or value chain processes on society. This includes issues with respect to the following:

1. Shareholder value given the high risk/high reward operating environment in which research-based pharmaceutical companies operate with respect to the cost, time, and likelihood of obtaining marketing approval.
2. The nature of demand which is dependent on the rules, institutions, and incentives established by the health insurer to control and govern the actions of the manufacturer, the health consumer, the prescribing physician and pharmacist (OECD, 2001, p. 22).
3. Price and costs, including the mechanisms used to control pharmaceutical expenditures, as well as the use of formularies, reimbursement policies, controls on doctors, incentive schemes, controls on pharmacists, and price controls (OECD, 2001, p. 22), notwithstanding price differences between countries leading to 'parallel trade' which may lower prices in high-price countries (OECD, 2001, p. 23).
4. Limited Competition and Barriers to Entry. The presence of limited competition and barriers to entry in pharmaceutical markets and some markets for pharmacy services gives rise to market power and scope for anti-competitive behaviour.¹⁵ Many merger attempts have accordingly been opposed on the grounds that they will unacceptably reduce competition either between current products or in the rate of innovation of new products in the future (OECD, 2001, p. 23).

Consequently, the pharmaceutical sector is a dynamic, research-intensive industry which is fundamentally influenced by a web of regulations designed to (a) promote research and innovation in the design and production of drugs, (b) protect consumers from potentially harmful effects of drugs while additionally facilitating access to necessary healthcare treatments, and (c) control public and private expenditure on drugs. These objectives sometimes stand in conflict with and may accordingly require greater harmonisation of the interests of producers and consumers. Since most consumers have some form of health insurance, their incentives to control their purchases of pharmaceuticals or to purchase from the

¹⁵As a result, pharmaceutical firms have been prosecuted for anti-trust violations, including for cartels, price-fixing and forms of tying, exclusive marketing agreements, as well as agreements to delay the entry of generics.

most efficient pharmacist are limited. However, those that do not have health insurance may be unable to gain access to life saving or improving medical treatments (OECD, 2001). As a result, when considering the question of how it invests its resources to create sustainable value, pharmaceutical decision-makers need to remain acutely aware of the huge need and untapped latent demand inherent in the non-stakeholder groups who are not able to afford its offerings. Precisely how the pharmaceutical industry, and in particular those in the UK and Germany, respond to these stakeholder relationship challenges is a question from which the research gap for this study derives, and, consequently, the focus of the research findings presented in subsequent chapters.

3.6 Signposting

This chapter examined the relationship between the pharmaceutical industry and society. By investigating society's (generally negative) perceptions of the industry and presenting the sector's own perception with respect to the role and responsibility it perceives itself to assume and for whom, as well as the sector's specific activities within the context of the UK and Germany, it essentially establishes an information base regarding the nature, characteristics, and function of the pharmaceutical industry in those two target countries. This permits the possibility for assessing potential similarities and differences in stakeholder expectations within that operating context. It also highlighted a range of management challenges but also opportunities associated with the specific operating factors for decision-makers in the pharmaceutical sector in the UK and Germany. This background information sets the stage for identifying the research gap, which is the subject of the next chapter.

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Chapter 4

Mind the Gap: Searching for Value via Sustainable Solutions

Leaders bridge the gap between talk and action.
(Dan Rockwell)¹

4.1 Introduction

This chapter emphasises how the mind-set and management tools for translating notions of sustainable stakeholder relationship management into everyday business practice are limited. The resulting lack of transparency for all stakeholders, but in particular for decision-makers in the pharmaceutical industry, is the theme of this book. This chapter seeks to address the identified lacunae. It reveals deficiencies in both conceptual frameworks in general, as well as more specifically in the pharmaceutical industry practices and tools for managing sustainable stakeholder relationships. In an attempt to bridge the gap between talk and action, as advocated in the quote by Rockwell presented above, this chapter begins by first identifying the research gap, which requires ‘bridging’. These gaps determine the research scope and focus. Subsequently, some purposefully selected recently emerging notions are presented as potentially plausible routes or conceivable ‘bridging’ solutions for leaders. These include the concepts of the circular economy, stakeholder value creation, and innovative business models.

¹Dan Rockwell was ranked by the American Management Association (AMA) as one of the top leaders in business in 2014 and one of the most shared leadership blogs in the world.

4.2 Highlighting the Gap

4.2.1 *The Need for Fresh Research*

The gaps ascertained in the past scholarship presented in the previous chapters drive this research endeavour. A comprehensive review of the extant literature on the theme of responsible² corporate approaches to managing sustainable stakeholder relationships revealed that the general academic literature on related aspects, such as the relationship between business and society, stakeholders, stakeholder engagement, and corporate responsibility, is vast and continually increasing. Nevertheless, a considerable gap is identified in the research aimed specifically at explaining the rationale for *why*, as well as the techniques and processes regarding *how* to make responsible decisions when managing stakeholder relationships from a corporate perspective. Moreover, despite the controversial nature of the pharmaceutical industry's business activities (see, e.g., ISO, 2010, pp. 65–66; O'Riordan, 2006; Silberhorn & Warren, 2007), the research focusing specifically on how stakeholder relationships are managed in this target sector has been under-researched (O'Riordan & Fairbrass, 2016). The identified lack of empirical data relating to corporate approaches in the management of sustainable stakeholder relationships in general, as well as for the pharmaceutical industry and its specific stakeholder activities in particular, triggers the need for fresh research in this field (see, e.g., O'Riordan, 2010; O'Riordan & Fairbrass, 2014, 2016). The subsequent sections specifically highlight this research requirement, first with respect to a lack of evidence on corporate approaches to managing sustainable stakeholder relationships in general, as well as more specifically with respect to stakeholder management in the pharmaceutical sector.

4.2.2 *Defining the Research Scope*

The critical examination of previous empirical and conceptual scholarship in the field of study has indicated the requirement for fresh exploratory research with respect to the specific practices related to managing sustainable stakeholder relationships. That review establishes part of the rationale for the research objective which drives the research enquiry. Drawing from the insights provided in this and the previous chapters, the *research objective* is defined as: *To undertake exploratory research to identify and describe corporate approaches to managing sustainable stakeholder relationships, which establishes whether differences exist between*

²The word 'responsible' is employed in this book as an adjective in the sense of *being* accountable. It is assumed to mean to *be* responsible compared with the closely related noun 'responsibility', which is inferred to imply the obligation or duty to *have* a responsibility.

the responsible management approaches adopted in various operating contexts, and to explain the factors which influence the chosen practices.

4.2.3 Lack of Evidence on Stakeholder Management in General

Recent research by O’Riordan and Fairbrass (2016, p. 3) identified that past scholarship clearly indicates how managers in general need to expand the role of stakeholders in corporate responsibility processes if they wish to improve their efforts to build legitimacy, a positive reputation, and lasting stakeholder relationships (see, e.g., Donaldson & O’Toole, 2007, pp. 21–26; Werther & Chandler, 2011). An examination of the extant scholarship revealed that the evidence regarding both the business techniques and tools employed when managing firm-stakeholder relationships in general was underdeveloped (Crane & Matten, 2010, p. 224; O’Riordan, 2010, p. 5; O’Riordan & Fairbrass, 2014). Furthermore, a specific appraisal of the latest literature suggests that the tools for translating the concept of managing sustainable stakeholder relationships and responsible management into everyday business practice could be improved (e.g. Crane & Matten, 2007, p. 516; Ferrell, Fraedrick, & Ferrell, 2010; Lindgreen & Swaen, 2010; Lindgreen, Swaen, & Johnston, 2009; O’Riordan, 2006, 2010; O’Riordan & Fairbrass, 2008, 2014).

Within the context of this lacuna, and combined with the fundamental ambiguity on stakeholder practices noted below, the literature on management practices, which addresses how to specifically implement the concept of sustainable stakeholder relationships at company level, could be interpreted as underdeveloped. As a result, these activities remain relatively uncharted and unclear (Fairbrass, O’Riordan, & Mirza, 2005; Ferrell, Fraedrick, & Ferrell, 2008; Hond, Bakker, & Neergaard, 2007; O’Riordan, 2006; Welford, 2008). Consequently, it is uncertain how well companies’ combined economic policies in general serve social objectives (Gouldson & Roberts, 2000, p. 20). Moreover, the perceptions of the decision-makers in this respect are unclear. To elaborate, a review of past scholarship (e.g. Crane & Matten, 2007) highlights a vague idea of company social obligation based upon a combination of moral beliefs and perceived vested interests. Moreover, the literature suggests that those vested interests (and the resulting stakeholder engagement approaches) appear to be defined by nothing more substantial than the (varying, unpredictable, sometimes conflicting) interpretations of an assortment of stakeholder groups (e.g. Greenfield, 2004). The variety of ‘social’ purposes targeted by business, and more significantly the outcome, appears to ultimately depend mainly on who is asked (Leisinger, 2002; Lozano, 2008; Welford, 1995; Woodward, Edwards, & Birkin, 2001). Furthermore, despite numerous ongoing attempts to compute its value (e.g. Alexander & Buchholz, 1982; Clarkson, 1999; Welford, 2013), no consensus exists to define what exactly denotes responsible

management. In this regard, despite some recent advances (e.g. Welford, 2013), past scholarship offers scant evidence of debatable value to specifically prove why (or that) responsible management is beneficial to business (Greenfield, 2004, p. 22; O’Riordan, 2006; Reich, 2007; Rost & Ehrmann, 2015; Welford, 2004).

4.2.4 Research Gaps in Managing Stakeholder Relationships in the Pharmaceutical Sector

Notwithstanding the general gaps in the literature noted immediately above with respect to the theme of corporate approaches to responsible stakeholder management *per se*, a more specific review of the past scholarship in this broad-ranging field identifies that apart from some of the most recent work undertaken by some authors in this field (e.g. O’Riordan & Fairbrass, 2008), studies which specifically address stakeholder relationship management practices in the pharmaceutical sector are limited and/or outdated (O’Riordan, 2010). While some of the more general literature which addresses relevant themes, such as varying approaches to managing stakeholder relationships, specifically do include examples of pharmaceutical companies (see, e.g., Blum-Kusterer & Hussain, 2001; Morsing & Schultz, 2006) and other studies do address related issues, such as moral aspects of distributive justice regarding ethical obligations of pharmaceutical companies to charge fair prices for essential medicines (e.g. Spinello, 1992), many relate to specific themes, such as governance and accounting practices (e.g. Lee, Sridhar, & Patel, 2009). Although some later studies explicitly address further relevant themes including ‘reputation’, and a more general strategic perspective, such as ‘shared value’ (e.g. Porter & Kramer, 2006, 2011), their geographic and sector focus tends to be broad in scope. Consequently, a comprehensive review of the literature in this field reveals that the theme of corporate approaches to responsible stakeholder management in the context of the UK and German pharmaceutical sector has been under-researched. As a result, key aspects of the practical challenges faced by decision-makers in this industry when attempting to address the competing interests of their various stakeholders have been largely ignored (O’Riordan & Fairbrass, 2016).

In short, the combined impact of these issues implies that much of the management literature is still incomplete in a field which is rapidly evolving (e.g. Crane & Matten, 2010, p. 224). The management challenges presented in Chap. 2, combined with the specific criticisms levelled against the pharmaceutical industry outlined in Chap. 3, as well as the inherent more general issues identified in managing the relationship between a business and its stakeholders addressed in the previous chapters undoubtedly trigger the need to improve current knowledge regarding how pharmaceutical companies in the UK and Germany actually *engage* with their stakeholders and *manage* this relationship. In order to uncover the perceptions and practices undertaken by the target decision-makers within their particularly complex operating scenario, recommendations which urge more qualitative research to

document the cognitive aspects of how managers respond to stakeholders' expectations (e.g. Laplume, Sonpar, & Litz, 2008) appear particularly appealing. More specifically, because acting in an accountable manner (see, e.g., Schwartz & Carroll, 2008, p. 171) means that companies need to assume responsibility for the impacts of their practices, policies, and the decisions which stand behind their responsible management approaches (Waddock, 2002, p. 219), an examination of this target group's stakeholder management response is required to investigate whether it can be judged to act in a trustworthy and transparent manner (Tapscott & Ticoll, 2003). But which management aspects are pertinent in such an investigation?

A systematic review of the abundant literature which has arisen since the 1950s in the comprehensive field of the business and society relationship, stakeholder theory, as well as the past scholarship on corporate responsibility under various labels (including sustainable development and CSR) indicates that from the wide range of possible aspects which could be inferred as pertinent in describing and explaining how decision-makers in the pharmaceutical target sector manage their stakeholder relationships, six themes emerge as particularly salient. Drawing from the insights presented in the literature review presented in Chap. 2, the selected themes are interpreted to represent six specific gaps with respect to how sustainable stakeholder relationships are managed by companies in general, as well as in particular with respect to the target pharmaceutical sector. These aspects include definitional issues with the terminology employed to signify responsible management practice, stakeholder identification and prioritisation, stakeholder communication, organisation and governance of stakeholder relationships, projects/activities focused on maintaining and building sustainable stakeholder relationships, as well as the expectations and other determining factors which influence those choices. Because the literature lacks explicit detail with regard to these aspects for the target industry under investigation, as a first step to address this gap, the remainder of this section now focuses on these six aspects of CR³ management in greater detail.

4.2.4.1 Definitional and Terminology Issues

Attempting to define what comprises responsible management has been aptly described by Leisinger (2002) as “nailing jelly against a wall”. This is significant because it emphasises how no consensus exists to define precisely what CR, sustainability, or the wide range of other terms typically employed to convey responsible management practice represent. In view of the increased awareness and discussion surrounding the topics of business purpose and management values (e.g. BBDO, 2009; Ferrell et al., 2008; Fürst & Wieland, 2004; Obama, 2007;

³For clarification, the term ‘CR’ is employed here and throughout this chapter for brevity purposes. It is intended to signify the concept of responsible management (as defined in Chap. 2) within a corporate sustainable stakeholder relationship setting.

Welford, 1995, p. 114), which previous chapters noted are sparking calls for improvement in responsible management practice, the fall in stakeholder confidence which many cases of past notorious corporate behaviour have induced (see, e.g., May, Cheney, & Roper, 2007, p. 7; Naughton, 2002, p. 55; Peters & Roess, 2010, p. 8) poses both an opportunity and a challenge for corporate decision-makers. Endeavouring to navigate the prospective ‘minefield’ of subjective understandings and broadly stated definitions (e.g. UN Global Compact, 1999; WBCSD, 2002) which may potentially be interpreted in various ways based on world views of differing moral foundations creates controversy determining that the task of managing stakeholder relationships may denote different understandings to different people.

With respect to *terminology*, the many terms employed to signify responsible management imply differing meanings. This creates confusion about what each concept represents (or from a normative perspective: should represent) and how each might relate to the others (see, e.g., Schwartz & Carroll, 2008, p. 149). The existing evidence merely points in general terms to the possibility of potential diversity with respect to definitions in the terminology adopted (May et al., 2007, p. 8; O’Riordan, 2006). As a result, ‘practitioner terminology’ is merely *inferred* to play a key role in corporate responsibility management (e.g. Crane & Matten, 2004, p. 67). In addition, past scholarship suggests that industry has been uncomfortable with the language used in business ethics (Schwartz & Carroll, 2008). In this context, the moral aspect of responsibility introduces a subjective sphere to stakeholder management, which generates challenges when attempting to measure outcomes for both business and society from a value-neutral perspective (see, e.g., Homann & Lütge, 2005; Küpper, 2011, pp. 140–144).⁴ In this regard, the literature emphasises the significance of paying close attention to the dynamics of language and visual imagery concerning the range of terms used instead of or alongside the term ‘CSR’ (May et al., 2007). Significantly, however, past scholarship does not specify precisely which terminology is employed by the target firms when managing their stakeholder engagement (O’Riordan & Fairbrass, 2016, p. 10).

Consequently, precisely due to the previously noted abundance of terms in use and varying interpretations thereof, the various labels related to corporate approaches to responsible management presented in this and previous chapters are understood by definition as both inter-connected and typically employed in an overlapping way in everyday use (both in and out of context). As a result, in practice, it is not always easy to know what is precisely meant by the terms ‘responsible’ and ‘sustainable’ management (Jonker, 2012, p. 28). Indeed, the inherent diversity in practices required to meet the various definitions, which were presented in Chap. 2, and the range of expressions adopted alongside or instead of CSR and CR to communicate this concept prompt the need to address the theme of terminology and its meaning, as well as communication (see below for

⁴Please refer to Chap. 2 for greater detail on this theme.

further details), as a key focus of this research. Consequently, in order to determine the practices assumed by the target group under investigation, the many definitions and labels associated with the terminology employed to signify corporate approaches to responsible management are explored in this study.

4.2.4.2 Stakeholder Identification and Prioritisation

A review of the literature additionally highlights the requirement for fresh research to clearly identify how *stakeholder interests and demands are prioritised* by companies (Burchell & Cook, 2008; Maignan & Ferrell, 2003). Within the scope of the stakeholder definition presented in Chap. 2, a network model of stakeholder theory of the firm (Rowley, 1997) recognises the company as one player within the context of the complicated web of duties and obligations which all stakeholders hold (see, e.g., Crane & Matten, 2004, p. 51). This general stakeholder viewpoint highlights the salience for corporate decision-makers of recognising that organisations do not operate in isolation, but are instead part of a number of communities which require new forms of interaction (e.g. Burchell & Cook, 2006, 2008, p. 40; Ethical Corp, 2009; Mitchell, Agle, & Wood, 1997). For instance, ‘customer capitalism’ (Martin, 2010) suggests that it may be appropriate for managers to look to the firms’ constituencies and stakeholders when approaching strategic planning activities (Murray & Vogel, 1997, p. 142). Within the context of this approach, stakeholder and legitimacy theories (Freeman, 1984; Gray, Kouhy, & Lavers, 1995, p. 52; Lindblom, 1994; Stark, 1994) are concepts which imply that stakeholders have a ‘stake’ in the business (Campbell, 2000; Haniffa & Cooke, 2005, p. 3; Mitchell et al., 1997; Woodward et al., 2001, p. 357). These both legitimise stakeholder interests and justify that managers invest time and other resources on their stakeholders (O’Riordan, 2006). This concept suggests that a key aspect of responsible management involves maintaining with its stakeholders a “licence and goodwill to conduct business” (e.g. Ethical Corp, 2009; Ulrich & Fluri, 1995). As a result, stakeholders, acting either formally or informally, individually, or collectively, are described as a key element in the firm’s operating environment, which can positively or negatively affect the organisation (Murray & Vogel, 1997, p. 142).

Within the context of these general understandings, while Mitchell et al. (1997) and others (e.g. Clarkson, 1999; Frooman, 1999; Greenwood, 2007; Greenwood & van Buren, 2010) have undertaken comprehensive studies of stakeholder typologies and their significance for managers, the precise practice of stakeholder identification and salience remains the topic of substantial and ongoing debate (see, e.g., Laplume et al., 2008, p. 1161). Moreover, because the stakeholder theory definition determines that in context-specific management practice, the range of stakeholders differs from company to company (and potentially even for the same company in different situations, tasks, or projects), the identification of a definitive group of relevant stakeholders for any given corporation in any given situation is far from clear (Crane & Matten, 2010, p. 62).

Because a company’s stakeholder strategy may not typically be driven by exclusive economic or legal imperatives in the first instance (e.g. Grant & Jordan,

2015, p. 22), its discretionary nature (e.g. Carroll, 1979, 1999; Kotler & Lee, 2005) has important implications for stakeholder relations. With respect to stakeholder prioritisation, the literature suggests that its voluntary nature determines that management efforts are targeted towards those stakeholder audiences with the greatest capacity to impact operations (Trebeck, 2008, p. 352). Accordingly, the same author proposes that stakeholder demands “should be ranked and prioritised” (Trebeck, 2008, p. 357). However, the literature does not adequately disclose how this prioritisation process is managed. While previous literature in general ranks customers and employees as key stakeholders and, for instance, trade unions as less important (see, e.g., Burchell & Cook, 2006; Crane & Matten, 2007), past scholarship fails to reveal which stakeholders are considered key for the target pharmaceutical group. In particular, although stakeholder prioritisation and relationships with respect to ‘power’, ‘legitimacy’, and ‘urgency’ (Mitchell et al., 1997; Murray & Vogel, 1997) are interpreted as a relevant area of investigation, past scholarship does not divulge which specific stakeholders are considered key by the pharmaceutical industry (see, e.g., Burchell & Cook, 2006). Moreover, in this regard, O’Riordan and Fairbrass (2016, p. 10) note that past literature discloses neither the perceptions nor practices behind this ranking nor how the process is managed. Consequently, the exploratory research study aims to explore this stakeholder relationship aspect of the target samples’ approach to responsible management.

4.2.4.3 Communication

The literature review established how data revealing the way in which responsible stakeholder engagement responses are *communicated* to those identified stakeholders (Greenwood, 2007; Gouldson, Lidskog, & Wester-Herber, 2007; ISO, 2010) was needed because detailed analysis of pharmaceutical industry was lacking with respect to the processes and practices employed (O’Riordan & Fairbrass, 2008, 2014). Given the crucial role of communication in responsible management and stakeholder engagement/dialogue noted in Chap. 2, communication methods in stakeholder relationships are interpreted as a relevant topic to examine in the study. As a result, this aspect is included in the study in order to uncover the particular communication processes and practices employed by the pharmaceutical industry target group (O’Riordan & Fairbrass, 2016, p. 10).

4.2.4.4 Organisation/Governance

Past scholarship further fails to sufficiently detail how responsible stakeholder engagement is *organised* or *governed* (e.g. Hond et al., 2007) for the pharmaceutical industry in the target countries. A recent literature review revealed that it was unclear whether responsible stakeholder engagement is organised via a centralised or decentralised approach and how this potentially affects or is affected by the corporate culture (O’Riordan & Fairbrass, 2016, p. 11). This is significant because the voluntary nature of responsible management (e.g. Ferrell et al., 2010, pp. 268–70)

is possibly the reason why the literature on the strategic integration of responsibility into business models is underdeveloped (Dentchev, 2005). Crucially however, the failure to integrate and embed a corporate responsibility strategy into core business activities (e.g. Porter & Kramer, 2006) could cause inadequate stakeholder engagement due to a lack of enabling resources, structure, and accordingly commitment. A further key organisation/governance issue is the nature of responsible management itself, which incorporates both the challenge of ‘ethical relativism’, previously noted under terminology above, as well as the requirement to harmonise various triple bottom line interests when deciding how to manage in a responsible way (e.g. Ferrell et al., 2010, pp. 233–82). In general, the discretionary nature of responsible management means that it is typically conceptualised as either a corporate or a managerial response (Hond et al., 2007, p. 123). As the various roles and job descriptions comprising business organisation in general may create opportunities for unethical behaviour (e.g. Ferrell et al., 2010, pp. 302–12), the general literature suggests that the organisational structure is important in the study of responsible management. Given that this aspect could pose a barrier to unlocking the full value of organisational potential (CSR Europe, 2012), qualitative research is required to document the cognitive aspects of how managers respond to their stakeholders’ expectations on this aspect (Laplume et al., 2008).

4.2.4.5 Projects/Activities

In the quest to identify the response of decision-makers in the target industry to the many operational challenges noted previously, past scholarship suggests a broad range of mixed ‘solutions’ and ‘practices’. Suggested solutions include simultaneous advice for a micro-focus at firm level (Ayuso, Rodriguez, & Ricart, 2006) in addition to an approach focusing on the meso-level or sectoral level (Draper, 2006). With respect to projects and activities, although attempting to manage the cumulative (often conflicting) interests of a range of stakeholders in everyday practice manifests itself in what can be termed ‘a complex operating context’ for all decision-makers, the academic literature lacks evidence which specifically reveals the cognitive aspects of how managers respond to stakeholders’ expectations (e.g. Laplume et al., 2008) in particular for the pharmaceutical sector context (O’Riordan, 2006, 2010, p. 50). Furthermore, precisely whether and how the claimed responsible management principles (stated by the industry) translate into actual stakeholder engagement practices remains unclear. More specifically, the academic literature insufficiently illuminates the variety of projects/activities which have emerged in the corporate portfolio of accountable⁵ practices (e.g. Waddock,

⁵For clarification, building on the definition established in Chap. 2, stakeholder engagement is interpreted here as a fundamental accountability mechanism and management activity based on the rationale that it enables organisations to explain and be answerable to interest groups for their decisions, actions, and performance.

2002, p. 219) of pharmaceutical companies in the target countries. As a result, internal company stakeholder management and engagement activities in the pharmaceutical industry continue to remain under-researched and accordingly imprecise. This is significant because the literature in general suggests that responsible management is not always evident at operational level (Crane & Matten, 2007, pp. 145; Gouldson, 2002). Since past scholarship suggests that responsible principles do not always translate into stakeholder engagement practices, the existence of gaps between claimed responsible 'rhetoric' and the 'reality' of actual responsible practice requires exploration (O'Riordan & Fairbrass, 2008, 2016, pp. 11–12).

4.2.4.6 Expectations

Finally, the general lack of transparency outlined above regarding how corporate decision-makers in general and, more specifically, those in the pharmaceutical industry manage their stakeholder relationships significantly highlights ambiguity with respect to *expectations* of the likely *outcome* of investing business resources to engage in broader stakeholder relationships, which go beyond the direct, short-term economic interests of their shareholders in the first instance (e.g. Rost & Ehrmann, 2015). While some authors suggest that employees might be attracted to work for and be more committed to corporations which are perceived as being socially responsible (e.g. Greening & Turban, 2000), the perceived benefits and costs which motivate responsible business behaviour are far from clear (Crane & Matten, 2010).

Furthermore, and possibly most importantly, although many good business reasons may conceivably exist to determine why it might be advantageous for companies to act in a 'social manner', as originally described by Friedman (1970) and subsequently by Porter and Kramer (2006) in their shared value paper, the literature does not reveal details regarding the primary motivations of the decision-makers in this target group. This general lack of transparency regarding how the target decision-makers specifically manage their stakeholder engagement activities highlights significant ambiguity with respect to the expectations regarding the likely outcome of investing business resources in responsible activities. This means that while pharmaceutical companies and associations claim (and deliver statistics to support) active responsible practice (delivered via stakeholder engagement) as part of their basic business model (see, e.g., IFPMA, 2009 and the statements presented in greater detail in this regard in Chap. 3), the actual impact of these practices is uncertain. As a result, previous literature has produced mixed, inconclusive, and controversial results for measuring both responsible performance (e.g. Crane & Matten, 2010, p. 60; Hond et al., 2007; Rost & Ehrmann, 2015; Welford, 2008) and the outcomes of stakeholder relations/engagement practices, as well as communication/dialogue (e.g. Burchell & Cook, 2008, p. 42). This implies that the leadership mind-set requires investigation to more explicitly identify how responsible stakeholder engagement is concretely defined, managed, and consequently measured (O'Riordan & Fairbrass, 2008, 2016, p. 12). Furthermore, in line

with the point made in the previous section that management principles do not always translate into stakeholder engagement practices (e.g. Crane & Matten, 2007, p. 145; Gouldson, 2002), the possible existence of gaps between the claimed rhetoric on principles and values in comparison with the reality of actual responsible management practice additionally requires exploration in this context (O’Riordan & Fairbrass, 2008; 2016).

4.2.5 Research Gaps in Managing Stakeholder Relationships in Varying Geographic Contexts

In addition to the pharmaceutical industry focus, the research study aims to provide a solid foundation for the theme of managing sustainable stakeholder relationships with a geographic emphasis on the stakeholder engagement practices in the UK and Germany. Given the strategic importance of the pharmaceutical industry [which was established in greater detail in previous chapter (e.g. ABPI, 2010, 2013; VFA, 2010, 2013)], these two countries are chosen to examine contextual aspects of stakeholder engagement because the literature suggests that the concept of “corporate responsibility orientation in different cultural settings” is still quite unexplored both in literature and in empirical research (e.g. Sachs, Groth, & Schmitt, 2010). More specifically, a review of past scholarship highlights that there is insufficient research on the subject of possible similarities and differences in how sustainable stakeholder relationships are managed in the UK and Germany (e.g. Habisch, Jonker, Wegner, & Schmidpeter, 2005). Essentially, the rationale for potential differences is based on an anticipated Anglo-Saxon version of corporate responsibility in the UK, which leans more towards the US-capitalist system’s ‘shareholder value’, in contrast with the capitalist-socialist system of ‘stakeholder capitalism’ followed in Germany (e.g. Martin, 2010) due to diverse historical, political, and cultural institutions (e.g. Matten & Moon, 2008). Significantly, these contextual complications could signify national differences in how the target organisations manage their stakeholder relationships (e.g. Chapple & Moon, 2005; Hofstede, 1997, 2015). More specifically, while initial indications suggest that decision-makers appear to recognise distinct stakeholder groups in each country when managing their stakeholder relationship activities (see, e.g., Clarkson, 1999), the approach adopted in both countries appears to vary. For instance, this practice is institutionalised in corporate governance in Germany in the form of a two-tier supervisory board, while the UK could be interpreted to lean towards a stronger shareholder orientation despite the fact that it does embrace the stakeholder concept to some degree (see, e.g., Crane & Matten, 2004, p. 156).

Clearly research is required in order to better understand whether these differences could have an impact on how stakeholder relationship management is practiced in each country (O’Riordan & Fairbrass, 2016, p. 13). In particular, further insights with respect to two specific shortcomings in the available

information are required, first, with respect to the limited amount of past scholarship relating to the particular operating environment facing pharmaceutical industry decision-makers in the UK and Germany and, second, regarding the lack of information on the specific responses of the target group to their stakeholders' expectations in both countries.

4.2.6 Research Focus 1: Exploring Stakeholder Engagement Practices

Drawing from the insights obtained from the critical review of the past empirical literature presented in the previous chapters and above, the *first research question* seeks to identify: *What stakeholder practices are undertaken by the target sample of pharmaceutical companies with respect to the six attributes, which the secondary literature indicates are salient in stakeholder relationship management?*

4.2.7 Research Focus 2: Examining Similarities and Differences in the UK and Germany

This appraisal of the past scholarship has additionally triggered the requirement for fresh exploratory research with respect to the specific stakeholder engagement practices undertaken by the target group in the particular operating context of the UK and Germany. The literature review presented in previous chapters and above establishes part of the rationale for the *second research question* which seeks to identify: *Do similarities and differences exist between the stakeholder practices undertaken by the target sample of pharmaceutical companies in the UK and Germany?*

4.2.8 Research Focus 3: Identifying the Influencing Factors

The literature review, which searched for possible determining causal factors for the similarities and differences identified during the comparative research, indicated that there is a lack of empirical evidence indicating whether and how the responsible management principles, which have been stated by the industry (presented in greater detail in Chap. 3), translate into *actual* stakeholder engagement *practices* (e.g. ISO, 2010, pp. 77–79). Consequently, an assessment of past scholarship additionally prompted a requirement for fresh exploratory research in order to more specifically identify the determining factors for the similarities and differences in the stakeholder practices, which were revealed during the

comparative research (O’Riordan & Fairbrass, 2016, p. 14). This leads to the *third research question* which seeks to identify: *What factors appear to influence the stakeholder practices undertaken by pharmaceutical companies in general, and do these help to explain the similarities and differences identified in the corporate approaches of the target sample in the UK and Germany?*

4.2.9 Gaps in Conceptual Frameworks for Managing Sustainable Stakeholder Relationships

Recent research by O’Riordan and Fairbrass (2016) noted that while many aspects of the general responsible management literature could be applied to the pharmaceutical industry (see, e.g., a detailed list of relevant literature in O’Riordan & Fairbrass, 2008, p. 749), and although some past scholarship does specifically address the theme of conceptual frameworks, such as the one developed by Brammer and Pavelin (2004), which emphasises the need for reputation building purposes to achieve a fit between responsible activities and other key characteristics of the firm, it is not clear whether these concepts are relevant or applicable for pharmaceutical companies in the practical management of stakeholder relationship activities. Furthermore, most of the approaches reviewed deliver fragmented perspectives of responsible management. Accordingly, they are deemed limited in scope and, as a result, not sufficient in their own right in providing a comprehensive framework to explain responsible stakeholder engagement practice (e.g. O’Riordan, 2010, p. 52).⁶

This highlights the requirement for a more comprehensive contribution to better encompass many of the isolated management concepts which are deemed valuable *per se* but not sufficiently broad-ranging to address the management challenges involved (O’Riordan, 2006). To elaborate, while many of the conceptualisations that are available do explain the key elements of responsible stakeholder engagement and their influencing factors, most are incomplete. More specifically, O’Riordan (2010) highlights how a review of the literature reveals that theoretical conceptualisations are frequently underdeveloped (Cropanzano, Chrobot-Mason, Rupp, & Prehar, 2004, p. 109; Saravanamuthu, 2001, p. 295) and management models which addressed responsible activities and firm-stakeholder relationships are often lacking (Murray & Vogel, 1997, p. 141). Further, the theoretical models (e.g. Hemingway & McLangan, 2004; Porter & Kramer, 2006; Woodward et al., 2001) which claim to explain key elements of responsible stakeholder engagement could be judged as overly ‘broad-brush’. Alternatively, when they do address a sufficient level of detail, they often lack comprehensiveness (see O’Riordan & Fairbrass, 2008, O’Riordan & Fairbrass, 2016 for further details). This is confirmed by literature presented in Chap. 2, which suggests that the management instruments and techniques in corporate approaches to responsible management are lacking. For

⁶Please refer to Chap. 5 for further details.

example, tools for managing corporate responsibility are noted to be often limited to social auditing and reporting control aspects which attempt to gauge the corporation's performance against ethical criteria (Crane & Matten, 2007, p. 516; Gray et al., 1995).

These deficiencies mean that both *conceptualisations* and *management tools* for addressing responsible business activities and *firm-stakeholder relationships* (e.g. Crane & Matten, 2010, p. 224; Ferrell et al., 2010, p. 253; Hond et al., 2007; Murray & Vogel, 1997, p. 141; O'Riordan & Fairbrass, 2008; Welford, 2008) do not sufficiently help to address the four relevant questions in responsible management which Ferrell et al. (2010, pp. 250–254) suggest include: The descriptive question, What is?; the normative question, What ought to be?; the practical question, How do we get from what is to what ought to be?; and the question of authenticity, What is our motivation? These deficiencies in past scholarship likewise elicit the necessity for fresh research in this area.

4.2.10 Research Focus 4: Developing a Conceptual Framework for Stakeholder Management

These gaps trigger the requirement for the practically orientated research highlighted above, which in general aims to contribute to the responsible management debate by more closely examining both *how* the target sector interacts with its stakeholders in society and *why* they do so, i.e. their underlying rationale and motivation. More specifically however, the research presented in this book aims to undertake exploratory research not only to identify and describe practical corporate approaches to responsible management but additionally in order to explore the factors which inspire, affect, and characterise the adopted approaches in various operating contexts. The secondary data presented in the previous chapters and above prompts the *fourth and final research focus* of this book, which seeks to *develop a conceptual framework to guide corporate decision-makers when managing their sustainable stakeholder relationships*.

4.3 New Concepts as Catalysts for Change

4.3.1 Innovative Solutions for a New Vision of Value

The considerable gap noted above in research specifically aimed at explaining how to undertake responsible decision-making for the selected target segment highlights the fundamental requirement for innovative solutions, which could 'bridge' the gap by helping to enable a new way forward. In the quest to discover responsible management approaches, a broader perspective of organising corporate resources

to create value is required. The remainder of this chapter provides an overview of the emerging literature with respect to a selection of recent concepts, such as cradle to cradle, the circular economy, innovative business models, and other innovative advances, which are interpreted to signify innovative and interesting advances in the field of managing sustainable stakeholder relationships.

4.3.2 Sustainable Transition in the Micro-environment

4.3.2.1 Reflecting on the Micro-economic System Design

If the purpose of organisations in society is interpreted to be to create value (e.g. Grant, 2006, p. 39), it is conceivable that a first step in examining the relationship issues between business and society might require a clear vision of what is of value and for whom? Within this construct, the role of organising⁷ is not a goal in itself, but rather a means of realising what is of value, for, and with others (Jonker & O’Riordan, 2016, p. 5). In contrast with the traditional profit maximisation (shareholder) perspective, the increasing influence of stakeholder theory (Freeman, 1984) and the resulting differing stakeholder perceptions and expectations noted previously with respect to what constitutes value broaden the scope of the mission of business in society (Grant & Jordan, 2015, pp. 20–21). In this scenario, organisations are assumed to create value, not merely by generating profits for their shareholders but, in addition, by finding commercial opportunities in solving societal and environmental challenges. According to Grant (2006, p. 39), the private sector’s role in the business agenda involves creating value in two ways: via production which physically transforms either tangible or intangible resources (raw materials) into offerings that are valued by customers and via commerce which repositions offerings in space and time (such as trade which transfers offerings to different locations). As explained in greater detail in Chap. 2, when distributing the value created via the conduct of production and commerce, decision-makers within business make value judgements regarding how the value is first created and then subsequently allocated among the different parties.

4.3.2.2 The Rationale for a New Vision of the Corporate Business Proposition

The rationale for a new vision for undertaking value creation decisions can conceivably be reflected in the concepts of the triple bottom line (TBL) (Elkington,

⁷The verb ‘organising’ is defined here as a dynamic system (as opposed to a structural dimension), which reflects the undertakings in and between organisations. In this definition, organisations are groups of people (or systems) organised for a particular purpose (e.g. their business proposition). In this interpretation, the business undertaking *is* an organisation [system], as opposed to *has* an organisation [structure]. (See Kutschker & Schmid, 2008, p. 1084–1085 for further details.)

1997), or triple top line (TTL) (McDonough & Braungart, 2002), which are based on the principles of sustainable development put forward in the Brundtland Report (1987) as previously defined and explained in Chap. 2. Applying these definitions of sustainability in a business context clearly requires expanding the basis for commercial development by connecting economic interests with social and ecological welfare (Jonker, O’Riordan, & Marsh, 2015). Based on this approach, sustainability can be construed as a general (overarching) value, within which stakeholder-orientated principles are harmonised. The rationale behind these principles assumes a broadening of the current economic focus of business value creation to include not merely one isolated economic but three objectives for value creation, i.e. including social and environmental as well. This expanded scope envisages improved (sustainable) value creation in the long term.

Nevertheless, this new rationale is still frequently contested. Chap. 2 previously highlighted the lack of a reasonably sound case for (or against) a broader role for business in society (see, e.g., Rost & Ehrmann, 2015). Against the background of that ongoing debate, ignoring for the moment the nature of the motives behind the management decision to consider a broader corporate purpose, Freeman’s (1984) influential stakeholder theory (Stark, 1994) could conceivably be interpreted to denote a changing value stance in resource allocation. Moreover, this gradually emerging transition,⁸ which is based on the rationale that an organisation’s success is dependent on its license to operate from society (e.g. Jonker & O’Riordan, 2016), is being increasingly recognised as an important route to achieving strategic competitive advantage (e.g. Porter & Kramer, 2006, 2011).

As previously noted in Chap. 2, this albeit loosely defined notion of sustainable organisation assumes a fundamental transition in the ‘ethos’ or ‘attitude’ of the key ‘players’, which significantly influences their appreciation, insight, and actions regarding the purpose and role of business in society. Clearly, this shift to an ethos of sustainable business behaviour stands in contrast with an exclusive short-term focus on economic value generation. It significantly influences decision-makers’ actions in the sense that they detect an inclusive stakeholder approach to be appropriate or potentially even mandatory, in a given business situation.

Notwithstanding the controversial debate associated with the business case for objectively measuring the impact of sustainable or responsible management initiatives at the micro-level of the firm, previous authors have noted how the frequently perceived link between these themes and subjective moral opinion proves problematic to progressing responsible business practice from a corporate perspective.

⁸For clarification, similar to the notion of responsible business behaviour *per se*, sustainability is understood to exemplify a concept, which is comparable with themes such as ‘liberty’ or ‘equality’ whose meaning is regularly redefined as needs change over time (WBCSD, 2002, p. 6). As a result, the notions of sustainability and responsible management are viewed in the research presented in this book as ‘work in progress’, rather than a rigorously definable entity. This understanding views the root concepts of this book as an evolving intent for creating organisational value, which expresses a value stance regarding what is of value to and for whom, rather than a matter which itself requires organising (e.g. Ćwicklicki & O’Riordan, 2017).

While the literature suggests that firms evidently do increasingly strive to pay attention to matters regarding the impact of their business actions on their stakeholders in society (e.g. Crane & Matten, 2010; Peters & Roess, 2010, p. 8), the inherent elusiveness of the concepts themselves could be interpreted to distance the root concepts of this book, i.e. sustainable stakeholder relationships and responsible management, from becoming firmly established in the business proposition (e.g. Crane & Matten, 2004, p. 42; Ferrell et al., 2008).

Achieving meaningful transition to navigate corporate decision-making beyond these dilemmas requires authentic and unswaying leadership intent to signify the principles and value(s) (what), behind the means (how), via which companies have the potential to contribute (for whom) to the social and environmental needs of society (see, e.g., Roddick, 2000, p. 14). The resulting outcome can be labelled their ‘sustainable business proposition’ (Ćwicklicki & O’Riordan, 2017) or their ‘corporate approach to responsible management’ via sustainable stakeholder relationships.

4.3.3 Sustainable Transition in the Macro-environment

4.3.3.1 Reflecting on the Macro-economic System Design

Carroll and Bucholtz (2009, p. 7) highlight the significance of understanding the operating context of a society’s wider environment when analysing business and society relationships. At its broadest level, the macro-environment can be considered to include the total environment outside the firm. This is the complete context in which the organisation resides.⁹ The gradual emergence of transition in the broader macro-environment to design a different economy could conceivably be inferred to be reflected in the concept of the circular economy (CE). In recent years, the CE appeared as a central notion among other novel developments including cradle-to-cradle approach (e.g. Braungart & McDonough, 2009) for instance, which have been described as possibly “the biggest revolution and opportunity for how we organise production and consumption in our global economy in 250 years” (e.g. World Economic Forum, 2016). In the quest to discover sustainable management approaches and business propositions which signify innovative, effective, and improved advances in the field of managing sustainable stakeholder relationships via a broader perspective of corporate value creation, the CE draws from a number of more specific approaches including natural capital, cradle to cradle, biomimicry, and local to local/urban ecology, the blue economy (Pauli, 2010), industrial ecology, collaborative consumption, and the sharing or access

⁹For clarification, Chap. 5 addresses the conceptualisation of the macro-operating environment of firms in greater detail.

economy. These themes are now addressed in greater detail before the subsequent section then turns to specifically address the CE concept.

4.3.3.2 Natural Capital

In their co-authored book *Natural Capitalism: Creating the Next Industrial Revolution*, Hawken, Lovins, and Lovins (1999) describe the global economy as being dependent on the natural resources and ecosystem services provided by nature. While traditional industrial capitalism recognises the value of money and goods as capital, natural capitalism advances this recognition to the world's stock of natural resources, i.e. natural capital including geology, soils, air, water, as well as all living organisms, and human capital. Natural capital can accordingly be understood as an extension of the economic notion of capital (resources which enable the production of more resources) to goods and services provided by the natural environment.

Because the book's authors claim that the traditional system of capitalism does not fully conform to its own accounting principles in the sense that it liquidates its capital, natural capitalism can be viewed as a critique of traditional industrial capitalism. Based on the rationale that it neglects to assign any value to the largest stocks of natural resources and living systems it employs, as well as the social and cultural systems which form the basis of human capital (Hawken et al., 1999), this viewpoint essentially highlights how, in producing value via products and service offerings, business privatises its profits internally, while in many ways externalising the inherent costs to society and the environment.

Consequently, the natural capital concept calls for a greater regard for the capital provided by natural systems, as well as the recognition of the approach adopted in natural systems (in line with the biomimicry approach addressed below). More specifically, the book's authors advocate that when well maintained, natural systems may provide an indefinitely sustainable flow of new growth in resources, e.g. trees or fish, whereas overuse of those resources may lead to a permanent decline, e.g., in timber availability or fish stocks. The concept additionally recognises the provision of essential services, such as water catchment, erosion, and insect control, for example, which in turn ensure the long-term viability of other natural resources.

Overall, this approach emphasises the dependency of the continuous supply of services in the economic and social sphere on the available natural capital assets, i.e. on a healthy, functioning environment. This triggers the requirement for an enabling structure, as well as a diversity of habitats and ecosystems, as important components of natural capital (Hawken et al., 1999).

4.3.3.3 Cradle to Cradle

First expressed by Walter R. Stahel, a Swiss architect from Zürich in the 1970s, cradle to cradle (C2C) is also referred to as regenerative design, which differs from the typical cradle-to-grave linear design approach adopted in the current economic system. In their book *Cradle to Cradle: Remaking the Way We Make Things*, the

German chemist Michael Braungart and the US architect William McDonough present C2C as a biomimetic approach to the design of products and systems in the sense that it models human industry on nature's processes. This approach views materials as nutrients circulating in healthy, safe metabolisms (Braungart & McDonough, 2009). The C2C approach calls for a radical change in industry: a switch from a cradle-to-grave pattern to a cradle-to-cradle pattern in which 'reduce-reuse-recycle' methods perpetuate the business strategy. The authors discourage down-cycling, in place of the manufacture of products and services with the goal of up-cycling in mind. This vision of up-cycling is based on a system of 'life-cycle development' initiated by Braungart and colleagues at the Environmental Protection Encouragement Agency (EPEA) in the 1990s. Their system is designed to make effective use of products after they have reached the end of their useful life, so that they become either 'biological nutrients' or 'technical nutrients'. Biological nutrients are materials which can re-enter the environment. Technical nutrients are materials which remain within closed-loop industrial cycles (EPEA, 2016).

4.3.3.4 Biomimicry

Biomimicry is an approach to innovation in the design of products, services, and systems, which seeks sustainable solutions to human challenges by 'mimicking' nature's processes, patterns, and strategies. Its core idea is that nature, as a 'supreme engineer', has already solved many of the sustainability problems facing mankind today (Biomimicry, 2016). The overall goal of biomimicry is to 'follow' nature's approach to create new ways of producing, consuming, and living that are optimally suited to meet the needs of the present while ensuring the long-term well-being of future generations. This is achieved by developing an offering (product or service) within a system that enables sustainable processes. In this approach the design is sustainably conceived in a comprehensive and holistic way spanning manufacture and use, to discard (preferably into new raw materials). This approach is restorative and regenerative by design in the sense that it aims to maintain products, components, and materials at their highest utility and value at all times, distinguishing between technical and biological cycles (Ellen MacArthur Foundation, 2016).

4.3.3.5 Local to Local/Urban Ecology

Within the concept of ecology, which addresses the study of relationships between human groups and their physical environment, local ecology focuses on such relationships in a local setting, while urban ecology is the scientific study of the relation of living organisms with each other and their surroundings in the context of an urban environment. The urban environment refers to environments dominated by high-density residential and commercial buildings, paved surfaces, and other urban-related factors which create a unique landscape dissimilar to most previously studied environments in the field of ecology (Niemela, 1999; UN, 2007).

Urbanisation is a key theme in sustainability because it causes a series of both local and far-reaching effects on biodiversity, biogeochemical cycles, hydrology, and climate, among many other stresses. Many of these effects are not fully understood, as urban ecology has only recently emerged as a scientific discipline. As a result, the definitive impact of urbanisation and its mechanisms on biodiversity and species interactions are not yet fully established, and further study is required to more fully understand the effects of human urban areas on the environment (Grimm et al., 2008). An example of local to local/urban ecology projects is community-supported agriculture, an initiative in which consumers are encouraged to meet the farmers who produce food sustainably and to set up relationships via which they buy meat, eggs, vegetables, and other produce directly from them (Urban Ecology Center, 2016).

4.3.3.6 Blue Economy

The concept of the blue economy is set out in a book written by Gunter Pauli (2010) entitled: *Blue Economy: 10 years—100 innovations—100 million jobs*. Aiming to increase economic sustainability by implementing local systems of production and consumption based on given resources, the concept of the blue economy builds the green economy notion by emphasising the importance of access to necessities, such as health and education. In his book, Pauli expresses the ultimate aim that a blue economy can shift society from scarcity to abundance with what is locally available, by tackling issues which cause environmental and related problems in new ways. The book highlights potential benefits in connecting and combining seemingly disparate environmental problems with open-source scientific solutions based upon physical processes common in the natural world, to create solutions that are both environmentally beneficial and which have financial and wider social benefits. Pauli suggests that the way in which industrial processes are currently designed can be altered to tackle resultant environmental problems, refocusing from the use of rare and high-energy cost resources to instead seek solutions based upon simpler and cleaner technologies. Crucially, this approach additionally advocates a focus on the generation of greater value, rather than blindly cutting costs. The book is targeted to inspire entrepreneurs to adopt its insights, by demonstrating ways in which the blue economy concept can create economic benefits via job creation, reduced energy use, and improved revenue streams from each step of the process, while at the same time benefiting the communities involved. Although acknowledging that some aspects of sustainability, such as buying organic food and using certain forms of renewable energy, may be economically out of reach for large sections of the population, a key aim of the blue economy is to identify examples in nature where organic recycling and up-cycling occurs, so that these can be innovatively ‘mimicked’ in order to create ‘zero’ waste systems.¹⁰ The author advocates that this new approach ultimately

¹⁰For further details please refer to the biomimicry and C2C approaches addressed above.

generates novel routes to revenue via new product innovation, which increases social capital by raising income and creating jobs (Pauli, 2010).

4.3.3.7 Industrial Ecology

Industrial ecology addresses the study of material and energy flows through industrial systems. It has been defined as a “systems-based, multi-disciplinary discourse, which seeks to understand the emergent behaviour of complex integrated human/natural systems” (Allenby, 2006). It is concerned with the shifting of industrial processes from linear (open-loop) systems, in which resource and capital investments move through the system to become waste, to a closed-loop system where wastes can become inputs for new processes. By approaching sustainability issues from multiple perspectives, usually involving aspects of sociology, the environment, economy, and technology, similar to the notions underpinning biomimicry and C2C, industrial ecology serves to align natural systems with an understanding of how to design sustainable industrial systems (Frosch & Gallopoulos, 1989).

4.3.3.8 Collaborative or Sharing Economy

Definitions for the sharing economy or collaborative consumption refer to a hybrid market model (in between owning and gift-giving) signifying peer-to-peer-based sharing of access to goods and services (coordinated through community-based online services (Hamari, Sjöklint, & Ukkonen, 2015). The concept is not new and has its roots in different disciplines including economics, business administration, and law. The sharing of resources is, for example, well known in business-to-business (B2B), e.g., machinery in agriculture and forestry, as well as in business to consumer (B2C), such as in self-service laundries (Puschmann & Alt, 2016).

4.3.3.9 Access Economy

In the Harvard Business Review, Eckhardt and Bardhi (2015) propose that the concept of a ‘sharing economy’ is a misnomer but that instead the correct word for this activity is ‘access economy’. The authors say: when ‘sharing’ is market mediated, i.e. when a company is an intermediary between consumers who do not know each other, it is no longer sharing at all. Rather, consumers are paying to access someone else’s goods or services. The article goes on to show that companies (such as Uber) who understand this are successful because their marketing highlights the financial benefits to participants, while companies (such as Lyft) whose marketing highlights the social benefits of the service are less successful.

4.3.4 The Circular Economy as a Path to Sustainable Transition

The circular economy (CE) can be interpreted to reflect many of the concepts inherent in the above approaches as one example of an inclusive, multi-stakeholder, up-cycling economy. CE is a regenerative approach to rethinking and redesigning the way products are made operating on the underlying idea of constructing a system in which value is viewed as sustainable based on its biomimicry design. This is achieved by developing an offering (product or service) within a system which intrinsically enables sustainable processes. In this approach, the design is sustainably conceived via a comprehensive strategy and processes from conception, through sourcing, to manufacture, use, and discard (preferably into new raw materials). This approach is restorative and regenerative by design in the sense that it aims to maintain products, components, and materials at their highest utility and value at all times, distinguishing between technical and biological cycles (Ellen MacArthur Foundation, 2016). The CE can accordingly be viewed as a generic and overarching idea, which provides direction for a new economic system based on a circular design to value creation instead of a linear approach.

As a result, the CE is inherently unlike the current linear system which extracts resources at an ever-increasing pace, turning them into products, which are primarily designed for disposal after a short life cycle. In contrast to the existing economic system, the CE recognises that while the current linear approach may appear efficient, particularly in the short term, it does not take into account an array of costs – which are externalised as a result of its narrow focus on internal accounting procedures and shareholder interests.

Accordingly, the CE notion intrinsically stands in stark distinction with the current linear economy system approach. It builds on many of the other concepts presented above, such as natural capital and cradle to cradle among others, as well as those of stakeholder theory and the TBL or TTL principles, by connecting material/resource streams with social and ecological aspects. This leads to a comprehensive circular systems approach, while not merely focusing on any one functional aspect of the system, such as energy, waste, or construction, for example. Consequently, the CE design logic proposes a broader, more holistic perspective than the current approach, by more inclusively considering the interests of a wider range of constituents in the entire system (e.g. society and the ecological system) in addition to economic interests. This enables intentional closed-loop designs, which are based on endless reuse concepts often found in a region (e.g. city neighbourhood, or model region, local/urban), or a particular industry/sector (e.g. traditional mixed farming systems). These cascading value-creation approaches create their own reciprocal synergies in material flows, energy, (digital) infrastructure, people who share assets, and so on, leading to new types of cooperation between companies, citizens, and other constituents (Jonker, 2014).

The concept of a circular economy system suggests that integrated, non-linear feedback systems, particularly those which ‘mirror’ natural ecosystems

(biomimicry), hold high potential to contribute to a sustainable economy in general, including at regional and local level. This regenerative notion is based on maximising resource effectiveness and reciprocal interaction. A key premise lies in the assumption of synergic *systems* rather than individual organisations, creating mutual cycles instead of working on optimising isolated components (Jonker, 2014). This leads to a comprehensive redesign based on principles such as reduce, reuse, and recycle (e.g. biological and material life cycles, sustainable sourcing, and up-cycling), as, for example, suggested by Braungart and McDonough (2009).

While research into these developments still remains at an early stage, the novelty in their inherent design approach could signify their usefulness for addressing the aforementioned disconnection between the mechanisms linking business and society. In line with these developments, in a similar vein, the recent positioning of climate change issues by leading international political leaders¹¹ as an enormous *opportunity* for industry highlights how finding innovative commercial solutions to societal issues could, in addition to environmental challenges, be interpreted as a key positive prospect for future business strategy.

4.3.5 *Introducing the Concept of Stakeholder Value Creation*

The reflections on sustainable development at micro- and macro-economic level presented in the previous sections trigger the requirement for a fundamental transition at organisational level regarding the way in which value is created by, for, and with which stakeholders. Within the context of sustainable business practice (see, e.g., Jonker, Stark, & Tewes, 2011b, p. 9),¹² the value(s) creation inherent in the previously noted macro-economic perspectives and in particular those of a regenerative circular economy (CE) imply a fundamental transition in the way value creation (or value added) is understood. Building on the concept of sustainable value creation¹³ proposed by Ćwicklicki and O’Riordan (2017), this book employs the term stakeholder value creation (SVC) to signify the required mind-set evolution involved in the new management approach aimed at achieving responsible management outcomes at organisational level. Founded on the rationale proposed by Jonker (2012, 2014), the SVC notion can be interpreted as an umbrella concept, which represents the three interrelated principles of multiple, collaborative, and connected value.

More specifically, the first principle of SVC is termed ‘multiple value creation’. This term relates to the nature of its diversity, in the sense that the value is created inclusively among many varied parties in a network. The second principle

¹¹Including, for example, US Secretary of State John Kerry, UN Secretary-General Ban ki-Moon, and Peru’s President Ollanta Humala.

¹²Please refer to previous sections in this chapter, as well as to Chap. 2 for further details.

¹³This notion is adapted from the rationale originally proposed by Jonker (2012, 2014).

addresses the aspect that value is created mutually among and between the various constituents in the network. It is termed the principle of ‘collaborative value creation’. Collaborative value transcends the meaning of terms such as relationship value, which is understood narrowly as a sum of buyer supplier value (e.g. Pinnington & Scanlon, 2009, p. 39), or relational rent also called inter-organisational rent-generating process (Dyer & Singh, 1998, p. 661). It refers to value creation and value appropriation in innovation-related co-opetition¹⁴ (Ritala & Hurmelinna-Laukkanen, 2009). The third principle is labelled ‘connected value creation’. It is in certain aspects closely related to the notion of shared value, which was popularised by M.E. Porter and M.R. Kramer (2011), who defined shared value as “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates” (Porter & Kramer, 2011, p. 6). Similar to Porter and Kramer’s (2011) interpretation, connected value can be created by reconsidering products and markets, reformulating productivity in the value chain, and developing supporting local clusters. However, connected value differs significantly from shared value in the sense that it focuses not on an organisation-centric profit-maximisation aim as the business purpose in the first instance but rather on creating value via *the stakeholder connections*, i.e. *within but also between* the parties in the network, as the business purpose. Profits are understood to flow as a logical consequence of connected value creation.

Constructed upon the fundamental idea of creating a multiple, collaborative, and connected value proposition within the notion of a regenerative circular economy, SVC designates a process for realising a supply of offerings to clients, customers, and/or the community, ultimately leading to (re-)design via co-creation and, thereby, sustainable added value for a range of constituents. The combined effect of these three principles¹⁵ enables the creation of *augmented broad-ranging stakeholder-orientated value optimisation* in place of narrowly focused shareholder-orientated profit maximisation.¹⁶ In view of the thereby evoked strategy paradox for business¹⁷ related to the numerous value propositions inherent in the SVC concept (which was previously noted, e.g., by Florin and Schmidt (2011, p. 170) as a key issue in the case of shared value with respect to its twofold value proposition for both the customer value and the public), the multiple (inclusive), collaborative (cooperative), and connected (linked) qualities inherent in SVC determine that the created value is designed from the outset to be achieved based

¹⁴Co-opetition is a neologism which signifies cooperative competition or joint work.

¹⁵For clarification, by definition, the three principles of SVC are inter-related based on the rationale that they are founded on many of the values of sustainability (Brundtland, 1987; Elkington, 1997; McDonough & Braungart, 2002), as well as many other features of the concepts presented previously in this chapter.

¹⁶For clarification, this concept assumes no conflict between the value maximisation aims of all stakeholder parties.

¹⁷See ‘management misconceptions and misunderstandings’ section of Chap. 2 for further details on this theme.

Table 4.1 Sustainable value creation overview

Value Creation Term	Feature	Focus
Multiple	<i>Inclusive</i> : Numerous Parties Involved	Diversity
Collective	<i>Mutual Opportunities</i> : Novel Exchanges ‘together’ (in and between Organisations and other Constituents in the Network)	Reciprocation
Connected	Linked based on Inter dependencies: Focusing on achieving mutual aims and the Allocation of the Value Created among the Multiple collaborating Constituents	Outcome/Impact

Source: Authors’ elaboration adapted from Ćwicklicki and O’Riordan (2017) based on (Jonker, 2014; Jonker & O’Riordan, 2016; Porter & Kramer, 2006, 2011)

on mutually pre-established aims and subsequently broadly allocated among a range of constituents or stakeholders (as opposed to mainly accruing to shareholder interests, as is the case in the traditional business model approach). These concepts are illustrated in Table 4.1 which highlights the diversity, reciprocity, and impact of a sustainable value creation approach.

4.3.6 Innovative Business Models as a Mechanism for Organisational Change

4.3.6.1 Empowering New Organisational Purpose Based on SVC

Both the novelty and the comprehensiveness associated with the concept of SVC presented immediately above indicate a broadened vision signifying more than a new approach at the macro-level. At the micro-level of the firm, SVC profoundly impacts an organisation’s *raison d’être*. Fundamentally, creating optimised value via this stakeholder-orientated approach significantly broadens the meaning of sustainability, which adjusts from being focused exclusively on environmental matters and from the responsibility of governments or individual companies, to becoming a *shared endeavour* (Jonker & O’Riordan, 2016, p. 5). Such transition might conceivably lead to novel approaches for developing new, harmonised forms of holistic value propositions, which could lead to innovative business opportunities for organisations to generate unique collaborative capabilities and strategies, leading ultimately via new routes both to competitive advantage and profit maximisation for shareholders as a key stakeholder group, *thus delivering the main objective of the traditional business model aim* albeit via a sustainable route to value creation.

In line with this new interpretation, sustainability becomes embedded in the essence of a new ‘organisational attitude’, which creates value from a societal point of view (based on Jonker, Diepstraten, & Kieboom, 2011a; Jonker, 2011). Within

the context of this new awareness of value creation, sustainability is integrated in a systematic and coherent way of thinking (Jonker & O’Riordan, 2016, p. 5), signifying what could be termed a new management ‘mind-set’ of responsible management as the ‘missing link’ for connecting the market with the social system.

4.3.6.2 Business Models: Definition and Meanings

As a means of realising the opportunities for managing sustainable stakeholder relationships outlined in the previous sections at the organisational level of the firm, business model innovation in the form labelled here as ‘innovative business models’ refers to a way of organising, which not only focuses on the task of internal organisation within the organisation itself but also on external organisation *between* organisations and their constituents. This inclusive approach to organising inherent in what previous authors have sometimes called new business models [Ćwicklicki and O’Riordan (2017), uniquely facilitates social and ecological, in addition to economic value(s) creation (Jonker & O’Riordan, 2016)].

To elaborate, according to Ćwicklicki and O’Riordan (2017), the concept of business models (BMs) has its foundation in corporate practice, strategic management, and industrial economics (Carayannis, Grigoroudis, Sindakis, & Walter, 2014; Teece, 2010). A review of the increasing body of related literature which has emerged since awareness of BMs essentially began in the mid-1990s with the advent of the Internet reveals that the main focus of the scholarship which has subsequently appeared is primarily based on generic aspects of BMs largely related to themes such as e-commerce, strategy, and innovation (Chesbrough & Rosenbloom, 2002; Magretta, 2002; Osterwalder, Pigneur, & Tucci, 2005; Teece, 2010; Zott, Amit, & Massa, 2011). As a result, for those attempting to establish a clear definition of BMs, the literature presents a broad diversity of understandings, usages, and settings within the firm, which are frequently related to capturing value in technology and the information systems domain (Chesbrough & Rosenbloom, 2002; Osterwalder et al., 2005).

A review of the academic literature and mainstream management knowledge of business models over the last 15 years highlights several definitions. For example, Amit and Zott (2012, p. 42) defined the business model as “a system of interconnected and inter-dependent activities that determine the way the company does business with its customers, partners, and vendors”. In summary, however, detailed analysis of its meaning conducted by Zott et al. (2011) indicates that the BM notion does not hold one unambiguous interpretation. In order to establish the current most dominant understanding, the characterisation adopted in this book proposes that it may be broadly defined along the lines proposed by Ćwicklicki and O’Riordan (2017) as: *a way of doing business which creates and delivers value* (Saebi & Foss, 2014, p. 204; Taran, Boer, & Lindgren, 2015, p. 303). Consequently, BMs can be interpreted as a construct comprising the rationale, the means, and the route for organising value creation and thereby SVC.

4.3.6.3 The Value Proposition in Business Models

The nature of the general descriptions presented immediately above elicit challenges when endeavouring to determine what exactly constitutes business model applications aimed at enhancing equally broadly understood concepts such as ‘value’. Triggered by the new developments at the time of the birth of the Internet and the World Wide Web, the BM concept’s conception became a unit of analysis for explaining new ways of doing business based on implicit assumptions of exclusive bottom line financial value creation.

More specifically, in the quest to find interesting routes to SVC, with respect to the question of how business models enhance *value*, a review of the extant literature reveals that a significant amount of past scholarship related to the value proposition in BMs is based on ‘conventional’ ideas and perspectives with a primarily narrow economic emphasis focused largely on a competitive profit maximisation route to value creation (e.g. Chesbrough & Rosenbloom, 2002; Osterwalder & Pigneur, 2010; Osterwalder et al., 2005). Teece (2010, p. 172), for example, stated that “the essence of a business model is in defining the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit”.

With the exception of some authors, such as Arend (2013, p. 395), who adopts a broader focus by contending that the “unrealized value in the business model idea lies in what it can capture outside of the traditional business profit equation, where money is not the primary currency, and the customer and the firm are not the only primary players”, specific BM literature which concretely addresses a broader set of inclusive (sustainable) stakeholder value(s) explicitly illustrating, for example, the network of parties and describing the organisational logic which is created in a multiple, collaborative and connected way with, for, and by an inclusive range of constituents, is limited (adapted from Ćwicklicki & O’Riordan, 2017).

This lacuna prompts the requirement to explore pathways for business, which focus not merely on producing (short-term) monetary profits for shareholders and the owners of the company but, in addition, for creating sustainable value focused on a broader range of social and ecological interests. This aim necessitates investigation of what exactly constitutes business model applications which strive to foster different ways of doing business to create (sustainable) stakeholder value via some (broadly understood) concept of ‘innovation’.

4.3.6.4 Ascertaining the ‘Innovation’ in Business Models

According to Lindgren and Jørgensen (2012, p. 6), BMs enhance innovation by “presenting a business operational manifestation of the way business model innovation works and is carried out from ideation¹⁸ to market introduction”. Afauh

¹⁸Ideation is a term which combines the words ‘idea’ and ‘generation’ (Graham & Bachman, 2004).

(Afuah, 2014, p. 4) defines business model innovation (BMI) as “a framework or recipe for creating and capturing value by doing things differently” and indicates ‘change’ as a main characteristic of BMI. Markides (2006, p. 20) wrote about the discovery of fundamentally different BMs in existing businesses: “To qualify as an innovation, the new business model must enlarge the existing economic pie, either by attracting new customers into the market or by encouraging existing customers to consume more”. Notwithstanding the potential need to question the implications of the impact of increased consumption on social and ecological interests inherent in this traditionally orientated definition of innovation, other BMI definitions – similar to BMs – additionally cover broader aspects. For example, one of the important features of BMI is aptly highlighted by Denicolai, Ramirez, and Tidd (2014, p. 259) as: “Finding the optimal combinations of internal and external knowledge in ways that create and capture value”. Overall, however, according to Ćwicklicki and O’Riordan (2017), these examples appear to exhibit a lack of consistency in describing BMI due to the different perspectives applied by the researchers (Spieth, Schneckenberg, & Ricart, 2014, p. 238).

Within the context of these undoubtedly general definitions, past scholarship suggests that new business models can be interpreted as a form of BMI. Ćwicklicki and O’Riordan (2017) propose that new business models can be assumed to enhance innovation, due to the ‘difference’ and the ‘change’ via which the organisation enables the combination of features inherent in SVC through the production and supply of new offerings for its customers and potentially other stakeholders.

In this regard, while the concepts of BMs and consequently BMI have their foundation in corporate practice, strategic management, and industrial economics (Carayannis et al., 2014; Teece, 2010) and are therefore not ‘new’ in their own right *per se*, Casadesus-Masanell and Zhu (2013, p. 464) defined new business models as the “search for new logics of the firm, new ways to create and capture value for its stakeholders, and focusing, primarily, on finding new ways to generate revenues and to define value propositions for customers, suppliers, and partners”. Based on the rationale that there is nothing as old as a ‘new’ concept, building upon the key principles in the definition of new business models proposed by Ćwicklicki and O’Riordan (2017), who defined new business models to designate a process for realising a supply of offerings to clients, customers, the community, and/or other stakeholders, the terminology adopted in this book favours the label ‘innovative business model’ to signify the precise innovative novelty inherent in a management mind-set that is advanced beyond a narrow profit maximisation focus. Based on the fundamental idea of a multiple, collaborative, connected value(s) proposition inherent in the SVC concept presented above, which aims to achieve harmonised, optimised SVC, both the innovation and the comprehensiveness associated with this transformed approach by definition lead to (re-)design via co-creation and, ultimately, added value for a range of constituents. This novelty enables not merely internal, isolated organisational processes within the organisation itself but more holistically broader cooperative organisation *between* multiple organisations and their constituents. While this inclusive approach to organising inherent in the concept of innovative business models presented here conceivably offers the

potential platform, via its mechanisms and connective ‘links’, to enable exchange opportunities which could uniquely facilitate social and ecological, in addition to economic value(s) creation (Jonker & O’Riordan, 2016), the literature does not explain how this might be relevant for managing stakeholder relationships for decision-makers in the pharmaceutical industry. Consequently, this research design proposed in this book strives to address this gap.

4.4 Signposting

While most businesses today are still largely organised based on assumptions focused on the past age of industrialisation (e.g. Drucker, 1994, Grant & Jordan, 2015, pp. 20–22), a culmination of factors noted in previous chapters including global warming, resource scarcity, and the growing needs of an exponentially rising population, among others, are driving the fundamental search for radically different concepts and methods in the quest to enable advancement to a more sustainable economy (Ćwicklicki & O’Riordan, 2017, p. 1). Against this background, in pursuit of sustainable solutions to bridge the considerable gap identified in past scholarship focused specifically on the pharmaceutical industry in the UK and Germany, this chapter highlighted an interesting range of emerging new concepts at both the macro- and micro-level. More specifically, it revealed how, despite the fact that the general academic literature in this field is vast and continually increasing, past scholarship is limited in explaining precisely *how* pharmaceutical decision-makers manage their stakeholder relationships in a sustainable way, as well as the factors which influence these practices, i.e. *why*. Within the context of the enabling system inherent in new emerging pathways, such as a circular economy design, and based on the new concept of stakeholder value creation presented in this chapter, the degree to which pharmaceutical companies could achieve the necessary innovation in their business models to enable novel exchange opportunities in their management approach to sustainable stakeholder relationships remains unclear. In pursuit of appropriate tools for managing such relationships, the next chapter now turns to focus on searching for relevant management frameworks, capable of organising corporate approaches to responsible management.

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Chapter 5

In Search of Relevant Management Frameworks and Tools

Identifying Instruments for Managing Sustainable Stakeholder Relationships

Thinking fragments reality—it cuts it up into conceptual bits and pieces.
(Eckhart Tolle, 2003)¹

5.1 Introduction

This chapter assumes a corporate management perspective to critically review past scholarship in search of relevant frameworks for managing sustainable stakeholder relationships. Similar to Tolle's (2003) appreciation that thinking may actually fragment reality because it cuts it up into conceptual 'bits and pieces', this chapter assumes that while the discerning mind is a useful and powerful tool, its ensuing concepts can actually act as a constraint if their limitations are not recognised. In line with Tolle's ideas (2003), a new mind-set is required to awaken a fresh quality of awareness from the 'dream' or 'illusion' of thought. This perspective recognises that because all structures in the macro-system were constructed by human thought, they can likewise be reconsidered, redesigned, and reconstructed to address the pressing needs of mankind in a more effective way than the past approach. As a first step in the quest to develop a reevaluated corporate approach to sustainable stakeholder relationships of this nature, this chapter addresses the lacunae detected in the previous chapter. By highlighting purposefully selected influencing factors as a basis for identifying concepts, approaches, and tools from the literature, it aims to ascertain the relevant elements for conceptualising corporate approaches to sustainable stakeholder management.

¹From 'Stillness Speaks'.

5.2 Influencing Factors in Sustainable Stakeholder Management

5.2.1 *Exploring the Complex Dynamics of the Business-Society Operating Environment*

Within the general context of the ongoing turbulence in the business and society relationship *per se* (Carroll & Buchholtz, 2009, p. 5), the previous chapter highlighted a considerable lack of sufficient material in the literature to establish whether or not companies are acting in an accountable, trustworthy, and transparent manner (see, e.g., Schwartz & Carroll, 2008, p. 171; Tapscott & Ticoll, 2003). Within that setting, the complicated operating scenario facing decision-makers in the pharmaceutical industry in the target countries has been noted by past scholars to frequently confound the operating context (Castka, Balzarova, Bamber, & Sharpet, 2004; Daniels & Radebaugh, 2001; Deresky, 2000; Stigson, 2002). Combined with the strategic paradoxes and management misconceptions relating to stakeholder management noted in Chap. 2, the potential for conflicting points of view which may be held *per se* on this topic, but in particular for the typically global environment, in which many decision-makers operate across the numerous regions of the world, indicates the multifaceted dynamics of the operating context facing decision-makers in the pharmaceutical industry. In light of these particularly complex circumstances, this section explores the nature of their operating scenario in greater detail. By briefly examining a selection of purposefully chosen factors identified from a review of the secondary literature as potential influencing factors with respect to both *why* and *how* the target decision-makers manage their stakeholder relationships, it establishes an information base of those aspects, which could conceivably be interpreted to influence sustainable stakeholder management. This includes general contextual factors in the complex business operating environment at the macro-, micro-, and individual-level operating context, regional contextual factors, and management complications related to the elusive nature of responsible² management and issues related to the elusive nature of CR³ itself, as well as factors related to how the impact of sustainable stakeholder relationships for both business and society are measured.

²The word ‘responsible’ is employed in this book as an adjective in the sense of *being* accountable. It is assumed to mean to *be* responsible compared with the closely related noun ‘responsibility’, which is inferred to imply the obligation or duty to *have* a responsibility.

³For clarification, the term ‘CR’ is employed here and throughout this chapter for brevity purposes. It is intended to signify the concept of responsible management (as defined in Chap. 2) within a corporate sustainable stakeholder relationship setting.

5.2.2 *Comprehending the Operating Context*

5.2.2.1 The Macro-Environment

Against the backdrop of the developing, diverse, and (principally) discretionary approaches to managing sustainable stakeholder relationships presented in previous chapters (e.g. Ferrell, Fraedrick, & Ferrell, 2010, pp. 233–282), Carroll and Buchholtz (2009, p. 7) state that the environment of a society is a key concept in analysing business and society relationships. At its broadest level, the macro-environment can be considered to include the total environment outside the firm. This is the complete context in which the organisation resides.

One convenient conceptualisation of this macro-environment comprises a summary classification of the key influencing factors in the business environment, such as political, economic, social, and technological (PEST, also often referred to as STEP) analysis (Aguilar, 1967; Clulow, 2005). Based on the rationale that the success of a particular organisation's objective or management solution is dependent upon its particular context-specific operating environment, the PEST analysis is frequently employed as a strategic management tool to identify the factors, which influence the business operating context. In this regard, Buchanan and Gibb (1998) advocate that the recognition of the relevance of information (deriving from management tools such as PEST) is fundamental to the development of an effective strategy. The PEST analysis assumes that specific external and indirect circumstances in the business environment influence the organisation's capacity to create value. As a result, it can be interpreted to provide a general 'satellite' perspective for identifying and assessing the relevant factors in the organisation's external environment (e.g. Kreikebaum, 1997, pp. 40–46; Macharzina & Wolf, 2005, pp. 18–34). The PEST analysis tool has been conventionally used in various ways including the analysis of the position of a specific organisation or industry sector (e.g. McManus, Li, & Moitra, 2007, pp. 19–36) within a particular business environment or to investigate the viability of general management solutions in a business environment (e.g. Kutschker & Schmid, 2008, pp. 830–845).

The PEST analysis accordingly helps to identify, evaluate, and manage information resources in the aim to fully exploit the strategic potential of the macro-operating context (e.g. Kutschker & Schmid, 2008, pp. 830–831). Given its noted usefulness in strategy in general, an audit of the PEST factors relevant to the business could accordingly be interpreted as a salient method to provide strategic direction and guidelines for the management of an organisation's approach to managing sustainable stakeholder relationships. As a result, in order to generate a general overview of the strategic potential of the operating variables, the PEST analysis is employed in this study to develop an in-depth understanding on the organisational context (i.e. pharmaceutical industry in the UK and Germany) facing decision-makers.⁴

⁴For clarification, when applying the PEST tool, issues relating to its precision as an analysis framework are acknowledged as potentially limiting factors. These issues arise due to the vast quantity of potentially applicable variables, as well as possible subjective interpretations relating to the prospective relevance of the PEST factors. Caution and critical reflection is accordingly advised when interpreting the outcomes of this analysis.

5.2.2.2 The Industry Environment

Within the context of the macro-environment, Michael Porter refers to the industry as a group of firms producing similar products and services, which can be segmented into industry sectors or a group of markets (e.g. Porter, 1985, p. 272). His illumination of the five forces, which he advocates determine the long-run profitability of industries (Porter, 1979), is considered to have shaped a generation of academic research and business practice (Porter, 2008). By helping to identify the dominant influencing factors in an industry, Porter's five forces framework could accordingly conceivably be interpreted as a useful tool in stakeholder relationship management when employed to understand the balance of power among the various players at industry level.

Porter's logic suggests that five forces govern the profit structure of an industry by determining how the economic value it creates is apportioned. While that value may be drained away through the *rivalry among existing competitors*, it can also be bargained away through the *power of suppliers* or the *power of customers* or be constrained by the *threat of new entrants* or the *threat of substitutes*. These forces combine to constitute the 'landscape' of an industry's 'structure' with respect to its concentration or otherwise of competitors and their strategies. Based on this profit maximisation shareholder-orientated logic, strategy can accordingly be viewed as building 'bridges' or 'defences' between or against the competitive forces or, alternatively, as finding a position in an industry to best leverage the forces. Changes in the strength of the forces signal fluctuations in the competitive landscape critical to ongoing strategy formulation. As a result, Porter's framework could be considered helpful when establishing the contextual operating landscape at industry level, in which organisational decision-makers can strive to influence the identified forces to create favourable operating conditions for itself and its shareholders (Porter, 2008). Nevertheless, its profit orientation in the first instance coupled with its strong focus on shareholder interests (power) in the exchange relationship trigger the requirement for its adaptation when applying this tool from a broader stakeholder-orientated operating perspective.

5.2.2.3 Individual Preferences and Situational Factors

Carroll and Shabana (2010) acknowledge the complex and interrelated nature of the challenges and opportunities when attempting to preserve and harmonise sustainable stakeholder relationships with society and the financial performance of the firm. When determining how to interpret and ultimately prioritise the potential effect of those possible macro-environmental variables in the macro- and industry

environment (presented in the previous section), which are assumed to have highest impact on their future business success at the country, industry, or sector level of analysis under investigation, past scholarship suggests that decision-makers within organisations are influenced by a range of both individual factors and situational contingencies (e.g. Ferrell et al., 2010, p. 311; Ford & Richardson, 1994). Crane and Matten (2010, pp. 148–176), for example, suggest that these factors may accordingly influence the responsible management (or ethical) stance adopted. These individual and situational factors could be interpreted to be influenced by what Carroll and Shabana (2010, p. 101) refer to as the ‘rational justification’ or ‘business case’ for responsible management initiatives. They suggest that firms will engage in activities which they expect to be rewarded by the market in economic and financial terms. In this regard, Carroll and Shabana (2010, p. 101) highlight two stances. In the first stance, the narrow view of the business case justifies initiatives when they produce direct and clear links to firm financial performance, such as immediate cost savings. By contrast, the second broader view of the business case justifies those business initiatives which also produce indirect, as well as direct, links to firm performance. Carroll and Shabana (2010, p. 101) advocate the advantage of the broad view over the narrow view. They recommend a stakeholder-orientated approach based on the rationale that it allows the firm to benefit from potential responsible management opportunities, thereby enabling the firm to enhance its competitive advantage and create what has been termed ‘win-win’ relationships with its stakeholders, in addition to realising gains from cost and risk reduction (which the narrow view increasingly generate), as well as legitimacy and reputation benefits, which the narrow view increasingly realise.

As a result, decision-makers may prefer to choose strategies, which demonstrate a convergence between economic and social goals (Porter & Kramer, 2006) in a stakeholder-orientated approach, if they are convinced that they will be rewarded for doing so in financial terms by the market. This view is supported by O’Riordan, Zmuda, and Heinemann (2015, p. 5) who state that firms will engage in sustainable business practices if the economic logic is clear, and that the strategic motivation for doing so is driven by both external economic, social, political, legal, and technological systems (PEST factors), as well as their mechanisms and internal organisational purpose, structures, processes, and people.

Within the context of the influence of the above-noted broader rational justifications for the economic logic inherent in a broader stakeholder-orientated approach, in addition to those elements depicting the broadest influencing factors affecting all managerial decision-making, more specifically, various authors suggest that both *individual influences* (including age and gender (e.g. Loe, Ferrell, & Mansfield, 2000; O’Fallon & Butterfield, 2005) and personal values (Agle & Caldwell, 1999) and personal integrity, as well as *situational factors* (such as the issues of moral intensity and framing and context-related aspects including rewards, authority, bureaucracy, work roles, organisational culture, and national context/cultural factors (e.g. Hofstede, 1997, 2015; Trompenaars & Hampden-Turner, 2004), and organisational values) may additionally affect ethical decision-making (Crane & Matten, 2010, p. 161). Moreover, previous empirical work has generally tended to support the existence of interrelationships between these factors

(e.g. Crane & Matten, 2010, p. 151; Christie, Kwon, Stoeberl, & Baumhart, 2003; Jackson, 2001; Vitell, Nwachukwa, & Barnes, 1993). As a result, in summary, past scholarship suggests that a company's decision-making climate may be affected by a range of factors including society, the business, the industry, the organisation, and the individual manager's and employee's personal situation (Ferrell et al., 2010, p. 311).

5.2.2.4 The 'Broad View' of a Stakeholder-Orientated Organisational Purpose

Within the context of the influence of the individual and situational factors noted immediately above, the concept of stakeholder theory presented in previous chapters supports the broad view suggested by Carroll and Shabana (2010, p. 101) advocating that business initiatives involving stakeholders in a positive manner can create organisational opportunities, thereby ultimately leading competitive advantage (Greenwood, 2007, p. 317; ISO, 2010, p. 4).

This focuses attention on the need for managers to recognise the interests of a broad range of stakeholders in society when developing their business strategies (Freeman, 1984). The three rationales proposed by Mitchell, Agle, and Wood (1997, p. 854), including either the *power* of stakeholders to influence the firm, the *legitimacy* of their relationship with the firm, and/or the *urgency* of their claim on the firm, may by definition influence how managers rank and prioritise stakeholders' interests. During this process, the discretionary nature of decision-making in the field of managing sustainable stakeholder relationships suggests that it is possible for managers to adopt varying viewpoints and strategic approaches when addressing stakeholder interests (Greenwood, 2007, p. 321). In general, the literature recognises the interdependencies of these three claims in the sense that they are understood to not compete as explanations of stakeholder status or business response but instead intersect to varying degrees (Mitchell et al., 1997, p. 863). Nevertheless, although the past scholarship suggests the relevance and potential complementary nature of these interrelationships, the literature does not sufficiently reveal either the rationales employed by the target group nor the possible linkages involved.

5.2.2.5 Economic and Behavioural Exchange Theories

Economic and behavioural exchange theories provide various additional insights for examining the independencies in the relationship between a business and its stakeholders (Donaldson & O'Toole, 2007, pp. 21–36). Exchange theories help to explain how managers make relationship decisions within the complexity of many contextual factors in their operating environments. More specifically, five relevant theories include agency theory which focuses on exchange risk (e.g. Eisenhardt, 1989), transaction cost economics concentrating on the economics of transactions (e.g. Williamson, 1979, 1985), resource dependency theory which addresses the

power and control in the relationship (e.g. Frazier, 1999; Pfeffer & Salancik, 1978), social/relational exchange theory (e.g. Blau, 1964; Macneil, 1980), and interaction (e.g. Håkansson, 1982). Because past scholarship suggests that all of these theories may play an influencing role in how the parties in the relationship interact (e.g. Håkansson (1982), they too could be considered potentially relevant in managing sustainable stakeholder relationships. However, the literature does not sufficiently explain which theories play a role and which possible interdependencies might be involved for this target group.

5.2.3 Regional Contextual Factors

5.2.3.1 General Local and Cultural Factors

Possible differing regional and cultural distinctiveness indicates the potential for variation in values and norms, which may generate unpredictable expectations in different operating contexts of sustainable stakeholder relationship management. Clearly, these aspects could affect both the business response and impact in each country. More specifically, contextual influencing factors may as a result give rise to varying organisational approaches, activities, and differing expectations regarding return on investment for stakeholder activities (Crane & Matten, 2007). Significantly in this regard, the literature suggests that diversity in national perceptions of CR may cause differing national concepts of CR (Chapple & Moon, 2005). As noted in previous chapters, some authors advocate that this implies that Europe as a region may develop its own distinctive and unique model of CR (Crane & Matten, 2007) or that individual national concepts may flourish (Habisch, Jonker, Wegner, & Schmidpeter, 2005, p. 6). Within this context, past scholarship further highlights that the discretionary nature of stakeholder relationships and approaches to responsible management⁵ (e.g. Carroll, 1979, 1999; Ferrell et al., 2010, p. 282; Kotler & Lee, 2005) may itself cause diversity in organisational response in stakeholder engagement. To address these aspects in greater detail, the next subsections examine possible contextual complications in the UK and Germany, how the intangible discretionary nature of responsible management interpretations may influence its management, and the way in which these factors potentially interactively influence concepts of responsible stakeholder management in the differing contexts.

5.2.3.2 Contextual Givens in the UK and Germany

Within the general context of the local and cultural factors noted in the previous section, past scholarship (e.g. Matten & Moon, 2008) notes how specific

⁵Please refer to the glossary and Chap. 2 for a more detailed definition of responsible management.

complications involving the institutional, political, and cultural contexts in the UK and Germany may affect stakeholder relationships. Such influencing factors may conceivably result in variations in those aspects considered by pharmaceutical decision-makers to constitute [appropriate or effective] stakeholder engagement in each respective region. However, in this regard, the discretionary nature of CR (highlighted in previous sections to include both the target stakeholder audience focus and managerial response) may cause a diversity of (what may sometimes appear as illogical or irrational) stakeholder expectations and responses. For example, previous scholarship suggests that certain contextual aspects (which are themselves complicated by varying interpretations) may affect organisational/governance approaches and practices in stakeholder relationship management (e.g. Habisch et al., 2005, pp. 6–7).

While Knox and Maklan (2004) note that in this regard, many of the policy and practice issues highlighted in the literature are not yet resolved, a review of past scholarship suggests that management practice is influenced by contextual complexities, which cause varying interpretations arising out of different geographical regions and cultures (Bowmann-Larsen & Wiggen, 2004; Castka et al., 2004; Crane & Matten, 2007; Deresky, 2000; Epstein & Roy, 2001; Haugh, 2003; Maignan & Ferrell, 2003; Stigson, 2002; Woodward, Edwards, & Birkin, 2001). These varying contextual settings are interpreted to potentially influence the response of decision-makers in the pharmaceutical industry in their respective countries of operation (Cassel, 2002; Habisch et al., 2005). In this regard, for example, the literature notes fundamental differences in the way in which business ethics is practiced and studied in Europe compared with the USA (Crane & Matten, 2007, p. 32). For instance, America adopts a philanthropic approach which is claimed to be a driving force behind its civil society (Carroll & Buchholtz, 2009, pp. 626–51). As a result, past scholarship makes a case for a distinctly European perspective on business ethics (e.g. Crane & Matten, 2007, p. 32). Significantly, while this might additionally lead to differences in the ways in which stakeholder relationships are understood and implemented by firms at country level, it is not clear how these factors might influence corporate approaches to stakeholder management within Europe for the target companies in the UK and Germany.

Notwithstanding the potential for cultural differences arising from these influencing factors, given the similarities between the UK and Germany presented previously, including the fact that both countries belong to a similar geographic region (and potential other parallels based on the global orientation of pharmaceutical operations), it might be expected that the stakeholder management practices of pharmaceutical companies in these two locations would not prove entirely different. Nevertheless, the literature highlights how each society (i.e. the macro-environment in which firms operate) possesses a unique historical, religious, educational, cultural, political, economic, social, technological, and other particular relevant contextual factors (e.g. Carroll & Buchholtz, 2009, p. 7; Habisch et al., 2005; Matten & Moon, 2008). This potentially influences the values, beliefs, attitudes, and shared understanding of the direct and indirect operating environment (e.g. Crane & Matten, 2007, p. 32; Daniels & Radebaugh, 2001; Deresky, 2000). Further, past

scholarship suggests that these factors create a form of ‘mental software’ which serves to reinforce the dominant patterns of thinking, feeling, and acting in many spheres of behaviour (Hofstede, 1997, pp. 235–237) culminating in ‘national flavours’ of CR (Chapple & Moon, 2005). This research study consequently aims to reveal the influence of such contextual givens on corporate approaches to stakeholder relationship management in the UK and Germany.

5.2.3.3 Cultural Complications when Developing Business Strategy in the UK and Germany

For international managers attempting to develop business strategies to address the differences noted in the previous section, the term ‘glocalisation’ suggests the operational paradox which requires the simultaneous need for both standardisation in organisational design, systems, and procedures as markets globalise as well as adaptation of practices to the local characteristics of the market, local legislation, the fiscal regime, the sociopolitical, and the cultural system (Trompenaars & Hampden-Turner, 2004, p. 3). This requirement assumes that despite the many common products and services in world markets, they may actually mean different things to the people in each culture. Hofstede (1997, p. 237) suggests that these meanings are influenced by value standards, which affect the contextual operating environment facing decision-makers in various settings (and accordingly by definition in the UK and Germany). These insights are relevant to the stakeholder relationship management discussion based on the rationale that these local social and cultural influences could be relevant to decision-maker’s strategic management responses within the pharmaceutical industry context of the target countries.

More precisely, to understand how possible similarities and differences between the UK and Germany might influence stakeholder management practices, Trompenaars and Hampden-Turner (2004, p. 2) suggest that decision-maker’s culture of origin, their culture of work, and the culture of the organisation may potentially influence management behaviour. As a result, because cultural programmes vary in ways which are rarely acknowledged and often misunderstood (Hofstede, 1997, p. 236), differences in phenomena, such as authority, responsibility, verification, accountability, good fellowship, and many others, are experienced in different ways (i.e. mean different things). This leads to differing expectations among those involved (Trompenaars & Hampden-Turner, 2004, p. 2). In addition, because the same words (i.e. labels) are frequently used to describe these phenomena, misunderstandings can arise among stakeholders who remain unaware of their cultural biases (i.e. the fact that *their* accustomed conduct may not be appropriate or shared). In a specific stakeholder relationship context, this means that cultural factors may give rise to different practices, including aspects such as the approach to responsible management (Gardiner & Lacy, 2005), individual or collective interpretations of responsibility, understandings regarding key actors, guidelines regarding ethical behaviour, focus and content of chosen activities, and approach to stakeholder management (Crane & Matten, 2004, pp. 27–29). In this regard,

however, past scholarship does not specify the significance or otherwise of these phenomena with regard to how the target group manages its stakeholder relationships in the UK and Germany.

More specifically, when considering the *effect of contextual complications* (e.g. as described in Fairbrass, O’Riordan, & Mirza, 2005) on company-stakeholder relationships in the UK and Germany, previous research on culture has clustered the UK differently from Germany based on the attitudinal dimensions of culture and sociopolitical climates (see, e.g., Lozano, Albareda, & Ysa, 2008). Essentially, past scholarship does not however sufficiently explain the influencing role played by contextual factors when managing stakeholder engagement activities in the UK (Habisch et al., 2005, pp. 51–66) and in Germany (Habisch et al., 2005, pp. 111–124) for this target sector. This lacuna prompted the need for new research to explore the role played by the host of potential differences which could lead to variation in corporate strategies and policies between the two countries (due, for instance, to national obligations, such as legal requirements, institutional frameworks, or adaptations in the corporate strategic approach as a result of other distinctions such as culture). To address this gap, the research study presented in this book aims to establish whether pharmaceutical companies in the UK belong under an ‘Anglo’ cluster (alongside countries such as the USA, Canada, Australia, Ireland, and South Africa) and those in Germany under a ‘Germanic’ cluster (with Austria and Switzerland) as suggested in the literature (e.g. Deresky, 2000, p. 118; Ronen, 1984, p. 449).

5.2.4 *Complications Related to the Elusive Nature of ‘Responsible’ Management*

Ultimately, the many aspects presented above with respect to the influencing factors of macro, industry, and regional factors highlight the existence of the potential for a distinctive country- or region-specific form of stakeholder relationship. Collectively, this begs the question of whether, within the EU, a distinctive UK and German perspective on managing stakeholder relationships exists for the target group as suggested in the general literature by previous authors (Chapple & Moon, 2005). Moreover, this triggers questions, which the research study aims to address, regarding responsible management with respect to interpretations and expectations, as well as how these influencing factors manifest themselves within firms’ operations.

To elaborate, the theme of corporate approaches to responsible management remains an elusive notion for many due to its complex, multidimensional character and the subjective nature of the numerous varying perceptions it is understood to embody. This leads to an ambiguous understanding of the entire concept (Coase, 1960; Idowu & Filho, 2009; Jonker, 2012a, 2012b; Marsh, 2013). Within the context of the broad definitions(s) and the range of terms and concepts which could signify the local

concept of responsible management, the academic literature suggests that the factors influencing the inherent diversity in practices may be affected by meanings which have developed over time. They may also be due to different contexts denoting certain perspectives of doing business. However, these meanings are documented as contested, shifting, and still evolving (e.g. ISO, 2010, p. 6; May, Cheney, & Roper, 2007, p. 8). As a result, terms such as ‘sustainability’ and ‘sustainable development’ may sometimes hold strategically different meanings in different settings (May et al., 2007, p. 7).

In this regard, the literature suggests that a number of specific factors may have been instrumental in influencing the ‘blurred’ meaning of responsible management practice. In general, the vast amount of literature in the field of responsible management that has emerged over the last half a century suggests that the topic is influenced by a long research history, which has generated many and varied theories, concepts, models, and themes (e.g. Carroll, 1999; Habisch et al., 2005; O’Riordan, 2006; Welford, 2004). The ‘loaded nature’ of the topic has also given rise to considerable debate relating to two further issues. The first is a generally negative image concerning businesses and their actions in relation to society (e.g. Carroll & Buchholtz, 2009; Wagner, 2006, p. 8). Second, there appears to be some confusion relating to questions about businesses in terms of their alleged responsibilities and/or obligations towards society (Crane & Matten, 2007; Freeman, 1984; Schwartz & Carroll, 2008).

Within the context of the ongoing evolution towards an increased acceptance of stakeholder theory (see, e.g., Laplume, Sonpar, & Litz, 2008) noted above, the theme of responsible management (e.g. under various labels such as CR and CSR) has often been presented in the academic literature as a ‘challenge’ for management (O’Riordan, 2010). Past scholarship has suggested that this is due to the fact that the responsible management debate has been associated with both external and internal influencing factors (e.g. Crane & Matten, 2007) as discussed above. More specifically, the (external) macro-economic corporate business model underpins (internal) business practices at company level (Lozano, 2008). The management ‘challenge’ or ‘complication’ arises from the broader debate regarding the role of the business organisations in society (Carroll & Buchholtz, 2009; Crane & Matten, 2004, pp. 439; Deresky, 2000; Epstein & Roy, 2001; Ferrell, Fraedrick, & Ferrell, 2008; Hahn, 2009; Haugh, 2003; Maignan & Ferrell, 2003; Maignan & McAlister, 2002; Stigson, 2002; Woodward et al., 2001) noted in previous sections of this book.

The resulting elusiveness surrounding the concept is based on various perceptions held by individuals in relation to the question of the responsibility and obligation of business in society in general. In this regard, the ambiguity of the term ‘social’ (i.e. external factor) is documented to play a key role (Lozano, 2008). In addition to the lack of a generally accepted definition of what counts as responsible business behaviour or social responsibility, the related uncertainty regarding the term ‘social’ itself, as well as the diversity of inherent interpretations and approaches (possibly due to cultural influencing factors noted above), determine that engagement, governance, and stakeholder concepts continue to signify nouns “...that defy attempts to tether them to reality” (The Economist, 2015, p. 29).

Combining the term ‘social’ or ‘solidarity’ in the political sense or with the term ‘economic’ in business practice is suggested by some authors (e.g. Crane & Matten, 2007; Fürst & Wieland, 2004; The Economist, 2015; Wagner, 2006) to further complicate stakeholder relationship management. By and large, despite the increased public attention and sensitivity towards responsible management, which originated during the last century and was particularly heightened by the recent economic crisis (a period in which business decision-makers were particularly harshly condemned as heartless tyrants of exclusive shareholder interests), traditional business models are still focused on creating economic profit (Jonker, O’Riordan, & Marsh, 2015). This business purpose clearly stands at odds with the broader notion of sustainable stakeholder relationship management, which strives for a harmonisation between stakeholder interests in the sense of the economic, ecological, and societal (e.g. Elkington, 1997) among other (sustainable) value outcomes via holistically integrated, strategic, stakeholder-orientated solutions (Carroll & Shabana, 2010; Freeman, 1984).

5.2.5 *Measuring the Return on Investment of Sustainable Management*

5.2.5.1 The Role of Perceptions and Expectations in Business-Society Relationships

The points made immediately above regarding the intangible nature of responsible management *per se* could conceivably be interpreted to affect stakeholder relationships with respect to both *why* and *how* stakeholder engagement is sustainably managed in the UK and Germany (O’Riordan, 2010). The role of perceptions relating to the nature of responsible management (i.e. under the frequently adopted term ‘CSR’ including all its associated terminology) indicates that *expectations* may vary regarding what precisely determines (and ultimately ‘counts’ as) optimal societal *outcomes* and business value or return. Significantly, these matters have been debated since the time of the early philosophers. They are related to questions of the ‘good life’ and a ‘good society’, which are based on differing perspectives of justice regarding how to distribute the ‘fruits of prosperity’, or the ‘burdens of hard times’, and how to define the basic rights of citizens. Within this context, considerations of welfare and freedom predominate, and the resulting reasoning behind economic arrangements lead to varying interpretations regarding understandings of what people ‘deserve’ and their underlying logic (Sandel, 2009, p. 12). These differences of opinion are particularly relevant for this study in the sense that they serve to further complicate stakeholder relationship management. The inability to achieve a clear consensus on what might be considered an appropriate corporate approach to responsible management clouds the achievement of unanimity on precise objectives and agreement on what is interpreted to denote the ‘right’ or ‘wrong’ strategy. This complication prompts the need for corporate decision-

makers to carefully reflect on the underlying business logic of sustainable stakeholder relationships and for more precise research into the factors which influence the underlying rationale.

5.2.5.2 The ‘Why’ of Sustainable Management?

The literature suggests that expectations of return on investment of a broadly orientated sustainable stakeholder purpose may influence management strategy and practice (Crane & Matten, 2004). More specifically, past scholarship implies that factors related to the way in which such responsible management impact is defined may influence the practices adopted. To elaborate, previous research indicates that as responsible management practices are decided by nothing more concrete than the subjective intentions (and therefore dependent upon the power) of the person who uses them (Lozano, 2008), it follows that the motives for business actions introduced by either managers or the corporation play an influencing role. Clearly, this influence may include the pursuit of personal or corporate benefits, as well as the role of emotions in selecting which stakeholder groups receive benefits or not. For instance, in this respect, the research-based pharmaceutical industry communicates that:

Companies undertake [their responsible management] activities individually and independently, but also involve stakeholders from different sectors. (IFPMA, 2009, p. 1)

Further in this regard, the academic literature suggests that potential conflicts of interest between personal and corporate aspirations make theoretical distinctions between corporate/strategic and personal values in the sustainable management response difficult to separate clearly (Hond, Bakker, & Neergaard, 2007, p. 123). Moreover, the ‘glocalisation’ paradox (Trompenaars & Hampden-Turner, 2004, p. 3) presented above further highlights challenges regarding the use of value standards (Hofstede, 1997, p. 237). In this regard, Hofstede states:

The main cultural differences among nations lie in values. Systematic differences exist with regard to values about power and inequality, with regard to the relationship between the individual and the group, to the social roles expected from men or women, with respect to ways of dealing with the uncertainties in life, and with respect to whether one is mainly preoccupied with the future or with the past and present. (Hofstede, 1997, p. 236)

These challenges related to the use of value standards emphasise the requirement to more concretely appreciate the corporate approach adopted when managing sustainable stakeholder relationships.

5.2.5.3 The ‘How’ of Sustainable Management?

Based on the above insights, the literature can be interpreted to imply that corporate responses to responsible management (i.e. by definition with respect to all its related practices including the use of terminology, stakeholder prioritisation,

communication, organisation/governance, and practices, as well as outcome expectations) are discretionarily influenced by subjective perceptions, which are driven by personal values (as suggested, e.g., by Fürst & Wieland, 2004).

In the quest to determine whether similarities or differences are discernible with respect to the factors influencing how sustainable stakeholder relationships are managed in various contextual settings, the cultural influences on corporate approaches to stakeholder management noted above (Crane & Matten, 2004, p. 29) may result in differing interpretations of value outcomes from stakeholder management activities. This could, for example, mean that when measuring the expected return on investment of stakeholder engagement strategies, European companies are less dominated than American companies by the drive for shareholder value maximisation. Such differences could be significant, because many of the target leading pharmaceutical companies in the UK and Germany are of US and European origin. In this regard, the literature suggests that European companies tend to be managed by large executive and supervisory boards with considerable interlinked ownership structures (Grundeis & Talaular, 2002; van Luijk, 1990).

For instance, under Germany's model of stakeholder capitalism (which took root after the Second World War and is judged to have contributed to its rapid economic growth until the 1980s), workers' representatives fill half the seats on firms' supervisory boards, and a separate management board is responsible for running the day-to-day business operations. Further, German companies are required to act in the interest of all stakeholders and not just shareholders. Past scholarship notes that while overall, this corporate governance approach is generally viewed positively because it takes a broad and long-term approach to the expected return on investment of sustainable management strategies, which is deemed to serve the company well in the long run, this system of corporate governance does however lend itself to 'bad behaviour' due to matters related to the governing board's composition (Fauver & Fuerst, 2006). While these failings of corporate governance are often addressed in other countries (such as the UK) from the outside by shareholders pressing for change or taking over companies which are performing poorly, according to some authors, Germans tend to be sceptical about the shareholder's role in holding managers to account (Reiermann & Reuter, 2009). This is possibly explained by a stronger understanding that the government, trade unions, and corporate associations are key actors in business in Germany (e.g. Crane & Matten, 2004, p. 28). Interestingly, while the same authors suggest the UK tends to lie more closely to the USA from a cultural perspective (than to continental Europe), the past scholarship does not specifically address potential cultural differences with respect to the measuring the expected return on investment of sustainable management strategies other than to note that the concept of a 'CSR orientation' in different cultural settings is still quite unexplored both in theory and in empirical research (e.g. Sachs, Rühl, & Mittnacht, 2005).

5.2.5.4 Measuring Sustainable Stakeholder Management Impact

Previous academic literature focusing on the topic of measuring the expected return on investment of sustainable (responsible) management influences business-society behaviour has produced mixed, inconclusive, and controversial results, due to a lack of a solid theoretical framework for measuring the performance outcome of responsible management investments (e.g. Crane & Matten, 2010, p. 61; Rost & Ehrmann, 2015). In this regard, economic performance in relation to sustainable stakeholder management activities is deemed difficult to define because of:

The incremental economic impact which includes both direct money outlays and inflows and other implications whose monetary value is difficult to establish, such as a firm's image with customers, or workers' health and motivation. (Lankoski, 2009, p. 1)

In view of these difficulties, some authors note how traditional attempts to develop a cost-benefit analysis of social responsibility continue to be pursued (e.g. Burke & Logsdon, 1996; Jonker & de Witte, 2006, p. 91; Novick, 1973), while others suggest that finance and economics are “the curse of the ethical executive” (The Economist, 2001, p. 102). Within this context, despite the various obstacles to defining the impact and outcome of corporate approaches to stakeholder relationships mentioned previously, including, for example, definitional aspects (e.g. Wolf & Barth, 2005, p. 245) and lack of quantifiable targets (e.g. Swoboda, 2007), as well as varying interpretations regarding the overall aims related to questions of who and what determines the economic arrangements behind the notion of a ‘good society’ and the ‘good life’ (e.g. Sandel, 2009), some evidence suggests that investors are beginning to broaden their horizons regarding their evaluation of what determines sustainable investment. In light of these developments, some enthusiasts are convinced that merely focusing on the profit and loss account and balance sheet is a blinkered approach (Insead, 2009; Marsh, 2013). Notwithstanding these slight but positive indications of potential change, a recent Global Reporting Initiative (GRI) report on community investment suggests the need for improvement in the way in which the expected return on investment in stakeholder relationship activities is measured. More specifically, in a GRI report, Welford (2008) notes that even those giving away money through philanthropy or community investment only report on *input* (i.e. money, employee volunteering hours, etc.) but rarely report on *output* and impacts. As a result, they do not know if they are failing (or succeeding) to make a difference because they are unable to define or measure what that difference is.

5.2.5.5 Sustainable Stakeholder Relationships from a Corporate Management Perspective

The critical examination of the influencing factors in sustainable stakeholder management presented in this chapter explored the complex dynamics of the business operating environment, the operating context and regional contextual

factors, and the management complications related to the elusive nature of ‘responsible’ management.⁶ These and the predicaments involved in measuring the return on investment of sustainable management strategies expose the need for better illumination of how the internal corporate approaches to responsible management are positioned with respect to the company’s external macro-environment, industry, sector, and location (e.g. Carroll & Buchholtz, 2009; Laplume et al., 2008; Murray & Vogel, 1997, p. 142; Freeman, 1984, p. 40), including in particular greater insights into how both situational and individual factors may influence an organisation’s purpose and the exchange relationships among its stakeholders. In this regard, past scholarship highlights the need for a clearer representation of all of these aspects (see, e.g., Bhattacharyya, Sahay, Arora, & Chaturvedi, 2008; Ferrell et al., 2008; Schwartz & Carroll, 2008), as well as the noted varying interpretations related to questions of who and what determines the economic arrangements behind the previously discussed notion of a ‘good society’ and the ‘good life’ (e.g. Sandel, 2009). As a result, these themes form the basis for the empirical research presented in this book, which aims to investigate whether and how the selection of factors presented here may influence the responsible management practices of the target sample.

Focusing on these complex themes, the next sections present a conceptualisation of the overall macro-level business-society relationship as a first step to address the management challenges highlighted above. Moving in an increasingly filtered focus along the possible analysis units from the broadest to the most specific, it serves as the basis for illustrating the contextual management interrelationships between the various levels of analysis. This leads to the subsequent identification of relevant previous theories, concepts, management tools, and analytical frameworks.

5.3 Laying the Foundations for a New Conceptualisation

5.3.1 *Identifying the Relevant Elements and Theories in the Business-Society Relationship*

To demonstrate the credibility which is being increasingly demanded of them by society, corporate decision-makers progressively require a comprehensive understanding of the impact of their core business activities on the environment in which they operate (Bertelsmann Stiftung, 2013). Attempting to conceptualise this impact necessitates the depiction of those factors which may influence the firm’s response to various stakeholder groups. To frame the ‘confusion’ which could be reasoned to arise from the wide range of theories and the many alternative perspectives, Fig. 5.1

⁶For clarification, Crane and Matten (2010, p. 551) note that business ethics/responsibility is not really a separate branch of management at all. Consequently, the corporate approaches, including the management tools and techniques in this field, could be interpreted as evolving.

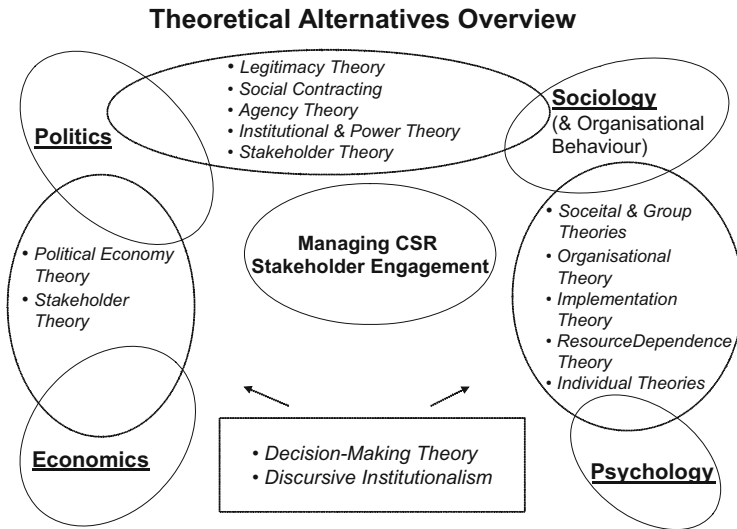


Fig. 5.1 Conceptualising the Business-Society Relationship: Theoretical Overview. Source: O’Riordan (2006) (For clarification, for illustration purposes, the label ‘CSR’ has been adopted to signify the concept of responsible management (as defined in the glossary and in Chap. 2) within a corporate sustainable stakeholder relationship setting)

organises, scopes, and structures a purposefully chosen range of theories drawn from the literature as potentially relevant in the business-society relationship.

Figure 5.1 categorises and arranges a selection of theories which have been interpreted as relevant to the business-society relationship into four separate domains. These include economics, sociology, politics, and psychology. By illustrating a range of relevant perspectives and their interrelationships at macro-level, these domains are assumed to build the basis for the subsequent target conceptualisation.

For example, Fig. 5.1 presents a depiction which locates political economy theory between the politics and economy domain. If an evaluation of stakeholder relationships were related to policy and regulation, political economic theory might prove most relevant. On the other hand, if the analysis took an institutional and power orientation leaning, institutional and power theories may be more relevant (e.g. Frazier, 1999; Pfeffer & Salancik, 1978). Similarly, if the organisation is the focus of the study, organisational theories are most probably of value. Legitimacy theory in Fig. 5.1 is, for instance, positioned close to the domain of political theory, and resource dependence theory is portrayed under the domain of sociology and organisational behaviour (Haniffa, 2006). However, resource dependence theory could also have been placed between the politics and economic spheres. Further, stakeholder theory is, for example, by definition reasoned to belong to more than one or two possible groupings. Likewise, given the aim to develop a practical tool for conceptualising how the target sector manages its stakeholder relationship

activities at corporate level, many of the theories depicted in Fig. 5.1 at social and group level are assumed to be conceivably relevant for the research study addressed in this book. These include *implementation*, *individual*, *organisational*, and *societal* and *group* theories (Yin, 2003, p. 31). In addition, *stakeholder*, *legitimacy*, and *agency* theories are useful as described above. Further, *decision-making theory* (Yin, 2003) allows the inclusion of individuals, organisations, and social groups (O’Riordan, 2006, 2010).

For clarification, while the representation depicted in Fig. 5.1 does not claim to include all the possible theories, it is assumed to contribute to the research endeavour by graphically illustrating both the range of theories and their positioning within the subject domains. Because the specific focus of this research cuts across a number of these illustrative types, conceptually any or all of the above theories could be applied to describe, understand, and explain the stakeholder engagement behaviour of the target decision-makers. The choice of relevant elements in the later conceptualisation is consequently ultimately driven by whichever perspective of stakeholder relationships is being examined. Given the options, on balance, the theories and concepts chosen to inform the research study upon which this book is based comprise a spectrum ranging between *legitimacy* (Haniffa & Cooke, 2005, p. 5) and *political economy* theory (Woodward et al., 2001, p. 358). Further, the ideas and approach within *discursive institutionalism* are deemed sufficiently broad-ranging in scope to simultaneously encompass many theories in international business and management studies. In this regard, however, the literature suggests that although the theme of responsible management (e.g. under its various labels such as ‘CSR’) has been the subject of substantial research, no coherence on which theories are most valuable is evident (Preston, 1979–82; Ullmann, 1985). Given this lack of theoretical perspective to drive a systematic research, rather than choosing sides in the theoretical or methodological debates in preference of one particular theory, a pluralistic approach is adopted in this study which is sufficiently flexible to allow many factors to play a role (Schmidt & Radaelli, 2004, p. 206). Overall, this facilitates a user-driven approach in which the chosen positioning is determined by the pragmatic aims of the user.

5.3.2 *Illustrating the Contextual and Management Interrelationships*

The broad scope of both the literature and the theories presented above demonstrates the comprehensive array of factors which could play a role in the way the target groups manage their stakeholder relationships. From the comprehensive range of factors identified in the literature review, Fig. 5.2 undertakes a first step in ‘distilling’ stakeholder engagement activities by illustrating the possible contextual and management interrelationships. Because the research presented in this book aims to develop a practical tool for conceptualising the target groups’

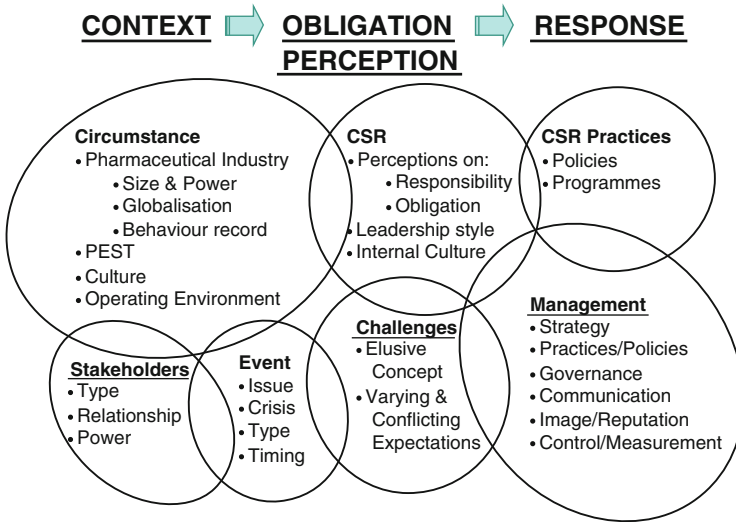


Fig. 5.2 Conceptualising Responsible Management Practices: Influencing Factors. Source: O’Riordan, 2006, 2010 (For clarification, for illustration purposes, the label ‘CSR’ has been adopted to signify the concept of responsible management (as defined in the glossary and in Chap. 2) within a corporate sustainable stakeholder relationship setting)

practices, Fig. 5.2 serves to organise those factors, which the literature review identified could potentially play an influencing role.

Figure 5.2 suggests that corporate approaches to sustainable stakeholder relationships could be influenced by a range of factors. These have been organised into three broad categories. The first is the *context*, i.e. way in which institutional factors framed by cultural norms or other aspects of the PEST-operating environment, including business type and record may affect stakeholder relationship management practices. Second, *perceptions regarding obligation* are assumed to shape (and be shaped by) societal/stakeholder expectations. Corporate approaches may also be influenced by (but also influence) the leadership style and the internal company management culture. As a result, the corporate approach may itself influence the way in which decision-makers manage their corporate *response*. This may include practices, policies, and other specific management aspects, such as strategy, governance, communication, image/reputation, and/or measurement. Significantly, the overlapping circles and arrows presented in the representation in Fig. 5.2 highlight both the interrelationships and possible overlap between the factors.

5.4 Previous Theories, Concepts, and Analytical Frameworks

5.4.1 *Critical Examination of Past Scholarship and Tools*

5.4.1.1 Overview

The management focus of this study on the complex and comprehensive theme of managing sustainable stakeholder relationships from a corporate perspective drives the critical review presented in this section of a range of selected theories, concepts, and analytical frameworks. Within the context of the conceptualisation of the overall macro-level business-society relationship, as well as the contextual and management interrelationships from the previous analysis levels presented immediately above, which are depicted in Figs. 5.1 and 5.2, respectively, the following selection of theories, concepts, and frameworks have been purposefully chosen for their potential relevance to those corporate decision-makers attempting to manage their stakeholder relationship activities in a sustainable way.

5.4.1.2 Classification of Elements, Influencing Factors, and Selected Management Tools

Because the multitude of related influencing aspects (including in particular those presented in Figs. 5.1 and 5.2) could potentially be judged to actually confuse effective stakeholder relationship management, the overview presented in Table 5.1 below builds on the previous analysis and the resulting depictions in Figs. 5.1 and 5.2, by identifying, classifying, and thereby ordering the reviewed literature into the three categories: *influencers*, *response*, and *outcome*. Within these main categories, further subclassifications are proposed. The chosen categories and classifications are now explained in greater detail before the subsequent section critically examines the merit of the concepts and tools presented.

Table 5.1 provides an overview of a selection of those frameworks drawn from the general management literature. In an attempt to address the many aspects which could conceivably play a role in the practical management of sustainable stakeholder relationships from a corporate (business-society) perspective, Table 5.1 presents a set of categorisations aiming to encapsulate the essence of selected literature, which an extensive review of the literature indicates could be relevant to the study field. Consequently, the concepts, theories, tools, and frameworks depicted in these categorisations are deemed useful to varying degrees in serving

Table 5.1 Overview of selected literature up to 2008

Category	Topic	Sub-Topic	Classification: Literature/Framework/Concept
CSR Drivers/Influencers	Context/Circumstance Macro & Micro Environmental Analysis		PEST/Macro Factors: Crane & Matten, 2004; Acut et al., 2004; Wagner, 2006 Culture: Hofstede, 1997; Trompenaars, 2004; Habisch & Jonker, 2005; Sachs et al., 2006 Diamond Framework, Value Chain & 5 Forces: Porter, 1985 & 1990 Sustainability: Hiediger, 199; Mamewijk, 2003 Economy/Political Stance Model: Blum-Kusterer & Hussain, 2001: 302–3 Open Systems Model: Deresky, 2000 Social Role of Business: Boele et al., 2000; Porter & Kramer, 2006 Environmental variables influencing management functions: Stark, 1994, Sorrell, 1998; Roddick, 2000; Deresky, 2000:106; Mallenbaker, 2004; Teoh, 2004; Model: PWC, 2006 History: Carroll & Beller, 1977; Sturdivant, 1979; Donaldson & Preston, 1995; Blair, 1998 Friedman, 1970; Jensen & Meckling, 1976; Frooman, 1999; Greenfield, 2004; Bowmann- Larsen & Wiggem, 2004; Brammer & Pavelin, 2004; Bourne & Walker, 2005
	People	Stakeholder Factors	Networkers: Gladwell, 2005 CSR Discretionary Nature: Carroll, 1991; Kotler & Lee, 2005 Welford, 1995; Hemingway & MacLagan, 2004; Crane & Matten, 2004
	Event	Exceptional Communicators/Motivators Motives	Gladwell, 2005; Blum-Kusterer & Hussain, 2001; McWilliams & Siegel, 2001; Miles et al., 2002; Phillips, 2002; Rifkin, 2005; Acut et al., 2004; Knox & Maklan, 2004 Factor Overview: Challen, 1974:40; Sustainability, 2005:1
	Values	Issue Type and Impact	Welford, 1995; Burke & Lodgson, 1996; Fürst & Wieland, 2004; Crane & Matten, 2004; Grant, 2005 Deresky, 2000:56; Esrock & Leichy, 1998; Roddick, 2000, Greenfield, 2004 Evolution in Cognition: Payne & Callon, 2002 Varying Interpretations: Baker, 2004; Greenfield, 2004
Behaviour/Response	Alternatives	Philosophy: Vision, Mission, Objectives Scope/Boundaries/Limitations of CSR Responsibility & Obligation	Corpoete social Responsiveness Model: Carroll, 1979 & 1999; Wood, 1991; Deresky, 2000:57 Clark, 2000; Leisinger, 2002; Greenfield, 2004; Crane & Matten, 2004; Ayuso et al., 2006; Draper et al., 2006 Level of Social Response: Teoh & Thong, 1984:190; Woodward et al., 2001 Market Transaction Approach to Goodwill: Murray & Vogel, 1997:142 Theory on Response: Woodward, 2001:359 Value Creation: Burke & Lodgson, 1996: 496–7 Dow-Jones Categories for Assessing Response: Knoepfel, 2001:8&10

(continued)

Table 5.1 (continued)

Category	Topic	Sub-Topic	Classification: Literature/Framework/Concept
Strategy	Evaluation/Selection of Response Activities		Factors Driving CSR: Crane & Matten, 2004; Sustainability, 2005:1 Leadership: Kotler, 1990; Gini, 1997; Tervino et al, 1999; Ferrell et al, 2002 Governance: Evan & Freeman, 1993; Crane & Matten, 2004 Programmes/Policies/Support Methods: Deresky, 2000:63 & 69; Kotler & Lee, 2005 Codes of Conduct & Definition/Decision-Making Scheme: Deresky, 2000:72 Practices: Zadek, 1998; Ferrell et al, 2002; Gouldson, 2002
		Communication	Process/Channels/Model: Deresky, 2000:140, 151&154 Cultural Factors/Regional Differences: Deresky, 2000:155; Habisch & Jonker, 2005 Transparency: Tapscott & Ticoll, 2003; Clarkson Principles (1999)
		Stakeholder Engagement/Dialogue	Stakeholder Theory: Freeman, 1984; Stark, 1994; Mitchell et al, 1997; Froomann, 1999 Engagement Process: Burke & Lodgson, 1996:501; Rockwell, 2003; Pedersen, 2006 Stakeholder Analysis: Mitchell et al, 1997; Froomann, 1999; Deresky, 2000:74–83 Dialogue/Engagement: Burchell & Cook, 2006; Greenwood, 2007 Relationships: Philips, 1997; Elkington & Fennell, 2000; Maignan & Ferrell, 2003 Licence to Operate: Ulrich & Fluri, 1995; Murray & Vogel, 1997
		Public Relations	Relationship Theories: Blau, 1964; Ford, 1990; Donaldson & O'Toole, 2007:21–36 Stages: Clark, 2000:369–30 & 374
Business Outcomes	Control Indicators	Measurement	CSR Elements: (Welford, 2004 & 2005) Financial Aspects: Pallot, 1991; Gray et al, 1995, Useful Approach: Brammer & Pavelin, 2004:708 Indicators: Esrock & Leichthy, 1998:307; Veleva et al, 2003:115 Performance: Clarkson, 1995 Response Issues: Veleva et al, 2003:115 Accountability: Beu & Buckley, 2001; Schlesinger, 2002; Crane & Matten, 2004; Wagner, 2006
		Credibility	Image/Reputation/Goodwill: Ulrich & Fluri, 1995; Murray & Vogel, 1997; Balmer & Soenen, 1999; Schwabach, 2000; Schreyögg & Werder, 2004; Bamey, 2004; Burchell & Cook, 2006
		Corporate Identity	
		Social Impact	Wood, 1991; Gray, 1997; Ferrell et al, 2002; Porter & Kramer, 2006

Source: Adapted and updated from O’Riordan (2010), O’Riordan and Fairbrass (2008) (For clarification, for illustration purposes, the label ‘CSR’ has been adopted to signify the concept of responsible management (as defined in the glossary and in Chap. 2) within a corporate sustainable stakeholder relationship setting)

a variety of purposes with respect to the study and conceptualisation of corporate approaches to stakeholder relationship management.⁷

To elaborate, the **first category: CSR drivers/influencers** is subdivided into three further subcategories of influencing factors. These include:

- *Context/Circumstance*: comprising contextual *macro-environmental factors* (such as political, economic, social/cultural, and the environment, including ecology, sustainability, government, and institutional factors, comprising governance forms and broad questions regarding the role of business in society), as well as circumstantial *stakeholder factors* (such as the interrelationships between the above factors on stakeholder behaviour).
- *Individual People*: representing the themes of exceptional communicators, networking, motivation, and motives for undertaking responsible management, as well as its discretionary nature.
- *Event*: referring to the issue type and the impact. This can include industry and company-specific characteristics. This subcategory suggests the element of risk and the value of including risk assessment and crisis management in responsible management strategy.

For clarification, this classification suggests that the identified contextual factors (cumulatively and to varying degrees) play a role in collectively forming responsibility/obligation perceptions, attitudes, and beliefs for both players, i.e. industry/the company, as well as their stakeholders. Furthermore, these perceptions are likely to ultimately determine the behaviour of the various parties involved (Hofstede, 1997, 2015; Trompenaars & Hampden-Turner, 2004). As a result, the factors can be interpreted to influence one another in an interactive way.

The **second category: behaviour/response** is subdivided into five further subcategories of influencing factors. These include:

- *Values* comprising the company philosophy, vision, mission, objectives, and the defined scope/boundaries/limitations of responsibility/obligation. Values are interpreted as key in establishing the organisation's/leadership purpose and may be further influenced by evolution in cognition and varying interpretations (e.g. with respect to a broad or narrow stakeholder perspective or due to social/cultural differences).

⁷For clarification, Table 5.1 presents a purposefully chosen overview of some selected contributions to the literature in this field from the time when the original framework was developed in 2005/2006 (O'Riordan, 2006). This was subsequently updated in 2008 (O'Riordan & Fairbrass, 2008). The critical review below additionally includes new updated material from later reviews in 2015 (O'Riordan & Zmuda, 2015), as well as fresh secondary research undertaken for the purpose of this book. The resulting combined review presented in this section spans a 10-year time period to critically examine the various theories, concepts, ideas, management tools, and frameworks, which are considered useful when attempting to describe, analyse, and/or explain both the rationale behind a stakeholder-orientated corporate approach (i.e. why) and how sustainable stakeholder relationships are managed from a corporate perspective.

- *Alternatives identification* including a review of the management response models and option selection/prioritisation.
- *Strategy* relating to the evaluation and selection of a management response. This includes leadership style and the action plan implemented via corporate governance and the responsibility programmes/practices/policies adopted.
- *Communication* involving all stakeholder ‘interface’ activities as well as the communication process in stakeholder relationships. This includes stakeholder theory, analysis, engagement, dialogue, transparency, and PR within the context of the interrelated influencing environmental factors (such as culture).
- *Implementation and control indicators* are factors which address measurement and verification to ensure the system is working effectively and efficiently. This category plays an important role in ensuring accountability.

Finally, the **third category: business outcomes** contains the sole category *credibility*. This introduces an output orientation into responsible management which proposes that business outcomes from responsible activities are focused on achieving greater trust in business-society relationships based on an improved corporate identity due to an enhanced image, reputation, and/or goodwill. Clearly, however, this step involves the complex challenges associated with measuring social impact.

5.4.1.3 Critical Review of Selected Elements, Concepts, and Management Tools (Up to 2008)

Overall, the selection of analytical frameworks presented in Table 5.1 is interpreted as useful (to varying degrees) in so far as they serve a variety of purposes in the management of sustainable stakeholder relationships from a corporate perspective. Before proposing a new explanatory framework, which is designed to graphically depict those elements indicated by the review of the secondary literature as salient in stakeholder management, this section first critically selectively examines in greater detail some of the concepts included in the above framework, as well as a range of further scholarship, which is deemed relevant to the study and conceptualisation of corporate approaches to stakeholder relationship management (O’Riordan, 2010, pp. 79–81).

Many features of the concepts, tools, and frameworks presented in Table 5.1 could arguably be considered useful for decision-makers facing the challenge of managing sustainable stakeholder relationships in the sense that they serve a variety of general purposes in addressing certain aspects of stakeholder engagement activities. Moreover, the listed concepts, tools, and frameworks could conceivably be applied to the management context of the pharmaceutical industry. However, although some past scholarship specifically addresses the theme of conceptual frameworks, such as the one developed by Brammer and Pavelin (2004) emphasising the need for fit between responsible activities and other key characteristics of the firm for reputation-building purposes, it is not clear whether these

concepts are relevant or applicable for pharmaceutical companies in a practical management setting. Furthermore, most of the approaches reviewed deliver fragmented perspectives of responsible management. As a result, they are judged as limited in scope and not sufficient in their own right in providing a comprehensive framework to explain the management of sustainable stakeholder relationships from a corporate perspective (O’Riordan, 2010 p. 52; O’Riordan & Fairbrass, 2016, p. 9).

To elaborate, when addressing the comprehensive operating scope noted both in previous chapters and earlier sections of this chapter,⁸ while the merits of many theories and analytical frameworks for managing stakeholder relationships in a sustainable way have been discussed in previous literature (e.g. O’Riordan & Fairbrass, 2008, p. 748) as fundamental underpinning concepts, many are nevertheless insufficient either as stand-alone concepts or in their practical applicability. For example, according to Crane and Matten (2004, p. 48), the representations of corporate social responsiveness in the action phase of CSR (Carroll, 1979; Wood, 1991) have been very influential. The benefit of Carroll’s four-part model (1991, 1999) comprises its value in stating the various social responsibilities via different dimensions. While this offers a pragmatic approach, it does not however help in context-specific management dilemmas where overlap or differences between the dimensions may exist or be debated and/or unclear, and when, as a result, compromises may be necessary. Moreover, according to Crane and Matten (2004, p. 5), the model is biased towards the US context.

Porter and Kramer’s model (2006, p. 5) builds on traditional strategic management theory in claiming to map the *social impact* of the value chain. Although it asserts a focus on value, which goes beyond an exclusive shareholder focus on profit maximisation in the first instance, it could in some aspects be considered to address certain (critical) details in an (overly) broad-brush manner, for example, the role of influencing factors, such as leadership values and motives, as well as other contextual aspects including culture. Given the crucial role of these aspects as fundamental underpinning factors in the management philosophy behind a broader stakeholder perspective for business purpose, their depiction via terms, including ‘fair’, ‘open’, and ‘transparency’, could conceivably be deemed overly general. Furthermore, this portrayal does not sufficiently address central aspects of management practice, which requires clearer definitions regarding what these concepts really mean, as well as how the management approach might change in different cultural settings in an actual everyday business operational setting. As a result, the perceptions and motivations of the decision-makers remain unclear, and the model could be interpreted as light on detail regarding specific matters of both *how* to implement responsible management practices for delivering *measurable end results*

⁸Including, for instance, the distinctive nature of the pharmaceutical industry, as well as the comprehensive operating scope required to address stakeholder matters, such as the macro-, industry, and sectoral level of analysis, in addition to the micro-perspective of the firm, while not forgetting the individual level of analysis.

and how these concretely benefit society and the firm. Nevertheless, notwithstanding its continued strong shareholder-orientated focus on the traditional business model aim of achieving profit maximisation, the greatest value of Porter and Kramer's model is its conceptualisation of management inputs at a comprehensive, strategic planning level. In this regard, its insightful prioritisation of social issues into generic and competitive context categories is particularly useful as a first step for focusing on measurable social progress from business outcomes. Additionally, its incorporation of the diamond framework (Porter, 1990) holistically includes many aspects of the macro-environmental factors, including local demand and other contextual conditions which were noted as relevant in previous sections.

Consequently, combined with the PEST conceptualisation presented previously in this chapter, these tools can conceivably be interpreted as a valuable aid to decision-makers when managing their sustainable stakeholder relationships. Of further particular merit is Crane and Matten's (2004, p. 54) work on stakeholder theory approaches, which is interpreted as helpful for distinguishing between the different forms of theory which have emerged in the field. In addition, the Clarkson principles offer managers practical guidelines for building stakeholder relationships (Clarkson, 1999). Those findings were based on years of observation and research in the field of stakeholder management. The principles suggest recognising, monitoring, listening, sensitivity, recognising interdependencies, cooperating, avoiding behaviour that would harm the relationship, and acknowledging conflicts. Importantly, this work establishes that a stakeholder approach requires a governing philosophy, a values statement, and a measurement system. More specifically, the research undertaken by Burchell and Cook (2006) in the area of stakeholder communication/dialogue is valuable because of the level of detail at which it addresses stakeholder engagement activities. More recently, the updated work by the same authors in the field of stakeholder engagement/dialogue and organisational learning with respect to the changing relationships between companies and NGOs (Burchell and Cook, 2008) is judged as particularly valuable to the study being undertaken in this book, as are Greenwood's (2007) insights on stakeholder engagement and corporate responsibility, as well as Albareda, Lozano, Tencati, Midttun, and Perrini's (2008) work in the field of the changing role of governments in responsible business behaviour. More broadly, the insights into the motives behind responses to CSR practice in Hemingway and McLangan's (2004) research are very useful. Further, innovative ideas regarding concepts related to the 'corporate identity mix' could be interpreted to serve the study aim based on its practical approach to managing the gap between actual and desired identity (Balmer & Soenen, 1999).

5.4.1.4 An Updated Examination of the Merits of More Recent Literature (Up to 2016)

Table 5.1 presented a purposefully chosen overview of selected contributions to the literature in the study field from the time when the original framework was

developed in 2005/2006 (O’Riordan, 2006) and subsequently updated in 2008 (O’Riordan & Fairbrass, 2008). Building on that information base, this section critically reviews newer material from later reviews in 2015 (O’Riordan & Zmuda, 2015) and 2016. The resulting combined examination spans a 10-year time period to critically scrutinise the various theories, concepts, ideas, management tools, and frameworks, which are considered useful when attempting to describe, analyse, and/or explain both the why and how of managing sustainable stakeholder relationships from a corporate perspective.

In addition to the merits in past literature which were identified in overview in Table 5.1 the following more recent literature is deemed particularly useful for its comprehensive, insightful, and practical approach to managing sustainable stakeholder relationships. The ISO 26000 Standard (ISO, 2010) provides guidance on the underlying principles of social responsibility, as well as on its core subjects and issues (e.g. Schmiedeknecht & Wieland, 2015). Its direction on ways to integrate responsible behaviour into existing organisational strategies, systems, practices, and processes emphasises the importance of results and improvements in responsible business performance. Developed by more than 400 experts originating from 99 countries, the seven principles and six key themes addressed by the ISO norm have been suggested as salient by other authors (e.g. Crane & Matten, 2010, p. 61). Attempts to measure sustainability by integrating the ISO 26000 principles into a sustainability balanced scorecard (e.g. Dal-Bianco, 2015) additionally build on previous research by Schaltegger and Dyllick (2002, pp. 37; 51 & 53) and accordingly present a worthy attempt to render responsible management more tangible.

Furthermore, Ferrell et al.’s (2010, pp. 232–244) framework for ethical decision-making in business is valuable in the sense that it focuses on how issue intensity, individual and organisational factors, as well as opportunities may lead to ethical or unethical behaviour.

Similarly, Wieland’s model (2009) is useful because it addresses some of the limitations identified in Porter and Kramer’s framework (2006, p. 5). Wieland’s (2009) work concentrates at a thorough level of detail on values management while simultaneously offering a holistic approach. Its distinct focus on three elements of responsible management practice, including people, systems, and organisations, could conceivably be interpreted as valuable to stakeholder relationship management. However, as with Porter and Kramer’s model, this approach concentrates strongly on business *inputs*. Accordingly, while less generic than the Porter model, it too does not clearly depict the ‘how’ link between business investment and measurable societal *outcomes* or *impact*.

Of additional merit are insights which suggest a swing towards increased emphasis on ‘values management’ as a repercussion of the recent economic crisis (e.g. BBDO, 2009), as well as further useful work focusing on the behaviour of highly ethical leaders (see, e.g., Ferrell et al., 2010, pp. 244–248). Moreover, other work which facilitates more in-depth stakeholder analysis is helpful (e.g. Carroll & Buchholtz, 2009, pp. 81–115).

Recent scholarship (e.g. Carroll & Buchholtz, 2009, p. 7) discussing the complete societal context in which the organisation resides via the PEST macro-

environment analysis tool is also beneficial. Significantly in this regard, however, Carroll and Buchholtz (2009, p. 113) claim that the key to effective stakeholder management lies in its *implementation*. Given that responsible business practice is made operable when translated by companies into stakeholder engagement/dialogue practice (established previously in Chap. 2), new awareness surrounding the topic of social performance (e.g. Crane & Matten, 2010, p. 71) is relevant. In this regard, the crucial role which is likely to be played going forward by new methods of social auditing and reporting, as well as the techniques and criteria for undertaking these assessments, could accordingly be inferred as particularly important in establishing how an organisation's social (and ethical) performance will be evaluated in the future (Crane & Matten, 2010, p. 551).

In addition to these relevant aspects, the themes highlighted by Porter and Kramer in their concept for corporate engagement in society with respect to products and markets, re-evaluation of the value chain, and local clusters leading to reputation improvement and new business fields, presented in their chapter in Schneider and Schmidpeter's valuable tome on corporate social responsibility (2015, pp. 145–159), is useful; as well as strategic management approaches to financial and nonfinancial value creation (e.g. PWC, 2013), including a range of work undertaken by Fifka in the field of stakeholders (Fifka & Loza Adauí, 2015) and sustainability reporting (e.g. Fifka, 2015); and the CSR management 'strategy-innovation value creation' approach developed by Schmidpeter (2013). All these approaches are deemed valuable and highly relevant to the theme of managing stakeholder relationships from a corporate perspective.

Finally, a range of recent useful literature addressing the specific theme of sustainable stakeholder relationships studying relevant themes, such as applying stakeholder theory in sustainability management and developing a conceptual framework to increase the applicability and application of stakeholder theory in sustainability management (Hörisch, Freemann, & Schaltegger, 2014), organisation, and the environment (Jonker, 2012b; Jonker & de Witte, 2006); linking stakeholder relationships and corporate reputation with a public relations focus (Rensburg, de Beer, & Coetzee, 2008); the challenge of sustainable stakeholder management and the implementation of a life-cycle sustainability management via a conceptual framework (e.g. Scandeliu & Cohen, 2016); and other useful conceptualisations of stakeholder engagement employed by various companies in their day-to-day business, such as the Westpac Group's stakeholder engagement framework for engaging with its stakeholders including organisational purpose, stakeholder identification, attribute examination, method of engagement, and assessing the materiality of sustainability issues, measurement of the success of the stakeholder engagement, and communication of the results (Westpac Group, 2015), are viewed as particularly valuable to this research study.

5.4.2 *Deficiencies in Management Tools Trigger the Need for a New Conceptualisation*

Despite the undoubted value of many of the contributions noted in the previous section, at the time when the original explanatory framework was being developed, the approaches available were considered either fragmented or overly generic. None were deemed adequate or sufficiently satisfactory to offer an overall framework (i.e. capable of serving as an effective conceptualisation both of the key elements of sustainable stakeholder relationship management and of their interrelationships from a corporate perspective) in its comprehensive, complex, inclusive entirety (O’Riordan & Fairbrass, 2008). Most significantly, however, none of the concepts, models, or frameworks reviewed was ultimately regarded sufficient in scope in its own right to adequately address the necessary illustration of the overall impact (for both business and society) of investing corporate resources in sustainable stakeholder relationships.

For instance, in line with similar evaluations in previous scholarship, many of the past conceptualisations focused on explaining key elements of stakeholder engagement were deemed weak. According to Cropanzano, Chrobot-Mason, Rupp, and Prehar (2004, p. 109) and Saravanamuthu (2001, p. 295), theoretical conceptualisations were underdeveloped, and management models addressing responsible management activities and firm-stakeholder relationships were lacking (Murray & Vogel, 1997, p. 141). Further, many of the theoretical frameworks (e.g. Hemingway & McLangan, 2004; Porter & Kramer, 2006; Woodward et al., 2001) which claimed to explain key elements of broader stakeholder engagement were judged to be overly broad-brush. Alternatively, when they did address a sufficient level of detail and specificity, they lacked comprehensiveness (see O’Riordan & Fairbrass, 2008, for further details). This finding is confirmed by literature suggesting that the management instruments, tools, and techniques for managing business ethics are lacking. For example, tools for managing CSR were noted to be often limited to social auditing and reporting control aspects which attempt to gauge the corporation’s performance against ethical criteria (e.g. Crane & Matten, 2007, p. 516; Gray, Kouhy, & Lavers, 1995).

As a result, although valuable in their specific fields of focus, none of the available work was deemed ultimately sufficient, in terms of both comprehensiveness and specificity, to adequately address the perceptions and practices of the pharmaceutical target group, which is the focus of this study. This determined that the business resources invested in the specific stakeholder management practices and activities, as well as the ultimate outcome (or the *overall social impact*) of the relationship between the pharmaceutical business and society, were unclear. Significantly, in this regard, a GRI report on community investment (Welford, 2008) was particularly insightful in highlighting the necessity to focus, not only on inputs, but on measurable *outputs* to more specifically ensure useful social impact outcomes (O’Riordan, 2010, pp. 85–89).

To sum up, over the 10-year period under review, most of the approaches examined continue in various degrees of usefulness and quality to either deliver detailed fragmented perspectives of stakeholder relationship management or overly general generic processes. As a result, many are deemed limited in scope and therefore not sufficient in their own right in providing a sufficiently comprehensive framework to explain the perceptions and practices adopted by decision-makers when managing neither their sustainable stakeholder engagement activities nor the factors which influence that management process and their relationships. Consequently, this review of past scholarship identifies not only gaps, but also some confirms some of the inherent misconceptions noted in Chap. 2 regarding the way in which (how) stakeholder management is approached. Crucially, none of the past scholarship presented specifically addresses the management of sustainable stakeholder relationships in the pharmaceutical industry in sufficient detail. As a result, overall, despite the extensive amount of literature available within the broad and complex subject area, in general, the management instruments, tools, and techniques for managing responsible business behaviour are judged to be lacking. This verdict confirms other research which suggests that tools for managing CR are often limited (e.g. Crane & Matten, 2007, p. 516; Ferrell et al., 2010).

Moreover, while many pharmaceutical companies claim to have already done much to improve the social and environmental consequences of their business activities (IFPMA, 2009), the literature generally suggests that those efforts could be leveraged more advantageously (e.g. Porter & Kramer, 2006). In this regard, other writers more specifically advocate that CR principles do not always translate into stakeholder management practices (e.g. Crane & Matten, 2007, p. 145; Gouldson, 2002). These practical issues trigger the need to undertake academic research to examine both why and how decision-makers in the pharmaceutical industry have responded to what could be termed its ‘responsible role in society’, as well as the requirement to identify the key elements and their interrelationships in the form of a conceptual framework for applying the concepts of a sustainable stakeholder approach to corporate management (O’Riordan, 2010, p. 88).

More specifically, because the review of the relevant literature in this field has identified this area as lacking, this section concludes that a practical framework to guide management executives facing the challenge of responding in an effective manner to stakeholders (ISO, 2010, pp. 77–79; O’Riordan & Fairbrass, 2008) is required. To fill this gap, this examination of past scholarship determines that a new conceptual framework is needed in the form of a practical tool which could more effectively serve as a guideline for decision-makers when managing their stakeholder relationship activities. More specifically, the identified deficiencies mean that both *the conceptualisations* and *management tools* for addressing a broader stakeholder business purpose and *firm-stakeholder relationships* (e.g. Crane & Matten, 2010, p. 224; Ferrell et al., 2010, p. 253; Murray & Vogel, 1997, p. 141) are insufficient in helping to address the four relevant questions in responsible management, which Ferrell et al. (2010, p. 250–4) suggest include:

1. The descriptive question: what is?
2. The normative question: what ought to be?
3. The practical question: how do we get from what is to what ought to be?
4. The question of authenticity: what is our motivation?

As a result, the knowledge gaps identified immediately above, combined with the significant lacuna highlighted in previous chapters with respect to the responsible management practices of the target sector on this complex and comprehensive theme of managing sustainable stakeholder relationships from a corporate perspective, indicate the need for a new conceptualisation which is aimed to be of practical use to decision-makers when managing their stakeholder engagement activities.

5.5 Conceptualising Sustainable Stakeholder Relationship Management

5.5.1 The Rationale for a New Conceptualisation

The review of the very valuable existing frameworks presented previously highlighted gaps in the empirical knowledge triggering the need for a more comprehensive contribution capable of encompassing many merits of past scholarship both at an elevated strategic, yet detailed and specific, but nevertheless inclusively broad-ranging level. To address this need, this section discusses the rationale for a new conceptualisation before proposing a provisional explanatory managerial prototype in the form of a conceptual framework comprising four key interrelated elements, which is designed to be of practical use to managers in this field, while simultaneously offering a unified, structured, systematic, and comprehensive approach to decision-making in the field of sustainable stakeholder relationship management (O’Riordan, 2010, pp. 88–89).

Within the context of the existing fragmented patchwork of concepts available to decision-makers at the time when the first management framework was developed, a significant lack of theory and empirical data relating to corporate approaches when managing sustainable stakeholder relationships became evident. Crucially, however, this lacuna indicated that despite the critical stakeholder attention which the pharmaceutical sector receives, data specifically showing why and how pharmaceutical companies manage their stakeholder activities were largely absent (O’Riordan & Fairbrass, 2008). This finding is confirmed by Ferrell et al. (2008) who suggest that while some approaches to business ethics are excellent exercises in intellectual reasoning, managerial frameworks which specifically deal with the actual ethical decision-making situations facing business managers (e.g. with respect to how to fairly consider competing stakeholder interests) are generally lacking. Essentially, this means that specific tools to help decision-makers in the pharmaceutical industry to manage their stakeholder engagement activities were incomplete. Moreover, despite the pervasiveness of the issues described in this and

previous chapters on topics which are directly related to sustainable management (e.g. Ferrell et al., 2010; Jonker, 2012b) regarding the relationship between business and society (e.g. Albareda et al., 2008, p. 349; Carroll & Buchholtz, 2009; Donaldson & O'Toole, 2007, pp. 21–36; Schwartz & Carroll, 2008), business ethics (Crane & Matten, 2010), as well as an increasing range of many other vast and continually growing number of related themes, research which precisely explains how decision-makers in the pharmaceutical industry manage their stakeholder relationships in practice and exposes those factors which influence these practices, is not only limited or deficient (Crane & Matten, 2010, p. 224; Ferrell et al., 2010), but arguably, the very abundance of the literature on this broad range of related topics, may actually compound the uncertainty and confusion among pharmaceutical business decision-makers (e.g. Crane & Matten, 2010, p. 224; O'Riordan, 2010). This leads to a lack of clarity and precision among not only practitioners but also scholars who are actively researching and theorising in this field of business activity. In order to 'frame the confusion' when managing their stakeholder engagement activities, these deficiencies form the basis for the rationale triggering the development of a new conceptualisation, which is designed to be of practical use to decision-makers.

5.5.2 *Laying the Foundations for a New Conceptualisation*

5.5.2.1 **Framework Development Emerging from the Literature Review**

This section presents an initial conceptualisation developed by the author in previous research and subsequently published in separate scholarship (see, e.g., O'Riordan, 2006, 2010; O'Riordan & Fairbrass, 2008, p. 749, for further details). The objective was to design a framework, which would represent the core influencing factors involved in the management process, as well as the main strategic management steps undertaken by business managers and which could be employed to examine the sustainable stakeholder management practices found within the pharmaceutical industry. Figure 5.3 sets out the conceptual framework diagrammatically (O'Riordan, 2010; O'Riordan & Fairbrass, 2014).

This conceptualisation identifies a series of four connected domains. These depict both the operating landscape and the determinants of stakeholder power (e.g. Fraser & Zarkada-Fraser, 2003; Pfeffer & Salancik, 1978; Porter, 1985) which are identified as requiring consideration when devising a sustainable strategy for stakeholder engagement activities. In essence, this original framework was designed to set the scene for the entire stakeholder relationship management process (O'Riordan, 2006, 2010; O'Riordan & Fairbrass, 2008, 2014). To develop these points, each of the four components is now examined in further detail.

The first element, labelled *context*, addresses the external environment in which firms and their stakeholders operate. The second element focuses on the nature of *stakeholders* themselves and their various (potentially conflicting) interests. This

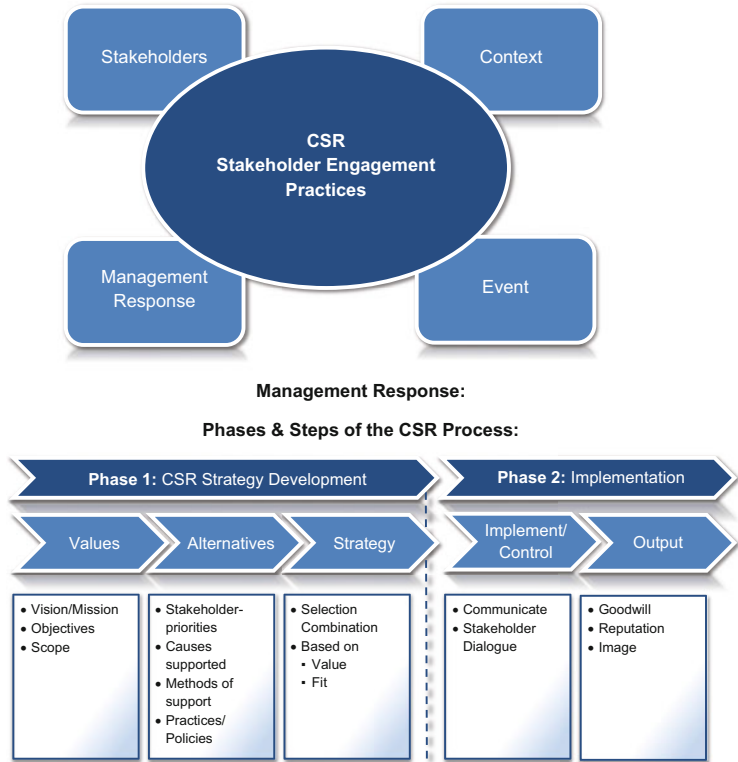


Fig. 5.3 Initial Desk-Based Research Framework – Version 1 (For clarification, for illustration purposes, the label ‘CSR’ has been adopted to signify the concept of responsible management (as defined in the glossary and in Chap. 2) within a corporate sustainable stakeholder relationship setting)

highlights the management process of the identification of stakeholders and their expectations (Frooman, 1999; Mitchell et al., 1997). The third element addresses the significance of a particular *event*, such as a serious health issue in a poverty-stricken region. It suggests that regardless of the favourable or unfavourable contexts and the particular actors involved, a specific (external) event could trigger stakeholder concerns or issues. The fourth element concentrates on the potential or actual *management response* within the operating context of the other factors or determinants. Since this framework is designed to be of practical use in stakeholder management, this element is more explicitly depicted as a two-phase process comprising the five strategic management steps, including ‘values’, ‘alternatives’, ‘strategy’, ‘implement/control’, and ‘output’. Clearly, these components are not mutually exclusive. Rather, they interdependently and cumulatively relate to one another.

For clarification, the purposefully selected components of this desk-based research framework were drawn from the broad-ranging field of past scholarship based on the rationale that they could play a role as key determining factors of sustainable stakeholder relationship management from a corporate perspective. As

a result, they are interpreted as hypothetically essential elements of the new proposed prototype framework.

5.5.2.2 Strengths and Weaknesses of the Management Framework Prototype

The contention in constructing a structured, systematic, and comprehensive approach to sustainable stakeholder relationship management is that these four domains require particular consideration. The specific elements of this explanatory framework were selected for their merit in achieving a broad-ranging coverage of the issues which decision-makers may encounter when attempting to manage their stakeholder relationship activities in a responsible manner (see O’Riordan, 2010, pp. 53–96). By depicting the key elements which require attention when managing stakeholder engagement activities, this framework, which was developed from desk-based research, could be deemed useful based on the rationale that it builds on the previously available literature as discussed in the previous section (O’Riordan, 2006; O’Riordan & Fairbrass, 2008). More importantly, because it attempted to specifically address many of the concerns with respect to the management of sustainable stakeholder relationships, which were identified in past scholarship, it could conceivably be viewed to represent a relevant first step in sustainable stakeholder management from a corporate perspective. However, despite these clear strengths, this framework was itself limited because it was based exclusively on secondary data. Accordingly, the conceptualisation clearly required empirical testing to gather detailed evidence about the practices, processes, and relationships in sustainable stakeholder management for the target group (O’Riordan, 2010; O’Riordan & Fairbrass, 2014). The insights obtained from the empirical findings presented in Chap. 7 furnish the empirical data required to examine this framework.

5.6 Signposting

From the comprehensive range of factors indicated in an extensive review of the literature as potentially relevant when managing sustainable stakeholder relationships from a corporate perspective, and following a broad examination of the scope and limitations of a range of theoretical and conceptual alternatives presented, the critical examination of past scholarship presented in this chapter establishes the information base from which to identify both the empirical and conceptual research gaps in the field of study, as well as to initiate the development of a conceptual management tool. The synthesis of a wide range of factors identified into clusters of interrelated components and depicted in successive stages of conceptualisation culminates in the presentation of a management framework prototype, which is designed to be of practical use to decision-makers in the target sector. However, the

knowledge gaps detected in previous scholarship with respect to the management practices and their influencing factors reveal a lack of precise knowledge regarding both the why and the how of stakeholder relationship approaches and day-to-day practices among decision-makers in the pharmaceutical sector in the UK and Germany. This prompts the requirement for fresh empirical research. The next chapter addresses the research design which was employed during the data collection phase of that empirical study.

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Part II

Gathering Evidence

Chapter 6

Research Design: Building a Methodology to Fill the Identified Gaps

If we knew what it was we were doing, it would not be called research, would it?
(Albert Einstein)

6.1 Introduction

The knowledge gaps identified in the field of study via a rigorous review of the related themes and relevant conceptualisations presented in the previous chapters have implications for both management practice and academic enquiry. Keeping in mind that the aims, process, and approach of all research could conceivably be questioned along the lines noted in the quote from Albert Einstein above, this chapter explains the rationale, methodology, and methods, which form the basis for addressing the research objective and answering its questions. By outlining the research design process, it establishes and justifies the ontological, epistemological, methodological, and technical approaches adopted to collect, analyse, and present the data which is required to inform this qualitative exploratory research study.

6.2 Research Scope Definition

6.2.1 Research Objective

The critical examination of the empirical and conceptual research in the field of study has indicated the requirement for fresh exploratory research with respect to the specific practices related to managing sustainable stakeholder relationships. That review establishes part of the rationale for the research objective driving the research enquiry. Drawing from the insights provided in this and the previous chapters, the research objective was defined as: **To undertake exploratory**

research to identify and describe corporate approaches to managing sustainable stakeholder relationships, which establishes whether differences exist between the responsible¹ management approaches adopted in various operating contexts, and to explain the factors that influence the chosen practices.

6.2.2 Research Questions

To fulfil the research objective presented in the previous section, Chap. 1 already presented the following specific research questions:

Research Question 1:	What stakeholder practices are undertaken by the target sample of pharmaceutical companies with respect to the six attributes, which the secondary literature indicates are salient in stakeholder relationship management?
Research Question 2:	Do similarities and differences exist between the stakeholder practices undertaken by the target sample of pharmaceutical companies in the UK and Germany?
Research Question 3:	What factors appear to influence the stakeholder practices undertaken by pharmaceutical companies in general, and do these help to explain the similarities and differences identified in the corporate approaches of the target sample in the UK and Germany?

These research questions were categorised into various types and linked based on an approach suggested by previous authors (e.g. Robson, 2004, p. 59). This identifies the varying distinctive aims and requirements with respect to two types of ‘how’ and ‘why’ questions specifically regarding: *how* the target group undertakes stakeholder practices and *why* this is the case, i.e. identification of the factors which influence the identified practices (Blaikie, 2000, pp. 23 and 62; Phillips & Pugh, 2003, pp. 6–50; Yin, 2003).

6.3 Research Approach

6.3.1 Research Design Process

To address the research problem defined by the research objectives and questions, a research design was constructed to analyse the relevant elements of the research

¹The word ‘responsible’ is employed in this book as an adjective in the sense of *being* accountable. It is assumed to mean to *be* responsible compared with the closely related noun ‘responsibility’, which is inferred to imply the obligation or duty to *have* a responsibility.



Fig. 6.1 Research design process steps. Source: Yin (2003, p. 1)

‘problem’. Figure 6.1 illustrates the research design process adopted based on an approach suggested by Yin (2003, p. 1).

While recognising the wide range of potential approaches which could have been selected to conduct this social research, the theoretical perspective adopted to accomplish the research study employs a practical orientation (e.g. Bell, 2003, p. 101) focused on reaching a set of conclusions (or answers) from an initial set of questions (e.g. Yin, 2003, p. 5–11). One of the seminal research studies, which provided a significant amount of data upon which this book is based, adopted each stage of this sequential approach in greater detail (O’Riordan, 2010, pp. 103–120). To address the research problem, the influencing role of the research context and situation, as well as the objectives and questions affecting the choice of options with respect to the research study strategy and methods (e.g. Blaikie, 2000, p. 61; Robson, 2004, pp. 59 and 86) is analysed here based on the approach adopted in that previous seminal study. This detailed examination facilitates a systematic review of key phenomena, as well as their relevance and interrelationships within the context of other aspects of the overall study (O’Riordan, 2010, p. 102). The remainder of this section addresses the first step of the research design process: the problem analysis.

6.3.2 *Philosophical Stance*

6.3.2.1 Constructing the Research Design

When constructing a research design, the research philosophy addresses the aspects of the philosophical, ontological, epistemological, theoretical, and other strategic considerations relevant to the social enquiry (O’Riordan, 2010, p. 104). Each of the potential approaches which could be adopted to conduct the social scientific research required to answer the research questions comprises different assumptions and recommendations fundamentally addressing the basic issues of knowledge, truth, progress, reality, causality, imagination, and values (Smith, 2003).

When selecting a research design in the attempt to systematically ascertain verifiable knowledge from data (see, e.g., Frankfort-Nachmias & Nachmias, 1996), the research strategy depends on the ontological and epistemological stance (Hodgson, 2004). Ontology is defined as theoretical considerations concerning what is ‘real’. Epistemology addresses what can be ‘counted’ as ‘knowledge’ or ‘fact’ (e.g. Blaikie, 1993). In the natural sciences, ‘truth’ is viewed as ‘objective’ and understood to be describable by explanations, which generally apply to all situations (e.g. Smith, 2003). In contrast, in the social sciences, the element of free will is assumed to influence explanations and predictions of the objects under

investigation (e.g. Blaikie, 2000). As a result, when attempting to generate meaning in social science, interpretation is influenced by the fact that social objects (i.e. people) make decisions about their actions, which may be affected by personal experience, as well as cultural and other situational contexts (e.g. Blaikie, 2000; Smith, 2003). In the social science sphere, the potential ‘flexibility’ in the range of possible influencing factors complicates the ability to both develop knowledge and to ensure that the quality of the knowledge obtained is the best explanation possible.

This aspect of subjectivity is significant in the research design of this study because the research objective and questions trigger the requirement for data to explain why and how decision-makers in the pharmaceutical industry in the UK and Germany manage their sustainable stakeholder relationships. This research focus addresses questions which the target respondents may be reluctant (or find difficult) to discuss for various reasons. These may include complexity, privacy, personal or company interests, and the lack of conscious awareness of motives, as well as other possible issues, such as concerns regarding avoiding a negative image in this controversial operating field. Consequently, a strategy for limiting, or potentially overcoming, these contextual challenges is required in the data collection phase, with respect to the concrete design of the methods employed.

6.3.2.2 Critical Realism

From a philosophical perspective, Chap. 1 previously established the choice of a critical realist philosophical stance (Robson, 2004, p. 41; Smith, 2003) as a third way between positivism and relativism which concurrently holds emancipatory potential (Bryman & Bell, 2007; Robson, 2004). To elaborate, its features include taking note of participants’ perspectives and possibly even promoting social justice (House, 1991). Consequently, realism acknowledges values in a way which is not otherwise open to positivists, and theoretical entities are not hypothetical but real. Further, observations are not viewed as the basis of science but rather as tenuous and always subject to reinterpretation (Mancias & Secord, 1983, p. 403). In the realist approach, explanations for social phenomena are sought based on the idea of mechanisms and context. For example, more than one mechanism may be involved in a particular situation (e.g. globalisation, local factors, other interests), and its effect will depend on the context (e.g. country of operation, company size, business nature). Consequently, *critical* realism is deemed a particularly relevant version of realism in the sense that it provides a rationale which questions the social practices that it studies (Bhaskar, 1989; Collier, 1994; Robson, 2004, p. 41; Sayer, 2000).

6.3.2.3 Ontology

While acknowledging the existence of other (possibly equally pertinent) alternatives, ontologically, critical realism permits a world view, which recognises that knowledge is typically influenced by perceptions and experience (Tsang & Kwan, 1999). This presumes that what people regard as reality, as well as the mechanisms

and interactions involved, can be conceptualised (Robson, 2004, p. 42). Given that the research topic comprises an investigation involving people within a business context in ‘real-life’ situations, the critical realist point of view could be considered to potentially provide the ‘best’ explanation possible to address the inherent underlying challenge in seeking to say something meaningful about a complex, relatively poorly controlled, and generally ‘disorderly’ situation (Robson, 2004, pp. 3–4). This rationale presumes that critical realism most aptly explores what is ‘real’ for the respondent. How far this corresponds with what is ‘really’ (objectively) real, or at least real for the researcher, is arbitrary (Hodgson, 2004). Accordingly, while the results do not lend themselves to generalisation, this approach allows respondents’ opinions and behaviour to be examined in rich detail. It further facilitates a certain degree of explanation of the exposed phenomena.

To elaborate, within the context of the many theoretical systems from which to choose to interpret meaning, a positivist approach has been rejected because it does not sufficiently facilitate the analysis of human thought [see, e.g., theories in scholarship from Smith (2003), as well as Denzin (1988)]. Consequently, from the given range of knowledge spectrums (e.g. Hodgson, 2004), an emic position is taken. The rationale for adopting a flexible approach lies in the existence of a small universe size, the fact that the researcher is involved in the information and knowledge, and the intention to use fieldwork. Because it could be reasoned that every person is a ‘cultural agent’, this ontological stance acknowledges that any attempt to determine meaning or association is inevitably based on individual values (Smith, 2003). Accordingly, this approach recognises that trying to understand the world is a complex endeavour. This determines that attempting to identify ‘the best way’ to answer research questions creates a continual challenge for the researcher (O’Riordan, 2010, pp. 105–106).

6.3.2.4 Epistemology

Epistemologically, the social constructionist viewpoint is assumed to best reflect the social nature of the research. Based on the rationale that facts are human creations and truth depends on who creates it (e.g. Easterby-Smith, Thorpe, & Jackson, 2008, p. 62), ‘seeing’ through the ‘eyes’ of the study subjects is interpreted as acceptable knowledge (Smith, 2003). More specifically, the social nature of this research necessitates an approach capable of most optimally addressing epistemological issues of representation in ‘real-world’ research. These include the inherent challenge of human individuality, the social world in which humans exist, individuals shaping their own reality through experience in and contact with the world, subjective ‘knowing’, and ‘truth’ depending upon individual perspective (Bryman & Bell, 2007, p. 19). This view acknowledges complexity as a fact rather than interpreting it as something inherently confusing based on the rationale that it is not understood. Accordingly, the approach adopted in this research focuses on constant awareness of the unexpected and on recognising that there is always potential for different interpretation (Robson, 2004). As a result, phenomena are not viewed as

universal but more narrowly construed to comprise varying perspectives of meaning. Within this approach, a flexible research design is chosen based on the rationale that it is judged to be optimally capable of assessing the issues of knowledge, truth, and rationality within the social context of the study (O’Riordan, 2010, p. 106).

6.3.2.5 Conceptualising Phenomena

The ontological and epistemological stance presented immediately above presume that what people regard as *reality*, as well as the *mechanisms* and *interactions* involved, can be presented as theory (Robson, 2004, p. 42). Based on this rationale, the research presented in this book aims to contribute to the existing literature by expanding empirical knowledge. In doing so, it focuses on describing and explaining the perceptions and practices of the selected sample of senior managers from a corporate perspective, focusing on why and how they manage their sustainable stakeholder relationships, and subsequently conceptualising the findings via an explanatory framework. The aim of defining the phenomena in this way is based on an attempt to make them manageable by identifying and representing them, examining their interconnections, and thereby striving to understand (but not directly establish) their interrelationships.

6.3.2.6 Emergent Character of the Work

The flexible research design which is adopted in this study is additionally influenced by the emergent character of the work. Because the approach starts with a framework which has been deduced from the literature, the conceptualisation is tested by and refined from the data. More specifically, within the scope of the above-noted philosophical stance, meaning is additionally extracted from the research phenomena by a practically orientated approach which does not rigidly follow any particular philosophical leaning *per se*. Instead, it readily dips into any possible approach which is considered to conceivably serve to illuminate understanding. As a result, within the context of the above-described research design intentions, the research design was modified as the data were gathered. This occurred, for instance, in the case of the observation method, which emerged in retrospect as a valuable source of information although it had not previously been foreseen in the research approach.

To elaborate, as data became available during the telephone survey collection phase, new approaches for analysing and interpreting the information were developed. The emerging nature of this tactic led the research down novel routes of investigation not initially planned at the outset. From the interesting (but not previously anticipated) observation data gained during the research (from simply observing stakeholder behaviour as data was being collected for the survey questionnaire), it became clear that this evidence provided a valuable method to compare actual stakeholder engagement practice with the rhetoric communicated

(e.g. on company websites). Particularly because the issue of distinguishing *actual* (as opposed to *claimed*) stakeholder engagement in practice was identified as a key challenge to obtaining meaningful results, the observation data were interpreted as a ‘solution’ to issues highlighted during prior problem analysis. As a result, the data were employed as useful additional material in the enquiry. Clearly, however, the value of this data may be diminished due to the ‘special’ context of stakeholder dialogue in which it was obtained (i.e. the targets knew that ‘stakeholder dialogue’ comprised doctoral research being undertaken in this area). Accordingly, the observer could be argued to have ‘taken part’ in the activity (O’Riordan, 2010, pp. 209–210; Robson, 2004, p. 319).

6.3.2.7 Inductive and Deductive Strategic Approach

Within the context of the philosophical positioning of this study, in addition to the critical realist philosophical explanation, both an inductive and a deductive strategic approach were adopted as the basis for the methodological approach. This positioning results in a research design capable of expanding both the empirical and theoretical understanding of sustainable stakeholder relationship management (Blaikie, 2000, p. 10). It achieves this by deriving knowledge from the perceptions and meanings attached by the target practitioners to stakeholder engagement to test and develop an initial desk-based conceptual framework,² which was deduced from the available secondary literature and built exclusively from secondary data as one of the preliminary phases in the research (O’Riordan, 2006). Ultimately, the new empirical evidence, which was sequentially gathered, provided a database for exploring, examining, updating, and thereby improving that framework. The emerging new data consequently served to successively test the initial conceptual framework [which has since been published in the *Journal of Business Ethics*; see O’Riordan and Fairbrass (2008), and O’Riordan and Fairbrass (2014), for further details]. In this way, the research design both inductively and deductively expands empirical understanding of corporate approaches to stakeholder relationship management.

More specifically, the deductive approach adopted employs the framework in diagrammatic presentation form to test assumptions, in order to examine and explain whether the factors and their relationships (which drive social phenomena, i.e. mechanisms) exist in the manner postulated (Blaikie, 2000, Chaps. 4–5). This framework is then tested and revised where necessary, based on the knowledge derived from the collected data. Essentially, progress is considered to be achieved if the research assumptions, which were tested via the empirical insights, can be either stabilised or modified. As a result, this choice of scientific approach, which employs theories, concepts, and frameworks, could be interpreted to most appropriately enable ‘what is happening’ to be ‘seen’ via its representation in the form of a simplified working version of the phenomena under investigation. Developing such a conceptualisation can serve as a (surrogate) examination tool from which analysis

²Please refer to Chap. 5 for further details.

can be undertaken (but not as it ‘really’ is, because this is deemed impossible). Once the elements of this simplified framework are grasped, this conceptualisation is then understood as a starting point from which to plan and visualise previous and subsequent stages or steps, and thereby potentially expose causality (e.g. O’Riordan, 2010, p. 108; Robson, 2004).

6.3.3 Key Definitions and Baseline Stance

6.3.3.1 Definitions³

Within the context of the endeavour to contribute to the existing literature, *theory*, defined as formally describing an idea (see, e.g., Reynolds, 1971), is conceptualised via a series of processes in which theoretical constructs, ideas, and concepts are clarified, distinguished, and given definition (see, e.g., Blalock, 1982).

In this approach, *concepts*, defined as abstractions of objects in the empirical world (see, e.g., Frankfort-Nachmias & Nachmias, 1996), provide a system of classification (Reynolds, 1971). Their purpose is to reduce complexity by identifying and representing the research phenomena and their relationships (see, e.g., Blaikie, 2000, p. 165). The resulting *conceptualisation* is an initially untested expression of knowledge about the research phenomenon.

Regarding the issues surrounding the theme of *value judgements* in social science, the principle of ‘value reference’ is adopted, which suggests that the concepts of formations are relevant to the context (and potential complication) of time and place in which they are understood and used.

The *focus of analysis* adopts the neo-Kantian approach (Smith, 2003, p. 151), in which the objects of analysis address the concerns of the social research based on the problems identified within the context of the research. The rationale for this approach is based on the consideration that social existence is a complex representation, which has cultural significance. The aim is to discover ‘meaning’ by attempting to explain relationships in the world such as behaviour, culture, communication, and the use of language to communicate meaning (O’Riordan, 2010, p. 107).

6.3.3.2 Baseline Standpoint as a Benchmark to Anchor the Study

In an attempt to address the related contextual issues, where confusion, key debates, concerns, and/or juxtaposing viewpoints have been identified,⁴ a set of seven

³For an overview of further definitions for the key terms employed in this study, please refer to the glossary section of this book or to Chap. 2 for a more detailed explanation.

⁴For further details, please refer to the subsequent section on contextual issues in the research study below, as well as the misconceptions and misunderstandings section in Chap. 2.

baseline standpoints or suppositions have been developed as a benchmark to anchor the study. These include:

Standpoint 1: The theme of managing stakeholder relationships is not new because some companies have traditionally addressed stakeholder interests for years.

Standpoint 2: Responsible management of stakeholder relationships is not a ‘choice’ for business but a ‘must’ based on the rationale that the discussion in the literature has progressed from the debate about *whether* CR⁵ should be undertaken to *how* (Blum-Kusterer & Hussain, 2001, p. 1).

Standpoint 3: Rather than being a ‘cosmetic’, ‘skin deep’, ‘window-dressing’ activity supported by ‘lip service’ to the ‘nice’ idea of increased ‘neighbourliness’, the definition of responsible management adopted in this study presumes a strategic character which impacts on the entire company and all its business functions (e.g. Pedersen & Neergaard, 2008). This view stands in contrast to the ‘bolt-on’ white/green-washing activities adopted by some companies ultimately leading to a failure to generate fundamental internal leadership and organisational culture change (e.g. Welford, 2005).

Standpoint 4: The fourth standpoint establishes that responsible management does not advocate a change from the ‘tough-mindedness’ of a business setting to ‘tenderness’, or a ‘soft’ management scenario, in which business transforms into a new role of adopting some open-ended charitable responsibility to and for society. In contrast, a responsible management approach based on a TBL rationale (Elkington, 1997) or TTL (McDonough & Braungart, 2002), identifies, in line with Carroll’s original definition of CSR (Carroll, 1979), the economic responsibility of the company as a key business requirement. From this perspective, managing sustainable stakeholder relationships can be interpreted as the strategic aim to achieve a positive stakeholder reputation and image in society while advancing the interests of the ecological environment and simultaneously advancing the economic interests of the company (and thereby, as a consequence, satisfying one very important group of stakeholders: the company’s shareholders or investors).⁶

⁵For clarification, the term ‘CSR’ is employed here and throughout this chapter for brevity purposes. It is intended to signify the concept of responsible management (as defined in Chap. 2) within a corporate sustainable stakeholder relationship setting.

⁶For clarification, the stance adopted here acknowledges the global competition facing pharmaceutical decision-makers. This causes a ‘no excuses’ operating environment where the bottom line is paramount. As previously established in the misconceptions and misunderstandings section of Chap. 2, this assumes that businesses by definition exist to generate wealth to continue their survival and that this value creation is a prerequisite to its ultimate distribution among its shareholders. To survive in the long term, the pharmaceutical industry, as any other business, needs to concern itself alongside share prices and balance sheets with respecting the interests of all its stakeholders. This approach is simply interpreted as ‘good business’ because to behave otherwise would endanger its licence to operate and thereby ultimately, its long-term success (O’Riordan, 2010, pp. 113–114).

Standpoint 5: One paramount guiding principle within the context of the stakeholder approach comprises the premise that a company presents merely one party within a broader network of other stakeholder parties. This highlights the need to identify and work together with those significant other stakeholders in order to address those specific relationship challenges which materialise in the particular business context. As a result, this assumed concept of stakeholder relationship management and engagement does not overestimate the role of the company within the context of all the other stakeholders in the network.

Standpoint 6: The approach taken in this book advocates a value judgement which assumes the maximum long-term economic value, and accordingly commercial success, will be most effectively achieved if its leaders focus on investing its resources and designing its objectives with a view to optimising the value created for society and the environment. The stakeholder value creation (SVC) concept proposed previously⁷ advocates a fundamental transition in the leadership mind-set inherent in organisational purpose. This transformation focuses value creation on an inclusive, collaborative, connected approach, in which the wealth that is created is designed from the outset to be diversely distributed among a broader range of (multiple) constituents or stakeholders (as opposed to mainly accruing to shareholder interests, as is the case in ‘old’ business models). This highlights the multiplicity, reciprocity, and impact of the business intent for the invested resources.

Standpoint 7: While acknowledging that the view adopted in Standpoint 6 is clearly a value judgement, in general, when making judgement calls, *the value stance adopted in this book advocates a pragmatic rather than an ethical approach to value judgements*. This implies a corporate approach to sustainable stakeholder relationships, which does not focus on subjective moral matters related to questions and issues of what might be subjectively judgmentally perceived as ‘right’ or ‘wrong’. Instead, the approach adopted in this book seeks practical business solutions, which identify pragmatic routes directed towards measurably fulfilling a broader purpose or intent. Consequently, despite the undoubted inclusion of ethics as an element of CSR (e.g. Carroll, 1979), this approach views the value judgements inherent in the trade-offs required when endeavouring to harmonise stakeholder interests with the aim of establishing a sustainable business purpose, as individual nonmeasurable matters. A pragmatic approach on the other hand is measurable. In this regard, past scholarship⁸ highlights, for example, that rather than getting bogged down in subjective discussions regarding right and wrong, in practice, what counts as the most salient in establishing the business purpose is the priority given by individual

⁷Please refer to Chap. 4 for further details.

⁸Grant and Jordan (2015, p. 22) point out how a pragmatic perspective in a competitive labour market recognises how failing to take employees into account incurs the costs of high employee turnover. Similarly, firms which disregard the interests of their suppliers find themselves at a disadvantage relative to competitors with more responsive policies.

decision-makers via (pragmatic) individual judgements regarding the different stakeholder groups with respect to the potential value impact that these can effect for the business.

Based on the rationale presented in Standpoint 7, the management approach proposed in this book assumes that responsible leaders aim to achieve long-term business success in line with the SVC approach stated in Standpoint 6. Most importantly, by transcending the responsibility discussion beyond the arena of ethical debate, this pragmatic approach to corporate approaches to responsible management for addressing sustainable stakeholder relationships encourages a rational focus on inputs and more importantly impact, which are more easily measurable than individual opinion or some notion of society's 'moral conscience'.⁹

6.3.4 Unit of Analysis

Due to the lack of past scholarship available to answer the specific research questions identified to drive this study, both a geographic and an industry focus are employed aimed at positioning the research and providing a solid foundation for discussing the theme of corporate approaches to managing sustainable stakeholder relationships. Figure 6.2 highlights the unit of analysis by graphically illustrating the research scope in greater detail with respect to its geographic, industry, corporate, and academic focus.

6.3.5 Contextual Challenges

6.3.5.1 Research Problem Dictates the Research Design Strategy

While every research study is unique in that the questions it aims to answer typically hold specific contextual/situational issues, the highly complex, multifaceted, and, above all, controversial themes inherent in this particular research topic pose distinctly specific challenges. To address these challenges and ensure robust research results, an approach is adopted in which, from the outset, the research

⁹A crucial premise in this approach is the intention to progress the concept of responsible management and individual accountability out of the normative realm of subjective values or beliefs (morals and ethics) and into the scientific sphere of empirical testing (Küpper, 2011, pp. 140–144). In line with the scientific empirical or value-neutral approach to business proposed by Weber (1917, 1988), this approach aims to identify and empirically validate the most optimal outcomes for both business and society based on measurable criteria (e.g. Homann & Lütge, 2005) without the burden of a normative stance (O’Riordan & Fairbrass, 2016, p. 34; O’Riordan & Zmuda, 2015, p. 486).

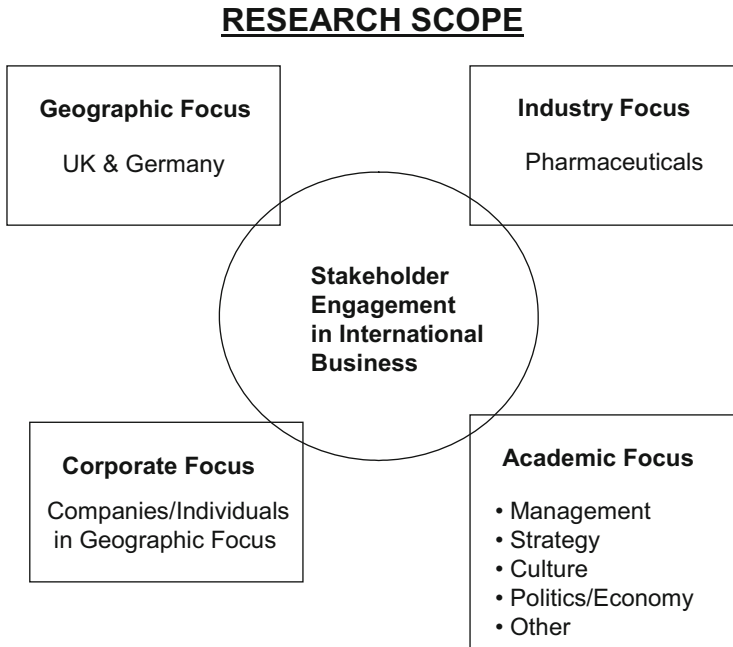


Fig. 6.2 Research scope (for clarification, for illustration purposes, the label ‘Stakeholder Engagement’ has been adopted to signify the concept of managing sustainable stakeholder relationships in line with the definition presented in Chap. 2). Source: O’Riordan (2010, p. 111)

problem dictates the research strategy. To elaborate, as part of the systematic approach undertaken to ensure scientific results, the characteristics unique to this research project are identified in advance (Barnes, 2001). This optimises the quality of the data gathered, thereby supporting and justifying subsequent validity claims when final conclusions are drawn from the findings. This approach thereby specifically facilitates identification of those methods and techniques which most optimally take account of the issues that require specific attention. In this regard, Table 6.1 describes the nature of the unique characteristics of the research. In summarising the relevant issues, it establishes a list of research requirements against which the various theoretical alternatives for undertaking the research are later judged (O’Riordan, 2010, pp. 111–112).

Table 6.1 illustrates three specific factors including the topic’s long research history, its nature, and difficulties in differentiating between rhetoric and reality. In brief, these factors present potential challenges for obtaining trustworthy results. This determines that to ensure valid research findings from which conclusions of value can be drawn to answer the research questions (i.e. which robustly assess the sustainable stakeholder relationship management approaches of pharmaceutical companies), the selected methodology must allow sufficient detail, depth, and clarity to be obtained (O’Riordan, 2010, p. 112).

Table 6.1 Summary of contextual challenges of the research topic

Context challenge	Topic’s long history	Nature of topic	Distinguishing between rhetoric and reality
Characteristics of appropriate methodology	• Capable of allowing concepts and terms to be sufficiently clarified • Flexible to view phenomena as a social and historical product that can be specific to a particular time, culture, or situation	• Capable of allowing for the fact that: – Reality is multiple, complex, constructed, & stratified – Enquiry is value-laden – Facts are theory-laden	• Suited to providing meaningful results given respondent reaction to potential feeling of intrusion on private/ethical sphere including e.g.: – Over-claiming – Defensiveness – Blocking/Refusal =>Noise in communication
			
Requirements			
A methodology and methods which are capable of:			
1. Gathering sufficient information in a complex, multi-disciplinary area to deal with: • Response bias • Confidentiality issues • Social expectation challenges 2. Ensuring adequate control: • Clarifying/checking information • Reading “between the lines” to deal with the delicate nature of the topic 3. Achieving validity: establishing trust/putting the respondent ‘at ease’ to get meaningful results			

Source: O’Riordan (2010, p. 112). Adapted from Robson (2004, p. 18)

6.3.5.2 Identifying the Critical Requirements for Evaluating the Methodological Options

In highlighting the contextual challenges, Table 6.1 essentially determines the research requirements against which the various methodological options are later judged. Ultimately, this approach facilitates identification of the most appropriate research approach. To elaborate, in addition to the specific contextual/situational issues noted above, further challenges for the research undertaking include the existence of a spectrum of differing standpoints surrounding the theme of responsible management. For instance, in a review of the literature presented in previous chapters identifies a range of contradictory viewpoints, misconceptions, opinions, perceptions, and theories with respect to current approaches to stakeholder management.¹⁰ This uncertainty is both caused by, and results in, varying

¹⁰Please refer to the misconceptions and misunderstandings section of Chap. 2 for further details.

Table 6.2 Critical success factors (CSFs) for undertaking the research

General underlying principles:
• Attempt to achieve ‘scientific’ results via: – Systematic approach – Critical evaluation – Ethical behaviour
Choice of approach which most optimally produces:
• Trustworthy results, i.e. via reliable and valid data • Robust conclusions – Consider contextual challenges and other factors that require specific attention – Identify via an evaluation of the pros and cons the most optimal methodology
=>The research problem must dictate the approach and strategy (Yin, 2003)

Source: O’Riordan (2010, pp. 117–118). Adapted from Robson (2004, p. 18)

understandings concerning what responsible stakeholder management means, its elements, and boundaries. Moreover, the inherently elusive nature of this spectrum of standpoints itself additionally complicates the (already) complex responsible management topic. Accordingly, the ensuing multiplicity of contextual issues, as well as the interacting relationships involved, gives rise to a range of possible stakeholder stances. This potentially poses implications for decision-makers (and researchers) when defining how to position their own sustainable stakeholder management concepts and responses within the range of possible interpretations (adapted from O’Riordan, 2010, p. 113).

Bearing these issues in mind, Table 6.2 summarises the factors which have been identified as critical for obtaining optimal research results. It serves as an information basis for identifying the crucial aspects of data reliability, validity, and trustworthiness in the ultimate selection of a methodology for the research design.

For clarification, for reasons of brevity (i.e. without further philosophical discussion on the merits or otherwise of adopting a scientific approach), the summary of critical success factors (CSFs) presented in Table 6.2 is included because it forms the foundation upon which all further considerations are developed. To elaborate on the principles and choices presented in Table 6.2, a ‘scientific attitude’ is defined as carrying out the research in a systematic, sceptical, and ethical way (Robson, 2004, p. 18). The aim to achieve ‘optimal’ results is driven by the epistemological concern to achieve evidence outcomes which are ‘true’ or as close as possible to ‘reality’ in order to most optimally explain the phenomena under investigation. This clearly acknowledges the limitations of ever being able to ‘know’ as noted in the philosophical section above. A critical success factor for obtaining robust conclusions is the assurance that the data are *trustworthy*. This has implications for data *reliability* and *validity* which have both been sufficiently explained in the literature (e.g. Payne & Payne, 2004, pp. 195 and 233). The principle underlying the research design approach is to establish data trustworthiness while acknowledging the absence of a standard means of assuring reliability and validity in social science. In line with ideas suggested by Robson (2004, Chap. 2), the approach adopted in this book is based on a scientific aspiration focusing on the qualities required for undertaking flexible research designs. This approach establishes that the data are trustworthy as far as possible. In this regard, a *reflexivity*

Table 6.3 Principls of ethical behaviour adopted in this research

1. Researcher responsibility for all decisions on ethical issues to ensure ‘no harm’
2. All actions consistent with ethical standards of the home and host community
3. Best scientific judgement used at all times and aim to conduct research in a competent, objective manner, aiming to achieve lack of bias in design, conduct, and reporting
4. Assistance sought on unresolved ethical dilemmas from appropriate parties
5. In general, honouring all commitments made in research by being honest, avoiding deception, misrepresentation, and plagiarism etc.
6. Commitment to maintaining the highest ethical standards on the key issues of: • Provision of relevant information, e.g. purpose of research, sponsorship etc. • Ethical standards adhered to with regard to sampling, setting, research method used, telling the ‘whole’ truth • Access, voluntarism, and informed consent • Respect of privacy including confidentiality, anonymity, and safety • Data analysis, storage, and possible further use of research by third parties

Source: O’Riordan (2010, p. 120). Adapted from the code of ethics developed by Frankfort-Nachmias and Nachmias (1996, p. 95)

exercise, which examines the researcher’s background, personal motives, and goals for undertaking the research was employed as a method to identify areas of potential research bias with the aim to potentially increase the accuracy, correctness, and ‘truth’ of the data under investigation.

Within the search for an ‘optimal’ approach, the underlying principle of *ethical behaviour* in the research choices highlights the importance of ethics in line with a general increase in awareness of and concern for the overall priority of human rights (Frankfort-Nachmias & Nachmias, 1996, p. 76). A naïve approach to ethics is considered unethical in contemporary research (Mirvis & Seashore, 1982, p. 100). Consequently, it is deemed good practice for researchers in the field of social science to recognise, understand, and put into action their responsibility to behave in an ethical manner. Furthermore, previous scholarship suggests that it has become the researcher’s obligation to convince his or her various stakeholders that the work being carried out is of value and undertaken along the principles of integrity (Bell, 2003, p. 37). Accordingly, far from being an add-on or an afterthought, an ethical approach is a central element of the research process. Consequently, it merits attention from the first planning stages through to the final publication of the research study (e.g. Miles & Huberman, 1994, pp. 228–289). The principles of ethical behaviour outlined in Table 6.3 guide the research.

6.3.6 Review of Previous Approaches to Similar Research Themes

Having considered the research problem from the perspective of its context, theme, objectives and questions, this section concludes the discussion of the research analysis by investigating the approaches which were taken by previous researchers

Table 6.4 Overview of research methods used by other researchers (including examples of using snowball sampling technique)

Method/research example	Observation	Textual analysis	Survey	Interview
Acutt, Medina-Ross, and O’Riordan (2004)	☒	☒		☒
Castka, Balzarova, Bamber, and Sharpet (2004)	☒			
Welford (2004), (2005) Brammer and Pavelin (2004) Maignan and Ferrell (2003) Blum-Kusterer and Hussain (2001)			☒	
Haniffa and Cooke (2005) Fairbrass, O’Riordan, and Mirza (2005) Knox and Maklan (2004)		☒		
Woodward, Edwards, and Birkin (2001) Eland-Goossensen et al. (1997)* Etter and Perneger (2000)* Warner, Wright, Blanchard, and King (2003)* Sheu, Wei, Chen, Yu, and Tang (2008)*			☒	☒

Source: O’Riordan (2010, pp. 120 and 490)
*Example of using snowball sampling technique

when addressing similar problems. Although not considered a representative sample (due to the huge amount of research available as previously discussed), a review of the methods adopted by other researchers reveals that documentary analysis, survey, and interviews are all frequently employed methods of data collection in this specialist field of study. This examination further reveals the use of data triangulation and mixed methods, as well as the snowball sample technique to identify candidates for research areas which are considered ‘difficult’ (e.g. in health research) (Goodmann, 1960; Robson, 2004, p. 265). Table 6.4 provides an overview of a purposefully chosen selection of research studies, which adopted these methods in similar fields of study.

6.4 Data Collection

6.4.1 Methodology

6.4.1.1 Introducing the Research Rationale and Procedural Details

This section addresses the second phase of the research design process (illustrated in Fig. 6.1). It serves to establish, explain, and justify the selected data collection

approach. The insights gleaned in the previous problem analysis phase present the relevant conceptual and methodological considerations for this research undertaking. From this ‘illuminated’ platform, the data collection plan regarding how to answer the research questions was developed. First, the research strategy rationale explains *why* the chosen methods and sources are considered to deliver trustworthy data. Then, the procedural details of *how* the data for each method will be collected are addressed. The chosen data types and methods (including documentary analysis, a telephone survey, observation, and a series of in-depth interviews), as well as the rationale for rejecting others are explained. This methodology facilitates repeated empirical testing of the exclusively desk-based conceptual framework, which was proposed in the previous chapter. Finally, this section presents the technical details relating to sampling and data collection, design, piloting, and administration (adapted from O’Riordan, 2010, p. 121).

6.4.1.2 Qualitative Multiple Case-Study Strategy Using Mixed Methodologies

Based on the ontological and epistemological approach and the challenges presented in previous sections, to fill the identified gaps in past scholarship, a comparative evaluative empirical research approach in a case-study strategy employing mixed methodologies with a primarily qualitative focus was chosen to investigate the sustainable stakeholder relationship management practices of the selected target group.

To elaborate, bearing in mind the research methods employed by previous authors in this field of study (see previous section for further details), and while acknowledging the wide range of choices available (see, e.g., Blaikie, 2000, p. 233; Robson, 2004, Chaps. 4 and 12; Silverman, 2005, p. 111), a largely interpretative (qualitative) approach is chosen to explore (identify, infer, and suggest) mechanisms, which may play a role as influencing factors of stakeholder engagement for the target segment. Within this approach, a *multiple case study* comprising an examination of two related cases (the UK and Germany) is included in order to compare corporate approaches to managing stakeholder relationships in a European setting. These cases are selected based on an approach which suggests that either that the same result or predictably different results will be obtained (Yin, 2003, pp. 53–55). This research pursues both a conclusive and explanatory direction. It is conclusive in the sense that it is both descriptive and exploratory. It is explanatory because it aims to potentially expose causal factors. As a result, the research can be classified in principle as basic. However, based on the intent to identify current practice to guide managers when making stakeholder relationship decisions, it additionally includes some elements of applied research (i.e. which may help to change/emancipate or intervene in future business decision-making situations).

6.4.1.3 Empirical Data Collection via Mixed Methods

Within this context, the underpinning objective for undertaking the research was to investigate how the selected target group (unit of analysis) manages its sustainable stakeholder relationships.¹¹ To identify and test the key elements of their stakeholder management activities, which may be particularly salient to business managers in the pharmaceutical industry, primary data were collected based on the insights provided by the secondary data collection of theories, concepts, frameworks, and tools presented in the previous chapters. The *primary data* consist of a combined range of methods including a (small) telephone survey comprising written questionnaires (included to gain a broader perspective) and observation, followed by a successive series of in-depth personal interviews. To elaborate, the empirical investigation primarily comprises the collection of *qualitative* data concerning the opinions and behaviour of internal company agents. The research *questions* which guide the study are based on a set of previously defined *assumptions* which are tested empirically during the investigation.¹² These assumptions are revised where necessary in a linear sequence of stages as primary data is captured to describe and explain the stakeholder engagement practices and compare similarities and differences between the two countries which were formerly established based exclusively on secondary data.

Ultimately, the collected empirical data serve, not merely as insights into the practices of the target group, but additionally, to continuously inform and successively improve the initial desk-based research framework, which was presented in the previous chapter. Because that research prototype was limited because it was based exclusively on secondary data, this collection of primary data is designed to develop it into a practical management tool which could serve both to help decision-makers to arrange their stakeholder engagement activities in the practical sense and to contribute to the academic literature in the research field (adapted from O’Riordan, 2010, pp. 121–123).

6.4.1.4 Scrutinising the Case-Study Strategy

Elaborating in greater detail on the choice of the case-study approach, Yin (cited by Robson, 2004, p. 178) defines a case study as a strategy for doing research involving an empirical investigation of a particular contemporary phenomenon within its real-life context using multiple sources of evidence. While the data employed in a case-

¹¹For clarification, although the research is *flexible* in design, its outcomes can be used to support the existence of particular mechanisms in the area under study (Robson, 2004, p. 65). Furthermore, despite the fact that the unit of analysis is the company, the qualitative leaning focuses on individual managers (including their perceptions, worries, feelings). Accordingly, the research approach could be interpreted as *individualistic*.

¹²For further details on the research assumptions, please refer to the subsequent separate section below addressing this theme.

study approach can be quantitative, qualitative data are almost invariably collected (Robson, 2004, p. 178). Further, the context (i.e. the social and physical setting in which the case is situated) is deemed important (Robson, 2004, p. 179). In summary, the design flexibility inherent in the case-study option is signalled by Robson (2004, p. 185) who states that every enquiry is a kind of case study.

Indicating the different types of study, Robson (2004, p. 181) describes that a case study can relate to one person or to a community or social group. In the research study presented in this book, the 'case' refers to two separate 'cases' of European countries. Within this approach, while organisations and individuals are recognised as viable cases in their own right (Yin, 2003, p. 56), they are understood here as information sources within the case study. In this regard, Yin (2003, p. 53) advises that choosing a 'two-case' case study increases the chances of doing a good case study based on the advantages of the possibility for replication and more powerful analytic conclusions arising from the ability to compare and reach findings common to both. This advice formed the rationale for the decision to make a comparison between two cases: the UK and Germany. Based on evidence obtained in the literature review (e.g. Chapple & Moon, 2005; Habisch, Jonker, Wegner, & Schmidpeter, 2005), these countries were deliberately chosen for their presumed potential 'contrasting situations'. Here, the term 'comparative case study' is based on a definition by Agranoff and Radin (1991), whereas a 'multiple case study' is defined based on Yin (2003, p. 14).

Within the case-study approach, both participant observation and the survey method are employed in addition to documentary analysis and interviews. More specifically, while the participant observation method employed in this study is a form of ethnography where close involvement in the organisation is achieved in order to gain a detailed understanding of other peoples' realities (e.g. Easterby-Smith et al., 2008, p. 331), in the case of this research study, the degree of participation is limited (e.g. Robson, 2004, p. 318). While the researcher in the role of an interviewer did undertake some observation, based on the insights provided by previous authors (e.g. Bryman & Bell, 2007, p. 454), very little participation was involved. According to Gold's (1958) classification, this situation is best described by the term 'observer-as-participant' which for practical purposes has been abbreviated to the term 'observation' in this study. Essentially, this observation involved a form of interrupted involvement in which the observer was present sporadically over a period of time to observe the behaviour of different people within and across a number of different organisations (Easterby-Smith et al., 2008, p. 157). For clarification, while the survey option is presented in this examination as a strategic option in its own right (see, e.g., Blaikie, 2000; Silverman, 2005), for the purpose of the research design methodology, it is classified within the case-study option. This approach is confirmed by Yin (2003, p. 91). Despite its practical limitations due to size (see below for further details), a survey strategy is included based on its merits as a potentially useful option to add credibility (via scale and breadth of opinion) in order to achieve some aspects of the research objectives. However, the level of data yielded is insufficient on its own

to fully achieve the research objectives. For this reason, the survey approach has been chosen as a useful option *within* the case-study approach.

6.4.1.5 Justification of Research Design Choice

Based on the aim to obtain robust conclusions as the key priority, the critical success factors, which emerged from the previous problem analysis phase, inform the methodological approach. It aims to ensure the collection of meaningful data via the most optimal strategy by combining both a thorough understanding of the implications of the contextual issues with an appreciation of the goal of each question, while concurrently considering the precise types of information, and levels of detail which each approach is capable of producing (Blaikie, 2000; Silverman, 2005; Yin, 2003, p. 91).

The methodology was developed based on a review of the extensive literature on this topic (as suggested by, e.g., Blaikie, 2000; Robson, 2004, p. 65; Silverman, 2005) which was presented in previous sections of this chapter (adapted from O’Riordan, 2010, p. 123). To justify the research design adopted in this work, a range of possible methods were comprehensively analysed in advance to assess their adequacy in sufficiently answering the research questions (Blaikie, 2000, p. 233; Robson, 2004, Chaps. 4 and 12; Silverman, 2005, p. 111). Many of the data collection methods examined in this evaluation are viewed (to varying degrees) as potentially valuable ‘tools’ for undertaking the research. Overall, the methods were assessed focusing on the need to ensure a control mechanism to guarantee (as best as possible) that rhetoric on corporate approaches to stakeholder management matches the actual practices being undertaken (as addressed in Table 6.1 with respect to the contextual challenges associated with the research topic). Within this approach, to rationalise the choice of the case-study strategy, previous literature was analysed (e.g. Agranoff & Radin, 1991; Miles & Huberman, 1994; Payne & Payne, 2004, p. 31; Robson, 2004, pp. 178–179, 181 and 185; Silverman, 2005; Yin, 2003, pp. 14, 53–56). This examination included a strengths and weaknesses evaluation of the data collection methods available within the case-study approach.

From the range strategic options considered, the case-study option is judged to most suitably allow inclusion of many of the merits identified as valuable for the delicate, intangible, and multidisciplinary nature of the research topic. These include to some extent the first hand, in-depth, descriptive nature of the ethnographic study (via observation where the researcher is immersed in interviews for longer periods of time), which may lead to the unmasking of power structures and linkages. To elaborate, the case-study option is chosen based on a systematic examination process which identified the various relevant data form, type, and sources in an endeavour to obtain a clearer picture of the requirements for suitable data collection methods and techniques (Blaikie, 2000, p. 233; Robson, 2004, pp. 4, 12; Silverman, 2005, pp. 11 and 111). This process acknowledges how the various sources of evidence in case studies can be quite extensive (e.g. Yin, 2003,

p. 85). It identifies that surveys, interviews, observation, and documentary analysis have been selected by various researchers (e.g. Marshall & Rossman, 1989; Robson, 2004; Yin, 2003, p. 85) based on the merits noted above. Further, an analysis of the abundance of previous research available demonstrates how case studies have been widely used by other researchers when researching similar subjects (e.g. Acutt et al., 2004; Castka et al., 2004). Past scholars similarly employed comparative study examples (e.g. Clark, 2000; Maignan & Ferrell, 2003).

A major *strength of the research design* selected for this study is that it allows the opportunity to employ different methods and sources of evidence (specifically methodological and data triangulation) to assist in establishing data with greater trustworthiness (Robson, 2004). Yin (2003, p. 55) refers to the suitability of a case-study approach in research of an emergent nature by advising that the case study's design can be modified by new information or discovery during the data collection (as occurred with the observation data as noted previously). The case-study approach could accordingly be reasoned to deliver valid results for the research study proposed in this book based on the emergent character of the work (Bryman & Bell, 2007; Easterby-Smith et al., 2008). Because the research approach starts with a framework, which has been deduced from the literature, the case-study approach, facilitated by a critical realist perspective, could be inferred to most aptly recognise the social interactions (i.e. people as actors bringing complex meanings to behaviour via their interactions and processes) under analysis, as well as address the contextual challenges discussed previously in earlier sections (O'Riordan, 2010, p. 126).

Based on the above analysis, the research design illustrated in overview in Table 6.5 depicts what is considered on balance to represent the most optimal approach for answering the research questions.

Table 6.5 demonstrates how the case-study strategy presents the flexibility to clarify, check, and control responses via in-depth feedback, while additionally being sufficiently adaptable to include the survey method. In the data collection phase, data trustworthiness is achieved by methodological triangulation via the use of different methods and sources (Robson, 2004). The research design presented in Table 6.5 is interpreted to comprise the most optimal approach for answering the research questions based on three rationales. First, in order to investigate how sustainable stakeholder relationships are actually managed within pharmaceutical firms in practice, the critical realist perspective adopted allows respondents' opinions and behaviour to be examined and questioned in rich detail. Within this approach, mainly qualitative information is generated from primarily internal company stakeholders because this is deemed the most valuable way to answer the research questions.¹³ Second, a major strength of this research design is the use of four data collection methods which allow the capture of various sources of evidence. These alternately combine to compensate for the inherent advantages

¹³For clarification, as the research focuses on internal management aspects, external stakeholders are not included in this enquiry.

Table 6.5 Overview of the chosen research design approach

Topic	Managing sustainable stakeholder relationships: Corporate approaches to responsible management in the pharmaceutical industry in the UK and Germany
Methodology	Mixed multiple case-study approach. Includes primarily qualitative aspects and multiple data collection methods. These are employed in an alternating phased tactic to repeatedly test and refine a set of initial assumptions. The emerging data ultimately successively inform the conceptual framework
Data collection techniques	<u>Pilot Testing + Documentary Analysis</u> ↓ Initial Assumptions (I) + Explanatory Framework (I) ↓ <u>Structured Telephone Survey Questionnaire</u> ↓ Refined Assumptions (II) + Explanatory Framework (II) ↓ <u>Observation</u> ↓ Refined Assumptions (III) + Explanatory Framework (III) ↓ <u>Series of Semi-Structured In-Depth Interviews (Questionnaire)</u> ↓ Re-refined Assumptions (IV, V, & VI) + Explanatory Framework IV, V, & VI) ↓ Findings
Data collection approach	Pilot tests used to check the accuracy, efficiency, and suitability of the intended approach in each country
Data analysis approach	Triangulated findings to test the research assumptions. This ultimately facilitates successive examination and revision of the explanatory conceptual framework
Outcome	To provide fresh insights in a previously under-investigated area contributing to empirical evidence in the field by refining an existing managerial framework . The results provide useful insights to managers in the pharmaceutical industry by (1) Describing their practices [how]. (2) Uncovering the factors which influence and explain those practices [why]. (3) Identifying whether differences exist in the practices in the UK and Germany [comparison of how & why]

Source: Developed and adapted from O’Riordan (2010, p. 127)

and disadvantages of each method as data sources. This triangulation assists in establishing greater trustworthiness (Robson, 2004). Third, the chosen descriptive and explanatory research design seeks explanations for social phenomena based on concepts of mechanisms and context. The flexible nature of the research design allows the approach to be adapted as new data emerges. Essentially, this strategy allows the ensuing research results to be compared and further tested later in further research or with respect to other industry sectors. Consequently, this design is judged to appropriately address the previously identified research issues (O’Riordan, 2010, p. 128). Ultimately, the resulting empirical findings are successively employed to initially examine the explanatory management framework

prototype, which was developed exclusively from desk research, as well as to subsequently repeatedly re-examine the ensuing exploratory framework versions (e.g. O’Riordan, 2010; O’Riordan & Fairbrass, 2008; O’Riordan & Zmuda, 2015). Furthermore, the empirical findings serve to test a set of pre-established assumptions (see next section below for further details), which were included to enhance data collection validity. Progress is considered to be achieved if the research assumptions can be either stabilised or modified.

6.4.2 Research Assumptions

To test the robustness of the data which was collected to answer the research questions and thereby enhance the data collection validity, the study employs a set of pre-established research assumptions as assumed answer outcomes or testable propositions (Silverman, 2005, p. 98). The research assumptions achieve this by facilitating a continual cross-check as data emerges during the successive stages of the research. In this approach, the empirical insights are applied to test the preformulated assumptions, which are subsequently either stabilised or modified. As a result, the research assumptions can be interpreted as pivotal to the work in the sense that they determine whether progress has been achieved. Table 6.6 presents the research assumptions underpinning this study.

The conjectures presented in Table 6.6 add value in two ways. They guide the development and formulation of the questionnaire questions employed in the data

Table 6.6 Research assumptions

Main assumption
By conceptualising the stakeholder engagement practices of pharmaceutical companies in an explanatory framework, it is possible to uncover patterns in the differences and similarities identified (between the UK and Germany). This both helps to explain the factors influencing the practices adopted, as well as how decision-makers in the target group manage their stakeholder relationship activities. Ultimately, by either confirming or adapting the framework components, progress is achieved.
Sub-assumptions
1. The stakeholder engagement practices of pharmaceutical companies differ in the UK and Germany due to deviations in basic conditions including distinctions in institutional, political, cultural, and other contexts. These variations in basic conditions cause distinct diversity in the stakeholder approach, policy, and practices (subsequently labelled ‘responsible management’) at individual firm level in each country;
2. This variation in responsible management practice is influenced by what is considered by pharmaceutical decision-makers to constitute [effective] stakeholder relationship management in the UK and Germany;
3. The influencing factors and steps which determine the process to manage [effective] stakeholder relationships are identifiable and can be explained by a framework which depicts their key elements such as via the four elements: Context; Stakeholders; Management Response; and Event.

Source: Developed and adapted from O’Riordan (2010, p. 130)

collection instruments and further act as a process of reciprocal testing for the four specific instruments. They are then empirically tested in various successive stages. Initially, they are tested and cross-checked via survey questionnaires. Subsequently, they are revised where necessary and subsequently retested in case studies via in-depth interviews. This approach verifies the data gathered in each stage of the research. In a realist approach, these predicted answers to the research questions (e.g. Punch, 1998, pp. 39–41) help to specify the enabling and disabling mechanisms within the relevant operating contexts (Maxwell, 1996, p. 25; Robson, 2004, p. 63). Consequently, the inclusion of research assumptions is based on the premise that they enhance interpretation and data validity. The knowledge derived from the perceptions and meanings which the target pharmaceutical company internal senior executives attach to their stakeholder relationships ultimately enables the testing and revision of the conceptual framework versions (O’Riordan, 2010, pp. 129–130).

6.4.3 Sample Strategy

6.4.3.1 Identification and Choice of Target Data Sources

The sample strategy includes the identification and choice of targets or sources from the overall population, sample size, as well as the method of selection concerning each of the data collection methods. These themes are addressed in greater detail in the subsequent sections. Because the sampling strategy is neither statistical nor purely subjective, but theoretically grounded (Silverman, 2005), the question of which targets to choose and how to choose them is based on their relevance to the research question and their ability to explain the conceptualisation under investigation. Further, a key aim when devising the sampling strategy was both the identification of contacts in the first instance and the establishment of relationships from the target pool in the telephone survey stage. This snowball approach served to later identify and win participants for the in-depth interviews (O’Riordan, 2010, p. 131).

6.4.3.2 The Sampling Frame and Sample Targets

The original sampling frame or target population for this research comprised a total of 934 pharmaceutical companies overall in Germany and 312 overall in the UK measured by sales turnover in each country (IMS, 2006). Within this universe, a selected pool of sample targets comprising the leading 200 pharmaceutical companies in both countries was identified using industry sales data (IMS, 2006).¹⁴ Given

¹⁴For clarification, the IMS is the recognised as the leading provider of business intelligence and strategic consulting services for the pharmaceutical and healthcare industries.

the aim to achieve a response rate of 25–30 % in each country, this initial targeting of the top 200 companies in each country comprised the potential overall pool of candidates in each respective market in 2006 [for further details, please refer to O’Riordan (2010, pp. 491–493)]. This pool initially represents the sample targets for the documentary analysis, telephone survey, and observation methods. Via those research contacts, in-depth interview participants were prospected. Crucially in this approach, as in the case-study approach in general (Robson, 2004, pp. 168–177), statistical power or sample size is not the most important consideration. However, for all data collection approaches, choosing valuable candidates in a methodologically systematic way that best represents the geographic regions of focus is a key factor. Accordingly, the sampling technique chosen is a non-random method comprising of a mix between quota and convenience sampling (Silverman, 2005). The resulting sample is a selection of the population which is considered representative in the sense that the target list represents 85 % of total pharmaceutical sales in each country. Significantly, the targets for each country include some of the leading pharmaceutical players in the world. This sampling strategy for collecting the data can be defined as purposive. To achieve the research objectives based on the methodology proposed above, it chooses embedded cases (i.e. within each country) which illustrate features of interest to the research (Silverman, 2005). This purposive search for evidence that is indicative of a phenomenon (e.g. in this case similarities and differences in the stakeholder relationship management practices between the UK and Germany) facilitates investigation into why concepts are applicable in one setting but not another (e.g. Strauss & Corbin, 1998). This approach additionally employs a snowball sampling technique (Etter & Perneger, 2000; Goodman, 1960; O’Riordan, 2010, pp. 131–132; Robson, 2004, p. 265; Sheu et al., 2008; Warner et al., 2003).

6.4.4 Pilot Testing and Triangulation Synergies

To check the accuracy, efficiency, and suitability of the intended approach in each country, pilot testing was employed. Due to the exploratory nature of the enquiry, some of the results from the separate instruments (particularly in the case of the telephone survey and observation) provided a limited picture of the selected target groups’ stakeholder relationship practices. As a result, they were mainly sought as preliminary background data. However, the documentary analysis and, in particular, the interview data offer a much richer, more reliable, and valid basis for describing and assessing the firms’ behaviour. Accordingly, while individual results were often not sufficiently valid as stand-alone evidence, in combination with the other methods, their tentative indications help to substantiate the findings on the whole. Consequently, overall, each method is interpreted to add value as its contribution creates synergies facilitating the ability to draw more dependable conclusions.

6.5 Data Analysis and Presentation

This section addresses the selected data analysis and presentation approach, which comprise the third and fourth phases of the research design process as illustrated in Fig. 6.1 at the start of this chapter. By definition, the research design approach determines a heavy *data analysis* task to manage the range of ensuing data and figures collected. To analyse the qualitative exploratory findings, the research assumptions presented above are included to enhance interpretation of the data and thereby validity. Essentially, this approach focuses on filling the gaps revealed in past scholarship to build a picture of the stakeholder relationship practices of the target sample. Accordingly, the data is analysed to primarily identify what responsible management concept is followed by this target group, which stakeholders are targeted, and how their interests are balanced, as well as whether the current approach is effective or not.

In this approach, data trustworthiness is established via data triangulation of the different methods and sources (Robson, 2004). In doing so, to reduce the data volume (without eliminating useful information), for management purposes, as well as to avoid information overload, the data are categorised via themes and codes. In this regard, advance data reduction focuses on identifying ways to keep the data amount manageable. This is achieved through the planned and timely production of summaries and abstracts, coding, and note writing. For clarification, text and other notes taken during the data gathering phase were documented. All of the original data collected has been filed in raw data form by the author.

Within this process, data reduction is specifically attained through categorising and precoding the raw data (Blaikie, 2000). Coding is undertaken based on the choice of first- and second-level coding, open and axial coding, and coding paradigms (Strauss & Corbin, 1998). More specifically, to fulfil the research objective, codes were identified in relation to each research question, concept, and theme. These aid the data analysis and facilitate the testing of the components in the various versions of the framework. In this way, the findings from the four data collection sources were analysed using content analysis based on six codes to analyse the qualitative data. Their relevance was identified in the literature review. These preselected codes include ‘terminology’, ‘stakeholders’, ‘communication’, ‘organisation/governance’, ‘projects/activities’, and ‘expectations’. They are explained, discussed, and defined in greater detail in Chap. 2, as well as in the glossary section of this book.

Within the scope of those definitions, depending on the research method employed, the data was analysed via these selected codes using text identification, transcript coding, and word counting. Although quantitative analysis does not play a major role in this research as explained previously above, some limited statistical analysis was performed on the quantitative data using SPSS software support. In this approach, key questions were continually examined with regard to the relationships between the main data units, the categories used, and the context and consequences in which the categories occur (Silverman, 2005). To analyse this

multiple case situation, cross-case synthesis was employed for its merits as a particularly useful method of analysis (Yin, 2003). In this specific case, cross-case conclusions were drawn from a uniform framework based on word tables developed for each individual case.

As the main outcome of the research contribution, the data findings were analysed with a view to their relevance for continuously exploring, examining, and thereby ultimately improving an original explanatory conceptual framework, which was originally developed by the author from secondary data as one of the primary phases of this research and subsequently revised (O’Riordan, 2006; O’Riordan & Fairbrass, 2008, 2014; O’Riordan & Zmuda, 2015). The cumulative evidence collected provides a data set basis which is employed to explore, examine, update, and thereby improve this prespecified theoretical framework. Consequently, the research design simultaneously inductively and deductively expands both empirical and theoretical understanding of stakeholder relationship management. In doing so, it derives knowledge from the perceptions and meanings, which the target pharmaceutical company internal senior executives attach to stakeholder management.

The empirical data, which was collected and analysed from the multiple sources outlined and explained in the previous sections, is *presented* via the six preselected codes noted previously. Extensive literature analysis, background preparatory work, as well as pilot testing confirmed the accuracy, efficiency, and suitability of these codes as key components of the research design within the context of the intended approach in each country. As a subsequent step in the data presentation stage, the key contribution of this book presents a management framework, which was designed to help decision-makers in the pharmaceutical industry to manage their stakeholder relationships.

6.6 Research Methods

6.6.1 *Procedural Technicalities*

This section sequentially presents the procedural technicalities for each of the chosen four data collection methods with respect to the data collection and analysis details within the context of the case-study research design approach steps depicted in Table 6.5. These include details of each method’s data source and type, as well as how the data is collected (i.e. who is asked, where, and when). It additionally explains the administration and data analysis details. In the interest of transparency, Tables 6.7 and 6.8 provide a summary overview of the explicit *modus operandi* for each data collection method with respect to specific data sources, the sample targets, the research administration, and data analysis which were employed to

Table 6.7 Data collection and analysis: overview of procedural details (2005–2008)

Data Collection Method	Documentary Analysis (2006/2007)	Telephone Survey and Observation (2007)	In-depth Interviews (round one—2008)
Data Sources	Company website Company reports, e.g. Annual reports; CSR and sustainability reports	Individual company representatives who play a significantly relevant role in CSR and stakeholder engagement • CEO • CSR Director • PR Director • Marketing Director • HR Director	Individual company representatives who play a significantly relevant role in CSR and stakeholder engagement • CEO • CSR Director • PR Director • Marketing Director • HR Director
Sample			
Targets	18 Leading UK & 18 German Pharmaceutical Companies	200 UK Pharmaceutical Companies 200 German Pharmaceutical Companies	60 Leading UK & 60 German Senior Pharmaceutical Executives
Actual	Total = 36	TS: Total = 46 Responses O: Total = 142 Responses	Total = 18 Responses
Method of selection	• IMS Sales Data • Kompass Directory • Dun & Bradstreet	• IMS Sales Data • Kompass Directory • Dun & Bradstreet SITC	Identification via Documentary Analysis & Survey Contact
Administration			
Researched how and by whom?	Table of criteria developed by researcher drawn from the literature review to evaluate target companies' websites	Researcher designs and tests a questionnaire and cover letter which are faxed or emailed to target representatives of companies	Researcher designs and tests semi-structured questionnaire. Appointments requested by telephone with target candidates. Cover letter is sent in advance to confirm appointment and inform
Setting	Desk research undertaken by researcher	Company: Via self-completion or telephone questionnaire if preferred	Company: In face-to-face or telephone interview
Data collection Tools	Content analysis using evaluation table with pre-defined variables	Self-completion or telephone-aided Questionnaire	Semi-structured Questionnaire
Data analysis			
Software support	None	Limited statistical analysis	None
Other methods	Text identification/word counting		Transcript coding/word counting

Source: Developed and adapted from O'Riordan (2010, p. 136)

Table 6.8 Data collection and analysis: overview of procedural details (2014–2016)

Data Collection Method	Documentary Analysis 2016	In-depth Interviews (round two—2014)	In-depth Interviews (round three—2016)
Data sources	Company website Company reports, e.g. Annual reports; CSR and sustainability reports	Individual company representatives who play a significantly relevant role in CSR and stakeholder engagement • CEO /CSR Directors	Academics and experts from the field of CSR • Professors • Researchers • Other Experts
Sample			
Targets	18 Leading UK & 18 German Pharmaceutical Companies	Johnson & Johnson Pharmaceutical Company & their Trust operating in the EMEA region	Academics and other experts from the researcher's international research network ^a
Actual	Total = 36	Total = 5 Interview Partners	Total = 12 Interview Partners
Method of selection	• Repetition of study undertaken in 2006/2007 ^b	• Purposeful	• Purposeful
Administration			
Researched how and by whom?	Table of criteria developed by researcher drawn from the literature review to evaluate target companies' websites	Researchers (O'Riordan and Zmuda) designed a questionnaire comprising open and closed questions, based on a set of five assumptions and problem-solving techniques	Researcher designs and tests semi-structured questionnaire to discuss the applicability and usefulness of the new framework (version 4) in CSR Management
Setting	Desk Research by researcher	Company offices and hotel meeting room	Workshop focus group and face to face interviews
Data collection Tools	Content analysis using evaluation table with pre-defined variables	Series of face to face interviews	Semi-structured Questionnaire
Data analysis			
Software support	None	None	None
Other methods	Text identification/word counting	Transcript coding/word counting	Transcript coding/word counting

Source: Author

^a(1) FOM KompetenzCentrum for CSR (KCC) Workshop on May 24th, 2016: Prof. Dr. Marek Ćwiklicki, University of Cracow; Prof. Dr. Volker Eickenberg, FOM University of Applied Sciences, Düsseldorf; Prof. Dr. Estelle Herlyn, FOM University of Applied Sciences, Essen; Dr Samuel Idowu, London Metropolitan University; Prof. Dr. Łukasz Jablonski, University of Cracow; Prof. Dr. Marek Jablonski, University of Cracow; Prof. Dr. Jan Jonker, Nijmegen School of Management, Radboud University; Nina Marsh, Bonn University; Patrick Bungard, Cologne Business School; Prof. Dr. Piotr Zmuda, FOM KCC. (2) Meeting Nijmegen University on June 1st, 2016: Prof. Dr. Edward Freeman and Dr. Joop Remmé

^bPlease refer to Table 6.7 for further details

gather the data in the initial research phase between 2005 and 2008, as well as subsequently in 2014 and 2016.¹⁵

6.6.2 *Documentary Analysis*

The documentary analysis comprises the collection of primary data to ascertain how selected (parent or headquarter) pharmaceutical companies portrayed their stakeholder engagement activities on their websites in late 2006 and early 2007 and compares this approach with their depiction of these activities in 2016. Documentary analysis is defined as the use of content analysis or indirect qualitative and quantitative analysis of documents dealing with something which has been produced for another purpose. Accordingly, it is inferred to be similar to structured observation (Robson, 2004, p. 350). Within the qualitative approach adopted in this study, documents such as annual reports, CSR or sustainability reports, and website text have been examined. This approach featured in several other studies (e.g. Haniffa & Cooke, 2005), and documentary or textual analysis has also been previously employed by other researchers in case-study design (Yin, 2003, p. 88). On balance, documentary analysis is considered useful to compliment the other data collection methods. Essentially, its key role is twofold. First, it provides background material in preparation for subsequent survey and interview situations. Second, it presents a benchmark of what targets are saying about their responsible management practice (i.e. rhetoric) against which actual practice can later be evaluated.

To elaborate, the content analysis undertaken in this study entails direct observation of the website publications undertaken by the researcher in a desk research setting using data sourced from a selected target sample of 36 leading companies in the UK and Germany. The purpose of the initial documentary analysis in 2006/2007 was to obtain a preliminary ‘feeling’ for which practices were being undertaken by the target data sources and on which areas they placed emphasis. Accordingly, while it initially served as an interesting starting point for the research to primarily expose the way companies communicate their responsible management ideas, 10 years later, it provides a benchmark to compare how the emphasis and communication on these company’s websites may have changed. In this regard, the labelling and other terminology used, as well as the choices of projects and activities to communicate their stakeholder relationship and responsible management activities, could be interpreted as one initial reflection of their understanding of the concept of the responsible role for their business in society (or possibly, at least of the target groups’ understanding of their corporate approach via their stakeholder relationship management approach) (O’Riordan, 2010, pp. 137–138).

¹⁵For clarification, the sample size choices presented in the following sections are based on the sample strategy approach established in the previous section. This entire approach is subsequently critically examined and justified in Chap. 8 in the *Data Trustworthiness* section.

Table 6.9 Overview of selected target company websites

List of Companies: 18 Documentary Analysis of Websites					
Leading Corporations in the UK and Germany in 2006 Ranking by Sales (€) incl. Manufacturers					
	Rank				
	UK	D	Company	UK Market Share	D Market Share
1	5	1	Novartis	3,6	11,1
2	3	2	Sanofi Aventis	6,5	5,9
3	4	4	Astra-Zeneca	5,7	3,9
4	13	5	Bayer	1,8	3,8
5	10	6	Roche	2,4	3,8
6	1	8	Pfizer	10,0	3,6
7	2	9	Glaxo-Smithkline	9,7	3,3
8	6	10	Johnson & Johnson	3,4	2,9
9	8	11	Merck & Co.	3,2	2,6
10	11	12	Boehringer Ingelheim	2,1	2,5
11	7	14	Wyeth	3,2	1,8
12	12	15	Novo Norddisk	1,9	1,7
13	9	16	Lilly	2,4	1,6
14	58	18	Menarini	0,1	1,3
15	31	19	Bristol-Myers Sqb.	0,4	1,2
16	32	20	Altana	0,3	1,2
17	30	22	Merck KGAA	0,5	1,2
18	55	14	Reckitt Benkiser	1,3	0,3
Total Market Share				58,5	53,7

Source: IMS Pharmaceutical Market Sales Figures (2006) and O’Riordan (2010, p. 138)

Based on the sampling strategy presented previously, from the overall pool of all potential candidates in both countries, a total of 36 companies were selected. Table 6.9 lists the selected target pharmaceutical companies in the UK and Germany. More specifically, the chosen companies were not selected randomly but deliberately chosen (on the basis of their size and reputation) as leading advocates and practitioners in the pharmaceutical industry.¹⁶

While the documentary analysis sought to analyse data collected mainly from company websites, in some cases, hard copies of annual reports and CSR/sustainability report sources were reviewed. The data were collected and

¹⁶For clarification, the companies do not represent *the* leading companies by rank in *each* country but rather companies which are leading in *both* countries. This approach is based on the wish to compare divergences between the stakeholder approaches of companies operating in both countries. As a result, important (generic) companies in Germany, such as Ratiopharm (rank 3), Kohl Medical AG (rank 7), Stada (rank 13), and Emra-Med (rank 17), were omitted because they do not operate in the UK. Based on the same logic, however, Reckitt Benckiser, which is ranked 14th in the UK but 55th in Germany, *was* included because it operates in both countries.

managed based on a review of selected literature in the research planning stage (e.g. Blaikie, 2000; Glaser, 1992; Miller & Crabtree, 1992; Robson, 2004; Silverman, 2005; Strauss, 1987; Yin, 2003, p. 109). This approach helped to ensure accurate, effective, and efficient data analysis within the planned methodological and data triangulation strategy.

The documentary analysis method delivers mainly qualitative but also quantitative evidence (from word counting, text identification via noting the presence of categories/themes). The data were collected using an evaluation table of predefined codes (based on the approach described above) which are listed in Table 6.10.¹⁷

Within the emergent nature of the critical realist philosophical framework discussed earlier in this chapter, the qualitative data obtained were analysed following an iterative approach in which understanding of the phenomena under investigation gradually emerges as the study unfolds (Bryman & Bell, 2007). While implementing this strategy, the subsequent data collection was modified in the light of what emerged from the data gathered via this source (O’Riordan, 2010, pp. 140–141).

Ultimately, the ensuing data were analysed and presented based on a selection of six previously chosen codes or expectations (e.g. Glaser, 1992; Strauss, 1987), and the results were employed to test and reassess the initial explanatory framework conceptualisation. Defined according to the descriptions presented in the glossary definition of this book, these codes are employed as indicators to manage, analyse, and describe the data obtained. Further, and most significantly, these codes are consistently and systematically maintained to analyse the data from the subsequent research instruments. The potential contribution and also the limitations associated with this approach are discussed separately in Chap. 8. All of the original data which was collected has been filed in raw data form by the author.

6.6.3 Telephone Survey

To gather further insights on the stakeholder relationship practices of the target sample, in addition to findings revealed by pilot testing and documentary analysis data, the purpose of the telephone survey comprised a series of direct telephone contacts undertaken by the researcher in the period between July and October 2007. This resulted in 46 completed questionnaires from respondents of leading UK and German pharmaceutical affiliates.

A concise definition of the telephone survey research method is difficult because of the wide range of studies which have been labelled as surveys (Robson, 2004). Nevertheless, the survey is defined as a way of collecting, mainly quantitative, but in this case qualitative data, from (representative, i.e. large) samples of people (Robson, 2004, p. 229; Payne & Payne, 2004, p. 218). Surveys are considered the

¹⁷Further details on these codes, which comprise visibility, terminology employed, projects/activities, codes of conduct in use, stakeholder references, and stakeholder communication/dialogue, are available in the glossary section of this book.

Table 6.10 Documentary analysis—evaluation table of variables*

KEY FACT OVERVIEW						
Company Name /	Novartis	Pfizer	Glaxo	Etc.	Etc.	Etc.
Origin						
Sales						
Net Income (after tax)						
Number of Personnel						
Possible Contact Dept. /						
Contact Name(s)						
If No - Other Contact?						
Contact Name(s) for D + UK						
CSR Department Yes/No?						
Number of CSR Personnel						
UK & D Central ? Yes/No?						
If Yes - Contact for UK?						
CSR APPROACH						
Visability - CSR Easy to find - Yes/No?						
Choice of Terminology						
Key Projects/Activities Mentioned						
Code of Conduct in Use						
Stakeholders Mentioned						
Stakeholder Dialogue Mentioned?						
Forum for Stakeholder communication e.g. chat etc.						
Divergences on local website?						
German site?						
UK site?						

Source: O’Riordan (2010, p. 140)

*For clarification, for illustration purposes, the label ‘CSR’ has been adopted to signify the concept of responsible management (as defined in Chap. 2) within a corporate sustainable stakeholder relationship setting

‘gold standard’ for social research (Blaikie, 2000; Robson, 2004; Silverman, 2005). Accordingly, this method is deemed specifically valuable for this study due to its ability to provide information about the distribution of a wide range of characteristics and the relationships between them (Robson, 2004, p. 230). Possibly for this reason, surveys have been commonly employed in research and have been previously used by various researchers to investigate CSR topics (e.g. Welford, 2005).

This study employs the survey method in a qualitative approach to gather verbal responses to uniform sets of systematic, structured questions. These were presented to the respondents in both telephone interviews and self-completion questionnaires. Within the context of the flexible research design (i.e. within a primarily interpretative approach to deliver case-study evidence) adopted in this study, the survey questionnaire is included for its ability to deliver mainly qualitative data for descriptive purposes (Robson, 2004, p. 234; Yin, 2003, p. 91). This approach conceivably helps to furnish a broader perspective in order to identify and infer mechanisms, which influence stakeholder relationship management in the UK and Germany (O’Riordan, 2010, pp. 141–143).

Table 6.11 provides an overview list of 46 of the respondents who completed a questionnaire.

For clarification, all of the original data which was collected has been filed in raw data form by the author. The cover letter and three questionnaires are the result of an approach, which employed a structured questionnaire containing closed-type questions (e.g. Easterby-Smith et al., 2008, pp. 257–279). The questionnaire design involved the tasks of topic selection, question wording, question order, question instructions, prompting and answer facilitation, recording answers, as well as considerations regarding answer coding, data analysis, and presentation (Bryman

Table 6.11 Telephone survey—list of respondents

List of Companies: 46 Survey Questionnaires					
#	Company Name	Response Origin	# Responses	Market Share UK	Market Share D
1	ABBOTT	D	1	n/a	1.2
2	ACTAVIS	UK	1	0	n/a
3	ALCON	UK	1	0.2	n/a
4	ALK-ABELLO	D	1	n/a	0.1
5	AMGEN	D	1	n/a	0.6
6	BOEHRINGER INGEL	UK & D	2	2.1	2.5
7	BRAUN-MELSUNGEN	UK	1	0	n/a
8	CEPHALON	UK & D	2	0.2	0.1
9	CSL	UK & D	2	0	0.1
10	EISAI	UK & D	2	0.8	0.3
11	FALK	UK & D	2	0.1	0.3
12	JOHNSON & JOHNSON	D	1	n/a	2.9
13	LILLY	D	1	n/a	2.4
14	MERCK & CO	D	1	n/a	2.6
15	MERCK KGAA	UK & D	2	0.5	1.2
16	NOVARTIS	UK & D	2	3.6	11.1
17	NOVO NORDISK	D	1	n/a	1.7
18	OTSUKA	UK & D	2	0.2	0.1
19	PROCTER & GAMBLE	D	1	n/a	0.4
20	RATIOPHARM	D	1	0	5.3
21	RECORDATI	UK	1	0.1	n/a
22	ROCHE	UK & D	2	2.4	3.8
23	SANOFI-AVENTIS	UK & D	2	6.5	5.9
24	SCHWARZ PHARMA AG	UK & D	2	0.2	0.9
25	SERVIER	UK	1	1.2	n/a
26	SHIRE PHARMACEUT.	UK	1	0.7	n/a
27	SOLVAY	UK & D & D	3	0.6	0.5
28	TAKEDA	UK & D	2	0.7	1
29	TEVA	UK	1	0.9	n/a
30	UCB	UK & D	2	0.7	0.5
31	WYETH	UK	1	3.2	n/a
Total		UK: 22; D: 24	46	24.9	45.5

Source: IMS (2006) and O’Riordan (2010, p. 142)

& Bell, 2007, pp. 227–229; Easterby-Smith et al., 2008, pp. 221–223; Robson, 2004; Silverman, 2005). The items were developed based on the six codes,¹⁸ which emerged from the literature review as salient aspects when managing stakeholder relationships. The questions mainly required ‘yes/no’ responses or employed an adapted Likert scale to measure attitudes and opinions (e.g. Easterby-Smith et al., 2008, pp. 229–230). The scale used to measure stakeholder prioritisation in this research was adapted to include six (as opposed to five) points following advice from research experts to encourage respondents to avoid a neutral midpoint response and thereby increase the value of the findings. Within the case-study strategy, the insights gained from the documentary analysis offered a rich and valid basis for describing and assessing the firms’ stakeholder relationship behaviour which were employed when developing these items. For further details, please refer to O’Riordan (pp. 143–145 and 496–517).

The data obtained from the survey was analysed using predefined tables and a coding system based on the data analysis approach presented in the previous section. This facilitated the employment of the six predefined codes within the broader context of the data triangulation process adopted in the overall research design to analyse the data from all of the research instruments in one standard approach.

While quantitative analysis does not play a major role in this research, the analysis was supported to a limited degree by employing the software programme SPSS and standard statistical analysis tools to help manage the data. To elaborate, the large amounts of data generated from the mainly closed questions in the structured questionnaire were analysed based on three simultaneous processes (e.g. Miles & Huberman, 1994). These include data reduction, data display, and conclusion drawing/verification (Robson, 2004, p. 475; Silverman, 2005, p. 177). The data set for the analysis was created from the collected data via a process which cleaned, standardised, and then reduced it to facilitate statistical analysis and graphic illustration (Robson, 2004, p. 475; Silverman, 2005, p. 177; Strauss & Corbin, 1998). For further details, please refer to O’Riordan, pp. 145–146. Based on a study of the various approaches to qualitative analysis (e.g. Miller & Crabtree, 1992), these methods are considered appropriate for this flexible research design. Their potential contribution but also the limitations associated with this approach are discussed subsequently in Chap. 8.

¹⁸These codes were applied in the other methods employed in this research design and explained in greater detail in Chap. 2, as well as in the glossary section of this book.

6.6.4 Observation

6.6.4.1 Utilising the Data On Hand from the Telephone Survey

To obtain an additional perspective on the data gathered via the documentary analysis and telephone survey methods, the observation method is based on data, which was gathered via 142 protocols obtained while endeavouring to win respondents for the telephone survey method. The participant observation method employed in this study is a form of ethnography where close involvement in the organisation is achieved in order to gain a detailed understanding of other peoples' realities (e.g. Easterby-Smith et al., 2008, p. 331). The observations document the experience of engaging in stakeholder dialogue with the target sample while prospecting for candidates for the telephone survey in 2007. Because the variable under investigation is stakeholder engagement, observation utilises the data on hand from those contacts. This allowed critical incidents to be appreciated (Bryman, 1989; Sanger, 1996). While the value of this data may be diminished due to the 'special' context of stakeholder dialogue in which it was obtained (i.e. the targets knew that 'stakeholder dialogue' comprised doctoral research being undertaken in this area, and as a result, the observer could conceivably be considered to have 'taken part' in the activity in the role of an interviewer), nevertheless, based on the insights provided by previous authors (e.g. Bryman & Bell, 2007, p. 454; O'Riordan, 2010, pp. 209–210; Robson, 2004, pp. 318–319), the degree of participation is judged as limited. According to Gold's (1958) classification, this situation is best described by the term 'observer-as-participant', which for practical purposes, has been abbreviated to the term 'observation' in this study. The observation undertaken in this study could be construed as comprising a form of interrupted involvement, in which the observer was present sporadically over a period of time to observe the behaviour of different people within and across a number of different organisations (Easterby-Smith et al., 2008, p. 157).

6.6.4.2 How Does This Method Fit Within the Context of the Overall Research Design?

The discussion surrounding the choice of the case-study approach adopted in this study previously acknowledged how the various sources of evidence in case studies can be quite extensive (e.g. Yin, 2003, p. 85). The case-study option was specifically chosen for its flexibility in addressing the delicate, intangible, and multidisciplinary nature of the research topic. The first-hand, in-depth, descriptive nature of the ethnographic study via the observation method, where the researcher engages in contact with the subjects, has been selected within the overall research design approach in the quest to unmask power structures and other aspects, as well as their potential linkages. Combined with the different methods and sources of evidence employed in the overall research design, the resulting methodological and

data triangulation could be interpreted to assist in establishing data with greater trustworthiness (Robson, 2004). As a result, within the context of the previously described research design intentions, the research design was modified as the data was gathered. Yin (2003, p. 55) specifically refers to the suitability of the case-study approach in research of an emergent nature by advising that the case-study design can be modified by new information or discovery during the data collection. The emergent character of this study (Bryman & Bell, 2007; Easterby-Smith et al., 2008) and the specific contextual challenges inherent in the research topic, which were addressed above in greater detail, combine to determine that observation as a data collection method could be inferred to potentially deliver additional insights to validate the other results in the research study. More specifically, the opportunity to gather the data via the observation method emerged in retrospect as a valuable source of information which had not previously been foreseen. As data became available during the telephone survey collection phase, new approaches for analysing and interpreting the information were subsequently developed which led the research down novel lines of investigation not initially planned at the outset. From the interesting (but not previously anticipated) observation data gained during the research (from simply observing stakeholder behaviour as data was being collected for the survey questionnaire), it became clear that this evidence provided a valuable method to compare actual stakeholder engagement practice with the rhetoric communicated (e.g. on company websites). Particularly because the issue of distinguishing *actual* (as opposed to *claimed*) stakeholder engagement in practice was identified as a key challenge to obtaining meaningful results, this ‘solution’ to issues highlighted during prior the problem analysis phase of the research design was employed as useful additional material in the enquiry.

6.6.4.3 Issues and Advantages of Employing the Observation Method

In this study, contact information in the early stages of the telephone survey data collection with the entire target group was recorded by the interviewer and documented via a protocol. While recognising the reliability limitations (addressed subsequently in greater detail in Chap. 9), the resulting data were treated as valuable research data in the form of observation of stakeholder engagement. The rationale for this interpretation is based on the assumption that observation of responses to external questions allow social processes to unfold. Despite the drawback that the data may be skewed because this dialogue does not pose a ‘normal’ business contact, nevertheless, the observation of company responses facilitates the assessment of stakeholder engagement in the sense that the researcher can observe and evaluate the willingness, ability, or interest of the initial contact partners to respond. Accordingly, because the data captured via these protocols reveal details of the experience of engaging in dialogue as a stakeholder with all the potential respondents, these findings are considered useful data content. Moreover, the data collected via this method is considered to particularly aptly fulfil the critical success factors (identified in Table 6.2) to address the difficulty of distinguishing between

rhetoric and actual behaviour with respect to the research topic. While this method has been used by other researchers in the case-study design (Yin, 2003, p. 93), it was originally not considered feasible for answering the research questions as a data collection technique in its own right. However, the critical incident of prospecting for the telephone survey situation allowed observation of respondents' reactions and the language which they used to answer the interviewer's questions (Robson, 2004, p. 272). A further advantage is the virtually unique glimpse which was offered of what might lie behind participants' claimed actions. One particularly interesting aspect of this approach is that information value can be interpreted to actually exist in *not* receiving any response or, put another way, the absence or deficiency of response *can be used as evidence*. Accordingly, in this research, *all* responses are considered to count as data, because they offer valuable, interesting, and useful observations for answering the research questions. As a result, the data emerging from the contact protocols manifests itself as an unexpected wealth of additional information (Yin, 2003, p. 55).

6.6.4.4 Technical Details

Because the purpose of the original target contact was to collect data for the telephone survey questionnaire, the sample strategy previously presented for the telephone survey comprises the same sample for this observation investigation. Accordingly, the original pool of companies presents the sample target and approach.¹⁹ Essentially, the observation sample comprises all companies in the entire sample which could be reached (total = 142) as potential participants for the survey questionnaire research. To clarify further, even in the case of those 42 companies which did *not* respond to the enquiry at all and similarly in the case of those 44 companies which explicitly *refused* to respond but supplied a verbal or written response that (or about why) they would not participate, stakeholder relationship behaviour in the form of engagement/dialogue or its lack was documented.

To elaborate, the protocol data of the social discourse or stakeholder engagement observed and experienced by the researcher when the target companies were approached was evaluated using a predefined list of seven explicit questions and assumptions for data analysis. Table 6.12 lists the seven predefined criteria and assumptions determining the explicit variables from which the ensuing data were analysed using a coding sheet of variables.

These variables included ease of identification and helpfulness of contact partner, knowledge and professionalism of the CSR theme,²⁰ internal communication and responsibility, speed and intensity of response to the enquiry, organisational approach to stakeholder/CSR theme, and interest in continuing the dialogue. The

¹⁹For further details, please refer to O'Riordan (2010, pp. 491–493).

²⁰Under varying labels in addition to CSR, such as social responsibility, corporate responsibility, sustainability, etc.

Table 6.12 Observation—overview of seven criteria and assumptions

List of criteria for observation method
1. How easy is it to identify a contact person and their contact details?
2. How helpful, friendly or open is the contact partner?
3. How knowledgeable and professional is the contact partner of the research theme and CSR*?
4. How effective is the company's internal communication—did respondents know who was responsible for stakeholder relationships/CSR* in their own company, as well as in the target affiliate of the other country? And if so, did they know them well enough to contact them and possibly encourage/motivate them to participate?
5. Do people exist (and/or could they be identified) in the target company with clear responsibility for Stakeholder Engagement/CSR* enquiries, and if not, who responded to the enquiry?
6. How fast did the target companies respond (either to answer the enquiry or to refuse in cases where an explicit refusal was given)?
7. How is the stakeholder response/CSR* activity structured or organised within the company?
Seven assumptions employed to interpret the data obtained via the observation method
1. Question 1 is based on the assumption that the way in which a company positions itself for engaging in stakeholder dialogue is a surrogate for determining their perception of stakeholders via the degree to which they welcome the enquiry.
2. Question 2 is founded on the premise that friendly or actively helpful behaviour is an indicator of the general corporate culture. This additionally indicates how important the stakeholder relationships/CSR* topic is deemed, based on the dedication of personnel to the topic.
3. Question 3 assumes that the degree of knowledge and professionalism shown by the contact partner is a more accurate indicator of the salience placed by the target companies on the stakeholder/CSR* topic than the text placed in their external communications. This is based on the rationale that the contact partner is sufficiently skilled/trained to handle enquiries of a CSR* nature.
4. Question 4 presumes that if respondents know who is responsible for CSR* in the other target affiliate, and that if they know them well enough to contact them and possibly encourage/motivate them to participate, this could suggest that good communication lines are in place. Such open lines of communication by definition facilitate constructive dialogue with stakeholders.
5. Question 5 supposes that if specific people have clear ownership of the responsibility for addressing stakeholder engagement/CSR*-related enquiries, this can be interpreted to demonstrate a serious commitment (or engaged) approach to CSR* by the company.
6. Question 6 reasons that a company which responds quickly or repeatedly demonstrates that it is committed to communicating with its stakeholders. It additionally indicates such companies have established both the resources and a process for organising, managing, and engaging in dialogue with stakeholders.
7. Question 7 assumes that the presence of a clear CSR* structure or organisation approach within the company may be a reflection of the overall business organisation approach. This can further indicate some potential form of considered process, intention, or possibly an intended strategy for organising, managing, and engaging in stakeholder relationships.

Source: O'Riordan (2010, pp. 518–519)

*For clarification, for illustration purposes, the label 'CSR' has been adopted to signify the concept of responsible management (as defined in Chap. 2) within a corporate sustainable stakeholder relationship setting

data collected via these variables were analysed using a Likert scale of 1–6 (e.g. Easterby-Smith et al., 2008, pp. 229–230). The values assigned to each variable were subjectively determined by the researcher based on personal perceptions and judgements about the stakeholder dialogue experience (O’Riordan, pp. 146–149). All of the original data collected has been filed in raw data form by the author. While the observation method assumes that the questions addressed via observation add valuable insights to reveal the stakeholder relationship management practices of the target sample from an incidental perspective, their potential contribution and the undoubted limitations associated with this approach are discussed separately in Chap. 8.

6.6.5 *In-Depth Interviews*

6.6.5.1 Round One: 2008

To more richly and robustly verify the data obtained via the documentary analysis, the telephone survey, the observation methods, and 18 in-depth interviews with senior executives were undertaken between April and September 2008. The ensuing data both serves to test the research assumptions, but more significantly, to inform and improve the initial research framework prototype which was developed exclusively on secondary data. Essentially, the data obtained via the interview more authoritatively qualifies and checks many aspects of the findings obtained via the other methods.

Interviewing is defined as typically involving the researcher asking questions and receiving responses from the participant(s) (e.g. Robson, 2004, p. 269). To determine the interview data collection method, the common typology distinguished by Robson was adopted. Given the type of business executives who are the target candidates for these questions (see Table 6.7 for further details), the semi-structured questionnaire was selected as the preferred choice based on its character as a flexible ‘middle way’ between an unstructured and a structured approach.²¹ More specifically, the semi-structured approach has the advantage of matching the participants’ time constraints, as well as additionally possibly better meeting their expectations of an interview discussion. In addition to presenting a guideline to

²¹For clarification, an unstructured interview approach is rejected because it is deemed overly informal, with limited ability for the researcher to guide the conversation. Essentially, this rationale is based on the danger that it could lead to difficulties in comparing results and accordingly issues with data reliability, interpretation, and analysis. Instead, more structured discussions which focus on clear and efficient use of time and prearranged topics are deemed more appropriate for the target group in question. However, as the survey approach employs a structured questionnaire, a less structured method is deemed of greater value. In allowing a more flexible, in-depth response, the assumption is that this would help to balance out the disadvantages of the questionnaire method. Consequently, the semi-structured questionnaire is the preferred approach as a flexible ‘middle way’.

ensure that key areas are discussed, it allows the senior-level research targets a certain amount of leeway and freedom to take the discussion in directions they choose, while concurrently remaining sufficiently flexible to allow modifications based upon the interviewer's perception of what seems most interesting and appropriate. Furthermore, to address issues regarding the 'complicated' nature of the topic (highlighted in Table 6.1), it allows for changes in question wording, as well as explanations. Questions can, for example, be omitted and others added to gain better insights as required. Accordingly, this tactic is deemed to most optimally fit the critical success factors identified previously in Table 6.2.

Based on previous communication, when canvassing for the telephone survey, prospective interview candidates were selected from a target list of a prospective 60 companies. Table 6.13 below presents this initial target pool of candidates. These targets were chosen in an attempt to achieve a balance between obtaining sufficient valuable, robust results, and concerns regarding information overload. More specifically, in order to allow meaningful reflection on and comparison of their stakeholder relationship practices, the companies were chosen because each is considered an interesting case study in its own right. The following aspects also play a role: geographic location (i.e. balance of the UK and Germany), seniority of manager, stakeholder engagement/CSR knowledge (particularly interesting if the contact is an academic in the field), and on their willingness to respond (as indicated in the survey questionnaire response).

In addition, those participants who had given interesting and valid responses in the survey questionnaire phase were approached again to maximise the chances of gleaning rich, revealing, and meaningful information (O'Riordan, 2010, pp. 150–151).

In line with the overall purposive approach adopted, a snowball sample technique was chosen where individuals from the population of interest were asked to identify other 'appropriate' members of the population (Robson, 2004, p. 265). This approach is regularly used to identify candidates for 'difficult' subjects, such as in health research (e.g. Etter & Perneger, 2000; Goodman, 1960; Sheu et al., 2008; Warner et al., 2003).

For further details with respect to the cover letters and subsequent correspondence with prospective candidates with regard to organisational matters related to the meetings, please refer to O'Riordan (2010, pp. 520–523). For clarification, in order to build on the findings from the survey questionnaire and to focus on new or incomplete areas of enquiry, in line with the emergent nature of this research, these documents were developed *after* the results from the survey had been received. The type of data sought was based on the research objectives, questions, and assumptions. Additionally, in preparation for the interview discussion, an overview of the survey findings (in which the candidates participated) and a document which presented the original explanatory framework in overview were sent to all candidates. Further details regarding when, where, how, from which sources, and for how long they participated in the interviews are available in O'Riordan (2010, p. 154).

Eighteen primarily face-to-face interviews took place between May and October 2008 at the target company's offices in both the UK and Germany. The average

Table 6.13 In-depth interviews—initial pool of target candidates

#	Company	Location
1	ALK-ABELLO	UK& D
2	BAUSCH & LOMB	UK & D
3	BAYER	UK & D
4	BOEHRINGER INGEL	UK & D
5	CEPHALON	UK & D
6	CSL	UK & D
7	EISAI	UK & D
8	FALK	UK & D
9	GRUENENTAH	UK & D
10	MERCK KGAA	UK & D
11	NOVARTIS	UK & D
12	ORION	UK & D
13	OTSUKA	UK & D
14	PROCTER & GAMBLE	UK & D
15	RATIOPHARM	UK & D
16	ROCHE	UK & D
17	SANOFI-AVENTIS	UK & D
18	SCHWARZ PHARMA AG	UK & D
19	SOLVAY	UK & D
20	TAKEDA	UK & D
21	UCB	UK & D
22	ACTAVIS	UK
23	ALCON	UK
24	TEVA	UK
25	WYETH	UK
26	BRAUN-MELSUNGEN	UK
27	RECORDATI	UK
28	SERVIER	UK
29	SHIRE PHARMACEUT.	UK
30	ABBOTT	D
31	AMGEN	D
32	ASTRAZENECA	D
33	FRESENIUS	D
34	GALEN	D
35	JOHNSON & JOHNSON	D
36	LILLY	D
37	MERCK & CO	D
38	LUNDBECK	D
39	NOVO NORDISK	D
Total		60

Source: O’Riordan (2010, p. 152)

length of an interview was 1 h and 39 min. During the free-flowing interview discussions, respondents were prompted to focus on the format set down in the semi-structured questionnaire. The data obtained in the interview discussions were recorded (following agreement from the participant) on a digital dictation device. Directly after each interview, the recordings were transcribed in full in protocols. All of the original data collected has been filed in raw data form by the author. To improve the openness of the responses, the company names have been made anonymous for confidentiality reasons. This approach facilitated effective data analysis while additionally allowing discussion in those areas where the data collected via previous methods had been identified as incomplete. It further provided the interviewee with sufficient leeway to introduce salient topics from his or her perspective. A crucial part of this approach involved discussing the survey findings and most significantly the original framework (O’Riordan & Fairbrass, 2008).

When analysing the data, each in-depth interview was seen as a separate example of ethnographic enquiry (Schostak, 2002, p. 72). In this regard, the risks associated with analysing in-depth interview data comprise qualitative, high-quality, rich, full, and real insights on one hand, but on the other a ‘nuisance’ (Robson, 2004). The challenge can be summed up to include three aspects including information overload, the central role played by the analyst, and the risk of naivety in interpreting results. As a key part of the flexible design in this multi-method approach, the 18 semi-structured interviews clearly generated large amounts of complex verbal data. In contrast with the case of quantitative data, no clear accepted single set of conventions exist to analyse this data. Qualitative methods of analysis were used for description at various levels of abstraction (Blaikie, 2000). The data were reduced and cleaned according to an approach adapted from suggestions in the literature (e.g. Blaikie, 2000; Robson, 2004, p. 475; Silverman, 2005, p. 177). The transcript texts were coded and sorted (based on Strauss and Corbin (1998)) to locate and describe patterns in line with the data presentation coding approach.²² In the analysis, cross-case synthesis was considered a particularly useful method to analyse the multiple cases and draw cross-case conclusions (e.g. O’Riordan, 2010, pp. 150–155; Yin, 2003). The resulting data from the first round of in-depth interviews served to validate the significance of the six codes employed as key variables in stakeholder relationship management and to inform the initial desk-based explanatory framework prototype. The contribution and limitations associated with this approach are discussed separately in Chap. 8.

²²Presented in previous sections and repeatedly adopted as the standard approach to analyse the data from each research instrument.

6.6.5.2 Round Two: 2014

The findings from the data collection methods presented above (including documentary analysis, telephone survey, observation, as well as the first round of in-depth interviews) provided insights which served to inform and improve the first initial explanatory framework prototype, which was developed exclusively from secondary data (Stage 1). Those new insights facilitated revision of the initial framework prototype, which resulted in the development of a second framework (Stage 2). Subsequently, further case-study data were additionally gathered in 2014 in a second round of in-depth expert interviews with executive decision-makers from a leading transnational company. Those new findings served to gather fresh insights into the usefulness of the new updated framework in order to further test and refine the management conceptualisation (O’Riordan & Zmuda, 2015). This new round of fresh insights further improved the second framework, which resulted in the third framework update (Stage 3). Figure 6.3 provides an overview of the successive development stages of the framework conceptualisation.

To undertake the second round of in-depth interviews in 2014, within the case-study approach presented in Yin (2009) and Eisenhardt (1989), qualitative empirical evidence was obtained using a case-study strategy of Johnson & Johnson, and in particular the Johnson & Johnson Corporate Citizenship Trust [subsequently abbreviated under the label ‘Trust’ in this text] operating in the Europe, Middle East, and Africa (EMEA) region as the unit and focus of analysis. The in-depth interview method was supported by a questionnaire to both examine the stakeholder relationship strategy of and test the responsible management framework with this leading pharmaceutical company. In the investigation, qualitative data concerning the practices, opinions, and behaviour of a small sample of senior business

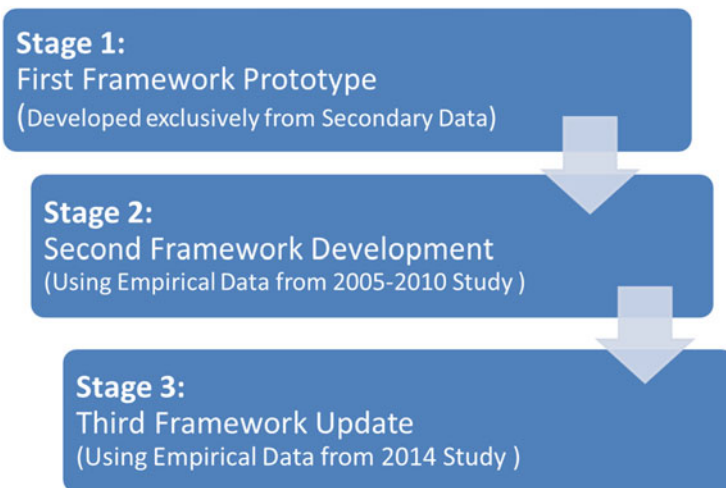


Fig. 6.3 Framework development stages. Source: Author

executives²³ from internal company actors in the corporate responsibility field, as well as secondary research sources (e.g. Trust Annual Reports and homepage information) were employed. A major strength of this research design was the unique access to in-house company perceptions which facilitated a candid and critical examination of the effectiveness of the Trust approach and thereby the Johnson & Johnson strategy in the EMEA region in general. In addition, this methodology permitted the investigation of the practical usefulness of the conceptual management framework instrument (illustrated as stage 2 in Fig. 6.3) both in terms of theory and its usefulness for decision-makers in everyday management practice (O’Riordan & Zmuda, 2015, p. 485). The assumptions underlying this investigation are that the steps in managing sustainable stakeholder relationships can be identified and that the framework depicts them. The collection of qualitative data of this nature assists in establishing rich data with greater trustworthiness²⁴ (Robson, 2004).

To elaborate, given the highly decentralised, diverse, and fragmented nature of Johnson & Johnson’s global operations, the data collection purposefully focused on the stakeholder engagement activities undertaken by the Trust (Johnson & Johnson, 2014). This choice was based on the rationale that this entity is a particularly interesting object of analysis because it comprises an independent organisation aiming to reflect the Johnson & Johnson family of companies’ commitment to improve the quality of life in the communities in which its employees live and work. As a result, the focus on this Trust anticipated the detection of insightful results with respect to its suitability as a vehicle for effectively unleashing the positive influence of this company’s business activities in society. Furthermore, the Trust’s flexibility in addressing the formal governance challenges, which could be interpreted to limit sustainable/responsible corporate responses, as well as its aptitude as a means for facilitating unlikely alliances to realise strategic opportunities focusing on a public (social) mandate, were of particular interest in this study. Concentrating on this, Trust accordingly facilitates the specific study of the potential mechanisms which serve to legitimise the goal to achieve ‘value optimisation’ as opposed to the narrower ‘profit maximisation’, which is the legal governance focus of all business models as noted in previous chapters of this book.

To develop the approach and analyse the findings, problem-solving techniques and decision-making theory (Eisenführ, Weber, & Langer, 2010; Hungenberg, 2010; Laux, Gillenkirch, & Schenk-Mathes, 2012; Minto, 2009; Rasiel & Friga, 2001) were adopted. More specifically, according to the strategic management theories (Barney, 1991, Barney & Hesterly, 2012; Fama & Jensen, 1983; McDonough & Braungart, 2002; Porter, 1980, 1985), the conceptualisation and

²³Board Member, Managing Director Johnson & Johnson Corporate Citizenship Trust & CSR Directors/Associates EMEA.

²⁴For clarification, the findings presented here were obtained solely for the purpose of scientific research and are entirely free from any form of financial obligation, support, or expectations of any similar effect or means.

implementation of strategically meaningful ('insightful') stakeholder relationship activities can be understood as a company's strategic problem. A problem in this context is usually defined as the gap between the current state (situation) and the desired state, understood as company's goals (Andler, 2011; Hungenberg, 2010). Thus, to engage in problem-solving means to search for and to decide on a solution, which requires the identification of goals, a definition of situation and complication, the key question, and the extraction and definition of action steps. In doing so, the strategic decision-makers and management consultants—understood as problem-solvers—usually apply a tailored hypotheses-driven problem-solving technique (Biggs, 2010; Fombrun & Nevins, 2004; Hungenberg, 2010; Minto, 2009; Rasiel & Friga, 2001; Wickham & Wilcock, 2012) which helps to answer the key questions in a logical way. The rationale behind this problem-solving technique requires first 'framing' a problem's root causes and then identifying and evaluating solutions in following steps. As a result, so-called logic trees or issue trees (Minto, 2009) are employed. These can either be developed using individualised, innovative, tailor-specific causes or solutions for a particular problem or, alternatively, be represented by generic, already developed (management) frameworks. Such frameworks are typically well-known management tools that are used and applied by managers in order to improve their strategic decisions. In this study, for example, the political, economic, social, and technological (PEST) framework (e.g. Aguilar, 1967) is employed. Regardless of which framework type is employed, in accordance to the requirements of logic, the trees must be mutually exclusive and collectively exhaustive (MECE) (O'Riordan & Zmuda, 2015, pp. 484–485).

To collect the data, a questionnaire was designed to examine both the stakeholder engagement practices undertaken by the Trust and the practical usefulness of the management framework in the corporate approach to responsible management. The questionnaire included both open and closed questions and employs a set of five assumptions to examine the way in which the target company manages the translation of the concept of sustainable responsible management into everyday business practice through the Trust. The data were primarily gathered via a series of approximately 2-h in-depth interviews with senior members of the Trust from Johnson & Johnson Belgium. In the final meeting, to facilitate both a transparent communication of the research aim and additionally allow the respondents to prepare their responses in written form prior to the interview, two senior members from the Johnson & Johnson Trust received the final questionnaire in advance.²⁵

Ultimately, the questionnaire responses were employed in a problem-solving approach to identify, study, and deliberate why and how the Trust operates. This ultimately helped to establish whether the framework steps (presented in the subsequent chapter) are adopted or not in the Trust approach (and if not why). In doing so, the second framework version was tested which facilitated its improvement. In this approach, the framework was effectively utilised as a conceptual

²⁵For further details on this in-depth interview approach, please refer to O'Riordan and Zmuda (2015).

‘mirror’ to reflect on the Trust responsible activities and thereby the Johnson & Johnson corporate responsibility strategy in the EMEA region in general (O’Riordan & Zmuda, 2015, pp. 485–486).

6.7 Conceptual Framework Development and Testing

The data collected in the longitudinal study approach noted above produced a substantial and detailed corpus of fresh empirical data via a thorough methodology, which helped to ultimately reveal significant insights into the views and behaviour of practicing business managers in the pharmaceutical industry. In both inductively and deductively expanding empirical understanding of corporate approaches to stakeholder relationship management for the target sample of companies in the UK and Germany, the research design is deemed valid based on the rationale that it is the most feasible approach under the given circumstances. It is assumed to achieve its aims by deriving knowledge from the perceptions and meanings which the target practitioners attach to their stakeholder relationship management activities including stakeholder engagement, communication, and dialogue.

While the resulting discoveries are clearly not suited to generalisation due to the low number of responses and the qualitative nature of the findings (Bryman, 2001), nevertheless, the new evidence provided a database which was employed to explore, examine, update, and thereby successively improve various versions of a conceptual framework which was originally built exclusively from secondary data as one of the preliminary phases in the research (O’Riordan, 2006). For clarification, the resulting various versions of that initial conceptual framework have since been published in the *Journal of Business Ethics* and other publications (see, e.g., O’Riordan & Fairbrass, 2008, 2014, 2016; O’Riordan & Zmuda, 2015).²⁶

6.8 Signposting

This chapter provided a detailed examination of the entire research design process through the four stages: problem analysis, data collection, analysis, and presentation depicted in Fig. 6.1. The research design and methodology, which were presented and explained in this chapter, proposes a comparative evaluative empirical research approach using a case-study strategy employing mixed methodologies to address the gaps identified in previous chapters with respect to how the selected target group (unit of analysis) manages its sustainable stakeholder relationship activities. To reveal and subsequently conceptualise those elements of the corporate

²⁶For further details, please refer to the various framework versions presented in subsequent chapters of this book.

approaches to responsible management which may be particularly salient to business managers in the pharmaceutical industry, the primary data collection is informed by the insights provided by the secondary data including theories, concepts, frameworks, and tools presented in the previous chapters. The study design which was presented in this chapter was undertaken over a period of 10 years as a linear overlapping sequence of stages. This approach captured both secondary and primary data to map the practices and compare similarities and differences between the UK and Germany, as well as to validate the overall findings. During these stages, research questions based on a set of previously defined assumptions were tested empirically, and the assumptions were revised where necessary. As a result, the work has an emergent character in the sense that the methodology was refined as the data was gathered (Bryman & Bell, 2007; Easterby-Smith et al., 2008). A major strength of this research design is the use of different methods which allows the capture of diverse evidence. Such triangulation assists in establishing rich data with greater trustworthiness (Robson, 2004). Based on this approach, the next chapter employs the triangulated evidence from the four separate data sources introduced above to answer the research questions. Ultimately, these insights serve to successfully test, improve, and update the various versions of an initial explanatory management framework prototype.

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Chapter 7

Research Findings on Conceptualising Corporate Approaches to Stakeholder Management

Managing Stakeholder Relationships

Faith and Reason are like two wings of the human spirit by which it soars to the truth.
(Pope John Paul II)¹

7.1 Introduction

To address the identified gaps in the past scholarship, which were noted in the previous chapters, this chapter presents the findings obtained from the research design established in Chap. 6. In the quest for ‘reason’ in line with the quote by Pope John Paul presented above, it documents the results from exploratory research, which aimed to identify and describe corporate approaches to managing sustainable stakeholder relationships. By exploring both why and how decision-makers in the pharmaceutical industry in the UK and Germany manage their stakeholder relationship activities, these findings furnish insights into management perceptions and practices. To examine what constitutes ‘responsible management’² for this target group, it presents the data which were collected during the 10-year research project employing multiple research methods including documentary analysis of 36 company websites and reports, a telephone survey of 46 companies, observation of the responsible stakeholder management practices of 142 firms, and

¹Born Karol Józef Wojtyła and referred to by Catholics as St. John Paul the Great.

²For clarification, the term ‘responsible management’ is equated with sustainable business practices with respect to stakeholder engagement activities aimed at ultimately creating shared value. Within this context ‘stakeholder engagement’ is defined as an inclusive practice which obliges an organisation to involve stakeholders in identifying, understanding, responding, and reporting on sustainability issues and concerns. Within that context, stakeholder engagement is interpreted as a fundamental accountability mechanism and management activity based on the rationale that it enables organisations to explain and be answerable to stakeholders for its decisions, actions, and performance. For further details please refer to Chap. 2 and the glossary section which defines these terms in greater detail.

a series of in-depth interviews with senior managers from the pharmaceutical industry, as well as other leading experts.³ These findings serve to answer the three key questions, which drive the research study by establishing what stakeholder practices the target companies in the UK and Germany undertake, whether similarities and differences between the practices adopted in the two countries, and what factors appear to influence the identified practices. These results are subsequently employed to test a prespecified initial research framework prototype, which was based exclusively on secondary data.

For clarification, this chapter presents a summary of key findings many of which have been previously published in separate literature over the past decade (e.g. O’Riordan, 2006, 2010; O’Riordan & Fairbrass, 2008, 2014, 2016; O’Riordan & Zmuda, 2015).

7.2 Stakeholder Relationship Management in the Pharmaceutical Industry

7.2.1 Overview

This section presents the empirical, primarily qualitative data findings, which emerged from an exploratory study of senior business executives from leading pharmaceutical companies in the UK and Germany over a 10-year period from 2005 to 2016. The findings from the four data collection sources were managed, analysed, and presented using content analysis based on the six purposefully selected coding criteria categories,⁴ which were derived exclusively from the literature review and chosen to represent responsible practices, including the terminology employed, prioritisation of stakeholder interests and demands, communication, organisation and governance, projects/activities, as well as expectations. This data serves to answer the first research question, which asked: *What stakeholder practices are undertaken by the target sample of pharmaceutical companies with respect to the six attributes, which the secondary literature indicates are salient in stakeholder relationship management?*

7.2.2 Terminology

The evidence from documentary analysis and the telephone survey provide consistent data which exposes the frequent use of multiple, continually evolving terminologies. The results indicate that while the term ‘corporate social responsibility (CSR)’ was the most frequently adopted term to reflect responsible business

³For further details please refer to Chap. 6.

⁴Please refer to previous chapters for further details regarding how these codes were established.

practice 10 years ago, this has changed today. While pharmaceutical companies in both countries still typically employ a multiple and diverse range of often individualised labels, the data reveals a new trend towards the lack of a term referring explicitly to responsibility in a general sense in place of the presentation of specific business practices (such as medical solutions, innovation, values, transparency, partnerships, etc.), i.e. explicit examples of responsibility in practice.

Figures 7.1a, b below compare the specific terms which were employed by this target group to communicate its responsible activities by comparing the labels employed in 2006 (Fig. 7.1a) with those identified in 2016 (Fig. 7.1b).

A comparison of current practice with the data obtained 10 years previously highlights an increase in the use of the term ‘corporate responsibility’, as well as a decrease in the use of the term ‘CSR’ and ‘CC’ for the target group under investigation. Additionally, the number of main labels employed has expanded to more visibly include ‘responsibility’ and ‘sustainability’.

By furnishing insights into the terminology adopted by the target segment, the findings with respect to the terminology code provide initial important leads in the quest to establish how decision-makers in the pharmaceutical industry in the UK and Germany interpret and respond to responsible business practice, as well as how this response has developed over time. They additionally validate the literature, which indicates a wide diversity in the use of terms (May, Cheney, & Roper, 2007). While the evidence from the telephone survey in 2006 supports the claims made in past scholarship that ‘CSR’ is the term which is most frequently used in Europe⁵ (e.g. Chapple & Moon, 2005; Crane & Matten, 2010, p. 82; O’Riordan, 2006), the data obtained from documentary analysis in 2016 indicate both continued diversity in the use of the terms employed, as well as a simultaneous increase in number of main terms used. The trend towards not explicitly mentioning responsibility terms indicated by the data from documentary analysis in 2016 additionally suggests a move towards a pragmatic focus on practical business aspects directly related to the company’s specific core competence (e.g. access to medication, innovative solutions, engaging in partnerships, etc.) in place of previous broad-brush claims about general responsible behaviour (e.g. as formerly presented on the websites of Novo Nordisk, UCB-Schwarz Pharma, Pfizer). The evidence from in-depth interviews additionally suggests that the adopted terminology is evolving and is fashioned by contextual influences, as well as some measure of uncertainty regarding meaning and significance. The interviews further reveal the viewpoint that actual (pragmatic) practices are judged to be more salient in responsible management than the terminology employed to communicate those practices (O’Riordan & Fairbrass, 2016, p. 17).

⁵These findings derive from a wider study. For further details, see O’Riordan (2010, pp. 159–165).

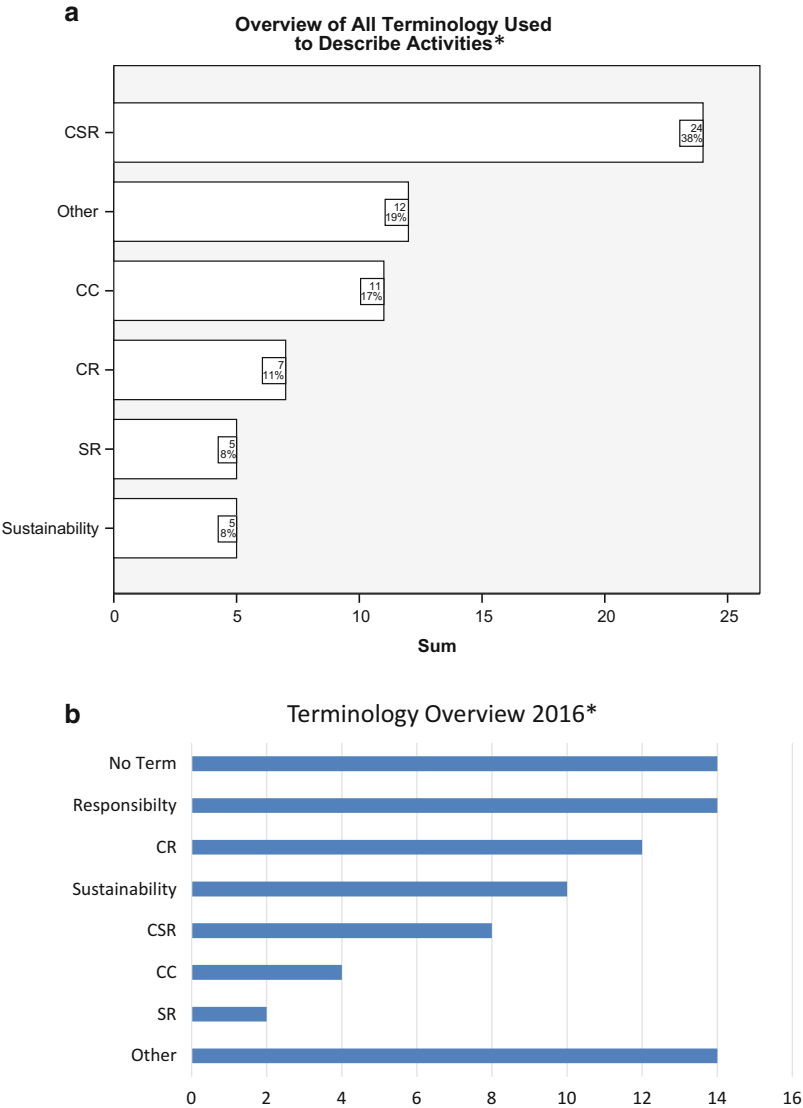


Fig. 7.1 (a) Terminology: overview of terminology employed in 2006. Source: Telephone Survey (O’Riordan, 2010, p. 160; O’Riordan & Fairbrass, 2016, p. 18). (b) Terminology: overview of terminology employed in 2016. Source: Documentary Analysis undertaken in 2016 by the author [using the same sample employed to obtain the telephone data above (Please refer to Tables 6.7 and 6.8 for further details on the data collection approach.)]. *For clarification please note that multiple responses were possible in these responses. *CSR* = Corporate social responsibility, *Other* individualised term generated internally by the company, *CC* = corporate citizenship, *CR* = corporate responsibility, *SR* = social responsibility

7.2.3 Stakeholders

The study generated results which reveal both the *precise role* (i.e. importance) of the *stakeholder concept* in the responsible practices, as well as *which*, and *how*, stakeholders are targeted. In overview, the data reveal a diverse range of stakeholder activities. The evidence indicates that despite the stated salience of the stakeholder ‘concept’ in the *conceptualisation phase* of responsible management, the term ‘stakeholder’ is not always explicitly employed when *communicating* responsible practices. Crucially, however, the data suggest that although it may not be overtly communicated by the surveyed firms, *stakeholder theory* is relevant in responsible management. This is demonstrated by the documentary analysis from 2016 which revealed specific references to key stakeholder groups, such as patients, employees, community, society, etc., on the websites of many targets (e.g. Johnson & Johnson, Roche, Otsuka, Actavis, Servier, UCB-Schwarz Pharma). Significantly, stakeholder prioritisation is revealed as evolving and task dependent rather than on generic pre-ranking as suggested in previous literature (e.g. Trebeck, 2008, pp. 352 and 357).

The findings endorse past scholarship about stakeholder rankings (e.g. Burchell & Cook, 2006; Crane & Matten, 2010, p. 62) by indicating that decision-makers in this target group prioritise ‘customers’ (in this case typically physicians and patients), as well as ‘employees’ as their most important stakeholders. The documentary analysis undertaken in 2016 supports the previous findings, while additionally highlighting an increased focus on explicit triple bottom line (TBL) (Elkington, 1997)/triple top line (TTL) (McDonough & Braungart, 2002) aspects of stakeholder relationships, such as a health society/community and environment, as well as an increase in the focus on internal business activities (e.g. transparency) and partnerships. This evidence additionally expands on previous literature by revealing that ‘non-governmental organisations (NGOs)’ emerge as the least salient stakeholders for this target group. Further, the results enhance past scholarship by suggesting that internal ‘company directors’ are ranked the highest on relevance in active consultation/dialogue.

Overall, these findings provide new evidence about stakeholder ranking practices in the pharmaceutical industry which highlight a *task-specific approach* to stakeholder prioritisation rather than preselection of generic groups. Most importantly, in line with previous research (e.g. Pedersen, 2006), the data indicates how the task of managing stakeholder expectations poses a complex challenge for pharmaceutical decision-makers. Consequently, these fresh findings highlight this target group’s uncertainty regarding how to optimally harmonise stakeholder expectations in their corporate responses. To a certain degree, these results help to explain the diverse dilemmas identified in other more general aspects of responsible management practice⁶ (O’Riordan & Fairbrass, 2016, pp. 19–20).

⁶These findings derive from a wider study. For further details, see O’Riordan (2010, pp. 166–172).

7.2.4 Communication

The evidence from the 10-year period between 2006 and 2016, which was primarily collected from websites⁷ in order to ascertain how the target sample communicates with its stakeholders, highlights a landscape of highly visible and explicit engagement practices.

The documentary analysis findings from 2006 presented in Table 7.1 indicate that 10 years ago, the majority of those screened (16 companies) addressed their responsible management undertakings prominently and explicitly in text on their home (or main/front) page(s) via the label ‘CSR’ or using another label. This comprised the communication of a diverse range of activities and a wide variation of responsibility-related themes/activities on the company websites selected (O’Riordan, 2010, p. 173). Ten years later, the overview of documentary analysis findings undertaken in 2016 presented in Table 7.2 below continues to indicate a similar level of prominently visible communication.

These findings indicate how the main themes from 10 years earlier, such as commitment to the health of patients, the community, and society, continue to dominate the communication from the target sample. Interestingly, the findings suggest a current stronger focus on the themes of transparency and partnerships/partnering, as well as more explicit mentioning of philanthropy and ethical themes than 10 years before. The increase in the overt reference to partnerships may indicate a trend concerning intentions towards increased collaboration among the target group. The results further identify some apparent potential decrease in the prominence of the environment theme, as well as the presentation of examples in the form of narrative relating to specific company projects. Bearing in mind that many companies openly address the sustainability concept (which clearly includes the environment in its scope), the relative drop in the focus on the mentioning of the environment as a theme on their websites may indicate how, in contrast with the chemical industry, environmental matters are clearly relevant but relatively less significant for the pharmaceutical sector. Moreover, the increased focus on philanthropy could indicate the pharmaceutical sector’s wish to demonstrate how it shares or gives back its profit earnings to the community via projects which are directly unrelated to the business. Overall, however, this change may simply signify a general increase in communication *per se*.

For clarification, while some of the more infrequently mentioned themes from the 2006 list in Table 7.1 (such as good clinical practice, innovation, biotechnology, legitimisation of activities, rewards/recognition, and social acceptance) do not explicitly appear on the updated list in Table 7.2, the findings show how these themes do however continue to be mentioned by some companies 10 years on. In line with the trend noted in previous sections with respect to a move towards more concrete reference to specific pragmatic practices (such as innovation to ensure

⁷For clarification, these data were mainly gathered from company websites and, to a lesser degree when data could not be identified, also from corporate responsibility and sustainability, as well as annual reports.

Table 7.1 Communication: overview of responsible business activities in 2006^a

Activity mentioned	Mentions ^a	Company
Commitment to society/community/ locally, etc. (incl. social commitment and caring)	12	Altana, AstraZeneca, Bayer, GSK, Lilly, Merck, Novartis, Novo Nordisk, Pfizer, P&G, Roche, and Wyeth
Ecological environment/nature	12	AstraZeneca, Bayer, Boehringer, BMS, GSK, J&J, Lilly, Merck, P&G, Reckitt Benckiser, Roche, and Wyeth
Patient/health/safety	11	Boehringer, BMS, J&J, Lilly, Merck, Novartis, Pfizer, Roche, Sanofi-Aventis, Servier, and Wyeth
Specific company projects being undertaken	9	Altana, AstraZeneca, Bayer, BMS, J&J, Novo Nordisk, Pfizer, Sanofi-Aventis, and Wyeth
Employees (and their) families/work-force/workplace	7	GSK, Lilly, Merck, P&G, Roche, Sanofi-Aventis, and Servier
#Access to medicines/helping those in need/enabling access/patient assistance	6	AstraZeneca, BMS, GSK, Merck, Roche, and Wyeth
Reporting/transparency	6	AstraZeneca, Bayer, GSK, Merck, Novo Nordisk, and Roche
Education/training	3	BMS, Lilly, Wyeth
Ethnic/cultural diversity	3	Altana, Bayer, and J&J
Good clinical practice	3	BMS, Lilly, Roche
Honesty/values/integrity	2	BMS, Merck
Human rights	2	GSK and Lilly
Innovation	2	Boehringer, Novo Nordisk
Key issues and challenges	2	Bayer, Novartis
Management/measurement/control	2	AstraZeneca Reckitt Benckiser
Outcomes/milestones	2	Novo Nordisk, Novartis
Philanthropy	2	BMS, Lilly
Biotechnology	1	AstraZeneca
Legitimation of activities	1	Novo Nordisk
Rewards/recognition	1	Novo Nordisk
Social acceptance	1	Altana

Source: Documentary Analysis from company websites (O’Riordan, 2010, p. 174; O’Riordan & Fairbrass, 2016, p. 21)

^aMultiple responses were possible for this question

medical solutions and access to healthcare) in contrast with more general claims about universal responsibility *per se*, it is unclear whether some themes were being communicated as responsible behaviour or as business practice in general in certain cases. To address this uncertainty, in such cases, these themes have been omitted from the new list both for feasibility reasons associated with the diversity of themes involved and for validity reasons, with respect to the intended communication aim of the target company. Interestingly, this finding could indicate that the theme of responsible management is becoming intermeshed with general business practice as

Table 7.2 Communication: overview of responsible business activities 2016^a

#	Rank 2016	Rank 2006	Activity	Mentions 2016	Mentions 2006
1	1	1	Society/community	10	12
2	2	2	Patients/health/safety	14	11
3	3	5	Transparency/reporting/disclosure	9	6
4	4	1	Environment	8	12
5	4	7	Philanthropy/foundations/charity/donations	8	2
6	4	0	Partnerships	8	0
7	5	5	Access to medication	7	6
8	5	7	Values/company culture	7	2
9	5	0	Ethics/ethical code	7	0
10	6	3	Projects	4	9
11	6	4	Employees/workplace	4	7
12	7	6	Diversity	3	3
13	7	6	Education/training	3	3
14	8	7	Governance/management/control	2	2
15	0	7	Human rights	0	2
16	0	7	Outcomes/milestones	0	2
17	0	7	Challenges	0	2

Source: Documentary analysis from company websites (author)

^aMultiple responses were possible for this question

opposed to its discussion as a stand-alone concept or add-on. In this regard, the in-depth interview findings continue to confirm high levels of overt and diverse communication by the target pharmaceutical companies to their stakeholders on their responsible management practices.

In summary, assuming that the stated claims on the websites and other communication media employed by the target group go beyond mere rhetoric, these findings support the more general literature (e.g. Burchell & Cook, 2006; Greenwood, 2007) by indicating the continued importance of both stakeholder relationships and engagement as a key component of responsible management practice for the target group.⁸

7.2.5 Organisation/Governance

Consistent with the findings presented in the previous sections, the empirical data indicates a diverse, dynamic, activity-based approach to responsible management

⁸These findings comprise excerpts from a wider study. For further details, see O’Riordan (2010, pp. 173–184).

in terms of organisation and governance. Essentially, the evidence reveals that responsible management spans a range of business functions. This conceivably indicates why corporate responsibility is a complex management task which is rarely undertaken by one dedicated department. Rather, multifunctional networks of designated individuals address corporate responsibility at business/operational level. Further, these networks are guided by both centralised (i.e. global/from headquarters) and decentralised management approaches. This suggests an organisation approach based on a concept which has been termed ‘glocalisation’ in previous literature (Trompenaars & Hampden-Turner, 2004, p. 3). The evidence obtained explicitly reveals how centralised guidelines are implemented depending on the company’s evolutionary stage of responsible development at local affiliate level. Under this approach, the public relations department typically plays a notably pivotal role in stakeholder engagement/dialogue. The evidence presented in this section is new in the sense that it illuminates organisational aspects of responsible management practice which expands the previous literature (e.g. Maon, Lindgreen, & Swaen, 2008) at a level not previously addressed in past scholarship for this sector⁹ (O’Riordan & Fairbrass, 2016, p. 22).

7.2.6 *Practices/Activities*

The evidence uncovers a patchwork of projects/activities. This comprises both philanthropic and integrative practices. *Philanthropic* projects focus on investing business resources in social projects which are external to the business. *Integrative* projects aim to assimilate responsible management principles based on a long-term sustainable strategy across all business functions and corporate systems. These findings¹⁰ are significant because they help to reveal the diverse nature of the activities undertaken in the name of responsible management activities, as well as the strategic nature of the impact of the resources invested at a level of detail which was not previously addressed in past scholarship (O’Riordan & Fairbrass, 2016, pp. 22–23).

7.2.7 *Expectations*

The findings additionally reveal a range of stakeholder expectations regarding the likely outcomes of investing business resources in responsible management

⁹These findings comprise excerpts from a wider study. For further details, see O’Riordan (2010, pp. 184–191).

¹⁰These findings derive from a wider study. For further details see O’Riordan (2010, pp. 191–198).

Table 7.3 Expectations: overview of key issues

Interviews furnish opinions from many respondents which expose <i>key management challenges</i>	
• Management uncertainty due to:	
– Operational complexity	
– Stakeholder (negative) stance/unpredictable reaction	
– Unclear:	
CSR ^a scope/definition	
Cost/benefits measurement	
Management process	
• Misalignment between:	
– Personal (agent) and company (principle) interests/goals	
– Stated company <i>values</i> and actual <i>policies</i>	
=> Outcome: key aspects of the current responsible stakeholder relationship management approach (mind-set) could be improved	

Source: Adapted from O’Riordan (2010, p. 402) and O’Riordan and Fairbrass (2016, p. 24)
^aFor clarification and for illustration purposes, the label ‘CSR’ is adopted here to signify the concept of responsible management (as defined in Chap. 2) within a corporate sustainable stakeholder relationship setting

practices. These include the likely benefits, as well as the costs, which are envisaged by the managers in the sample to accrue from undertaking responsible activities. Essentially, the data indicates that responsible management practice is perceived by the firms to potentially positively affect their image/reputation. However, because the presently understood benefits are largely intangible in nature, they are deemed difficult to quantify and, accordingly, to *measure*. Data from two instrument sources consistently further reveal that rather than being interpreted as a differentiating factor which could innovatively lead to reliable and sustainable competitive advantage, responsible management practice is generally perceived by decision-makers as an *expense* to the business. These findings highlight key areas of both uncertainty and ineffectiveness surrounding the responsible management of its stakeholder relationships for the pharmaceutical industries in the UK and Germany. In short, this evidence essentially supports the wider academic literature which highlights the complexity of attempting to harmonise stakeholders’ interests within the ambiguous nature of corporate responsibility (e.g. Carroll & Buchholtz, 2009; May et al., 2007).¹¹ The triangulated empirical findings which reveal the challenges and uncertainty inherent in responsible management are summarised in Table 7.3.

¹¹These findings derive from a wider study. For further details see O’Riordan (2010, pp. 198–203).

7.3 Anglo-German Comparison

7.3.1 Overview

The empirical, primarily qualitative data findings, which emerged from the exploratory study of senior business executives from leading pharmaceutical companies in the UK and Germany over a 10-year period from 2005 to 2016 via the four data collection sources highlighted in the previous section, additionally furnished data to answer the second research question, which asked: *Do similarities and differences exist between the stakeholder practices undertaken by the target sample of pharmaceutical companies in the UK and Germany?*

While the distinctions are not water tight, the research tested for and indicates some degree of national difference in responsible management practice. Table 7.4 presents a summary of the empirical findings with respect to similarities and differences of responsible management practices in the UK and Germany.

The analysis of the evidence gathered to examine the stakeholder engagement practices in the UK and Germany (O’Riordan, 2010) generally indicates broad similarities between the pharmaceutical companies in the two countries. More specifically, data from the in-depth interviews suggests that the reason for similarities between the UK and German companies may be explained by the centralised nature of responsibility within companies and by the homogenising influence of the EU and international guidelines (O’Riordan, 2010). Nevertheless, despite the similarities reported by some of the pharmaceutical managers between the approaches in the UK and Germany, there is also evidence which points to the existence of some national differences and thereby supports previous research suggesting potential variations (see, e.g., Habisch, Jonker, Wegner, & Schmidpeter, 2005). The identified differences take the form of decentralised practices at affiliate level. Significantly, this evidence substantiates the anticipated Anglo-Saxon version of responsible management in the UK in comparison with the Rhineland model socialist capitalism noted in past scholarship (e.g. Chapple & Moon, 2005).

The following sections now explain in greater detail how the Anglo-German approaches compare by employing the findings obtained from the four data collection sources, which were managed, analysed, and presented here based on the six purposefully selected coding criteria categories explained in the previous chapter.¹² These include the terminology they employ, their prioritisation of stakeholder interests and demands, communication, organisation and governance, projects/activities, as well as expectations.

¹²Please refer to previous chapters for further details regarding the establishment of these codes.

Table 7.4 Overview of similarities and differences of responsible business practices

Code/ factor	Terminology	Stakeholders	Communication	Organisation	Projects	Expectations
Similarities	General overall and increasing similarity due to centralised global aim to achieve a standardised corporate response	General similarity in stakeholder concept approach and priority, as well as in underlying intentions	Primarily overall similarity due to centralised organisational approach	Similarity in cases of a centralised approach but structures are complex and evolving	Similar projects/codes of conduct due to global values and EU law	Similarity in management challenges for both countries
Differences	- More German terms on D sites to address language and meaning issues - Greater use of the term 'social' on D websites - More diversity in use of terms in D and higher standardisation in UK - Complicated nature of German terms	- Some difference in attitude on ranking and practice - Stronger business focus in UK - Stronger emphasis on society in D - Complexity of addressing stakeholder expectations and perceptions triggers local adaptation and diversity	- Frequent diversity of approach in the two countries - Different messages/themes on websites - Some evidence of higher responsiveness in D - Diversity due to need for local sensitivity to address complex theme	- Some diversity in cases of decentralised activities in <i>who</i> and <i>how</i> of response - Higher tendency for dedicated corporate responsibility division in D - Responder: - CEO more often in D - Marketing manager more often in UK	- Limited diversity - Higher regulation in D - Higher standardisation of practices in the UK, e.g. reporting	Possible difference in perceptions with respect to meaning of 'value' and role of 'company' between the two countries

Source: Adapted from O'Riordan (2010, p. 263), O'Riordan and Fairbrass (2016, p. 26)
 UK = United Kingdom, D = Germany

7.3.2 Terminology

The Anglo-German comparison of the data with respect to the terminology employed in both countries indicates general overall and increasing similarity between the two countries in the choice of labelling, as well as with respect to the identified trend not to adopt a general responsibility term in preference for specific pragmatic responsible practice topics.¹³ For example, Novo Nordisk focuses explicitly on its activities to help patients (Novo Nordisk, 2016), and AstraZeneca refers specifically to its ‘contribution’ in the UK by listing aspects such as employment, investment in business, and innovation in life sciences (AstraZeneca, 2016). In general, the data collected from documentary analysis in 2016 confirms the previous findings from documentary analysis, the telephone survey, and observation collected in 2006/2007. Together, these findings highlight some diversity with respect to a stronger use of the term ‘social’, as well as a greater diversity in the use of terms in Germany (and conversely a more standardised adoption of terms in the UK). More specifically, German websites understandably continue to exhibit a range of German language terms (such as Soziale Verantwortung [social responsibility], Soziales Engagement [social engagement], Bürgerschaftliches Engagement [civil engagement/commitment]) in addition to their employment of the English language terms. The interview data highlighted nuances associated with the different use of terminology in Germany, which indicates that the term ‘CSR’ might be problematic in communication efforts due to its (negative) association with ‘washing one’s hands’ of past deeds. This determines that more general terms such as ‘engagement’ are adopted. Furthermore, the complicated and abstract nature of the German terms is deemed by respondents to generate diverse use in communication settings, which poses challenges for stakeholder dialogue (O’Riordan, 2010, pp. 225–226). Nevertheless, despite these distinctions and some exceptions, the documentary analysis undertaken in 2016 indicates an increasing convergence of labelling between the two countries.

To explain the diversity *per se* in the employment of terms, interview respondents suggested that usually one main term is selected as the key label even though multiple additional terms may be employed in everyday use (O’Riordan, 2010, p. 224). Given that the interview data indicates that the practices in both countries typically follow a centralised organisational approach, this determines that pharmaceutical companies not only in the UK and Germany but additionally across Europe tend to adopt standard terminology in general. Moreover, this is confirmed by those respondents who state that they employ the term ‘corporate citizenship’ (CC) in Europe in line with their global approach worldwide. Moreover, the evidence indicates that based on the aim to achieve a standardised approach, the CC term is sometimes applied in Europe because the term ‘CSR’ would not be well accepted among stakeholders in America (please refer to O’Riordan, 2010, p. 222 for further details). These data suggest that pharmaceutical managers operating in

¹³Presented in greater detail in the previous section under the terminology code.

global organisations appear to aspire to standard labelling by choosing one term that best reflects their corporate approach to sustainable societal relationships for their stakeholders. As well as highlighting that the labelling process is adaptable and evolving, the identified trend towards less broad-brush use of the responsibility terminology in place of a stronger focus on specific practices in both countries could conceivably be construed as further evidence of this standardised approach.

Overall these findings indicate a ‘glocal’ approach by global companies, attempting to adapt their terminology in specific cases to address local (mis) understandings. These findings highlight the complexity facing decision-makers, when deciding how to choose those labels which optimally communicate to their stakeholders the complicated concepts inherent in the relationship between business and society.¹⁴

7.3.3 Stakeholders

The Anglo-German comparison of the data with respect to stakeholders reveals general similarity between the two countries concerning both how the stakeholder concept is communicated and stakeholder prioritisation. Significantly, however, some sufficiently robust triangulated evidence from the 2006/2007 study exposed differences with respect to stakeholder ranking suggesting a stronger business focus in the UK and a stronger emphasis on society in Germany, as well as some indication of possible differences in how stakeholder relationships are practised. These differences appear to imply that the term ‘stakeholder dialogue’ is used less in the UK than in Germany and that some differences may exist with respect to how stakeholder engagement and prioritisation are actually practiced in both countries. For example, the telephone survey evidence indicates that suppliers and alliance partners are rated more importantly in the UK (business focus), while in Germany the respondents rated the government and society stakeholder groups higher with a lower focus on the direct business stakeholders. These findings possibly validate past scholarship with respect to the UK’s ‘shareholder value’ focus and Germany’s ‘leaning’ towards a ‘stakeholder-capitalism model’ (e.g. Habisch et al., 2005; Martin, 2010). Although these indications are not sufficiently strong enough to serve as dependable evidence on their own, they are supported by the findings from a major study, which similarly suggests a clearer traditional values orientation in Germany towards societal (environmental) concerns compared with a higher profit orientation in the UK (Corporate Values Index, 2009). Another interesting finding was that NGOs received a similarly low score on consultation in both countries but that their relevance was noted higher in Germany than in the UK. Interestingly, this could suggest potential discrepancies between the generally perceived degree of

¹⁴These findings comprise excerpts from a wider study. For further details, see O’Riordan (2010, pp. 220–226).

relevance of this stakeholder group and the amount of actual dialogue undertaken with those stakeholders in practice. Furthermore, the data indicates some differences in how stakeholder relationships are practised. For instance, in some cases, different emphasis was placed on stakeholders and stakeholder dialogue on its local sites (e.g. Bayer, 2007; Procter & Gamble, 2007), as well as on themes, such as patient groups or ethics in Germany (patients, ethics, people, planet) but not in the UK where the focus was on stakeholder engagement, access to health, and partnerships (e.g. Sanofi Sanofi Aventis, 2016).

Respondents suggest that one explanation for the identified diversity could lie in the complexity of responding to local stakeholder expectations, which can lead to the requirement for some local adaptation. Explaining how stakeholder engagement is both approached and implemented at affiliate level, one respondent suggested that perceptions regarding what it means to be a good corporate citizen may differ in the UK and Germany. For example, in the UK, the role of a community group or employee volunteers is noted to work particularly well as a legitimate corporate response. Respondents suggested that this is possibly based on a potentially stronger understanding of personal obligation in the UK. These views are supported in the literature by the UK's high score on individualism suggested by Hofstede (1997), which is discussed in greater detail in the next chapter. These findings suggest that the practice of volunteering may be higher in the UK than in Germany. The results from in-depth interviews reveal further differences between the UK and Germany with respect to a possible increased level of formality in the stakeholder response in Germany. These claims are again supported by Hofstede (1997), who highlights a higher level of uncertainty avoidance in Germany leading to a greater preference for provision and adherence to rules and regulations, linked with a more highly preserved separation between work and private life. These findings are additionally supported by Trompenaars and Hampden-Turner (2004). Despite these potential differences, some respondents do however suggest that in Germany, stakeholder behaviour and understandings regarding the role of the company in society may be changing towards adopting a more active role.

Overall, these triangulated data provide robust results, which reveal general similarity regarding the underlying intentions behind the stakeholder concept in both countries. The reason for this similarity possibly lies in the general global guiding principles directing the stakeholder relationship practices of the target companies involved. Nevertheless, amply strong evidence indicates possible distinctions between the two countries regarding certain aspects of how the stakeholder concept is managed locally. Significantly, this evidence serves to illuminate some of the complexity facing decision-makers when attempting to respond in complex operating environments which were formerly identified in previous chapters. The stronger business focus revealed in the UK could imply an Anglo-Saxon version of CSR¹⁵ suggested in the literature (e.g. Matten & Moon, 2005). On the

¹⁵For clarification, the term 'CSR' is employed here and throughout this chapter for brevity purposes. It is intended to signify the concept of responsible management (as defined in Chap. 2) within a corporate sustainable stakeholder relationship setting.

other hand, the stronger emphasis in Germany on society suggests a value orientation in line with a more socialist-capitalist model (Habisch, et al., 2005). The identified cultural differences in stakeholder behaviour are authenticated by past scholarship (e.g. Hofstede, 1997; Trompenaars & Hampden-Turner, 2004). While these variations in stakeholder practice may culminate in some degree of diverse, dynamic, and activity-based stakeholder practice *per se*, possibly due to cultural, contextual, as well as individual motivations, ultimately, the competing aim to achieve a standardised global response at corporate level may similarly affect the specific practices undertaken at affiliate level, thereby possibly ‘neutralising’ the potential rationale for local adaptation.¹⁶

7.3.4 Communication

The Anglo-German comparison of the communication practices undertaken in both countries reveals a mixed picture of findings. While suggesting general underlying similarity in the overall dynamic and evolving forms of stakeholder communication identified, some evidence nevertheless indicates certain specific differences regarding how stakeholder engagement is communicated by affiliates in each country. In addition to the obvious difference in the use of the German language on German websites, the evidence from the documentary analysis obtained in both 2006 and 2016 reveals many cases of lacking standardisation in the message portrayed on UK and German websites, as well as the possible existence of language issues with respect to the use of terminology to reflect responsible behaviour in the English language (e.g. CSR, CC, etc.). This suggests that the terminology employed may be adapted in order to avoid misinterpretation by key stakeholder groups, such as employees or customers. In this regard, associations addressed in the previous sections regarding the term ‘social’, as well as the complicated nature of the underlying concepts including ‘sustainability’, ‘citizenship’, and ‘responsibility’, were reported to potentially create communication issues when addressing a wider stakeholder public. These factors were noted to sometimes trigger the need for a local approach at affiliate level in the differing operating contexts. Additionally, some weaker observation evidence possibly indicates higher levels of responsiveness at German affiliates to stakeholder queries but (conversely), at the same time, the existence of more policies in operation to block stakeholder dialogue than in UK affiliates. Interestingly, this evidence could support other findings, which suggested that stakeholder practice is more formalised in Germany. Accordingly, while interview data suggest overall similarity in the communication practices between the two countries, in general, nevertheless, underlying contextual and cultural differences (at macro-environmental level including political factors) in the UK and Germany may give rise to potential differences in stakeholder practices.

¹⁶These findings comprise excerpts from a wider study. For further details, see O’Riordan (2010, pp. 227–233).

To elaborate, while the documentary analysis reveals some degree of diversity between the messages communicated on the UK and German websites, in the case of the majority of the companies included in the study, the evidence from the telephone survey, observation, and interview indicate greater similarity in the communication of the target group's stakeholder engagement activities. Moreover, observation data indicated overall similarity in the ease of identifying a contact partner and levels of helpfulness/friendliness as a measure of stakeholder response. Nevertheless, despite the overall general similarity identified, the (weaker) observation data additionally provides some evidence suggesting differences on certain aspects of stakeholder communication. While acknowledging that the evidence may be biased by the nature of the particular case of stakeholder dialogue in question (i.e. a query from a researcher requesting a response on stakeholder practice), the data indicate a faster response overall, as well as a higher propensity to continue the dialogue at German affiliates. Interestingly, the findings further illustrate how over twice as many participants responded on the first day from German affiliates in comparison with UK affiliates. As well as responding faster initially, German affiliates also sometimes responded a lot later than UK affiliates. While differences were identified in the *likelihood* of obtaining a response, nevertheless, the *intensity* of response, as well as *awareness and knowledge* of the topic of stakeholder relationships, is similar in both countries. Furthermore, differences emerged between the two countries with respect to the reasons given for not participating in the study. In the UK, no reason was given in 20 cases, while in Germany the corresponding figure was 8. This data could suggest a greater affinity to communicate and/or explain its behaviour by the Germany affiliates, which is nevertheless counteracted by overtly stated policies communicating regulations that do not permit participation. While the interpretive nature of this data may conceivably render it weak, these findings nevertheless suggest generally similar lines of communication for mobilising stakeholder dialogue between the two countries. This topic is clearly linked with the existence of a mobilising organisational structure, which is addressed separately in the Organisation/Governance section immediately below.

Overall similarity between the communication practices in both countries is further indicated in in-depth interview responses. Those findings both validate the general importance of the communications role in stakeholder practice and point to the similar intentions and challenges addressed in global stakeholder issues. They further indicate the general aim to achieve standardisation in the communication approach. Issues such as the complex nature of the role of business in society, as well as the radicalism and scepticism frequently encountered in the pharmaceutical industry, are reported by respondents to generate acute dilemmas, which similarly complicate communication practice in both countries.

Despite this overall similarity, some of the reasons offered by respondents to explain the differences identified in the communication approach in both countries include a varying understanding in the UK regarding whether the country belongs

to Europe or whether ‘Europe’ is interpreted as meaning ‘continental Europe’,¹⁷ as well as dissimilarities in the presentation of data to respond to differing media expectations. Respondents state that these factors may potentially trigger localised responses. Specific examples of varying interpretations in Germany pertain to the use of words such as ‘biotechnology’ or ‘profits’, which are both noted by respondents to have negative connotations. In this regard, interview respondents in Germany indicate the requirement for specific information and explanation to appropriately address these issues. Furthermore, some evidence suggests that the German communication approach in stakeholder relationships may be less publicly explicit than that in the UK. Respondents refer to the typical communication approach in Germany, which favours the more reserved response of waiting for results before sharing the information with the public. They claim that this approach is possibly based on an interest to ensure the results can be delivered, while in the UK, a higher tendency is noted to discuss their aims in advance before the activity has generated any concrete outcome. These findings, which are supported by past scholarship suggesting that Germany’s inclination towards higher uncertainty avoidance or risk avoidance (e.g. Hofstede, 2016) might indicate a stronger tendency to employ CSR (under varying labels including corporate responsibility, corporate citizenship, etc.)¹⁸ as a PR tool in the UK.

To sum up, the data indicates general standardisation in stakeholder communication practices in both countries despite some distinctions in terminology, themes, and approach which are possibly due to cultural, contextual, individual differences. These findings indicate a ‘glocal’ approach, which concurrently strives to communicate a standard set of principles while simultaneously taking local sensitivities, needs, and (when leveraged effectively) opportunities, into account. Significantly, the evidence suggests both the evolving nature of stakeholder communication and some localised stakeholder responses to address (mis)perceptions when implementing global stakeholder relationship intent. This transition and the requirement for adaptation (i.e. a contingency approach) could be interpreted as a key feature of the underlying complexity involved in stakeholder practice in general.¹⁹ These aspects are subsequently addressed in greater detail below and in later chapters.

¹⁷Please note that although this research was undertaken nearly a decade before the Brexit decision, the findings highlight the underlying mind-set which ultimately led to Britain’s exit from the European Union in 2016.

¹⁸For brevity purposes, the term ‘CSR’ has been adopted in this chapter to signify the concept of responsible management (as defined in Chap. 2) within a corporate sustainable stakeholder relationship setting.

¹⁹These findings comprise excerpts from a wider study. For further details, see O’Riordan (2010, pp. 234–242).

7.3.5 Organisation/Governance

In line with the findings presented in the previous sections, despite certain (evolving) differences between the affiliates in both countries, the Anglo-German comparison of the data with respect to the organisation of stakeholder relationships reveals a general picture of overall similarity. More specifically, while some limited evidence from the documentary analysis suggests a diverse approach at affiliate level, which is supported by (some) observation and in-depth interview evidence, overall, dependable interview respondents indicate that the target group generally adopts a centralised approach to organising its stakeholder relationships. For example, the telephone survey and observation data both consistently reveal that the PR department typically plays a leading role in stakeholder engagement/dialogue in both countries. In this regard, two interesting differences appear to unfold. First, observation findings suggest that in addition to the PR department, the marketing department may respond more often to enquiries in the UK, while the CEO may be more likely to respond in Germany. Second, in-depth interview data reveals that CSR organisation may be less formal in the UK than in Germany.

To elaborate, the Anglo-German comparison of the telephone survey, observation, and in-depth interview data consistently indicates general overall similarity in the way stakeholder relationships are organised in both countries. Telephone survey data reveals that the majority of respondents in both countries similarly report that they do not have a specific department dedicated to CSR. Interestingly, some (weak) survey evidence suggests that German affiliates have a slightly higher tendency to organise via a specific department. However, as this difference is neither statistically significant nor explained by in-depth data, it is plainly not suitable for generalisation. In addition, observation data suggest that in both countries, the PR or communications departments (under varying labels including corporate communications, corporate affairs, press department, external affairs, etc.) are the most likely to respond to stakeholder-related enquiries (i.e. engage in stakeholder communication/dialogue). Interestingly, however, the data additionally indicate some slight differences between the two countries when the PR department does not engage in CSR dialogue. Specifically, while in both countries the marketing department and General Manager or CEO took second and third place, in the UK, the marketing department is the most likely second point of response, followed by the CEO in third place. Furthermore, in Germany, a CSR enquiry is twice as likely to get a response from the CEO as in the UK. This weaker observation evidence appears to suggest some local (possibly activity-based) diversity in how stakeholder relationships are organised.

To substantiate the initial indications from the telephone survey and observation evidence presented above, the in-depth interviews furnish stronger evidence which confirms a centralised approach to stakeholder engagement. Authoritative interview data suggest that this phenomenon could derive from the common strategic global guiding corporate direction towards a general overall standardised stakeholder communication identified in previous sections. More specifically,

respondents suggest that the holistic and horizontal nature of values management influences the organisational culture while simultaneously generating a broad scope of potential practices at affiliate level. Combined with the complex nature of the operating environment facing decision-makers in the pharmaceutical sector, this highlights the requirement for a particularly skilled type of employee, who is capable of combining both steadfast personal values and appropriate training with a flexible stakeholder response at operational level. Clearly this combination determines a certain degree of diversity at affiliate level. To help to explain this complexity, the country-specific rationale for such diversity is discussed separately in subsequent sections.

Further potential for diverse organisational response is determined by the varying evolutionary stages of organisational design identified in the findings. This means that some affiliates are still developing their stakeholder response, while others may be more advanced. This manifests itself in the case of varying availability of resources for stakeholder engagement at affiliate level, as well as a certain degree of transition (e.g. from centralised to a decentralised organisational structure of *visa versa*). With respect to the organisation of stakeholder relationships, the findings tally with the results presented in previous sections, which highlighted a tendency towards greater formalisation in German affiliates, which are reported to employ top-down approach more frequently, in comparison with a greater scope for less formal individual responsibility in the UK.

To sum up, the triangulated evidence presented in this section highlights that while the organisational challenge for globally active companies is not country specific in the first instance, the complexity of the operating environment, as well as the nature of stakeholder relations may give rise to potential distinctions in organisational approach with respect to *who* responds and *how*. Nevertheless, the findings indicate that the organisation of stakeholder relationships is still evolving in many of the target companies.²⁰

7.3.6 *Projects/Activities*

In parallel with the overall findings from the previous sections, the Anglo-German comparison of the data with respect to the projects and activities undertaken in both countries indicates general overall similarity between the two countries, linked with active stakeholder dialogue and engagement (see communication section above for further details). Nevertheless, some differences are identified reportedly due to the existence of specific organisations, such as the Business in the Community (BITC) charity in the UK, which respondents suggest influences the UK activities differently from Germany. Likewise, the higher business and environmental regulation at

²⁰These findings comprise excerpts from a wider study. For further details, see O'Riordan (2010, pp. 243–250).

macro-level are noted to affect stakeholder activities in Germany. These national differences illuminate the complexity inherent in the operating environment facing stakeholder relationship managers.

To elaborate, both countries highlight a patchwork of multiple projects, as well as a diverse range of activities covering a broad scope of themes with varying emphasis often related to philanthropic activities. Previous sections highlighted a range of transparent communication of activities focusing on patients' health and safety, society and the community, including claims of 'giving back' to society via trusts, foundations, charity, and donations. In both countries, the respondents suggest that local circumstances, as well as possibly individual motives, may influence the choice of projects/activities adopted. While the degree of active dialogue is noted to depend on the nature and significance of the project, in cases where certain stakeholders are not willing (or able) to engage in dialogue, some evidence suggests that the degree of dialogue and the relevance of the project are not always congruent. In some cases, respondents do however suggest that the company itself creates barriers which thwart effective dialogue and thereby block the opportunity to generate meaningful stakeholder projects/activities. In this regard, in line with past scholarship implying that Germany follows a socialist-capitalist model of stakeholder capitalism (e.g. Habisch et al., 2005; Martin, 2010), interview evidence suggests that Germany might tend to follow a stronger integrative strategy in stakeholder relationships, while the UK is judged by respondents to lie more closely to the US model of philanthropy, thereby leaning more towards shareholder capitalism. For example, projects are noted to be (more formally) ingrained into the whole business concept and actual operational business model to a greater extent in Germany, in contrast with a greater degree of separation from the core business activities combined with a focus on stand-alone activities in the UK. By way of explanation for this difference, one respondent suggests that Germany (similar to Austria, Belgium, France, and Luxembourg) tends to follow the 'Rheinland model', which focuses on collaborating with other businesses when investing in the community. This is demonstrated by a relatively strong degree of social insurance for unemployment and pension provisions, as well as the existence of powerful unions and legal support for extending the results of collective bargaining (e.g. Financial Times, 2016).

Further differences in the projects and activities undertaken in both countries are noted by respondents to be influenced by variations in health service provision in the UK and Germany, as well as the overall approach to personal responsibility and the social approach to charity donations in the UK. In addition, specific interpretations noted in previous sections, with respect, for example, to biotechnology in Germany, can determine the need to adapt projects and activities to suit each operating environment at local level. Finally, while the evidence suggests that Germany is historically inclined to have a higher tendency to regulate its stakeholder relationship activities (meaning that many of the stakeholder activities undertaken are done so because they are required by law and therefore not discussed, debated, or overtly communicated), the degree of standardisation of stakeholder activities is nevertheless higher in the UK with respect to laws on

reporting. While the EU regulations under which both countries operated in the past determine that such differences are diminishing, time will tell how the Brexit decision might impact the regulation of stakeholder relationship activities going forward.

To sum up, the triangulated data presented in this section indicate general similarity in the stakeholder-related projects and activities of the target pharmaceutical companies in the UK and Germany. This includes parallels on the choice of projects undertaken, as well as the activities addressed, such as the codes of conduct guidelines followed, and the dialogue undertaken on those projects. These findings are likely to be due to the standardisation in organisational approach identified in the previous section. The rationale for the identified parallels could be based on the global nature of the complex operations undertaken by the target sample on the 'big' stakeholder issues, which similarly impact both the UK and Germany. Nevertheless, the results additionally expose certain aspects of diversity in the projects undertaken. This includes some national differences due to local regulations, cultural diversity, differing local needs, as well as potential individual differences of the decision-maker. For instance, CSR is revealed as more standardised in the UK due to BITC influences. Overall, these findings present interesting indications of potential influencing factors which are the focus of subsequent sections.²¹

7.3.7 *Expectations*

The Anglo-German comparison of the triangulated data with respect to expectations associated with investing resources in stakeholder relationships in general highlights overall similarity in both countries. UK and German respondents similarly expect improved reputation and image to accrue from stakeholder engagement activities, which they state may serve as a differentiation factor to increase employee motivation and customer trust. Interestingly, however, in addition to these benefits, the data further indicate that decision-makers from affiliates in both countries similarly view stakeholder relationships as a *cost* to the business, while decision-makers from German affiliates may rate these costs higher. Moreover, complicated by indications of national differences in perceptions regarding value and the role of the company in society, the findings suggest similar overall challenges for decision-makers in both countries relating to the *measurement* of stakeholder relationship impact. This triggers a key management challenge with respect to the company's obligation to accrue economic benefits in order to guarantee its future survival for undertaking research in new fields, such as Ebola or the swine flu, to thereby ensure a healthy society.

²¹These findings comprise excerpts from a wider study. For further details, see O'Riordan (2010, pp. 250–257).

To sum up, no evidence exists to suggest that expectations regarding stakeholder management issues such as measurement, scoping, and translating values into operational practice differ in the two countries. The global nature of pharmaceutical business operations, which may encourage a standardised management approach as discussed in previous sections, could conceivably potentially limit the effect of national influences on this code. Nevertheless, some respondents state that perceptions regarding measurement may be affected by the more integrative style of management in Germany in contrast with a more fragmented philanthropic approach in the UK as noted in the section on organisation above. This could possibly lead to a focus on justifying activities, rather than on actual social or environmental impact in the UK. However, in both countries, the rise in health service costs is progressively determining that companies are increasingly expected to finance healthcare services. While this may be viewed as an opportunity to generate high social impact/benefit, national differences with respect to expectations may arise due to varying perceptions of what comprises value and where the emphasis lies on questions regarding valuable practices, differing degrees of formality and regulations, different working environments, distinctions between private and public work-life balance, perceptions regarding volunteering and undertaking charity work, as well as other factors.

Interestingly, in this regard, respondents stated that in the UK, there is no expectation that the company should behave in a benevolent way towards society, while in contrast, in Germany, a certain aversion to profit generation is suggested. Importantly, however, the respondents indicate that social expectations may be shifting in Germany. Furthermore, the evidence suggests both that varying views and opinions may exist within the same company, as well as the possibility that individual actors within companies may strongly influence the views and motivations towards stakeholder relationships and the resulting ensuing expectations thereof.²² Overall, this evidence points to universal issues such as *impact measurement*. These and other aspects are addressed in greater detail in the next section, which focuses on identifying those factors, which may influence the behaviour identified above and thereby potentially help to explain the reasons for the differences, similarities, and convergences in approaches in both countries.

7.4 Summary of Influencing Factors

This data serves to answer the third research question which asked: *What factors appear to influence the stakeholder practices undertaken by pharmaceutical companies in general, and do these help to explain the similarities and differences*

²²These findings comprise excerpts from a wider study. For further details, see O’Riordan (2010, pp. 257–261).

identified in the corporate approaches of the target sample in the UK and Germany?

To identify those factors which may influence the stakeholder relationship practices identified in the triangulated empirical findings presented in the previous sections, the findings drawn from four data sources with respect to the six codes indicate that decision-makers in the pharmaceutical industry in the UK and Germany prioritise and engage with their stakeholders following an approach, which is based on their (mis)perceptions and (mis)understandings deriving from their cultural, contextual, and individual worldview. This could be construed to derive from a range of both external and internal factors. Table 7.5 summarises those influencing factors.

The external factors appear to be determined by contextual factors which include the political, economic, social, and technological (PEST) environments, stakeholder pressure (e.g. media influence), industry/competitor activity, and societal perceptions regarding the business role/activity. On the other hand, the internal factors which seem to determine the target groups' response to stakeholders' expectations include the company culture: that is, the leadership mind-set driven by values and personal (moral) interest at individual level. These determine the company vision/mission. Further, the data suggests that the company profile (including size, origin, type, success), as well as the business aims and objectives (such as differentiation or internal/external communication), influences stakeholder practices. Significantly, the evidence also suggests that the company's internal stage of development with respect to corporate responsibility activities plays a key role in its responsible business practices.²³

In summary, these findings imply that external and internal contextual factors could have an impact on how responsible management *per se* and stakeholder relationships such as engagement are specifically practiced in each country. Overall, the evidence suggests that external PEST factors, combined with internal culturally guided practices (often based on global ethical principles, such as the UN Global Compact (1999) and Ruggie's principles (2011), determine a 'glocalised' management approach. These determinants could conceivably be interpreted as helping to explain both the reasons for the similarities, differences, and convergences in the approaches identified in the responsible management practices of the senior pharmaceutical managers targeted in the UK and German, as well as why these differences could be believed to have an impact on how stakeholder relationships are managed in each country (O'Riordan & Fairbrass, 2016, p. 27).

²³These results comprise findings deriving from a wider study, which for feasibility reasons due to their size have been briefly summarised here in a high-level overview. For further details, see O'Riordan (2010, pp. 270–328).

Table 7.5 Summary of internal and external influencing factors

Code/ factor	Terminology	Stakeholders	Communication	Organisation	Projects	Expectations
Internal	• Evolution in expectations regarding companies' role in society • Business objectives and activities influence stakeholder stance and communication	• Evolution in societal roles and expectations regarding rights and obligations • Company stage of evolution • Business activity • Task at hand • Perceived outcome expectations	• Decision-makers' wish to portray moral/ethical intent • Business objectives, activity, and profile determines: – Varying impact – opportunity of responsible activity – Individual approach to language/labelling used	• Mind-set (personal values and moral awareness) • Company culture • Size • Resources • Structure • Evolution stage • Decision-makers' understanding of evolving perceptions	• Approach to responsible business • Leaders' mind-set on philanthropic or integrative strategy • Salience of: – Evolutionary stage – Training	• Leadership mind-set (personal values and moral awareness) • Intangible nature of responsibility: Assumed perception of what determines value • Measurement and outcome challenges • Uncertainty
External	• Evolution in expectations regarding companies' role in society • History, politics, and language may influence perceptions	• Evolution in expectations regarding companies' role in society • PEST factors	• Cultural aspects, e.g. PEST affects roles and expectations • Expectations are evolving • New opportunities to create greater responsibility impact	• PEST factors affect roles and expectation	• PEST factors: regulations, tax, societal need	• PEST factors affect roles and expectation

Source: Adapted from O'Riordan (2010, p. 331) and O'Riordan and Fairbrass (2016, pp. 28, 29). UK = United Kingdom, D = Germany

7.5 The Confidence Level of the Findings

The cumulative empirical triangulated qualitative exploratory evidence gathered from four separate data sources, which were presented in this chapter, could be construed to generally provide sufficiently robust grounds via adequately valid material, which builds a strong basis from which to describe and explain the stakeholder relationship management activities of the target group. By investigating similarities and differences in the UK and German approaches and by endorsing and building upon the more general results provided in previous scholarship with respect to the examined codes, these findings are judged to satisfactorily address the research objective and answer the research questions. As a result, they are interpreted to contribute to past scholarship by illuminating new aspects of the actual stakeholder relationship practices of UK- and German-based pharmaceutical firms.

More specifically, while the survey and observation data provide a less reliable picture of the firms' practices due to the relatively small sample size of the survey and the 'special' condition of approaching companies as a doctoral student in the observation, which could skew the results, these methods furnish valuable preliminary data which are subsequently verified by more robust documentary analysis data. Most importantly, the interview data offers a much richer basis for describing, analysing, and assessing the firms' behaviour by delivering data to qualify, check, and illuminate many aspects of the more preliminary findings obtained. Accordingly, while the robustness of many of the claims based on data gathered from one source alone could be queried (due both to low sample size and in some cases limited response levels), overall, when triangulated, the findings are considered to present firm evidence. Most importantly, this claim is substantiated by high-level (senior management), authoritative, qualitatively rich, in-depth interview evidence, which serves to verify the other sources of less certain quality. Moreover, in defence of the 'small' sample size, its rationale is based on the existence of a small universe sample (see Chap. 6 for further details). Nevertheless, the qualitative exploratory nature of the enquiry, coupled with the small number of responses, clearly limits the ability to draw any hard conclusions or generalisation of these results beyond the target group.²⁴

7.6 How These Findings Inform the Original Framework Prototype

7.6.1 Overview of Framework Development Process

The findings from the data collection methods presented above, including documentary analysis, telephone survey, observation, as well as the first round of

²⁴Further details concerning trustworthiness of the data for each collection method are available in greater detail in O'Riordan (2010, pp. 210–217, 267–268, 336) and O'Riordan and Zmuda (2015). For clarification, the raw data upon which all of these findings are based have been documented.

in-depth interviews, provided valuable insights and serve to inform and improve the first initial research framework prototype, which was developed exclusively from secondary data. These insights facilitated revision of the first framework prototype, which resulted in the development of a second framework.²⁵

To elaborate, the initial desk-based research framework prototype (presented in Fig. 5.3) indicated the general salience of the selected components. It comprised a conceptual diagrammatical framework depicting the core influencing factors involved in the stakeholder relationship management process, as well as the main strategic management steps undertaken by business managers within the pharmaceutical industry. It proposed a series of four interrelated domains including context, stakeholders, event, as well as management response, which were subdivided into a strategy development and implementation phase. Based entirely on a comprehensive review of the literature in the field, the contention in constructing this structured, systematic, and comprehensive overview of the sustainable stakeholder relationships management process was that these four purposefully selected domains were of particular significance. In order to facilitate and enable the examination of the sustainable stakeholder management practices found within the pharmaceutical industry, these elements were interpreted to depict both the operating landscape and the determinants of stakeholder power (e.g. Fraser & Zarkada-Fraser, 2003; Pfeffer & Salancik, 1978, Porter, 1985), requiring consideration when devising a sustainable strategy for stakeholder engagement activities.

The underlying rationale for selecting those elements was based on the literature, which suggested that these domains could play a role as key determining factors of sustainable stakeholder relationship management from a corporate perspective. Consequently, the original framework was designed to set the scene for the entire stakeholder relationship management process (O’Riordan, 2006, 2010; O’Riordan & Fairbrass, 2008, 2014). The key selected elements, which this desk-based research framework proposed, were assumed to require attention when managing stakeholder engagement activities based on the rationale that the previously available literature suggested they could be useful (O’Riordan, 2006; O’Riordan & Fairbrass, 2008). Because the chosen domains highlighted many of the concerns with respect to the management of sustainable stakeholder relationships which were identified in past scholarship, it was viewed to represent a relevant first step in sustainable stakeholder relationship management from a corporate perspective.

However, because it was built entirely upon secondary research, the initial explanatory framework was limited. The specific elements of the conceptualisation, which were selected for their merit in achieving a broad-ranging coverage of the issues which decision-makers may encounter when attempting to manage their stakeholder relationship activities (see O’Riordan, 2010, pp. 53–96), could merely

²⁵For further details on the successive development stages of the framework conceptualisation, please refer to Fig. 6.3 which illustrates this process as stages 1 and 2 in an overview of the development phases.

be interpreted as hypothetically essential elements only. To address this limitation, the first management framework prototype clearly required empirical testing to gather detailed evidence about the practices, processes, and relationships in sustainable stakeholder management for the target group (O’Riordan, 2010; O’Riordan & Fairbrass, 2014). The evidence obtained from the empirical findings presented in this chapter furnished that data.

7.6.2 *Empirical Evidence Successively Employed to Test the Framework Versions*

7.6.2.1 Overview

The fresh empirical data presented in this chapter, which was gathered in the period between 2006 and 2010, provides an information base of evidence to assist in testing the original conceptual framework presented in Fig. 5.3 of this book. The remainder of this section elaborates in greater detail on how the findings inform the original framework prototype with respect to the three research questions.²⁶

7.6.2.2 Stakeholder Relationship Management Practices

The results, which reveal the stakeholder management and engagement practices of the target group with respect to each of the six codes, help to improve the original conceptualisation by informing three elements of the initial research framework, including ‘stakeholders’, ‘management response’, and ‘event’.

The findings with respect to stakeholder relationship management in the pharmaceutical industry on the theme of *terminology* crucially furnish fresh insights exposing the labels which are employed by the target group to signify their concept of responsible management. The evidence identified concerning the evolving, diverse range of frequently individualised terms serves to illuminate the ‘management response’ element in the subfactor areas ‘culture and approach’, ‘responsibility and obligation’, as well as the ‘implementation’ sub-element of the ‘CSR’²⁷ process’.

The data with respect to the code *stakeholders* contributes new evidence which most importantly informs both the ‘stakeholders’ and ‘management response’

²⁶A more detailed version of the results presented in this book is available in O’Riordan (2010, pp. 158–330).

²⁷To clarify again, the term ‘CSR’ is employed in this chapter for brevity purposes to signify the concept of responsible management (as defined in Chap. 2) within a corporate sustainable stakeholder relationship setting. In the interest of consistency, it has been repeatedly employed to illustrate the stakeholder engagement activities of the target sample in the various texts, frameworks, and tables previously presented throughout this book.

elements of the initial research framework prototype. By explaining the complex nature of the operating environment facing the target companies when attempting to harmonise stakeholder interests and expectations and by mapping how stakeholders are actually identified and prioritised in everyday practice, the findings illustrate how the complexity involved may mean that decision-makers often do not understand how exactly (or best) to define their sustainable stakeholder relationship concept. As a result, this may signify that they are missing some key opportunities to innovatively leverage stakeholder relations to their advantage. The insights regarding stakeholder identification and prioritisation processes illuminate the 'stakeholder' element. Further, the data provides fresh understandings with respect to both the 'values' and 'alternatives' steps of the CSR strategy development phase of the 'management response' element.

The findings addressing the code *communication* furnish new insights, which serve to inform both the 'stakeholders' and 'management response' elements of the initial framework prototype. More specifically, the stakeholder element is illuminated by insights which describe and explain certain aspects of stakeholder behaviour in communication/dialogue, such as, for instance, their sceptical stance. The data further informs the subfactor 'communication' in the 'implement/control' step of the CSR strategy development phases of the 'management response' element of the initial research framework prototype. This includes aspects such as high visibility when communicating their activities to their stakeholders. Importantly in this regard, the paradox of rhetoric versus the actual practices undertaken is identified as both a management issue and a potential barrier to effective stakeholder communication.

The results with respect to the code *organisation* contribute to the literature by concretely informing two elements of the conceptual framework. The fresh evidence regarding the organisational approach to stakeholder management presented in this chapter establishes the foundation upon which the entire concept of stakeholder engagement/dialogue is (or is not) integrated (at all levels and across all business functions) into active practice (see previous point). This informs the initial framework prototype in two ways. First, it allows revision of the 'event' element on the aspect 'activity undertaken/business division'. Second, it reveals important information in key areas of the 'management response' element. In this regard, both subfactors 'approach to stakeholders' and the first phase of the strategic development subfactor 'values' under the 'CSR process' are illuminated.

The cumulative fresh empirical data presented on the code *projects/activities* exposes the specific stakeholder practices of the target sample. This helps by informing the initial framework version on both the 'event' and 'management response' elements. More specifically, the evidence which reveals the specific activities undertaken/issues involved with respect to healthcare matters allows revision of the 'event' element. Further, the 'management response' element is tested via data which explains the subfactor 'responsibility/obligation', as well as the first phase of strategic development subfactor 'strategy selection' under the 'CSR process' aspect.

The findings presented on the code *expectations* additionally serve to inform the ‘management response’ element of conceptual framework. Specifically, they suggest expected benefits, such as an improved corporate image and employee motivation. Importantly, a stakeholder-orientated purpose (communicated under various labels including CSR) is identified to be perceived by many respondents as a cost to the business. By explaining the benefits expected by the target group from investing resources in stakeholder activities, this data facilitates revision of the subfactor ‘output’, under the implementation (phase 2) of the ‘CSR process’.

To sum up, by examining the stakeholder relationship management and engagement activities of the target group on the codes presented above, the findings presented previously in this chapter deliver insights with respect to how, as well as to some degree, the reasons why the target group chooses to engage with its stakeholders on these practices in the way it does. These results establish a detailed background database of information, which significantly helps to improve the original version of the initial research framework prototype (O’Riordan, 2010, pp. 207–209).

7.6.2.3 Anglo-German Examination of Practices

The fresh empirical data, which furnished evidence to examine for potential similarities and differences in the identified stakeholder relationship practices of the target group with respect to each of the six codes, additionally help to improve the initial research framework prototype by informing all four of its elements.

The combined evidence presented in this chapter, which investigated potential similarities and differences in the *terminology* employed in the UK and Germany, informs three elements of the original framework. The ‘management response’ element regarding stakeholders’ expectations and implementation is informed by the differences identified with respect to more frequent use of the terms ‘CSR’ and ‘sustainability’, as well as greater diversity in choice of terminology in Germany. Further, the fresh evidence with regard to behaviour within particular geographical areas informs the ‘event’ element. In addition, the data presented inform the ‘context’ element by exposing aspects on the influence of external conditional issues on the adopted approach. This theme is addressed in greater detail in the subsequent section.

The data addressing *stakeholders* additionally inform all four elements of the original framework. Specifically, they illuminate the ‘stakeholders’ element by providing insights regarding possible differences with respect to ‘identification and prioritisation’. The evidence informs the ‘management response’ element by highlighting variations regarding business culture which impacts how stakeholder response is managed locally. Additionally, these findings facilitate examination of the ‘event’ element regarding geographical area, as well as the ‘context’ element with respect to external/contingent/conditional issues, such as the PEST factors, stakeholder expectations, and media influence.

The collective results on the code *communication* similarly contribute new insights which inform all four elements of the conceptual framework. Specifically, the evidence highlighting differences due to stakeholder perceptions and the requirement for local sensitivity facilitates re-examination of the 'management response' element concerning the process aspects of 'values' and 'implementation'. Further, these and additional insights relating to business culture/expectations aspects of stakeholder relationship management practice additionally inform the elements 'stakeholder expectations' and 'implementation'. The evidence regarding local sensitivities facilitates examination of the 'activity' factor in the 'event' element. Finally, the 'context' element is informed by evidence relating to regional similarities and differences.

The combined evidence with respect to the code *organisation* informs three elements of the conceptual framework. First, it facilitates revision of the 'management response' element by illuminating aspects related to the complex scope and nature of 'business culture and approach' for this target group. This includes fresh insights into which departments respond to stakeholder enquiries and the seniority of response partners. It additionally informs the 'CSR process' sub-element 'CSR strategy development' by investigating various aspects of organisational alternatives. This involves, for instance, choices regarding whether to adopt a centralised/decentralised organisational approach and/or an integrative/philanthropic response. Second, by examining regional aspects, the insights provided with respect to cultural diversity inform the 'event' element on 'activity undertaken'. This encompasses the insights on the tendency for higher formality and a greater aversion to firms generating high profits in Germany. Third, this evidence informs the 'context' element by suggesting that key aspects of the identified differences in organisational approach between UK and German affiliates are triggered by differing local market needs and management methods. This theme is addressed in greater detail in the subsequent section.

The combined results presented in the *projects* section additionally inform all four elements of the initial framework prototype. By presenting data with respect to which projects are undertaken and what the degree of dialogue is practised, the findings illuminate the 'management response' element regarding both subfactors of the CSR process sub-element 'alternatives' and 'implementation'. The results additionally inform the 'context' element by exposing differences in underlying external conditions, such as local legal regulations, as well as economic and social contingent aspects. The findings further facilitate a re-examination of the 'event' element (regarding activity undertaken) by furnishing insights with respect to the projects and other activities undertaken in different regional areas. Moreover, these findings (more indirectly) inform the 'stakeholders' element (regarding expectations) by highlighting how contextual variations may influence perceptions regarding rights and obligations. These themes are addressed in greater detail in the subsequent section.

Finally, the findings with respect to *expectations* serve to inform both the 'context' and the 'management response' elements of initial framework prototype. By identifying potential underlying contingent differences between the two

countries with respect to perceptions regarding what determines value, the findings inform the 'context' element. While the effect of these aspects are addressed in greater detail in the next section, these indications of cultural diversity possibly additionally expose potential varying notions with respect to the underlying concept of stakeholder relationship management followed by decision-makers in both countries. Accordingly, these results inform the 'management response' element. Significantly, a stakeholder orientation is similarly perceived by many respondents as a cost to the business. By explaining the benefits (or lack of same) expected by the target group from investing resources in responsible management activities, this data facilitates revision of the subfactor 'values' under the strategy development (phase 1) and 'output', under the implementation (phase 2) of the 'CSR process'.

To sum up, the results obtained in the Anglo-German examination of the potential similarities and differences in the target groups' stakeholder relationship management practices considerably help to improve the initial first version of the research framework prototype (O'Riordan, 2010, pp. 264–267).

7.6.2.4 Influencing Factors on Stakeholder Relationship Practices

The new insights, which focus on identifying the potential influencing factors driving the stakeholder relationship management practices of the target group with respect to each of the six codes, additionally help to improve the initial research framework prototype. By providing fresh evidence with respect to the explanatory circumstances, this data valuably informs all four elements of the original framework.

The data which help to reveal the potential factors influencing the choice of *terminology* employed by the target group predominantly facilitates re-examination of the 'context' element of the initial framework prototype. This element relating to external contingent conditional issues, including PEST factors and industry, is improved by the findings which reveal evolution in expectations regarding the role of business in society and additional cultural factors (such as history, politics, and language). Furthermore, the evidence addressing business activity and objectives serves to inform the 'event' element.

The results addressing *stakeholders* inform all elements of the initial version of the framework prototype. First, re-examination of the conditional contingent aspects of the 'context' element is facilitated by data exposing evolution in societal expectations regarding stakeholder rights and obligations, as well as cultural contextual factors (e.g. welfare state, economy, local reaction). Second, the 'management response' element is informed by insights which suggest that stakeholder prioritisation and engagement are influenced by a company's evolutionary stage of stakeholder relationship (responsible management) development. Further, revision of both the 'stakeholder' and 'event' elements is possible based on data which reveals how aspects relating to business activity, task at hand, and outcome expectations can affect stakeholder management responses. Importantly, these findings trigger the requirement to expand the original framework to include new

conceptualisations which more specifically address both external contextual operating variations and differences in the responsible management concept followed by decision-makers based on their evolutionary stage of development.²⁸

The combined evidence with respect to the *communication* code similarly facilitated re-examination of all four elements of the initial framework prototype. First, the data presented with respect to stakeholders' evolving understanding of local (mis)perceptions as well as the PEST factors' influence on stakeholder communication practices serve to inform the 'context' element. Second, the evidence regarding the influencing effect of business profile, activity, and aims inform the 'management response' element. Third, the data provide explanations concerning the 'stakeholders' element regarding the factors potentially influencing their expectations (such as their culture and their perception of terminology). Fourth, the data furnish insights on how specific 'events', including the health aspect of their business activity, as well as the nature of their product development (e.g. animal testing, controversial research methods), may influence the target group's stakeholder communication practices. Importantly, the findings regarding how stakeholder communication practice is managed (e.g. in the form of policies which actually block stakeholder dialogue) trigger the requirement to substantially revise the existing framework on this aspect.

The triangulated evidence with respect to the code *organisation* similarly informs all elements of the initial framework prototype. By identifying and explaining the significant role played by internal company values, it facilitates revision of the 'management response' element. Specifically, the evidence helping to explain decision-makers' (evolving) opinions about responsibility and obligation, as well as the corporate approach to stakeholder interests, informs the management response sub-elements 'CSR process', in terms of 'CSR strategy' and 'values development', as well as the 'stakeholder' element. In highlighting the influence of business profile and PEST factors, these results inform the conditional contingent aspects of both the 'context' and the 'event' element. Essentially, this evidence suggests that individual employee motivation/interest primarily determines personal values. This indicates their potentially important role in defining the stakeholder orientation (e.g. responsible management concept) or leadership approach adopted by the company. Importantly, the uncertainty identified regarding how to most optimally organise responsible management in practice, as well as calls for improved sustainability (i.e. a more integrated organisation of the TBL/TTL at operational level) in the current approach, prompts the requirement to both revise and expand the initial framework prototype.

The evidence with respect to the *projects* code primarily informs the initial framework prototype in two ways. First, the results helping to explain how the external conditional contingent aspects (including regulations, taxation laws, and societal need) could play a role in determining which projects are chosen, facilitate revision of the 'context' element. Second, the influence of internal

²⁸For further details please refer to O'Riordan and Fairbrass (2014).

(company-specific) factors (such as the organisation/governance approach), as well as the identified salience of the need for training, and the evolving nature of the (philanthropic and integrative) projects chosen, all inform the ‘management response’ element (more specifically the ‘CSR process and strategy’) of the initial framework prototype.

Finally, the findings with respect to *expectations* further serve to inform all elements of the initial framework prototype. First, the underlying internal and external contextual factors identified to potentially interactively influence stakeholder relationship practices may help to explain why responsible management is often perceived to be ‘ineffective’ from a corporate perspective. The evidence with respect to the expectation code accordingly facilitates revision of the ‘management response’ element with respect to decision-makers’ business approach to ‘CSR process, strategy, and values development’. Further, the findings, helping to illuminate the effect of leadership mind-set on perceptions regarding what determines value, highlight important issues with respect to definitional uncertainty and measurement challenges. These data prompt the need to improve the initial framework prototype to address these matters more explicitly. In addition, the evidence helping to expose the influence of external PEST factors serves to inform the ‘context’ element. Further, the respective data on business profile/activity and on roles and expectations illuminate both the ‘event’ and ‘stakeholders’ elements.

To sum up, by examining the factors which influence how the target decision-makers manage their stakeholder relationship activities based on the selection of six codes presented above, these results help to improve the original version of the initial desk-based research framework prototype.²⁹ Crucially, these results expose the requirement for alteration and expansion to that original conceptualisation. This includes the necessity to change the original framework prototype itself, as well as the requirement for new conceptualisations, which more precisely define stakeholder relationship management in differing operating contexts and more specifically examine the evolutionary stages of stakeholder management response (O’Riordan, 2010, pp. 332–335).

7.7 Revised Responsible Management Framework (Version 2)

7.7.1 Overview and Component Outline

The findings outlined in the previous sections ensuing from the successive stages of empirical evidence presented in this chapter facilitated the critical examination of the original framework prototype. These new insights served to inform and improve

²⁹For clarification, a more detailed version of the results presented in this book is available in O’Riordan (2010, pp. 270–330).

that first initial research framework prototype version, which was developed exclusively from secondary data. The resulting development of a second framework is the focus of this section.³⁰

This section presents, describes, and explains this second updated responsible management framework. Given the weaknesses highlighted in the past scholarship in earlier chapters which triggered the development of the first framework prototype, the principal objective was to design a framework capable of representing the core influencing factors involved in the organisational process (i.e. why), as well as the main strategic management steps undertaken by business managers (i.e. how), and which could be employed to examine the corporate practices found within the pharmaceutical industry. The resulting framework presented below derives from the qualitative, exploratory data obtained over a 6-year period via multiple research methods³¹ presented in this and previous chapter.

Figure 7.2a depicts the second conceptual framework diagrammatically (O’Riordan & Zmuda, 2015). The Framework for Responsible Management comprises a series of the four interrelated, interactive, synergic elements, which are designed to comprehensively conceptualise how decision-makers manage their stakeholder engagement activities. Figure 7.2b illustrates the conceptual framework components: context, choice, calculation, and communication in greater detail.

The following sections now present and explain these framework components in greater detail.

7.7.2 *Management Framework Component: Context*

The findings suggest that when managing sustainable stakeholder relationships, the *context* first requires attention. More specifically, consideration of contextual factors enables the integration of an inclusive stakeholder perspective in strategic business planning. As a first step in fostering sustainable value creation for all interest groups throughout the entire value chain, examination of the specific operating context identifies for decision-makers both those interest groups, which might be impacted by their business decisions as well as, conversely, which groups’

³⁰For further details on the development phases of the research framework, please refer to Fig. 6.3, which depicts the initial framework prototype version as stage 1 and the second framework presented here in this section as stage 2 of conceptualisation development phases.

³¹The primary research, which was completed between 2005 and 2010, employed a range of research methods including the documentary analysis of 36 company websites and reports, a telephone survey of 46 companies, observation of the stakeholder relationship management practices of 142 firms, and 18 in-depth interviews with senior managers from leading pharmaceutical companies (for further details, please refer to the previous sections of this chapter, the research design in Chap. 6, and O’Riordan (2010)).

actions might potentially impact their business. The fundamental premise underlying this first step is the understanding that in today’s highly ‘transparent’ and ‘connected’ operating environment, business relies on an ‘accepting’ and ‘healthy’ society (i.e. a licence to operate (e.g. Ulrich & Fluri, 1995)). In order to ‘legitimise’ its business activities to ensure its sustainable operation in the medium to long run (e.g. Campbell, 2000; Gray, Kouhy, & Lavers, 1995, p. 52; Haniffa & Cooke, 2005,

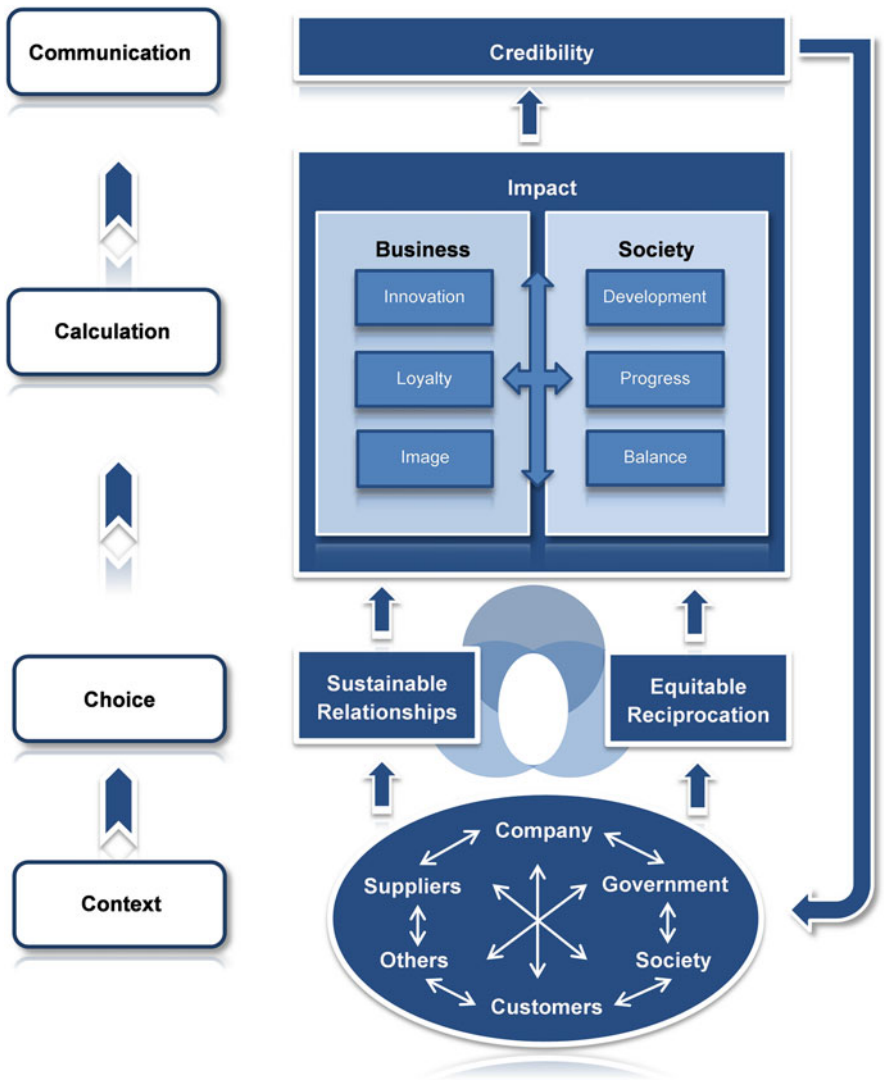


Fig. 7.2 (a) Framework for Responsible Management—Overview of Version 2. Source: O’Riordan (2010, p. 352), O’Riordan and Fairbrass (2008, 2014), and O’Riordan and Zmuda (2015, p. 481)

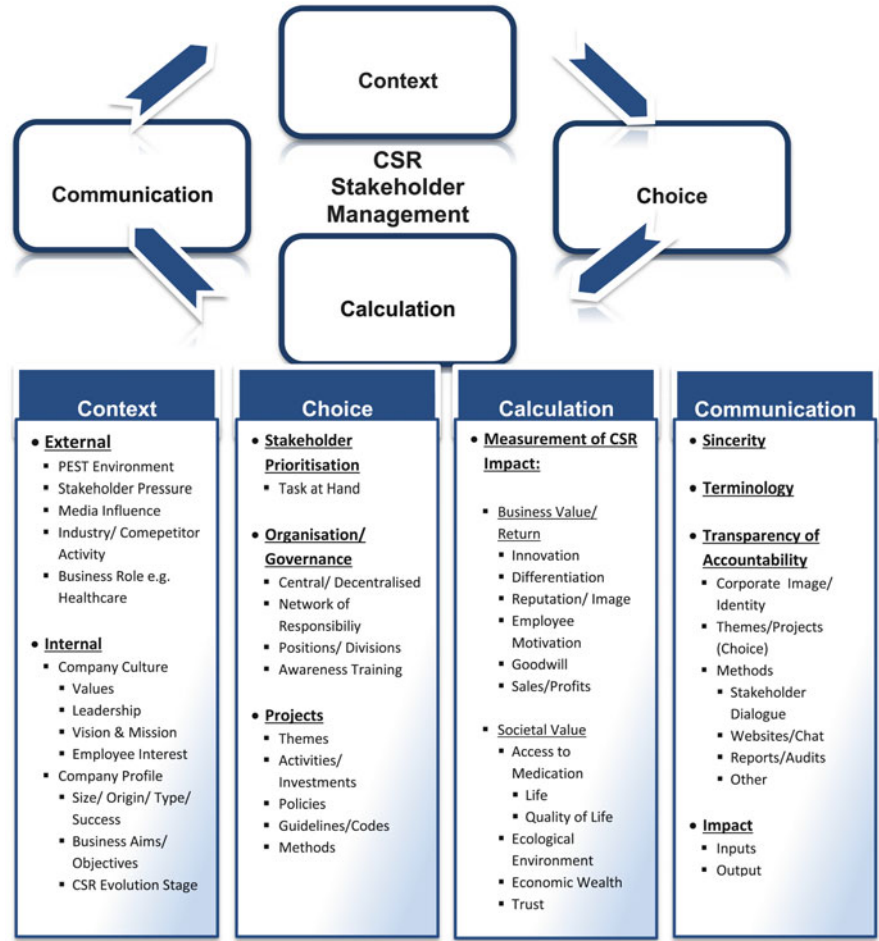


Fig. 7.2 (continued) (b) Framework for Responsible Management—detailed Version 2. Source: O’Riordan (2010, pp. 358–362), O’Riordan and Fairbrass (2008, 2014), and O’Riordan and Zmuda (2015, p. 482)

p. 3; Lindblom, 1994; Stark, 1994; Woodward, Edwards, & Birkin, 2001, p. 357), consideration and regard for key stakeholder groups, such as customers, employees, the local community, etc., are becoming increasingly paramount. Crucially, this recognition prompts the requirement for a management mind-set transition from an exclusive profit maximisation purpose for the business to one which appreciates the enormous opportunities inherent in the social and ecological needs of mankind as the decisive starting point for business intent. This triggers a new approach in the way in which strategic business solutions are conceived, including strategic management aspects, such as purpose/intent/values/vision/mission. The resulting comprehensive inclusive review of the external (macro and industry determinants), as well as internal (operating environment of resource-based conditional aspects, such

as tangible and intangible assets, as well as leadership, values, organisational culture, etc.), ‘sets the stage’ for transparent identification of both the ‘players’ and ‘playing field’ on which business strategy is then designed and performed (please refer to Fig. 7.2b for further details). Similar to the way in which a chess player might first identify and set ‘chess pieces’ on a ‘chess board’, the ‘game’ is now ready to ‘start’ within the firm fundamental foundation of a sustainable strategic approach for generating commercial TBL or TTL value.

7.7.3 Management Framework Component: Choices

In the second step, from the platform of the ‘stage’ which has now been set in the first context step, the *choices* which decision-makers deliberate when responding to their perceived responsible approach of harmonising stakeholder’s (frequently varying and often conflicting) interests are now ‘created’ and then ‘enacted’ or ‘performed’. Crucially, this step presumes the inherent motivation of the individual decision-maker to generate sustainable, transparent, accountable, forward-thinking, business strategies aimed at achieving inclusive relationships and equitable allocation (reciprocation) of the wealth created. They do so based on the rationale of the TBL/TTL approach which is depicted in this step by the three circles. Notably, this mind-set determines the key difference between traditional business approaches, which were limited to economic value goals (Friedman, 1970) or transaction cost economics (e.g. Williamson, 1979, 1985), and a more forward-looking imaginative approach focused on sustainable TBL aims. Most importantly, in this step, it is at the point of interface (or ‘white space’) between social, environmental, and economic factors that new, imaginative, sustainable business opportunities are anticipated to arise in the form of unforeseen collaborations and alliances propelled by innovative entrepreneurial potential. In particular, this step concretely focuses on themes, such as deciding about stakeholder prioritisation, organisation/governance, and the projects or activities undertaken, through which resources are invested to fulfil TBL objectives (see Fig. 7.2b for further details).

7.7.4 Management Framework Component: Calculation

The third step depicted in Fig. 7.2a, b is *calculation*. This component of sustainable management highlights the pragmatic need for business decision-makers to measure the impact of the resources they invest in their stakeholder relationship activities. In line with the TBL principles, this calculation focuses on return *both* to business and society (see Fig. 7.2b for further details). Critically, the requirement for a transition to a new management ‘mind-set’, which was addressed in greater detail in the context section above as a driving force for achieving sustainable business solutions, denotes a significantly improved conversion of company

resources than traditional business approaches (which are limited by their focus in the first instance on a narrow profit orientation). Consequently, this approach presumes that investing business resources, with a view to addressing social or ecological needs in the first instance, leverages company competences and other resources far more effectively than conventional strategies. This ensures that organisational resources serve as a much more powerful catalyst for social progress. Given the huge potential need in society for innovation to address pressing issues including climate change, poverty, health, and education, among others, this approach presumes even greater profits for business resulting from the positive impact generated for a broader range of stakeholder groups, than is the case in the previous exclusively profit-orientated approach. Crucially, the impact for *both* business *and* society is thereby maximised.

7.7.5 Management Framework Component: Communication

The fourth step in Fig. 7.2a, b is *communication*. It advocates that only after the other three elements of stakeholder relationship management have first been systematically, thoroughly, and realistically addressed should communication to internal and external stakeholders be commenced. Significantly, if done right, this step could establish the necessary credibility and trust that is born of sincere values for driving sustainable business impact on society in a measurably transparent way (see Fig. 7.2b for further details). Ultimately, such accountability could illuminate and pave the way for enhanced stakeholder relations which could generate auxiliary opportunities in the loop back to the context component enabling a self-sustaining process (O’Riordan, 2010). In this regard, it is worth noting that consideration for the inclusion and development of innovative new relationships (via partnerships, collaboration, etc.) with stakeholders is documented to comprise one of the integral elements of corporate reputation or identity (Ethical Corp, 2009; Schreyögg & Werder, 2004, pp. 1262–1263; Schwalbach, 2000).

7.8 Case Study: Stakeholder Relationship Management at Johnson & Johnson

7.8.1 Ongoing Framework Development

The findings from the four data collection methods presented in previous sections provided insights to inform and improve the first initial explanatory framework prototype (Version 1), resulting in the second version of the framework (Version 2). To further test and develop the management framework, additional data were subsequently gathered in 2014 in a second round of in-depth expert interviews

with executive decision-makers from a leading transnational company.³² This detailed case study of the Johnson & Johnson pharmaceutical company furnished fresh insights³³ into the usefulness of the new updated framework (Version 2) which was presented in the previous section. This supplementary phase of testing ultimately resulted in the requirement for additional refinement to the second framework, leading to the third framework update (Version 3).³⁴

7.8.2 *Introduction to the Case Study*

This section builds on the previous data findings by applying problem-solving techniques both theoretically and empirically to present qualitative evidence obtained via a case study of a leading transnational corporation in the pharmaceutical sector. The data were collected via a series of in-depth interviews undertaken in 2014 with senior company directors and representatives, who play a relevant role in stakeholder relationship management at Johnson & Johnson's UK and German affiliates.³⁵ The case study facilitates a closer examination of why and how this specific company manages and organises its stakeholder relationships in practice. Ultimately, this examination serves to test whether the framework, which was proposed in the previous section, adequately depicts/reflects the key steps in stakeholder relationship management.³⁶

The Johnson & Johnson Corporate Citizenship Trust [hereafter expressed as 'The Trust'] is a company limited by guarantee and a registered Scottish charity. This Trust operates the responsible business activities of the Johnson & Johnson family of companies across Europe, the Middle East, and Africa (EMEA). The respondents claim that this reflects Johnson & Johnson's commitment to improve the quality of life of the communities in which its employees live and work (Johnson & Johnson, 2014). The Trust is connected to and managed by the Johnson & Johnson family of companies in the following ways:

- It is funded by the Johnson & Johnson family of companies as part of their corporate responsibility activities in Europe, the Middle East, and Africa.³⁷
- The Board of Directors is composed of senior Johnson & Johnson employees from across EMEA.

³²For further details of the overall research design approach please refer to Chap. 6.

³³For further details please see below and refer to O'Riordan and Zmuda (2015).

³⁴Figure 6.3 depicts this third development phase as stage 3 in the overview of the successive framework conceptualisation development overview presented.

³⁵For further details on this case study as well as its positioning within the overall research design, please refer to Chap. 6.

³⁶For clarification, the findings presented here were obtained solely for the purpose of scientific research and are entirely free from any form of financial obligation, support, or expectations of any similar effect or means.

³⁷For further details please follow this link: <http://www.jjccct.org/who-we-are/annual-reports-and-accounts/>.

- Johnson & Johnson employees sit on formal and informal operating company committees and provide advice to the Trust regarding issues affecting their local communities.
- The Managing Director of the Trust is the Director of CSR for the Johnson & Johnson family of companies in Europe, the Middle East, and Africa.
- The Trust's offices and facilities are provided by the Johnson & Johnson family of companies (Interview, 2014).

The respondents highlight how this Trust, which emerged in 2007 as part of Johnson & Johnson's evolving social response,³⁸ establishes the legal background which circumvents many of the corporate governance issues typically faced by business executives seeking sustainable solutions to TBL management challenges (Interview, 2014).

For clarification, as explained in the methodology section in the previous chapter, this unique feature of the Trust, which manifests itself as a legal entity facilitating an 'unlikely' combination of platforms for innovative stakeholder alliances, is the reason for the choice to purposefully focus the research study on this aspect of the Johnson & Johnson responsible management activities. Focusing on the Trust facilitates the specific study of mechanisms which serve to legitimise the goal to achieve a stakeholder orientation as opposed to the narrower shareholder focus, which is the legal governance focus of all conventional business models (see O'Riordan & Zmuda, 2015, pp. 486–487 for further details).

7.8.3 *Why Johnson & Johnson Undertakes a Stakeholder Strategy*

To establish *why* Johnson & Johnson undertakes a stakeholder strategy within the context of what it labels 'corporate citizenship activities', the findings presented in this section examine both external and internal influencing factors to identify the issues or triggers, which motivated Johnson & Johnson to adopt a stakeholder engagement approach for the time period 2006 to 2018.³⁹

³⁸For further details please refer to: <http://www.jnj.com/sites/default/files/pdf/cs/2015-JNJ-Citizenship-Sustainability-Report.pdf>

³⁹Given the emphasis on the Johnson & Johnson Corporate Citizenship Trust as the object of analysis for this study, this investigation primarily focuses on the time period since the trust was established in 2007 to its strategic objective mandate in 2018. Nevertheless, the findings presented in this section have evolved within the context of the more general philanthropic activities which emerged 16 years ago that were pursued by Johnson & Johnson. According to the respondents, driven largely by broad-brush, universal principles of moral duty, these activities focused predominantly on corporate giving and an environmental programme, which established the basis for a global strategic framework for corporate contributions. This led to the adoption of the umbrella term 'corporate citizenship' to convey all activities of this nature within the Johnson & Johnson family of companies.

External social trends influence the industry as a whole to adopt a stakeholder strategy. According to the International Millennium Poll on CSR:

Many citizens worldwide expect more from companies than a narrow focus on profits, providing jobs and obeying the law. Citizens expect them also to set a high ethical standard and contribute actively to social initiatives. Consequently, the question of universal access to medicine within society is (and always was) central as it impacts on social welfare. Some aid and development policies are incentivizing the industry to commit more broadly to development and access to medicine in the developing world. (Millennium Development Goals, 2014)

In order to examine these social trends more closely, the driving forces from the firm's *external environment* were examined using the PEST Framework (e.g. Aguilar, 1967). This resulted in the identification of demographic and social factors, as well as those forces at industry level which influence Johnson & Johnson's stakeholder activities.

To elaborate, the interview (2014) revealed that external demographic trends either directly or indirectly related to health inequalities, including gender, age, ethnicity, language capabilities, disabilities, mobility, home ownership, employment status, religious belief or practice, and income level in conjunction with the burden of illness (in particular in areas of diseases associated with stigma, e.g. non-communicable disease), present significant opportunities to explore integrated business solutions to tackle these societal challenges. Focusing on the Trust, which operates based on a public mandate as an independent and a non-profit organisation (see above for further details), the influence of political, economic, and technological factors is deemed by the respondents to be of less direct relevance in this context. The results reveal that external forces at industry level additionally influence Johnson & Johnson's stakeholder activities. More specifically, the respondents consider that a shift in the focus from product to health outcomes has triggered a recent transition in the pharmaceutical industry. They state that the move towards an evidence-based, outcomes-focused, behaviour-driven world represents a key transformation for the pharmaceutical industry business model in general. This results in several implications including the requirement for improved 'connecting' of information, as well as co-creation and community engagement.

In summary, the driving forces from both the external demographic and social, as well as the industry trends noted above highlight the requirement for collaboration in a cross-sector (multi-stakeholder) network approach which is leading to unlikely alliances. Such new ventures enable innovative ways both to exploit the opportunities and minimise the risks of the factors identified for all stakeholders from both public and private sector interest groups (Interview, 2014; O'Riordan & Zmuda, 2015, pp. 488–489).

In the quest to establish *why* Johnson & Johnson undertakes stakeholder engagement, focusing now on the company as the unit of analysis, the findings identified some *internal triggers* which influenced Johnson & Johnson to adopt what it labels

its ‘corporate citizenship’ strategy for the defined time frame.⁴⁰ In particular, the main changes identified by the respondents include its strong company culture driven by the Johnson & Johnson credo⁴¹ (i.e. the values which guide all Johnson & Johnson decision-making). According to the respondents, this credo challenges decision-makers in the company to put the needs and well-being of the people they serve first. The respondents advocate that the company culture and ensuing employee awareness which this credo generates significantly impact the way Johnson & Johnson does business in three key areas including human resource management, organisational structure, as well as management and leadership. In summary, the respondents revealed in the interview that the internal driving forces for all Johnson & Johnson business actions originate from the credo values which establish the basis for all its activities (Interview, 2014; O’Riordan & Zmuda, 2015, p. 489). Precisely how this manifests itself in specific terms is addressed in greater detail in the subsequent section which focuses on explaining more concretely how the company organises itself to act responsibly.

7.8.4 How Johnson & Johnson Undertakes Its Stakeholder Strategy

To establish *how* Johnson & Johnson undertakes its stakeholder strategy within the context of what it labels its ‘corporate citizenship (CC) activities’, the findings presented in this section ascertain the Johnson & Johnson approach. The interview findings reported by the respondents reveal that the Johnson & Johnson company prioritises its stakeholders on an internal versus external basis in a highly decentralised approach, which is decided on a local basis and driven by the focus of the circumstantial needs/opportunities in that setting. Because the key driver of the corporate citizenship activities at Johnson & Johnson in the EMEA region is the Trust, the remainder of this section now focuses on decision-making processes related to how CC strategies are operationalised via the Trust.

Those programmes receiving investment support are determined on a merit-based approach, which allows for the best projects to be picked and supported in a co-funding arrangement where 50% of the funding comes from the applying

⁴⁰This investigation primarily focuses on the time period since the trust was established in 2006 to its strategic objective mandate in 2018.

⁴¹According to the Johnson & Johnson website, Robert Wood Johnson, a former chairman from 1932 to 1963 and a member of the Company’s founding family, crafted the credo in 1943 just before Johnson & Johnson became a publicly traded company. This was long before the terms ‘corporate social responsibility’ or ‘corporate citizenship’ became ‘popular’. The company considers this credo to comprise more than just a moral compass but rather a recipe for business success. The respondents consider the fact that Johnson & Johnson is one of only a handful of companies that has flourished through more than a century of change, to present evidence for this claim. For further details, please refer to <http://www.jnj.com/about-jnj/jnj-credo#>.

Johnson & Johnson entity and 50% from the Trust. The length of these partnerships can be for up to a 3-year period after which the aim is that the project either becomes self-supporting or can reapply for funding. The management tools employed to manage this comprise an integrated information technology (IT) system for the grant application process, communication, and reporting of the impact generated. According to internal company data, this approach resulted in 140 projects across EMEA in 2012 in 35 countries and more than 800 worldwide.⁴² Since that time, Johnson & Johnson has undergone a transition as part of its new strategy. Aiming to become more focused and make a greater impact with the resources it invests, it has moved away from measurement of the quantity of programmes to longer term, more sustainable partnerships. According to the respondents, this denotes a move towards more high quality partnerships with a focus on transformation rather than transactions. Aligned with the Johnson & Johnson Worldwide Corporate Contributions Strategy, this approach consists of three pillars, each with its own designated strategies. Within the context of these pillars, the Trust focuses on five key strategies to achieve cohesion to the 2018 Trust Strategy across EMEA. More specifically, according to the respondents, the three pillars of this strategy include:

- Under Pillar 1: *Saving and improving the lives of women and children*—The Trust focuses on improving maternal and infant health and promoting the health and development of children and youth.
- In Pillar 2: *Preventing disease in vulnerable populations*—The Trust aims to increase access to integrated solutions that prevent the onset of chronic conditions and support those coping with them.
- For Pillar 3: *Strengthening the healthcare workforce*—The Trust's imperative is to advance the skills of health workers and community members who care for the underserved and to improve leadership and management in healthcare systems.

(Interview, 2014)

This strategy is exemplified through:

- Social entrepreneurship with a focus on innovative solutions to social/societal issues.
- Increased partnering between actors (businesses, NGOs, NPOs, and public services).
- Capacity building in emerging markets to improve health outcomes of vulnerable populations.

Within the context of this transformation, the respondents state that the public and private sectors are converging to form what could be termed a 'solution economy', which is manifesting itself in emergence of new opportunities, such as

⁴²For clarification, these figures are based on an 'old' approach of country-based budgets, which did not include co-funding. For further details, please follow this link to the annual report, which provides a financial overview: <http://issuu.com/trust2013/docs/johnson-johnson-corporate-citizensh/1?e=8440982/2937331>.

unlikely alliances. To elaborate, this comprises solution-focused business collaborations enabling successful cross-sector partnerships across a wide range of areas from developing and distributing vaccines to accelerating emergency response efforts. Such collaborations have shown that public, private, and non-profit entities can work together effectively to address global development challenges. Significantly in this regard, the respondents state that development sector organisations increasingly look to companies not only for financial resources but also for access to their skills, knowledge, capital, and networks, in order to generate the most effective social progress.

The respondents advocate that a significant feature of the Johnson & Johnson CC activities, and therefore the Trust's focus with respect to its stakeholder concepts and strategies (as well as the resulting systems, organisation, and projects), is the influence which the credo 'breeds' as a fundamental basis for company culture. They claim that this impacts employee awareness, which in turn determines the way the company does business in three key areas including organisational structure, human resource management, as well as leadership and the management system.

Focusing on these areas in greater detail, the respondent's highlight relevant changes in the Johnson & Johnson *organisational/governance structure* as a result of its evolving CC strategy, in which the Trust aims to maximise its impact by professionalising, guiding, and supporting the Johnson & Johnson operating companies in the EMEA region. According to the respondents, the company achieves this through its focus on the following four areas:

- Partnerships—Impacting people's lives by empowering strategic and innovative partnerships.
- Knowledge transfer and people engagement—Connecting people in joint causes to communities and inspiring networks to make a sustainable difference to society that positively impacts peoples' lives.
- Discovery and development—The Trust as an agent of change and innovation investing in entrepreneurial and impact-driven solutions.
- Trust services—The business partners who support responsible processes and systems (Interview, 2014; O'Riordan & Zmuda, 2015, pp. 489–491).

7.8.5 The Relevance of the Management Framework for Johnson & Johnson

This section employs the new findings which emerged from the Johnson & Johnson case study via the in-depth interviews to examine the usefulness of the Framework for Responsible Management (Version 2), presented in Fig. 7.2a, b, in actual stakeholder relationship management practice.⁴³ The ensuing results reveal the

⁴³For further details of a specific project example (ColaLife™ Health to Wealth project) undertaken by the Janssen EMEA Trust and the Coca-Cola Distributing Company SAB Miller, please refer to O'Riordan and Zmuda (2015, pp. 491–493).

requirement for improvement both to the framework and to the target company's strategy. More specifically, the evidence suggests that, via the Trust, Johnson & Johnson broadly manages the translation of its stakeholder relationship activities into everyday business practice along the lines depicted in the management framework by:

- Defining both its external and internal operating *context* in line with elements depicted in the *context* component of the framework.
- Making specific *choices* and balancing its stakeholder interests according to the choice component elements of the framework.
- Calculating and measuring CC impact as outlined in the *calculation* components of the framework.
- Communicating the CC impact as suggested in the elements depicted in the *communication* component of the framework.

Consequently, the findings reveal that all *context* elements (see Fig. 7.2b for further details) are perceived as relevant determining factors of stakeholder relationship practice with the exception of media influence and industry/competitor activity. For clarification, this result is possibly related to the legal nature of the Trust and its social mandate as noted in the previous section.

The results additionally expose that the *choice* elements depicted in the framework play a role within the transformation process of practically implementing CC objectives for the target company. In particular, key aspects, including stakeholder prioritisation, organisation/governance (the credo principles), and the projects (three pillars strategy), serve to furnish evidence supporting this claim.

The study further identifies that the *calculation* elements depicted in the framework are salient for the target company. In particular, the findings which expose the Trust's focus on balancing TBL outcomes which simultaneously deliver return for both society and the business indicate of this point.

Furthermore, the interview findings suggest that the *communication* elements depicted in the framework are important within the process of translating CC objectives into practice. In particular, the role of transparency in all processes was noted by the interviewees as essential.

Overall, it could conceivably be interpreted that these findings imply that the target company generally follows the steps in the framework. This interpretation supports the relevance of the Framework for Responsible Management (Version 2), presented in Fig. 7.2a, b, in stakeholder relationship management.

7.8.6 How these Findings Inform the Responsible Management Framework (Version 2)

From a practical stakeholder relationship management perspective, the findings derived from the in-depth interviews with senior level respondents from both the Johnson & Johnson Company and the Trust indicate that the Management Framework (Version 2) under investigation possesses many of the key characteristics

necessary for practically translating the concept of sustainable stakeholder relationship management into everyday business operations. This inference is drawn from the merit of its comprehensiveness, its pragmatism, as well as its graphical depiction of the transformative potential of TBL impact. Nevertheless, the results additionally highlight two areas of required improvement to the framework in both appearance and substance. These include minor aspects with respect to the labelling/terminology employed, as well as substance issues related to the management framework's intended target audience.

First, with respect to labelling/terminology, the findings reveal that the term 'calculation' could be improved to better reflect the inclusive nature of the sustainable relationships implied in the framework. To achieve this, the new label 'contribution' is selected to replace the original term. Significantly, however, based on the rationale that their substance is considered to satisfactorily reflect the triple bottom line impact intention, apart from the inclusion of the word 'trust' in addition to the existing term 'loyalty', the other elements within this component remain unchanged. The term 'trust' is added to more explicitly reflect the nature of the new relationship between the company and society. This comprises a changed mutual partnership in which trust plays a more dominant role than power, based on improved communication between all constituents in the organisational network.

Second, regarding the target audience for this framework, the respondents advise that the framework is too complicated to communicate to employees for training purposes. Instead, an alternative approach using narrative and case studies is deemed more appropriate. Nevertheless, based on the feedback from the interviews, for the purpose of strategic planning, the framework in its current form is considered to adequately reflect the steps undertaken by a global transnational company when translating its sustainable stakeholder relationship activities via responsible management processes into business practice. Figure 7.3 in the next section graphically illustrates the updated Framework for Responsible Management (Version 3)

7.9 Updated Responsible Management Framework (Version 3)

Figure 7.3 illustrates how the new updated Framework for Responsible Management (Version 3) presents some minimal changes to the earlier framework (Version 2), which was explained in greater detail in previous sections of this chapter. For clarification, within the contribution component of the business impact, the depicted influence of innovation, loyalty, and image implies an underpinning economic rationale behind sustainable stakeholder relationship management as a key prerequisite. This manifests itself in the form of tangible impact opportunities arising from the positive relationship between the business and society, which can ultimately lead to concrete business results, such as innovative solutions via the creativity emerging from collaboration activities in new partnerships, sales increase or cost decrease due

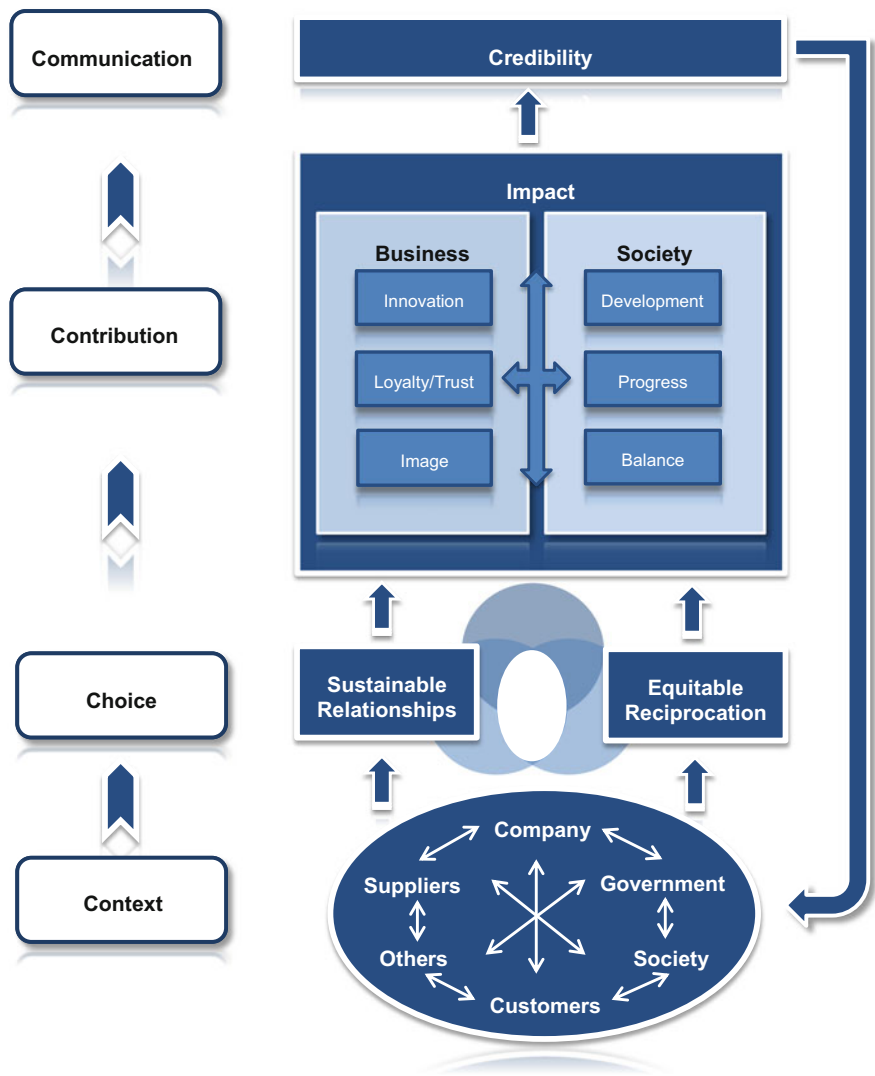


Fig. 7.3 Updated Framework for Responsible Management—Version 3. Source: O’Riordan (2010, p. 352), O’Riordan and Fairbrass (2008, 2014), and O’Riordan and Zmuda (2015, p. 486)

to improved customer/supplier loyalty, employee motivation, as well as investor attraction among others. For further clarification, within the context element, the term ‘company’ is inherently understood to include internal stakeholders and shareholders, as well as other investors in the company. Overall, the novel approach to doing business inherent in a stakeholder orientation offers the prospect to avoid the potential ‘harm’ to the business that could be evoked by the response of other stakeholders, who are unhappy with the role of the business in society.

7.10 Signposting

The knowledge gaps identified in the extant literature which triggered the need to examine more precisely the stakeholder relationship management activities of decision-makers in the pharmaceutical sector in the UK and Germany resulted in the collection of empirical, primarily qualitative data from senior business executives. The findings presented in this chapter conceivably help to fill many of the gaps in the evidence with respect to how and why decision-makers in the pharmaceutical business manage their stakeholder relationships. In revealing the practices and perceptions of senior pharmaceutical company managers, the results focused on ascertaining whether differences exist in an Anglo-German comparison of the practices undertaken, as well as to identifying the potential factors which could influence those practices. To present the data emerging from the chosen research design employing mixed methodologies collected in successive stages over a 10-year period,⁴⁴ six selected codes, which the literature indicated were relevant, were utilised to aid the data management. The codes employed to analyse and present the stakeholder relationship practices of the target group include ‘terminology’, ‘stakeholders’, ‘communication/dialogue’, ‘organisation/governance’, ‘projects/activities’, and ‘expectations’. Ultimately the insights obtained via this study were applied to test a management framework, which was successively developed, revised, and updated during the research period. This chapter explicitly addressed three of those versions. The insights with respect to the complicated nature of this framework for communicating to a target audience of managers and employees trigger the requirement for further alteration to the framework Version 3 presented in this chapter. In order to more appropriately serve in a practical management setting, e.g., for the specific purpose of assisting in management training or communication, this chapter concludes that a new framework update (Version 4) is required. That new framework version is the exclusive theme of Chap. 9. First, however, the next chapter discusses the implications of the findings presented in this chapter for the literature and management practice.

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⁴⁴Via documentary analysis of 36 company websites and reports, a telephone survey which generated 46 completed questionnaires, observation of 142 pharmaceutical companies, and a successive series of in-depth interviews.

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Part III

A Compass for Stakeholder Management

Chapter 8

Critical Review of the Research Contribution

Examining Corporate Approaches to Stakeholder Management

The truth is rarely pure and never simple.
(Oscar Wilde)¹

8.1 Introduction

Bearing in mind the wise words of Oscar Wilde with respect to ‘truth’ which were stated in the quote above, this chapter critically reviews the research findings presented in the previous chapter. By summarising the key empirical findings in overview, many of which have been previously published in separate literature over the past decade (e.g. O’Riordan, 2006, 2010; O’Riordan & Fairbrass, 2008, 2014, 2016; O’Riordan & Zmuda, 2015), it addresses the implications of the new empirical insights on management perceptions and practices for both the literature and management practice. The critical evaluation discusses whether the empirical findings reliably identify and describe corporate approaches to managing sustainable stakeholder relationships. In doing so, this chapter examines the merit of the empirical research findings for revealing why and how decision-makers in the pharmaceutical industry in the UK and Germany manage their stakeholder relationship activities. The chapter concludes that the academic and practical research findings obtained via the successive stages of the 10-year research study are sufficiently relevant in the field of corporate approaches to responsible management. Consequently, they are employed to improve the earlier versions of the management framework, the ultimate result of which is the subject of the next chapter.

¹From: The Importance of Being Earnest.

8.2 Summary of Research Findings

8.2.1 Overview

The empirical research findings from data deriving from multiple research methods, which emerged from an exploratory study of senior business executives from leading pharmaceutical companies in the UK and Germany over a 10-year period from 2005 to 2016² and presented in Chap. 7, serve to answer the three key questions.³ By exploring what constitutes sustainable corporate approaches to stakeholder relationship management for the target group, the resulting insights meaningfully inform the research study by answering the three questions: what stakeholder practices the target companies in the UK and Germany undertake, whether similarities and differences between the practices adopted in the two countries are discernable, and what factors appear to influence the identified practices. The primary qualitative data findings, which emerged from the exploratory study, were captured, analysed, and presented via the six pre-specified attributes which are subsequently termed ‘codes’. They include terminology, stakeholders, communication, organisation/governance, projects, and expectations. These codes were identified in the literature review as salient in the corporate practice of stakeholder relationship management.⁴ To commence the critical evaluation of the research contribution, the subsequent sections provide a summary overview of the results based on these codes with respect to three pertinent aspects of corporate approaches to stakeholder relationship management to address the research question themes.

8.2.2 Stakeholder Relationship Management Practices

The empirical, primarily qualitative data findings, which emerged from the exploratory study of senior business executives from leading pharmaceutical companies in the UK and Germany, served to answer the first research question₂ which asked: *what stakeholder practices are undertaken by the target sample of pharmaceutical companies with respect to the six attributes, which the secondary literature indicates are salient in stakeholder relationship management?*

²Employing multiple research methods including documentary analysis of 36 company websites and reports, a telephone survey of 46 companies, observation of the stakeholder relationship management practices of 142 firms, and a series of in-depth interviews with senior managers from the pharmaceutical industry. Please refer to Tables 6.7 and 6.8 for further details.

³The research questions were first presented in Chap. 1 and are explained in greater detail in Chap. 6.

⁴Please refer to previous chapters for further details regarding the establishment of these codes.

As a first step in filling many of the gaps in past scholarship identified in the literature review, the data presented in the previous chapter relating to the first research question serves to establish a detailed database of background information regarding the stakeholder relationship management practices specific to the target group of pharmaceutical companies in the UK and Germany. Moreover, the findings generally support the practices reported for other industries.⁵ While the survey data and observation provide a limited picture of the firms' practices, the documentary analysis and the interview data, in particular, offer a much richer basis for describing and examining the firms' behaviour. Overall, the evidence reveals not only the diverse, interactive, and dynamic concept of stakeholder relationship management among the selected pharmaceutical companies in the UK and Germany but additionally highlights an operating scenario which is in many aspects complex, uncertain, and challenging. Building on the evidence presented in past scholarship focused on investigating other industries (e.g. Acutt, Medina-Ross, & O'Riordan, 2004; Burchell & Cook, 2006, 2008; O'Riordan, 2006), the results illuminate four specific aspects of Corporate Responsibility (CR)⁶ for the target sample.

First, the many aspects of diversity, interaction, and dynamism include terminology, communication, organisation approach, and chosen projects. Examples include the frequent use of multiple terminology which is often individualised, alternating centralised and decentralised organisation, i.e. 'glocalisation' (Trompenaars & Hampden-Turner, 2004, p. 3), and a patchwork assortment of (highly visibly) communicated practice themes on responsible management intent, implemented projects, and compliance guidelines.

Second, the results reveal which, and how, stakeholders are targeted. The findings endorse past scholarship on general stakeholder rankings (e.g. Burchell & Cook, 2006; Crane & Matten, 2010, p. 62) to expose that decision-makers in this target group prioritise 'customers' and 'employees' as their most important stakeholders. This evidence expands on previous literature by revealing that 'NGOs' are the least salient for this target group. In addition, it enhances past scholarship by suggesting that 'company directors' are ranked the highest on relevance in active consultation/dialogue for the target segment.

Third, by uncovering a range of expectations regarding the likely outcomes of investing business resources in stakeholder relationships, the findings with respect to this code support the general academic literature by highlighting the complexity of attempting to harmonise stakeholders' interests in stakeholder relationship management practice within the context of the ambiguous nature of the responsible management concept (e.g. Carroll & Buchholtz, 2009; May, Cheney, & Roper, 2007).

⁵For further details please refer to Chap. 2.

⁶For brevity purposes, the term 'CR' has been adopted in this chapter to signify the concept of responsible management (as defined in Chap. 2) within a corporate sustainable stakeholder relationship setting.

Fourth, the findings expose issues in the current approach arising from the ambiguous nature of the responsible management concept, as well as practical management dilemmas when attempting to harmonise stakeholder interests. As a result, the evidence which was obtained to answer this research question explicitly reveals issues regarding the effectiveness of the current corporate approach to stakeholder relationship management for this target group. For instance, the data indicate how incongruities between the target group's rhetoric and actual responsible management practices may amplify stakeholder scepticism. Further, while the evidence exposes that managers frequently expect image and employee motivation benefits to accrue from allocating resources to stakeholder activities as suggested in the literature (e.g. Ferrell, Fraedrick, & Ferrell, 2010, p. 301), they additionally reveal that investments in stakeholder relationships are in general primarily perceived as a cost to the business. This implies a mind-set which could conceivably negatively impact the target groups' stakeholder engagement response. Possibly as a result of uncertainty regarding the potential positive benefits which could accrue from such investments, these findings expose that responsible management policies and programmes (practices) are not always effectively harmonised with the company's stated values/principles. This finding is established in past scholarship (e.g. Gouldson, 2002). Accordingly, these results indicate the need for corrective action to improve the way in which the target group currently approaches how it manages its stakeholder relationships. Because the evidence suggests that decision-makers often fail to understand how to define their concept of responsible management, the complexity identified, coupled with a lack of effective management tools to measure responsible management performance, essentially intensifies the uncertainty surrounding the management response. This is significant because the transaction cost and resource dependency theories⁷ suggest that dependency increases in conditions of high uncertainty (e.g. Donaldson & O'Toole, 2007, p. 27; Hallen, Johanson, & Seyed-Mohamed, 1991). The literature further indicates that this may lead to negative outcomes due to power conflicts (e.g. Stern & Reve, 1980) when one partner dominates (e.g. Gassenheimer & Calantone, 1994). As a result, the findings imply that both management/measurement challenges and the current leadership mind-set within this target segment, which identified a focus on costs in the exchange relationship, may pose potential barriers to effectively leveraging responsible management as a differentiating factor (e.g. Porter & Kramer, 2006).

In summary, the fresh evidence regarding expectations of likely outcomes from business investments in stakeholder relationship activities indicated the requirement for corrective action in the way in which the target group manages its approach to responsible management. This includes the need for more effective tools to measure the impact of corporate approaches when managing sustainable stakeholder relationships within a better defined concept of responsible management. Importantly, this lack of management tools to measure responsible

⁷These theories were introduced in Chap. 2 as exchange theories which may help to explain the influencing actors and interdependencies in stakeholder relationships.

management performance coupled with the complexity identified were noted to amplify the uncertainty for all stakeholders. These results serve to inform the framework Version 3 by helping to explain the practices, interdependencies, and the ensuing factors in stakeholder relationships (adapted from O’Riordan, 2010, pp. 393–395; O’Riordan & Fairbrass, 2016, pp. 17–24).

8.2.3 *Anglo-German Comparison*

The findings additionally furnished data to answer the second research question, which asked: *do similarities and differences exist between the stakeholder practices undertaken by the target sample of pharmaceutical companies in the UK and Germany?*

The evidence presented in the previous chapter with respect to this second research question compared CR practices in both countries. While fresh data from documentary analysis and in-depth interview evidence⁸ (e.g. Company 4, 2008; Company 10, 2008; Company 11, 2008) consistently suggests some general national differences between the two countries *per se*, overall, the evidence indicates that the actual CR stakeholder relationship management activities between target affiliates in the two countries are largely similar. Essentially, some authoritative interview respondents report that this similarity is potentially explained by the centralised organisation/governance approach, as well as by the influence of EU and international guidelines adopted in complex global environments.⁹ These most probably combine to generate a strong degree of similar overall intent in stakeholder relationship management (e.g. Company 13, 2008; Company 14, 2008).

Nevertheless, despite these parallels, the results substantiate secondary evidence (e.g. Habisch, Jonker, Wegner, & Schmidpeter, 2005) in supporting the existence of some national differences at operational level. Significantly, these unfold in the form of decentralised practices at affiliate level, such as distinctions between the UK and Germany regarding *how* the corporation approaches its specific responsible management practices. These differences are possibly caused by attempts to respond to historically differing national regulations (such as reporting regulations in the UK and environmental regulations in Germany), as well as culturally diverse local stakeholder perceptions and needs. This diversity exposes some degree of local adaptation regarding the way in which stakeholder relationships are managed in each country in line with previous academic literature (e.g. Crane & Matten,

⁸For clarification, as explained in greater detail in Chap. 6, to improve the openness of the responses, in the presentation of the in-depth interview findings, the company names have been made anonymous for confidentiality reasons.

⁹Please note that the current Brexit discussion was not relevant when this original research was undertaken in the period between 2005 and 2010.

2010, p. 149). Further, the evidence suggests the anticipated Anglo-Saxon version of responsible management practices in the UK in comparison with the Rhineland socialist-capitalism model which was noted in past scholarship (e.g. Habisch et al., 2005; Matten & Moon, 2005).

While cultural variations could conceivably explain at least some of the differences in stakeholder relationship management practices between UK and German firms which were discovered in the research and while acknowledging the possibility that the views of pharmaceutical managers in the UK and Germany may themselves reflect such national cultural differences, it is important to note that the identified differences may simply reflect strategy variations among companies or indeed other national differences (due to diverse government systems, etc.). As a result, it is likely that these findings reflect a combination of these factors. Accordingly, this research does not disentangle these possible contributing links. Nevertheless, despite these issues, the findings extend the limited investigation presented in past scholarship in this area by highlighting how national expectations may differ between the two countries regarding expected value outcomes and the role of the company in society. These differences at country level determine that the previously noted complexity of undertaking responsible management practice *per se* is amplified in global operating environments for this target group. Clearly, this implies that national differences can generate additional challenges which may complicate responsible management. Importantly, this evidence contributes to the academic literature in the field of stakeholder relationship management by enhancing an area which was identified to still remain quite unexplored (e.g. Crane & Matten, 2010, p. 161; Sachs, Ruhlin, & Mittnacht, 2005). Most significantly, however, these results suggest that the identified diversity may offer interesting differentiation opportunities, which, when managed effectively, could present interesting new routes to innovative stakeholder relationships. Ultimately, these findings underscore the role of contextual influencing factors on stakeholder relationship management practices which is the focus of the third research question (adapted from O’Riordan, 2010, pp. 395–396; O’Riordan & Fairbrass, 2016, pp. 24–27).

8.2.4 *Influencing Factors*

The data further helped to answer the third research question which asked: *what factors appear to influence the stakeholder practices undertaken by pharmaceutical companies in general, and do these help to explain the similarities and differences identified in the corporate approaches of the target sample in the UK and Germany?*

Aiming to explain the identified phenomena from the previous two research questions, the findings presented in the previous chapter with respect to the third

research question aimed to uncover the factors influencing the responsible management practices revealed by the evidence. The findings expose that both internal and external contextual factors influence the way in which the target group attempts to balance its stakeholders' interests within its defined concept of responsible management. More specifically, the *external factors* influencing stakeholder relationship management and engagement in the two countries were revealed to include evolving stakeholder expectations with respect to rights and obligations regarding the company's role in society. When responding to these expectations, the evidence indicates that decision-makers in the target group prioritise and engage with their stakeholders based on (mis)perceptions/(mis) understandings which are determined by contextual factors including PEST and their business profile/activity. Furthermore, the *internal factors* which determine the target groups' response to stakeholders' expectations were identified to include the company culture or leadership mind-set (driven by values and personal (moral) interest), as well as business objectives (such as differentiation or internal/external communication).

Overall, while acknowledging the limitations regarding contributory linkages noted immediately above with respect to the previous question, the interview data serves to explain why the corporate approach to responsible management may sometimes differ between affiliates in both countries. This evidence contributes to past scholarship by highlighting the complexity of the operating environment facing this target group and its influence on what Crane and Matten (2010, pp. 150–151) refer to, for example, as 'ethical' decision-making. Further, it exposes that decision-makers are acutely aware that many of their stakeholders are, to date, far from satisfied with their corporate response. Significantly, these findings help to explain why responsible management could be interpreted as ineffective in some cases. The challenges identified are threefold. They include the influence of cognitive uncertainty due to the intangible nature of responsible management *per se*, measurement issues which complicate performance management, and variations in perceptions regarding what determines (as well as who is responsible for which) value outcomes. These challenges result in differing outcome expectations which confuse the operating playing field and, as a result, the leadership mind-set. Consequently, this evidence generally indicates the requirement for a new approach to more effectively manage stakeholders' expectations. This includes internal employee awareness training at operational level combined with an improved management approach at strategic level which is capable of more comprehensively, systematically, and effectively managing and measuring the impact and outcomes of investing corporate resources in stakeholder relationships (adapted from O'Riordan, 2010, pp. 396–398; O'Riordan & Fairbrass, 2016, pp. 27–30).

8.3 Implications of the Findings for the Literature

8.3.1 *Implications of the Research Findings from RQ1 for the Literature*

8.3.1.1 Terminology

The findings presented in the previous chapter to answer research question one regarding *terminology* support claims made in past literature that ‘corporate social responsibility’ was the term most frequently used by the target group (e.g. Crane & Matten, 2010, p. 82; Fairbrass, O’Riordan, & Mirza, 2005; Matten & Moon, 2005). Further, the data suggests that there is a high degree of diversity in labelling as previously suggested by other scholars (e.g. May et al., 2007). In addition, the terminology results provide new evidence from documentary analysis in 2016 substantiating interview findings from 2008 and 2014¹⁰ indicating the dynamic nature of labelling in responsible management practice. For instance, many pharmaceutical companies report that they choose to ‘personalise’ their terminology in order to differentiate themselves both from competitors and avoid stakeholder (mis) understandings. By revealing the specific terminology selected by this target group, these results contribute to past scholarship by explaining how the responsible management-related terminology is evolving for this specific group (Carroll, 1999). As a result, they could be interpreted to add to existing knowledge (e.g. Bowmann-Larsen & Wiggen, 2004; Crane & Matten, 2007; Habisch et al., 2005; Kotler & Lee, 2005; O’Riordan & Fairbrass, 2008).

8.3.1.2 Stakeholder Prioritisation

Within the context of the diverse, interactive, and dynamic concept of responsible management practice noted immediately above, the findings presented in the previous chapter to answer research question one regarding *stakeholder prioritisation* provide conflicting evidence regarding both how and which stakeholders are targeted. The telephone survey and observation data both support the theoretical value of pre-prioritising stakeholders according to their capacity to impact operations, as suggested in past scholarship (e.g. Murray & Vogel, 1997; Trebeck, 2008, pp. 352 and 357). Nevertheless, some authoritative interviewees offer additional interesting insights which explain in greater detail why it is *not* possible to identify a definitive group of relevant stakeholders for a particular corporation in any given situation as suggested by Crane and Matten (2010, p. 62). Some of the interview participants claim that ranking stakeholders generically in advance makes no sense because selection is dependent on the specific needs of each individual project, i.e. activity based. Overall, however, the general

¹⁰Please refer to Tables 6.7 and 6.8 for further details.

stakeholder rankings do reveal that key stakeholders for this specific segment comprise: doctors/physicians and patients (typically ranked according to the firm's therapeutic focus), employees, and shareholders. These results correspond with more general CRADLE findings (Burchell & Cook, 2006, p. 157). Interestingly, however, one exception in the obtained stakeholder rankings conflicts with the importance generally attributed to NGOs in the literature (e.g. Crane & Matten, 2007, p. 20). These noted incongruities (indicated by weaker telephone survey data) nevertheless correlate with the stronger interview data to consistently imply differences between *generic theoretical* and *task-specific* stakeholder prioritisation. Most importantly, the findings highlight that preselection is considered by some respondents as irresponsible because it could erroneously restrict the scope of responsible management activity in advance, thereby in effect limiting a company's ability to respond in a responsible manner to the needs of society (e.g. Company 4, 2008; Company 9, 2008; Company 14, 2008). These results present fresh evidence which both endorses and, in part, extends past scholarship. Significantly, in doing so, these findings fill gaps in current literature which had not previously addressed how stakeholders are actually prioritised by pharmaceutical companies. They suggest that stakeholder prioritisation in the case of the pharmaceutical targets in question is often project specific. Accordingly, the research validates for this specific industry, the more general claims made by previous scholars that CR practice is diverse (e.g. Castka, Balzarova, Bamber, & Sharpet, 2004; Crane & Matten, 2010; Mitchell, Agle, & Wood, 1997).

8.3.1.3 Communication/Dialogue

The findings presented in the previous chapter to answer research question one additionally reveal stakeholder relationship practices with respect to the *communication/dialogue* approach of the target group. On the one hand, the general relevance of CR suggested by other scholars (e.g. Carroll, 1999; Porter & Kramer, 2006; Reich, 2007, p. 168) is authenticated for the pharmaceutical sector by documentary analysis findings. By highlighting a landscape of highly visible and explicit rhetoric on stakeholder relationship/engagement practices (via, for instance, company websites), these findings substantiate both the adoption of stakeholder theory (Freeman, 1984) within the target groups' management concept/response, as well as the importance of stakeholder engagement/dialogue as a key component of responsible management practice (e.g. Burchell & Cook, 2006; Greenwood, 2007). Accordingly, the evidence validates the existence of a stakeholder relationship focus in strategic planning and management for this target group as suggested in general in the academic literature (Crane & Matten, 2004, p. 40; ISO, 2010, p. 12). More specifically, in this regard, the new ISO 26000 guideline explicitly defines communication as a key aspect of CR practice (ISO, 2010, pp. 73–76).

Moreover, most importantly, the evidence provides fresh insights in an area which was not previously researched. In more richly illuminating the general details

of *stakeholder dialogue* noted in the current literature (e.g. Burchell & Cook, 2008, p. 44; Pedersen, 2006), the results reveal three specific issues in stakeholder *communication* for this target group. Significantly, fresh insights highlight areas in which the current approach proves ineffective. First, and most importantly, both documentary analysis and (weaker) observation findings provide consistent new evidence indicating specific examples in which a two-way stakeholder dialogue focus is lacking. While these phenomena are suggested by previous scholars for stakeholder dialogue in general (e.g. Burchell & Cook, 2006, p. 155), this had not formerly been researched for this segment. Second, when compared with the documentary analysis findings, the results additionally reveal specific evidence of inconsistencies between 'rhetoric' and 'reality' concerning CR communication and practice as suggested in more general terms in the literature (e.g. Crane & Matten, 2007, p. 145; Fairbrass et al., 2005; Gouldson, 2002). Further, while the findings (unsurprisingly) expose that responsible management practice is typically communicated to stakeholders mainly via the PR department by this sample, the fresh evidence obtained to explain these phenomena uncovers how both internal policies and lack of knowledge/communication (between departments or affiliates) may hinder effective (internal and external) communication. Third, the evidence reveals how the sample's stakeholder communication involves two *organisational* approaches to responsible management activities. These include a philanthropic approach addressing societal issues which are in general unrelated to the business (e.g. Crane & Matten, 2010, p. 468; Ferrell et al., 2010, pp. 169–172), as well as more integrative stakeholder practices relating more closely to the pharmaceutical business' activities (e.g. ISO, 2010). For instance, the latter approach often focuses on health issues, such as access to medicine and health concerns *per se* (including living conditions, sanitation, hygiene, education, insurance, care, etc.).

Despite these examples demonstrating the ways in which the target group chooses to manage its business response to address a broad range of stakeholder interests, according to the senior executives within leading pharmaceutical companies, many stakeholder groups perceive such communication from the pharmaceutical industry negatively. These results uphold for this specific industry the findings identified in the literature regarding CR practice in general (e.g. Crane & Matten, 2007, p. 32). Additionally, they are consistent with the typically negative image of the pharmaceutical industry *per se* reported in past scholarship (e.g. Acutt et al., 2004; Blum-Kusterer & Hussain, 2001; Cassel, 2002; Crane & Matten, 2010, pp. 364, 408 and 520; Mallenbaker, 2004; O'Riordan, 2006; Oxfam/VSO/Save the Children, 2002; Third World Network, 2004; Veleza, Hart, Greiner, & Crumbley, 2003). Moreover, in this regard, many respondents are not shy to frankly criticise their own (past and current) practices at both industry and corporate level (e.g. Company 1, 2008; Company 4, 2008; Company 13, 2008; Company 17, 2008). As a result, this self-critical stance is perceived as a positive initial (still evolving) step to 'learning' how to cope with the complex challenges of managing this multidimensional topic. Accordingly, these findings appear to support the previous literature results concerning stakeholder engagement in the area of environmental research (Gouldson, Lidskog, & Wester-Herber, 2007). Those findings suggest that

an increase in dialogue may lead to a ‘j-curve effect’, with an initial deterioration in levels of trust being followed by a gradual improvement in levels of credibility and shared understanding over time (e.g. Blau, 1964). In addition, the research findings illuminate opportunities for improved communication (e.g. via employees practicing ‘word of mouth’ promotion) identified in the literature (e.g. Thompson & Hecker, 2000). In uncovering an assorted patchwork of communication responses to stakeholder interests, the evidence uniquely explains for this specific industry how complex healthcare concerns pose challenging management issues which necessitate credible communication responses backed by innovative management solutions.

8.3.1.4 Organisation and Projects

The identification of the target group’s corporate response in relation to *organisation and projects* with respect to research question one reveals a collage of various (often diverging) management approaches and activities frequently within the same company. The evidence exposing how the target group operationalises its stakeholder relationship concept enable judgement on the effectiveness of the current approach. The findings support overall claims by past scholars regarding the existence of a variety of general activities and organisational approaches in managing stakeholder engagement (see, e.g., Crane & Matten, 2007; Ferrell et al., 2010, pp. 282–314; Freeman, 1984; Habisch et al., 2005; O’Riordan & Fairbrass, 2008; Welford, 2004). More importantly, however, the specific approach which was exposed for the target segment under investigation reveals a level of detail not previously specified in the literature with respect to CR organisation. The identification and discussion of why a *centralised* organisation approach is followed to establish general responsible management principles incorporating some *decentralisation* regarding how those principles are *implemented* at local level, i.e. ‘glocalisation’ (Trompenaars & Hampden-Turner, 2004, p. 3), expand on the previous scholarship by revealing how corporate approaches to responsible management are organised by this target group. Moreover, these findings illuminate the approach and the scope of themes which denote the activities and projects undertaken in the name of responsible management by this specific sample.

Some interview evidence additionally authoritatively suggests that crisis management and considerations regarding risk (e.g. to image, or the top or bottom line) are deemed by some respondents as *not* being part of responsible management practice (Company 10, 2008). More specifically, in contrast with the concept of agency theory which focuses on exchange risk (e.g. Eisenhardt, 1989), isolated profit objectives, crisis management, risk prevention, and reputation considerations, these aims are stated to not appropriately reflect the principal objective of responsible management in the first instance. Instead, some respondents suggest an approach which lies closer to the concepts of social/relational exchange theory (e.g. Blau, 1964; Macneil, 1980) or resource dependency theory addressing the themes of power and control in the relationship (e.g. Frazier, 1999; Pfeffer &

Salancik, 1978). These concepts concentrate more on the relationship interaction (e.g. Donaldson & O'Toole, 2007, pp. 21–36; Håkansson, 1982) and, as a result, on achieving what could be termed 'harmony' within and among the various relationships. These results emphasise a focus in some organisations on business investments which deliver the most optimal overall (harmonised, sustainable, long-term) outcome for all stakeholders, and not merely shareholder interests in the first instance.

In helping to explain why this broader stakeholder orientation might be a more desirable future approach, some respondents share their understanding that their responsible management concept signifies a long-term fundamental approach to business denoting the exact opposite of issues or crisis management (Company 9, 2008; Company 13, 2008). Importantly, this evidence could be interpreted to contradict claims made in the general CR literature that "when used in tandem, issues and crisis management can help managers fulfil their economic, legal, ethical and philanthropic responsibilities to stakeholders" (e.g. Carroll & Buchholtz, 2009, p. 226). More particularly, suggestions in other literature that risk reduction is a 'major feature' of the 'business case' for stakeholder engagement (e.g. Crane & Matten, 2010, pp. 186–187; Klein, 2000; Pleon Kohtes Klewes, 2005; Sison, 2000; Ulrich & Fluri, 1995) appear to potentially conflict with the concept understood by some of decision-makers within this target sample (e.g. Company 4, 2008; Company 15, 2008).

Accordingly, the evidence obtained from respondents in this enquiry with respect to how they organise their corporate approaches and the projects they undertake within that approach interestingly suggests a different stakeholder relationship management focus by some companies compared with the one projected in some of the previous academic literature. More specifically, in line with the stakeholder concept proposed in more recent research highlighting a focus on sharing information and identifying and managing expectations (Burchell & Cook, 2008), the evidence obtained in this research study reveals a pre-emptive management approach aiming to *avoid* risk, management issues, and/or crises, via establishing effective relationships with stakeholders *before they occur* (e.g. Company 4, 2008; Company 13, 2008). Importantly, this contrasts with the idea (often presumed in the literature, e.g. Carroll & Buchholtz, 2009, p. 226) of integrating issues and risk management as a key focus of CR practice in the planning stages. Similarly, this perspective disagrees, for instance, with the cognitive approach to responsible management which aims to measure *in advance* how well CR activities can serve to *reduce* potential image disasters or other business costs suggested in transaction cost economics (e.g. Williamson, 1979, 1985). As a result, these new findings partly refute past scholarship by suggesting that attempting to harmonise stakeholder interests comprises a diversely evolving mix of engagement techniques and approaches to ongoing management challenges thereby precluding negative events occurring in the first place. This approach is more in tune with the concepts of social/relational exchange theory (e.g. Blau, 1964; Macneil, 1980), resource dependency theory (e.g. Frazier, 1999; Pfeffer & Salancik, 1978; Porter, 1985), and interaction frameworks (e.g. Håkansson, 1982).

than the concept of agency theory which focuses more on exchange risk and transaction costs (e.g. Eisenhardt, 1989). Most importantly, the findings highlight how a management mind-set focused on the potential opportunities for developing innovative commercial offerings inherently circumvents a confining focus on risk and uncertainty by identifying potential issues in advance without the limiting effects of a narrow focus on risk management *per se*.

8.3.1.5 Expectations

The results regarding corporate approaches to *expectations* presented in the previous chapter to answer research question one furnish fresh evidence to further expose the target groups' responsible management concept with respect to their corporate approach to stakeholder relationships. In line with findings from, for example, Jones and Rubin (1999) and Marrewijk (2003), the results reveal reputation/image and brand value, as well as employee motivation and attractiveness as an employer, as suggested by Ehnert (2009) and Revell, Stokes, and Chen (2010) as the most likely benefits expected to result from stakeholder-orientated activities for this target sample. While these findings support similar results suggested by the literature presented in Chap. 2 (e.g. Ferrell et al., 2010, p. 40; Lankoski, 2009, p. 1), interview data nevertheless uncovers two questions. First, *what precisely entails responsible management in stakeholder relationships (including who determines this)* and second, *what explicitly generates the resulting benefit*. Both of these issues remain matters of debate (e.g. Company 1, 2008; Company 7, 2008; Company 11, 2008; Company 17, 2008). This result tallies with past scholarship which suggests that members of society often fail to recognise what their own (and other interest groups') long-term interests (and therefore optimal outcomes) might be (Welford, 1995, p. 125). It similarly corresponds with the academic debate regarding whether the CR concept may comprise general aspects of what could be described as 'smart business management', such as treating employees well or complying with the law, as suggested in the literature (e.g. Greenfield, 2004; Reich, 2007). In parallel with this debate, a major challenge in the field of stakeholder relationship management is noted by other authors to concern "the ability to reflect and demonstrate the direct value of these processes" (Burchell & Cook, 2008, p. 45). In this regard, some literature suggests that effective stakeholder relationships are understood to generally benefit reputation and image (e.g. Crane & Matten, 2010, p. 166; Pleon Kohtes Klewes, 2005). Crucially, however, developing a process for measuring and demonstrating the broad range of outcomes which can emerge from stakeholder dialogue is deemed key to the future of effective stakeholder engagement (Burchell & Cook, 2008, p. 45). Consequently, various authors importantly highlight the need for better tools to more effectively measure CR outcomes (Hond, Bakker, & Neergaard, 2007; Welford, 2008). The research findings obtained in the study presented in this book reveal relevant insights which indicate that part of the measurement issue for this target segment is determined by *what is understood* by value. In this regard, the survey and in-depth interviews

deliver specific results for the pharmaceutical industry supporting past scholarship in revealing that corporate approaches to responsible management in practice are driven chiefly by intangible benefit expectations.

The telephone survey data serves to further illuminate previous literature suggesting that a direct link between CR and profits have proved elusive (Rahmann, 2010; Stern, 2009). In revealing evidence which indicates that all respondents consider that responsible management practices are perceived as a *cost* to the business, these results highlight the issue that current measurement (even for philanthropic community investment projects) usually reports only on *inputs* (i.e. money, employee volunteering hours) but rarely reports on *outputs* (or impact) as suggested, for example, by Welford (2008). While this finding is not new in the sense that it validates past research which has frequently attempted to qualify or quantify what has been termed as the ‘business case’ for undertaking CR (e.g. Schaltegger, Lüdeke-Freund, & Hansen, 2011; Sustainability, 2005), it clearly suggests a mind-set (focused on costs and for that matter risk) which underpins a cognitive stance (i.e. expectation) regarding the potential *outcome* of undertaking CR practice (e.g. Bendell & Cohen, 2006). Moreover, this cost/risk focus clearly affects the leadership stance when educating/training employees to integrate CR as part of normal business investment and practice (e.g. Dentchev, 2005; Hond et al., 2007; Pedersen, 2006). As a result, these findings expand on past scholarship by explaining how this cost/risk-focused mind-set is presumed to affect the motivation for embarking on CR activities for his target group. Clearly, this mind-set by definition affects the corporate culture towards investing business resources in stakeholder relationships (adapted from O’Riordan, 2010, pp. 403–412; O’Riordan & Fairbrass, 2016, pp. 31–35).

A further implication of these findings from research question one for the literature is that they serve to inform and revise the original version of the framework. Before examining the implication of that revision for the academic debate, the next section first addresses how the findings from research question two contribute to past scholarship.

8.3.2 Implications of the Research Findings from RQ2 for the Literature

8.3.2.1 Identification of Some Local Distinctions due to Cultural Differences

The triangulated empirical findings presented in the previous chapter to address the second research question compared CR practices in both countries. They furnish evidence to expand an area of previous literature which was identified to still remain quite unexplored (Sachs et al., 2005). By specifically examining the stakeholder orientation in two different national settings, the reported opinions of some authoritative pharmaceutical managers on stakeholder-orientated management in

the UK and Germany initially endorse the academic literature by exposing some local distinctions in the reported practice. While cultural issues *per se* are not directly investigated in the research (i.e. rather an assertion is made that cultural differences may lead to differences in responsible management approaches and practices), from the host of other internal and external factors previously identified which could explain stakeholder management differences in practices between the two countries suggested in past scholarship (e.g. Crane & Matten, 2010, p. 161; Deresky, 2000, p. 118; Ronen, 1984, p. 449), the evidence could be interpreted to indicate practice distinctions due to cultural influences. More specifically, as generally suggested by previous scholars (Chapple & Moon, 2005; Hofstede, 1997; Trompenaars & Hampden-Turner, 2004), the findings imply that cultural differences may affect a certain national (i.e. UK or German) perspective or ‘flavour’ in relation to *how* responsible management is practiced.¹¹

Accordingly, despite the many clear parallels in key aspects of the stakeholder practices exposed in the two countries (discussed in greater detail immediately below), the reported views of some pharmaceutical managers in the UK and Germany validate secondary evidence (e.g. Habisch et al., 2005) in supporting the existence of some national differences. Significantly, this evidence substantiates the anticipated Anglo-Saxon version of CR in the UK in comparison with the Rhineland socialist-capitalism model noted in past scholarship (e.g. Habisch et al., 2005; Matten & Moon, 2005). Based on the reported opinions of some managers within the context of a stakeholder view of responsible management, the evidence points to the possibility that the management activities in the UK could be clustered as ‘Anglo’ and those in Germany as ‘Germanic’ as suggested in the literature (e.g. Deresky, 2000, p. 118; Ronen, 1984, p. 449). Ultimately, these findings underscore the influencing role of contextual factors on responsible management practices (which is the separate focus of the third research question).

8.3.2.2 General Similarity in Actual Practices

Additionally, the findings concerning the second research question reveal new data which enhances past scholarship (e.g. Ferrell et al., 2010, pp. 302–312) by exposing that the *actual* stakeholder engagement and management *practices* chosen by the target sample in the UK and Germany are largely similar. This is possibly explained by the influence of the general global (often centralised) guiding principles behind the practices examined, which may ‘standardise’ the stakeholder engagement practices at local affiliate operational level. This evidence suggests a stakeholder relationship approach which has been termed in the general literature as ‘glocalisation’ (Trompenaars & Hampden-Turner, 2004). More specifically, the findings expand on past scholarship by revealing how the similarities identified

¹¹For clarification, the effect of culture as an influencing factor on responsible management practices is addressed separately in subsequent sections below.

regarding *which* responsible practices are undertaken clearly do not rule out the possibility of national differences in *how* CR is practiced by the individuals within those countries. For instance, choice of *terminology* and *communication* is in some cases adapted at local affiliate level in order to more effectively manage local (mis) perceptions. Further, *stakeholder prioritisation* is activity based (i.e. dependent on context), and *organisation* and *projects* are often influenced by local distinctions in contextual conditions. In addition, local issues and opportunities often present stakeholder relationship ideas, which themselves generate differences in the resulting approach and practice (adapted from O’Riordan, 2010, pp. 412–414; O’Riordan & Fairbrass, 2016, pp. 31–35). Most significantly, while overall *expectations* regarding the likely benefits of investing corporate resources in stakeholder activities are generally similar (such as improved image/employee motivation, as noted in previously), the findings suggest that they are driven by varying interpretations of what determines valuable outcomes (e.g. Company 11, 2008).

8.3.2.3 Attempting to Illuminate the Reasons for the Similarities and Differences

By presenting fresh insights which reveal similarities and differences in stakeholder engagement practice specific to the pharmaceutical sector in the UK and Germany, these findings build on past scholarship to illuminate an area which was previously under-researched. In doing so, these results ultimately imply that contextual factors play an influencing role as suggested in the literature (e.g. Chapple & Moon, 2005; Habisch et al., 2005; Hofstede, 1997; Trompenaars & Hampden-Turner, 2004).

The effect of those influencing factors on responsible management practice for the target group in the UK and Germany is the focus of the third research question which addresses more concretely in the next section the potential reasons behind the differences and similarities in the convergences of the Anglo-German approaches identified in the target sample. As previously suggested, for example, by Bürgel, Fier, Licht, and Murray (2004, p. 11), the emergence of more similarities than differences in general in the two distinctly different business cultures could simply arise due to a ‘global’ culture. This culture arises via the internationalisation process of business practice in general when national borders are transcended. However, the situation is more complex than simple national characterisations might suggest. The mixed results, regarding similarity and differences, suggest that specific activities and functions often do not follow national stereotypes. While the supranational characteristics of globalised business increasingly manifests itself in convergence between the activities of UK and German approaches (Bürgel et al. 2004, p. 11), the Anglo-German comparison of the findings identifies differences with respect to three aspects: international competitiveness, cultural ties and the direction of outward trade flows, and national institutional context. Germany is usually referred to as an example of a highly regulated country, while the UK, conversely, is seen as a more deregulated economy, in which the primacy of market forces is viewed as more important (Bürgel et al. 2004, p. 10). Moreover, a highly

regulated environment is believed to be one consequence of a culture, which is characterised by strong uncertainty (or risk) avoidance (Hofstede, 1997). Bürgel et al. (2004) further suggest that given the central role of uncertainty in behavioural theories of international business, German firms—irrespective of the size or activities—should be generally less outwardly orientated than their British counterparts. Second, cultural ties and the direction of trade flows are noted to differ markedly. While the UK's largest trading partners are European Union countries, British companies traditionally have closer cultural and economic ties to North America and to members of the British Commonwealth. This determines that the USA continues to remain a critically important market for British firms, while the majority of German exports are traditionally orientated towards its neighbouring countries in continental Europe. These differences clearly also impact the institutional structures at national level in the two countries (Bürgel et al. 2004, p. 11). In retrospect, it is conceivable that such differences could potentially help to partly illuminate the rationale behind the recent Brexit vote.

8.3.2.4 Exploring the Differences via a Cultural Comparison Using Hofstede's Value Dimensions

With respect to the national context, a cultural comparison of the UK and Germany based on Hofstede (2016a) value dimensions indicates some interesting results with respect to both differences between the two countries on the dimensions: uncertainty avoidance and individualism-collectivism, as well as similarity on their masculinity-femininity scores. The remainder of this section elaborates on these insights in greater detail.

One of the drivers of the British culture relative to the German culture is *uncertainty avoidance*, which addresses how a society interprets the future 'unknowns', or the extent to which the members of a culture feel threatened by ambiguous or unknown situations (i.e. perceptions of risk), as well as the degree to which they have created beliefs and institutions that try to avoid this (Hofstede, 2016a). The UK receives a low score on the uncertainty/risk avoidance dimension, indicating that British society is not overly worried about what the future might bring. This manifests itself in a shorter-term planning horizon and an approach, which does not generally adopt too many rules or a high degree of detailed planning. According to Hofstede (2016b), the result is humour, heavy consumerism for new and innovative products, giving rise to fast, highly creative industries, such as advertising, marketing, and financial services. Germany, on the other hand, is among the uncertainty/risk avoidant countries. Its score on this index is on the high end indicating a strong preference for deductive rather than inductive approaches in many aspects of behaviour, including thinking, presenting, or planning. This manifests itself in an understanding that a systematic overview is required in order to proceed. This approach is, for instance, evident in the legal system. In Germany, details are highly important to create certainty, as well as a well-thought-through project or topic. This means that Germans often prefer to compensate for

uncertainty by relying strongly on expertise and taking a traditional, conventional, thoroughly tested approach (Hofstede, 2016c).

Individualism addresses the degree of interdependence a society maintains among its members. This is reflected in the society's self-image with respect to whether people tend to think in terms of 'I' or 'we'. In individualist societies, people understand that they should look after themselves and their direct family only, while in collectivist societies, people perceive themselves to belong to a 'group', which takes care of them in exchange for loyalty. The Hofstede findings for the UK on this dimension suggest that it has one of the highest individualist scores (surpassed only by some of the Commonwealth countries that it 'spawned', i.e. Australia and the USA). This determines that the British are highly individualist and private people. Children are taught from an early age to think for themselves and to identify their unique purpose in life with respect to how they can contribute to society. They perceive that the route to happiness is through personal fulfilment. According to Hofstede (2016b), this interpretation has led to a rise in consumerism and a strengthening of the 'Me' culture. While Germany has a lower score than the UK on this dimension (UK, 89; Germany, 67), it is nevertheless regarded as an individualist society, in which small families focus on parent-children relationships (rather than larger family groups), and a strong belief in the ideal of self-actualisation. Loyalty is based on personal preferences for people, as well as a sense of duty and responsibility. This is, for example, defined by the contract between the employer and the employee. Communication is among the most direct in the world following the ideal to be 'honest, even if it hurts' and based on the rationale to give the counterpart a fair chance to learn from mistakes (Hofstede, 2016c).

Masculinity indicates a society that is driven by a value system focused on competition, achievement, and success (defined as being the winner/the best in the field). Britain is categorised by Hofstede (2016b) as a masculine society, which, despite the apparent culture of modesty and understatement, is nevertheless highly success orientated and driven. According to Hofstede, this high-context setting requires the ability to 'read between the lines', because what is said is not always what is meant (e.g. Hall, 1976, pp. 57–69). This manifests itself in an approach in which people live in order to work and have a clear performance tradition (Hofstede, 2016a). Germany has the same score as the UK on the masculinity dimension and is similarly considered a masculine society, Germans draw a lot of self-esteem from their tasks, managers are expected to be decisive and assertive, and status is often shown by material objects, such as cars. With regard to the similar results on this dimension, while the masculine dimension could conceivably be deemed of benefit if the underlying mind-set motivation shifts towards competing among one another to be the best in their corporate approaches to sustainable stakeholder relationship practice, these insights suggest that both countries could potentially benefit from increasing their feminine score with respect to striving more consciously to actually like what they do, rather than simply always aiming to be the best regardless of the external and other costs generated by that aim.

8.3.2.5 Overall Evaluation of Anglo-German Comparison: Vast Amount of Influencing Factors

By presenting the findings and discussing the potential differences, similarities, and convergences in a comparison of the identified Anglo-German approaches in the pharmaceutical industry, this section has helped to clarify some aspects of the ‘how’ and begin to uncover the potential reasons for ‘why’ these differences could be believed to have an impact on how responsible management is practiced in each country. Over and above the specific scope of this research, the vast amount of literature beyond the theme of responsible business regarding an Anglo-German comparison of management systems *per se*, including the comparative work of Sorge and Warner (1986) on work organisation and company structure, as well as Sorge (1991) on interpreting cross-national comparisons of technology, organisation, and human resources, as well as the research undertaken by Budde, Child, Francis, and Kieser (1982) on organisational patterns in society, and Lane (1989, 1992) suggesting the strong influence of national institutional context in the way business systems operate are all relevant to the findings in this study in the sense that they highlight the links, similarities, and dissimilarities between national contextual factors in their own fields of study. Clearly, these insights are valuable in the study of stakeholder theory focused on establishing responsible relationships in corporate management setting. In this regard, Hörisch, Freeman, and Schaltegger (2014) identify a resulting range of challenges when managing stakeholder relationships. These include strengthening the particular sustainability interests of stakeholders, creating mutual sustainability interests based on those particular interests, and empowering stakeholders to act as intermediaries for nature and sustainable development. To address these challenges, those authors suggest the three interrelated mechanisms: education, regulation, and sustainability-based value creation for stakeholders.

In line with the implications of the insights presented above, the findings from research question two additionally serve to inform and revise the stakeholder management framework conceptualisation presented in the previous chapters. Before addressing that theme, the next section now turns to first shed more specific light on the vast amount of influencing factors which could play a role in determining the findings presented and discussed in this and the previous section.

8.3.3 Implications of the Research Findings from RQ3 for the Literature

8.3.3.1 Overview

To explain the phenomena presented immediately above, the third research question explored the factors which influence the management practices illuminated by the fresh evidence presented in the previous chapter. The data identify a range of

interrelated influencing factors relating to contextual aspects. They help to explain the differences and similarities in the corporate practices identified in both countries. The literature suggests that their relative importance is dependent upon (Mitchell et al., 1997, p. 863) the specific CR practice undertaken (e.g. Crane & Matten, 2010, p. 62) and determined by the discretionary (moral and strategic) decisions (Greenwood, 2007, p. 321) undertaken by managers with respect to the interdependent aspects of stakeholder power, legitimacy, and urgency (Freeman, 1984; Mitchell et al., 1997, p. 854). Past scholarship further indicates that CR practice is influenced by the factors addressed in resource dependency theory, such as power and control (e.g. Frazier, 1999; Pfeffer & Salancik, 1978; Porter, 1985).

The findings presented in the previous chapter essentially support and expand on past scholarship (e.g. Bourne & Walker, 2005; Carroll & Buchholtz, 2009, pp. 260–340; Crane & Matten, 2010, pp. 148–176; Ferrell et al., 2010, pp. 255–326; Frooman, 1999) by presenting fresh insights on those influencing factors specific to the pharmaceutical sector in the UK and Germany. Most significantly, the data which were gathered in this study serve to inform and revise the original version of the framework, which is the main conceptual contribution of the book. The remainder of this section now addresses how the findings relating to research question three specifically contribute to past scholarship with respect to the six codes.

8.3.3.2 Influencing Factors on Terminology

The empirical findings presented in the previous chapter to answer research question three regarding corporate approaches to *terminology* enhance previous scholarship by suggesting that UK affiliates use a less fragmented range of labels than their German counterparts. This reveals how the contextual influence of language and the lack of an official standardised/centralised process in Germany (e.g. Habisch et al., 2005, p. 113) affect the use of CR terminology. Importantly, this could impact how CR is interpreted in Germany due to a “lack of distinction between CSR, corporate citizenship, and the social dimension of sustainability” (IÖW and Future e.v., 2004). More specifically, the ‘problem of confusing terms’ in Germany (Habisch et al., 2005) possibly explains the higher diversity of terminology adopted by German affiliates. In contrast, by revealing the influence of BITC initiatives in the UK, the findings confirm past scholarship (e.g. Bertelsmann Stiftung, 2013) which suggested that “a new societal governance has specifically developed CSR capability” in the UK (e.g. Habisch et al., 2005, p. 60). In doing so, the findings additionally support previous academic literature (e.g. Bertelsmann Stiftung, 2013) in exposing that as a result, UK CR/sustainability reports are deemed of higher standard (e.g. Company 8, 2008; Company 13, 2008). Additionally, fresh evidence suggests that CR itself (and therefore its terminology) is more overtly communicated in the UK than in Germany (e.g. Company 4, 2008; Company 7, 2008; Company 15, 2008; Company 17, 2008). These findings support claims made in the literature that CR in the UK “can be regarded as increasingly

explicit” due to the emergence of its new institutional context (Moon, 2004, p. 60), as well as a cultural tendency towards higher individualism (Hofstede, 1997). In contrast, a “weak consumer response” in Germany (Habisch et al., 2005, p. 114) is possibly explained by the cultural understanding that the government is (collectively) responsible (Hofstede, 1997) for taking care of its citizens (Crane & Matten, 2007, p. 32). Accordingly, these findings confirm the previous literature by identifying how organisations attempt to exercise influence (i.e. via a power relationship) over their stakeholders via the terminology they adopt to communicate a responsible stance. Overall, however, the findings enhance past scholarship by presenting specific reasons which could explain the similarities and differences in the CR practices identified for this target group.

8.3.3.3 Influencing Factors on Stakeholder Engagement

Interestingly, differences regarding *stakeholder prioritisation* presented in the previous chapter to answer the third research question expand on past scholarship. This evidence more specifically exposes how internal and external circumstantial factors affect the way in which the target group approaches its stakeholder interests. In doing so, it extends on the extant literature by explaining how part of the management issues identified are due to misalignments between stakeholder expectations, company rhetoric, and actual responsible practice. Significantly, the *internal factors* of ‘company culture’ and ‘company profile’ are exposed as essential prerequisites for delivering responsible business responses. This is addressed in greater detail in the organisation/projects section below. Similarly, the findings provide some evidence to suggest that stakeholder engagement and management is influenced by *external culture* (e.g. Company 4, 2008; Company 10, 2008; Company 11, 2008). These results expand on past scholarship by more specifically exposing for this target group how *external* circumstantial factors influence the way in which the target group harmonises its stakeholder interests. In this regard, the evidence confirms past scholarship in revealing that *PEST factors* affect stakeholder expectations of responsible management practice (Grant, 2006).

More importantly, however, the results expand on the previous literature by specifically explaining the effects of history, culture, religion, and legal or regulatory, as well as other related elements on approaches to stakeholder management for this target group (e.g. Company 1, 2008; Company 4, 2008; Company 7, 2008; Company 10, 2008; Company 11, 2008; Company 17, 2008; Company 18, 2008). Accordingly, the findings confirm claims by other scholars who suggest a strong link between culture and responsible management practice which socialises employees into particular ways of seeing, interpreting, and acting (e.g. Crane & Matten, 2007, p. 161). As a result, the data further substantiate the literature which previously indicated that culture and ethical decision-making are interwoven (e.g. Dahler-Larsen, 1994; Sinclair, 1993; Starkey, 1998). In this regard, the in-depth interviews provide fresh evidence thereby enhancing past scholarship to reveal the role played (in some cases) by culture in ‘de-standardising’ global or

centralised stakeholder-orientated management approaches at local affiliate level. More specifically, in-depth interviews reveal that while *responsible management practice* may be regularly adapted to address local contexts, needs, and opportunities at affiliate level (e.g. Company 10, 2008; Company 14, 2008), importantly, the respondents emphasise that the overall *global principles* employed in stakeholder management *per se* at a global level are less likely to frequently change (e.g. Company 13, 2008). These findings simultaneously indicate both flexibility and steadfastness in the stakeholder engagement approach of the target companies.

In confirming some of the key institutional differences highlighted in Chap. 2 (e.g. Habisch et al., 2005), the empirical results expose how UK affiliates adopt a stronger *business focus* when prioritising their stakeholders, while German affiliates tend to lean towards a more *societal-focused prioritisation approach* (e.g. Company 4, 2008). Put another way, CR in the UK is revealed to lie closer to the US capitalist model. More specifically, the CR approach in the UK has been described by some interviewees as a ‘diluted’ form of the philanthropy which is operated in the USA (e.g. Company 13, 2008). As might be expected, this confirms for the responsible management practices of this target group, a stronger leaning towards the US capitalist system in the UK and the influence of the capitalist-socialist system in Germany as suggested in the literature (e.g. Habisch et al., 2005).

To elaborate, linked with these findings, the data indicates that due to historical reasons in both countries, the public mind-set, particularly in the case of Germany, possesses a strong aversion to linking healthcare provision, i.e. responsible opportunities, with commercial profits, i.e. the notion of a ‘business case’ (e.g. Company 1, 2008; Company 7, 2008; Company 15, 2008; Company 13, 2008; Company 17, 2008; Company 18, 2008). This cultural mind-set is suggested by one respondent to be based on an understanding dating back to the nineteenth century which established the NHS system in the UK and the Bismarck era of healthcare in Germany (e.g. Company 1, 2008). Moreover, the public mind-set in Germany was additionally noted by other respondents to possess a distinctive wariness of biotechnology which would not generally be deemed typical in the UK (Company 4, 2008; Company 18, 2008). In this respect (in line with other CR approach aspects noted above), the UK is considered to sit closer to the USA from a cultural point of view (Company 2, 2008; Company 4, 2008; Company 18, 2008). Furthermore, the concept of CR in Germany derives (historically) from a general traditional understanding/agreement between business and society based on the (responsibility) concept of ‘Rheinische Kapitalismus’ (Rhineland capitalism) or social capitalism (Company 1, 2008; Company 13, 2008; Company 17, 2008). While the data suggest that the influence of globalisation in both countries means that these differences, particularly in the case of Germany, are now ‘dwindling’ (Company 13, 2008), nevertheless, complicated by media influence and other stakeholder group pressures, they continue to play an influencing role. Consequently, the findings presented in the previous chapter serve both to confirm and enhance past scholarship.

In addition, the data show that formalisation of CR (or its regulation in the form of specific laws which introduced rules for CR) occurred earlier in the Anglo-Saxon

area than in Germany (Company 13, 2008). As a result, formal CR regulation in the UK could be considered further advanced than Germany. For instance, in the UK, CR laws on reporting or codes and guidelines which recommend ‘how to become a responsible company’, as well as the related support activities of the BITC (see, e.g., Matten & Moon, 2008) do not exist in Germany as such (Company 13, 2008). Accordingly, at face value, the evidence for this target group appears to suggest that CR practice in the UK might be more advanced. However, this is not interpreted to mean that the UK operates ‘better’ or ‘more effective’ CR. First, EU and other international CR guidelines (e.g. the UN Global Compact, ILO, OECD, ISO) potentially compensate for the absence of national level principles. Further, these could all potentially equally impact CR practices in *both* the UK and Germany. Second, the data suggests that Scandinavian countries are generally considered to be more advanced (than either the UK or Germany) in the sense that they have for decades followed a more long-term or sustainable stakeholder-orientated approach. This means that Scandinavian countries tend to embed opportunities for responsible business practices more firmly into their operating business model (e.g. Company 4, 2008). In this regard, the evidence indicates that CR in mainland Europe lies closer to the Scandinavian model. In contrast, in the UK (with its stronger business orientation as noted earlier), CR is interpreted by some respondents to often pivot around short-term, stand-alone, demonstrative activities, such as community projects or activities and employee volunteering (e.g. Company 4, 2008; Company 11, 2008; Company 17, 2008).

In summary, these findings contribute to the past scholarship in the field by helping to identify the factors which influence a decision-maker’s understanding of what might determine a legitimate stakeholder claim (legitimacy) and what specific needs (urgency) could present themselves as possible business opportunities. Overall, this helps to establish what might constitute the value outcome of investing resources in stakeholder-orientated activities.

8.3.3.4 Influencing Factors on Communication

The evidence presented in the previous chapter to answer the third research question both confirms and enhances past scholarship with respect to corporate approaches to *communication*. These results expand on past scholarship by suggesting that many of the internal and external circumstantial factors presented above regarding stakeholder prioritisation and below with respect to organisation/projects interactively influence how companies communicate with their stakeholders. More specifically, they expose the factors which influence the way in which the target group communicates how it harmonises its stakeholder interests i.e. legitimacy and urgency claims (Mitchell et al., 1997). For instance, the language modifications identified are explained to be the result of local adaptation to address perceived stakeholder (mis)understandings (e.g. Company 1, 2008; Company 2, 2008; Company 4, 2008; Company 7, 2008; Company 10, 2008). This includes topics, such as profit making and biotechnology in Germany (which were

identified under the PEST factors immediately above as ‘conflict-ridden’). Moreover, more recent documentary analysis findings of company websites and reports (2016) indicating an increasing trend towards communicating specific business practices, including medical solutions, innovation, values, transparency, partnerships, etc., in place of vague claims of responsibility, confirm such modification over time. These examples demonstrate how corporations attempt to gain influence (power dependency) in the business-societal relationship (Frazier, 1999; Mitchell et al., 1997; Pfeffer & Salancik, 1978; Porter, 1985).

Further, the documentary analysis findings exposed more limited CR content communicated on local (i.e. UK and German) sites despite elaborate content on main dot.com pages. This is interpreted to imply that CR management may be still evolving at many affiliates. This claim is substantiated by in-depth interview evidence (e.g. Company 6, 2008; Company 7, 2008; Company 16, 2008; Interview, 2014). In addition, fresh data suggests that some respondents consider that small size, i.e., *limited* resources (addressed above in greater detail), offers advantages when communicating CR or engaging in stakeholder dialogue (e.g. Company 2, 2008).

In summary, these findings, as well as data highlighting the significant influence of the corporation’s evolutionary stage of development on its communication of its responsible activities, serve to fill gaps in past scholarship which did not previously address these practices at this specific level of detail for this target group.

8.3.3.5 Influencing Factors on Organisation and Projects

The evidence presented in the previous chapter to answer the third research question both confirms and expands on past scholarship (e.g. Welford, 1995) for this target group with respect to corporate approaches to *organisation and projects*. In doing so, it reveals the significance of the *internal factor* ‘company culture’ or a facilitating organisational structure for positively enabling individual employees to follow their individual moral values as an essential prerequisite for delivering responsible management responses (Crane & Matten, 2007, p. 148; Ferrell et al., 2010, pp. 233–282).

More specifically, the findings suggest that an enabling structure for responsible management manifests itself in a *leadership style* based on personal integrity which in turn is determined by, and also determines, personal motivation (or the specific interest of individual employees) to behave responsibly (e.g. Company 1, 2008; Company 4, 2008; Company 10, 2008; Company 11, 2008; Company 13, 2008). These results consistently confirm previous scholarship which claims that the integration of important core values (e.g. addressing social and ethical issues) comprises a major aspect of business planning (e.g. Carroll & Buchholtz, 2009, p. 186; Dentchev, 2005; Hond et al., 2007; Pedersen, 2006). In this regard, the power of internal company culture to change the shape, organisation, and values of a business has been aptly discussed (e.g. Welford, 1995, Chap. 6). Such detailed examination of culture, including a conceptualisation for implementing values in

accordance with sustainable development, provides a fitting vehicle for forward-thinking executives in their quest to redefine and change their corporate culture. Additionally, it supports the concept of more equitable and sustainable development via internal culture change which comprises empowering workers and establishing more integrative participation between the various interest groups in society (adapted from Welford, 1995, p. 114).

The research findings further substantiate the literature which claims that *personal values* are influential in determining the type of decisions that are made in organisations (Agle & Caldwell, 1999). In this regard, the findings confirm past scholarship which identifies individual employee interest driven by personal discretionary motives as an important aspect of ethical decision-making (Carroll, 1999). They further support the literature which addresses CR choices in academia (e.g. Matten & Moon, 2005). Accordingly, these fresh results substantiate previous scholarship suggesting that the personal values adopted by each employee when addressing ethical dilemmas comprise a crucial factor in shaping responsible management practice (Crane & Matten, 2007, p. 145). Similarly, the empirical evidence from in-depth interviews (e.g. Company 1, 2008; Company 4, 2008; Company 13, 2008; Company 15, 2008; Interview, 2014) confirms the claims in the literature which highlight that while many companies have attempted to set out their (ideal) values at corporate level, these are not always translated into practice (e.g. Crane & Matten, 2007, p. 145; Gouldson, 2002).

These findings confirm for this specific target group and elaborate on general claims in the literature, those claims which suggested that the *increasingly market-orientated values of modern organisations* could result in ineffective approaches to responsible management (Crane & Matten, 2007, p. 145; Sandel, 2012). The findings addressed above in this respect serve to demonstrate how a strong business (rather than social) focus may amplify the incongruity between corporate approaches to communication/rhetoric and the enabling processes for responsible management within organisations. In this regard, the findings presented in the previous chapter specifically help to explain for this target group how it may prove difficult to translate high-level guiding principles. The resulting poorly defined performance objectives may thereby negatively impact the employee's personal values/behaviour and accordingly, the opportunity to appropriately manage each employee's responsible practices at individual level.

Crucially, however, previous literature specifies how *personal integrity*, which is defined as consistency in adhering to moral principles or values (Brown, 2005, p. 5), as well as moral imagination (e.g. Crane & Matten, 2007, p. 148), become the most important characteristics of a responsible person. The findings presented in the previous chapter confirm this claim by explaining what this concept of 'walking the talk' means for this target group. For instance, one interviewee phrases this as the development of a culture of "do what you say and say what you do" (e.g. Company 8, 2008).

In addition to the role played by 'company culture' driven by 'leadership values', the empirical evidence indicates 'company profile' as a further internal contextual factor which influences the target group's CR practice. To elaborate, by

exposing the impact of ownership type, size (e.g. ISO, 2010, p. 67), organisation, and success on the corporate approach to responsible practice, the findings confirm the influencing role of governance suggested by other authors (e.g. Crane & Matten, 2004, p. 28). They additionally confirm previous literature which suggested the relevance of factors, such as the *company profile* elements ‘power’ (e.g. Carroll & Buchholtz, 2009; Ferrell et al., 2010; Welford, 2002, p. 5) and ‘size’ (e.g. von Oetinger & Reeves, 2007; Wettstein, 2005), coupled with the impact of the increasingly dominant role of corporations due to ‘globalisation’ (e.g. Crane & Matten, 2007, p. 483; ISO, 2010, p. 6) on CR stakeholder management and engagement practices.

Importantly in this regard, the external effects of *globalisation* have been deemed to necessitate a *fundamental recontextualisation of ethical problems in business practice* (Crane & Matten, 2007, p. 34). The findings more specifically present fresh insights for this target group in this area. They reveal how company profile aspects, such as *size*, are considered to affect stakeholder engagement as suggested in the literature (e.g. ISO, 2010, p. 67). Because smaller companies typically own fewer resources, smaller-sized or less successful companies report that their CR approach is often limited to smaller projects which require fewer resources. This evidence enhances past scholarship by exposing for this target group how smaller size requires a particularly clear focus to find the most optimal, realistic, and feasible response within the scope of the organisation’s specific level of resources (e.g. Company 3, 2008). In contrast, the evidence additionally suggests that because larger companies possess resources which can solve social issues on a greater scope than smaller companies are able to address (e.g. Company 17, 2008), companies with greater resources are more capable of getting involved in global healthcare concerns (e.g. Company 13, 2008). Consequently, the findings confirm past scholarship in revealing that both a company’s size and its success level influence CR practice. As a result, they confirm the notion that moral intensity (Crane & Matten, 2010, pp. 164–165; Jones, 1991) increases in relative importance as the expected impact of harm (or magnitude of consequences) rises (Crane & Matten, 2007, p. 152). In this regard, in-depth interview evidence exposes for this target group the important qualification that size and success level do not alter the intrinsic obligation to take ethical decisions (e.g. Company 3, 2008; Company 13, 2008). While larger companies may tend to be a more visible ‘target’ for activists, smaller size does not necessarily mean that potential stakeholder expectations (e.g. from the media or the general public or for that matter the investment community or rating agencies and other bodies which position themselves as CR ‘watchdogs’) are lower (e.g. Company 4, 2008; Company 16, 2008). According to the rationale proposed in the findings from this study, overall senior executives from leading pharmaceutical companies in the UK and Germany confirm the claims made in past scholarship suggesting that a giant corporation can be considered to possess the power to affect greater consequences than a smaller company (e.g. Crane & Matten, 2007, p. 152).

Consequently, this evidence helps to explain *why large companies are viewed by the public to hold a greater obligation to leverage their resources to create*

meaningful social development. Because pharmaceutical companies comprise some of the most powerful social entities on earth to affect change¹² (e.g. Phillips, 2003, p. 1; The Economist, 2016), these findings explain why their stakeholders tend to expect them to channel their resources to achieve positive social and environmental, *as well as* economic, value outcomes (e.g. ISO, 2010, p. 66). Moreover, this result tallies with resource dependency theory which addresses the role of power and control in relationships (e.g. Frazier, 1999; Pfeffer & Salancik, 1978; Porter, 1985). This suggests that conflict is likely to be strongly present in relationships in which one partner dominates and uses its power (e.g. Gassenheimer & Calantone, 1994). These findings help to explain the nature of both the specific claims (legitimacy) and the needs (urgency) of pharmaceutical industry stakeholders. They further illuminate the certain relationship (power dependency) which exists between stakeholders and pharmaceutical firms (Frazier, 1999; Gassenheimer & Calantone, 1994; Mitchell et al., 1997; Pfeffer & Salancik, 1978; Porter, 1985).

Additionally, the data expands on past scholarship by indicating that the internal factor *ownership type* impacts stakeholder expectations and accordingly corporate approaches to responsible management, by influencing which (and how) resources are allocated in practice. In this regard, the evidence reveals that because private companies have, by definition, a different set of stakeholder interests from public companies, CR expenditure is approached and determined differently in each case (Company 1, 2008; Company 7, 2008; Company 10, 2008; Company 17, 2008).

Finally, the fresh findings expose the internal company profile factor '*evolutionary stage of development*' as an important influencing factor in CR practice. More specifically, the findings which revealed varying management responses prompted the need to expand the original explanatory framework (O'Riordan & Fairbrass, 2008). In doing so, the evidence enhances past scholarship with respect to how corporate approaches to responsible management for this target group are conceptualised.

8.3.3.6 Influencing Factors on Expectations

Finally, the evidence presented in the previous chapter to answer the third research question additionally serves to both support and improve past scholarship with respect to corporate approaches to *expectations*. Essentially, many of the internal and external circumstantial factors presented above regarding stakeholder prioritisation, communication, and organisation/projects were exposed to interactively influence stakeholder expectations for the target group. Possibly most importantly, the evidence exposes that expectations regarding the likely benefits, which

¹²According to The Economist (2016), while huge global companies are admirable in many ways for the offerings they develop, from smarter smartphones to sharper televisions, which improve consumer's lives and provide Americans and Europeans with an estimated \$280 billion worth of 'free' services, per year, such as search directions, the rise of the corporate 'colossus' threatens both competition and the legitimacy of business.

are expected to accrue from addressing the broader stakeholder interests with respect to the six aspects/codes of responsible management practice under investigation, strongly influence decision-maker's motivation for adopting responsible management practices.

While the study results confirm the lack of specific details to explain precisely how personal values actually deliver the *economic and societal value* suggested in previous scholarship (e.g. Greenfield, 2004; Leisinger, 2002), they do more explicitly illuminate what that value might entail.¹³ In this regard, expectations of *increased trust and credibility* (e.g. Blau, 1964), as well as *differentiation and innovation* (e.g. Cohen & Winn, 2007; Pujari, 2006), help to more clearly define the possible positive impact of CR practice for pharmaceutical companies (e.g. Company 1, 2008; Company 4, 2008; Company 13, 2008). More specifically, the findings regarding linkages between values and their *impact on corporate identity* are confirmed by past scholarship (e.g. Ehnert, 2009; Jones & Rubin, 1999; Marrewijk, 2003; Revell et al., 2010). In their conceptualisation, Balmer and Soenen (1999, pp. 74–75), for example, suggest a corporate identity management mix comprising three elements: *soul* (including core values and employee affinities), *mind* (including vision, philosophy, and strategy), and *voice* (which the authors propose comprises controlled and non-controlled communication). Importantly in this regard, part of the misalignment identified between stakeholder expectations, company rhetoric, and actual CR practice could be put down to the unrealistic hopes of individuals (in varyingly vulnerable situations) regarding their expectations of *what determines value*. Consequently, finding ways to more equitably address value outcomes which more positively impact broader stakeholder interests could be interpreted as the 'real' challenge or dilemma for decision-makers.

The results, which reveal different expectations due to PEST influencing factors with respect to value outcomes and the role of the company (e.g. Company 11, 2008), deliver fresh insights to both fill gaps (Sachs et al., 2005) and enhance past scholarship (e.g. Crane & Matten, 2007, p. 32). For instance, previous literature in this area had produced mixed, inconclusive, and controversial results for two reasons. First, past scholarship was lacking due to the lack of a solid theoretical framework (e.g. O'Riordan & Fairbrass, 2008). Second, challenges relating to CR performance measurement (Welford, 2008) have hindered the ability to measure the outcomes of stakeholder dialogue (Burchell & Cook, 2008, p. 42).

¹³This theme of value expectations is addressed separately in greater detail in the next section below. It suffices to note here that the stance adopted in this book is that rather than focusing on costs and reduction (e.g. Christmann, 2000; Epstein, 2003), risk and risk reduction (e.g. Schaltegger & Wagner, 2006), or sales and profit margin (Porter & van der Linde, 1995a, 1995b) in the first instance, value sources including innovative capabilities (e.g. Cohen & Winn, 2007; Pujari, 2006), reputation and brand value (e.g. Jones & Rubin, 1999; Marrewijk, 2003), and attractiveness as an employer (Ehnert, 2009; Revell et al., 2010) are emphasised in this work as more optimal drivers of long-term stakeholder value.

Given this shortfall, in order to alleviate the parallel ambiguity surrounding CR which was highlighted in the past academic literature, the fresh findings indicate how each company's evolutionary stage of CR development additionally strongly influences the corporate approach and thereby the ability of individual actors to engage in practices which are focused on a broader stakeholder audience (Company 4, 2008; Company 13, 2008). For instance, the findings reveal that expectations regarding responsible management performance may be influenced by size (discussed in greater detail above). More specifically, the data suggests that smaller-sized companies do not generally directly measure or compare their CR objectives with those of larger-resourced companies (e.g. Company 2, 2008; Company 3, 2008; Company 13, 2008). Further in this regard, the empirical findings presented immediately above, which exposed the role played by PEST contextual factors, confirm previous scholarship suggesting how context-related systems of reward and moral framing provide incentives for employees to practice their business operations ethically (e.g. Crane & Matten, 2007, p. 156). Overall, the influencing effect of these factors determines that at least *stakeholder expectations*, if not always *CR practices*, differ in each operating environment.

In addition, the evidence presented in the previous chapter confirms past scholarship (e.g. Crane & Matten, 2007, p. 154) by exposing for this target group how *reward systems* influence expectations by determining how individual employees respond in business settings to moral dilemmas (e.g. Company 4, 2008; Company 11, 2008). In this regard, the evidence reveals that the extent to which a CR enabling internal culture exists (i.e. driven by an imaginative leadership mind-set which encourages innovative (ethical) approaches rather than criticising them as idealistic or utopian) is strongly affected by the degree to which a company has developed its specific responsible management processes. For further details, please refer to the discussion on company evolutionary stages of CR immediately above and in Chap. 7. This means that the ability for a company to enter into relationships with its stakeholders is affected by its capacity to respond to their claims (legitimacy) and needs (urgency). Ultimately, this affects the organisation's relationship with society (power-dependence relationship) (Frazier, 1999; Gassenheimer & Calantone, 1994; Mitchell et al., 1997; Pfeffer & Salancik, 1978; Porter, 1985). This reveals how the data presented in Chap. 7 with respect to expectations identifies new aspects of corporate approaches to responsible management which were previously unexplored in the literature for this target group.

In summary, by informing past scholarship with respect the six codes, the findings from the three research questions presented in this and the previous sections provide crucial information for filling many of the gaps in the academic literature which were identified in Chap. 2. Overall, this serves to inform the earlier versions of the conceptual framework (adapted from O'Riordan, 2010, pp. 414–429; O'Riordan & Fairbrass, 2016, pp. 31–35).

8.4 Implications of the Findings for Management Practice

8.4.1 *The Limitations of the Neoclassical Theory of Economic Value*

Because this research focuses on how decision-makers manage their stakeholder relationships, the rich empirical evidence which was gathered to answer the three research questions fills important gaps in the past scholarship regarding the everyday perceptions, approaches, and practices of the target group. While a vast amount of academic and popular business literature exists on the topics of business in society, business ethics, stakeholder theory, stakeholder management and engagement, sustainability, CSR or corporate citizenship, and corporate governance, among other concepts and related themes of responsible management which were presented in Chap. 2, as noted in previous chapters, much of this material is nevertheless not suitable for addressing the concrete question of *how* to practically manage stakeholder relationships from a corporate perspective. Indeed, it was precisely because the literature in this field is so wide and in many respects confusing that a conceptual framework was developed in the first place for guiding decision-makers in the field of responsible management.

From the perspective of everyday management practice, as demonstrated by the global financial crisis and many other negative ‘events’, such as Enron and co., although it may be possible in theory to obtain economic optima, confining decision-making to an exclusively economic concept of value clearly omits important aspects of reality and thereby fails to achieve sustainable, conflict-free management solutions in the long run (Argadona, 2011, p. 1). This real-world setting triggers the rationale to broaden the concept of value beyond those criteria in internal accounting principles focused on exclusively measuring cost minimisation and sales maximisation from an internal organisational perspective dictated by external criteria, to focus more concretely on the core relationship between the company and its stakeholders. The dilemma for management decision-makers regarding whether and how to shift more rapidly than customers and shareholders, as well as potentially society itself, demands a sustainable corporate approach to production among other management areas. The necessary transformation inherent in this shift opens up a new route to responsible management which requires managers to anticipate exactly how future markets and stakeholder expectations will develop.

8.4.2 *A New Pathway Towards a Value Proposition Focused on Relationships*

Realisation of the dilemma which requires reconciling between the dual profit (shareholder) maximisation and stakeholder optimisation value propositions hinges

on an improved awareness of the significance of the relationships between the stakeholders as the unit of analysis and mechanism for generating organisational value. Crucially however, solving this dilemma leads to a new pathway on route to a transformed value proposition. Ultimately, the management process for reconciling this dilemma between these dual propositions culminates in an innovative business model. In this approach, the entrepreneur or decision-maker creates value by capturing the "... jointness of stakeholder interests, which over time take shape in the same direction" (Freeman, 2008, p. 165). This broadened and changed perspective of the role of business in society unleashes a whole new range of opportunity for progressing stakeholder relationship management to the next level. This in turn however triggers a whole range of new questions, such as: What does this value proposition entail in practice? How is value in the interests of all an organisation's stakeholders created, captured, and distributed? And how is this new value measured?

8.4.3 Navigating an Innovative Route via a Transformed Mind-Set

In everyday business practice, decision-makers typically rely on neoclassical theory of economic value to answer the questions posed in the previous section. However, this approach is based on conditions which in the real world do not exist.¹⁴ Neoclassical theory proposes that an economic and social optimum is attained when consumers maximise their utility and companies maximise the profits for their owners.¹⁵ This will only happen however under certain conditions of perfect competition, free entry and exit to and from all markets, availability to all concerned of sufficient price (cost) information, optimal decisions based on assumed availability of goods and services for all, non-existence of public goods, and absence of positive or negative externalities (no external costs to other parties), for example. Needless to say, such conditions are never met. In this approach, differing power or information structures within the isolated relationships will lead to ineffectiveness and ultimate failure of the system as already repeatedly demonstrated by recent events such as the Lehmann Brothers failure, which is considered to have triggered the global economic crisis which almost brought down the world's financial system (The Economist, 2013). Clearly, by following an organisational purpose to maximise individual benefit as an end in itself, certain decision-makers

¹⁴The formal economic principle is free from any material content. It states that for any given means, the result should be maximised [maximum principle] or if the result is already given, the use of means should be minimised [minimum principle] (Goebel, 2013, p. 58).

¹⁵This assumes that the homo economicus always chooses the alternative promising the highest (tangible) benefits for given preferences and restrictions. When changes occur in the restrictions, it assumes that homo economicus adapts rationally (Goebel, 2013, p. 60).

at corporate level typically focused exclusively on their private profit interests and not at all on the overall economic (or other) needs of society. From the perspective of the hindsight gained over nearly a decade after the global financial crisis, the theory which suggests that economics is the science of rational individual behaviour appears, again on this count, to prove unrealistic. Expecting that society would learn from these events could conceivably be deemed from a pessimistic viewpoint as unlikely given the minimal changes at all levels which have since resulted in the meantime.

8.4.4 The Search for Pragmatic Solutions

Notwithstanding the irrationality of these matters, in a world of increasingly unlimited needs and limited resources, a pragmatic solution seeker would focus on the issue that the clock is ticking on global sustainability challenges. In this regard, pessimists even go so far as to claim that time is running out so that the requirement to instigate a significant degree of change in the current system to initiate corrective action is imminent.

Events including the global financial crisis suggest that the neoclassical economic theory has in many ways failed society in its aim to improve the material situation of each individual. At the same time, society has in many ways failed itself in what many would consider its irrationality in recognising the concerns in its tragedy of the common approach to resource utilisation and the interests of current and future generations (Goebel, 2013, pp. 60 and 62). Nevertheless, most economists agree that the marketplace combines what they describe as the maximisation of self-interest with the public good in the form of an adequate supply to all citizens with the basic necessities as a prerequisite for a good life (Goebel, 2013, pp. 60 and 62). Reconsideration of this economic maxim moves the discussion out of the theoretical and into the personal realm of the economic purpose for human beings in society.

Commencing from the perspective of corporate purpose and intent, the question emerges about how the individual actor can most favourably impact ‘the good life’ by maximising his or her own self-interest with the public good via some chosen business strategy, processes, and resulting offerings (Goebel, 2013, pp. 60 and 62). This question can be expressed as the dilemma or dual proposition of aiming to reconcile the interests of maximising stakeholder with individual interests. Solving this dilemma requires a harmonisation of interests which goes beyond linear calculations. Julie Nelson’s ideas in her book: *Economics for Humans* (2006), in which she advocates that at its core, an economy is about providing goods and services in ways which care for human well-being, present an enlightened economic perspective in the search to develop innovative pragmatic management solutions. To elaborate, while many economists and critics preach that an economy is something far different: a cold and heartless system operating outside of human control, Nelson suggests developing new possibilities and constructs based on

qualities of working and caring for one another which connect economic interest with concerns for social well-being and the ecological environment. Similarly, the ideas in Mackey & Sisodia's book: *Conscious Capitalism* urge a choice of business strategy, in which decision-makers seek to benefit both human beings and the environment. In the conscious pursuit of a new form of capitalism and a new system for doing business, their proposed approach emphasises 'values-based' economic values where values represent social and environmental concerns at both global and local level. Moreover, this effort is related not merely to non-profit business models. Conscious capitalism proposes the requirement for new solutions in for-profit organisations, as well as at societal level in the field of conscious consumerism, and in the area of socially responsible investing. Overall, these ideas aim to build a more cooperative, humane, and positive future via a transformed approach to business (Mackey & Sisodia, 2013). The approach proposed by Nelson, Mackey and Sisodia is comparable to the one advocated in this book which similarly focuses on higher purpose, stakeholder integration, conscious leadership, as well as conscious culture and management for building a stronger corporate approach culminating in improved business results via a better functioning capitalist system, thereby enabling a better environment for all. Crucially, the transition to such a changed environment requires the emergence of a new quality of management as a key prerequisite in the search for practical business solutions to realise stakeholder value creation¹⁶ (SVC). This new mind-set reconciles the management dilemma by transitioning away from a profit maximisation value proposition focus in the first instance, measured exclusively quantitatively and primarily by money, to evaluate in a more harmonised way an organisation's ability to create, preserve, or erode economic, environmental, and social value for itself, its stakeholders, and society at large.¹⁷ In an approach that has been adapted from Ćwicklicki and O'Riordan (2017), adjusting the business strategy in search of pragmatic solutions for creating SVC concretely requires:

- Social inclusion with a business mind-set ensuring the simultaneous creation of social (people), ecological (planet), and economic (profit) value. Determining value in this way in clear and concise terms is a key principle of SVC.
- Verification of the organisation's impact on the design team, the physical and social environment, and on the community that forms around the organisation.
- Catering to expanding consumer needs by considering how the organisation creates value for its customers and vice versa.
- Creating an inclusive work culture and partnering with other organisations (both in for and non-profit settings).
- Securing CEO-level buy-in to drive systemic organisational changes.

¹⁶SVC was introduced in Chap. 2 and subsequently defined in greater detail in Chap. 4 as a concept of sustainable stakeholder value creation (SVC) based on three interrelated principles of multiple, collaborative, and shared values deriving from a stakeholder approach.

¹⁷For clarification, this approach is inclusive in the sense that, by definition, a stakeholder approach includes shareholder interests.

- Adopting—and adapting—proven best practices.
- Embracing inclusive design principles.
- Collectively creating value and minimising harm, as well as collaboratively deciding how to allocate the generated value among the stakeholders.

(Adapted from Ćwicklicki & O’Riordan, [2017](#)).

8.4.5 Unleashing the Entrepreneurial Spirit of Inspired Purpose to Enhance Performance

In search of a better way forward aimed at unleashing an entrepreneurial spirit of inspired purpose to enhance overall performance, an approach is required which enables decision-makers within organisations via their chosen strategies to create value at the personal (as opposed to the theoretical) level which simultaneously enable lasting relationships with their stakeholders upon whom their business success relies. The variety of prescriptions (shareholder value maximisation, customer focus, total quality management, CR, employee involvement, management reward systems, etc.) proposed in both the academic and popular business literature over the past decades suggesting how to be successful (effective, performance) could at best be considered to puzzle the reader or at worst to be hardly comprehensible. Nevertheless, past scholarship has made slow progress in assessing or integrating the various performance-enhancing strategies with respect to the relevance of each strategy for different constituencies in the firm’s environment. Reconsidering the purpose of the economic system from the perspective of human beings in society as proposed by Nelson ([2006](#)) advances the CSR discussion out of the theoretical and into the personal realm at systems level. Operating within this enlightened context, corporate approaches focused on reconciling the dilemma of the dual value proposition by aiming to connect the interests of maximising stakeholder with individual interests as the main organisational purpose denotes a new way forward for enhancing the overall value created via the corporate activity.

8.4.6 Enabling Organisational Responsiveness Based on Stakeholder Theory

Viewing the organisation from the perspective of the constituents in its operating environment, who provide and receive the resources upon which the organisation’s long-term survival and well-being depends, signifies an innovative form of responsiveness inherent in a stakeholder concept. Stakeholder theory calls for a situation contingent regard and harmonisation in responsiveness levels to different groups

(Koll, 2003, p. 141). Given that the responsiveness levels to different groups may depend upon the organisation's operating scope, competence, and resource level, an optimal responsiveness strategy will depend upon an assessment of the various interests in the operating relationship, as well as the opportunities for collaboration and connection inherent in the stakeholder network.

8.4.7 Transition to a Broader Concept of Value Creation

The resulting broadened value creation emerging from individual corporate actors devising strategies which most favourably impact 'the good life' while at the same time reconciling the shareholder/stakeholder dilemma by maximising their own self-interest for the public good via their responses could, for example, include different classifications of value, such as those suggested by Argadona (2011).¹⁸ Argadona (2011, pp. 8–9) proposes that different types of value are present in all the relationships between a company and its stakeholders. To a greater or lesser extent, value is clearly generated in every action, sometimes with positive or negative impact on various stakeholder groups and often without the conscious awareness of the involved parties. This broader concept of value extends the notion of economic value beyond the shareholder 'business case' rationale, as proposed, for example, by Schaltegger et al. (2011), to include additional types of value, which stakeholders need, even if they may not realise it. Crucially, a move to a more personal focus of value creation at the human level in society and the economic system comprises by definition broadening the dimensions of value creation thereby inclusively generating value together in the interest of the comprehensive network of interrelationships within the overall holistic organisational operating context. The evidence suggests, however, that in practice very few organisations manage to sustain this type of strategy (Koll, 2003) and that many, such as BASF, struggle with whether or not to adjust their strategies in this direction (The Economist, 2016).

¹⁸Argadona (2011, pp. 8–9) suggests different classifications of value including, extrinsic tangible or intangible economic value created via collaboration, psychological intrinsic value of work satisfaction, learning at individual and organisational level, and value consisting of positive or negative externalities as a consequence of the relationship. Given that each decision-maker has to define his or her own context-specific value proposition, further research is required in this field to examine in greater detail the components of value in the new emerging networks.

8.4.8 Illuminating the Bigger Picture: The Essential Role of Government in the Transition

Despite the fact that the transition to a more far-reaching stakeholder-orientated approach appears to remain uncommon in everyday practice, the concept of stakeholder theory has nevertheless been praised for overcoming the narrow view of exclusive shareholder profit maximisation (Freeman, 2008). The perspective adopted in this book proposes that broadening the corporate approach to include stakeholder value creation as its new purpose has the potential to overcome many of the practical issues associated with economic neoclassical theory. Non-exclusive value generation in the general interest of society as the guiding role for business in society both recognises the economic interests of the organisation while concurrently regarding the needs and interests of those groups and resources upon which the organisation relies for its business success. As a result, the value creating potential of broader macro-economic contextual influencing factors, such as political, economic, social, and technological aspects, is more realistically integrated into the realm of the business activity. The responsible management dilemma is, theoretically at least, thereby solved!

Because however such a transition is dependent on the interface between the mechanisms of the organisational and many other factors, which lie within the legitimate domain of the governments in its rule-setting function, the systems and a legal framework for the new forms of resource sharing (e.g. Airbnb & Uber) clearly require reconsideration, modification, and improvement. In other words, as suggested by Jensen (2000), organisations alone cannot succeed in resolving all of the issues related to responsible management voluntarily.

8.4.9 The Need for New Management Tools

A move away from an exclusive focus on profits in the first instance as the purpose of business in society and as the new corporate approach to responsible management is a crucial first step because it liberates by definition the possibility to maximise the value for a broader range of stakeholders. This implies the need to broaden the decision-making and measurement criteria away from questions focused exclusively on sales increase and cost decrease to a perspective of the benefit or harm caused via the organisational impact on its material stakeholder groups.

Crucially however, the management tools and methods required for the newly emerging highly complex organisational management process are still underdeveloped (Jensen, 2000), and measurement indicators for evaluating value creation outcomes require evolution. Moreover, however, as noted at the outset of this book, the general management tools for strategically guiding corporate approaches to stakeholder management are lacking. Because the existing literature did not provide the sufficient material, the empirical evidence which was gathered to

answer the three research questions of focus in this research study helps to fill some of the gaps in past scholarship with respect to the particular context of corporate approaches to managing stakeholder relationships in the pharmaceutical industry. The next section now turns to discuss how the collected data helps to update previous versions of the responsible management framework.

8.5 Implications of the Findings for the Management Framework (Version 3)

Ultimately, the cumulative evidence presented in this book serves to test whether or not the original framework is useful and if its proposed components validly represent the salient factors in stakeholder management. Although the various versions of the frameworks presented in previous chapters were designed to serve as a practical strategic tool to help decision-makers to manage their stakeholder activities, the findings from in-depth interviews indicate that they still do not sufficiently explain the process of organisational transformation via which organisations create value or manage sustainable relationships for a broader scope of stakeholder interests.

The updated responsible management framework (Version 3) which was presented in Chap. 7 addressed key gaps in the previous scholarship, including the ‘missing link’ issue of connectivity, ownership, and lack of transparency in management approaches. It accordingly expanded on the extant literature at the time by explicitly demonstrating how sustainable values could be translated into more optimally harmonised management solutions. While this served to address the identified inadequacy of the available instruments to provide feasible management solutions for sustainable management *per se*, as well as in particular for decision-makers in the pharmaceutical industry facing the management challenge of identifying how to integrate responsible solutions into their business operations, the findings from in-depth interviews indicated the need for the framework’s further development in order to more concretely apply the concept of responsible management in an everyday practical strategic business setting. These results trigger the requirement for significant alteration to the management framework (Version 3) in order to improve its applicability in an organisational scenario, and thereby explicitly address key management challenges, such as the dilemma of satisfactorily harmonising stakeholder interests, as well as the elusive nature of measuring sustainability impact due to a lack of appropriate management tools for capturing value creation data outcomes (O’Riordan & Zmuda, 2015, pp. 497–500).

The consequences of the research findings presented in the previous chapter combined with the critical review and discussion of their implications for the literature and management practice addressed above, lead to the requirement for revision to the management framework (Version 3) with respect to the following concrete criteria specifications:

- A clearer depiction in both theory and practice demonstrating *how* organisations:
 - Focus more holistically on their context-specific stakeholder relationships and their inherent interdependencies as the main unit of analysis.
 - Identify, capture, and distribute value via connecting stakeholder interests as the new business rationale.
 - Leverage a personal approach between commercial purposes in harmony with the organisation's material stakeholder interests.
 - Recognise and reflect in their processes the prerequisite for societal acceptance to arouse enthusiasm from employees, suppliers, customers, community, and other stakeholders, who increasingly expect to work for, purchase from, and interact with organisations operating and earning profits in what they perceive as a 'fair' manner.
 - Measure the internal and external impact of their commercial activities.
- Concretely illustrate the transformation result of a strategy formulation process for achieving organisational value creation.
- Illustrate the organisational decision-making route for moving from the existing to realising an innovative business model.
- Elaborate on the tool box and concrete implementation steps involved in the new value creation process.
- Design a framework which is relevant for a target audience of decision-makers in both profit and non-profit organisation at the micro-level, as well as for policy makers at the macro-level.

8.6 Critical Evaluation

8.6.1 Data Trustworthiness

8.6.1.1 Optimal Choice of Research Design

Although the data collection instruments employed to examine the stakeholder management approach of the target sample from four explicit perspectives were chosen in the research design¹⁹ as the most optimal methods to gather valuable data, each clearly holds some inherent limitations.

Within the overall context of the approach adopted in this research study, while the survey data and observation provided a limited picture of the firms' practices, the documentary analysis and, in particular, the interview data offer a much richer basis for describing, analysing, and assessing the target firms' behaviour. As a result, in general, the findings are judged to provide a high level of confidence. This assertion is based first and most importantly on a research design evaluation which

¹⁹Please refer to Chap. 6 for further details.

thoroughly examined each stage of the research process. That evaluation highlighted the contextual challenges for the research facilitating identification of the most appropriate methodology. The resulting list of critical success factors, comprising specific requirements to ensure control, validity, and dependability, served to inform the selection of instruments chosen. Subsequently, to justify the research design adopted in this work, each possible method was comprehensively analysed in advance to assess its adequacy in sufficiently answering the research questions (e.g. based on Payne & Payne, 2004, pp. 195 and 233). In this way, the case-study approach has employed different sources of evidence, which alternately combine to compensate for each other's advantages and disadvantages (Yin, 2003, p. 97).

8.6.1.2 Thorough Research Design Approach

To establish data trustworthiness, three distinct types of triangulation, including data, theory, and methodological triangulation, are combined in the research design (Denzin, 1988). In addition, the sample strategy approach, which is based on extensive literature analysis, background preparatory work, and pilot testing, is thorough. This helps to ensure that the choice of targets for data sources, the sample size, and the methods of selection are accurate, suitable, and competent. Within this context, the adoption of the snowballing technique facilitates the achievement of high quality results (e.g. Goodmann, 1960; Robson, 2004, p. 265). While acknowledging the absence of a standard means of assuring reliability and validity in social science, a scientific aspiration is achieved (Robson, 2004) using multiple sources of evidence (Yin, 2003, pp. 98–99). In particular, this approach is further supported by the (triangulated) phased combination of data from the various research instruments serving to test a set of assumptions, which additionally enhance the data collection and interpretation. To increase the accuracy of the data under investigation (Boud, Keogh, & Walker, 1985, p. 7), methodological awareness was achieved by employing reflexivity, pilot testing, and learning by doing (Robson, 2004; Searle, 1999). In this way, time and cost constraints, as well as the range of skills needed to carry out the full variety of data collection techniques, were appreciated (Miles & Huberman, 1994).

8.6.1.3 Authoritative Data Sources

The response statistics highlight the highly authoritative nature of the interview data source. More specifically, most interviews were undertaken with senior level PR or CR/CSR/CC directors (or both) at affiliate, European and global level, while many interviews were with company CEOs (from leading international pharmaceutical companies). The findings could accordingly be considered convincing based on the rationale that most of the candidates originate from senior management positions, some are additionally (senior level) academic experts and many are

experts in managing European or global CR at their companies. Furthermore, when classified based on gender and position, the data on in-depth interviewees reveals an almost even gender breakdown. As a result, the overall the data selection is deemed to sufficiently represent the target universe, and the sample size is considered adequate and practically manageable.

8.6.1.4 Limitations

Nevertheless, due to the exploratory nature of the enquiry, some of the results from the separate instruments (particularly in the case of the telephone survey and observation) were sought as preliminary data. Accordingly, individual results are often not sufficiently valid as stand-alone evidence. All the data is influenced by the typical issues inherent in social research, such as sample size, possible defects in the data collection techniques or their administration, potential overclaiming and blocking by the participants, as well as possible interviewer bias during the enquiry and in the interpretation of the results phase. As a result, it is entirely conceivable that if different or more respondents had been asked or if another researcher had undertaken the project at an alternative time, other aspects and explanations may have emerged.

In overview, the main restrictions are due to the relatively small sample size and the ‘special’ condition of approaching companies as a researcher for both the survey and the observation. To elaborate, the *telephone survey*, which could be considered to provide insignificant results (based on a low sample, i.e. 46 responses), nevertheless, represents approximately 25% and 46% of total pharmaceutical sales in the UK and Germany, respectively. The *observation*, whose data analysis could be criticised because it is strongly based on researcher interpretation and on one specific critical incident in which the researcher assumes the role of a stakeholder, is deemed valuable because it allowed the identification of gaps between rhetoric and practice, which would not otherwise have been possible within the capacity of the other chosen methods. The *documentary analysis*, which could be termed as rudimentary due to the fact that it comprises a basic review of target company websites employing variables which were not initially pretested, is judged on the whole to be useful. Its key role was to identify visible aspects of claimed CR practice. This served as an information base from which to launch the other more intrusive methods. Finally, the *in-depth interviews*, which pose reliability issues due to the fact that the collected data are based on individual responses, is considered to provide the most valuable data results of all the methods employed. Based on the rationale that the interview setting presented the opportunity to verify and

validate the previously obtained findings at a more detailed level of enquiry (including offering valuable cross-validation opportunities to support or refute other findings which additionally encouraged ingenuity and creativity on the part of the enquirer to track a range of various lines enquiry), the triangulated results are considered on balance to satisfactorily achieve the research objective.

Undoubtedly, however, as with all qualitative research, the reliability of the data obtained via each method may not be certain in all cases due to the low number of subjects investigated.²⁰ Particularly in the case of the telephone survey and the observation, a test of whether similar results would be obtained if the study were repeated may possibly not be entirely ensured if the research were to be scaled up.

8.6.1.5 The Complex Nature of the Topic

The individual and evolving nature of CR behaviour, including the inherent elusive nature of the themes of ethics and sustainability, among others, has been described to have resulted in fragmented, uncertain, sometimes illogical practice (identified in Chap. 7). These issues suggest that better insights may simply not be possible to achieve at any given time. Assuming that this is true, the description and explanations presented in this study should hopefully serve to expose, as feasibly as possible, how this target group manages its corporate approach to its stakeholder relationship activities. Nevertheless, despite the above claims that the research enquiry has delivered valid, fresh, and significant empirical evidence, social research is always likely to leave some doubt about whether sufficient data has been gathered to claim robustness. In spite of the acknowledged limitations identified in the research instruments employed, on balance, the triangulated approach is however interpreted to offer a strong degree of confidence that the data are trustworthy.

8.6.1.6 Final Evaluation

Overall, despite the undoubted drawbacks inherent in each method, approach, and technique which were noted immediately above, when combined with the other data collection instruments, the cumulative result is deemed to add value as the synergy of their joint contribution allows dependable conclusions to be drawn.

²⁰In defence of the ‘small’ sample size, its rationale is based on the existence of a small universe sample. For example, the chosen targets in the documentary analysis cumulatively represented nearly 60% of sales in the pharmaceutical market in the UK and approximately 55% in Germany (according to industry sales statistics (IMS, 2006). Further, the observation research focuses on companies which cumulatively represented roughly 80% of total market share in both countries. Moreover, the in-depth interviews were undertaken with respondents whose companies cumulatively signify nearly one fifth of the entire UK pharmaceutical market and one third in the case of Germany (please refer to Chap. 6 for further details).

Within the overall context of the approach adopted in this research, the findings are, as a result, judged to adequately expose how the target group manages its stakeholder relationship activities, as well as the factors which influence this practice. Consequently, the triangulated results presented in this book, which were gathered over the 10-year research period, are considered on balance to satisfactorily achieve the research objective.

Clearly, however, none of the findings from the four data collection instruments can be generalised. While this is not considered an issue as generalisation was never the intention of this qualitative study, more importantly, the complex, diverse, and dynamic nature of the practices identified in the findings implies that generalisation may not be achievable in any case (or for that matter logically desirable) even if this had been the intention.

Essentially, this research could conceivably be interpreted to have served two purposes. First, it added novel empirical data in an industry which has been under-researched in the past. Second, it contributes to the literature by furnishing new empirical insights which inform the conceptual management framework (Version 3). These findings accordingly serve to refine and ultimately facilitate the improvement of the existing conceptualisation on stakeholder management in this field (adapted from O’Riordan, 2010, pp. 455–460). As a result, the collection of qualitative data of the nature generated in this study can be considered to generally assist in establishing rich data with an acceptable level of trustworthiness (Robson, 2004).

8.6.2 Testing the Research Assumptions

The fresh evidence presented in the previous chapters contributes to the management literature and practice in its field by more explicitly illuminating the previously under-researched practices and perceptions of decision-makers in the pharmaceutical industry in the UK and Germany. In answering the three research questions, the overall results served to test a set of pre-established research assumptions, which were presented in Chap. 6. These assumptions were employed in the research design to enhance the data collection validity by facilitating a continual cross-check as data emerged during the successive stages of the research (Silverman, 2005, p. 98). In this approach, the empirical insights were applied to test the assumptions. The research assumptions were interpreted as pivotal to the study in the sense that they determine, in the event that they are stabilised or modified, whether progress has been achieved. The remainder of this section now tests the main and sub-assumptions.

The main assumption predicted that by conceptualising the stakeholder engagement practices of pharmaceutical companies in an explanatory framework, it is possible to uncover patterns in the differences and similarities identified (between the UK and Germany). This both helps to explain the factors influencing the practices adopted as well as how decision-makers in the target group manage

their stakeholder relationship activities. Ultimately, by either confirming or adapting the framework components, progress is achieved.

Overall, the triangulated empirical findings from data collected over a 10-year period from 2006 to 2016 to answer the three research questions are judged to offer sufficient robustness to principally more explicitly document patterns in the stakeholder relationship operating environment of the target group. Within the context of the ill-defined, complex, controversial field of operation facing the target sample, these findings help to explain the factors influencing the practices adopted, as well as how decision-makers in the target group manage their stakeholder relationship activities. In highlighting the requirement for substantial adaptation to the framework components, progress could conceivably be considered to have been achieved.

In addition, the findings furnish insights to test the three sub-assumptions. The results presented to answer research question two and three partly confirm the first sub-assumption which conjectured that the stakeholder relationship practices of pharmaceutical companies differ in the UK and Germany due to deviations in basic conditions including distinctions in institutional, political, cultural, and other contexts. In summary, the findings confirm some differences in basic conditions. They reveal that these may impact on *how* stakeholder relationships are practiced, but not necessarily the general overall intent (and accordingly some aspects of *what* is practiced) *per se*. Due to the nature of the complex global operations involved, *variations in basic conditions may, but do not always, cause distinct diversity* in the stakeholder approach, policy, and practices at individual firm level in each country.

The findings presented to answer the third research question confirm the second sub-assumption. This predicted that any variation in responsible management behaviour is influenced by what is considered by pharmaceutical decision-makers to constitute (effective) stakeholder engagement in the UK and Germany. The results indicate that it seems logical that in striving to achieve effective business outcomes, decision-makers may adapt their practices to address local needs/understandings. However, the overall results highlight how the diverse nature of stakeholder interests, as well as a lack of understanding about what the most optimal outcome might be, complicate the ability to calculate exactly what 'effective' means (or who defines it). The original framework has been revised to address this issue. Nevertheless, this aspect of stakeholder engagement is however identified as an area which is ambiguous by nature, and in which further research is accordingly required in particular with respect to the context-specific measurement of organisational impact on material stakeholder groups.

Finally, the results presented to answer the three research questions confirm the first part of the third research assumption which proposed that the influencing factors and steps determining the process to manage [effective] stakeholder relationships are identifiable. However, the second part of the third assumption is disproved. This suggested that the influencing factors and steps can be described in a conceptualised framework based on the four elements 'context', 'stakeholders', 'management response', and 'event'. Although these four elements undoubtedly

play an important role, the findings highlighted the requirement for substantial revision to the framework Version 3.

In summary, because the findings have both stabilised and modified the prespecified assumptions, this research is judged to contribute to past scholarship in its field (adapted from O’Riordan, 2010, pp. 461–463).

8.7 Signposting

This chapter summarised and critically examined the overall contribution of the research findings and their implications for the academic literature, as well as management practice. The data trustworthiness was discussed, and the research assumptions were tested. Overall, despite the undoubted drawbacks inherent in the research design, the cumulative result is judged to add value based on the rationale that the synergy of the joint contribution of the results from the various triangulated data collection instruments helps to ensure that dependable conclusions are drawn. Consequently, the theoretical and practical discussion presented in this chapter assumes that the research findings adequately expose both *how* the target group manages its stakeholder relationship activities and the factors which influence this practice (*why*). Ultimately, this appraisal leads to the development of a new Stakeholder Relationship Management Framework (Version 4), which is the main conceptual contribution of the book and the subject of the next chapter.

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Chapter 9

Conceptualising Stakeholder Relationship Management

An Enabling Generic Framework for Stakeholder Value Creation

We cannot solve our problems with the same kind of thinking we used when we created them
(Albert Einstein)

A goal without a plan is just a wish
(Antoine de Saint Exupéry)

9.1 Introduction

In the quest to achieve a new mind-set and plan of approach for creating organisational value in line with the ideas inherent in the quotes presented above, the findings from data collected via successive study phases over a 10-year period utilising a case-study approach employing mixed methodologies,¹ which were presented in Chap. 7, examined the corporate approach of the target group of managers in the pharmaceutical industry. Those results help to identify and explain the ‘why’ and ‘how’ behind those decision-makers’ strategy within their context-specific stakeholder relationship management setting. The implications of those findings for both the literature and management practice were critically discussed in Chap. 8. The combined insights which were obtained from the ensuing substantial and detailed corpus of fresh empirical findings shed some light on the views and behaviour of practicing business managers in the pharmaceutical industry. Both the deductive and inductive reasoning methods employed thereby helped to improve the prior understanding of corporate approaches to stakeholder relationship management for this particular target group. These insights were applied to successively re-examine the various versions of the management framework, which were continuously developed, revised, and updated during the research period. In particular, the feedback presented in

¹Please refer to Chap. 6 for further details regarding the data collection process.

Chap. 7 with respect to issues related to the complicated nature of the framework Version 3 when communicating to a target audience of managers and employees (e.g. for training or implementation purposes), as well as persuasive contemporary literature highlighting the importance of a focus on business purpose and company values,² and inspiring insights envisioning a more considerate economic sphere,³ trigger the requirement to update and adapt the framework Version 3. This leads to a new Stakeholder Relationship Management Framework Version 4, which is the theme of this chapter.

9.2 The New Stakeholder Relationship Management Framework (Version 4)

9.2.1 *Introducing the New Updated Stakeholder Relationship Management Framework*

Because the updated Framework for Responsible Management (Version 3) presented in Chap. 7 addressed key gaps in the previous scholarship, including the ‘missing link’ issue of connectivity, ownership, and lack of transparency in management approaches, it expanded on the extant literature. It further explicitly demonstrated how stakeholder values could be translated into solutions which more optimally harmonise the economic interests of business with those of society and the ecological environment. While that framework served to address the identified inadequacy of the existing instruments available at the time, with a particular focus on the operating context of decision-makers in the pharmaceutical industry facing the management challenge of identifying how to integrate stakeholder solutions into their corporate operations, the results of the most recent round of in-depth interviews indicated the need for the framework’s further development in order to more concretely facilitate the practical application and implementation of the concept of stakeholder management in an everyday corporate operational setting.

In particular, the findings from in-depth interviews highlighted the requirement for significant alteration to the Framework for Responsible Management (Version 3) aimed at improving its practical user-friendliness. The requirement to explicitly address key management challenges, such as the dilemma of satisfactorily harmonising stakeholder interests, as well as the elusive nature of measuring stakeholder impact due to a lack of appropriate management tools for capturing value creation data outcomes (O’Riordan & Zmuda, 2015, pp. 497–500), included some of the main aspects which the findings highlighted as necessitating attention.

²Books such as *Conscious Capital* (Mackey & Sisodia, 2013) and *Firms of Endearment* (Sisodia, Wolfe & Sheth, 2007) are examples of contemporary literature highlighting a new mind-set with respect to business purpose and company values.

³See, for example, *Economics for Humans* (Nelson, 2006).

To address this lacuna, the cumulative research findings presented in this book were applied to the Framework for Responsible Management (Version 3). The resulting new Stakeholder Relationship Management Framework (Version 4) comprises the main conceptual contribution of this book. It is presented in overview in Fig. 9.1.

Figure 9.1 proposes a corporate approach to managing stakeholder relationships commencing with a strategy formulation process of four steps leading the corporate decision-maker through a series of components characterising the organisational value creation process. Each of these components is designed to portray the direction of a management ‘pathway’ for those who seek responsible choices in their everyday decision-making activities. Ultimately, this process aims to transform the corporate approach inherent in the ‘existing business model’⁴ to enable an ‘innovative business model’⁵ as the ultimate differentiating strategic purpose.

In overview, the framework presents a value creation process comprising four strategy formulation process steps, including:

1. **Strategic Contribution:** Focused from the outset on the final outcome of connecting a strategic purpose which strives to maximise the positive impact from the internal resources employed by the organisation with external natural resources from society and the environment, the framework commences by emphasising the overall strategic contribution of the resource conversion process. In this step, the organisational value creation process can address various areas, such as people, prosperity, the planet, and profits, among others, such as the triple top or triple bottom line, which impact the organisation and which the organisation impacts in the value creation process. These areas can be considered to encompass the scope of the corporate value proposition. The ultimate overall impact is measurable stakeholder value creation (SVC), which has the characteristics of being multiple, collaborative, and connected. To achieve this, a tool box comprising both a hybrid of conventional and new measurement indicators is required.
2. **Strategic Assessment:** This step employs an opportunity and risk impact analysis to assess the context-specific operating environment of the organisational value creation process. By establishing the circumstantial connectors between the constituents in the stakeholder network, it ultimately forms the contingent information basis for an inclusive, holistic, and harmonised corporate resource investment strategy. A tool box of frameworks including both conventional and new management instruments is required to identify the interdependencies and connectors in this step.
3. **Strategic Choice:** Aimed at directing management attention towards the potential for generating positive impact via the corporate approach, this step highlights the

⁴The ‘existing business model’ is assumed to be primarily internally focused on a narrow shareholder value-creation logic based on an exclusive profit maximisation rationale aimed at increasing sales and decreasing costs.

⁵The resulting ‘innovative business model’ is assumed to be holistically focused on broader stakeholder value optimisation via the maximisation of multiple individual stakeholder interests. By definition, this approach includes the maximisation of shareholder, as well as other stakeholder interests.

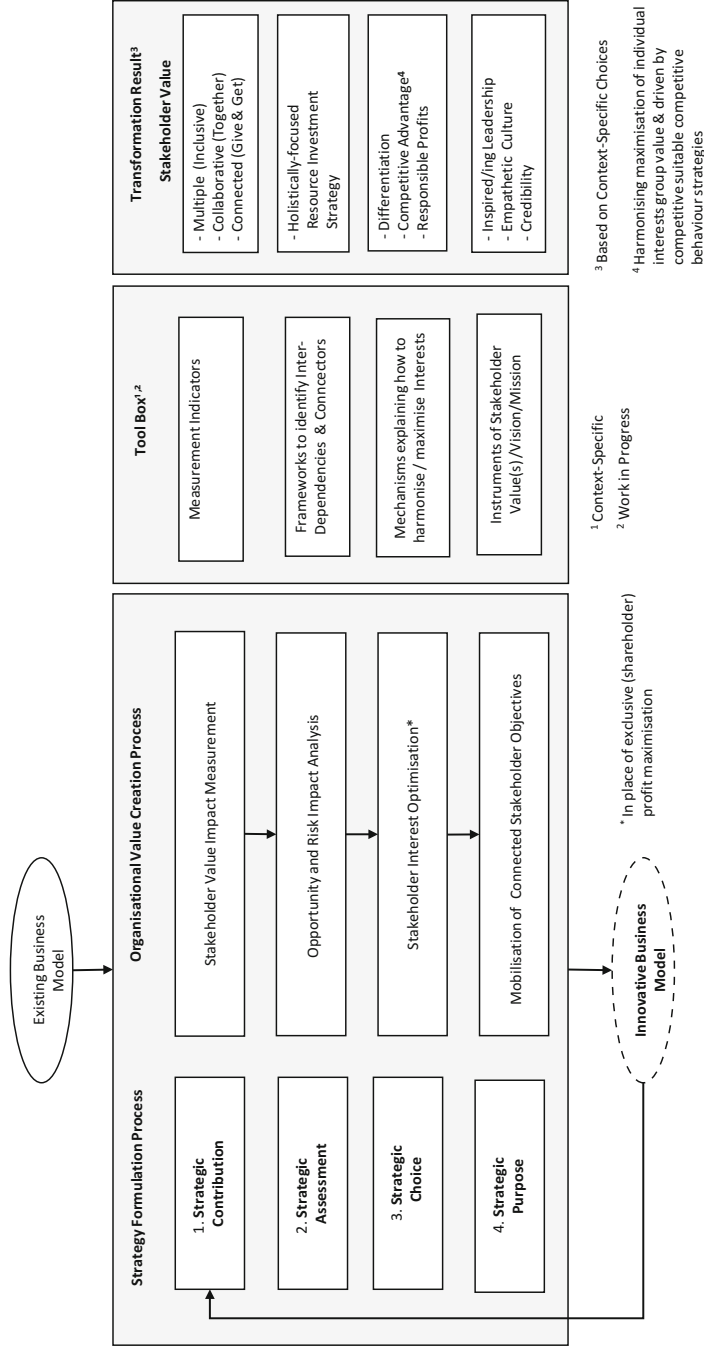


Fig. 9.1 New updated Stakeholder Relationship Management Framework – Version 4. Source: Author

significance of a purposeful strategic corporate aim to optimise stakeholder interests in the organisational value process via the identified connections from the previous step. The pragmatic overall approach to responsible management implied in the framework logic advocates that the profits resulting as a consequence of this value creation process are not merely sustainable in the sense that they harmonise a range of stakeholder interests (and could conceivably therefore be judged as responsible) but that even more crucially, by identifying those connecting mechanisms which serve as a vital source of differentiation, the approach nurtures competitive advantage for the organisation. In order to facilitate identifying the underlying mechanisms of stakeholder interest optimisation, a tool box of mechanisms explaining how to harmonise, as well as maximise stakeholder interests, is required. This could contain insights from new research in a range of business and other fields including economics; finance; supply chain; human resources; public relations; marketing; management, leadership, and organisational studies; as well as neuro-science, among others.

4. **Strategic Purpose:** The fourth step of the strategic formulation process positions a stakeholder-orientated value creation approach based on mobilising connected objectives and stakeholder values as the driving force of the organisational value creation process. The business purpose is thereby transformed from a primarily exclusively narrow focus on shareholder interests to enable a broader vision of the role of the corporation in society. This broader vision recognises the organisation's potential to harness corporate interests with the well-being and prosperity of society and the environment. Via this approach, each stakeholder group in the network strives to reap the greatest self-benefit from the given resources. In doing so, however, network members are concurrently aware of, informed about, and concerned for the collective consequence of their actions on the mutual interest of all other resource dependents and network interests in the group.⁶ This approach enables both inspired and inspiring leadership, as well as an organisational culture of empathy which is open to innovation directed at competing to achieve stakeholder's interests better than its rivals. In due course, credible communication results from this integrated corporate process.

Ultimately, the corporate approach to stakeholder relationship management illustrated in Fig. 9.1 leads the organisation through the four strategy formulation process steps explained immediately above to achieve organisational value via an innovative, stakeholder-orientated business model as the mobiliser of the new inclusive strategic purpose of the business. The illustrated closed loop for the strategic formulation and organisational value creation processes depicts both the direction of the management approach and the potential competitive advantage inherent in organising innovative value creation opportunities via stakeholder alliances to effectively harness the available resources in the stakeholder network.

⁶Please refer to the 'connections of fortune' scenario below for further details.

In addition to the proposed corporate resource conversion process diagrammatically depicted via the strategic formulation steps on the left side of the framework, the right side of Fig. 9.1 presents two further features including a tool box and a transformation result. The ‘tool box’ components highlight the requirement for the development of new enabling management instruments for each step of the organisational value creation process. The ‘transformation result’ components exemplify the overall anticipated outcome for each strategy formulation process step. In overview, this framework depicts the process by which individual management decision-makers transform the resources in the stakeholder network via a multiple, collaborative, connected corporate approach into measurable impact for the overall optimal benefit of all stakeholders. For further clarification, the subsequent sections address these framework components in greater detail.

The value creation process presented in Fig. 9.1 bases the depicted characteristics of these steps and components on the following underlying logic:

Organisation-Centric The generic framework adopts a *holistic organisational perspective* focused on generating harmonised SVC via the overall business purpose. In this transformed perspective of the role of business in society, the corporate approach plays a central role as a catalyst for enabling measurable impact for the overall optimal benefit of all stakeholders in the network.

Stakeholder Relationship Management Focus The proposed corporate approach recognises stakeholder needs, welfare, and concerns as essential to commercial success. It assumes that an organisation cannot optimise value if it ignores or mistreats the interests of its important constituencies. Key material stakeholder themes are integrated into the corporate operations via effective stakeholder relationship management.⁷ The main units of analysis are the relationships and the contextual *interdependencies* between the constituents in the network. They are investigated via a stakeholder opportunities and risk assessment, leading to the identification of stakeholder *connectors*.

Business Model Transformation Commencing with the ‘existing business model’ (EBM), focusing on the strategic business purpose as a key determinant of the corporate approach and a powerful catalyst for social and environmental change, the framework guides decision-makers via an adapted version of the conventional strategy formulation process through a series of four steps. By specifying the organisational value creation process via a set of components emphasising the requirement for decision-makers to choose context-specific stakeholder-orientated value maximising criteria, the framework is designed to guide the corporate

⁷For clarification, stakeholder management can occur in a variety of formal and informal ways. As previously explained in Chap. 2, it can, for instance, include stakeholder engagement, such as one-to-one interactions, or through formal channels, such as client service assessments, internal and external surveys, via social media, hosting events on topical issues, participating in advisory and advocacy groups, as well as via other forums and methods.

approach in transforming the corporate value creation process from its existing into an innovative business model (IBM).

Transformed Value Proposition The ‘strategic contribution’ which is enabled by the IBM resulting from the transformed corporate approach characterises both internal and external stakeholder relationship management as the essential means for generating value. This fosters *stakeholder value creation* (SVC) defined as the integration of the interests of the business with society via the linking mechanisms (i.e. the *connectors*) in inclusive collaboration with multiple stakeholder groups. In this approach, value is created by nurturing good relations with customers, employees, suppliers, communities, regulators, shareholders, etc. These stakeholders’ interests may be classified into impact outcomes relating to the PPPP framework areas including People/society, Planet/environment, Partnerships/participation, Prosperity/peace, leading to Profits as a consequence among others.⁸ An opportunity and risk analysis assesses the impact of the organisation’s intentions based, for example, on such factors as awareness, acceptability, accessibility, and affordability. This establishes not only the interdependencies but also the relevance of the organisation’s intended activities for key stakeholder groups. This focuses management decision-making on generating commercial solutions which measurably contribute in a positive way to key stakeholder groups. The ultimate strategic contribution via the resulting organisational transformation of the business model comprises multiple, collaborative, connected stakeholder value.

Purposeful Context-Specific Stakeholder Value Creation The strategic *choice* to optimise the material impact of the organisation’s activities with regard for the interests of key stakeholder groups defines the organisational *purpose*. In the proposed value creation approach, the benefits are optimised for each interest group via the identification and analysis of the essential context-specific connecting mechanisms leading to opportunities and risks. Differentiation possibilities and, as a result, competitive advantage emerge in a ‘connections of fortune’⁹ scenario. The decision-

⁸This PPPP framework, similar to the TBL or TTL approach, is complicated by factor distinction challenges relating to the practical issue that the SVC impact cannot typically be isolated to specific groups. Nor is it always possible to know in advance the precise expected impact resulting from the activity. The approach is therefore limited in the sense that it is neither mutually exclusive nor collectively exhaustive. Nevertheless, it is presented here because many organisations (e.g. Unilever) typically employ such distinctions when considering the holistic impact of the value they create (Workshop Nijmegen, 2016). Others, such as Novo Nordisk, similarly leverage their resources by working in partnerships to contribute to specific sustainable development goals such as to reduce child mortality, for example (Novo Nordisk, 2016a).

⁹In place of a ‘tragedy of the commons’ scenario, the ‘connections of fortune’ scenario emphasises the well-being and prosperity which could be achieved when every individual continues to strive to reap the greatest self-benefit from a given resource but, in doing so, is concurrently aware and informed about, as well as concerned for, the collective consequence of their actions on the common good of all users. Acting collectively according to the overall interest of the group determines that through their combined actions, individual users multiply the available resources and outcomes for each party via novel solutions. This addresses the sustainability dilemma by helping to ensure that the demand for resources that are essential to the group does not overwhelm

maker thereby exercises control not only over the employed resources but additionally over those factors which are impacted by the corporate approach, such as the aspects noted in the PPPP framework above, for example. In application, however, each company generates its own context-specific value proposition based on its particular operating scenario at the micro-level of the firm. As a result, each corporate approach to stakeholder relationship management employs its own individual tailor-specific management tools, frameworks, and measurement indicators to identify, evaluate, and mobilise the connecting mechanisms and ensuing value creation impact.

In summary, the overall organisational value creation process depicted in the framework commences with the EBM as the starting point¹⁰ leading the decision-maker sequentially, systematically, and analytically through a series of four stakeholder-orientated steps. It is designed to portray a management ‘pathway’ to an IBM by strategically connecting organisational purpose with an integrated SVC approach. To elaborate on the proposed corporate approach more specifically, the subsequent sections now explain each of the steps depicted in Fig. 9.1 in greater detail.

9.2.2 Management Framework Component: Strategic Contribution

Focusing management attention from the outset on the *outcome* of strategic *purpose*, the framework commences with the strategic contribution of the organisation’s resource conversion process. SVC is depicted in the framework as the propelling force for sustained *profits* as a *consequence* of nurturing, achieving, and maintaining stakeholder *credibility*. It is interpreted as the fundamental basis for ensuring the long-term success of commercial offerings. In a SVC approach, context-specific value is both created by and for the stakeholders via a connected *exchange network*. In this generic framework, an example of such value within the stakeholder network can be graphically illustrated by the circles and boxes diagram presented in Fig. 9.2 focusing in this case on four value areas: people, prosperity, planet, and profits as a consequence.¹¹

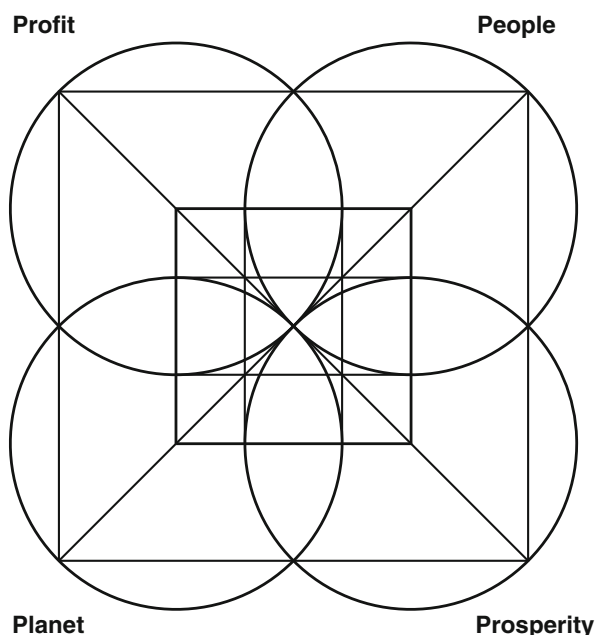
This approach results in *measurable impact* based on regard for an inclusive range of stakeholder groups. In this step, the holistic impact of investing the organisation’s resources is established for both the business and society via the tangible context-specific clarification of the sustainable stakeholder value created in a multiple

the supply. In this approach, each individual is aware of the opportunity cost of the impact of their chosen actions on other stakeholders and can choose to alter his or her behaviour accordingly.

¹⁰For clarification, in cases where the strategic planning comprises a new venture, clearly no business model exists and the planning commences with a ‘clean slate’.

¹¹This depiction is intended to serve as one potential example of SVC. In practice, each organisation establishes its own particular context-specific relevant relationships and connectors. See above for further details.

Fig. 9.2 The PPPP framework example for measurable SVC impact



(inclusive), collaborative (together), connected (give and get) approach. The transformation result enables conscious and transparent accountability regarding the *connected* outcome of the business venture. It thereby highlights one example of the various impact areas via which the organisational capability and activities create value for its stakeholders. This step relies on context-specific measurement indicators capable of determining the measurable impact of the strategic contribution which are to date still under construction.¹² In this regard, impact analysis tailored to the particular features of the various operating contexts requires further research.

For clarification, in contrast with the ‘blinker’ approach inherent in most traditional EBMs in which decision-maker’s minds were focused exclusively on profit (following this rationale through to its logical conclusion suggests that all economic and business and management theory continues to suffer from this limited viewpoint),¹³ the visual illustration of people, prosperity, and planet, in addition to the profit focus, is included to demonstrate the ‘bigger picture’ operating perspective. It highlights the need for a broadened, more far-sighted outlook to improve the traditional conceptual logic of the current business

¹²As noted above, better tools are required to establish improved evaluation transparency with respect to key issues, including for example factor distinction between social, environmental, and economic or other factors (e.g. people/prosperity/planet/profit); debates regarding whether social value can be monetarised; and the appropriate employment of quantitative/qualitative indicators.

¹³For further details, please refer to the ‘misconceptions and misunderstandings’ section in Chap. 2.

rationale. In the proposed example, for instance, profit and prosperity/harmony are no longer the purpose but instead the *consequences* of corporate impact. People/human resources and planet/natural resources are the *means*. This depiction highlights one generic example of how an organisation's activities could connect with other stakeholder interests. Decision-makers *control* organisational impact in the form of the box boundary which defines the organisation's scope of influence. A focus on the centre box emphasises the 'white space' *opportunities* (labelled 'connections of fortune' in place of 'tragedy of the commons' scenarios above). Within the context of this generic framework, each organisation identifies and develops its individual context-specific corporate approach pattern and connectors at micro-level. This leads to various value outcomes, which could include transformation via the *means* of value creation (social/people/human resources), such as improvement in the equitable allocation and equal opportunities of how that value is created by and distributed among the various stakeholder groups; progress in the quality, transparency, values, etc.; and transition in the way value is created via natural means (ecology/planet/natural resources), including resource optimisation, transformation to circular processes, improvement in the recognition of natural capital resources, and more effective manufacturing processes via systems aimed to conserve, restore, and reuse resources. The profit/prosperity *consequence* of optimising the means of value creation can thereby result in the form of greater acceptance, as well as motivation and buy-in from key stakeholders, such as customers, employees, and suppliers, improved reputation and image, and superior innovation and creativity. Definitively, this holistic approach assumes that these value outcomes can lead to an augmented licence to operate for business in society. By authenticating the organisation's communication to its stakeholders, the improved credibility can ultimately advance all stakeholder interests (including shareholders) via an approach which is far more sustainable than the conventional short-sighted shareholder interest aim focused narrowly on profits in the first instance.

9.2.3 *Management Framework Component: Strategic Assessment*

Aiming to ascertain the route to measurable impact from the previous step, this step establishes the operating landscape by identifying the context-specific *connectors* which hold the potential to enable the *harmonisation* of corporate interests with its impact on other stakeholders in the network. The analysis emphasises the ultimate achievement of holistic stakeholder value by identifying what connects the organisational and stakeholder interests and vice versa. An opportunity and risk analysis resulting in a 'connected' resource investment strategy forms the basis for *differentiation*. A conscious focus using a framework such as the four A's checklist including awareness, acceptability, accessibility, and affordability of their offerings vis-à-vis their stakeholders' needs and interests, results in a harmonised resource

investment strategy. Focusing on the role of knowledge as a key connecting mechanism, relevant material aspects are considered with respect to how the corporate resources and its actions interconnect with other stakeholders to ultimately increase or decrease collective stakeholder value. This results in a holistic and harmonised resource investment strategy. Similar to the previous step, this step relies on the utilisation of relevant context-specific frameworks capable of adequately identifying the interdependencies and connectors which are to date still under construction. In this regard, the opportunity and risk impact analysis tailored to address the specific characteristics of each diverse operating context requires further research.

9.2.4 *Management Framework Component: Strategic Choice*

Directing management decision-making on how the corporate strategy is connected to its relevant stakeholders, this step emphasises the decision-maker's *control* via resource investment choices over the well-being of a range of stakeholders.¹⁴ This transformed awareness of the influence of corporate decision-making on other stakeholders *optimises value impact* for shareholders and management thereby encouraging proactive behaviour towards stakeholder interests leading to novel opportunities and ultimately culminating in innovative forms of differentiation and new routes to competitive advantage.¹⁵ The entire approach is based on the rationale that in order to function effectively, organisations require the trust of society to arouse enthusiasm from employees, suppliers, customers, the community, and other stakeholders, who increasingly expect to work for, purchase from, and interact with organisations operating and earning profits in a fair and transparent manner. This logic assumes that value maximisation interests are harmonised by connecting competitive behaviour strategies with innovative stakeholder solutions. This progresses the organisational purpose from 'doing things better' to 'doing better things', thereby inspiring all stakeholders to strive together to 'make a difference' as signified in the original Latin meaning of the word 'competition',

¹⁴In the circle and boxes illustration in Fig. 9.2, this aspect is graphically depicted via the box boundary, which defines the chosen organisational scope.

¹⁵This new form of competitive advantage is the result of the transformed corporate approach focused on stakeholder relationship management in place of exclusive (shareholder) profit maximisation as was the case in the conventional business model approach. This transformed approach establishes the fundamental mechanism for business model innovation. In pursuit of responsible profits, the resulting competitive advantage strategy can potentially adopt a range of styles, including collaborative, cooperative, or other more or less competitive forms. As a result, some authors label this organisational transformational approach 'collaborative advantage' instead of 'competitive advantage' (e.g. Jonker, O'Riordan, & Marsh, 2015; Jonker & O'Riordan, 2016). The term 'competitive advantage' is employed here to signify the broader range of competitive possibilities.

which focuses on striving together. Via this approach, sustained responsible profits are enabled as a *consequence* via knowledge as a key connecting mechanism.

9.2.5 Management Framework Component: Strategic Purpose

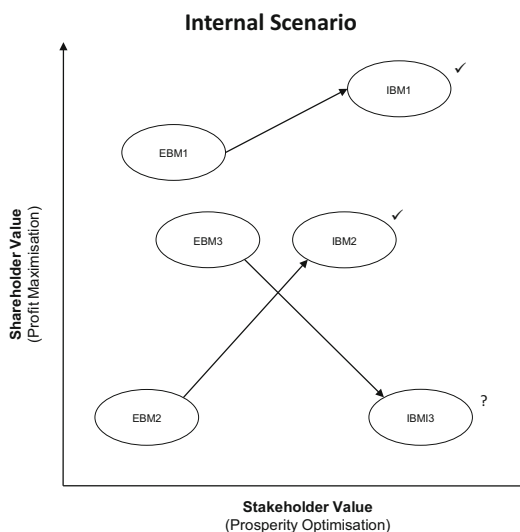
This step highlights the establishment of a context-specific organisational *purpose* at the micro-level of the firm based on stakeholder values and a transformed leadership mind-set focused on creating multiple, collaborative, connected change solutions. The assessment of the linking mechanisms for creating optimal stakeholder value impact and thereby competitive advantage from the previous steps enables the generation of *connected objectives* tailored specifically to each organisation's interests, capabilities, and operating context. This leads to improved and potentially unlikely stakeholder relationships by enabling the optimal harmonisation of the organisation's vision and mission with the mutual interests of those groups which influence and are influenced by its objectives. Ultimately, this improves the connection between the commercial purpose of the organisation, the means of commercial success, the consequences of the corporate resource conversion process, and other stakeholder interests. The transformation result of consciously connecting business purpose with the needs of society and the ecological environment via this improved connection could lead to a range of developments potentially including inspired leadership, an empathy culture, a licence to operate, and ultimately credible communication.

9.2.6 Management Framework Process

9.2.6.1 Strategy Formulation

The framework is designed to guide corporate decision-makers through a series of four steps based on an adapted version of the conventional strategy formulation process. This adapted approach portrays a management 'pathway' leading to an IBM for achieving responsible profits via an integrated SVC approach. This approach is based on the rationale that connecting commercial solutions with the needs and interests of society and the ecological environment could result in greater creativity and innovative strategies, such as reverse innovation strategies, strategies fostering food loops and smart cities, and strategies addressing the UN sustainable development goals, among others.

Fig. 9.3 Innovative business model: internal mind-set transition for new business purpose. Source: Author



9.2.6.2 Organisational Value Creation

The updated framework presented in this chapter advocates a new corporate approach to value creation ultimately resulting in an integrated strategic IBM. The resulting connected relationships established via SVC within and between the network constituents constitute the input for novel ideas to feed new strategic purpose, as indicated by the feedback loop in the strategy formulation steps and organisational value creation process components in Fig. 9.1. Ultimately, this leads to connected objectives. Figure 9.3 graphically indicates the transformed IBM which could result from a management mind-set transition beyond a narrow shareholder focus towards a holistic stakeholder orientation for the business purpose.

Figure 9.3 presents a visual illustration of the mind-set transition from an existing exclusive focus on profits to a SVC approach. The internal scenario highlights the transition opportunities inherent in a broader perspective of stakeholder value. It is designed to improve awareness that the existing business models (EBM) of most corporations, as well as almost the entire spectrum of economic and business/management theory continues to suffer from the limited viewpoint of an exclusive profit motive as the business purpose. It illustrates how, in the alternative approach aimed at maximising prosperity for a multiple range of stakeholders, by definition, *the best interests of the shareholders may actually improve*. The transition examples from the EBM to the IBM emphasise how profits (i.e. shareholder interests) actually increase in the case of the IBM1 and IBM2 examples, while it decreases in the IBM3 example. These illustrations acknowledge both the disconnecting quality of an overemphasis on profit maximisation and the converse connecting quality of inclusive prosperity maximisation. They simultaneously highlight the inherent benefits which can occur when corporate decision-makers

strive to optimally harmonise the overall interests of a range of stakeholders. Emphasising how the outcome of the organisation’s activities can improve its own and other stakeholder interests, Fig. 9.3 graphically demonstrates how decision-makers control organisational impact via their corporate approaches. Decision-makers can thereby consciously determine their SVC strategy via their choice to organise their resources in harmony with broader stakeholder interests. In this approach, however, the illustration highlights that while IBM examples 1 and 2 depict a potential positive impact of SVC on profits, the IBM3 strategy would lead to a negative impact on profits and potential shareholder dissonance, thereby possibly endangering the future of the business to obtain the necessary finance to ensure its sustained operation. The IBM3 example is included to emphasise that in the aim to generate responsible profits, corporate approaches must continue to regard the economic responsibility of the business as a key management priority.

Building on the examples presented in Fig. 9.3, Fig. 9.4 graphically illustrates more specifically the competitive rationale for new business purpose inherent in stakeholder-orientated value creation corporate approach.

The competitive advantage scenario depicted in Fig. 9.4 includes the external perspective of competitive activity within the context of the organisation’s operating sphere. It is designed to portray how, in an operating setting of increasing transparency and stakeholder expectations, a corporate approach which is overly focused on profit maximisation and shareholder interests (i.e. remaining stuck in a conventional EBM) may lose competitive advantage over rivals who are perceived by their relevant stakeholders (e.g. customers, employees, local community, among others) to better excel in more inclusively addressing their interests. This strategy

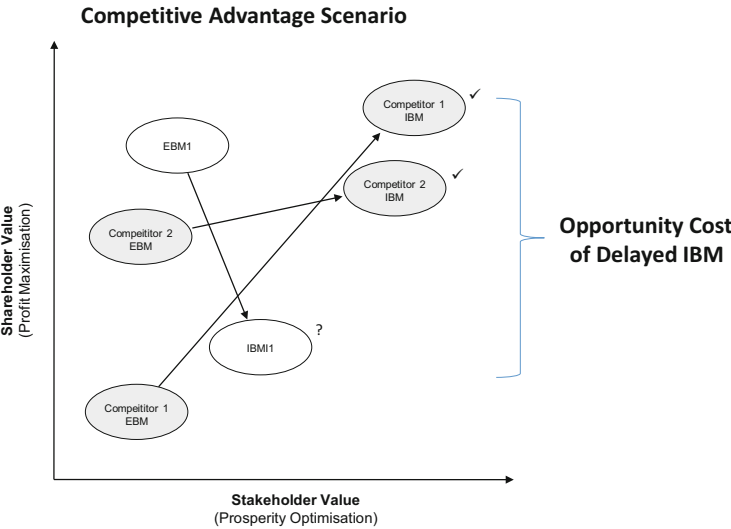


Fig. 9.4 Innovative business model: the competitive rationale for new business purpose. Source: Author

could result in a business rendering itself irrelevant for its stakeholders. In the competitive advantage scenario, both competitors 1 and 2 achieve greater stakeholder value (and as a result profits) than the stakeholder value created by the rival corporation which retained its conventional EBM shareholder focus. This gap in the eyes of its stakeholders potentially diminishes profits to the business (possibly as far as the reduction in the illustration to IBM1). In this case, the shareholder value evidently shrinks. As each improvement by competitors continues to improve stakeholder value and thereby maximise overall prosperity, the competitive gap between the profit and prosperity axes deepens as the business gets left behind as a result of the successful differentiation strategy adopted by its rivals. In this example, the stakeholder relationship strategy presents a source of competitive advantage at the expense of those corporations which chose to remain stuck in their conventional EBM approaches. An attempt at this stage to ‘catch up’ with the ‘leader’ might result in the requirement for substantial investment by the ‘follower’, which could further destabilise the economic welfare of the business. The competitive advantage scenario depicted in Fig. 9.4 consequently ultimately highlights the opportunity cost to the business of delayed transition to IBM. Noteworthy in this illustration is the disruptive potential of new emerging rivals, such as competitor 1 in this example, who identify new connections and thereby ‘out-innovate’ existing players via corporate strategies focused on SVC.

9.2.7 Tool Box

The measurement instruments for evaluating the organisational transformation comprise both conventional and new approaches for establishing and assessing stakeholder connections. These tools require development and adaptation to each context-specific and multidimensional situation.¹⁶ Given the missing link challenges of transparency related to an overemphasis on monetary transactions as the means and method for evaluating outcomes noted in previous chapters, the measurement indicators, frameworks, mechanisms, and instruments for enabling SVC require a significant degree of further development. Context-specific measurement criteria generated at the micro-level of the firm are needed offering reliable, accessible, user-friendly, actionable data for assessing both the qualitative and quantitative, hard and soft, criteria, capable of considering the dynamics of volatility, uncertainty, complexity, and ambiguity. Such tools could comprise conventional instruments from methods including STEP and SWOT, Porter’s five forces, Total Quality Management and Six Sigma, and value chain analysis, among others (e.g. Aguilar, 1967; Learned, Andrews, Christensen, & Guth, 1965; Kutschker & Schmid, 2008, p. 842; Thompson & Strickland, 1999, p. 107; Porter, 1979, 2008),

¹⁶This includes the requirement to develop new perspectives and evaluation tools to appraise, for example, cultural and other macro-level or industry-specific factors, in addition to the organisation- and individual-level focus addressed here.

as well as the requirement for new tools to measure from the new transformed mind-set perspective towards business purpose noted above. Such new tools require the capability to capture new forms of value emerging from novel fields, such as the circular economy, cradle to cradle, biomimicry, stakeholder materiality, information processes and the digitalisation age, neuroscience, environmental psychology, and base of the pyramid, among others.

9.2.8 Transformation Result

The overall result of the integrated stakeholder relationship management strategy formulation steps and the organisational value creation process is a transition from the existing business model (EBM) to an innovative business model (IBM). The organisational transformation process presented in Fig. 9.1 harmonises the resource investment strategy in a holistic approach which enables the transparent and accountable achievement of measureable SVC. The ensuing profits could conceivably be deemed responsible in the sense that they are generated and sustained as a consequence of this corporate approach to managing stakeholder relationships. In this process, all stakeholder interests (including shareholders') are maximised via the inherent connecting mechanisms.

In summary, by identifying, defining, and explaining a set of inclusive, integrated, interrelated management practices, the cohesive stakeholder relationship management process depicted in Fig. 9.1 and the mind-set transformation for new business purpose portrayed in Fig. 9.2 are designed to serve as a comprehensive practical tool-guide for accountable decision-making in stakeholder relationship management. Moreover, this value creation process emphasises that only after the other steps have been sequentially achieved can a business authentically communicate its activities and possibly thereby potentially attain credibility for its practices from its stakeholders. Overall, the corporate approach to stakeholder relationships presented here could conceivably result in new inspired and inspiring leadership approaches leading to an empathetic culture and an improved license to operate.

9.2.9 Implementation Process Steps and Tasks

While the target audience for the Stakeholder Relationship Management Framework Version 4 is corporate decision-makers from the pharmaceutical industry in the first instance, because the process is designed to simultaneously highlight the essential connections in business practice at the micro-level of the organisation within the context of cultural and other differences at macro-level, the conceptualisation is sufficiently generic to be applicable for both the profit and non-profit making organisations, as well as for policymakers, and other interested parties. Given this scope of application, in order to more explicitly address some of

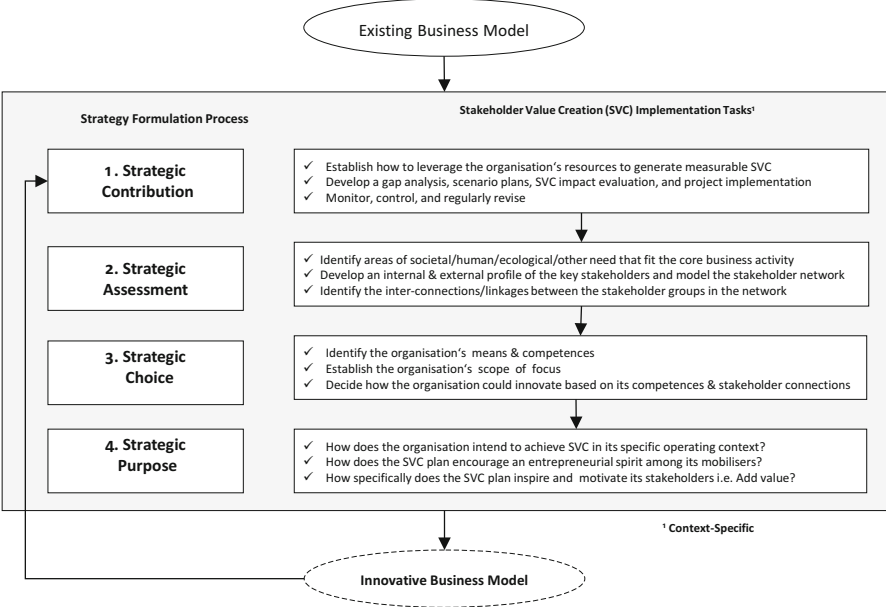


Fig. 9.5 Practical implementation process and tasks of the new management framework. Source: Author

the inherent management challenges identified in the research study, such as the dilemma of satisfactorily harmonising stakeholder interests, as well as the elusive nature of measuring sustainability impact, Fig. 9.5 presents some suggested implementation tasks for each various strategy formulation step. They have been formulated with a view to facilitating concrete application of the stakeholder management concept in an everyday practical setting.

This inclusion of the practical implementation process steps to the framework concretely addresses feedback from in-depth interviews, which revealed the need to improve the practicality of the framework for utilisation in training, implementation, and everyday application contexts. For each of the four strategy formulation steps, key tasks have been assigned to help facilitate the pragmatic implementation of the value creation process logic into the strategic planning phase of the corporate approach. This additional framework is designed to assist decision-makers to operationalise the practical transformation of the corporation from its EMB to an enhanced IBM. Clearly, however, because these tasks have not been tested in a practical corporate setting, their value requires validation in further empirical research.

9.2.10 Usage Guidelines

These usage guidelines are included as a general guide for decision-makers when implementing the specific tasks presented for each various strategy formulation step depicted in Fig. 9.5. They aim to assist the framework users to apply the stakeholder relationship management concept in an everyday practical setting.

1. **Focus** on defining the interconnections between the business and its stakeholders using the steps in the framework in order to achieve what could conceivably be interpreted as the consequence or process outcome of responsible profits.
2. **Purpose** and **knowledge** are the key inspiration and connecting mechanisms, as well as the common denominator for all activities, and the essential route to differentiation (focused in line with Sinek's (2009) assertions not on 'what' but instead on 'why' and 'how').
3. The thought-provoking potential of the '**white space**' between the stakeholder parties as the connecting 'field of opportunity' for innovation and differentiation and thereby as a noteworthy source of competitive advantage. This directs management attention towards a 'connections of fortune' or 'enlightened' perspective of stakeholder relationship management emphasising the collective well-being and prosperity for all involved while simultaneously maximising the benefit for each group.
4. **Choose** (or potentially develop) those particular analysis methods and measurement tools, frameworks, and instruments which best fit to the *context-specific* organisational situation at micro-level.
5. The analysis for moving from an EBM to an IBM can be undertaken from **various perspectives**, e.g. for profit or non-profit organisations,¹⁷ for various business functions (e.g. marketing, supply chain, manufacturing, finance, corporate communication), as well as at strategy or tactical implementation level. Policymakers too can use this approach to establish meaningful impact for their stakeholders.
6. The question of the **unit of analysis** can be added in a subsequent stage of analysis via adapted conventional and/or new tools. For example, at:
 - (a) External level: An opportunities and threats analysis can be included for identifying what matters to stakeholders, as well as the key connection opportunities and risks at macro (political/economic/social/cultural/economic/technological), industry, market, or individual level.
 - (b) Internal organisation level: A strengths and weaknesses or value chain analysis can be employed to establish the impact potential of capabilities, tangible and intangible resources, as well as processes on stakeholders,

¹⁷For clarification, given the fact that the profit motive is not their purpose because they focus on SVC as their organisational purpose, non-profit organisations and other socially driven organisations (with an altruistic purpose for example) would by definition be situated in the lower right corner in Fig. 9.3.

thereby helping to appreciate how an effective stakeholder purpose for the organisation can be optimally generated.

- (c) Individual level: Focusing on people, including for example employee perception and motivation factors, as well as customer demand stimuli response, neurological and psychological factors, the development of context-specific management tools and measurement instruments, would conceivably help to shed light on this level of analysis.

7. **Responsible profits:** The credible communication of the business activity can conceivably be achieved via a solutions-orientated approach to integrating the interests of business with society and the environment. Focused on transforming to an IBM via improving transparency in the evaluation of what business offers and why, as well as how these offerings make a measurable difference to all those who are impacted by this process, this corporate approach could be interpreted as responsible management culminating in the creation of responsible profits.

9.3 Transforming the Corporate Approach to an Innovative Business Model

The premise of a stakeholder-orientated value proposition enabling value creation by and for stakeholders via the holistic harmonised resource investment strategy depicted in Fig. 9.1 could conceivably be interpreted to signify both a novel and a comprehensive approach ultimately culminating in an IBM. Despite the undoubtedly general definitions presented in the literature, past scholarship suggests that IBMs can conceivably be assumed to enhance innovation, due to the ‘difference’ and the ‘change’ via which the organisation enables SVC through the production and supply of new offerings for its customers and other stakeholders. Within the general concepts of business models *per se*, business model innovation derives from corporate practice, strategic management, and industrial economics (Carayannis, Grigoroudis, Sindakis, & Walter, 2014; Teece, 2010). As a result, its novelty could be interpreted as not ‘new’ in its own right *per se* but is more aptly defined by Casadesus-Masanell and Zhu (2013, p. 464) as the “search for new logics of the firm, new ways to create and capture value for its stakeholders, and focusing, primarily, on finding new ways to generate revenues and to define value propositions for customers, suppliers, and partners”.¹⁸ Ćwicklicki and O’Riordan (2017) defined an IBM to designate a process for realising a sustainable supply of relevant offerings to clients, customers, the community, and/or

¹⁸For clarification, some authors including Jonker and O’Riordan (2016) and Ćwicklicki and O’Riordan (2017) have employed the label ‘new business model’ in previous scholarship to signify a form of business model innovation or in other words an ‘innovative business model’.

stakeholders. They expressed the novelty in business models to designate their quest for innovation beyond a narrow profit maximisation focus towards a more balanced value optimisation approach.¹⁹ As a result, they interpreted the value proposition inherent in IBMs to include connected principles of value creation enabling collaborative business strategies, which serve to promote novelty and inclusivity.

Based on a similar but updated rationale, the IBM approach inherent in the SVC concept advocated in this book could be interpreted to focus corporate approaches to responsible management on enabling organisations to leverage their potential to become positive agents of change. The fundamental idea of a multiple, collaborative, connected value(s) proposition inherent in the SVC concept advocated in this book emphasises both the novelty and the comprehensiveness associated with this approach, which by definition leads to organisational (re)design via co-creation and, ultimately, added value for a range of constituents. In this holistic approach, by creating relevant tangible and intangible value for society instead of merely for the shareholders and owners of the business, decision-makers pay attention to and show regard for market needs. The relevance of the corporate commercial offering is authenticated via this process, and competitive advantage can be achieved, thereby conceivably validating the resource investment.

The change or novelty in this approach refers to a way of organising, which not only focuses on the task of internal organisation within the organisation itself but also on organisation between organisations and their constituents. The inclusive approach to organising inherent in IBMs is consequently judged to enable exchange opportunities which uniquely facilitate social and ecological, in addition to economic value(s) creation (Jonker & O’Riordan, 2016).²⁰

¹⁹For clarification, part of the novelty of these value outcomes derives from the scope of the value proposition, which could be interpreted via a number of premises, such as TBL (Elkington, 1997) or TTL (McDonough & Braungart, 2002) principles, which are generally understood as the fundamental source for sustainable business practice (see, e.g., Jonker, Stark, and Tewes, 2011, p. 9). However, further interpretations can be developed to suit the context-specific requirements of each organisational setting. For illustration purposes, the scope for adaptation is inherently implied in the people/prosperity/planet/profits illustration depicted in Fig. 9.2 and inherent in the strategic contribution phase in Fig. 9.1.

²⁰Semantic issues (based on the rationale that there is nothing as ‘old’ as a ‘new’ approach) associated with the word ‘new’ in depicting a concept, which by definition undoubtedly ages over time, determine that the term ‘new business model’ (NBM) has not been employed in this work. Instead, the label ‘innovative business model’ has been chosen as a more apt term, which nevertheless signifies many of the concepts inherent in the NBM logic.

9.4 Underlying Assumptions

The framework is underpinned by eight underlying assumptions, all of which emphasise the value of connecting stakeholder needs, interests, and influence to the advantage of the business, society, and the environment:

1. The first key assumption is based on the premise that the fundamental purpose of a business is to create value.
2. In the strategic Stakeholder Relationship Management Framework (Version 4), long-term sustainable competitive advantage is assumed to derive from optimising inclusive stakeholder value, which by definition includes shareholder interests.
3. Stakeholder value is inferred to arise from developing stakeholder relationships in an equitable approach via innovative mechanisms to enable SVC.
4. SVC is the consequence of connecting multiple interests to collaboratively generate and reciprocally share the resulting outcome (value) in ways which optimise the return (increases the positive and decreases the negative material issues, concerns, and impact) for an inclusive range of constituents. Value is enabled via organisational processes by and for stakeholders. The notion of ‘creating value for a range of stakeholders’ broadens the concept of value, giving access to a new meaning and dimensions for the role of business in society and accordingly business purpose.²¹
5. The synergies from combining the resources, interests, and efforts of an inclusive range of constituents, both within and between the organisations and other parties in the network, are interpreted to offer potential new routes for leveraging business resources as a catalyst for positive change in society.
6. By ‘humanising’ its relationship with society (via engagement in dialogue and presenting a ‘face’ to its stakeholders by making itself relevant for their interests), business can improve its credibility via communication of positive SVC impact (in place of wasteful cost-cutting, consumerism-escalating strategies focused on narrow interpretations of profit maximisation).
7. This transition to a new relationship with society requires a new leadership mind-set coupled with the courage to adopt a pioneering role in a complex management setting, as well as the development of effective management tools to measure the outcomes.
8. Finally, by definition, the rationale depicted in the stakeholder relationship framework assumes that the strategic management process can be classified into four interrelated but analytically distinct steps including strategic purpose, choice, assessment, and contribution, all of which can be individually analysed in greater detail. This assumes a mutually exclusive and collectively exhaustive process.

²¹This broadened value can include different classifications of value, such as those suggested by Argadona (2011) including extrinsic tangible or intangible economic value created via collaboration, psychological intrinsic value of work satisfaction, learning at individual and organisational level, and value consisting of positive or negative externalities as a consequence of the relationship.

9.5 Perspectives and Implications

The following seven perspectives cohesively form the rationale for the above assumptions:

1. **The Limits to CR,²² Ethics, and Sustainability as an Organisation's Purpose:** CR, business ethics, and sustainability are important business trends. However, their abstract nature has resulted in a 'crisis of ideas' at organisational level, which do not easily lend themselves to the development of an attractive, effective, and socially reliable business management concept. However, similar to the role of profits and prosperity as a *consequence*, these concepts are the *means*, alongside other resources in the organisation's conversion process. As a result, they do not define the *purpose* of the business.
2. **Integrating the Interests of Business and Society:** A leadership culture that focuses in the first instance on stakeholder interests takes a holistic approach to connecting the organisation's activities with the prosperity of its social/cultural, political, technological, ecological, and economic operating environment as the basis for its commercial success. This approach adopts a pragmatic solutions-orientated attitude (in contrast to a moral view – see point 1 above) when investing organisational resources and core competences. This rational stance is measurable and inherently incorporates many of the abstract, controversial, isolated concepts inherent in the notions of sustainable business and CR, including values and ethics as the potential means of the organisational resource conversion process.
3. **Replacing Traditional Concepts of Management:** Traditional concepts of management have a limited future in SVC. Focused on internally orientated organisational cost minimisation calculations and sales maximisation strategies, they operate at the expense of society and the environment based on an isolated, linear, wasteful logic assuming the existence of unlimited resources, and suboptimal quality aims. Nevertheless, some conventional tools from the traditional management field, such as the SWOT and value chain analysis,²³ for example, could arguably be adapted for SVC application (please refer to the practical example below for further details).
4. **Developing a Connecting Culture:** Understanding the various connectors between the multiple stakeholder groups builds awareness, which ultimately 'bridges the gap' between how individuals in the various groups feel, need, and act. This unleashes the 'power of purpose' enabling empathy in management attention towards a purpose which 'connects' the business intent and

²²From the many possible alternatives, for brevity purposes, the term 'CR' has been adopted in this chapter to signify the concept of responsible management (as defined in Chap. 2) within a corporate sustainable stakeholder relationship setting.

²³As well as other instruments including those mentioned in previous sections of this chapter.

actions with the needs and interests of society and the environment and vice versa.

5. **Stakeholders Give and Get Value:** Stakeholder ‘well-being’ drives and sustains the growth strategy. The required mind-set transformation focuses the organisation’s vision, mission, and objectives on achieving stakeholder-connected objectives as the ultimate business outcome. By definition, this includes the interests of the shareholders of the business, thereby avoiding direct conflict between stakeholder and shareholder value creation objectives.
6. **Achieving an Innovative Business Model with Credible Outcomes:** The IBM derives from a transformed corporate approach focused on PURPOSE: People, Utility, Responsibility, Promoting (enabling and communicating), Organisation, Stakeholder inter-connections, Economic value = Responsible Profits. PURPOSE powered by knowledge creates tangible and intangible value for a range of stakeholders. Commercial solutions are developed aimed at achieving societal trust and confidence in organisations and business leaders, as well as in their chosen corporate strategies and organisational processes for SVC.
7. **Enabling Information and Knowledge:** The new focus on connections triggers the need for information and knowledge institutions to serve as enabling mechanisms via research and teaching material/programmes providing clear justification on why and how to link business interests with stakeholder needs. This includes the requirement to improve management tools and measurement indicators in the quest to transform the corporate approach for SVC.

9.6 Contribution and Challenges

9.6.1 Benefits

The four steps for strategically mobilising stakeholder relationships to create responsible profits depicted in the integrative Stakeholder Relationship Management Framework presented in Fig. 9.1 propose a comprehensive, holistic approach for integrating a *stakeholder perspective* into organisational decision-making processes. Focused on stakeholder interests and well-being as the *connecting* driver of organisational PURPOSE and objectives, this approach highlights the organisational value creation transformation process for implementing stakeholder strategies and policies to achieve differentiation and competitive advantage via an IBM focused on seeking SVC.

By specifying the change resulting in the transformation from the EBM to achieve an IBM, the framework presents one potential pathway to help organisational decision-makers to resist the temptation to maximise short-term financial performance (profits or earnings per share) of the organisation at the expense of other constituencies. In their search for value creation options, this

process could lead managers and other participants in an organisation to think more generally and creatively about how the organisation's policies treat all relevant stakeholders instead of merely financial markets.

The framework provides the management the rationale, guidance, and recommendations on *why* and *how* to identify material stakeholders via assessing the related context-specific opportunities and risks they present. This facilitates the evaluation of stakeholder opportunities and issues, strategies, policies, and the potential requirement for improvement, as well as the internal organisational capability to undertake analysis and draft effective stakeholder-orientated strategies and communication documents.

Overall, a wide-ranging and inclusive stakeholder engagement strategy is enabled based on a thorough understanding of stakeholder interests, needs, and concerns, which can be individually tailored to address context-specific operating scenarios. This process holds the potential to create improved impact from the context-specific resources invested for all stakeholders including the business at the micro-level, as well as society, and the environment at the macro-level.²⁴ Transparency and accountability are improved via the increased stakeholder dialogue and communication inherent in this process (both internally via inter-divisional/disciplinary teams, and externally, e.g. reporting). In this approach, knowledge transfer and application to research, management practice, training, and education are key features in the route to SVC.

9.6.2 Challenges

Notwithstanding its benefits, the new updated Stakeholder Relationship Management Framework presented in Fig. 9.1 additionally holds at least six potential open issues. These include:

1. **Bridging the gap:** The framework is designed as a 'bridge' from the current EBM to ultimately achieve an IBM. However, while concern for the collective consequence of individual resource consumption choices continues to remain a matter of debate, the prevailing management 'mind-set' is primarily fixed on an exclusive profit orientation. As a result, beneficial value creation solutions often remain unnoticed or fragmented so that their full potential is not sufficiently mobilised and progress remains limited. This requires the recognition that it is possible that markets will not know the full implications of an organisation's

²⁴The potential of this process to create the noted impact is dependent on improved management tools for evaluating outcomes and new measurement indicators facilitating the generation and availability of reliable, accessible, user-friendly, actionable data. The current lack of such tools for assessing both the qualitative and quantitative, hard and soft, criteria capable of considering the dynamics of volatility, uncertainty, complexity, and ambiguity was noted as a missing link issue, which was presented in the previous chapters of the book.

policies at the outset. In such cases, the organisation must lead the market to understand the full value implications of its policies and wait for the market to ‘catch up’ (Jensen, 2000).

2. **Complexity and uncertainty:** The transformation from the current EBM based on an exclusive profit orientation to an IBM focused on SVC requires a fresh understanding of how firms can adapt in their evolving environments and how they cope with situations of uncertainty. This complexity is complicated by the typical heterogeneity of stakeholder groups. While a SVC approach emphasises the obvious rationale that market value cannot be maximised in the long term if important stakeholders are ignored or mistreated, harmonising a range of interests is a complex challenge. Given that optimising stakeholder value means aiming to maximise each group’s interests, identifying the value criteria for making society ‘as well off as it can be’, requires resolving externality and monopoly issues. Many of these matters lie within the legitimate domain of the governments in its rule-setting function. In other words, organisations alone cannot succeed in resolving these issues voluntarily (Jensen, 2000).²⁵ Nevertheless, from a corporate perspective, although SVC is not straightforwardly observable, and despite the issue that perfect knowledge of the effects of decisions regarding an organisation’s stakeholders does not exist, choices still have to be made within the operating context of complex dynamic systems.
3. **Transparency of evaluation under construction:** The management tools and methods required for the emerging highly complex organisational management process are still underdeveloped (Jensen, 2000). Systems and a legal framework for new forms of resource sharing (e.g. Airbnb and Uber), as well as measurement indicators for evaluating value creation outcomes, require evolution. Volatility and ambiguity obstruct progress in upgrading measurement tools to evaluate stakeholder value outcomes. Their development is complicated by debates regarding the ability to monetarise SVC *per se*. This discussion includes questions regarding the suitability of using conventional adapted tools or the requirement to develop entirely new ones. The emerging nature of the precise connectors in stakeholder relationships poses challenges which require further study and novel solutions to identify new ways of measuring value in a meaningful way.
4. **Transforming societal opinion requires time and perspective:** The new approach involves ‘buy-in’ not only from organisations but also from society. Changing the opinions of consumers and employees, as well as other stakeholders about the role of business, and increasing awareness about the importance of each stakeholder party’s own role in the quest for stakeholder solutions will take time and require the development of new understandings about value (what counts as value and how to measure it). The multiple, collaborative, connected nature of SVC principles suggests that the optimal value overall

²⁵This highlights the salience of the connections and alliance opportunities between the parties in the stakeholder network.

(i.e. the greatest benefit for all stakeholders) will be achieved when all parties (and not just organisations) think beyond their own interests in the first instance. This necessitates a new mind-set to convince individual decision-makers to make this transition which requires time and trust in the process, as well as a new way of perceiving what is of value. This transformation implies a mind-set shift from taking to giving and trust that requires development. In this regard, based on the rationale that the market is inevitably ignorant in the short run of many of the actions and opportunities underlying SVC purpose, leaders and other decision-makers need to resist the temptation to conform to the pressures of equity and debt markets and avoid surrendering to the vagaries of the movements of an organisation's day-to-day value.

5. **Enabling management transformation:** Requires integrating the concepts inherent in SVC into mainstream business studies. This poses the challenge of how to deal with many of the abstract, controversial, isolated, often conceptually flawed characteristics and definitional elusiveness inherent in themes, such as sustainability, CR, triple bottom line/triple top line, values, and ethics. The required transformation additionally triggers issues with respect to developing new tools to facilitate this process. Although the new framework is generic, it recognises that SVC is context specific. As a result, it does not specify precisely how decision-makers can best harmonise competing interests or which exact measurement indicators best capture the expected value. Instead, this task has to be decided at the organisational and individual level of the firm.
6. **Convincing business managers about why and how to employ the new approach:** The required transition from traditional management approaches inherent in these emerging concepts assigns an emphasis on information and knowledge institutions as enabling mechanisms (via research and education) for providing a clearer rationale for decision-makers about why and how to link business solutions with stakeholder interests and needs. The development of better management and measurement concepts and tools is complicated by typical reactions, such as those noted by the behavioural economist Dan Ariely into what he terms the 'predictable irrationality' of why people tend to ignore the blindingly obvious and rationalise harmful behaviour (Ariely, 2012). Further increasing levels of dishonesty and blatant lies in all spheres, including politics and economics, are leading to claims about a 'post truth' world (The Economist, 2016). This trend recognises that humans do not naturally seek the truth or at least tend to avoid it by instinctively accepting familiar information to which they are exposed as 'true'. They further seek what the Nobel Prize Winner Daniel Kahneman in his best-selling book *Thinking, Fast and Slow* calls 'cognitive ease', i.e. in which humans follow the tendency to steer clear of facts which would force their brains to work harder (Kahneman, 2011). This predisposition is all the more challenging due to the findings from study groups undertaken by researchers from both Dartmouth College and the University of Exeter who emphasise what they interpret as the phenomenon of the 'backfire effect', i.e. when attempting to correct facts often has the unintended result of actually strengthening false beliefs (Nyhan & Reifler, 2016).

Despite these six open issues, the four steps for strategically mobilising stakeholder relationships to create responsible profits depicted in the integrative Stakeholder Relationship Management Framework presented in Fig. 9.1 is nevertheless judged to propose a comprehensive, holistic approach for integrating stakeholder-orientated business purpose into organisational decision-making processes. In order to demonstrate the framework's application, the next section now presents practical examples of this new corporate approach in action.

9.7 Practical Examples of Stakeholder Value Creation in Action

9.7.1 *Stakeholder Value Creation at Novo Nordisk and Unilever*

How might SVC actually work in real-word business application? Examples from the global healthcare company Novo Nordisk in the pharmaceutical industry and Unilever in the consumer goods sector demonstrate how successful organisations already follow a purpose that transforms their business model via connections to stakeholder relationships beyond short-term profit calculations.

The Novo Nordisk organisation could conceivably be considered to credibly communicate a business *purpose* that expresses a clear vision and a strong set of core values implemented via a consistent corporate governance model. By claiming to engage their employees via a sense of purpose and an entrepreneurial spirit that creates meaningful value in their healthcare sphere of competency, the Novo Nordisk approach adopts the strategic *choice* to focus on stakeholder relationships and connections which replace the narrow textbook profit formulas in the first instance. Novo Nordisk states on its website how it uses its experience and capabilities from over 90 years of innovation and leadership in diabetes care to undertake a strategic *assessment* of the opportunity and risk impact in the relationships with their stakeholders. In doing so, it could be inferred that the decision-makers analyse the impact of their offerings with a view to their stakeholders' issues and interests regarding awareness, acceptability, accessibility, and affordability. The impact of their business activities thereby *contributes* by helping people to defeat serious chronic health conditions, such as haemophilia, growth disorders, and obesity. As a consequence, the company *connects* its resource investment strategy in its field of competence to create *stakeholder value* by specifically formulating positions on issues of relevance to its business via its role as "a global corporate citizen" (Novo Nordisk, 2016a). This includes themes pertinent to their organisation's explicit impact on chosen stakeholder groups within its specific operating context, such as access to diabetes care, animal ethics, climate change, clinical trial ethics, counterfeit medicines, gene technology, human bio-samples, human rights, intellectual property rights, the 2030 Agenda for Sustainable Development, public affairs, and stem cell ethics (Novo Nordisk, 2016b).

This example of creating stakeholder value at the micro-level of the firm in the tailor-specific approach adopted by Novo Nordisk is about understanding the connections, i.e. how creating value for employees creates value for customers, suppliers, other stakeholders, and vice versa. Ultimately, the sense of business purpose inherent in this stakeholder-orientated strategy formulation process could be interpreted to continually transform Novo Nordisk's corporate approach to achieve ongoing business model innovation.

This approach focuses on measuring the value outcomes specific to the particular operating context of the organisation. Clearly, however, a bank, an oil company, or chemical company would have entirely different approaches and measures from each other regarding their impact on and connections with customer, suppliers, consumers/users, and employees, among others. In an entirely different operating context, for instance, Unilever, the Anglo-Dutch multinational consumer goods company marketing well-known brands including Knorr, Hellmann's, Lipton, Magnum, Axe, and Dove, among others, connects its activities in its sphere of operation with a focus on creating stakeholder value on the chosen themes of impact, including helping vulnerable communities, mobilising collective action, and what it terms 'our sustainability journey'. In doing so, Unilever emphasises its viewpoint that "a brighter future means better business" (Unilever, 2016). Comparable with the previous Novo Nordisk example, the underlying inclusive, stakeholder-orientated strategic mind-set inherent in Unilever's strategy formulation process could similarly be interpreted to progress its corporate approach to an IBM via continual organisational transformation in the interests of its stakeholders.

9.7.2 Measuring the Impact of Stakeholder Value Creation

In these examples, perceptual, qualitative, soft measures, such as customer satisfaction, quality of work, or employee well-being, may play a key role in measuring the effective connectedness of the relationships. The unit of analysis is the relationship, and the measurement indicator is the connector. Clearly, due to the complexity and interconnectedness of the strategic outcomes or contribution generated by these organisations, it may well be difficult to identify reliable measurement indicators. Furthermore, as previously noted, while sharp distinctions between the general contribution (benefit/cost) generated by corporate approaches on the social, ecological, and economic resources are likely to remain inconclusive due to the continuing likely lack of mutually exclusive and collectively exhaustive indicators, nevertheless, companies such as Unilever, do utilise the triple bottom line distinction when assessing their SVC (Workshop Nijmegen, 2016). This implies that despite their theoretical limitations, in everyday management practice, principles, such as the triple bottom line, or, for instance, the PPPP areas proposed in the new framework Version 4, are employed to guide and measure holistically orientated corporate approaches to stakeholder relationship management.

Quality and effectiveness are common denominators in the above examples, as well as a focus on the human element of how people feel, think, and act. From the

development of new offerings, through to the sourcing of people, raw materials, and other inputs, the knowledge and experience invested in their fields of expertise bears the signature of purpose and conscious consideration of the impact of the corporate activities on other stakeholder groups. While the business strategies of these organisations may not always be judged favourably, they highlight the relevance of innovatively appreciating the power of connections and their value-generating potential.

In place of textbook profit equations and formulas as the driver of value creation in the first instance, these examples highlight the relevance of relationships. They further imply an inherent understanding that business success and profits for shareholders, as a key stakeholder group, will emerge if the business impact on other stakeholder groups is considered in the first instance. This shifts the management focus on mobilising organisational resources towards the interests and concerns of those key groups upon which the organisation chiefly depends for its profits, i.e. customers, employees, and suppliers, among others.

Clearly, however, given the challenges noted above regarding the context-specific nature of stakeholder value creation leading to management and measurement transparency issues, the internal and external stakeholder impact of a conscious attempt to account for the impact to society of organisational actions continues to require further research and development. Significantly, organisations themselves are probably the best source for creatively identifying new approaches for realising the required holistic measurement indicators, frameworks, instruments, and tools, which most meaningfully measure their context-specific value creation resource conversion processes.

9.7.3 Context-Specific Application of the Rationale for Business Model Transformation

How can other companies replicate these examples of SVC? They could start by reconsidering their organisational purpose. It is conceivable that a first step in identifying how to create SVC requires a clear vision of what is of value and for whom. Because making business choices from a stakeholder value optimisation perspective broadens the scope of value creation from the traditional profit maximisation (shareholder) perspective (Grant & Jordan, 2015, pp. 20–21), Freeman's (1984) stakeholder theory of the firm is a popular and influential theory (Stark, 1994), which requires context-specific application in order to unleash its full innovative connection potential (Ćwicklicki & O'Riordan, 2017, p. 3).

The mind-set shift implied in the connections of fortune logic presented previously above in relation to the SVC framework signifies the need for each corporate approach to precisely assess its individual business model rationale for its particular context-specific operating scenario. This helps decision-makers to determine why and how the new approach could be beneficial for the business, thereby justifying the investment of shareholder resources in the most optimal holistic interest of all

stakeholders. Ultimately, this approach signifies the way in which corporate decision-makers create value via the organisational transformation to a changed (innovative) business model construct as a mechanism for enabling pathways and solutions for doing business which create and deliver stakeholder value (Ćwicklicki & O’Riordan, 2017, pp. 7 & 8–9). Building on the list of tasks aligned with each of the four strategy formulation steps presented above in Fig. 9.5 which was developed to help to facilitate the pragmatic implementation of the value creation process logic into the strategic planning phase of the corporate approach, Table 9.1 presents a more detailed list of tasks and questions. This elaboration aims to additionally assist in the practical implementation of SVC focused on achieving a transformed corporate approach to stakeholder relationship management.

While these questions and the concepts of business models and by definition IBMs are not new in their own right *per se*, in line with the definitions established by Ćwicklicki and O’Riordan (2017, pp. 8–9), the resulting business model transformation can be interpreted to designate a process for realising a sustainable supply of relevant offerings to clients, customers, the community, and/or stakeholders. Via this process, the organisation transforms from its existing to an innovative business model via an inclusive approach to organising the resources it employs to create its offerings. The exchange opportunities inherent in a SVC approach uniquely facilitate broader social, ecological, and other impact in addition to economic value creation (Ćwicklicki & O’Riordan, 2017, p. 9; Jonker & O’Riordan, 2016). In this approach, stakeholder value optimisation is achieved in each context-specific scenario. Finding or establishing initiatives or ventures for creating value and identifying and developing the measurement tools for determining success remain the innovative entrepreneurial activities of the organisation’s leaders and decision-makers as was the case in conventional EBMs. Inspired purpose and the desire to progress in their field, such as the aim to build the best car, or computer, or film, are not only consistent with this approach but determine its purpose and therefore drive its success. Similarly, identifying those areas in which their organisation is particularly irresponsible or unsustainable (e.g. Keck, 2016) via the proposed gap analysis significantly assists the corporate transformation from an EBM to an IBM.

The novelty in this approach lies in the quest for innovation beyond a narrow profit maximisation focus towards a SVC harmonised value optimisation approach. Based on the fundamental idea of a multiple, collaborative, connected value(s) proposition inherent in the SVC concept, both the novelty and the comprehensiveness associated with this approach by definition leads to (re)design via co-creation and, ultimately, added value for a range of constituents. Additionally, this novelty refers to a way of organising, which not only focuses the value creation process on the task of internal organisation within the organisation itself but also on organising between organisations and their constituents. Order emerges as opposed to being imposed, so that an organisational purpose rooted in individual stakeholder connections materialises functioning collaboratively and in harmony with each other for the optimal benefit of all groups. This approach views organisations in relational terms based on how they impact society. Their ultimate strategic contribution may be generally linked at the macro-level with more complex, broad-brush objectives, such as the 17 UN

Table 9.1 Factors and key questions for transforming to an innovative business model

Factor	Key questions
Purpose:	1. What do the leaders wish to accomplish? $\Rightarrow$ Strategic Intent? 2. What inspires and motivates the people within organisation? 3. What is the organisation's vision and mission?
Choice: resources and scope	1. What means does the organisation have at its disposal? (List of all forms of capital employed by the organisation including internal assets, as well as social and natural resources) 2. What is the organisation's tangible and intangible competence? 3. What defines the organisation's field of business?
Assessment: relationships and connectors	1. Who are the organisation's key stakeholders within its operating scope? (Identify material impact) 2. Which stakeholders influence and are influenced by the organisation? (Map the stakeholder network including the specific networks entertained by the various stakeholders groups) 3. What needs and interests concern the organisation's stakeholders? (What do those stakeholders within the organisation's business scope expect and need? What do they expect and need in general?) 4. What connects the organisation with its stakeholder groups? (Themes) 5. How does the organisation specifically influence these stakeholders with respect to these themes both now and in the future? (In which areas is the organisation particularly irresponsible or unsustainable and in which areas could the maximum benefit be achieved?) 6. How do these stakeholders influence the organisation both now and in the future? 7. Which non-stakeholders could potentially impact/be impacted by the organisation's scope of activities but are not currently targeted by our business?
Contribution: value impact and measurement	1. How can the organisation leverage its resources via the identified connectors to enhance overall prosperity in the operating environment via the optimal generation of value (SVC) for all relevant parties? 2. How can the organisation amplify its impact to maximise utility/benefit for existing and new stakeholders? 3. How can the organisation lessen its impact to minimise harm for existing and new stakeholders? 4. Which quantitative and qualitative (soft and hard) indicators reliably and validly measure the SVC (benefit-costs) generated by the organisation? 5. Which organisational culture fosters SVC? 6. What individual characteristics and behaviour encourages SVC? 7. Which structures, processes, and other mechanisms fittingly nurture, promote, and reward SVC behaviour?
Deliverable	• Generate a new business purpose and connected objectives focused on SVC via the above insights $\Rightarrow$ business model innovation

Source: Author

sustainable development goals (Sustainable Development Goals, 2016). This macro-level perspective facilitates the connection of the organisation's purpose and activities with policy at systems level, aimed at achieving high-level societal value.

9.7.4 *Context-Specific Assessment Tools*

9.7.4.1 Internal Audit Example

The conventional strengths and weaknesses tool (Learned et al., 1965; Kutschker & Schmid, 2008, p. 842; Thompson & Strickland, 1999, p. 107) can be applied to the new *strategic purpose* step of the strategy formulation process to consciously organise the resources employed by the organisation based from the outset on a management mind-set intent on achieving SVC as its fundamental business rationale. This focuses the internal assessment of the organisation's capabilities and its competence on adopting an inclusive perspective aimed at examining how it can best affect positive change in society through its business investments. This examination ultimately leverages business resources to take regard for the internal stakeholder interests (e.g. employee working conditions and job design, intellectual property, etc.) as the main driver of the business venture's inception. This approach recognises the interdependencies between the interests of the organisation and the welfare and needs of society. Importantly, the strategic purpose step reflects a value stance transition, which moves beyond the typical profit maximisation aim in conventional strategic management approaches. Ultimately, this change is the source of innovation and, as a result, differentiation and competitive advantage. Establishing a specific venture's objectives within the overall long-term sustainable direction of the organisation's strategic purpose thereby ensures an organisational intent which is focused on delivering commercial solutions to address societal and environmental challenges.²⁶

The internal business intent is accordingly *connected* with the external interests of society, and the potentially powerful role of organisations as catalysts for positive change in society is emphasised. Regard for this broader SVC purpose innovatively sets the stage for and influences each subsequent step of management practice. This stakeholder purpose is clearly reflected via the vision and mission statements as the desired further state or strategic intent regarding which markets

²⁶When contemplating how to best link the business interests with positive societal change, the 17 sustainable development goals stated in the UN 2030 Agenda for Sustainable Development (UN SDG) can serve as a valuable indicator for business strategists. These indicate areas including issues such as pollution, human rights and poverty reduction, employment conditions and diversity, supplier conditions and 'fair trade', consumer use and marketing of products and services, community, infrastructure and education, etc., which could highlight interesting avenues in the pursuit of business opportunities to improve social conditions in both the developed and the developing world (Sustainable Development Goals, 2016).

the business intends to serve, as well as the major measurable sustainable objectives related to that future state, which the organisation seeks to realise. The complex hierarchy of resulting objectives is then specified either via a top-down or bottom-up development process and implemented throughout the organisation at company, business, and divisional levels (including the marketing, production, finance, human resources, and other functional divisions). These objectives are measurable in the sense that they are frequently expressed in time-related financial (profits/return on investment/cash flow/cost/growth/contribution to margin), market (share/penetration/brand awareness and image/customer satisfaction/loyalty), or social (sustainability) terms (e.g. Becker, 2013, pp. 60–65; Kotler & Keller, 2009, p. 92). Importantly, these objectives set the basis for the control/evaluation stage in the strategic contribution step. Furthermore, by determining the corporate behaviour (leadership, organisational culture towards internal and external stakeholders), the corporate architecture and design (appearance and form of the organisation via visible logos/uniforms/buildings etc.), as well as corporate communication (such as information and promotion of the business activities and offerings), they form the fundamental basis for the corporate identity (e.g. Becker, 2013, p. 830).

Ultimately in this approach, the ensuing strengths and weaknesses audit assesses the value of tangible and intangible organisational resources not merely from the internal perspective of their capability to generate economic profits via an increase in sales or a decrease in costs but additionally with respect to its external impact (i.e. the benefits and costs of the organisation's activities) on society and/or the environment. Table 9.2 provides an example of this audit.

In this evaluation, the company's ability to either 'help' (by maximising utility/benefit) or 'harm' society and the environment is consciously assessed in addition to its economic interests. When undertaking this analysis, the decision-makers consider whether and how the resource under examination tangibly impacts key stakeholder outcomes which may, for example, for illustration/brevity purposes be classified via the TBL/TTL or PPPP framework

Table 9.2 TBL strengths and weaknesses audit example* **

Impact/resource	Economic	Social	Environmental	SVC
Financial and physical assets: cash/plant/equipment	S	✓	×	✓
Personnel: knowledge/culture	W	?	?	×
Reputation: brands/relationships	S	×	×	?
Organisation: management structure	S & W	?	?	?
Innovation: patents and copyrights	S	?	?	?
Others				

Source: (Author)

*S = strength; W = weakness; ✓ = positive effect (i.e. activity helps society or the environment); × = negative effect (i.e. activity harms society or the environment); ? = effect not clear (i.e. uncertainty about whether activity helps or harms society or the environment)

**Criteria based on Grant (2006, p. 155) and Hoskisson, Hitt, Ireland, and Harrison (2008, pp. 73–74)

approach.²⁷ In this way, corporate decision-makers show regard for the holistic impact of their choices and actions on a broad range of both internal and external stakeholders while simultaneously reflecting on the potential opportunities for positive impact inherent in the interdependencies. Such connections can include the economic effect on costs or sales impact as a result of a positive or negative reputation/image arising from the external social or environmental costs/benefits of their commercial activities.

According to O’Riordan and Zmuda (2015, pp. 499–500), opportunities for unlikely alliances are most likely to occur in the ‘white space’ at the intersection of stakeholder interests. The emergence of question marks in the auditing process highlights that the impact of the potential connection possibilities for generating SVC from corporate resources has not been sufficiently considered. This indicates the need for decision-makers to more thoroughly and creatively evaluate the prospects of such white space opportunities for generating SVC in greater detail. It further requires bearing in mind that the emerging commercial solutions to social and environmental challenges may well require new business constructs operating beyond the constraints of the current approach to evaluating and organising business investments. Essentially, this ‘white space’ could conceivably be viewed as a ‘breeding ground’ for business model innovation and, accordingly, the nucleus for differentiation and, thereby, competitive advantage. The overall positive impact for people and the planet of this transformed stakeholder-orientated approach to business purpose consequently results not merely in an increase in internal profits for the organisation but more holistically in an improvement in the overall prosperity and harmony of society.

For clarification, in previous chapters of this book and most particularly in Chap. 2, a pragmatic stance was advocated, which strives to focus the discussion of responsible management away from the subjective sphere of a normative value stance. This perspective determines that the above evaluation is strongly rooted in the ‘scientific’ realm focusing on evaluating and identifying the most optimal outcomes for both business and society via measurable results and impact assessments. Accordingly, within the context of the proposed stakeholder-orientated organisational value creation stance, the individual values and organisational culture implied in the strengths and weaknesses audit above refer to the legitimate personal motivations, intentions, morals, and resulting judgements of leaders and decision-makers at an individual level only. Ultimately, this systematic pragmatic approach advocates that not motivations and morals, but measurable actions and their outcomes, in the form of the organisation’s transparent strategic purpose and impact on society, emerge as most optimal overall incentive for both business and society.

²⁷Notwithstanding the measurement issues noted previously with a TBL/TTL or PPPP approach due to the lack of clear isolation of the inherent variables, these principles have been adopted here to pragmatically reflect real-world operating practice as in the example of Unilever’s corporate approach (Workshop Nijmegen, 2016).

9.7.4.2 External Audit Example

The *strategic purpose* to consciously organise the corporate resources employed uniquely focused from the outset on a management mind-set intent on achieving SVC as the fundamental business rationale for the corporate approach by definition connects the internal assessment of the organisation's capabilities with its external operating environment. When identifying and examining in which markets, how, and when to invest internal organisational resources into relevant market offerings, the external stakeholder context is approached with regard for, and holistically paying attention to, stakeholder interests. These interests can include customer needs, employee motivation, the use of natural resources, competitor activity, and shareholder expectations, among others. This approach strives to harmonise a range of stakeholder interests in a novel way aimed at innovatively, inclusively, and collaboratively leveraging internal organisational assets and competences, as well as social and natural resources when creating and allocating organisational value in collaboration with other organisations in the network. In this way, a common objective based on mutual interests in the field of activity is realised. To identify such opportunities, the classical management tools can be utilised. These include the STEP analysis tool (Aguilar, 1967) at a macro-level of analysis (i.e. identification of the environmental factors, which are likely to have a high impact on the success or failure of the business strategy), Porter's five forces (Porter, 1979, 2008) for an industry-level analysis,²⁸ and/or the classical evaluation of customers and competitors at market level (e.g. Kotler & Keller, 2009). Similar to the approach adopted in the strengths and weakness analysis in the previous step, taking the external social and environmental costs and benefits of the organisational impact into consideration in addition to the company's internal economic costs and benefits, as well as considering the costs and benefits of other stakeholders in the network, leads to an expanded opportunities and threats analysis as depicted in greater detail in Table 9.3.

When undertaking this external analysis, the aim again goes beyond merely distinguishing those external factors, which have the ability not only to impact the internal economic bottom line (via affecting either sales or costs and thereby profits) but, more broadly, to identify how to achieve the highest degree of harmonisation across the TBL/TTL or PPPP²⁹ impact areas via contemplating their collective potential of the corporate approach for generating positive synergies. By creatively considering the possible interdependencies between the impact outcome areas, and by contemplating the required change to business behaviour and strategy in order to realise such opportunity, similar to the case of the internal stakeholder context in the first step, the business strategy is again *connected* to the needs and interests of society

²⁸Please refer to Chap. 5 for further details.

²⁹This approach acknowledges the measurement issues noted previously with the TBL/TTL and PPPP impact areas due to the lack of clear isolation of the inherent variables. Nevertheless, these principles have been adopted here in a pragmatic approach, based on the rationale that many companies adopt these categorisations in everyday practice, e.g. Unilever (Workshop Nijmegen, 2016).

Table 9.3 TBL opportunities and threats analysis*

Impact/resource	Economic	Social	Environmental	SVC
Macro-level: STEP analysis				
S: cultural differences	T	✓	✓	✓
T: infrastructure	T	?	?	?
E: inflation	T	×	?	?
P: industry regulation	O	✓	✓	✓
Industry level: five forces analysis				
Competitor rivalry	T	×	×	?
Bargaining power of customers	T	✓	×	?
Bargaining power of suppliers	O	×	×	?
Others				
Market-level analysis				
Customer needs/characteristics	?	×	×	?
Competitor offerings	T	×	×	?
Others				

Source: (Author)

*O = opportunity; T = threat; ✓ = positive effect (i.e. activity helps society or the environment); × = negative effect (i.e. activity harms society or the environment); ? = effect not clear (i.e. uncertainty about whether activity helps or harms society or the environment)

and the environment. This focuses decision-makers' attention, not merely exclusively on their internal profit interests in the first instance but more broadly on how their economic interests can best be achieved by serving society (ascertainment and proactive advancement of external benefits/utility) without undue harm (consideration and proactive reduction or eradication of external costs).

In the STEP analysis (e.g. Aguilar, 1967), the impact of the macro factors (including social, technological, economic, and political) is dependent upon the operating context, which typically varies by industry or sector. As a result, while a particular industry regulation might have a negative impact on the direct economic bottom line of the company, the opportunity to invest internal resources to finance other activities and branch out into new, more sustainable activities which help society and the environment could highlight an overall business opportunity. This is demonstrated by the case of increased regulation or concern in context-specific examples, such as the tobacco industry, or the food sector in the case of those companies offering products containing high levels of sugar or fat causing negative effects to health. A positive example of utilising its resources to generate value is the case of Coca-Cola, which entered into a new market for water and juice for example, or via its unlikely alliance with the Johnson & Johnson, allowing the pharmaceutical company to use its logistics infrastructure to distribute an anti-diarrhoea kit targeted for children in the under-five age group in developing countries (for further details, please refer to the ColaLife™ Health to Wealth Project in O'Riordan & Zmuda, 2015, pp. 491–493). In some cases, the potential to create sustainable value may not yet be clear. This results in a question mark, indicated in Table 9.3, highlighting the need to more thoroughly consider the potential for identifying, examining, and realising SVC opportunities.

At industry level, the Porter's five forces analysis tool helps decision-makers to understand the nature of competition and the intensity of companies involved in undertaking the same value-creating opportunities. Analysing the dynamics of the industry in which the organisation competes helps to identify the attractiveness of the industry sector in terms of the five competitive forces, which Porter advocates constitute an industry's 'structure'. The five forces include threat of entry, threat of substitutes, the bargaining power of buyers and suppliers, and the extent of rivalry between competitors (Porter, 1979, 2008). Similar to the STEP analysis, contemplating the industry from a TBL/TTL/PPP perspective identifies those areas where the social and environmental potential for creating SVC has or has not yet been sufficiently contemplated.

The market-level analysis focuses on customer-perceived value from the perspective of the total benefit/utility (e.g. product, service, solution, image, etc.), as well as the total cost/harm (e.g. monetary, time, energy, psychological) of the offering to the customer and other stakeholders. These criteria are based on Kotler and Keller (2009, p. 161).

Ultimately, these evaluations cumulatively highlight the potential for SVC inherent in the organisation's external operating environment. Similar to the case with the internal strengths and weaknesses audit depicted in Table 9.2, should question marks arise regarding SVC potential, this indicates that the business strategy impact has not been sufficiently considered, thereby prompting the necessity for greater consideration of the potential connection possibilities (white space opportunities) for generating SVC. Again, question marks draw attention to the requirement for additional analysis of the SVC potential inherent in the external environment. This necessitates bearing in mind that the emerging commercial solutions to social and environmental challenges may require new business constructs operating beyond the constraints of the current mind-set or methods for measuring return on corporate investments. For clarification, in line with the marketing concept, a fundamental prerequisite in this approach is the clear corporate focus on creating value for its customers (e.g. Kotler & Keller, 2009). This demands a sharp understanding of the organisation's customers, as well as a constructive relationship with its suppliers from whom it acquires the material for the goods and services it offers. For instance, because a stakeholder orientation to business purpose raises the aim of the corporate approach to address a broader range of interests in the first instance, supply chain pricing, such as those currently occurring in the milk sector in the German retail market, or safety concerns in the fashion industry world-side, would be approached completely differently.

By way of example, within the macro, industry, and market context, a stakeholder analysis considers the additional costs to society and the environment of customer-perceived value in the sense that the customer may consider smoking, drinking alcohol or consuming other food or beverages containing potentially harmful ingredients, or driving at high speed in an attractive vehicle as a marvellous image benefit conveying a 'cool' or 'sophisticated' appearance, without contemplating the cost to society and the environment, as well as their own health of the purchase of such commercial offerings. A business assumes responsibility in such

cases by consciously considering how it can minimise the harm involved from the outset for a range of stakeholder interests. In doing so, the organisation's resources are focused on the potential opportunities inherent in offering alternative, more beneficial solutions, and using the corporate resources to communicate the SVC benefits of switching to such substitutes. Moreover, a TBL/TTL or PPPP analysis emphasises a broader business purpose focused on fulfilling needs (e.g. Maslow, 1970) rather than on the cost of the offering.

In the case of the pharmaceutical industry, this focus on customer needs highlights in particular the huge latent demand for pharmaceutical products in developing markets which customers critically need but are not able to afford. This emphasises most dramatically, the requirement for a mind-set transition in the current corporate approach. This transformed mind-set, mobilised via an IBM, views corporate choices regarding the invested resources as a powerful catalyst to enter into unlikely alliances and thereby address some of the most pressing dilemmas facing society today. Crucially, this mind-set transition recognises a new role for business in social issues including the advancement of human dignity in order to address related aspects such as poverty, unemployment, retirement, equal opportunities, as well as in environmental issues, such as reducing the depletion of energy and other resources, including the identification of ways to diminish the harmful impact of business on the environment (see, e.g., O'Riordan & Zmuda, 2015, p. 500). In effect, the identification of such new 'white space' opportunities (otherwise labelled in this book as connections of fortune) essentially manifests itself in different ways of doing business, thereby generating a dependable, worthwhile, and credible route to long-term competitive advantage. For the pharmaceutical industry, such white space opportunities can manifest themselves in the form of the example of SVC undertaken by Novo Nordisk which was presented earlier in this chapter facilitating improved awareness, acceptability, accessibility, and affordability of their offerings. The resulting responsible profits sustain the business in ways which meet stakeholder expectations. In this corporate approach to stakeholder relationship management, the organisation communicates a credible strategic purpose, thereby legitimising its role in society and safeguarding its long-term business success.

9.8 Signposting

The insights from previous research findings, as well as persuasive contemporary literature highlighting a new mind-set with respect to business purpose and company values emphasising the importance of a corporate transition to a more considerate economic sphere, triggered the requirement for substantial alteration to the previous version of the Framework for Responsible Management (Version 3). In order to adapt it to more practically assist in a strategic planning setting and for the specific purpose of management training, the resulting update entitled New Updated Stakeholder Relationship Management Framework (Version 4), which was presented in this chapter, proposes a set of four steps, which are designed to

guide decision-makers in their corporate approaches to stakeholder relationship management. Ultimately, the new framework seeks to encourage a new stakeholder-orientated leadership mind-set. Focused on optimising stakeholder value creation (SVC) via a unique business purpose, in place the conventional shareholder-orientated profit maximisation approach in existing business models (EBMs), the corporate approach is transformed into an innovative business model (IBM). Following this presentation of the new management framework (Version 4), which forms the main conceptual contribution of this book, the next and final chapter concludes the book by critically reflecting on the four generic steps presented in the Stakeholder Relationship Management Framework in this chapter (the ‘how’), as well as theoretically discussing the practical role of the proposed new framework for achieving accountable, inclusive, integrated, connected, sustainable stakeholder relationship management decision-making (the ‘why’).

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Chapter 10

The Rocky Road to Achieving Stakeholder Value in Business Strategy

The Beginning of an Ongoing Journey Navigated by PURPOSE

If we want things to stay the way they are, things will have to change.

(Giuseppe Tommasi)¹

You can't change the wind, but you can adjust your sails to reach your destination.

(Paulo Coelho)

10.1 Introduction

To begin a new journey navigated by a fresh sense of purpose of the nature depicted in the quotes above, the findings presented in the previous chapters from over 10 years of research, which helped to identify and explain the why and how of the corporate stakeholder relationship management approaches of decision-makers within the specific context of the pharmaceutical industry in the UK and Germany, furnished the insights for developing the integrative generic framework presented in the preceding chapter. The organisational transformation depicted in the four steps for strategically connecting stakeholder interests to create responsible profits suggests a management mind-set transition in how value creation is understood. This shift, which highlights the relevance of purpose, meaning, and individual motivation as key connectors in value creation, has implications for all stakeholder groups and not just organisations or management decision-makers. That cumulative multiple, collaborative, connected quality of stakeholder value creation (SVC) is presented in this chapter as a catalyst for unleashing the latent untapped cognitive and behavioural potential inherent in organisational purpose. The mechanism of tangible and intangible connectors, such as resources and knowledge in stakeholder

¹From the famous Sicilian work: The Leopard.

relationships, has the potential to transform organisational structures and processes. The identification of new ways of perceiving, assessing, and mobilising the strategic potential for linking stakeholder interests to a holistic organisational perspective of optimised, harmonised SVC is interpreted as a powerful enabler for effecting positive change in society. Ultimately, this chapter determines that recognising, harnessing, and activating this awareness could lead to long-term responsible profits in ways which are much more sustainable than the previous short-term conventional approaches typically presented in the classical management textbooks and curricula of knowledge institutions educating decision-makers in business studies. The chapter concludes with the recommendation to better connect the theoretical, practical, and educational missing links in corporate approaches to responsible management in order to improve the current approach to managing stakeholder relationships.

10.2 Addressing the Management Misconceptions and Unsolved Challenges

10.2.1 Identifying the Barriers to Unleashing the Full Potential of Responsible Management

Drawing from the review of relevant literature presented in Chap. 2 addressing the context of managing sustainable stakeholder relationships from a corporate perspective, this section addresses the eight themes which were identified in the conclusion of that chapter as possibly posing barriers to unleashing the full potential of corporate approaches to responsible management. The list of eight management ‘misunderstandings’, ‘misconceptions’, ‘open issues’, or ‘unsolved challenges’ is now addressed in greater detail based on the rationale that they were interpreted as significant to the topic of managing sustainable stakeholder relationships.

10.2.2 The Illusion of Separation and the Absurdity of Ignoring the Connections

The first misconception stated in the conclusion of Chap. 2 highlighted the illusion of an apparent separation between the interests of society and the organisation stressing the absurdity of ignoring the obvious connections. In contrast with this ‘illusion’, the stance taken in this book emphasises the inherent interdependencies between business and society, which ascertain that *organisational success clearly relies on and specifically requires a constructive relationship with society*. This realisation calls for a fundamental reconsideration of the basic connection between corporate activity and what matters collectively which goes beyond exclusive

shareholder interests in the first instance. The approach advocated in this book is that a strengthened awareness of the relevance of entrepreneurial purpose as the ‘connecting’ force between stakeholders automatically generates an operational ‘sense of responsibility’ at all levels. It is precisely the resulting transformed organisational behaviour which then manifests itself as a source to encourage, create, and sustain further connections and, most importantly, those which prove particularly critical to the mutual well-being of business and society. Identifying these connections as key routes to a transformed form of competitive advantage via an innovative business model requires awareness about how an overemphasis on any one interest in the overall stakeholder network generates dissonance in the collective operating environment, eventually leading to disconnection, instability, loss of value potential, and possibly malfunction over time. This explains why, in an increasingly transparent world, organisations disregard **the opportunity to nurture connections** at their peril. This oversight could be termed the ‘opportunity cost’² of ignoring the obvious which was depicted in Fig. 9.4 in the previous chapter.

10.2.3 The Dilemma of Overlooking the Obvious at Everybody’s Peril

The second misconception noted in the concluding section of Chap. 2 drew attention to the requirement for new measures and more effective mechanisms both within the economic, social, technological, and political system and at organisational (management) level for recognising the essential connectors linking organisational with societal interests. From the perspective of the transformed mind-set proposed in the previous point, and based on a new-found awareness among all parties of the anticipated value of striving together to achieve outcomes which holistically harmonise the various stakeholder interests most optimally, the insights presented in this book are anchored in the original sustainable development expectation that “it is possible to build a future that is more prosperous, more just and more secure for all” (Brundtland, 1987). This transformed approach suggests revisiting, sustaining, and expanding the economic notion of capital to ensure and enable the continued availability of key resources in the long term. Crucially, however, connecting economic interests with more broad-ranging stakeholder welfare necessitates a transition to a more **comprehensive understanding of value** which goes beyond the current predominant monetary and exclusive profit focus as the fundamental basis for all business activity.

²When economists refer to the ‘opportunity cost’ of a resource, they mean the value of the next highest-valued alternative use of that resource. While the word ‘opportunity’ in ‘opportunity cost’ is actually redundant because the cost of using something is already the value of the highest-valued alternative use, this concept has powerful implications for responsible business in the sense that decision-makers are reminded by this redundancy that the cost of using a resource arises from the value of what it could be used for instead (Henderson, 2016).

10.2.4 *The ‘Blind’ Belief that the Business of Business Is Business*

While recognising the vital necessity of profits for the firm’s long-term survival, the third misconception presented in Chap. 2 indicates its limitations in determining the more profound purpose of the business. Although profits are undoubtedly essential to the long-term success of the business and the precondition for ensuring a sustained flow of positive organisational impact, an overly narrow ‘obsession’ with exclusive monetary return as the main entrepreneurial purpose of organisations is short-sighted. In contrast, the stance adopted in this book is that the *purpose* of business is serving society with commercial solutions in the form of products and services. Profits derive as a *consequence*. The evidence suggests that the world’s most successful companies in terms of profits and shareholder value tend to be those which are motivated by factors other than profit (e.g. Grant & Jordan, 2015, p. 22). This assumes that while profits are essential to a business as breathing is essential to life, *profits do not define the inherent purpose of the business nor its potential to generate positive impact*.

On the contrary, more precise awareness of the mechanisms of cause and effect in the business-society relationship highlights how, conversely, an overemphasis on profit maximisation may evidently negatively impact a range of stakeholder groups including the very shareholders, whose interests were being narrowly pursued. Recent events at Volkswagen and other cases demonstrate how depreciation in shareholder value may well accrue from alleged irresponsible or illegal attempts to increase sales. Similarly, in information technology, fashion, and other industries, the excessive focus on decreasing costs, for example, in supply chain relationships, may result in loss of reputation leading to customer boycotts or switching to other brands, which indirectly decreases profits via its negative impact on sales. Similarly, loss of trust from employees generates increased operating costs resulting from decreased productivity and increased employee turnover. The consequence of responsible business behaviour accordingly suggests high potential for sustained business success (profits and prosperity) via the mechanism of stakeholder relationships and the vehicle of innovative business models. Moreover, the increasing relevance of a credible corporate approach does not go unnoticed by shareholders as the essential providers of capital for future business investment. Growing societal unease in the wake of the global financial crisis and other ‘events’, in which business has earned negative ‘headlines’, accentuates how **the time is ripe for organisational change led by a transformed leadership mind-set resulting in organisational cultures of greater trust between stakeholder groups, leading to superior performance and ultimately greater profits**. Consequently, a SVC orientation does not constitute a *conflict* between individual stakeholder interests. Instead, SVC comprises the far-sighted vision to uniquely recognise, connect, and generate differentiation and competitive advantage via the untapped ‘white space’ opportunities emerging from more effective utilisation of the resources within the stakeholder groups and between their connections. The approach advocated in this

book is that by enabling *broader* optimised *harmonisation* via this transformed corporate approach, ‘the rising tide raises all boats’.

10.2.5 *The Paradox of Profits and the Limits to Altruism*

Notwithstanding the shortcomings of profit for determining the greater purpose of the organisation noted in the previous point, the fourth misconception reported in Chap. 2 nevertheless highlighted the paradox of the vital importance of profits as a *consequence* of responsible business solutions. By stressing how, over time, a business that is not profitable either operates as a burden to taxpayers or ceases to exist, both scenarios demonstrate how **economically unprofitable commercial organisations deliver no value to society**. The significance of an economic return or utility was highlighted by Carroll (1979, 1991) as a key milestone of responsible corporate behaviour in addition to obeying the law, as well as ethical and philanthropic factors.

The inherent necessity for business to reliably generate economic return in order to be able to redistribute value has two implications for responsible management. First, a key success factor for effective responsible business is that each project is treated similarly to any other business task. This means that each business project requires clear planning using effective management tools which are tailored to suit the specific operating context at micro-level. This can include concrete context-specific objectives, an individually developed (innovative) business model focused on effective outcomes for the resources invested, and situation-adapted controls through the identification (via a transformed mind-set noted above) of relevant indicators to measure the resulting value. Second, the realisation of the importance of profits as a consequence of business purpose highlights the limits to altruism as a general management response *per se* in the quest for responsible business solutions. Indeed, because organisational decision-makers are responsible for the funds which have been entrusted to them by the shareholders and owners of the business, the opportunity cost of donating organisational resources for philanthropic intent could be critically questioned.³

10.2.6 *The False ‘Truth’ of ‘Ethical’ Business*

Although the fifth misconception presented in Chap. 2 acknowledged the importance of values and ethical matters as a highly significant driver of business

³For clarification, in this regard, non-profit organisations by definition serve different interests and accordingly have an alternative purpose. They consequently operate under separate operating conditions which require tailor-specific management approaches and measurement criteria.

purpose, ethics, values, or sustainability, as well as responsibility for that matter, these are not business goals. Instead, the stance adopted in this book advocates a pragmatic approach to organisational value creation in place of ethical deliberation. Because values and ethics, as well as concepts of sustainability and responsibility, are decided and practised on an individual, subjective basis, their voluntary nature determines that they cannot be prescribed or judged in the normative sense. As a result, values and ethics are interpreted in this work to belong to the realm of individual preference, will, and interpretation. The varying perspectives in determining how to ‘balance’ or ‘trade off’ the intrinsic interests in the frequently competing values of ethics and loyalty are examples of the inherent difficulties in attempting to manage organisational practices and reliably measure their outcomes via an ethical stance. Their abstract nature has, as a consequence, resulted in a ‘crisis of ideas’ at organisational level, which do not easily lend themselves to the development of an attractive, effective, and socially reliable business management concept. As a consequence, **attempting to manage a corporate approach from the perspective of a moral or ethical stance is problematic.**

For clarification, this viewpoint recognises the limits to CR,⁴ business ethics, and sustainability as the organisational purpose. Instead, these concepts are interpreted as determining how resources (means) are converted. Ultimately, adopting a CR approach when converting resources results as a consequence in economic return. Accordingly, while these concepts do not define the purpose of the business, they nevertheless remain an essential means via which, alongside other resources, decision-makers convert resources to achieve the ultimate outcome of what has been labelled in this book as ‘responsible profits’. Nevertheless, without doubt, the recognition of the significance of entrepreneurial purpose noted previously as a root concept of SVC is undoubtedly influenced by values and ethics as key contributing factors in business success. This recognition of the significance of the role of beliefs and morals, as an essential source for entrepreneurial purpose and thereby a key indirect determinant of SVC, is interpreted in this study not as a paradox but rather as an indication of the complexity in managing corporate approaches to stakeholder relationships.

Within this context, corporate governance establishes very important legal, as well as voluntary, principles and guidelines (such as codes of conduct) and other beneficial compliance processes for establishing and monitoring the responsible behaviour of individuals within the corporation in the normative sense. While recognising the certain value of corporate governance compliance mechanisms, rather than focusing the attention on debating whether behaviour is ‘right’ or ‘wrong’ from a subjective perspective, the approach espoused in this book distinguishes a rational business purpose logic. Focused on a management approach intent on measuring pragmatic SVC impact, the organisational value creation

⁴From among the various alternative labels, for brevity purposes, the term ‘CR’ has been adopted in this chapter to signify the concept of responsible management (as defined in Chap. 2) within a corporate sustainable stakeholder relationship setting.

process proposed in this book goes beyond positivist and constructivist epistemologies, past individual judgement, and past a narrow organisation-centric (shareholder) focus to assume a broader (pragmatic) organisation-society (stakeholder) perspective.

For clarification, this meta-level evaluation approach by definition inclusively respects the individual interests and perspectives of all individuals. The resulting neutral stance does not however stand in conflict with the principle aim of connecting the human role and interests in organisational value creation as a key route to responsible management. To elaborate, while advocating a shift towards an SVC approach by definition clearly adopts a value stance, this proposal nevertheless signifies a transition away from abstract, unsolvable, philosophical disputes surrounding subjective moral and ethical matters, and into the scientific realm of management and measurement.⁵ Consequently, the proposed shift in stance aims to progress the responsible management discussion beyond the realm of ‘good’ or ‘bad’ and into the academic domain of management studies and measurable outcomes. Despite the inherent measurement challenges which were addressed in greater detail in the previous chapter, the unrelenting and increasing trend in the public critique of business practice indicates the wisdom of focusing the investment of organisational resources on its integrative capacity via a holistic approach. By fostering a broader locus of reference for business purpose based on the rationale of a transformed organisational logic, the concepts of sustainability, values, ethics, and responsibility are inherently connected with the organisation’s purpose as a manageable objective in the interests of its stakeholders. This pragmatic route to value creation could conceivably help to improve leadership trust and corporate credibility in society in ways which lead to measureable impact. Essentially, ethics, sustainability and responsible management thereby serve as connectors (the connecting means) between business purpose and the interests of society.

10.2.7 The Challenge of Rethinking the Logic of Competition

Linked with the five misconceptions noted immediately above, Chap. 2 additionally highlights three unsolved challenges. The first addresses the view to reconsider the logic of capitalism. Inclusive capitalism takes a collaborative and shared perspective of value creation, which could more effectively unleash the mechanism of competition to unlock its full potential and thereby more extensively distribute the wealth it generates for the advantage of a broader range of interests. Based on an interpretation of the initial original Latin meaning of the word ‘competition’

⁵The potentially paradoxical appearance of advocating the adoption of a particular value stance on the one hand (i.e. organisational purpose focused on stakeholder value creation) while simultaneously stressing the limitations of a normative approach underscores the complex nature of responsible management, as well as the importance of differentiation between individual and organisational units of analysis.

(i.e. *competere*), the etymology of the original meaning of the word ‘compete’ suggests **to seek or strive together to attain a goal**, such as an advantage or victory (e.g. Merriam-Webster, 2016). This inclusive collaborative interpretation of competing to create value stands in contrast with the current generally held logic of competition in the economic sphere, which typically emphasises struggling *against* another or others to achieve (e.g. primarily) profit maximisation. The transformed approach inherent in the SVC concept presented in this book is based on collective, connected, collaboration as a new form of competition. It signifies a transition towards what could be interpreted as ‘collaborative advantage’.⁶ Accordingly, *the advantage inherent in this approach augments the conventional profit maximisation shareholder focus to facilitate sustainable development by enabling a ‘striving together’ rationale for competition as a potential alternative route to achieve the objective of value optimisation for a broader range of constituents.* Based on Schumpeter’s rationale, by ‘democratising wealth’, such solutions enable sustainable business with respect to the use and distribution of, as well as access to, scarce resources for customers (Schumpeter, 2008).

In line with the pragmatic approach noted in the previous point, when focusing on collaboratively striving together to achieve competitive advantage, *themes of ethics, sustainability, and responsibility then become integrated elements of tangible business-related questions* regarding how the organisation perpetuates itself in relevant and meaningful ways for its stakeholders via its strategic objectives. This involves both seeking connection opportunities, as well as avoiding disconnections (i.e. preventing objectives and activities which, even when unintended, could hurt the organisation, thereby jeopardising the overall business success).

10.2.8 The Challenge of Solving the Mystery of Measurement

Chapter 2 further notes the unsolved challenge of effective measurement as a prerequisite for all organisational management practice in both the profit and non-profit sphere. This challenge includes by definition those decisions with respect to the responsible investment of the firm’s resources regarding what precisely counts as value, who decides, and how the resulting definition of value is measured. Similar to Lec’s (1962) aphorism presented at the beginning of Chap. 2 depicting a man who cannot count finding a lucky four-leaver clover, the measurement dilemma equates responsible management with the appearance of something valuable (a possible business opportunity), although its potential is not, for various reasons, recognised. Due to varying perceptions, understandings, and viewpoints

⁶For clarification, while this approach proposes achieving competitive advantage via a shift in competitive strategy away from aggressive fighting or ignoring competitors as potential features of a transformed new logic of competition and differentiation, nevertheless the term ‘competitive advantage’ is chosen for its breath of possibilities and application in real-world business practice in contexts where direct collaboration with competitors is not a feasible or desired option.

with respect to value, as well as a lack of appropriate measurement tools to measure responsible value outcomes, the extension of business purpose to include a broader stakeholder focus than internally focused shareholder interests unleashes a range of governance and management challenges. This more conscious awareness, assessment, and appreciation of value highlights **the need for innovative measurement instruments, as well as a change at both macro- and micro-level** regarding the typical management mind-set when considering organisational capabilities and strategies. *This conscious approach to value results not only in the potential prospect of a transition to a new, more sustainable role for business in society but also in the need for an altered interpretation by the various other stakeholder groups in society regarding how value is defined.* Essentially, this transition calls for a culture change in the way in which value is perceived. Once what is considered of value, for whom, and how this impacts the other constituents, has been ascertained, effective reporting indicators for measuring and evaluating the overall return of the organisation's investment on harmonised SVC for each specific micro-level operating context can be developed.

10.2.9 The Challenge of the Time Element in Achieving the Necessary Transition

Finally, in suggesting that necessity is the mother of invention and perfection is the child of time, Chap. 2 addresses the unsolved challenge of the time element in perfecting the required transition. Transforming to a new, more sustainable future necessitates a change in the current system, mechanisms, and methods, which requires a broadening of the time horizon perspective in policy and business planning. Transformation of a fundamental nature in the traditional industrial capitalist system is required to address the issues presented in this chapter. Because the current system primarily recognises the value of money and goods as capital, citizens and institutions in society are mainly familiar with patterns of consumption which ignore the external impact of their actions on other stakeholders, for example, on the social or the ecological environment. In light of the consequences of significant, persistent, complex issues arising from adverse man-made and/or natural events previously highlighted in this book, the essential strategic purpose and the role of business in society is, as a result, being called into question.

Reappraising and addressing those aspects of the current business system, which, in hindsight, from a sustainability perspective could be interpreted as misconceived and poorly designed, necessitates a high degree of change at all levels. This requires *transformation with respect to the establishment of new insights and mind-sets regarding societies' collective understanding of how organisations create stakeholder value. This transition will inevitably take time and require patience, courage, and creative foresight.* Organisations will have to adapt

their structures and processes to better position themselves in order to recognise opportunities and avoid risks in this new operating scenario.⁷ For decision-makers, this time perspective signifies that similar to those who are widely considered as some of the world's greatest writers, artists, economists, scientists, and architects of cathedrals, many of the creative actors in this process will not see the completion of the final result of their efforts in the field of responsible management. This long-term time perspective determines that **many of those who play a key role in laying the foundations for developing a clearer understanding of stakeholder relationships may never experience the outcomes of their performance.**

10.3 Establishing What Stakeholder Value Creation Is Not

10.3.1 SVC Is Not New

Freeman's stakeholder theory and the evolving related concepts of sustainability had been 'brewing' for a long time before their more concrete emergence in the 1980s. The triple bottom line, which was expressed by Elkington in the latter half of the 1990s, likewise.

Many companies have in practice been creating stakeholder value which goes beyond shareholder interests for decades. The founding purpose of the Tata Group (Tata, 2016); the credo of Johnson & Johnson (2016); the basic principles of the German chain of retail drugstores, DM (2016); and the pioneering actions of the human rights activist and environmental campaigner, Anita Roddick, who founded the Body Shop in the UK in 1976 (Roddick, 2000) all demonstrate how a more complex sense of inspired drive focusing on achieving a greater purpose than one's own personal (economic) interests in the first instance has been the inspiring entrepreneurial motivation for many companies over the past years and decades.

From an individual perspective, clearly recognising one's personal purpose energises the spirit, the power, and the determination behind its accomplishment. Realising this potential in a constructive, optimistic way can change individual lives and the life of society. In this way, those individuals who unambiguously recognise how their purpose connects with other stakeholders nourish other people's happiness and circulate harmony in every action.

In the commercial sphere, the organisational structures and the systems which these entrepreneurs devise to achieve their objectives enable stakeholder value creation in ways which propagate the positive benefit accrued for a range of constituents. This mechanism has been portrayed in the connector terminology inherent in the four-step framework presented in Chap. 9. The proposed

⁷Appreciating while doing so, that similar to profit, as noted in the previous point, the themes of responsibility, sustainability, and ethics are not the company's direct purpose but instead key contributing factors to the successful achievement of that purpose.

conceptualisation is designed to depict the relevance of purpose and more explicitly its actual source (via the connections) in the corporate stakeholder relationship management process.

10.3.2 SVC Is Not Adequately Represented in Management Theory

The previous section established that the focus of strategic organisational purpose on inclusive stakeholder (rather than exclusive shareholder) value creation in the first instance is not new in actual business practice. However, while the driving spirit of determination and entrepreneurial enthusiasm which embodies business purpose depicts in many ways how organisations actually really work, these mechanisms appear to largely remain fundamentally undetected in the conventional management textbooks and economic models. Because companies exist in the real world and not in the management theory depicted in textbooks or the business school curricula, actual business practice is often not validly represented in management theory. As a result, everyday business practice in the real world often diverges from what is understood and written in theory. This issue is further complicated by the frequent mismatch between what science knows⁸ and what business typically actually does.

In the past decades, the classical management models and concepts, which serve to explain the role of business in society, have focused narrowly on profit generation as if this were the business purpose instead of its result. Accordingly, the management theory substantiated in business textbooks and school curricula continues to focus strongly on profit maximisation (i.e. essentially deriving from the principle rule of thumb: increase sales, decrease costs, and thereby increase profits) as the ‘holy grail’ of all business activity and the most ‘reliable’ measurement indicators of business performance. Blinkered by this simple logic, organisations have become disconnected with the processes required to succeed going forward. A further example of disconnection at the macro-level was the ill-conceived deregulation in the financial system, which is widely considered to have induced the organisational behaviour in the banking industry which led to the global financial crisis. Business schools too are disconnected in the sense that they continue to remain ‘stuck’ in the ‘accepted wisdom’ of traditional teaching modes. Instead of acknowledging the gaping issues and choosing to reflect and innovatively act upon the obvious current dissonance by generating alternative new management approaches, methods, process and tools, they prefer to continually replicate the increasingly out-of-date conventional approaches. Consequently, the principles inherent in business theory and education often overlook the array of forces,

⁸With respect to the science of human motivation and the dynamics of extrinsic and intrinsic motivators, for example.

including new technologies and globalisation, which are opening up exciting new opportunities for connecting people, practices, and offerings. Such developments include new forms of collaboration via which connections between multiple stakeholder interests increasingly drive social, ecological, and economic value. In the future scenario, needs and uses become more salient than ownership, and money no longer remains the only means of trade as alternatives emerge, such as time, care, energy, and points (Jonker & O’Riordan, 2016, p. 12). In this ‘new age’, material abundance is deepening a sense of non-material interest that necessitates innovative organisational capacity to detect new patterns, as well as their inherent opportunities and risks.

10.3.3 SVC Is Not About Ignoring Shareholder Interests or Profits

Within the context of the emerging developments depicted immediately above, profits remain essential in the new order, as do shareholders as a key stakeholder group in the sense that they provide the necessary capital to finance the business activity. As noted previously in the misconception section above, economic wealth was originally highlighted by Carroll (1979, 1991) as a key milestone of responsible corporate behaviour. The inherent necessity to reliably generate economic return discussed in that section revealed two implications for the responsible management of business ventures with respect to the paradox of profits and the limits to altruism (see above for further details).

In the commercial sphere, this means that while profits are by definition undoubtedly essential to the business, they do not define the inherent business purpose. Crucially, however, a business which overemphasises profit maximisation at the expense of other stakeholder groups may unintentionally negatively impact shareholders as previously discussed above. Consequently, a SVC orientation can potentially improve shareholder value and does not constitute a conflict or trade-off between economic and other stakeholder interests but simply the achievement of *broader*, optimised *harmony* between them.

This development suggests a move away from the physical properties and mechanisms of money. In this regard, many innovative businesses are emerging that exemplify a different way of doing business, which could be deemed ‘responsible’ not because they can be considered to be ‘perfect’ or have reached a state of responsibility, but in the sense that they are focused on an entrepreneurial purpose that goes beyond profits in the first instance. This does not mean that they do not care about profits. While money as an incentive and profits are essential to the operation and success of the business, these benefits result as a consequence of connecting the activities of the individual or the business with the values of most stakeholders. Employees, customers, suppliers, and other stakeholders seek to lead meaningful, purposeful lives making a positive difference in their operating environments that goes beyond monetary interests in the first instance. The conflict is

accordingly not between the interests of stakeholders and shareholders, but rather due to the fact that many of the previous motivators are no longer effective.

Shareholder interests are best addressed when employees contribute their optimum performance inspired by the intrinsic ambition to do better things with their time because their tasks matter. This involves establishing the ‘why’ or the rationale or purpose. It recognises that by identifying novel ways to deliver offerings which optimally harmonise the interests of stakeholders, companies can serve as catalysts to enable other stakeholder groups to make a greater positive impact via how they spend their time in the service of other stakeholder interests. In this way, a snowball effect unleashes connecting mechanisms. This is stakeholder theory in action in the way that every business has always created value for its interest groups. However, the new approach focuses more specifically on the connections and identifying the interdependencies to help improve the relationships and create even greater value for all stakeholders. The focus here is on the relationship and how feedback works. In this scenario, even negative feedback or conflict can be viewed as positive for the business because it helps it to improve its stakeholder relationships. Crucially, this demonstrates how shareholder interests remain a key focus of the IBM.

10.3.4 SVC Is Not Continuing to Disregard the Disconnections

Awareness of the ‘missing links’ in the current approach at both the macro- and micro-level (including the business model and value chain processes) regarding the way in which products and services are produced and consumed is central to identifying what has been termed the profound ‘disconnection’ between the economic system (including by definition business strategies and models) and the social system (driven by a sense of responsibility as human beings). This ‘missing link’ was elaborated in an article by O’Riordan, Marsh, and Jonker (2016) to include the three key components comprising: (1) *Separation of ownership* involving the mental construct, in which companies have almost exclusively pursued the interests of their shareholders, which has driven managerial capitalism through the twentieth century and still remains the prevailing narrative of business today. This component establishes the sustaining mechanism for the second component. (2) *Emphasis on monetary transaction value* determines that money has come to be perceived as the most rational method to measure value and value creation. The authors assert that as a result, virtually all business activity is conducted and its value calculated via a straightforward cost-turnover equation. This determines that money is the key transaction value used to estimate profit and loss on business and societal balance sheets. The authors deduce that this has led to what could be considered *an obscure perception of how resources (including natural and human) are valued in the corporate conversion process* on monetary and social markets. Consequently, they claim that it appears as if markets, with an emphasis on money, seem to disregard the fact that the concept of ‘value’ embraces much more than what currently gets measured in financial accounts. The third component,

(3) *lack of transparency*, addresses how variables (things), nature, and people are systemically and interdependently connected or linked. In this regard, the authors highlight a lack of sufficiently reliable, accessible, user-friendly, actionable data for those attempting to recognise and address missing links issues.

The authors note that these missing links determine how decision-makers no longer understand or feel how they themselves and other human beings are connected to the system. This diminished sense of empathy with the needs and interests of others blocks connections causing behaviour which often takes place in a ‘vacuum’ and is disconnected from what matters. The resulting void typically leads to a ‘tragedy of the commons’ scenario,⁹ in which the lack of connectivity and lack of transparency function like a pair (negatively) reinforcing each other. As a consequence, individual actions are not connected to – and do not have an impact on – what matters collectively (O’Riordan, Marsh, & Jonker, 2016).

Because the current system primarily recognises the value of money and goods as capital in this disconnected ‘tragedy’, citizens and institutions remain largely unaware and uncaring of wasteful patterns of consumption. As in the case of the tragedy of the commons, when every individual tries to reap the greatest benefit from a given resource, as the demand for the resource overwhelms the supply, every individual who consumes an additional unit directly harms others who can no longer enjoy the benefits. As a consequence, individual users acting independently according to their own self-interest behave contrary to the common good of all users by depleting that resource through their collective action (Hardin, 1968). Disregarding the disconnections thereby leads to reckless degradation of the entire system in an ultimate suicide pact of doom and destruction.

10.3.5 SVC Is Not Directly About Sustainability, Responsibility, or Ethics

Due to their importance as highly motivating drivers of the root concept of an inspired entrepreneurial business purpose and accordingly SVC impact (noted above in greater detail), the albeit elusive concepts of values, ethics, sustainability, ethics, and responsibility nevertheless play an important role as key contributing factors to organisational success.

It is important to be clear, however, that in actual business practice, entrepreneurs do not characteristically begin to develop their business strategy or innovate based on the questions: how can I be ethical, or sustainable, or responsible? Or how can I contribute to fulfilling the UN Global Compact or Sustainable Development Goals?

⁹The tragedy of the commons scenario refers to an economic theory of a situation within a shared resource system where individual users acting independently according to their own self-interest behave contrary to the *common* good of all users (Hardin & American Association for the Advancement of Science, 1968).

While moral interests might indeed be the fundamental business purpose of non-profit organisations and potentially of altruistic-driven leaders of some for profit organisations, routinely, entrepreneurs in commercial organisations typically commence their business undertakings based on a more pragmatic logic of: how can I mobilise my resources in my operating scope to develop superior offerings compared with the competition that will be demanded by my customers, and thereby ensure the long-term continuation of my future commercial endeavours and survival?¹⁰

When responding to these questions, competitive advantage is instead more typically determined by the personal values, individual interests, and particular objectives of decision-makers in each separate, context-specific situation. Given the operating context of an increasingly complex, globalised, wealthy and educated (i.e. aware), transparent and connected (i.e. informed) stakeholder environment, the approach proposed in this book advocates that identifying the ‘connectors’ in stakeholder relationships aimed at obtaining multiple (inclusive), collaborative (together), connected (emphasising relationship give and take) value is a more feasible route for reaching measurable strategic contribution in the interests of all stakeholders than ethical questions in the first instance.

Crucially, this new approach suggests that the identification of the key stakeholder connections can lead to superior offerings via more acceptable, accessible, and affordable solutions for all stakeholders collectively. This approach explicitly addresses customer needs via an aware and informed resource investment strategy that is constructed in harmony with a holistic range of stakeholder interests. In contrast with the case of the tragedy of the commons, in the resulting ‘connections of fortune’ scenario, although every individual continues to aim to reap the greatest self-benefit from a given resource, in doing so, each is concurrently aware and informed about the collective consequence of their individual actions for the ‘common good’ of all users. As a result, the opposite outcome of the tragedy of the commons emerges: acting collectively according to a purpose intent on the overall interest of the group determines that individual users multiply the available resources through their collective action. The resulting solutions thereby intrinsically take regard from the outset that the demand for the resource does not overwhelm the supply. In this way, every individual who consumes an additional unit does not directly harm others, so that all stakeholders can continue to enjoy the benefits as required. In this way, the sustainable development aim is realised.

¹⁰For clarification, the pragmatic stance adopted in this book advocates that realising this mission could be construed as the individual decision-maker’s only valid ‘obligation’. Likewise, the only binding duty of academic researchers and business educators could be interpreted as the ‘responsibility’ to illuminate and contribute valuable solutions for connecting the theory of business with its real-life application. By definition, matters of ethics remain critically valuable in this scenario as hygiene factors or fundamental expected customary givens. Control of these matters can be ensured at the corporate level via governance and compliance systems, and/or at the macro-level, potentially via ‘soft’ guidelines, such as the UN Global Compact and the ISO 26000 principles, as well as by ‘hard’ legal regulation.

10.3.6 SVC Is Not About ‘Business as Usual’

To achieve ‘connections of fortune’ impact of the type explained immediately above, organisations will have to adapt their structures and processes to better position themselves in order to recognise the opportunities and avoid risks in this new emerging operating scenario. In this approach, determining what the overall interest of the group might be is the challenge and individual task of each decision-maker at the micro-level of the firm. While appreciating that similar to profit, themes of responsibility, sustainability, and ethics are not the company’s direct purpose but instead key contributing factors (and potentially the sustaining means) to the successful achievement of that purpose, a significantly altered management mind-set, facilitated by new management tools and measurement instruments, is required to enable business choices from a stakeholder value optimisation perspective which ultimately generate SVC (as opposed to a profit maximisation shareholder perspective). In the new operating scenario, the focus on stakeholder relationships and the identification of the connecting mechanisms for SVC can serve to identify business opportunities and to circumvent business risks, thereby ensuring long-term commercial success in harmony with the interests of current and future stakeholders. This transformation requires change of a fundamental degree in the way in which business is currently practised. This transition has implications not only for organisations but also for knowledge institutions researching and teaching in the business sphere, as well as for society, and the political, and economic system.

10.3.7 SVC Is Not About Minor Organisational Adaptations

To address the type of transformation required to achieve the new form of stakeholder relationships based on the approach noted immediately above requires change of a fundamental nature in the traditional industrial capitalist system. In light of the consequences of significant, persistent, complex issues arising from adverse man-made and/or natural events highlighted in this book, the essential strategic purpose and the role of business are being called into question by society. In order to then connect organisations’ responsibilities more closely with their value creation processes, product innovation, and corresponding organisational architectures, reappraising and addressing those aspects of the current business system which, in hindsight, from a sustainability perspective could be interpreted as misconceived and poorly designed, necessitates a significant degree of adjustment at all levels. This requires the formation of new insights and mind-sets regarding societies’ collective understanding of how organisations create sustainable value, about what determines value *per se*, and about how the organisation can best holistically serve the collective interests of their stakeholders and other constituents overall.

This broadened sense of business purpose, combined with increasingly outwardly focused conceptions of responsible management, and the development of the management and measurement systems, processes, and tools required for mobilising the ensuing newly emerging connections, could ultimately lead to greater accountability, transparency, and credibility, thereby generating, from a business perspective, the ‘holy grail’ of differentiation and competitive advantage. However, these novel ideas remain a speculative assumption until they become more generally appreciated and more soundly established in the mind-set not only of business managers but also in the policymakers and researchers who play a key role in developing the economic and financial instruments for measuring business results (e.g. O’Riordan, 2010; O’Riordan et al., 2016). Clearly, such transition is not about minor organisational adaptation. It will inevitably take time and require perseverance, daring, and imagination at both the micro- and macro-level.

10.4 Establishing What Stakeholder Value Creation Could Become

10.4.1 How Does Business Really Work?

The evidence from actual business practice indicates that entrepreneurs do not in the first instance focus on making profits nor for that matter on asking themselves whether they behave ethically or sustainably. Instead, it appears that some of the most successful innovators, such as Steve Jobs at Apple, are in the first instance primarily driven by a dynamic sense of purpose related to a certain kind of mind-set that is implemented via an innovative business model and which typically goes beyond short-term profit calculations or moral considerations in the first instance. Steve Jobs is widely acclaimed as having stood as the ultimate icon of inventiveness and applied imagination. He is considered to have understood that the best way to create value in the twenty-first century “was to connect creativity with technology” (Isaacson, 2013).

This strong sense of pragmatic purpose is similarly noted by authors, such as Paulo Coelho (1993) and Spencer Johnson (1998), who advocate the universal wisdom in motivational tales about embracing change. These authors suggest that when a person really wants to succeed in something they strongly believe in, the universe conspires in their favour (Coelho 1993). Awareness of the connection between a strong sense of purpose and the interdependencies with other stakeholders to ensure its achievement could consequently conceivably be interpreted as a fundamental intrinsic dynamic source of energy for the endeavour.

10.4.2 *To Be or Not to Be... Ethical?*

The limits to a moral stance were highlighted by Albert Einstein's statement from *The Human Side*:

My religiosity consists in a humble admiration of the infinitely superior spirit that reveals itself in the little that we, with our weak and transitory understanding, can comprehend of reality. Morality is of the highest importance—but for us, not for God. (Einstein, Dukas, & Hoffmann, 1979)

In other words, no human being speaks for God. In this statement from his book *Out of My Later Years*, Einstein echoes another of his viewpoints, in which he stated:

Science can only ascertain what is, but not what should be, and outside of its domain, value judgements of all kinds remain necessary. (Einstein, 1950)

The pragmatic stance advocated in the previous section regarding the way business really works suggests that ethics is, as Einstein suggested, an individual human matter. This emphasises how the end result of SVC is ultimately determined by the personal values, individual interests, and particular objectives of the decision-maker in each separate, context-specific situation, while concurrently highlighting the limits of CR, business ethics, and sustainability which, similar to profits as the consequence of SVC, do not directly determine the purpose of the business. Instead, *moral regard plays a very important role as a contributing individual factor* alongside other resources, as a means for achieving sustained SVC.

Fuelled by their entrepreneurial spirit, the resulting realisation of their fundamental corporate vision and mission via the pragmatic approach to SVC presented in this book could accordingly conceivably be construed as the single decision-maker's only valid 'obligation'. In this regard, previous sections highlighted in greater detail how, for most commercial organisations, in contrast with non-profit organisations, this driving force of entrepreneurial purpose goes beyond questions of moral obligation in the first instance. As a result, a practical stance was advocated suggesting that commercial organisations typically commence their business undertakings based on everyday business-related questions relating more specifically to how to optimally mobilise their resources to develop superior offerings. Characteristically, this focus pragmatically ensures the long-term continuation of future commercial endeavours via strategies aimed at serving customers in ways which generate a competitive advantage over their rivals.

The basic assumption underpinning the SVC framework presented in Chap. 9 was that this pragmatic approach enables decision-makers to more consciously connect the business needs and interests with those of other stakeholders. In doing so, business decision-makers accomplish a holistic form of harmonised competitive advantage. Essentially, the assumed logic in this approach is that the inherent

connections then serve to sustain the supply and demand of the organisation's offerings via a connections of fortune scenario.¹¹

Against the backdrop of the increasingly complex, globalised, prosperous, aware, and informed stakeholder operating environment noted previously, this book advocates that going forward, sustained business success is ensured when decision-makers pragmatically focus on their own interests in the first instance while simultaneously identifying the 'connectors' in interdependent stakeholder relationships. This dual awareness serves as a catalyst for obtaining multiple (inclusive), collaborative (together), connected (emphasising relationship give and get relationships) value as the ultimate strategic contribution of the business to society. In aiming to achieve measurable impact via the business strategy with regard for the collective interests of a broad range of stakeholder interests, this route could conceivably be termed 'responsible management' and potentially considered the principle obligation of the business in society.

In *The Human Side*, by Albert Einstein and edited by Helen Dukas and Banesh Hoffman, Einstein said that he considered ethics to be an exclusively human concern with no superhuman authority behind it (Einstein et al., 1979). Writing in the *New York Times* magazine, when Einstein (1930) stated that a man's ethical behaviour is based on sympathy, education, as well as social ties and needs, he clearly highlighted that no ethical or religious basis is necessary. In line with this rationale, the corporate approach to responsible management advocated in this book clearly promotes a pragmatic rather than an ethical approach to business.

10.4.3 The Pragmatic Alternative: Recognising the Fortune in Connections

Interestingly, many decision-makers may have been practising business in the pragmatic way noted in the previous section for years without ever questioning the ethics of their activities at all. Nevertheless, the many scandals and negative news regarding corrupt business behaviour clearly caution that not all decision-makers in business are trustworthy. The recent case in the banking industry, where a series of factors converged to trigger a global economic collapse, the repercussions of which are still being felt and will be for many years to come, demonstrates the power of the combination of individual decision-makers in organisations coupled with economic structures and political regulation systems to wreak havoc in society.

In the aftermath of the financial crisis, adopting a broad-brush 'bad apple' stance across the entire organisational spectre, by assuming that business decision-makers in general 'park their values at the door' when they go to work, could be interpreted as overly simplistic. In the majority of cases, the very opposite is the case. The recognition that most employees in business do strive to behave honestly helps to focus attention on the requirement to construct structures and processes within

¹¹Explained above in greater detail.

which responsible behaviour is enabled and encouraged. Similar to a traffic light system which entices speeding to ‘make’ the next green light before it changes to red, processes and policies can be ‘tuned’ to encourage the behaviour most stakeholders yearn for: a purpose to their daily lives and tasks which include appropriate monetary reward as a ‘hygiene’ factor. Within this context, realising at the individual level one’s own fundamental mission fuelled by an entrepreneurial spirit and facilitated by enabling systems, structures, and processes could be construed as a single decider’s single valid ‘obligation’ as noted above.

To avoid the trap of passively standing by and naively hoping that irresponsible business behaviour will somehow cease to ‘rear its ugly head’, a proactive, constructive, pragmatic approach strives to seek credibility in business behaviour at an individual level by constructing a fundamentally altered future. In this new scenario, individual actors appreciate the fortune of connections within a transformed system that rewards that recognition. Organisations can serve as incubators via their systems and structures, in which these individual interests are nurtured so that they develop and thrive in harmony with the individual interest of other stakeholder groups in the network. A key implied assumption in this approach is the notion that mobilising the intrinsic motivating factors via organisational constructs to optimise a sense of meaning and significance, which goes well beyond monetary reward, can play a key role in achieving competitive advantage and thereby long-term corporate success.

Recognising this potential for the multiple range of roles that human beings adopt as stakeholders, including, for example, their possible multiple and simultaneous linkages as employees, customers, the community, ambassadors, suppliers, innovators, shareholders, or investors, among others, highlights the potent cumulative influence of winning their favour. A pragmatic stance would reason that actively mobilising the obvious connection opportunities in these stakeholder relationships clearly maximises the likelihood that the business offerings will gain acceptance, thereby minimising the risk of unforeseen events or negative impacts to the business success. Consequently, rather than attempting judgement as ‘moral or highly moral’ as opposed to ‘slightly of very immoral behaviour’, designing work places and customer offerings which focus on enabling employees, customers, and other salient stakeholder groups to realise their own self-actualising potential and thereby become more ‘wholesome’ human beings in the process could, from a pragmatic perspective, be simply deemed: ‘good business sense’.

10.4.4 The Human Role in Focus and the Function of PURPOSE

When business practice is viewed from the perspective of connections between stakeholders in a network, the focus on the individual human role as the fundamental basis for all action becomes visible. What business is actually aiming to

accomplish then becomes clear. Fostering external relationships with customers, suppliers, and other material stakeholder groups in a constructive spirit of intent and commitment to providing commercial solutions materialises as the main priority of the organisation. The inherent meaning within this aim engages employees via a sense of purpose and an entrepreneurial spirit driving the creation of value via an organisational culture of empathy and leadership trust which is securely anchored in the organisational aim to optimise stakeholder interests as the basis for all activities. For example, from this perspective, Vodafone no longer views its role as limited to that of a telecom company, but instead appreciates its strategic opportunities as a connection facilitator. From the transformed perspective of this broader outlook, entire new business opportunities emerge.

Humanising the role of business nevertheless enables the members within each stakeholder group to realise their own self-actualising potential and thereby become more ‘wholesome’ human beings in the process. While the entrepreneurial spirit of some of the world’s most highly innovative leaders, such as Steve Jobs, sufficed to ensure business success, in some ways many such icons were not always generally considered to have placed a strong emphasis on the ‘human component’ in their chosen operating approaches. For example, while Steve Jobs was widely acclaimed as having stood as the ultimate personification of inventiveness and applied imagination, it might be interesting to contemplate the impact that could have been achieved if Jobs had placed a greater emphasis on empathy in his commercial interrelationships.¹² While philosophising about ‘what might have been’ resides in the sphere of judgement calls, the accuracy of which is challenging to ascertain, from a rational perspective, in the words of Albert Einstein (1950) from *Out of My Later Years* noted previously, judgement calls belong outside the domain of science.

Connecting the power of inspired entrepreneurship driven by a keen spirit aiming to create value through the sheer force of will, intellect, and imagination ultimately depends on a clear sense of purpose. This comprises the ‘why’ of stakeholder relationship management. A management mind-set pursuing this sense of purpose in the quest to create holistic stakeholder value would conceivably replace the previous narrowly shareholder-focused ‘sales minus costs = profit’ calculation, and instead adopt a new organisational SVC process formula signified in the seven factor ‘PURPOSE’ acronym comprising of

1. *People* identifying context-specific stakeholder value, i.e.
2. *Utility* (for people), though values based on:
3. *Responsibility*

¹²Jobs was undoubtedly lauded for his ability to create value for his customers via connecting creativity with technology. His remarkable feats of engineering driven by imaginative innovation encouraged those in his internal working relationship network to speak candidly, often brutally so, in his aim to create the innovative solutions that resulted. Clearly, in his approach, his personality and his products were inherently connected via his passion, perfectionism, obsessions, artistry, and compulsion (Isaacson, 2013).

4. *Promoting* (in the sense of both enabling and communicating)
5. *Organisational objectives and strategies*, leading to harmonised
6. *Stakeholder interconnections*, resulting as a consequence in
7. *Economic*, i.e. value for the organisation

= *Responsible profits*.

The resulting responsible profits are thereby generated in a pragmatic approach via a multiple (inclusive), collaborative (together), connected (give and get) reciprocal process focusing on the connections in the network of stakeholder relationships as the key route to overall stakeholder value optimisation (via maximising individual stakeholder interests). In place of the previous ‘take’ tragedy of the commons approach, by focusing on the fortune in the connections, this new approach could conceivably serve as a vital source of competitive advantage.¹³

10.5 Bridging the Gap

10.5.1 *Transforming the Organisation for a Better Future via Stakeholder Value Connectors*

Notwithstanding the insights noted above advocating a pragmatic corporate approach via a new way forward in responsible stakeholder management, the reality remains that the old narrative of an exclusive profit focus for business strategy is still the dominant formal approach in business management models. As a result, most economic approaches and governance policies typically place the interests of shareholders as the utmost business priority. This narrow view of business purpose is reinforced by economic assumptions that businesses exist in a context of zero externalities and perfect information. The resulting overemphasis on increasing sales and decreasing costs as the ultimate business goal is one of the key determining factors leading to the global financial crisis and tragic results for a range of stakeholders, including customers, employees, and suppliers, among others, but also for shareholders across all industry sectors spanning, for instance, pharmaceuticals/chemicals, oil, and fashion/apparel.

For example, the share price decrease and still-pending litigation process awaiting Volkswagen following its emissions scandal exemplifies how a narrow focus on profits can directly negatively affect not only the organisation’s top and bottom line (i.e. shareholder interests) but the image of an entire industry and country as well. The shareholder stance of the pharmaceutical industry at the height of the HIV crisis at the end of the last century in protecting its patent property

¹³For clarification, this process is inherently implied in the four steps of the new Stakeholder Relationship Management Framework (Version 4) for connecting stakeholder interests to create responsible profits, which was presented in the previous chapter.

similarly demonstrated a narrow approach. Focusing only on the costs to the business instead of seeking collaborative ways to tap into the huge demand in society for its medical solutions, decision-makers overlooked the potential opportunities of fortune inherent in connecting the business interests with the patients' needs in more innovative ways than was previously the case in the conventional business model scope of possibility. In the oil industry, the image loss to companies such as Shell and BP highlights both the complexity of their operating scenario and also the risks to all stakeholders involved when corporate decisions result in a range of negative internal and external outcomes.

The main thesis in this book is that organisations can be transformed to ensure a better common future if the stakeholder value connectors were more clearly considered. Bridging the current gap requires a greater insight into the missing links with respect to the connectors and disconnectors of SVC.

10.5.2 Joining the Missing Links: Distinguishing the Connectors from the Disconnectors

Connecting Innovative Commercial Solutions with Stakeholder Needs signifies a transformed operating scenario, in which old and emerging new challenges present themselves as tests for developing innovative commercial solutions. From the perspective of the aftermath of the global financial crisis, with the effects of climate change already 'nipping at our heels' and with a list of 17 sustainable development goals still 'on the table', the evidence indicates the potential wisdom of considering the requirement for choosing a new way forward.

Connecting Decision-Makers with What Matters involves *disconnecting* from those ambiguous perceptions underpinning the exclusive pursuit of shareholder interests which have prevailed throughout the twentieth century, as well as the related emphasis on money and monetary transactions as the dominant 'logic' for measuring how resources (including natural and human) are valued in the corporate conversion process. Instead, a SVC approach requires connecting with a new concept of value which embraces much more than what currently gets measured in financial accounts.

Connecting with Unambiguous Corporate Terminology via a Scientific (Measurable) Approach means *disconnecting* from many of the current elusive terms including 'ethics' and 'CSR' which could arguably be considered to have conceptual flaws in the sense that their subjective, value judgement nature renders them almost impossible to measure scientifically. Given that they are largely perceived by many stakeholders in a primarily negative way and accordingly construed to imply 'avoiding bad' or interpreted to signify the 'chore' of 'obligation', these

terms do not immediately signify in the minds of most stakeholders the pragmatic opportunities for doing good, by leveraging the business resources in a proactive constructive way, or for competing with others in serving society most beneficially. Relocating these ambiguous terms to their more appropriate role as ‘hygiene factors’¹⁴ would allow decision-makers in the field to stop arguing about what is defined as ‘CSR’ or deemed ‘ethically appropriate’ or ‘sustainable’ or not. Moreover, because sustainability is a concept rather than a business goal, it is not something that can of itself be organised. Reducing the use or removing these elusive terms entirely from business practice (as indicated by the observed trend over the past 10 years in the pharmaceutical industry in the terms employed to communicate responsible business practice presented in Chap. 7), in place of a pragmatic, evidence-based approach soundly anchored in the concrete business scope and capability of the organisation’s operating environment, could signify a step in a direction which is more readily suitable to management. This focuses attention on Einstein’s *Human Side* reminding us that morality is purely a human matter. A shift to a scientific approach in the responsible management debate could manifest itself in a more pragmatic focus on the concrete measurable impact of corporate actions for creating connections or disconnections with other stakeholder groups. Crucially, this moves the responsible management discussion out of the ethical realm of subjective emotions or value judgements and into the sphere of innovatively identifying effective stakeholder relationships via corporate mechanisms as differentiating strategies in the quest to create competitive advantage.

Connecting Organisational Practices with Broader Stakeholder Interests requires *disconnecting* with all practices which seek exclusive self-interest to instead recognise more consciously the impact of every individual action on the well-being of other stakeholders. In highlighting an increased awareness of those areas within the organisation’s scope of operation which are particularly unsustainable or irresponsible, this new focus necessitates an in-depth understanding of stakeholder interests, their behaviour, and how they measure that which is of value. Within the context of this transformed and informed awareness, a business purpose seeking to generate responsible profits as a consequence of holistically harmonising individual stakeholder interests in pursuit of a ‘greater overall purpose’ is the key (connected) objective. In line with Einstein’s claim that morality is purely a human matter, this quest to identify a greater overall purpose is what has been inferred in the pragmatic approach advocated previously as potentially the only valid ‘obligation’ of individual decision-makers. Following this reasoning

¹⁴The term ‘hygiene factor’ is borrowed from Frederick Herzberg’s (1959) original concept in his book *The Motivation to Work* in which he proposed the term to reflect those motivators which are considered to signify maintenance factors (i.e. necessary to avoid dissatisfaction but that by themselves do not provide satisfaction). In line with Herzberg’s original meaning, the term is implied here to comprise an adaptation, in the sense that here, hygiene factors represent the accepted behavioural norms as opposed to something distinctive. This interpretation does however recognise that ethics and sustainability can serve as contributing factors to personal satisfaction at an individual level.

through to its conclusion triggers the requirement for a transition to a new organisational logic to advance the way we measure how business is really practised for each micro-level context-specific case and for establishing more clearly what counts as value and for whom in the emerging resulting relationships.

Connecting Information and Knowledge Processes requires improved transparency to *'fill in the blanks'* with sufficiently reliable, accessible, user-friendly, actionable data for those attempting to recognise and address missing link issues about how variables (things), nature, and people are systemically and interdependently connected or linked. Achieving such transparency would serve to more clearly illuminate how these linkages can enable 'connections of fortune' SVC as opposed to 'tragedy of the commons' shareholder value.¹⁵ In this approach, every individual continues to aim to reap the greatest self-benefit from a given resource but, in doing so, is concurrently aware and informed about the collective consequence of individual actions on the 'common good' of all users.

Connecting SVC with Creatively Designed Innovative Measurement and Management entails a fundamental shift via the enlightened insights highlighted in the previous point to an operational 'sense of responsible management'. This transformed mind-set necessitates significantly altered and creatively innovative enabling systems (macro-level), structures, processes, and measurement tools serving as the effective (management) mechanisms within the entire network system to enable those connections between people as individuals and the interests of stakeholders as groups, which prove critical to the collective well-being of business and society.

Connecting Micro-level Context-Specific Operating Scenarios with the SVC Approach involves developing innovative management control systems and measurement instruments capable of holistically capturing the organisational resource conversion process in its entirety. Because the new comprehensive approach evaluates organisational purpose, input, and output from both an internal and external impact (benefits/utility and costs or help and harm) perspective, it strives to embrace a broader concept of value which is steadfastly connected with overall stakeholder interests. This approach enables 'connections of fortune' to materialise within the context-specific operating scope and competence sphere of each organisation. In this way, every individual who consumes an additional unit does not directly harm others so that all stakeholders can continue to enjoy the benefits as required.

Connecting SVC with a Reward System which Recognises Responsible Choices requires conscious and proactive (subjective) management decisions. The choice to seek commercial opportunities within the internal and external

¹⁵In 'tragedy of the commons' resource depletion, individual users acting independently according to their own self-interest behave contrary to the common good of all users, thereby ultimately creating a situation of instability in which the demand for a resource outweighs its supply.

relationship interconnections between stakeholder interests derives from individual value judgements which take place at the micro-level of the firm. By choosing to strive to attain connections of fortune, the new collaborative approach focuses organisational attention on the ‘white space opportunities’ *between* the stakeholders in the network. This advances responsible business behaviour well beyond mere compliance with existing legal requirements, business case, or risk management calculations to a new role as a fundamental, innovative, and abundant source of competitive advantage.

Connecting Business Theory to Reflect the New Stakeholder Relationships requires disconnecting from traditional management mind-sets and tools focused on exclusive shareholder interests and profit maximisation in the first instance. In the commercial sphere, current trends suggest that a transformation is required in the way that economic models, business and organisation theory, and management textbooks including financial accounting systems measure value. Connecting business education and training programmes to embrace the complex management challenges inherent in SVC requires an innovative, interdisciplinary approach. A prerequisite for effectively capturing the emerging new value propositions inherent in the transitions addressed above is the skill and capability to mobilise corporate SVC opportunities. This necessitates the development and application of new management and measurement instruments to effectively identify value connectors and thereby creatively connect the diverse range of interests in search of the greater overall common benefit/utility for all stakeholders.

10.5.3 Corporate Approaches to Responsible Management: Examples in Practice

10.5.3.1 The Dawn of a New Age?

As noted above, SVC is not a new concept. Nevertheless, while many companies have in practice been creating stakeholder value that goes beyond shareholder interests for decades, most value creation logic still focuses predominantly on an exclusive shareholder profit maximisation business purpose. Although this approach may have worked in the past, many signs already indicate that change is imminent. For instance, in his book *A Whole New Mind*, Daniel Pink (2005) describes what he calls a “seismic—though as yet undetected shift that is now underway”, moving from an economy and a society built on the logical, linear, computerlike capabilities of the Information Age to what he calls “The Conceptual Age” emerging in its place, in which inventive, empathic, big-picture capabilities acquire priority (Pink, 2005, pp. 1–2). Organising the business activity to navigate this shift will require transformation of a significant magnitude. On this journey, the quest to identify improved ways to harmonise the current corporate approaches via, for example, connections of fortune opportunities along the lines which have been

described in this book for the greater benefit of all stakeholders could be interpreted as a new route to value creation.

While these new developments undoubtedly inherently require key aspects of transformation in the economy and society (both of which remain to date strongly focused on a shareholder value maximisation perspective as noted previously), nevertheless, at the organisational level of the firm, many successful examples of creative, considerate, far-sighted corporate approaches to managing stakeholder relationships in complex operating environments are already clearly evident. Individual entrepreneurs and organisations have been operating in what could in many ways be deemed an inventive, empathic, holistic way for decades. This includes companies in the pharmaceutical industry, such as the global healthcare company, Novo Nordisk; Unilever, a multinational consumer goods company, which was already noted in Chap. 9; and Weleda, a therapeutic and cosmetic company, among others, such as Johnson & Johnson, details of which were presented in previous chapters.

10.5.3.2 Novo Nordisk

In the pharmaceutical industry, for instance, global healthcare companies, such as Novo Nordisk, headquartered in Denmark, employing approximately 41,600 people in 75 countries and marketing its products in more than 180 countries, mobilise their experience and capabilities from over 90 years of innovation and leadership in diabetes care; Novo Nordisk helps people to defeat serious chronic health conditions, such as haemophilia, growth disorders, and obesity. In doing so, the company connects its resource investment strategy in its field of competence to create stakeholder value by specifically formulating positions on issues of relevance to its business and its role as a global corporate citizen. In its corporate approach, Novo Nordisk communicates a business purpose which expresses a clear vision and a strong set of core values implemented via a consistent corporate governance model. The resulting corporate activities result in the investment of resources related to themes pertinent to the organisation's explicit impact on chosen stakeholder groups within its specific operating context. This includes access to diabetes care, animal ethics, climate change, clinical trial ethics, counterfeit medicines, gene technology, human bio-samples, human rights, intellectual property rights, the 2030 Agenda for Sustainable Development, public affairs, and stem cell ethics (Novo Nordisk, 2016).

10.5.3.3 Unilever

In the [consumer goods](#) sector, the Anglo-Dutch [multinational](#) Unilever, which is co-headquartered in [Rotterdam](#), the [Netherlands](#), and [London, UK](#), is regarded as one of the oldest multinational companies in the world. With products in approximately 190 countries, Unilever owns over 400 brands, although it mainly focuses on 14, including Axe/Lynx, Dove, Omo, Becel/Flora, Heartbrand ice creams,

Hellmann's, Knorr, Lipton, Lux, Magnum, Rama, Rexona aka Sure/Shield, Sunsilk, and Surf. Unilever states how it connects its activities in its sphere of operation with a focus on creating stakeholder value on key chosen themes of impact, such as helping vulnerable communities, mobilising collective action, and what it terms 'our sustainability journey'. In this approach, Unilever emphasises its viewpoint that "a brighter future means better business". Specific projects connecting its business interests with the well-being of society include improving access to sanitation via water centres that advance cleanliness and save women time for its hygiene and washing products, tackling malnutrition with its Knorr products, linking the sale of Dove products with programmes to help girls to develop body confidence, and a sustainable tea project, among others (Unilever, 2016).

10.5.3.4 Weleda

Weleda is a leading international manufacturer of certified natural cosmetics and anthroposophical medicinal products. The Swiss public limited company is headquartered in Arlesheim near Basel with a branch in Schwäbisch Gmünd in Germany. Operating in over 50 countries across all continents, it employs 2000 people to develop, produce, and market a product portfolio of over 1000 pharmaceutical products, as well as 120 natural cosmetics. Since its foundation in 1921, Weleda has focused its business purpose on consciously contributing to the health and the well-being of the people its organisational activities impact. Weleda explicitly communicates the view that "business is more than the visible representation of the products and services it produces". In line with the concepts advocated in this book, as well as the human qualities envisioned as salient in effective systems in other books, such as Nelson's (2006) *Economics for Humans*, Weleda's approach highlights the importance of feeling and experiencing the connection between people and nature in harmony via the products it develops, produces, and markets. In this stakeholder-orientated example, by connecting its economic interest with concerns about social and ecological well-being, Weleda emphasises its pragmatic organisational purpose to create natural therapies and cosmetics for each life-cycle stage, to deliver authentic beauty, in harmony with nature. In Weleda's context, this harmonised approach includes natural ingredients which are holistically sourced and manufactured to enhance the natural balance of the skin and hair, as well as the intent to generate a natural beauty which is certified as free from synthetic aromas, colours, and preservatives (Weleda, 2016).

10.5.3.5 A New Quality of Leadership

Quality and effectiveness¹⁶ are common denominators in the above examples, as well as a focus on the human element of how people feel, think, and act. From the

¹⁶Rather than quantity and efficiency.

development of new offerings through to the sourcing of people, raw materials, and other inputs, the knowledge and experience invested in their fields of expertise bear the signature of purpose and conscious consideration of the impact of their corporate actions on others. While the business strategies of organisations, including Novo Nordisk, Unilever, and Weleda, as well as others including Apple, Google, and Facebook, may not always be assessed favourably, and while it remains the verdict of the individual to judge whether these practices constitute responsible management, these companies highlight the relevance of innovatively appreciating the power of connections and their value-generating potential. Moreover, their innovative strategies, via their organisational focus on making connections in unique ways, have undeniably led to new business opportunities and differentiation potential, as a gateway to competitive advantage.

In place of narrow-minded ‘business case’ logic focused on short-term profit maximisation expectations in the first instance, the practical examples highlighted in the cases of Novo Nordisk, Unilever, and Weleda demonstrate the relevance of stakeholder relationships. Advancing beyond textbook exclusive profit equations and shareholder formulas by recognising profits as the consequence of value creation rather than the initial driver, the examples of corporate approaches undertaken by these companies imply an inherent understanding that business success and profits for the shareholders, as a key stakeholder group, will emerge and can be more successfully sustained in the long run when the business impact on other stakeholder groups is considered.¹⁷ This shifts the focus of the management mindset on mobilising organisational resources towards the interests and concerns of those key groups upon which the organisation chiefly depends for its profits, i.e. customers, employees, and suppliers, among others.

These cases demonstrate how leading corporations are connecting their interests with the needs and concerns of other stakeholders to create stakeholder value via the mechanisms of their corporate resource conversion processes. In their pragmatic pursuit to ensure an improved future for all stakeholders via transparent development, fair trade, and restoration of resources, these real-world stakeholder-orientated examples of corporate approaches could conceivably be interpreted as illustrations of responsible management. Connecting far-sighted, imaginative, inclusive, collective perspectives with the interests and needs of people, planet, prosperity, and profit, as the underpinning business rationale, these examples could serve to inspire other leaders in similar or different business sectors to rethink the way they view their entire operating system, including the economy, its possibilities, and their role within it.

¹⁷For clarification, as noted in this and previous chapters, while the measurement and management tools proving this claim require further development, the rationale adopted in this book is that the suggested stakeholder orientation can be understood as a valid approach simply because it ‘makes good business sense’.

10.5.4 The Rationale for New Business Model Transformation

In view of the increasing evidence indicating that most firms clearly do increasingly strive to pay attention to matters regarding the impact of their business actions on their stakeholders in society (see, e.g., Peters & Roess, 2010, p. 8; Crane & Matten, 2010; Freeman, Martin, & Parmar, 2007), or at least say they do on their websites and other sustainability and responsibility reports and communication, the trend towards a broader stakeholder perspective appears to be in vogue.

Finding commercial opportunities for solving societal and environmental challenges via the inclusion of differing stakeholder perceptions, needs, and expectations appears to make good business sense in the current increasingly transparent, technologically connected, global operating environment of a socially networked, progressively more prosperous, aware, and informed society. The resulting growing influence of differing stakeholder interpretations with respect to what constitutes value consequently broadens the scope of the mission of business in society. In this scenario, organisations are assumed to create value, not merely by generating profits for their shareholders, but more so than ever based on the principles of sustainable development put forward in the Brundtland Report (Brundtland, 1987) which advise consideration for the needs of current and future generations. The complexity of the required transformation to achieve this transition highlights the requirement for new mechanisms and mind-sets to enable innovative, inclusive, collective, impact-orientated responses at all levels.

If the purpose of organisations in society is interpreted to be to create value (Grant, 2006, p. 39), it is conceivable that a first step in identifying how to create SVC via a transformed corporate approach requires a clear vision of understanding: what is of value and for whom? In contrast with the traditional profit maximisation (shareholder) perspective, making business choices from a stakeholder value optimisation perspective broadens the scope of value creation (Grant & Jordan, 2015, pp. 20–21). Regardless of the nature of the motives which trigger decision-makers to consider a broader role for business in society, Freeman's (1984) stakeholder theory of the firm is a value stance¹⁸ (e.g. Küpper, 2011, p. 15) or 'rationale', which is being increasingly recognised as key to achieving strategic success. Freeman's popular and influential theory (Stark, 1994) nevertheless requires context-specific application in order to unleash its full innovative connection potential (Ćwicklicki & O'Riordan, 2017, p. 3).

The mind-set shift implied in the connection of fortune logic signifies the need for each business to precisely assess its individual business model rationale for its particular context-specific operating scenario. This helps decision-makers to determine why and how the new approach could be beneficial for the business, thereby justifying the investment of shareholder resources in the holistic interest of all stakeholders. Ultimately, this approach signifies the way in which corporate

¹⁸Values can be understood as comprising the ideas, standards, or conduct which are recognised by a community as desirable and which provide orientation for the people in a community.

decision-makers create value via the organisational transformation to a changed (innovative) business model construct as a mechanism for enabling pathways and solutions for doing business which create and deliver stakeholder value (Ćwicklicki & O’Riordan, 2017, pp. 7–9).

In an approach proposed in the previous chapter, a list of potential factors and questions for undertaking this process of organisational transformation from an existing to an innovative business model was specified. While these questions and the concepts of business models and their innovation are not new in their own right *per se*, in line with the definitions established by Ćwicklicki and O’Riordan (2017, pp. 8–9), the resulting innovative business model (IBM) can be interpreted to designate a process for realising a sustainable supply of relevant offerings to clients, customers, the community, and/or stakeholders. The novelty in this new approach lies in the quest for innovation beyond a narrow profit maximisation focus towards an SVC harmonised value optimisation approach. Based on the fundamental idea of a multiple, collaborative, connected value(s) proposition inherent in the SVC concept, both the novelty and the comprehensiveness associated with this approach by definition lead to (re)design via co-creation and, ultimately, added value for a range of constituents. Significantly, this novelty refers to a way of organising, which not only focuses on the task of internal organisation within the organisation itself but also on organising between organisations and their constituents. The inclusive approach to organising inherent in IBMs enables exchange opportunities which uniquely facilitate broader social, ecological, and other impact in addition to economic value creation (Ćwicklicki & O’Riordan, 2017, p. 9; Jonker & O’Riordan, 2016).

Via this process, order emerges as opposed to being imposed, so that an organisational purpose rooted via individual stakeholder connections functioning collaboratively in harmony with each other for the optimal benefit of all groups materialises. This approach views organisations in relational terms based on what they do for society. The resulting impact may present itself as micro-level context-specific outcomes which can be generally linked at the macro-level with the more complex, broad-brush goals, such as the 17 UN Sustainable Development Goals (Sustainable Development Goals, 2016). This macro-level perspective facilitates the connection of the organisation’s purpose and activities at the corporate level with policy at systems level aimed at achieving high-level societal value via the combined sum of individual corporate approaches.

10.6 Achieving Sustainable Transformation via the New SVC Framework

10.6.1 The Implications of the New Framework for the Previous Framework Version 3

The new Stakeholder Relationship Management Framework (Version 4) comprises a substantial modification of the framework Version 3. The requirement for this

adjustment was triggered in particular by the findings from in-depth interviews, which indicated that adaptation was required to more explicitly explain the process of transformation to an IBM via which organisations create value when managing their stakeholder relationships. While continuing to maintain the general principles and many of the original components of the earlier versions, the new updated framework now more explicitly represents both the theoretical and practical management decision-making steps illustrating more clearly both the ‘why’ and ‘how’ of SVC implementation.

Consequently, the new Stakeholder Relationship Management Framework (Version 4) could conceivably be interpreted to more specifically address the ‘missing link’ issues of connectivity, ownership, and lack of transparency in management approaches. Building on the previous framework versions, the resulting conceptualisation abstracts a substantially new set of factors, which are designed to be of practical use for decision-makers when managing their stakeholder relationships. Aimed at filling many of the research gaps presented in previous chapters, this approach ultimately advocates a new pathway to provide feasible and pragmatic management solutions in particular for those decision-makers facing the management challenge of identifying how to integrate broader stakeholder interests into their business operations.

Specifically, the new Stakeholder Relationship Management Framework (Version 4) addresses the concrete criteria specifications highlighted as lacking in Chap. 8 from the summary of the research findings. These include its revision to permit a clearer depiction in both theory and practice illustrating *how* organisations can:

- Focus more holistically on their context-specific stakeholder relationships and the inherent interdependencies within their stakeholder network as the main unit of analysis.
- Identify, capture, and create overall benefit/utility for a broader range of constituents via more conscious regard for the connections between the various stakeholder interests in the network and awareness of the power of corporate purpose new business rationale.
- Mobilise a personal approach between the commercial purpose in harmony with the organisation’s other material stakeholder interests in order to more clearly unleash the positive effects of the ‘*why*’ of corporate purpose in stakeholder relationship management.
- Recognise and reflect in their processes the prerequisite for societal acceptance to arouse enthusiasm from employees, suppliers, customers, the community, and other stakeholders, who increasingly expect to work for, purchase from, and interact with organisations operating and earning profits in what they perceive as a ‘fair’ manner.
- Measure the internal and external impact of their commercial activities in a more holistic approach via the development of innovative measurement indicators and management tools.

- Transform via the new decision-making mind-set and route the result of the new strategy formulation process into organisational value creation so that the corporate approach progresses from its existing to an innovative business model.

Focusing on the essential strategic purpose and the role of business in society, the main contribution of the new Stakeholder Relationship Management Framework (Version 4) is to highlight the requirement for fundamentally new insights, mind-sets, concepts, and methods regarding societies' collective understanding of how all stakeholders, including organisations, collaboratively create value. Importantly, the depiction of the 'white space' at the point of intersection of the stakeholder relationships in the network is designed to emphasise the unlikely alliances in a new solution economy, which can emerge when a platform for connections of fortune materialises on the organisational 'radar'. Ultimately, the adaptations presented in the new framework determine that this new framework is now more relevant not merely for a target audience of decision-makers in both profit and non-profit organisations at the micro-level, but in addition for policymakers and economists, among others, at the macro-level.

10.6.2 The Implications of the New Framework for Stakeholder Management Practice

How does the new Stakeholder Relationship Management Framework (Version 4) foster integrative stakeholder management practice? The four steps for strategically connecting stakeholder expectations depicted in the new framework could be interpreted to enable organisational transformation for ultimately generating responsible profits. Focusing the decision-maker's awareness on the value creating connecting opportunities and risks between the stakeholders in the value creation network in a more explicit way than the traditional economic and management textbook approaches is undoubtedly complex. To facilitate the inherent required organisational transformation from the existing to an innovative business model, the framework is designed as a simple generic tool to guide decision-makers on a new path to value creation which is not dominated by a narrowly reductive and self-seeking approach. By offering a fresh perspective on why and how to invest organisational resources, the integrative stakeholder relationship process presented in the framework could be construed to serve as a key catalyst for enabling a transformed form of competitive advantage. Deriving from a novel, context-specific opportunity and risk assessment of the connectors (i.e. the interconnections and linking mechanisms) between the parties in the network as the relationship rationale, the resulting stakeholder value optimisation via these exchange processes is designed to lead to measurable value creation.

This process directs management attention towards achieving integrative outcomes for a range of stakeholders as its organisational purpose, which goes beyond the previous narrower, isolated, exclusive profit maximisation focus on shareholder

interests as the key criteria for all decision-making in the first instance. The organisational intent to achieve broader stakeholder value via its business strategy highlights the interconnectedness of the network constituents in their collective aim to achieve sustainable solutions for the long-term overall mutual benefit of an inclusive range of interests. The business rationale for this approach derives from the maintenance or improvement of the organisation's credibility in society, resulting as a consequence in sustained profits (i.e. maximum shareholder outcomes – however, in harmony with other stakeholder interests) via transparently measurable stakeholder value creation.

The new strategic approach presented in the Stakeholder Relationship Management Framework (Version 4) accordingly constitutes a transition from the prevailing perceptions regarding how the organisation's resources are best invested. It moves the organisational purpose beyond a predominantly shareholder-orientated focus by highlighting the business sense in linking societal interests with business purpose. It additionally helps society by transgressing beyond a business purpose focused on privatising profits while socialising costs. In this approach, competitive advantage or differentiation is achieved from the inside out via management practices which are inherently designed from the outset to deliver positive change to society. The optimised value creation, which has been labelled in this book by the term 'SVC', is the result which emerges by taking account from the very inception of the corporate strategy of the inherent costs and benefits of the intended approach for a broader range of stakeholders than was previously the case.

This new corporate approach to the resource investment strategy focuses business purpose away from profit maximisation towards equitable reciprocal relationships between the constituents including the organisation as a key player. The inherent synergies and dynamism of the ensuing value, collaboratively deriving from and shared with a multiple range of stakeholders, is the catalyst for measurable sustainable impact. Ultimately, this approach generates meaningful positive progress for both business and society. The ensuing value to the business could manifest itself in improved reputation and goodwill, which could positively impact key stakeholders, such as shareholders, customers, and employees, among others. Conversely, if these opportunities are instead seized by the competition or are not seized at all, the end result will be a cost to stakeholder interests. The resulting value to society of these connections has been depicted in this book to signify resource optimisation, as well as an improvement in equitable allocation and equal opportunities. For example, when a pharmaceutical company engages in new business routes to serve its customers' needs via entering into alliances with agencies, such as the WHO and local hospitals, training local staff and possibly even building hospitals and organising equipment and training for the safe use of its medical drugs and devices, both the business and society ultimately benefit. By opening up new market demand which previously lay dormant, the business provides commercial solutions in its area of expertise to address an enormous latent need in fields, such as malaria, gastro-intestinal illnesses, vaccinations, and many other deadly but curable health concerns.

10.6.3 *The Implications of the New Framework for Stakeholder Management Literature*

While many aspects of the rationale behind the new Stakeholder Relationship Management Framework (Version 4) are not new in the sense that the concepts presented in books such as *Conscious Capitalism* and *Economics for Humans* previously suggested similar ideas, its key contribution is the application of these ideas via an IBM approach and the presentation of the explicit strategic steps proposed to guide managers towards ultimately creating connected value for a range of stakeholder interests. As a result, the new framework expands on previous scholarship in this field, including its various earlier versions of the framework (O’Riordan, 2006, 2010; O’Riordan & Fairbrass, 2008, 2014; O’Riordan & Zmuda, 2015). Essentially, it additionally fills many of the gaps in past scholarship, which were previously identified in earlier chapters of this book.

The *strategic contribution* component, depicted in Fig. 9.1 in the new Stakeholder Relationship Management Framework (Version 4) conceptualisation as the ultimate root concept for inspiring strategic purpose, emphasises the requirement to measure the concrete change in stakeholder impact delivered by the new strategic purpose via the connective stakeholder objectives, based on a strategic choice to optimise stakeholder value. Via the three explicit principles of multiple (inclusive), collaborative (together), and connected (give and get) SVC, conscious decision-making is the ultimate result. In contrast with a shareholder (take) approach and moving beyond a shared value approach, which continues to principally maintain a shareholder mind-set to business purpose, SVC was defined in Chap. 2 as an umbrella concept, which incorporates the three ‘features’ of value creation focused on the varying and interrelated aims of inclusion based on a regard for diversity, collaboratively leveraging the relationships and connections among many parties in the multiple network, and achieving reciprocal relationships, via which the generated wealth is allocated equitably in ways which transcend the previous value creation logic (Donaldson & O’Toole, 2007; Pinnington & Scanlon, 2009, p. 39; Dyer & Singh, 1998, p. 661).

Combining these inclusive and collaborative qualities determines that the mutually generated value is designed from the outset to be comprehensively connected with, created by, and allocated among for a range of (multiple) constituents or stakeholders (as opposed to mainly accruing to gratify shareholder interests, as is the case in conventional business models). While SVC may be perceived as evoking a strategic paradox, in the sense that it strives to generate both a business and societal value proposition (e.g. Florin & Schmidt, 2011, p. 170), more importantly, this concept unites the result of strategic choices, which enable sustainable connections between business and society (Ćwicklicki & O’Riordan, 2017). Clearly, this approach represents an innovative and significantly transformed route to value creation for business.

The *strategic assessment* component, depicted in Fig. 9.1 in the previous chapter as the second step in the new Stakeholder Relationship Management Framework

(Version 4) conceptualisation, highlights the requirement to undertake a holistic opportunity and risk analysis of the business operating environment. Many of the potentially relevant management tools for undertaking this assessment, such as those presented in the previous chapter, are not new. They comprise both conventional and new approaches for establishing and assessing stakeholder connections. As noted in the previous chapter, the tools for undertaking this assessment require development and adaptation to each context-specific and multidimensional situation.¹⁹ To elaborate, such tools could comprise conventional instruments from methods including STEP & SWOT, Porter's five forces, total quality management and Six Sigma, and value chain analysis, among others (e.g. Aguilar, 1967; Learned, Andrews, Christensen, & Guth, 1965; Porter, 1979, 2008; Kutschker & Schmid, 2008, p. 842; Thompson & Strickland, 1999, p. 107), as well as the requirement for new tools to measure based on the new transformed mind-set perspective towards business purpose noted above. In some cases, the conventional tools can be adapted. New emerging tools, such as the 'Four A's Framework': awareness, acceptability, accessibility, and affordability, help to identify gaps and unlock value in new markets. By focusing on how an industry is organised, developing commercial solutions to fill the identified gaps and finding ways to turn the identified opportunities into profitable markets, new customers ('new who's') are recognised, and new products or services ('new what's') or new ways of promoting, producing, or distributing to them ('new how's') are achieved (Anderson & Markides, 2007). Tools such as the conventional instruments noted above, as well as others, require substantial development in order to improve their capability to capture new forms of value emerging from novel fields, including the circular economy, cradle to cradle, biomimicry, stakeholder materiality, information processes and the digitalisation age, neuro-science, environmental psychology, and base of the pyramid, among others. Ultimately, via these tools, relationships and interdependencies can be more effectively identified, connectors can be more readily revealed, and holistic harmonised resource investment strategy can ultimately be enabled.

This broader business purpose derives from the conscious *strategic choice* driving a new leadership mind-set aiming to achieve competitive advantage (Porter, 1985) via stakeholder value optimisation in place of the profit maximisation orientation of Porter's original concept. Presented in the previous chapter as the third step in the new Stakeholder Relationship Management Framework (Version 4), this new rationale for fulfilling the organisation's strategic objectives determines how, in addition to the clearly legitimate focus on ensuring shareholder (economic) value for the legal owners of the organisation who provided the risk capital which enables managers to acquire the resources needed to produce and sell their offerings (products and services), a range of other stakeholder interests (society and the

¹⁹This includes the requirement to develop new perspectives and evaluation tools to appraise for example, cultural and other macro-level or industry-specific factors, in addition to the organisation and individual level focus addressed here.

environment) are additionally considered in line with TBL or TTL principles, such as those advocated, for example, by Elkington (1997), McDonough and Braungart (2002), and Braungart and McDonough (2009). By definition, while the choice to adopt a broader stakeholder perspective when evaluating how to invest organisational resources derives from a stakeholder rationale (Freeman, 1984), the value created by the strategic choice step ultimately unleashes the stimulus behind the strategic contribution of the business.

The *strategic purpose* component, depicted in Fig. 9.1 in the previous chapter as the fourth step in the new Stakeholder Relationship Management Framework (Version 4), highlights the root requirement to achieve a new sense of meaningful purpose for the organisation via objectives connected with stakeholder interests. While this newly connected purpose signifies a mind-set move away from traditional approaches, it is not entirely new in the sense of the business purpose approach advocated, for instance, by Grant (2006, p. 69), as well as Grant and Jordan (2015, p. 22), as previously discussed in this book. Its novelty derives from its ability to enable value creation by and for stakeholders. By inspiring leadership, encouraging an organisational culture based on stakeholder empathy, facilitating credible communication, and thereby potentially ensuring organisational relevance as a prerequisite to safeguarding a licence to operate among its material stakeholders, the entire organisational value creation process ultimately leads to an innovative business model (IBM).

The strategic approach to organisational transformation inherent in the four steps depicted in the new Stakeholder Relationship Management Framework (Version 4) essentially advances the organisation from its existing to an IBM. This proposed new route, could be interpreted to ensure the responsible investment of societal, ecological, and business resources or people, prosperity, planet, and profit interests,²⁰ comprises the main academic contribution of this book. Establishing and verifying (as far as possible) the new connections, via, for example, demonstrating regard for and paying attention to customer needs, ensures that resources are employed to collaboratively involve a range of stakeholder interests when identifying, producing, and delivering relevant market offerings. This approach thereby innovatively, inclusively, and collectively utilises organisational assets and competences, as well as social and natural resources in an optimal way when creating and allocating value.

Similar to the theme of sustainability, the SVC notion can be interpreted as an evolving concept or overarching intent for creating organisational value.²¹

²⁰For further details, please refer to the PPPP framework discussion in the previous chapter.

²¹For clarification, because they are based on TBL or triple top line (TTL) values (Elkington, 1997; McDonough and Braungart, 2002), or the PPPP framework outcome areas, the three principles of multiple, collaborative, and connected value within the SVC concept are, by definition, interrelated in the sense that they combine commercial innovation with inclusive value creation and allocation. As a result of the inherent synergies and value creation potential between these principles discussed in greater detail in previous chapters, their precise isolation is problematic (Ćwicklicki & O’Riordan, 2017).

Ultimately, the measurable SVC impact resulting from organising business and societal resources and interests via the approach depicted in Fig. 9.1 in the previous chapter expresses a way of harmonising mutual interests by establishing commercial accountability or regard for what is of value to and for whom. The entire process reflects a concept which informs a ‘mind-set’ or intended purpose for the creation of value in organisational practice. This practice signifies the business strategy (e.g. Grant, 2006, p. 14) or ‘the way in which business is done’. This, by definition, leads to the topic of the innovative business model, which emerges as the ‘vehicle’ for ‘mobilising’ the organisation on the ‘pathway’ to this new approach.

10.7 A Better Way Forward?

10.7.1 *We Can’t Change the Wind, but We Can Adjust Our Sails to Reach Our Destination*

Organising the business activity to navigate the significant shift of the nature highlighted by Daniel Pink (2005), for example, in his book *A Whole New Mind*, requires transformation of a momentous magnitude. Achieving an optimal future position in the emerging ‘Conceptual Age’, in which, according to Pink (2005, pp. 1–2), inventive, empathic, big-picture capabilities acquire priority, indicates the necessity for a new way forward. In the quest for more harmonised regard for the interdependencies between and the impact of corporate approaches on relevant stakeholder groups, successfully navigating this journey implies the requirement for a changed business rationale.

This book advocated a route to that transformed rationale based on an entrepreneurial approach focused on connecting organisational success with the welfare of other interest groups. The new perspective of an enlightened leadership mind-set emerging from this adapted and customised corporate approach unleashes the potential for innovative opportunities to serve the greater benefit of all stakeholders.

Central to this process are knowledge and understanding as key connectors in the form of the inspiring leadership and an encouraging culture of empathy for executing the required change. The vital energy in this new process is motivated by an open-minded sense of PURPOSE focused on identifying the connecting mechanisms between the key factors of People, Utility generation, Responsibility, Promotion (enabling and communicating), Organising, Stakeholders, and Economic value outcomes. The resulting consequence of this process, which could conceivably be interpreted as ‘responsible profits’, is thus generated by a pragmatic approach via a multiple (inclusive), collaborative (together), connected (give and get) set of reciprocal mechanisms and processes within the evolved relationship network. This purpose directs, navigates, and guides management attention towards those connections in their stakeholder relationships, which serve as key routes to overall stakeholder value optimisation (via maximising individual stakeholder

interests). Ultimately, this process functions as the vital source of differentiation and competitive advantage for the organisation.

While change of a fundamental nature is required among all stakeholders to reach their personalised destination inherent in this new approach, as noted above, many of the principal features of these developments are not new in the sense that some forms of this approach have already been practised by successful companies for years. The cases of creative, considerate, far-sighted corporate approaches to managing stakeholder relationships which are evident in the practical examples of how Novo Nordisk, Unilever, Weleda, Google, and Facebook, among others, manage their stakeholder relationships via their corporate approaches noted previously in this chapter, demonstrate thought-provoking ideas for others to similarly strive to connect the various stakeholder interests in complex operating environments.

10.7.2 Tomorrow's Forgotten Child...?

The significant, persistent, complex issues arising from adverse man-made and/or natural events previously highlighted in this book, such as global warming, resource scarcity, poverty, as well as access to healthcare and education, and the global financial crisis, all call into question the wisdom of the current value creation approach. Reappraising and addressing those aspects of the current system, which in hindsight could, from a sustainability perspective, be interpreted as misconceived and poorly designed or, indeed more radically, in the words of Ban Ki-moon (Ban, 2011),²² 'a suicide pact' even, is the central aim of this book. Despite the surge in initiatives in the realm of CR over the past few decades, many consider that insufficient improvement in many ecological and social sustainability aspects has been achieved to date. Others go so far as to suggest that because CR remains peripheral, uneconomic, and incremental, it has failed in not being sufficiently linked with the core business of the firm (e.g. Visser, 2011).

Current scandals in the pharmaceutical industry, such as the example of Valeant, whose investors were once viewed as a 'who's who' of the 'smartest guys on Wall Street', demonstrate the short-sighted unsustainable approach inherent in past strategies. An article in *The Wall Street Journal* about Valeant and its CEO, 55-year-old Michael Pearson, aptly summarises the conventional shareholder-orientated profit maximisation approach in which the journal wrote:

.... Pearson's approach should be a blueprint for the pharmaceutical industry's future: Grow through serial deal-making, including tax 'inversion' purchases of foreign companies to take advantage of lower tax rates [abroad]. Cut costs aggressively. And, above all, stop spending so much money on risky research (McClean, 2016).

²²Ban Ki-moon is a Korean name. Because the family name is Ban, this reference is listed in the list of references under Ban (2011).

The article quoted Mason Morfit, the president of ValueAct Capital, a prominent investment fund, saying that Pearson “is the best CEO I’ve ever worked with”. However, raising prices without regard for the consequences on other stakeholders, as well as other questionable tactics, led to the disappearance of 90% of the company’s value over a 6-month period. According to some, Valeant is well on its way to becoming the corporate scandal of its era, and many are speculating whether Valeant has become ‘the pharmaceutical Enron’ (McClean, 2016). The Justice Department, the Securities and Exchange Commission, three state agencies, and two congressional committees are investigating. The company’s fall is wrecking the careers and the legacies of those involved (McClean, 2016).

This example from the pharmaceutical industry in line with similar decision-making archetypes in the banking industry leading to the fall of Lehman Brothers, the consequences of which were deemed by many to have triggered the global financial crisis, are illustrations of the negative result of following textbook shareholder-orientated decision-making to its logical conclusion. Disconnection and destruction increasingly follow as the outcome of economic models and governance policies, which place the interests of shareholders as the utmost business priority in the first instance at the expense of other shareholders. In the economic sphere, this narrow view of business purpose is reinforced by economic assumptions that businesses exist in a context of zero externalities and perfect information.

An overemphasis on increasing sales and decreasing costs as the ultimate business goal has led to negative events, such as the global financial crisis in the banking industry, as well as in a range of other industry sectors from pharmaceuticals and chemicals to oil and fashion/apparel. Notwithstanding the destructive impact of many of these developments on the ecological environment, these disconnected practices cause tragic results for a range of stakeholders including customers, employees, and suppliers. In similar examples, the previously noted share price decrease and still-pending litigation process awaiting Volkswagen following its emissions scandal exemplify how a narrow focus on profits can directly negatively affect not only the organisation’s top and bottom line (i.e. shareholder interests) but the image of an entire industry and country in the process (The Journal, 2016). Similarly, the shareholder stance of the pharmaceutical industry at the height of the HIV crisis at the end of the last century in protecting its patent property rights similarly demonstrated a narrow approach focusing only on the costs to the business instead of seeking collaborative ways to tap into the substantial need for access to life-saving medication in society as a significant source of demand for its medical solutions. These examples highlight how most business today is still largely organised on assumptions focused on the past age of industrialisation (Drucker, 1994). They emphasise how the existing business models in today’s operating scenario are still ‘stuck’ in the dominant mind-set largely focusing on internally directed ‘efficiency’ strategies (doing things better) leading to suboptimal solutions (reducing negative impact) rather than aiming to achieve ‘effectiveness’ strategies for radically changing their business model to develop more appropriate solutions (doing better things).

Against this background, as the concrete link between CR and financial performance continues to be debated (e.g. Rost & Ehrmann, 2015), a considerable body of literature addresses the creation of economic value while simultaneously increasing corporate environmental and social performance. Within the scope of these developments, some publications focus on what they label ‘the business case’ for sustainability, emphasising an approach which is targeted towards increasing corporate economic value through environmental or social measures. In such reviews, however, attempts to improve the sustainability of corporate approaches are mostly considered to be an ad hoc measure or a coincidental add-on to the core business activity (Schaltegger, Lüdeke-Freund, & Hansen, 2011).

Consequently, similar to a forgotten or abandoned child, current CR initiatives could conceivably be deemed to suffer from a lack of sufficient attention and, as a result of this neglect, fail to achieve the necessary far-reaching innovation required to propel the needed transition to address the pressing global economic, social, and ecological challenges facing mankind. In spite of the many practical examples of stakeholder-orientated approaches noted in this and previous chapters, the examples presented immediately above highlight how the old narrative of an exclusive profit focus for business strategy remains the dominant approach both theoretically in formal business management models, as well as in practice. As a result, many approaches towards CR have been predominantly inward-orientated rather than linking firms’ social responsibilities more steadfastly to their value creation processes, product innovation, and corresponding organisational architectures (Idowu, Moratis, & Melissen, 2017). In light of the increasing recognition of the need for other more outward-orientated conceptions of CR, some authors have suggested the more promising avenue via the development of innovative or sustainable business models which take firms’ value creation processes as a starting point and escape the more narrow concept of CSR (see, e.g., Bocken, 2014; Bocken, Short, Rana, & Evans, 2014; Jonker, 2012; Jonker & O’Riordan, 2016; Schaltegger et al., 2011). In line with those views, this book reasons that business model innovation is required as a means to strategically support the systematic, ongoing integration of sustainable stakeholder relationships into the corporate approach and general business activity.

10.7.3 Leaders Bridge the Gap Between Talk and Action

Notwithstanding what could conceivably be deemed the seriously disconnected outcomes of the past and many of the current approaches to business, it is overly simplistic to adopt a ‘bad apple’ stance assuming that management decision-makers ‘park their values at the door’ when they go to work. In the majority of circumstances, the very opposite is the case. Most employees in business do strive to behave honestly in line with their personal values. Business leaders can encourage this integrity by providing structures and processes within which such behaviour is enabled and encouraged to flourish. Using the metaphor of a traffic light system

noted previously in this chapter, rather than enticing drivers to break the allowed speed limit to make the next green light before it changes to red, processes and policies can be ‘tuned’ to encourage the behaviour for which most stakeholders yearn: a purpose and meaning to their daily tasks which includes but goes beyond monetary reward. One of the key messages in this book is that leaders have the choice to bridge the gap between personal and organisational interests via a harmonised SVC approach, which connects human beings in their various assortments of roles. Via this pathway, in search of stakeholder solutions, business leaders can link their interests with the welfare of employees, customers, suppliers, the community, and society, among others, by organising work places and designing offerings which enable in the first instance the holistic advancement of a broad range of stakeholder interests from the perspective of their value and needs as human beings. Importantly, this approach does not conflict with shareholder interests. In contrast, the resulting evolved connections serve to bridge the missing link between organisations and the stakeholders they so vitally depend upon as a means for generating profits.

Ultimately, a SVC process via an organisational transformation to a changed (innovative) business model construct as a mechanism for enabling pathways and solutions for doing business signifies a sustainable route for corporate leaders to progressively ‘bridge the gap’ between talk and action in the stakeholder discussion.

10.7.4 A New Role for Leaders: Making the Organisation Relevant for Stakeholders

Connecting business strategy with stakeholder value creation requires a transition not only for organisations to an innovative business model construct but additionally implies the beginning of an ongoing journey for other stakeholders as well. Navigated by PURPOSE, via the mind-set shift implied in the connection of fortune logic, this approach enables decision-makers to increasingly search for and identify the connections between their activities and other stakeholders. However, ‘crossing the bridge’ to a better future for all stakeholders via inspiring examples will not suffice to effect the transformation of the degree required. Bridging the existing gap not only signifies the need for each decision-maker and corporation to precisely assess its individual business model rationale for its particular context-specific connection of fortune operating scenario. Crucially, its success requires an operating context and similarly open stakeholder mind-set capable of appreciating the opportunities and risks of the new harmonised, holistic resource investment strategy.

Awareness, acceptance, access, and affordability play a key role in successfully accomplishing this journey, implying that organisations cannot achieve this feat alone. In addition to new business model innovation, cooperation, buy-in, and

support from other stakeholders are required. In this process, all stakeholders work together making proactive choices to determine which destination is desirable; why and how the new approach could be beneficial for them; what their role could entail in achieving the new envisioned scenario; and how their current behaviour needs to change/improve. This connected route to SVC thereby justifies the investment of shareholder resources in the holistic interest of all stakeholders because those upon whom the corporation depends for the successful operation of its business 'see' the connections and the value created for them and acknowledge the economic interests of business as a prerequisite to collective wealth generation.

In this new stakeholder-orientated corporate approach, the chosen stakeholder relationship strategies, which go beyond the interests of its shareholders in the first instance, become the very source for its mandate to maintain its economic responsibility. Recognising, harmonising, and integrating market sustainability, as well as social and environmental sustainability into their corporate strategies in a more coordinated way than the previous conventional exclusive shareholder-orientated narrower profit maximisation approaches, becomes the target and purpose of the corporate approach. This makes the organisation relevant to its stakeholders. Its success with respect to responsible management depends on the decision-maker's ability to reconcile the compelling dilemma facing those attempting to harmonise the 'ethic of responsibility' [Verantwortungsethik] with the 'ethic of conviction' [Gesinnungsethik]. Addressing the dual propositions in this dilemma (e.g. Trompenaars & Hampden-Turner, 2004, pp. 195–211) of idealism and pragmatism (Weber, 1965) requires a quality of leadership capable of harmonising personal conviction with judgements relating to the scientific realm of measurable results and impact and away from the subjective sphere of motivations, intentions, and morals.²³

The economic and political history of the past year demonstrates a noteworthy example of this dilemma. The remarkable leadership quality inherent in Angela Merkel's decision to open Germany's borders to refugees in 2015 and to refuse to put a numerical limit on accepting human beings in dire need are a genuine example of both the dual proposition of conviction (idealism) and responsibility (pragmatism). By making Germany relevant for refugees, Merkel could conceivably be judged to demonstrate an ideal quality of genuine political leadership, which simultaneously provides a pragmatic solution to the pressing demographic issues inherent in Germany's declining population, thus achieving a 'connection' between the two interests and thereby making the refugees relevant for Germany. The organisational and cultural challenges which have since emerged have clouded public opinion. The resulting debates highlighting how many Germans think impractical idealism is immoral, as well as the lack of consensus regarding the ultimate value of this leadership decision, are indicative of the genuinely human

²³In the words of Shakespeare (1992), "...for there is nothing either good or bad, but thinking makes it so" [!] (Hamlet, Act 2, Scene 2).

and poignant management challenge facing decision-makers who strive to be responsible (The Economist, 2016a).

10.7.5 The ‘Helping Hand’ of the ‘Invisible Hand’

While the impact of an array of forces, including globalisation and new technologies, are leading to accelerating disruption (Hinssen, 2015) and increased complexity, they simultaneously present exciting new opportunities, in which novel possibilities for connecting people, practices, and offerings are emerging. In this ‘new age’, material abundance and well-being are deepening a sense of non-material interest which necessitates innovative organisational capacity to detect new patterns, as well as their inherent opportunities and risks (Pink, 2005). Such new patterns include new forms of collaboration via which connections between multiple stakeholder interests increasingly drive social, ecological, and economic value. In the future economy, needs and uses become more salient than ownership, and money no longer remains the only means of trade as alternatives emerge, such as time, care, energy, points (Jonker & O’Riordan, 2016, p. 12).

A core concept advocated in this book is the role of innovative business models as mechanisms for enabling innovative SVC opportunities in the emerging shifting systems. This triggers the need for more radical and structural change both within and between organisations than is presently adequately addressed in the existing business model approach. Current ‘business as usual’ approaches do not take into consideration the dynamics of volatility, uncertainty, complexity, and ambiguity in their business innovation approaches (Gorissen, Vrancken, & Manshoven, 2016). Addressing these issues requires substantial transformation in the way in which business is organised (Jonker, O’Riordan, & Marsh, 2015). This requires a significant systemic shift towards sustainable configurations to effectively transform the current business model approach from its focus on efficiently ‘doing things better’ to more effectively ‘doing better things’ (Gorissen et al., 2016).

Against the backdrop of these exciting new developments and their inherent challenges, an adapted version of the phrase the ‘invisible hand’, employed centuries ago by Adam Smith with respect to income distribution (Smith, 1759) and production (Smith, 1776), is adopted in a SVC context. The ‘invisible hand’ signifies the notion that each individual effort to pursue its own interest may benefit society more than if the same actions were directly intending to benefit society. Similar to Smith’s original idea, this concept of organising stakeholder relationships by connecting each group’s self-interest towards socially desirable ends is clearly a central concept of this book. Within the network exchanges, the power of the ‘invisible hand’ is unleashed via the systems, structures, and processes designed by decision-makers to enable the connection of stakeholder interests. Self-interest is thereby channelled to leverage value for the ultimate welfare of all constituents, i.e. from a social, ecological, economic, or other outcome perspective.

Within this approach, from a corporate point of view, the drivers of organisational value, such as those noted by Schaltegger et al. (2011), play an important role in determining the economic rationale for investing corporate resources in broader stakeholder interests. In addition to the innovative capabilities (e.g. Cohen & Winn, 2007; Pujari, 2006; Schaltegger & Wagner, 2011) highlighted in this book as one key source for differentiation and competitive advantage opportunities, the ‘helping hand’ of the economic rationale can additionally benefit corporate approaches to responsible management. This rationale includes costs and cost reduction (see, e.g., Christmann, 2000; Epstein, 2003), sales and profit margin (see, e.g., Porter & van der Linde, 1995a, 1995b), risk and risk reduction (see, e.g., Schaltegger & Wagner, 2006), reputation and brand value (see, e.g., Jones & Rubin, 1999; Marrewijk, 2003), and attractiveness as an employer (e.g. Ehnert, 2009; Revell, Stokes, & Chen, 2010).

10.7.6 *The Limits to CR, Ethics, and Sustainability in SVC*

Within the context of the required transformation from the existing to an innovative business model, while acknowledging the notion of the supreme influence of the ‘invisible hand’ mechanism, the pragmatic approach advocated in this book aims to circumvent the crisis of ideas at organisational level resulting from the abstract nature of many of the terms associated with responsible management. The limits to CR, ethics, and sustainability in developing an attractive, effective, and sufficiently reliable corporate approach to SVC were highlighted in previous sections and chapters. Similar to profits and prosperity, which result as a *consequence* of the corporate activity, these concepts were noted to serve as the highly relevant *means*, alongside other resource inputs, in the organisation’s conversion process.

However, because they could be deemed impractical or idealistic and accordingly subjectively ‘immoral’ by definition in a business context (The Economist, 2016a), CR, ethics, and sustainability are not business objectives and accordingly do not define the organisational purpose of commercial ventures. This realisation is significant in the sense that it deters attempts to include a range of (subjective) moral (ethical) ‘opinions’ or value judgements into the business analysis. It thereby sidesteps debates surrounding the lack of a reasonably sound basis for a persuasive business case for (or against) social initiatives (see, e.g., by Rost & Ehrmann, 2015), which have been fuelling a long-standing controversial debate that merely serves to distance the topic of CR from becoming firmly established as a key contributing factor in business operations and the stakeholder value proposition (e.g. Schaltegger et al., 2011).

Consequently, in the case of the pharmaceutical industry, for example, by connecting the business interests with the patient welfare in more innovative ways than was previously the case in the conventional business models, a broader SVC approach, in contrast with a narrow profit focus, could help to open up new opportunities for connections of fortune. Overseen by the supremacy of the

mechanism of the invisible hand, via the connections they design, individual decision-makers improve their utility/benefit for their stakeholders (including shareholders in the long run), thereby making themselves ‘relevant’ to those interest groups upon which they depend to achieve their commercial success. The focus on measureable outcomes from the resource conversion process, based on a TBL, TTL, or PPPP framework approach²⁴ emphasised in the new Stakeholder Relationship Management Framework (Version 4), moves the responsible management discussion out of the ethical realm of subjective emotions or value judgements and into the pragmatic sphere of innovatively identifying effective stakeholder relationships via corporate mechanisms as differentiating strategies in the quest to create competitive advantage.

10.7.7 A Business Rationale Based on Thinking in Terms of Cathedrals and Not Gadgets

Encouraging a greater regard for the interests of current and future generations is one of the main ambitions of this book. Advocating a more ‘enlightened’ perspective towards stakeholder relationship management via a ‘connections of fortune’ scenario (in contrast to the current ‘tragedy of the commons’ case), based on organisational transformation in the design of innovative business models, proposes a new logic of value creation. By directing the attention of all stakeholder parties towards meeting the needs of current generations without compromising the ability of future generations to meet their own needs via the purposeful focus on the connections in stakeholder relationships, the power of the invisible hand is conceivably unleashed to enable a new form of prosperity via the pursuit of self-interest.

This approach is particularly persuasive due to the fact that it strives to ensure that every individual within each stakeholder party continues to aim to reap the greatest self-benefit from a given resource but, in doing so, is concurrently aware and informed about the collective consequence for the ‘common good’ of all users. Acting collectively according to the overall interest of the group determines that through their collective action, individual users multiply the available resources via novel solutions. This ensures that the demand for the resource does not overwhelm the supply. In this way, every individual is aware of the opportunity cost of the impact of the actions they choose, thereby increasing the benefit or utility while reducing or eliminating the direct or indirect harm, which their actions may cause to others. In this way, their consumption and other decisions, as well as further relevant behaviour, can be altered accordingly. Fortune of connection opportunities thereby emerge.

²⁴People, planet, prosperity, and profits – please refer to Chap. 9 for further details.

Clearly, these ideas require a business rationale based on thinking in terms of the ‘big picture’. Such transition will inevitably take time and require patience, courage, and creative foresight. Notably, unlocking connections of fortune in stakeholder relationships beholds a parallel misfortune for many of those who play a key role in laying the foundations for developing a clearer understanding of this phenomenon. Similar to some of the world’s most renowned writers, artists, economists, scientists, and architects of cathedrals, the long-term nature of progressing corporate approaches to responsible management via sustainable stakeholder relationships in the field of responsible management determines that many of the most essential actors in this development may not experience its ultimate accomplishment.

As a result, the final impact of many of those ideas, which may well be criticised from the perspective of today’s mind-set, could, in the future, be comprehended in a more favourable light. Rather than being a cause for despair, a more constructive and inspiring approach is to continue relentlessly enduring in the entrepreneurial quest to seek new opportunities. Identifying, developing, and marketing offerings which simultaneously add value today and continue to do so for future generations make sense simply because of their ‘connecting logic’. Their realisation requires both honest reflection by every individual of their own purpose and competences to achieve results in line with that purpose, as well as the courage, perseverance, and insight inherent in the resolve of those architects involved in the creation of medieval cathedrals²⁵ who aspired to a higher purpose beyond their own sphere of interest.

10.8 The Challenges to a Better Way Forward

Change of the complex nature required will undoubtedly meet with challenges along the way. Given the heterogeneity of stakeholder roles, these may well include issues inherent in the complicated dilemma of attempting to harmonise the various stakeholder perspectives. The new Stakeholder Relationship Management Framework (Version 4) for SVC presented in this book is designed as a ‘bridge’ from the existing to the innovative business model. In the quest to ‘cross this bridge’, the following challenges require navigation:

1. **Bridging the Mind-Set Gap:** As concern for the collective consequence of individual resource consumption choices continues to be debated, the prevailing management ‘mind-set’ is primarily fixed on an exclusive profit orientation. Similar to the shark in the Walt Disney film ‘Finding Nemo’²⁶, who says he wants to be a vegetarian, many people remain locked in the outlook that ‘it’s just not going to happen’ that business will ever substantially broaden its regard for

²⁵A process which took three times longer than the lifespan of those who were building those same cathedrals.

²⁶Finding Nemo is a 2003 American [computer-animated comedy-drama adventure film](#) produced by [Pixar Animation Studios](#) and released by [Walt Disney Pictures](#).

other stakeholder groups beyond its shareholder interest focus. Adopting the attitude that the primal motivation of business is profit generation at the expense of other stakeholder groups overlooks however the broader view of the role of the corporation in society and forgets how the first corporations were established for public purposes. Indeed, it was not until well into the nineteenth century that they became the self-serving vehicles of commerce that they have become today (Sisodia, Wolfe, & Sheth, 2015, p. 220). As a result, beneficial value creation solutions often remain unnoticed or fragmented, so that their full potential are not sufficiently mobilised. To navigate this challenge, a pragmatic, evidence-based approach was proposed in this book advocating legitimacy *created* by the credible business responses organised by the men and women who run corporations in place of abstract philosophising about themes of ethics, CR, or sustainability. Crucially however, the *source for commercial success* ultimately *derives* from society. Bridging this mind-set gap requires new measurement indicators and management tools to more effectively reflect these mechanisms and their inherent structures, processes, and interdependencies (please refer to point 3 below for further details).

2. **Complexity and Uncertainty:** The transformation from the existing business model based on an exclusive profit orientation to an innovative business model focused on SVC depicted in new Stakeholder Relationship Management Framework (Version 4) requires a fresh understanding of how firms can adapt in their evolving environments and how they cope with situations of uncertainty. In addition to the current issues noted in this and previous chapters in greater detail, emerging new ethical concerns associated with the rise of unfettered superintelligence in the field of artificial intelligence come to mind.²⁷ Such complexity extends well beyond risk management which is by definition calculable. The inherent intricacy is complicated by the typical heterogeneity of stakeholder groups. A classic irony confounding these challenges is that as awareness of dishonesty or unfair behaviour increases and begins to get addressed, many conclude that things are getting worse, when they are, in fact, getting better (The Economist, 2016c). The resulting ambiguity leads to the lack of a clear rationale for change, thereby obstructing the recognition of imaginative solutions as a consequence. To address this complexity, new corporate approaches based on a fresh management mind-set noted in the previous point, as well as novel processes and tools, are required to unleash the potential of corporations as crucial actors in shaping the future development on the economy and society in general.
3. **Evaluation Transparency under Construction:** The management mind-set, methods, and tools required for the emerging highly complex organisational management process noted above are still underdeveloped. Systems and a legal framework for new forms of resource sharing (e.g. Airbnb and Uber) and other emerging developments, such as artificial intelligence (The Economist, 2016b),

²⁷Such as those recently highlighted in The Economist.

as well as measurement indicators for evaluating value creation outcomes, require evolution. Volatility and ambiguity obstruct progress in upgrading measurement tools to evaluate stakeholder value outcomes. Their development is complicated by debates regarding the ability to monetarise stakeholder value creation *per se*. This discussion includes questions regarding the suitability of using conventional adapted tools or the requirement to develop entirely new ones. The emerging nature of the precise connectors in the stakeholder relationship accordingly poses challenges which require further study and the development of novel solutions.

4. **Transforming Societal Opinion Takes Time and Perspective:** The new approach requires 'buy-in' not only from organisations but also from society. Changing the opinions of consumers and employees, as well as other stakeholders, about the role of business and also about each stakeholder parties' own role in the quest for stakeholder solutions will take time and require the development of new understandings about value (what counts as value and how to measure it). The multiple, collaborative, connected nature of SVC principles presented in the new Stakeholder Relationship Management Framework (Version 4) suggests that the optimal value overall (i.e. the greatest benefit for all stakeholders) will be achieved when all parties (and not just organisations) approach value creation in a holistic approach which advances beyond their own interests in the first instance. Transforming societal opinion to understand the overall benefit of this new approach necessitates a convincing rationale at the individual decision-maker level, which requires time and trust in the process, as well as a new way of perceiving what is of value for whom and of measuring that value. Ultimately, this transformation demands a shift away from an understanding of value focused on 'taking' to one of 'giving' and 'trust'. Clearly this new approach requires development.
5. **Enabling Management Transformation:** While changing the dominant economic and social narrative will take time, progress is hampered if the inherent challenges continue to be addressed from the standpoint of the old narrative. Although the notions of a 'business case' and 'shareholder interests' undoubtedly play a very important part of that narrative (Schaltegger & Wagner, 2006; Schaltegger et al., 2011), they are only one part of the overall picture. As illustrated in the new Stakeholder Relationship Management Framework (Version 4) which was presented in the previous chapter, it is the connectors in the relationship opportunities between the stakeholders inherent in the new narrative which will determine the differentiating factors for competitive advantage that will drive IBMs going forward. This realisation triggers the requirement to integrate these concepts into mainstream business studies. However, it poses the challenge of how to deal with many of the abstract, controversial, isolated, often conceptually flawed characteristics and definitional elusiveness inherent in themes, such as sustainability, CR, TBL, TTL, PPPP, values, and ethics. It additionally triggers issues with respect to developing new management tools to facilitate this process noted in previous points above.

- 6. Establishing an Inspiring Sense of Meaningful Purpose:** To deal with twenty-first century challenges,²⁸ it is conceivable to expect that successful organisations will be the ones which understand the relevance of their role and the influence of their purpose on the economy, the ecological environment, and society most clearly. Such recognition of the interdependencies between commercial success and societal and ecological welfare requires a focus on developing a new set of complex skills, management tools, and the measurement criteria and indicators as previously noted above. Within the context of these newly transformed constructs, individuals can hopefully expect more from the organisations for which they work. It is not implausible to suggest that some might even purposefully seek to join those particular corporations which most credibly embrace a sense of meaningful purpose. Via IBMs of the nature depicted in the new Stakeholder Relationship Management Framework (Version 4) which was presented in Chap. 9, such organisations would offer their employees more autonomy to direct their own lives, more mastery over what matters to them, and more freedom to undertake those tasks which give them meaning. While in the battle for talent, employees will undoubtedly continue to be motivated to work for companies which pay them a good salary, even more so, it is not unconceivable to imagine that most employees will simultaneously be stimulated by accomplishing those tasks which intrinsically hold a clear reason and are personally inspiring. It could be inferred that going forward, employees will increasingly expect more from themselves and how they impact the world when considering where and how to invest their time in the service of others. The inherent rationale behind holistically harmonising with the interests of a greater purpose than one's own individual interests in the first instance is an opportunity for organisations to reconsider their current approaches to employee motivation. Acknowledging this new trend might result in a future scenario in which employees will seek to make a difference and increasingly strive to use their time working for those organisations which invest their resources to serve as a catalyst for making some meaningful difference. Similarly, it could be expected that customers might be motivated to buy products from companies which provide a clear rationale for why they should identify with and choose their offerings, as well as how they fairly produced them.
- 7. Convincing Business Managers About Why and How to Employ the New Approach:** The required transition from traditional management approaches inherent in these emerging concepts, which were depicted in the new Stakeholder Relationship Management Framework (Version 4) in the previous chapter, places an emphasis on information and knowledge institutions as enabling mechanisms (via research and education) for providing a clearer rationale for decision-makers about why and how to link business solutions with stakeholder interests and needs.

²⁸Including artificial intelligence (e.g. such as self-driving cars) and its implications for responsible management.

8. **Leveraging Knowledge Instead of CR as a Key Connecting Mechanism:** In this new logic, knowledge about the connectors between the business and its stakeholder relationships becomes the key to achieving the differentiation which ultimately leads to differentiation and competitive advantage. Knowledge transfer similarly plays a primary role in the subsequently new evolving scenario of connected stakeholder relationships. The pragmatic stance proposed in this book advocates that realising their commercial mission in harmony with the interests of their material stakeholders via their business interest connections could be construed as each decision-makers only valid ‘obligation’ or management responsibility. Most significantly, however, in the new perspective of CR proposed in this book, responsible management is not perceived as a duty but rather as an opportunity and an effective route to competitive advantage and corporate success.
9. **Recognising the Key Role of Knowledge Institutions:** Society does not always know a lot of facts about organisations or their operations. The themes may frequently be complicated and are often simply too numerous for feasible communication. In some cases, the government, but progressively NGOs and other non-democratically elected ‘quality champions’, will play an increasingly important role, potentially via social networks, such as blogs and chats, in determining how stakeholder expectations are connected (or not). Going forward, business schools and universities can proactively seize novel opportunities within their operating realm of research and education to establish the new mindset of the nature depicted in the new Stakeholder Relationship Management Framework (Version 4) which was presented in the previous chapter. Connecting expectations and providing the public with the relevant ‘facts’, tools, and approaches is a key challenge in this development. If each organisation’s responsibility is to realise their commercial mission via a connected regard for its material stakeholders, likewise, the main binding duty of academic researchers and business educators could be interpreted as the responsibility to illuminate and contribute valuable solutions for connecting the theory of economics and corporate approaches via various business study disciplines with real-life application. This requires a new direction for business schools to more concretely integrate the concepts of SVC into their programmes and to encourage research that is relevant for corporations. In doing so, business schools would be wise to consider the significant disruptive impact which new technology such as Massive Open Online Courses (MOOCs) will have on training and education going forward.

10.9 Research Boundaries and Limitations

Having critically reviewed the ‘why’ and ‘how’ of responsible management, this section recommends caution when drawing inferences from any of the findings and ensuing claims in this book. While the findings which were obtained and presented

in Chap. 7 are considered to answer the research questions based on the reasoning described in the data trustworthiness section of Chap. 8, the limiting issues mentioned in that chapter clearly advise restraint when deriving conclusions from any of the presented outcomes.

Although the research results are clearly not suited to generalisation due the low number of responses and their qualitative nature (Bryman, 2001), ultimately, the new evidence presented in this book provided a valuable database from which to explore, examine, update, and thereby successively improve various previous versions of the new conceptual framework.

Nevertheless, due to the ambiguous nature inherent in the themes of CR, ethics, and sustainability, among others, *per se*, some aspects of the discussion (e.g. surrounding the false assumptions and misconceptions) are clearly subjective because they are dependent upon the perspective of those asked. Accordingly, in those areas where claims of an equally subjective nature (i.e. dependent on a particular value stance) have been made in this book, the researcher acknowledges that each person has a right to his/her own interpretation. In this regard, for instance, the approach and many of the components, steps, and linkages suggested in the new Stakeholder Relationship Management Framework (Version 4) which were presented in the previous chapter are new. As a result, because they have not been presented in this way before, no studies exist to confirm the relevance of their components, the appropriateness of the suggested interdependencies, or indeed whether the proposed strategy formulation steps will lead the organisation from its existing to an innovative business model. Consequently, these ideas require additional research to validate the proposed transformation mechanisms and their interrelationships.

10.10 Recommendations for Future Research

The new Stakeholder Relationship Management Framework (Version 4) which was presented in the previous chapter as the main conceptual contribution of this book could conceivably be interpreted as one potentially plausible route for achieving new solutions aimed at enabling optimally harmonised stakeholder value for a broad range of constituents. Consequently, the proposed value creation transformation process for shifting from an existing to an innovative business model may hold interesting potential for leveraging organisations as catalysts for positive change in society. Nevertheless, to address the concerns raised in Chap. 8 with respect to the critical discussion of the boundaries and limitations of the research study as the root source of data for developing the proposed framework, further research is recommended. Subsequent studies could empirically test the framework by examining the relevance of its components, the appropriateness of the suggested interdependencies, and the framework's overall suitability and applicability in a practical everyday management setting. Ultimately, this could verify:

- Whether the suggested conceptualisations facilitate improved corporate approaches to stakeholder relationship management.
- Whether new stakeholder relationship management framework represents a systematic approach to strategic planning and policy implementation for those attempting the challenging task of designing, implementing, and measuring the performance of their stakeholder activities.
- Whether the new framework adequately reflects the management steps undertaken in actual corporate practice.

Such research could substantiate how effectively the proposed pragmatic approach assists decision-makers in reducing the cognitive uncertainty which the research findings suggest they face. Focusing on a target sample of senior executives and leaders, this research could, for example, comprise case studies to test the proposed process flows from an internal corporate perspective.

Furthermore, given the fact that the research relating to SVC and IBMs is still emerging, the theme of stakeholder relationship management and the precise mechanisms for developing multiple, collaborative, and connected value from the perspective of IBMs requires further investigation. This could include subsequent more specific research regarding both how to strategically manage and implement the SVC concept in practice into the IBMs of (commercial) organisations and the identification of new measurement indicators and management tools designed to more appropriately capture the sustainable impact of SVC strategies. This focus on developing IBMs and their implementation in practice highlights some important questions for both academics and practitioners with respect to the interface between business and society, including:

- How to distinguish between different types of IBMs and their dimensions.
- The characteristics of (un)successful IBMs.
- The critical success factors in developing and implementing IBMs.
- The main challenges and opportunities in developing and implementing IBMs.
- Identification of the key dilemmas which may arise in the development and implementation of IBMs, as well as how organisations can best cope with these issues.
- Case studies identifying what we can learn from organisations which have pioneered IBMs.
- Key strategies for stakeholder integration in the development of IBMs.
- The future outlook for IBMs and the role of management decision-makers in the development of IBMs.
- The link between IBMs and responsible management.
- The role of stakeholder groups, such as consumers, employees, and governmental and non-governmental organisations in IBMs, among other themes.

For instance, to address the dilemma of satisfactorily harmonising stakeholder interests, causal or interrelated linkages could be established on degrees of win-win in the interplay between private and public interests [such as occur in ‘tragedy of the commons’ issues (Hardin, 1968)]. Such analysis could include examination of

different types of value inherent in all the relationships between a company and its stakeholders as suggested by Argadona (2011). This could be addressed by measuring data outcomes (either historically or predicted) via new measurement criteria capable of capturing SVC to identify those business solution outcomes which most favourably align private with public interests [as indicated in an approach suggested by Pies, Hielscher, and Beckmann (2009, p. 380) cited in Küpper (2011, p. 142)]. Significantly, this approach elevates the study of stakeholder management into the scientific realm.²⁹

In a practical management setting, because each decision-maker has to define the context-specific impact of his/her particularly chosen strategies on the relationships within their particular stakeholder network, each emerging value proposition in this new route to SVC represents a unique case. This prompts the need for further research to examine in greater detail the newly evolving components of value and the emerging opportunities via the interrelationships in the developing context-specific networks. Moreover, additional research could extend both the scope and the depth of the findings obtained from the target sample examined in the study presented here.

10.11 Closing Remarks

10.11.1 *Leaders or Followers?*

This book calls for fundamental a change in the current system, mechanisms, and methods to address the pressing global challenges of our time. Transforming to a new, more sustainable future demands a broadening of the time horizon in policy and business planning and the recognition that as society progresses, awareness of the most favourable route to the required transition will become more apparent.

From the outlook of what could be interpreted as an enlightened mind-set towards stakeholder relationships presented in the new Stakeholder Relationship Management Framework (Version 4) in the previous chapter, transformation of a fundamental nature in the traditional industrial capitalist system is required to address the many issues presented in this book. These include considering more carefully how money and goods are valued as capital and their impact on the overall well-being of society of continuing down the previous pathway. The fresh outlook presented in this book requires a new recognition of the crucial role played by people and institutions in society, as well as the ecological impact and role of all stakeholders in the use and pattern of consumption of the available resources.

From a historic perspective of change over time, one detail remains constant. When contemplating the past outdated attitude and conduct towards many groups, who have typically been oppressed, such as women, non-whites, and homosexuals,

²⁹See O’Riordan and Zmuda (2015, p. 499) for further details.

among others, over the past decades and centuries, we frequently look back and find ourselves dumfounded by many of the ‘norms’ which society apparently so easily ‘took for granted’ not so long ago. This constant indicates that going forward, society may well similarly look back on many of the routine attitudes, customs, and practices, which we take for granted as appropriate today and wonder in disbelief about how the collective perspective could have been so restricted.

Accomplishing a new awareness of the importance of PURPOSE along the lines advocated in this book demands a new beginning. Despite the abundant examples of the negative impact of business, sufficient cases of SVC demonstrate how individual decision-makers are already recognising their power of influence to control the events which are unfolding in our society. On the journey to a new way forward focused on more consciously connecting corporate approaches with stakeholder interests, the quote from Oscar Wilde “Every saint has a past; every sinner has a future” encourages optimism. This implies that regardless of past events, each company via each individual employee or otherwise can choose to make a difference on the path which we as a society collectively traverse. On this journey, isolated attempts will however not suffice. In the quest for new solutions, a responsible management approach could be simplified to one essential question: to address the persistent challenges of our time whether each individual decision-maker has made stakeholder relationship choices which lead or which follow?

10.11.2 In Pursuit of a Pragmatic Approach to Responsible Management

In response to the question posed in the first chapter of this book, which asked whether responsible behaviour might ever be perceived as being in an organisation’s best interest, this book concludes that attempting to be responsible is a noble ideal. In practice, however, stakeholder heterogeneity and its inherent potential for varying subjective perspectives and opinion might determine that achieving responsible management could well present some unobtainable ideal of an unreachable ‘nirvana’. Instead of fantasising a fictional ‘best state’ business operating environment in the illusory ‘nowhere’ of a perfected society, which could prove potentially ultimately inaccessible, the critical review of commercial performance undertaken within the scope of the research study presented in this book instead proposes a pragmatic approach.

A SVC approach was advocated in the new Stakeholder Relationship Management Framework (Version 4) presented in the previous chapter as a pragmatic way to address some fundamental inconsistencies in the strategic purpose the role of business in society today. A corporate approach to responsible management was proposed, in which a focus on managing stakeholder relationships was suggested as being in an organisation’s best interest. Overseen by the mechanism of the invisible hand, competitive behaviour aimed at inclusively striving together to accomplish honourable deeds recognising the wider benefits and costs for many, rather than on

exclusively fighting against one another to accumulate money and materialistic objects for a chosen few, was advocated in what was termed a ‘connections of fortune’ concept. The success of the SVC approach was noted to depend not only on an innovative business model at organisational level, driven by an enlightened sense of PURPOSE, but most importantly on a transformed societal mind-set, in which stakeholders appreciate that ‘sufficient’ is often superior to ‘more’ in an economy that values all relevant forms of capital.

In this new scenario, an economic system emerges in which commercial success is measured not merely by monetary recognition, but more meaningfully by the contribution of the strategy to social outcomes of performance and the effective use of resources. Within this development, money is no longer the only ‘currency’, but time, care, and status, among others, grow in importance. Similarly, the ownership of property or means of production no longer remain the focus. Instead, knowledge and parties expressing long-term commitment and trust evolve. In line with findings already proposed by Ćwicklicki and O’Riordan (2017), a new customer value proposition emerges focused on need rather than cost, aiming to improve access, affordability, acceptability, availability solution options based on a clear profit formula (including cost structure, revenue model, target margin, resource use, etc.) and key processes, such as R&D, manufacturing, HR, marketing, and resources, including people and brand, for example.

10.11.3 The Call for a New Awareness and Perspective

Clearly, these developments necessitate an improved level of transparency triggering the need for new forms of accounting principles, which typically recognise natural and human resources, not as a free amenity in inexhaustible supply, but as a finite and integrally valuable factor of production. In this new future, people’s talents would be leveraged to their optimum, so that individuals predominantly invest their time ‘making a difference’ in a meaningful way for both themselves and society. In this new approach, in place of a proven ‘business case’ regarding the financial outcome of such transition, policy and business decision-makers would adapt their practices based on the logical conclusion that regard for their stakeholders’ best interests simply ‘makes sense’ from both the perspectives of the ethic of conviction (idealism) and the ethic of responsibility (pragmatism).

In the context of the pharmaceutical industry, for instance, this focus on SVC would ensure greater access to medicines and other healthcare solutions, fewer cases of manipulated clinical study results, and less allegations of bribery in the relationship between medical doctors and pharmaceutical company representatives, or concealment of side effects. A business purpose in collaboration with other necessary stakeholder groups in the network focused on unleashing the mechanisms for optimising each group’s relevance to the others would be designed to mobilise the interdependencies between the constituents. In this way, patient welfare becomes both the business rationale and the conditional factor for successful

business. This approach would improve the current isolated compromised solutions, which do not always ensure that access to the most effective product at an optimal price for all stakeholders (i.e. affordable for the patient and acceptable for the company) is achieved. It would additionally avoid the current impression that the system (capitalist principle) itself is in conflict with patient welfare and that within this context, the organisation of pharmaceutical innovation and development as a competitive industry is harming its objective to supply affordable medicines in the interests of patient healthcare. A SVC could accordingly help to reverse the trend of the increasingly critical public sentiment of the pharmaceutical industry in general, which may itself be harming the patient welfare even further as distrust in conventional medicine and medication (e.g. the anti-vaccination movement) results in perfectly treatable patients opting out of essential treatments which could help them.

In a SVC operating environment, the role of business would focus on seeking commercial opportunity via conceiving innovative solutions to key stakeholder challenges in society and the ecological environment. Within the context of this transformed new construct, the resulting IBM would serve to transform the values underlying the organisation's evolved strategic purpose into stakeholder-orientated commercial solutions. In this scenario, business could act as a powerful catalyst for creating a new type of value and thereby unleash organisational success as a catalyst for designing, developing, and delivering sustainably sourced innovative products and services. The value of these offerings would be measured by their ability to simultaneously yield optimally harmonised multiple effects. Business strategy would create a positive impact by utilising connected processes to minimise social and environmental damage while ensuring its own economic success as a key prerequisite for safeguarding the long-term advantage of a broad range of stakeholders and other constituents. In the pharmaceutical industry, such transformation is particularly significant due to the fundamental fact that the lives of society frequently depend on this sector's solutions. More broadly however, for all industries, a SVC approach signifies a new way forward, which could unleash exciting new opportunities to collectively improve the well-being of all stakeholders. Overseen by the guiding signature of the invisible hand, via the interaction of knowledge, purpose, and talent, each individual takes control of the future together with other stakeholders via a perspective of harmonised connections in every action.

10.11.4 Final Appeal to the Reader for Action

In the words of Mahatma Ghandi, we each have a role to play in responsible behaviour by being the change we wish to see in the world. In the example we set, do we choose to lead or follow? As leaders, do we inspire others via our thoughts and actions? Do we follow existing paths or seek to find or develop new ways? Do we encourage openness in reconciling the dilemmas of idealism and pragmatism? Driven by a sense of entrepreneurial purpose focused on creating

innovative solutions, are we aware of and do we endeavour to reduce the impact on other interest groups of those aspects of our most unsustainable and irresponsible actions?

... By identifying relevant connections? By seeking harmony? By extending friendship? By seeing the beauty? By hearing the sentiments? Via sensitivity to the needs of others? While time lasts. . .

Guided by an awareness of the wisdom flowing from the highest universal source or infinitely supreme essence (regardless of whatever label or idol we elect to call or signify that source, be it nature, be it God, or be it some other origin of consciousness), we can choose to recognise that the same source in others energises the connections for thriving together. In doing so, when addressing the various challenges, paradoxes, and dilemmas of everyday management which were presented in this book, we can remain cognisant of the considerable distinction between science and value judgements. So that once given the chance, the ambition for unity, harmony, and meaningful progress can triumph in a pragmatic way within our stakeholder networks of everyday existence, as well as in the sense of purpose inherent in corporate approaches to responsible management.

Linda O’Riordan, Düsseldorf, September, 2016.

For clarification, the findings, opinions, and proposals presented in this book were obtained solely for the purpose of academic research and are entirely free from any form of financial obligation, support, or expectations of any similar effect or means.

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Glossary of Key Terms

Access Economy A key concept inherent in the *Circular Economy*, the Access Economy is considered by some to offer a more accurate term for what is often labelled the *Sharing Economy*. When the ‘sharing’ is market mediated—when a company is an intermediary between consumers who do not know each other—some suggest that it is no longer sharing at all. Rather, consumers are paying to ‘access’ someone else’s goods or services.

Biomimicry A key concept inherent in the *Circular Economy*, Biomimicry is an approach to innovation in the design of products, services, and systems, which seeks sustainable solutions to human challenges by ‘mimicking’ nature’s processes, patterns, and strategies. The overall goal of biomimicry is to ‘follow’ nature’s approach to create new ways of producing, consuming, and living which are optimally suited to meet the needs of the present while ensuring the long-term well-being of future generations. Its core idea is that nature, as a ‘supreme engineer’, has already solved many of the sustainability problems facing mankind today. Biomimicry fosters a restorative and regenerative organisation approach aiming to maintain products, components, and materials at their highest utility and value at all times, distinguishing between technical and biological cycles.

Blue Economy A key concept inherent in the *Circular Economy*, the Blue Economy focuses on increasing economic sustainability by implementing local systems of production and consumption based on given resources. The concept of the blue economy builds on the green economy notion by emphasising the importance of access to necessities such as health and education. The ultimate aim is to shift society from scarcity to abundance with what is locally available, by tackling issues which cause environmental and other related problems in new ways.

Business and Society Relationship A society’s pluralistic nature (i.e. the diffusion or degree of decentralisation and diversity of power) determines the relationships between business and *Society* among the many groups and constituencies in the network relationship.

Business Ethics can be interpreted as an umbrella concept referring to *Moral* matters in the economic system at macro-level. It addresses the *Ethical Issues* of

‘good’ and ‘proper’ actions and attitudes, as well as morally desirable states with regard to the systems and subsystems of the economy. A distinction is often made within the business ethics between various levels of analysis. Moving from the broadest to the specific, these include *Regulatory or Institutional Ethics*, *Corporate Ethics*, and *Individual Ethics*. Despite these distinctions, the many similarities and interlinkages which exist between these various levels render it difficult to establish a clear delineation, and accordingly a coherent demarcation is also problematic. Nevertheless, the following exemplification could be considered useful for research purposes.

- **Regulatory or institutional ethics** addresses *Moral* questions about the economic conditions for institutions at national and supranational level, such as competition policy, for example.
- **Corporate ethics** addresses *Moral* questions at the corporate decision-making level of organisations. It includes the moral standards of a company at the management level of the firm aimed at legitimising the company’s actions and describing its moral and *Corporate Responsibility*.
- **Individual ethics** refers to the actions of individual economic actors within the context of *Corporate and Regulatory/Institutional Ethics*. It concerns the responsibility of individual actors as consumers, producers, and investors towards themselves and their broader environment.

Business Model A concept holding many interpretations and definitions referring essentially to a way of doing business which establishes the organisational rationale and the route for creating, capturing, and delivering value. This forms the root concept of an *Innovative Business Model*.

Collaborative Consumption/Sharing Economy A key concept inherent in the *Circular Economy*, the *Sharing Economy* or *Collaborative Consumption* signifying a hybrid market model (in between owning and gift-giving) which refers to peer-to-peer-based sharing of access to goods and services coordinated through community-based online service. The concept is not new and has its roots in different disciplines including economics, business administration, and law. The sharing of resources is for example well known in business-to-business (B2B), e.g. machinery in agriculture and forestry, as well as in business-to-consumer (B2C), such as in self-service laundries. Some suggest that the term *Access Economy* more accurately reflects this phenomenon.

Circular Economy A novel development within the context of the broader macro-environment alongside other advances including *Cradle to Cradle* and *Reverse Innovation*. The Circular Economy draws from many of the concepts inherent in a number of more specific approaches including *Blue Economy*, *Industrial Ecology*, *Collaborative Consumption* or the *Sharing Economy*, *Access Economy*, *Biomimicry*, *Local to Local/Urban Ecology*, and *Natural Capital*. As one example of an inclusive, multi-stakeholder, up-cycling economy, a Circular Economy operates on the underlying idea of constructing a system in which ecological value is sustainably designed based on biomimicry. This is achieved by developing an offering (product or service) within a system that is restorative and regenerative

by design. This intrinsically enables sustainable processes which are comprehensively conceived from conception, through sourcing, to manufacture, use, and discard (preferably into new raw materials).

Cradle to Cradle A novel development within the context of the broader macro-environment alongside other advances including *Circular Economy*. Also called regenerative design, Cradle to Cradle refers to a biomimetic approach to the design of products and systems in the sense that it models human industry on nature's processes. This approach views materials as nutrients circulating in healthy, safe metabolisms. The C2C approach calls for a radical change in industry: a switch from a cradle-to-grave pattern to a cradle-to-cradle pattern in which 'reduce-reuse-recycle' methods perpetuate the business strategy.

Corporate Approaches to Responsible Management Global *sustainability* challenges, including global warming, an exponentially rising population, resource scarcity and depletion, as well as the global economic crisis, are triggering the corporate quest for innovative organisational solutions addressing the impact of *business on society*. The word 'responsible' is employed in this book as an adjective in the sense of *being* accountable. It is assumed to mean to *be* responsible compared with the closely related noun 'responsibility', which is inferred to imply the obligation or duty to *have* a responsibility.

CSR Corporate Social Responsibility is defined as the integration of social but also environmental interests within a company's core business (economic) operations and the engagement with stakeholders to improve the well-being of society. The noun 'responsibility' is interpreted in this book to imply the obligation or duty to *have* a responsibility compared with the closely related adjective 'responsible', which is assumed to mean to *be* responsible or *being* accountable.

Ethics is the study of *Morality* and the application of reason to explain specific rules and principles that determine right and wrong for a given situation.

Ethical Issues relate to those themes which cause *Moral* problems, concern, or uncertainty when determining right and wrong in a given situation.

Ethical Theories are the rules and principles that determine right and wrong for a given situation.

Industrial Ecology A key concept inherent in the *Circular Economy*, Industrial Ecology addresses the study of material and energy flows through industrial systems. It has been defined as a systems-based, multi-disciplinary discourse, which seeks to understand the emergent behaviour of complex integrated human/natural systems. It is concerned with the shifting of industrial processes from linear (open loop) systems, in which resource and capital investments move through the system to become waste, to a closed-loop system where waste can become inputs for new processes. By approaching sustainability issues from multiple perspectives, usually involving aspects of sociology, the environment, economy, and technology, it serves to align natural systems with an understanding of how to design sustainable industrial systems.

Innovative Business Model A form of *Business Model* enhancement referring to the framework, process, or method(s) for capturing and delivering *Stakeholder Value Creation* via substantial organisational transition. A key feature of this

transition is innovation derived from novel combinations of internal and external knowledge and connected networks. A key prerequisite for achieving an Innovative Business Model is a transformed management mind-set that appreciates and leverages the interdependencies between business and society when investing corporate resources. This improved mindfulness of the organisational impact on its relevant stakeholders has the potential to generate optimally harmonised stakeholder management. This book advocates that via such transformation, Innovative Business Models can ultimately serve as a powerful catalyst to unleash viable business opportunities and thereby beneficially serve various mutual interests in the *Business and Society Relationship*.

Local to Local/Urban Ecology A key concept inherent in the *Circular Economy*, Local to Local/Urban Ecology derives from the concept of ecology, which addresses the study of relationships between human groups and their physical environment. Local Ecology addresses such relationships in a local setting, while Urban Ecology is the scientific study of the relation of living organisms with each other and their surroundings in the context of an urban environment.

Morality addresses the *Norms*, *Values*, and beliefs embedded in social processes which define right and wrong for an individual or a community.

Moral Conscience is determined by *Values* and *Morality* (frequently unconscious and not necessarily thoroughly reflected) concerning some notion of behaviour which then becomes unquestioningly accepted, valid, and binding in a particular cultural environment or community.

Natural Capital A key concept inherent in the *Circular Economy*, Natural Capital can be viewed as a critique of traditional Industrial Capitalism. It calls for a greater regard for the capital provided by natural systems, as well as the recognition of the approach adopted in natural systems in line with the *Biomimicry* approach. While traditional industrial capitalism recognises the value of money and goods as capital, natural capitalism extends recognition to Natural Capital (the world's stock of natural resources, which includes geology, soil, air, water, and all living organisms) and human capital. It can be understood as an extension of the economic notion of capital (resources which enable the production of more resources) to goods and services provided by the natural environment.

Norms can be defined as rules which dictate what is right or wrong, acceptable or unacceptable. Norms derive from *Values* in the sense that they translate values into guiding principles and rules of behaviour.

Pharmaceutical Industry is defined as the collection of those public and private organisations involved in the discovery, development, manufacture, and/or selling of pharmaceutical products or preparations. Pharmaceutical products or preparations are defined to include drugs and medications, biotechnological products, medical diagnostics and devices, as well as medications to treat animals.

- **Pharmaceutical Company in the UK and Germany** is defined as a single subsidiary of a pharmaceutical company operating either in the UK or Germany. This definition focuses on the country of operation and not the original country of origin of those companies operating in this chosen location. For clarification,

this means that for example if the subsidiary of a Danish or Japanese company ranks (according to industry statistics) as a leading company in the UK or German pharmaceutical market (see below), it is included as a prospective candidate in the target sample.

- **Leading Pharmaceutical Company in the UK or Germany** is defined based on industry sales figures (IMS, 2006, 2015) and rankings of the leading pharmaceutical companies by sales turnover in both target countries.

Reverse Innovation A novel development within the context of the broader macro-environment alongside other advances including *Circular Economy* and *Cradle to Cradle*. Reverse Innovation is the relatively recent strategy of innovating in emerging (or poor, developing) markets and then distributing/marketing these innovations in developed markets in advanced economies.

Responsible Management is defined in this book as the strategic task of sustainably and transparently investing, organising, and leveraging the organisation's resources. Focused on management choices which harmonise the interests of multiple interest groups to create value for the organisation's current and future customers and other stakeholders via exchange and access opportunities, it aims to optimally mobilise the organisation as a catalyst for generating optimal stakeholder value creation impact. The word 'responsible' is employed in this book as an adjective in the sense of *being* accountable. It is assumed to mean to *be* responsible compared with the closely related noun 'responsibility', which is inferred to imply the obligation or duty to *have* a responsibility.

Responsible Management Practices are defined in this research study as a combination of approach, management, and policy. The word 'responsible' is employed in this book as an adjective in the sense of *being* accountable. It is assumed to mean to *be* responsible compared with the closely related noun 'responsibility', which is inferred to imply the obligation or duty to *have* a responsibility. Six codes were chosen to examine the relevant characteristics of responsible stakeholder management. They form the basis upon which the data is collected, analysed, and presented in this book. They include:

- **Terminology:** This code is defined as the label(s) or term(s) chosen by the target companies to communicate their responsible management activities.
- **Stakeholders:** This code is defined to include the presence of or reference to the word 'stakeholder' on the company website, evidence of its use and relevance to responsible management activities, and how stakeholders are identified and prioritised.
- **Communication/Dialogue:** This code is defined based on the definition of stakeholder dialogue as a vehicle for the exchange of responsible offerings between the firm and its societal public or stakeholders. A particular focus is placed on illuminating the relationship 'exchanges'. This includes the concept of *Stakeholder Engagement* which is examined based on five specific indicators. These include ease of contact partner identification, helpfulness, speed and intensity of response, CR knowledge and professionalism, and interest in

continuing the dialogue. Other engagement aspects are addressed in the subsequent three codes.

- **Organisation/Governance:** This code focuses on the internal management aspect of how the target companies organise and position specific groups or functions in responsible management practice. It includes whether activities are managed in a centralised or decentralised way by the target companies. While the external governance system (including legal requirements, adopted by or imposed upon companies in their operating environment) may influence responsible management practice, this variable focuses on *how* stakeholder engagement is actually conducted internally.
- **Projects:** This code is defined as the activities or policies (e.g. codes of conduct/ other guidelines) undertaken within the defined scope of responsible management activities.
- **Expectations:** This code is defined as the likely outcomes, such as benefits or otherwise, which are envisaged to be achieved by investing resources in responsible management activities.

Sharing Economy/Collaborative Consumption A key concept inherent in the *Circular Economy*, the Sharing Economy or Collaborative Consumption signifies a hybrid market model (in between owning and gift-giving) which refers to peer-to-peer-based sharing of access to goods and services coordinated through community-based online service. The concept is not new and has its roots in different disciplines including economics, business administration, and law. The sharing of resources is for example well known in business-to-business (B2B), e.g. machinery in agriculture and forestry, as well as in business-to-consumer (B2C), such as in self-service laundries. Some suggest that the term *Access Economy* more accurately reflects this phenomenon.

Society is defined as a nation or a broad group of people having common traditions, values, institutions, as well as collective activities and interests. Within this context, *Stakeholder Relationships* exist.

Stakeholders are defined as those groups and individuals who can affect or are affected by the achievement of an organisation's mission or all those with a critical eye on corporate actors.

Stakeholder Management can be interpreted to constitute a whole range of formal and informal corporate activities related to business functions including production, marketing, accounting, human resources, and so on. It involves the decision-making processes of planning, leading, organising, implementing, and controlling *Stakeholder Engagement*. This includes managing stakeholder relationships via policies, practices, and programmes, such as stakeholder prioritisation and other choices about how to engage with stakeholders.

Stakeholder Engagement is defined as an inclusive approach to business practice by involving *Stakeholders* in a positive manner in organisational activities to achieve mutually acceptable outcomes. It comprises establishing, developing, and maintaining stakeholder relations. This includes stakeholder identification, consultation, communication, dialogue, and exchange. It highlights how companies

need to ‘remain relevant’ in order to survive in a challenging business environment and emphasises how ‘being relevant’ requires regular interaction with important stakeholder groups.

Stakeholder Relationships can be viewed as networks which exist within communities at all levels of *Society* from global to national (e.g. countries), to local (e.g. cities) and business communities (e.g. consumers, investors, minorities etc.).

Sustainability (Sustainable Development) is defined as a development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Stakeholder Value Creation (SVC) Within a sustainable development context, SVC is a way of creating and delivering value that is multiple (diverse), collaborative (together), and connected (focused on giving and getting). SVC is presented in this book as a potential future sustainable pathway for achieving equitable awareness and distribution of wealth and other impacts created by organisations. An Innovative Business Model was identified in this book as a vehicle for enabling the substantial corporate transition required to deliver SVC in an organisational context.

Values can be understood as comprising the interpretations of ideal situations including ideas, standards, or conduct that are recognised by a community as desirable. Values provide orientation for the people in a community in the form of guiding principles and rules of behaviour which become translated into *Norms*.

For clarification, from amidst the range of terminology from which to choose, and while acknowledging the differing scope and various distinctions, the labels ‘Corporate Responsibility (CR)’ and ‘responsible management’ have been chosen in this book as umbrella concepts to signify the meanings inherent in the terms ‘Business Ethics’, ‘CSR’, ‘Sustainability’, and ‘Sustainable development’ among many others frequently employed in this context.

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