

Marta Peris-Ortiz
Patricia Márquez
Jaime Alonso Gomez
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Progress in Ethical Practices of Businesses

A Focus on Behavioral Interactions

 Springer

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Chapter 1

The Ethical Dimension in Corporate and Management Behavior



Marta Peris-Ortiz, Jaime A. Gomez, Mónica López-Sieben, and Patricia Márquez

Abstract The aim of this chapter is to describe the basic theoretical aspects of ethical practices in business and to present the remaining 15 chapters which comprise this book. An essential feature of this chapter is how ethics arises from specific economic facts and on the other hand, how the evolution of society, new resources, new technologies, and economic growth in developed countries lead to a cultural evolution which changes the traditional perspective on the obtainment of profits, as reported by the Business Roundtable in their latest annual statement: not only the obtainment of profits for the shareholders but also the obtainment of economic, social, and ecological benefits for all the stakeholders. This is the purpose and final goal of business ethics and the different chapters included in this book.

Keywords Business ethics · Corporate social responsibility · Management behavior · Stakeholders · Ethical practices

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1.1 Introduction

This introductory chapter about the progress in ethical practices in business initially deals with business behavior. Ethics is an inherent dimension of behavior and in this sense, it is very useful to review papers about the behavior of managers and other agents, which although they are analyzed with a strictly economic approach, they are already situated—or they have inevitable implications—in the field of ethics. This is what we shall see in the theoretical background (Sect. 1.2). Section 1.2.1 of this chapter, in allusion to the papers by Berle and Means (1932), Marris (1964), and Williamson (1964), refers to the theory of transaction costs developed by Williamson (1985, 2013). In the latter, it is the intrinsic force of economic events that has led us to the relation between ethics and the economy. Likewise in another complementary current of this literature, the theory of agency (Fama and Jensen 1983) examines the relations between agents which complete the map of economic relations which are an inherent part of ethics.

Section 1.2.2 of this chapter deals with a highly transcendent issue. Have technologies, available resources, possibilities offered by the environment, accumulated knowledge and experience changed in such a way that these changes have led to the institutionalization of new behaviors in society? Consequently, does this tend to produce changes in the great ideas and dominant ideologies in the economy, as well as changes in business strategies? Is it now more compatible to seek profit and simultaneously, ethics and social responsibility? In this sense, there is an entire stream of articles published about business ethics, beginning in the mid-twentieth century (Heald 1957; McGuire 1963), and at present, these ideas have become evident in different institutional declarations to which we refer in this section. Section 1.3 refers to the next 15 chapters which comprise this book, dedicating a few brief introductory lines to each of them.

Finally, Sect. 1.4 talks about the conclusions of the chapter.

The book aims to collect the best practices and recent research in business ethics focusing on behavioral interactions between the companies and the stakeholders in different contexts.

1.2 Theoretical Background

1.2.1 *Business Behavior*

Behavior in business refers to the behavior of the company—its strategies and policies, and the way they are implemented—as well as the behavior of other economic agents—stakeholders—, inside or outside the company. This issue has been frequently analyzed by different currents of economic literature, to identify different free-rider behaviors; however, in recent decades, to also demonstrate how corporate social responsibility can simultaneously be an ally of profit and the common good.

In reference to *free-rider behaviors*, the book by Berle and Means in 1932, *The Modern Corporation and Private Property*, reveals the existence of a specific type of agents—the upper management directors of large corporations—who sought to satisfy their own objectives rather than maximizing the profit for stockholders; this aspect is examined by the managerial models of Marris (1964) and Williamson (1964) in which upper management seek to increase their security, their status, and other privileges thanks to their position in the company hierarchy, due to their in-depth knowledge about it and the dominance which they exercise on the information in all the relevant business matters (Brunner and Ostermaier 2017). This allows them to protect their non-monetary compensations, without any restrictions other than the threats which can arise from a potential hostile takeover by external investors.

Another current of this literature, perhaps the most extensive and important in the analysis of free-rider behaviors, corresponds to the *agency theory*. This theory (Fama and Jensen 1983) is an extension and in-depth exploration of the problems proposed in the managerial models of Marris and Williamson, which also extend to the relation between executives and supervisors and the relation which they have with their respective subordinates, in all levels of the company hierarchy (Jensen and Meckling 1995). There are no explicit allusions to business ethics in the above-mentioned approaches, although it is possible to consider, in an implicit way, the obligation which the agents have to fulfill the acquired commitments with honesty and clean conduct. However, the managerial models and the agency theory—as a result of the observed behaviors and practices—mean that it is highly probable that the agents seek their own interest, in detriment of the commitments acquired with other stakeholders or with the principal.

Finally with regard to the forms of behavior which occur in the company based on the different models and economic approaches, an essential author who was likewise interested in organizations—or companies—and in markets is Oliver E. Williamson. Recently passed away, Williamson left an immense legacy of ideas, models, and concepts as well as the general and detailed construction of *the transaction costs theory*, whose basic approach (Coase 1937) was enriched and completed by the bounded rationality of Herbert A. Simon. The reference to this theory is important in this chapter devoted to business ethics—and to progress in ethical practices—because Williamson (1985, 2013), without expressly intending to do so and from a completely orthodox economic approach, introduced ethics (or more appropriately, ethics emerged from his hands) from the intrinsic force of economic events.

The contents alluded to in the above paragraph can be summarized in a brief and useful way for this chapter in the following way. In the transaction costs theory by Williamson, there are two extreme cases: the competitive markets when a large number of supplier companies produce goods which are demanded by a large number of customer companies; here, the competition will regulate the behaviors and the situation which occurs when a few companies or a single company demand an intermediate good with specific features which will produce a single supplier or only a select few. In the latter case, the conduct of the agents is not regulated by the competition and it will be necessary to incur in the information, negotiation, and

warranty costs—namely, the transaction costs—in order to ensure the compliance with the agreements. The essential ethical issue which this involves is that if there is a culture of compliance with the agreements, which makes the behavior of the agents more reliable, the transaction costs will be lower and there will be greater market efficiency.

Hence morality is important, even though this is only in strictly practical and economic terms. Business ethics, at least when there are specific assets (*Ibíd.*, 1985, 2013), are related to the contracting and warranty costs for companies, as part of the different agreements which life in society requires.

Here then is the convenience of ethics, even as a strictly economic necessity linked to the concept of the *efficiency of companies and the markets* and its convenience linked to the *efficiency of social relations*. The conducts characterized by honesty and by compliance with their commitments are beyond discussion, at this level of analysis. However, the role of ethics in business is much broader, important, and decisive, as we shall see in the following section.

1.2.2 *Ethical Business Behavior*

Is it possible for ethical behavior to exist in business, beyond what is convenient to save costs in transactions or achieve customer loyalty? Have the foundations of society changed in its technologies, available resources, environmental limitations, accumulated knowledge and experience, in such a way that these changes have led to the institutionalization of new behaviors, new emotions and ideas, and consequently, new forms of ethics and social practice? In this new institutionalization of society (North 2005) which can involve changes in the world concept and in one part of culture and social practices, can these new ideas and management strategies have a relevant weight and encourage change? Can they contribute to the policies which fight against inequality?

We do not know to what extent ethical practices in business can help to change society but perhaps these visions of business can have major importance in the evolution of capitalism which are compatible—with major synergies—with the objectives to maximize profits and achieve the common good (Crane et al. 2014; Porter and Kramer 2006, 2011). *Maximize profit*, yes, where this does not represent any inconvenience when the search for corporate social responsibility or commitment to society is part of the strategy's central focus, and the company includes this proposal in the search for the best options. The paper by Crane et al. (2014) is comprehensive in relation to the idea which we just explained and in a parallel way in the scope of social entrepreneurship which leads to the same synthesis when the company seeks to earn profits at the same time. The articles by Auvinet and Lloret (2015) and Peris-Ortiz (2015) shed light on this issue.

The purpose of production—the use of resources and human effort—is to meet unsatisfied individual and social needs or to meet new needs; as we move beyond the most basic needs, this issue is more difficult to view clearly; however, it

continues to mark the necessary commitment of any economic system to society and the human species itself. When we talk about new forms of morality or behavior in business or new forms of reflection and ethical concepts in the management sector—although they are minorities—, in reality, we are talking about the connection between corporate actions and people's needs in their most basic and different levels or in terms of greater sophistication. This is what has been clearly shown by Auvinet and Lloret (*Ibid.*, 2015), in several of the examples which they provide in which entrepreneurship combines solving social problems and earning profits. The *need* to solve the former provides the opportunity to obtain the latter, where both are the joint and indivisible purpose of strategy.

The material circumstances, technologies, resources, available know-how in their different fields, and the capacity to understand the world have changed; however, in reference to the great ideas and dominant ideologies in the economy, this has not hindered that discourses have changed very little since the post-Keynesian monetarism (Friedman 1962) or even since the outset of the marginalist economy (Jevons 1871). The changes in the micro-micro dimension of the economy corresponding to the strategic decisions of the corporate managers, in this case, introducing ethics, still has not produced changes in economic thought comparable to those produced by the Berle and Means study in 1932. Perhaps because in the paper by Berle and Means, it was very evident that managers sought their own particular interest when acting beyond the control of shareholders, and this was a basic issue, easy to understand, while it still has not been understood—or it has only been understood in a minority way—that in the current material and cultural context, economic interest and ethics can converge, perhaps with a higher advantage than what is derived from their separation.

The tendency toward an economy whose companies—or an increasingly relevant number of them—include strategies among their objectives that are aligned with social responsibility seems to be manifesting in numerous ways. This is confirmed by the Business Roundtable in its recent *Statement on the Purpose of a Corporation* (19/08/1919), where it includes the necessary commitment to customers, employees, suppliers, the communities in which the corporation works, and shareholders; this is accordingly shown by the recommendations proposed by other organizations such as the Institute of Business Ethics (IBE) which proposes rules and benchmarking procedures which guarantee the creation of the ethical contents in relation to the stakeholders.

Along this line, it is possible to view different academic papers of special interest which have been published in recent decades (Burke and Logsdon 1996; Burton and Mansell 2019; Carroll 1989, 1999; Crane et al. 2014; Donaldson and Dunfee 1994; Freeman et al. 2004; Hart 2005; McWilliams and Siegel 2001; Porter and Kramer 2006; Windsor 2006), all of them feature business ethics as the central focus of their research and they can be divided into two major aspects, both with the same interest (Donaldson and Dunfee 1994, 252–253): which investigates based on a legislative focus which is essentially founded on philosophy and which it supports to profoundly explore the matters related to ethics in corporations, in empirical techniques, and in the specific theoretical framework of management and market studies.

1.3 Overview of Book Contents

In the prior headings of this chapter about *progress in ethical practices in business*, we have shed light on a hopeful future for business ethics and for its materialization by means of effective CSR policies. In this chapter, ethics is shown as something inherent to behavior, which inevitably comprises part of the conduct by managers and the corporate strategies and policies; and on the other hand, the changes in the technologies and available resources, knowledge and accumulated experience inaugurate the possibility of a future in which the search for profit and the solution of social problems converge. Likewise in this chapter, the demand for ethics is added to the convenience of ethics for moral reasons in order to achieve greater efficiency, as we have mentioned earlier.

From a position close to the ethical imperative, Chap. 2, *Firms as moral agents in the COVID-19 era: Ethical Principles that shall guide the company's relationship with its stakeholders* by Álamo et al., highlights the pluralism of the approaches on ethics and the wealth that this debate provides on principles and behaviors of an economic and social nature. In the questionnaire carried out during the months of Covid-19, the authors stated the difficulty of achieving a clear and unmistakable interpretation of the terms “ethics” and “morality” and they reported that 70.52% of the interviewees agreed that the company is “a moral agent because it is an actor that makes conscious, voluntary, and free decisions.”. Among the ethical principles which should guide the company conduct and their different relations with the stakeholders, they highlight the need for trust and the pursuit of the common good.

The authors, Michael S. ABländer and Stefanie Kast in Chap. 3 called: *Does CSR limit our understanding of business ethics?*, provide an interesting and necessary counterpoint to the vision developed in Chap. 2. It is not certain that corporations intend to achieve a balance between their search for profit and their CSR. The latter could be a simulation, a marketing signal to achieve acceptance in society, without a true purpose of social responsibility, and likewise, the procedures and standards to ensure that the fulfillment of social responsibility can be “accepted standards as a predefined list of responsibilities allows for replacing serious reflection about the range of responsibilities of the single corporation by a nearly identical list of unchallenged ‘responsibilities’ for all corporations.” These issues, jointly with the academic discussion about CSR contained in the chapter, have converted this topic into the book’s outstanding contribution.

In a broad sense, the first three chapters outline the remaining chapters of the book. This is clearly the case in relation to the next four chapters: Chap. 4, *Corporate Social Responsibility, Management and solution to unethical environments in sports*, by Pérez-Villalba et al.; Chap. 5, in which Correa-Quezada et al. analyze the *State of the question in Ecuador* with regard to CSR; Chap. 6, in which Nga Nkouma Tsanga addresses *Brand social responsibility* in the context of an African country like Cameroon; and Chap. 7, *Neither passive nor powerless. Reframing tourism*, in which the authors, Seraphin Hughes and Maximiliano Korstanje, analyze the relationship of tourism and poverty in Haiti.

In the first case, the chapter on unethical environments in sports makes a valuable contribution due to the extensive revision that it makes of the standards applicable to this sector and the major cases of corruption that have taken place in sports and above all, the chapter is useful to see how standards are extended through society and are institutionalized which helps the fulfillment of CSR in sports: an extensive and varied field which penetrates and affects a broad range of citizens as spectators, fans, or professionals.

With regard to the state of CSR in Ecuador, Chap. 5 provides an excellent general introduction about CSR, and subsequently describes the state of the issue in the country, recording that the inclusion of CSR in companies only took place in the big multinational companies or in the companies which are subsidiaries of these large corporations. The application of social responsibility in small and medium enterprises (SME) continues to be in an initial or non-existent phase, which seems to indicate that the generalized adoption of CSR by the companies in a country depends on the level of economic and social development which have not been fully reached by Ecuador.

Another chapter mentioned above, Chap. 6 of the book corresponding to Brand Social Responsibility (BSR) in Cameroon by Nga Nkouma Tsanga, has a special interest since it corresponds to the Sub-Sahara Africa framework and its analysis of the perception which consumers have in this part of Africa. It is a country which has specific cultural features and at the same time, it has local brands. This chapter enriches the studies about BSR with aspects related to the identification of the expectations and perceptions of consumers which have not been previously explored. This can help to know the psychological coordinates for the communication strategies used by the company in approaches compatible with CSR.

Chapter 7, *Neither passive nor powerless. Reframing tourism*, performs a necessary reflection about poverty, which is very appropriate for this book about business ethics, and selects the relation between poverty and tourism in Haiti as its scenario. After examining the orthodox perspective of wealth in the economy and highlighting that it avoids responsibility for finances in poverty situations, it considers the ethical dichotomies between unsatisfied needs and luxury, the opportunities subsequent to natural disasters and the permanence of poverty, all amidst the risks of terrorism and instability. This chapter provides a scenario on the interaction between poverty, capitalism, ethics, and tourism.

In addition to the first three chapters which define the framework for the contents of this book, Chaps. 8 and 9 also provide two essential questions which in an implicit or explicit way are always necessary for the subject discussed here: the ethical commitment to promote human development (Chap. 8, Koponen and Álamo) and the existence of procedures and standards that ensure the materialization of the commitments (Chap. 9, Álvarez et al.). In the first case, it involves the *conscious companies* proposed by Kofman. As analyzed by Koponen and Álamo, these companies define themselves as *conscious* companies that establish strong links with their different groups of stakeholders, especially the internal ones, in links that transcend a productive or business relation and they include moral aspects such as the relations based on justice, truth, and reciprocity.

However, these purposes are not enough and it is considered convenient to ensure the procedures by means of which they are carried out and in this sense, Chap. 9 provides the SGE21 standards, whose compliance provides major guarantees that the ethical purposes will be fulfilled. In the chapter contributed by these authors, the work conclusions make it possible to see that the selected sample for the SMEs in the cities of Celaya and Guanajuato (Mexico), to which this sample belongs, the companies have a positive and significant relation with their stakeholders, according to the ethical practices of SGE21.

Chapters 10, 11, and 12 despite addressing different problems in their relation to business ethics or CSR, they all have a relation to information, its processing, and/or its use. Chapter 10 by Escamilla et al., *The disclosure of environmental information in urban public transport companies*, associates the sustainability of the environment with the way in which the public administrations act, selecting as the subject of study, the urban public transport companies in Spain. The study results showed that “the challenge for the urban public transport companies will clearly incorporate the environmental information within the strategy of the company and to inform all stakeholders.” Here is one of the best possibilities for the differentiation of these companies, the preservation of the environment, as an ethical commitment and *the communication of these practices to their users and remaining stakeholders*, which would consolidate their position in the market and in society.

Chapter 11, *Individual organizational legitimacy vs. on-line organizational legitimacy*, by Blanco et al., carries out research on legitimacy in organizations, a variable which represents the conformity with the considered organization, which depends on the social models of reference as well as the values and standards accepted in society and which depend on the individual perceptions (*micro* legitimacy level), which can only be known by means of representative questionnaires) and the relevant communication media and other actors with an influence capacity (government, associations or opinion leaders, accepted standards and on-line sources of information and opinion). The latter, specified in this research by means of Google.com, are the sources which are used here to examine the *macro* legitimacy level. The investigation was carried out on 50 Spanish public universities.

Chapter 12 by Serrano Santoyo et al., *Ethical implications regarding de adoption of digital emerging technologies: An Exploratory Framework*, performs an extensive exploratory reflection about the ethical implications of the adoption of digital technologies and the principles that govern in the functioning of complex systems, extracted interactions that act in the digital ecosystem. In this way, the authors identified a set of relations which emphasize the importance that education, ethics, and their dimension applied in morality are closely linked with the digital emerging technologies (DET). The authors insist that this ethical–technology link is essential in this period characterized by the fourth industrial revolution and at the same time, by such a disturbing circumstance as Covid-19.

The last four chapters of the book refer to the relation between entrepreneurship and ethics, where Chaps. 15 and 16 illustrate this relation by means of case studies.

Chapter 13, *Impact of the application of ethical values in the dimension of entrepreneurship and change/innovation*, by Moreno and Mercader, identifies variables

and indicators which show the ethical values which are related to entrepreneurship, change and innovation in organizations or in companies. The authors state: “The successful identification of a very high and positive correlation between entrepreneurship and change/innovation (...) is an achievement of great interest and confirm the interrelation between both dimensions” and on the other hand, “the correlation obtained as a result of the application of the 28 ethical values or variables (...) shows that there is a correlation between ethics and the dimensions under study, although the correlation is moderately strong.”

Chapter 14, *Social innovation as an ethical basis for innovation: An analysis through stories of entrepreneurship*, by León-Pozo et al., based on its same approach, is an attractive paper because the addressed topic still has not been consolidated in academic literature. The social innovations which are presented refer to micro-companies run by female entrepreneurs, whose actions generally combine focusing attention on specific family or personal circumstances with the capacity to maintain and develop a business. The innovation which these cases have compared with the behavior of women limited to their domestic chores represents an ethical progress which enriches and modernizes social conduct.

Chapter 15, *Just good business: Torrecid a case-study*, by Estelles-Miguel et al., highlights that in some occasions, pressured by the market and public opinion or by their own interest and/or culture, companies fulfill the function of promoting the common good better than the State. In this vein, this chapter explains how the Torrecid Group which is a Globalized Multinational Business Group founded in 1963, specialized in the provision of products, services, solutions, and future trends to the Ceramic and Glass Sector, with presence in 28 countries, applies its ethical code in all of them and illustrates the importance of their corporate social responsibility.

Finally, the book concludes with Chap. 16, *Ethics and rural development: Case study of Tajo-Salor* by Castellano-Álvarez et al. This research studies to what extent the investments of rural development programs have focused on productive projects undertaken by private entrepreneurs but it particularly analyzes to what extent the aforementioned programs are capable of promoting other types of actions, of a “non-productive” or non-profit nature.

With the introductory remarks for the chapters that comprise this book, Chaps. 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16, we move on to the conclusions of this first chapter.

1.4 Conclusions

The purpose of this first chapter has been to show that ethics is inherent to any form of behavior, even though the members of society or the economic agents who perform their actions are not interested in this issue or they do not want to take ethics into account. The behavior of upper management executives described by Berle and Means—and subsequently by Marris and Williamson—implies a moral judgment

about their way of acting, based on the accepted concept of property rights and the convenience of efficient management. In the most general sense, Sect. 1.2.2 fully addresses the relation between behavior and ethics in the economic field, recording how since the 60s decade, a trend has become consolidated which leads to CSR or in the broadest sense, to business ethics. The new resources, new technologies, and economic growth in developed countries and the ideas implemented in the framework of European social democracy have led to a cultural evolution which changes—although still tenuously—the typical vision of Milton Friedman for a statement recently expressed by the Business Roundtable: a vision in which the company objectives are no longer solely focused on obtaining profits for the shareholders, but on obtaining benefits—economic, social, and ecological—for all the stakeholders.

In a diverse way, different chapters of this book which we presented above explore multiple directions in which business ethics—or sometimes lack of ethics—are shown in different countries and in various circumstances.

We expect this book to provide an important contribution to academic researchers and policy makers by offering a comprehensive understanding of how and why business ethics have a crucial meaning for management and economics field.

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Chapter 2

Firms as Moral Agents in the COVID-19 Era: Ethical Principles That Shall Guide the Company's Relationship with Its Stakeholders



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Abstract Progress has been made in the last years concerning the awareness that firms have inescapable ethical obligations with society, especially with their stakeholders. The crisis brought upon by the COVID-19 pandemic enhanced the need to reconsider the paradigms on which the business world has been built. In this context, the requirements of social responsibility are an acknowledgement, both explicit and implicit, of the belief that firms are a moral agent with not only legal but also ethical responsibilities. This chapter seeks to contribute to an ancient, yet current philosophical debate by answering a fundamental question: What are the reasons that allow us to affirm that firms are moral agents? Moreover, as a result of this ethical awareness, the action principles that shall guide the firm in its relationship with stakeholders are presented. The conceptual reflection is complemented by fieldwork in six Ibero-American countries with the participation of 397 people from executive, mid-tier and operational levels.

Keywords Business ethics · Moral agent · Stakeholders · Corporate social responsibility · Text mining

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2.1 Introduction

The moral responsibility of firms is a vital topic for society and it has been addressed in the past with breadth and rigour (Hsieh et al. 2017). All firms, in one way or another, have an inspiration, a more or less conscious purpose and they try to organise all the resources in the most efficient way possible to achieve it (Coffee 1999; Jensen 2001; Rose and Mejer 2003; Fontrodona and Sison 2006; Melé 2012) and maximise its value (Sundaram and Inkpen 2004). All of this is done by thinking of fundamental questions such as: What type of firm do I want? What kind of entrepreneur or director do I want to be?

These questions go beyond ethics but have considerable consequences for ethics and social responsibility. In the observed experience, when an entrepreneur feels inspired by a great purpose, everything starts going in the right direction and something hard to explain happens: the business idea that seemed like a risky project becomes a path, driven by a force, a conviction and a kind of obligation (Dyer 2010).

Along with the sense of purpose, the presence of a community of people, both internal and external, becomes evident in firms. This group of people are known as stakeholders. They voluntarily relate, negotiate, make decisions, work in coordination and implement various actions to achieve the goals of each group. Stakeholders are those that contribute to the success of the business and benefit from the business activity. Their presence is essential, to the point that, without their input and support, the firm would not be viable or would cease to exist. Some authors have focused their gaze on the concepts of influence in emphasising the strategic nature of stakeholders, meaning how the parties or individuals are affected by the activity of the firm or impacted the operation of the firm with its decisions (Freeman and McVea 2001; Bryson et al. 2002; Fassin 2009). Stakeholders are not only the actors but also the public, the subject that is positively or negatively affected in the relationship.

One of the points where strategy, business ethics and social responsibility meet is in the obligation to create value (Porter and Kramer 2006). Both ethical behaviour and social responsibility strategies have the mission of creating value for society. This shared purpose is essential for the company's relationship with stakeholders to be efficient and help solve real issues of society in a sustainable and lasting manner (Hillman and Keim 2001; Porter and Kramer 2011). The shared value proposition (Dembek et al. 2016) needs a strategic, broad and generous perspective, not only for the long term. It requires overcoming the exclusively transactional commercial logic and the tensions brought upon by responsible business activity to establish transformative relationships and achieve a competitive advantage that is truly ethical and sustainable (Crane et al. 2014; De los Reyes and Scholz 2019).

To achieve the goals of this study, first, we present a theoretical reflection of the reasons that allow us to state that the firm is a moral agent. The actuality of social responsibility is affirmed, not only as an activity but as an ethical concept that is worth defending, protecting, explaining and promoting. At this stage of the document, we essentially maintain that corporate social responsibility is not a fad or a stage of the era of sustainability; it continues to be a strategic matter for firms, a way to understand human action in its economic dimension, wherein sustainability must be framed.

Secondly, after recognising the moral agency of firms, we present the ethical principles that shall guide the relationship of the firm with its stakeholders. The results of the empirical analysis carried out in Spain and five Latin American countries (Argentina, Colombia, Mexico, Paraguay and Uruguay) are included. The empirical analysis was based on a survey that was validated by seven experts and applied to executive, mid-tier, operational and advisory personnel, using non-probability snowball sampling. Considering the applied instrument, the results are based on a text mining that sought to establish if there were differences between the way the firm is understood as a moral agent and whether the discourse employed by executives, mid-tier workers or operational employees was different.

2.2 Theoretical Framework

2.2.1 *Why Are Firms Moral Agents?*

With the development of the market economy and the implantation of an emerging globalisation process, the reality of entrepreneurial entities has become more complex than it was in the past (Badalotti 2004; Elsner 2004; Reiss 2004; Urry 2005; Hartmann et al. 2017; Mealy and Teytelboym 2020) and it calls for an ecosystem and innovative solution for the challenges faced by humanity (Norgaard 2010; Russell and Smorodinskaya 2018; Johnson 2019). This new reality, which is similar to a spider web due to its interrelation and fragility, needs a new leadership paradigm based on learning, creativity and the ability to adapt to complex systems (Whetstone 2001; Uhl-Bien et al. 2007).

The debate on whether the firm is a moral agent focuses not only on the ethical dimension of human action but also on the ethical dimension of the institutionalised collective action that has undergone an evolutionary process in terms of the sensitivity of managers to the impact of the organisational decisions on the current economic model (Basu and Palazzo 2008). Indeed, it is argued here that there is a particular ethos on business action (Soares 2003: 143–144).

Progress has been made in the last years regarding the awareness that firms have inescapable ethical obligations with society (Carroll 2008; Kang et al. 2016; Argandoña 2017; Bowie 2017; ElGammal et al. 2018; Aguinis and Glavas 2019; Ansoff et al. 2019), especially with their stakeholders (Lange and Bundy 2018; Jones et al. 2019). Firms are moral agents and if they wish to act properly, there must be a new awareness in their owners (Foss and Klein 2018) and they must include the governments in their sustainability strategies (Barnett et al. 2018).

Faced with the dilemma of whether firms are moral agents, we reviewed the literature and found relevant work on it (Werhane 1980; Donaldson 1982; Meyers 1983; Gibson 1986, 2000; Ranken 1987; Moore 1999; Schudt 2000; Erskine 2001; Henriques 2005; Hess 2010; Malle et al. 2012; Cripps 2013; Dempsey 2013; Rönnegard 2013; French 2015; Lampert 2016; Werhane 2016; Björnsson and Hess 2017; Malzkorn 2018; Burt and Mansell 2019; Cheng-Guajardo 2019; Mulgan

2019; Silver 2019). These bodies of work agree on the intention to incorporate ethics into business practice.

When faced with the question of the moral agency of organisations, there is a risk of positioning oneself in one of the two most common extremes: on the one hand, emphasising the role of individual responsibility, diluting the corporation's commitment as a key agent of society; and on the other hand, there may be a temptation to consider companies as almighty agents who impose their business logic above the will of individuals. In truth, the position we have found most often has been a denial of the freedom of individuals against the omnipotent will of the corporation and the market. This thesis, which is evidenced by more or less explicit manifestations, implies a certain degradation of the human capacity to act freely and change the course of events (Buchholz and Rosenthal 2006). This recognition of the power of corporations underscores the relevance of the debate that arises. Indeed, if there is a will of the corporation, with a capacity superior to that of the individuals, it is because there is a subject, an agent, who acts and imposes what they want. Does this type of business action have a moral, ethical, or, conversely, only a legal dimension? This question was answered by 397 business leaders and the results are shared below.

To clarify such a complex issue, we turned to business ethics and social responsibility experts to establish which arguments were the most solid and frequent when it came to understanding the nature of a moral agent. We consider this work essential prior to preparing and applying the survey, which required being adapted to an understandable language and also to avoid explanations of metaphysics and moral philosophy, as it was applied in a business context.

As a result of this exercise, we note that there are two essential approaches: to maintain that the company is a moral agent since the essential elements of a moral act are present in some way; and on the other hand, we find the position of denying the firm the aforementioned characterisation, based on the essential argument that companies generally operate in highly regulated environments, with no chance for a completely free choice and strongly conditioned to the economic logic of the business or market, which must simply be obeyed.

During the interviews, we found very different approaches between the experts, from one who maintains that the firm is a moral agent only by analogy since in a strict sense, morality would be an exclusive attribute of human beings, to the position that the corporation is not a moral agent but a source of ethnicity. We also found interesting the thesis that all beings with reasonable ranges of awareness, autonomy and intention in their actions are necessarily moral agents. One of the interviewed experts argued that only a person can be a moral agent because only a personal being can exercise an external action and receive positive or negative feedback within themselves for the action, a seal that impacts the will.

Other experts maintain the thesis that some firms do have this moral statute, but not all of them. Not all human beings are moral agents just because they exist, morality implies evolution and maturity. The last approach we consider worthy of mention will be addressed later: for some experts, morality and ethical identity emanate from the social dimension, meaning that the ethical question makes sense only in social contexts, and the firm is one of those without a doubt. As it can be observed,

The firm is a moral agent

- Because it is an autonomous actor that makes conscious, voluntary, and free decisions.

The firm is not a moral agent

- Because it is an actor that acts in a compulsory way.

Fig. 2.1 Radical positions before the dilemma of whether or not firms are moral agents. (Source: own creation)

the information arising from the interviews shows a breadth and diversity of positions that deserve to be accepted, recognised and highlighted.

Considering the public at whom this study was directed, a detailed conceptual discussion typical of other sciences, such as metaphysics, in charge of explaining the latest causes, was not maintained. On the contrary, we focused our attention on the two approaches that we find most widespread amongst experts (Fig. 2.1).

There is a binary starting position (yes or no) regarding the moral agency of organisations. In this sense, Burt and Mansell (2019) make an effective synthesis of the reasons why they lean towards no. Concretely, they point out that organisations lack moral agency because they do not have a unified awareness of what is right or wrong, nor the fundamental internal capabilities such as guilt, shame and empathy, which are necessary to be an agent with moral rights and responsibilities, not only legal. The aforementioned authors maintain that a firm lacks intention (Velásquez 2003), the group mental states that originate collective decisions (French 1979; List and Pettit 2011) and the possibility of distributing responsibilities by not having a defined object that must absorb guilt and punishment, beyond legal responsibility.

Despite knowing and appreciating the valuable arguments against the firm as a moral agent, below we present the reasons to affirm that the firm can be considered an ethical agent, without considering, for the moment, whether this agency is by its own right or not. The main point here acts as a foundation of the subsequent section where we share the ethical principles that shall guide the actions of the firm with regard to its stakeholders.

2.2.2 The Firm Executes Rational Actions

If we are responsible for our actions, we are moral agents. When can we say that we are responsible for something? When we put practical reason into action. This principle argues that corporate responsibility can be evidenced in three aspects:

intention, knowledge (what we know and the reality captured) and awareness of the predictable effects of the actions we perform voluntarily (MacIntyre 1999).

This rational perspective of human action can be compatible with those who maintain that corporations do not have feelings (Sepinwall 2017). Some relevant points about moral agents are their need to regard themselves as such and the fact that it is not possible to exercise the powers of a moral agent unless one sees oneself as an ethical being that is responsible for those powers. We are responsible for what we are aware of and we allow it to become the beliefs or rules that govern the reasoning that causes the actions. On a practical level, the moral agent knows and captures part of the reality, interprets it based on some paradigms and chooses the best action based on reason and the moral standards that govern it. There is responsibility along the whole process, which is why it is vital to accompany practical reason with awareness – it is me and not other, I am here and now, I am responsible for this moment – and well wishes that materialise in virtue or in a series of best practices that are lived constantly and affect organisational performance in a positive manner (OECD 2004; Moore 2012; Crossan et al. 2017; Perugini and Solano 2019).

As a consequence, an essential characteristic of a moral agent is the rationality of individuals, with the power of critically analysing behavioural standards. In other words, we would not be before a fully moral agent if it acted without jeopardising intelligence, practical reason and the awareness of the things that make up the known reality, but first of all, its individuality, its identity. Without this awareness of being an agent, the judgement that should drive conscious action lacks a referent; therefore, there is no moral action.

These three elements – the awareness of us being moral agents, trust in practical reason and the practice of virtue – are perfectly reflected in the reality of successful firms (Cameron et al. 2004). On a managerial level, temperament is regarded as an essential element along with a set of best practices, competencies, analysis processes and decisions in a framework of trust, at least within the organisation, to solve problems and face corporate challenges (Sturm et al. 2017). In fact, on one hand, organisations have corporate leaders that are aware of the importance of their decisions, trust their judgement and power to act, feel empowered by the position and the authority of their practical reason, thanks to which they ‘see’ what needs to be done to achieve the goals that have been set, generally in strategic planning. Lastly, firms who wish to do things well usually strive to develop a culture of excellence and continuous improvement. They do not settle for repeating acts from the past, on the contrary, ethical businesses have a kind of transformative leadership that seeks to foster and deploy a set of best practices that set the firm up for a good of superior nature that is commonly known as excellence (Horvath 1995; Whetstone 2003; Caldwell et al. 2012).

In short, the firm is an intellectual power, as are human beings, and it needs nurturing from the reality in which it operates, not only to perform economically profitable commercial transactions, it is aware that it is there for ‘something more’, that its reason for being goes beyond mere economic activity. In other words, the firm experiments the same phenomenon that all human beings experiment throughout their lives: evolution from a state of ‘survival’ to a state of ‘contribution’, a process

that develops independently from what the leaders or collaborators experience. Firms that are aware mature and progress from a main interest that is merely transactional to a superior interest of meaning, service, contribution, shared values, sometimes aligned with conscious capitalism, critical, constructive, based on values and best corporate governance practices (Zappalà 2010; Schwerin 2011; Mackey and Sisodia 2014; Pavlovich and Doyle 2014; Ferdowsian 2016; Camilleri 2017; Jabnoun 2019).

2.2.3 *The Firm Wants Good Things*

No business in the world does not want things. All the objects that a firm wants are in the shape of goods, which tends to be something we judge as good. The pursuit of what is good is the essence of the will. The willingness and the actions of an organisation are conditioned by the knowledge of reality and the levels of awareness regarding said reality. Therefore, the fact that a firm wants good, presupposes rationality, the knowledge of the truth of things, a truthfulness that, real or apparent, implies some type of perception of good. One cannot want what one does not know, and it is not human to pursue absolute evil: the will follows the act of knowing, the reality previously captured by intelligence which necessarily will see something good in the convenience of doing something (Irizar 2012). This is perceived at firms when they plan, set up a strategy and capture it in a set of goals (Morden 2016; Singer 2018). Vision conditions will; for instance, if the vision of a firm is that of a sustainable world, it will condition the planning and execution of its business activity (Paulraj et al. 2017; Teixeira and Junior 2019).

In other words, the agent leans towards wanting more of the known things, even though the capability of human beings stretches over all types of inclinations. The appetite of will, if left untamed, can be insatiable and affect the development of an ethical life. Firms experiment this reality and choose whether they want to stop an ambition that could be boundless.

In the business world, there is also a tendency to want things that are interpreted as necessary and good. On many occasions, this will of the firm goes beyond the will of the individuals that make it up, which is why we consider it is right to talk about a corporate will to which the members who wish to be loyal to it and possibly prosper within it, must adhere. Through conversations with corporate leaders, we were able to demonstrate the phenomenon that the firm experiences a set of needs that are characteristic of its own corporate identity. This moral prodigy answers to an intrinsic, natural, absolute need of the firm without which it would not be a firm. Identifying a purpose that drives the most important and strategic decisions, and the coherence with this intention, unleash objectives of the will that lie in an inner sphere of the firm: the need to organise the operation, hire people, make it possible for these to coordinate around functions and objectives, profitability goals and profit generation, establish a particular type of relationship with internal customers, with the stakeholders, the definition of one corporate image that conditions the reputational objectives, etc.

Also, the firm wants to achieve other things, not much because of an internal calling, but because of an external need, a condition sine qua non to achieve what it does want in essence. An example of this could be complying with certain accounting standards or paying taxes or the mandatory unionisation of workers in some countries. Usually, firms do not want these things as an intrinsic good, but as a necessity derived from what they are pursuing. Likewise, many times the firm ends up ‘wanting’ something because of outside pressures, like when governments, civil organisations, or the customers coerce firms to make certain decisions that go beyond a need that comes from within the business. Accepting an outside will is a type of want that frequently has an impact not only on the reputation but also on the character and the corporate identity of the firm.

Will answers to a necessary want and it becomes a fundamental cause of our destiny. Despite needing previous knowledge and contact with reality, whether it is with the senses or with thought, the will is not reduced to following a merely cognitive inclination. It is not enough knowing what is good to be ethical. Human limitation, the weakness that organisations demonstrate with their actions, invite the thought that moral agents need external help to be ethical because despite having the intention of doing things right, they do not always act as they want.

Lastly, unlike some authors, we believe that the company acts intentionally (French 1996; Silver 2019), meaning that it feels the need to do good and has the firm intention of achieving the desired result, and in consequence, to do the necessary things to achieve it. This intentionality may vary based on its identity, motivation, objective values and level of maturity. In any case, the firm is capable of answering not only to the challenges of the business model, but also to the challenges of society, and concretely, the communities and territories where it operates, not a consequence of fictitious or delegated intentionality, but a natural consequence of its purpose.

Ultimately, we consider business corporations as something more, a different reality and a mere sum of the intentions of its individuals. Firms have an identity, a purpose and a culture of their own that conditions intention and will (Álamo and Álamo 2019). They are capable of making moral decisions and being guilty of the foreseeable impacts of their intentional actions (Goodpaster and Matthews 1982; Moore 1999; Weaver 2006; Treviño et al. 2006; Wagner-Tsukamoto 2007; Dubbink and Smith 2011; Hughes and Strudler 2019; MacDonald 2019; Radtke 2019). In our opinion, the proved existence – real or perceived – of personal or group intentionality illuminates a fundamental and polemic dimension of business ethics and social responsibility (Bratman 2017). Beings act for an end and the firm respects such logic. For some, the firm acts mechanically, even by instinct sometimes, but for us, it is thanks to real freedom.

2.2.4 The Firm Has Its Own Freedom

If we are responsible for our actions, we are moral agents. When can we say that we are responsible for something? When we put practical reason into action. This principle argues that corporate responsibility can be evidenced in three aspects:

intention, knowledge (what we know and the reality captured) and awareness of the predictable effects of the actions we perform voluntarily (MacIntyre 1999).

Freedom makes the story possible, and in fact, transforms the firm into historic reality, known as a set of events with a temporal trajectory: birth, growth and maturing and sooner or later, inevitable death, which as a whole retains unity and meaning. In the midst of it all, the use of freedom develops an identity, a culture, an internal impact and an impact to the outside, a vocation of contribution, and definitely, a history with its protagonists and antagonists (main and secondary characters) that make it possible for the lived story or the narrated story that is perceived by the market to become truly interesting. Ultimately, what is truly decisive here is to understand that no story attracts attention or makes people fall in love with it without being interesting and having authentic characters. There is no authenticity where there is no genuine exercise of freedom (Thier 2018).

Just like there are no stories without protagonists, firms would not exist without stakeholders, without interest groups connected to ‘something’ – the purpose – they perceive as good, valuable, interesting, or in some way, convenient. In our experience, validated by the interviews with protagonists of business activity, the cases of firms that perceive theirs as a story worth being told, heard and lived by others, that make people fall in love, are the exception. This lack of self-esteem seems to be connected to the perception of freedom in organisations, or reasonable levels of empowerment. To less empower, could be assumed less motivation and less perception of being a protagonist of something worthy of imitating. Indeed, when free decisions are made, one is free to decide which goals to pursue and what to do to achieve them. The firm is like a human in the sense that it has a life of its own; firms are born, grow and die and they cannot survive alone.

Something worth mentioning is that this corporate mission has been chosen, not imposed, at least in most cases. Even in exceptional circumstances where the origin of a firm has been able to answer to a need imposed by an extraordinary historic event or the will of the political authorities expressed in a certain business intervention, the way to carry out the development of the mission includes some elements of freedom.

Besides it being a fundamental element of human and business action, freedom sheds a light on another component that is worth mentioning: the ultimate goal, the final purpose of all actions. If for human beings, the ultimate goal of all actions is happiness, however, it may be regarded, in the case of firms, the ultimate goal is to create value. The creation of shared value is sometimes seen as some type of concretisation of the common good. In our opinion, when you create value for the stakeholders and the community, it generates a type of satisfaction that transcends, which is the ideal of reasonable happiness to which corporate agents should aspire. The creation of value for all stakeholders within a context of fulfilled needs, achievements and expectations is the most elevated perception of success that stakeholders could have.

To summarise, the principle of freedom is essential (Pichler et al. 1983; Gandz and Hayes 1988; Tsalikis and Nwachukwu 1988; Donaldson and Dunfee 1994; Werhane 2000). Although being open to freedom is fundamental, only a few firms

seem to understand it, given the fear they show to the freedom of their employees, which is reflected in the low empowerment levels shown by mid-tier management in most countries. Resistance to change, the lack of incentives given to creativity, innovation and intra-entrepreneurship are additional factors which coincide with the reduced space given to freedom. The paradox is significant: on one hand, corporations need freedom to achieve their purpose, operate and create value. On the other hand, within corporations lie attitudes that are contrary to freedom. We found an issue that has to do with lack of trust, a rejection or stigma towards those who think differently, abuse of control systems and adoption of quality certifications for processes with a disproportionate bureaucratic load that can only be explained in a context of distrust or even panic to the autonomy, ability and ethics of the collaborators.

Hoffman (1986) maintains that there are two necessary and interdependent criteria for corporate moral excellence. Regarding this, 65% of the experts we interviewed mentioned that the culture and empowering of the employees have a predominant function in the ethical behaviour of the organisation. In practice, people mostly act according to the expectations of the corporate identity and not as a result of discernment based on personal beliefs and values, which are typically reserved for private life. In this context, freedom is perfected through excellent management systems that guarantee best management practices, quality, and continuous improvement, as well as performance evaluation and control systems that help individuals exercise their freedom within the limits that have been clearly defined by the organisation and end up being a moral duty.

Just like human beings, corporations go through a similar evolution process in terms of ethical maturity, based on their own identity and exercising freedom. This process forges the character, the image and the reputation of the firm. The awareness of being responsible for the decisions and the impacts caused by one's actions grows with maturity. New levels of awareness transform into ethical obligations that, besides being compatible with freedom, help perfect it. Ethics need freedom and freedom needs limits. Only a free firm can be truly a firm and at the same time, only a firm that knows its actions have limits can truly be ethical. The need for limits demanded by ethics keeps freedom in check but can never suppress it. Freedom is an ability that cannot be reduced to need; it implies delving deeper into the truth in order to learn to serve and create value. When freedom intervenes, the agent gets involved in the action and creates a future, which means that it takes care of what does not yet exist (Polo and Llano 1997).

Freedom obligates the person to be authentic, to execute their truth, which gives meaning to the corporate mission and even further, to discover and learn about the convenience or prejudice of a certain action. In other words, corporate integrity does not come from behaviour that follows universal laws that can be learned in a classroom or a library; it comes from character, which is forged in freedom, linked to a set of concrete circumstances and contexts. This contrast with reality, this obligation to think, want, choose and execute the action that takes us closer to the goals we legitimately pursue, is a fundamental requirement to understand corporate ethics and corporate social responsibility. We are more ethical when we are more responsible, we are more responsible when we are freer and we are freer when we are more authentic.

2.2.5 *The Firm Is a Moral Agent by Order of Society*

The last reasoning in favour of the firm as a moral agent is based on the principle that society has the legitimacy to establish rules and missions. In fact, it is an authorised voice to position itself over the nature of a firm, its justification and existential purpose. Why does the firm exist? What is its reason for being? The answer to these questions does not matter exclusively to the founders and stakeholders that make the success of the organisational project possible. On the contrary, the answer to those questions poses concerns to society in general, especially the social agents that have a delegated power to pursue the common good.

The legitimacy of a firm does not come only from an individual or group will, or even by law. The firm, as a community that has an impact on society, it is a matter that concerns everyone. When John Rawls (2009) considered the public sphere, it recognised society as a corporate organisation where some groups have the power to impose rules on the rest. Logically, these rules must be supported by a legitimately established power. In any case, the power of society to condition the corporate purpose, provide a mission, create norms of conduct or impose boundaries to the actions of the members of society without the affected parties completely losing autonomy is highlighted here (Donaldson and Dunfee 1994; Bratman 2018; Neufeld 2019).

One of the natural ways society has to command something to the firm is through the law and the creation of rules for a specific sector or business activity. Complying with the law provides legal legitimacy to firms, especially when it is perceived as just, as an answer to a rational mandate and as a protector of the common good. The COVID-19 crisis has evidenced this superior legitimacy of policy regarding corporate criteria and interests by making it mandatory to suspend business activities to defend the common good, which in this case referred to the health of citizens at risk because of the pandemic.

A transcendental question refers to the will of society regarding the purpose of a firm. According to Stubelj et al. (2017), there are two great approaches: on one hand, we have the economic paradigm that conceives the firm as an economic entity whose main objective is to maximise the value of the shareholders and owners. A second approach refers to the social paradigm, which understands the firm as an institution that provides a social service and whose main objective has to be a sort of common good between the involved parties. Faced with these two great conceptions of the firm, society has clearly positioned itself, and the experts consulted for this work have an opinion that falls under the same line. In some way, it can be seen, not only in governments or through national laws, but also amongst intellectuals, in art, in the media, in local communities and multilateral organisations, but in society as a whole, that there is a call for organisations to be ethical agents, to be aware of the impact of their business activity and answer accordingly for the foreseeable effects of their actions, and as possible, to repair the damage caused. It is not only about restoring the lost order, but about demonstrating full commitment to sustainability (Hussain et al. 2018). Business management proposals based on the triple

bottom line (Isil and Hernke 2017; Conradie 2018; Macaulay et al. 2018), the United Nations Guiding Principles on Business and Human rights, the invitation to firms to match their business strategy to the Sustainable Development Goals, the recommendations of due diligence in terms of human rights and the efforts put in place to foster best government practices in organisations, are on par with this (United Nations 2011; OECD 2011).

In other words, society has given firms an ethical purpose and a mission that transcends the particular will of each firm. This is no small feat from a moral point of view because society is a genuine authority and a superior power that trumps the personal interest of the parties when the common good is on the line. The firm acts within a system, and its legitimacy depends in some way on its adherence to common values and its respect to the ethical awareness of society.

Without renouncing legitimate autonomy, the firm has the moral duty of obeying the reasonable rules that protect the common good: first, the right to life, sustainability of life in the planet, which implies a corporate commitment with climate change, to favour circular economy and support the culture of recycling. Sustainability asks for economic growth based on sustainable, low carbon business projects. Firms are asked to join a change of mentality and lead the ecologic transition by generating green and inclusive businesses. Firms have been tasked with evolving in their responsibility towards nature, going from the cultural-dogmatic, technologic-scientific and systemic-interactive vision typical of agricultural, industrial and information societies, to a social and ecological vision that is part of a systemic-ecological-global paradigm (Flórez and Mosquera 2013).

We consider this task real because a fundamental good of society is at stake, so it becomes an inevitable ethical duty. This mission is real and legitimate, regardless of its origin, which may come from a request made by an authorised external source or an internal claim that comes from own awareness. In any case, it is a claim to which no moral agent can be indifferent and in the case of many firms, it is a normative perspective supported by the stakeholders, the fundamental requirement for a collective agent to be a moral agent (Hindriks 2018).

2.2.6 Elements of the Moral Agent Present in the Firm

We have given sufficient reasons to value the firm as a moral agent. Recognising this does not necessarily mean denying the moral agency of the workers of the firm, but the challenge to be able to develop their professional activity in a community context that is coherent with their identity, culture and values. If we adhere to the principle of reality, we can notice awareness, identity, culture and individual values in a firm, which are typical and correspond to something in particular that goes beyond the sum of the parts or the imposition of will by the majority or by the strongest leaders. It is, by all means, an individual actor that is writing a unique and different story.

The firm as a moral agent can fall into a trap that it must avoid. By this, we mean the tendency to absolutise the ‘organisational’ element, the threat of becoming an institution that manipulates and dominates the individuality of its members. Firms that grow and transcend time, the ones that operate successfully in different countries, cultures and markets, share elements that are catalysts of success: unity around values that are above individuals, a commitment with the institution and the conviction that the interests of the institution are above the interest of individuals. Within this logic, the risk of an institution with a strong corporate identity ending up amputating or even denying the presence of individual identities is real. Corporate identity is the filter for individual judgements as well as their ultimate and definitive reference.

We have noticed this risk through our fieldwork: the risk of the institution becoming an end in itself, violating the fundamental ethical values and the principle of social responsibility, which is being an institution that serves and gives value to society. When firms become ends in themselves, when their interests are above the common good, the business institution destroys value. It is then that the ethical value of the unit ceases to be something good and becomes complicit or produces a clash of identities that make it impossible to act ethically.

A successful firm is something much bigger than a person, with immense potential to positively transform individuals and society, but it will never be more important. Ethics are based on an inalienable principle: the infinite, unmeasurable value of human beings. This is why the legitimacy of being able to incorporate to a corporate identity lies on the principle that institutions shall complete persons and provide value to their natural existential development and under no circumstances can this new identity to which the person incorporates freely, justify its existence if it causes serious or permanent damage to its members. In other words, corporate moral agency is above individual moral agency, but paradoxically, the human person represents its limits at the same time.

Firms that grow, transcend generations and reach a high degree of maturity have the ethical challenge of not going astray. The ultimate goal, the vision and value proposition that their presence implies in society shall remain. In the same manner, firms shall not lose the notion of boundaries: not everything is allowed because not everything is good for human beings, society and life on the planet. Not only right now, but also in the future.

Summarising the elements of corporate moral agency, some authors have emphasised the importance of virtue ethics (MacIntyre 1999; Cameron et al. 2004; Moore 2017; Newstead et al. 2018). Indeed, the moral agent is an actor based on principles that acts according to ethical virtues understood as strengths, qualities and dispositions that allow the agent to achieve its purpose: ‘Organisations are places where individuals can pursue excellence together, develop their characters and participate in the narrative quest toward their true telos, whilst also contributing to the common good of the community through the excellence of the goods and services provided by organisations’ Moore (2017:68–69).

Following Moore (2017), the requirements for a moral agent as an individual or corporation are:

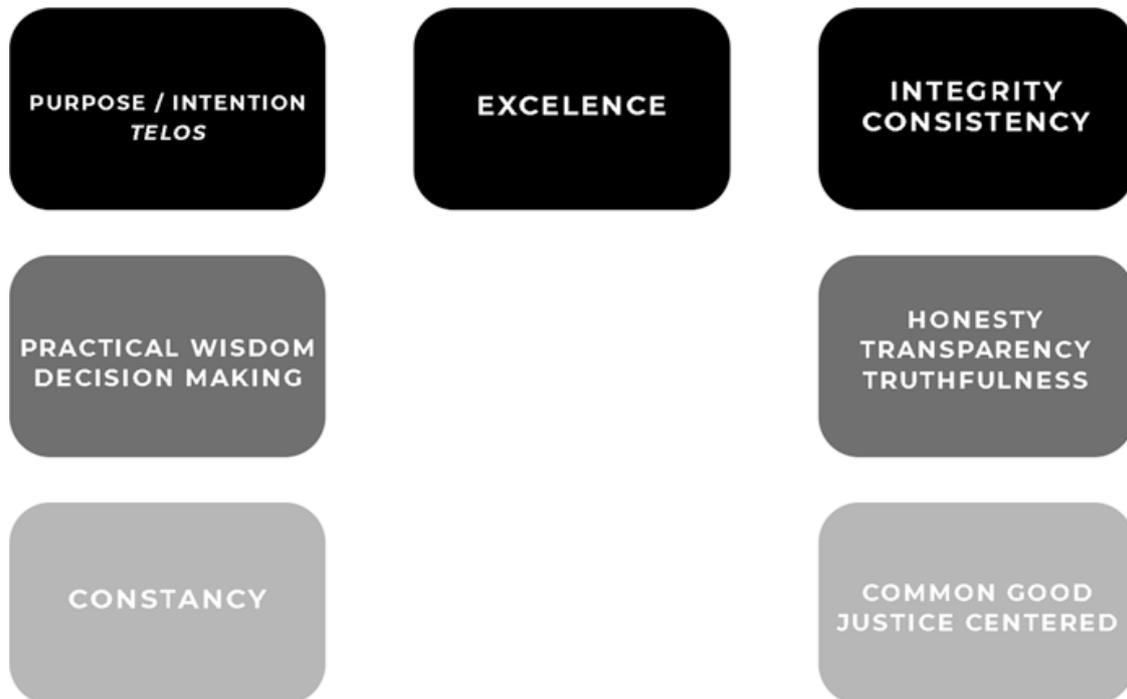


Fig. 2.2 'Elements of a moral agent'. (Source: own creation based on Moore (2017))

Figure 2.2 shows that a virtuous organisation is one that possesses legitimate and good purposes and pursues excellence over success. The purpose is understood as a vocation and the fundamental intention that gives life to the economic endeavour. Next to the purpose is excellence, which means doing the best individually and in favour of the community. This call to excellence is framed in practice in a particular, complex type of activity that involves the relationship with others, which means a context of natural and uninterested co-operation. The organisational character is geared towards excellence when the firm is guided by a good purpose and respects the external goods that are necessary to achieve the goals or in other words, success.

Another basic element of moral agents is integrity, understood as consistency. This virtue is related to honesty and constancy, with being who we are in different circumstances. Integrity requires the ability to establish inflexible boundaries to the possibilities of adaptation required many times by practice. Practical reason, along with the virtue of integrity, allow moral agents to express the same ethical character in different contexts, especially to maintain the commitments freely assumed through time, which is essential to make moral agents believable and worthy of trust. In this manner, the moral actor protects themselves from the danger of compartmentalisation of the ethical principles (MacIntyre 1999) and leads people and entrepreneurial organisations to act differently in different places and markets, adapting the ethical principles to the circumstances. Integrity and constancy are the virtues that allow keeping one's identity and principles under any circumstances and in any situation. Concretely, constancy is the virtue that allows for coherence – when people and firms pursue the same ends through time –: 'without constancy, all other virtues lose their point' (MacIntyre 2007:242).

On the other hand, next to integrity and constancy, we find two other elements: practical wisdom and decision making. Good decisions call for adequate judgement and intellectual deliberation to do the right thing and avoid doing the wrong thing: ‘A virtuous person or corporation requires practical wisdom to be consistent in its general judgement to opt for what is good individually and for the community in general’ (MacIntyre 2007:47). In other words, practical wisdom is the ability to think, analyse, decide, act and properly solve particular situations, as well as knowing how to drive the organisation towards the common good of all its stakeholders (Moore 2017).

Also, the moral agent acts with honesty, transparency and within the truth. Honesty has to do with justice and with acting according to what was agreed. An honest person is trustworthy and with the help of other virtues, usually resists the corrupting power of institutions (MacIntyre 2007). Honesty cannot happen without truth and truth needs transparency, one of the fundamental characteristics of an ethical organisation (Svensson 2009; Moore 2017; O’Toole 2019). Although transparency is a good practice, especially in decision making, it is important to acknowledge that it could harm firms that have strong honesty policies but do not enforce them. If transparency is only partial and interested, it can serve anti-ethical causes, the manipulation of stakeholders and the justification of dishonest behaviours (Brunner and Ostermaier 2019).

The moral agent is committed to justice and the common good, or in other words, to the pursuit of balance between the objectives of the different stakeholders. It is not about the sum of the particular needs of each subject or group, but about the common good, which belongs to everyone. The logic of common good cannot be a competition where some win and others have to lose, it is more about co-operation. A firm that is committed with the common good has collaborative and co-operative intentionality that drives it to work for the benefit of the community where it develops its economic, productive or commercial activity. As it would be expected from an imperfect system, sometimes the needs, interests and expectations of some stakeholders conflict with the objectives of others (Beadle and Knight 2012; Robson 2005; Moore 2017).

In conclusion, it can be said that a firm is a moral agent because it possesses the characteristic elements of human action:

- (a) External goods towards which will is inclined. The firm has its own set of goods and captures reality from this paradigm. It identifies medial goods, which are all the natural, material and cultural goods necessary for the operation and success of the business and the ultimate good to which will aspires: the common good, the life achieved by all the stakeholders.
- (b) Practical reason, political intelligence, the presence of the intellectual dimension in its practical aspect that analyses the kindness, or lack of it, of an action. This exercise of practical reason happens in organisations conditioned by their own identity, vision, mission, culture and values. Also, the same phenomenon that happens in human beings occurs: when it acts properly, it forges a character that predisposes it to act ethically in the future. An ethical firm needs to link the

imperatives of reason to the real purposes it pursues. Insofar as it acts in a way that is respectful of the hierarchy of those values and coherent with its corporate identity, it becomes stronger as an institution, not only inside, but also to the outside, because it generates a reputation.

- (c) Virtues are best practices turned into strengths and principles of action. Ethics require a series of virtues that perfect business action. If doing good were useless, if it had no effects outside of the stakeholders and society or the firm, virtue would be meaningless and would become pure stoicism. Virtues are a relevant element, an irreplaceable help of practical reason because only thinking, analysing and discerning is not enough to do good.

Next, we present the results of the surveys applied to business leaders and executives whom we asked about their opinion regarding whether the firm is a moral agent, as well as regarding the ethical principles that shall guide the relationship of a firm with its stakeholders.

2.3 Ethical Principles that Shall Guide Firms in Their Relationship with Their Stakeholders

These are the results of the fieldwork carried out in Argentina, Colombia, Mexico, Paraguay, Uruguay and Spain between 1 March and 15 May 2020. This period belongs to the quarantine and lockdown stages in various countries caused by the COVID-19 pandemic. As it was mentioned in the introduction, the goal was to learn about the ethical principles that shall guide the relationship of the firm with its stakeholders during a time of crisis, uncertainty, threats, fear and opportunities to make positive changes and implement strategic innovations and transformations.

The applied instrument was an online survey and the type of sampling was non-probability snowball. The participants were first students or graduates of the MBA program in the aforementioned countries and then business executives and managers were included to increase the sample in a short period. Given the type of sampling, the findings presented here find their strength in the qualitative and descriptive aspects.

2.3.1 Participants

The number of participants was 397, distributed as shown in Fig. 2.3. The instrument was answered by 200 persons of the female gender, 194 of the male gender and 3 persons of other genders (Fig. 2.4). In Spain and Colombia, the number of males who answered the survey was higher than the number of females.

Figure 2.5 shows that most of the people who answered the survey had post-graduate (210) or university education (164). Fig. 2.6 shows that 47.85% (190) of

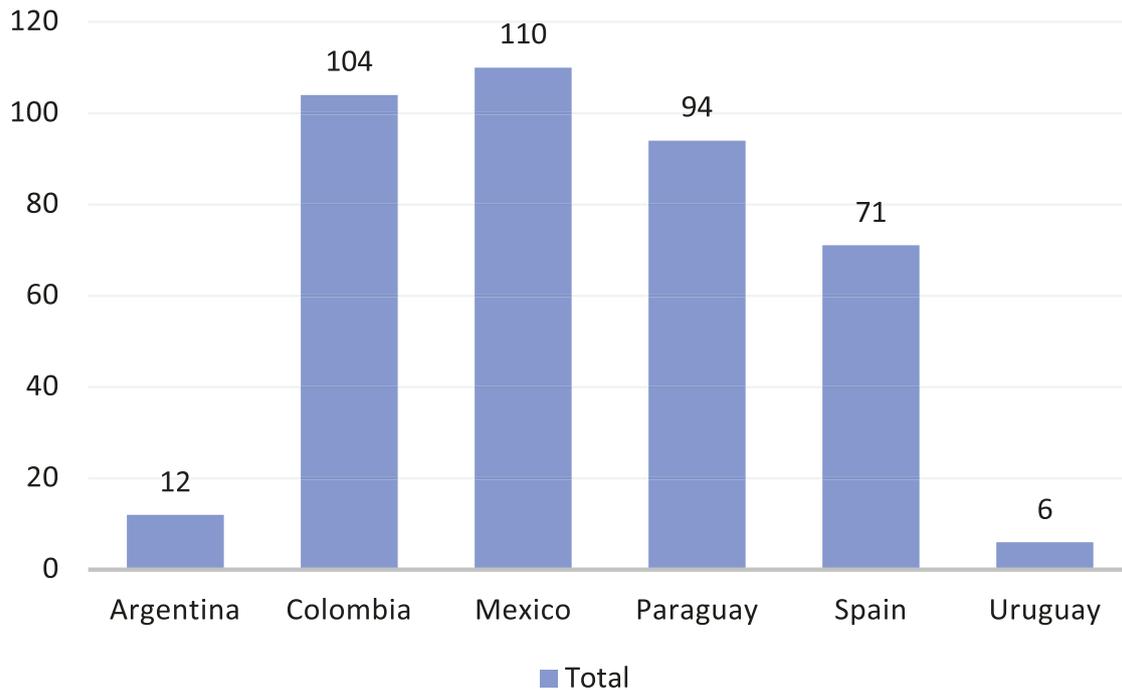


Fig. 2.3 Participants per country. (Source: own creation)

the participants occupied executive or strategic positions, and 30.22% (120) occupied mid-tier or supervisory positions. Of the sample obtained, there were fewer women in executive or strategic positions, which is consistent with the reality of Ibero-American countries. Specifically, there were 108 men as opposed to 81 women in the top positions, amongst the survey respondents.

2.3.2 Perception of the Participants

The survey included some questions that were formulated using the Likert scale to capture the perception of the participants by asking them to provide an answer from 1 to 6 according to their degree of agreement (1. Strongly disagree; 2. Moderately disagree; 3. Lightly disagree; 4. Lightly agree; 5. Moderately agree; 6. Strongly agree) with some statements regarding the firm.

- Statement 1. The firm IS a moral agent because it is an actor that makes conscious, voluntary and free decisions.
- Statement 2. The firm IS NOT a moral agent because it is an actor that acts compulsorily.

In Fig. 2.7, it seemed that the majority of participants (280 or 70.52%) moderately or strongly agreed with statement 1. In the same way, Fig. 2.8 shows that 288 participants moderately or strongly agree with statement 2 (72.54%).

Figure 2.9 shows the correlation between the answers for statement 1 and 2, and the colour of the circles represents the gender of the majority of the respondents for

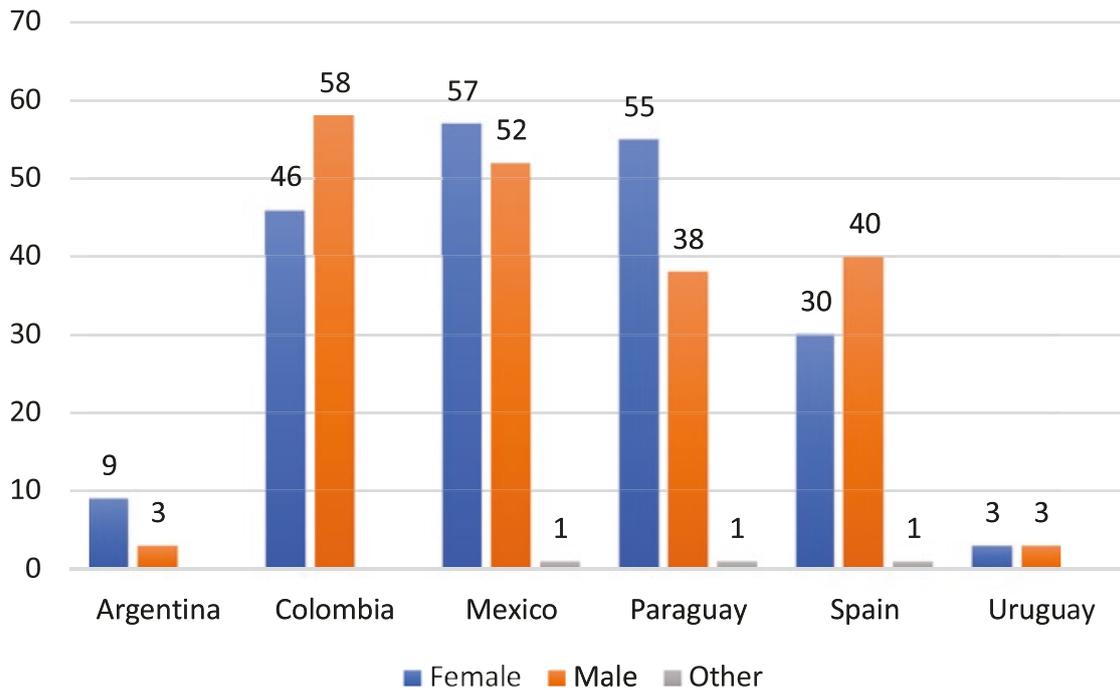


Fig. 2.4 Participants by gender and country. (Source: own creation)

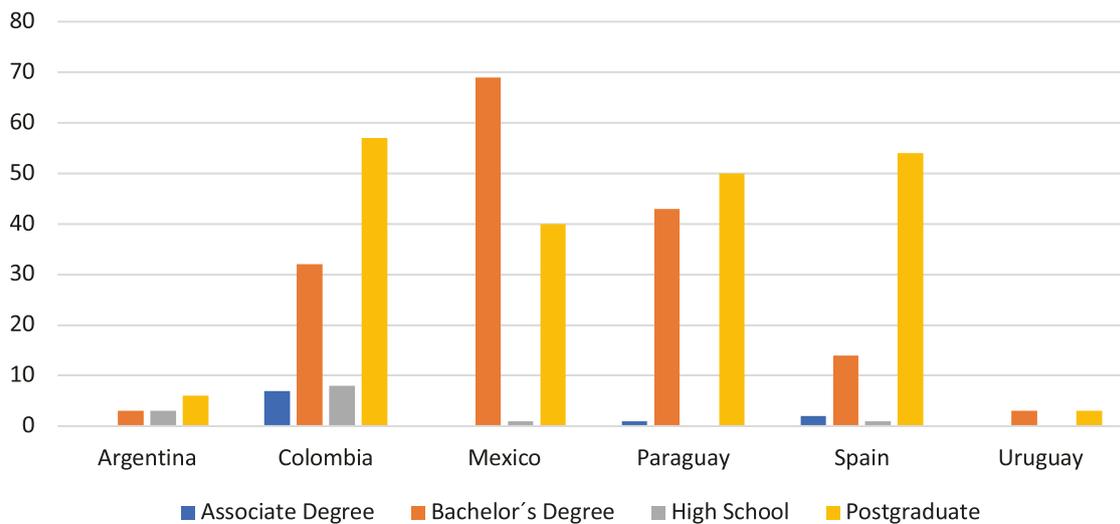


Fig. 2.5 Educational level of participants. (Source: own creation)

said category. For the combination statement 1–6 and statement 2–1, the number of people who identify as female was 65 and 62 males and for the combination statement 1–6 and statement 2–2, the respondents were 20 and 12, respectively. By calculating the Spearman correlation between the answers to statements 1 and 2, the value obtained is -0.474 . Although it shows an inverse relationship, the answers do not show evidence of significant correlation.

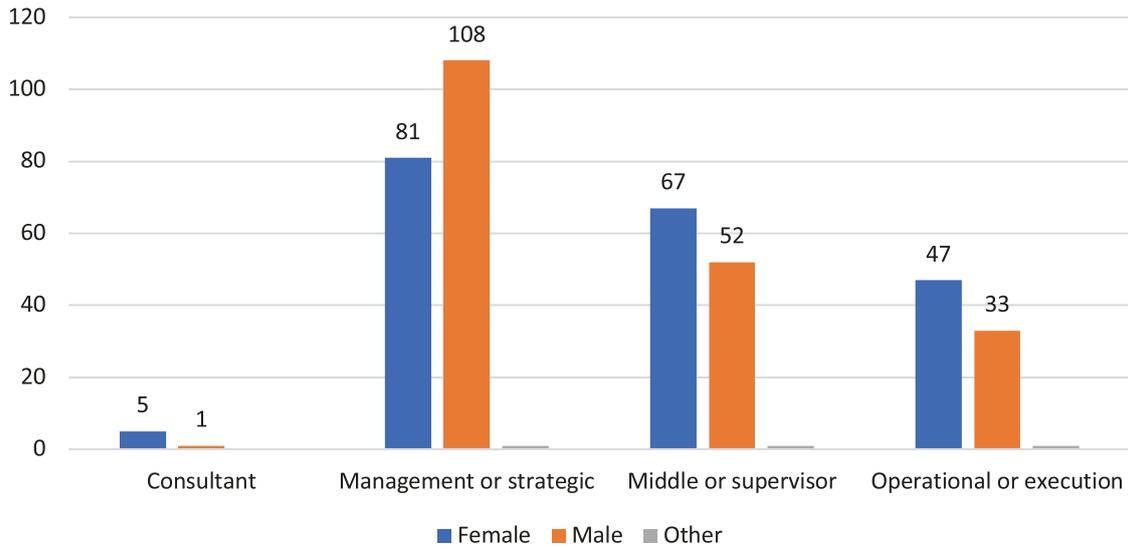


Fig. 2.6 Positions of participants. (Source: own creation)

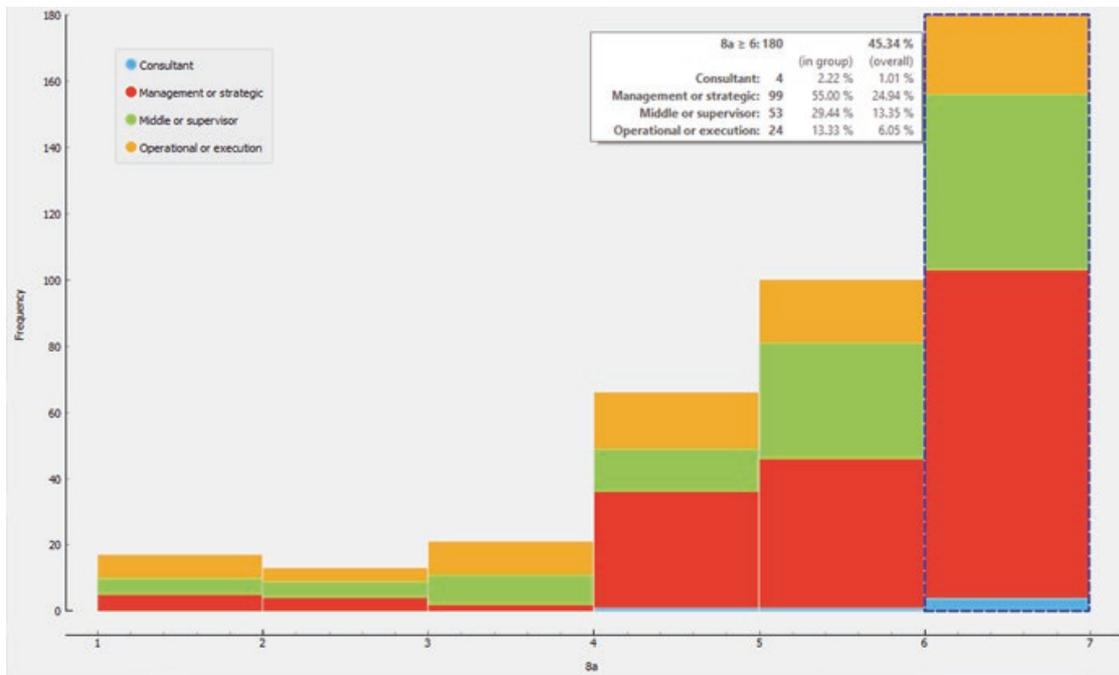


Fig. 2.7 Identification of the company as a moral agent according to position in the company. (Source: own creation using Orange)

2.3.3 Application of Text Mining

For this section, the different perceptions of the executives, the mid-tier personnel and the operative personnel will be compared. The questions analysed are:

- Explain in your own words, why would you consider, or not, that the firm is a moral agent?
- What actions from a firm would you consider that could support your previous answer?

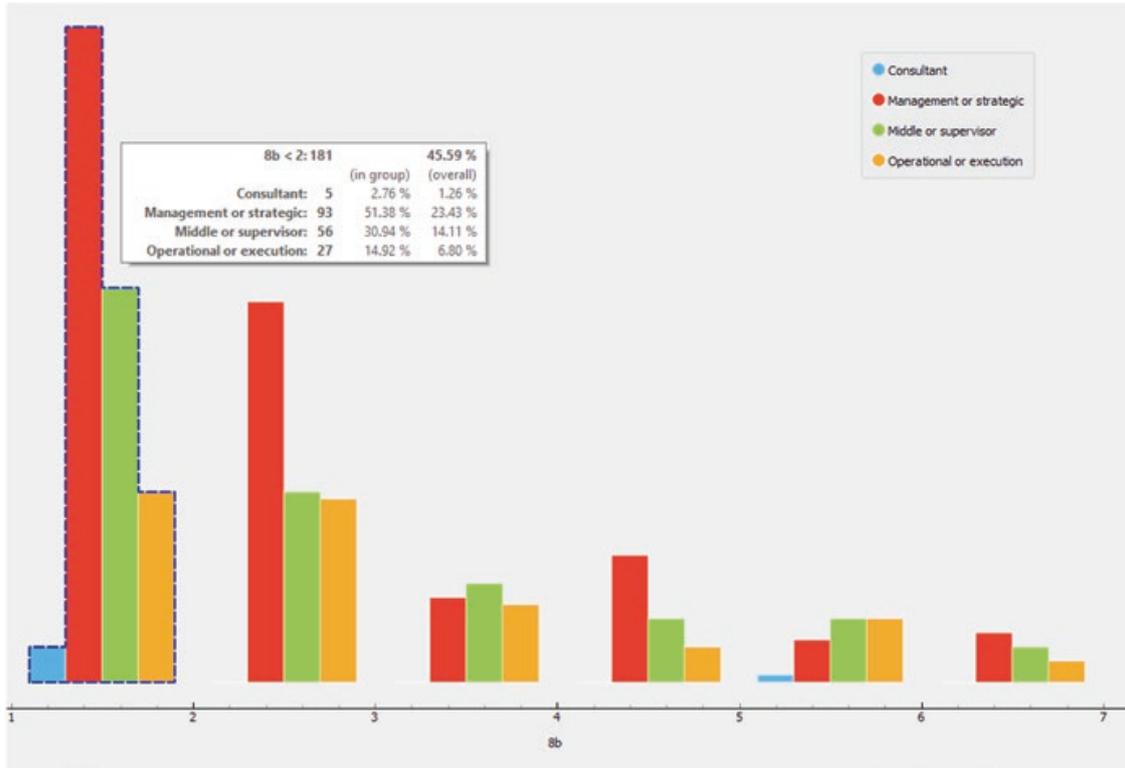


Fig. 2.8 Identification of the company as a moral agent according to position in the company. (Source: own creation using Orange)

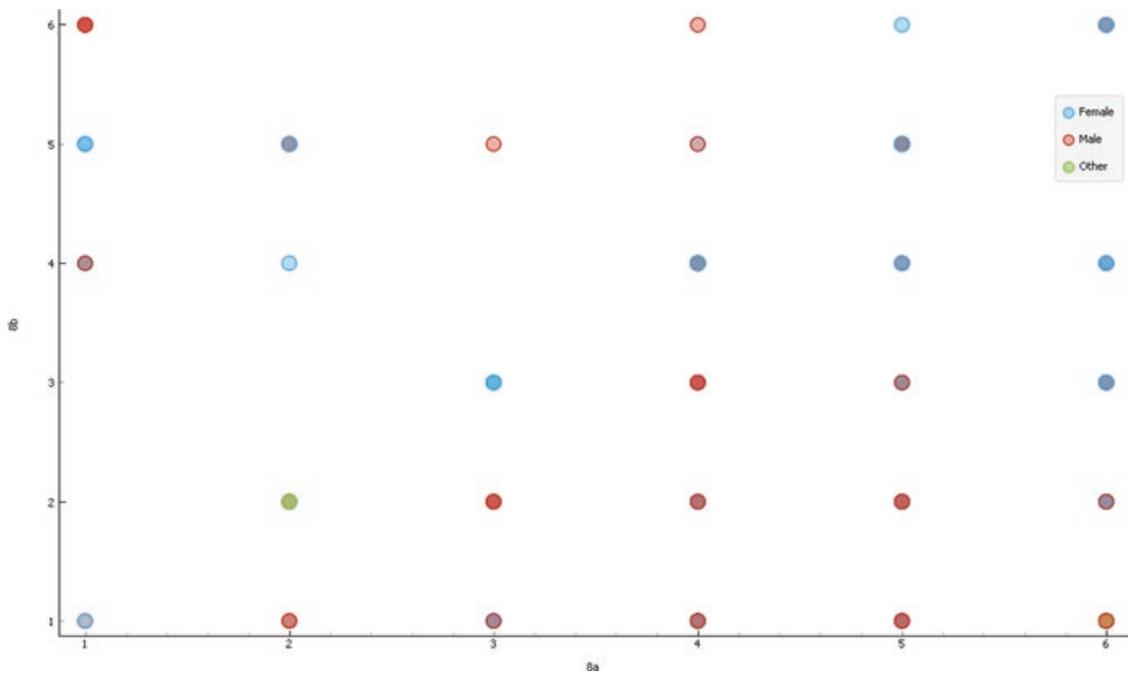


Fig. 2.9 Correlation between statement 1 and 2. (Source: own creation using Orange)

Figure 2.10 shows the word cloud of the answers of each of the participant groups. We identified that although the frequency was not the same, there were coincidences amongst the most used terms, such as firm (empresa), moral, agent (agente) and people (personas) (Table 2.1).

Figure 2.11 shows the 33 values identified as guides of the firm–stakeholder relationship. According to Table 2.2, the words chosen by more than 100 participants were: Trust (Confianza), Truth (Verdad), Common good (Bien común), Coherence (Coherencia), Dialogue (Diálogo), Justice (Justicia) and Loyalty (Lealtad). The most frequent combinations were: Truth, Justice and Common good (21 respondents), Common good, Coherence, and Trust (20 respondents), Truth, Trust and Loyalty (20 respondents), Justice, Common good and Trust (19 respondents), Truth, Common good and Trust (19 respondents), and Truth, Dialogue and Trust (20 respondents).

When considering the phrases that get repeated the most by combining the three discourses, we find:

- ‘economic and social development of’
- ‘the wellbeing of its employees’
- ‘its internal and external customers’
- ‘the wellbeing of people’
- ‘responsible for its own actions’
- ‘the consequences of its actions’

This means that the majority of them are associated with wellbeing, economic and social development and the responsibility for one’s actions, with special attention to consequences.

Regarding the main indicators of readability of the answers given by the participants, two main aspects should be pointed out: in the first place, the language used requires secondary-level education to read properly, but a university-level education to understand it correctly. Secondly, this is a fairly technical topic, as is the language used, especially in terms of the instrument, but the vocabulary used by the participants was of medium complexity.

In the face of the question, what would you consider could be the effects of COVID-19 in corporate ethics? The most frequent topics were associated with the commitment of firms with the health of their employees; the need to redefine business dynamics; adapting to change; an increase of equality awareness; analysis of environmental effects.

2.4 Discussion

Pluralism gives the contemporary moral debate a richness that deserves being recognised, accepted and valued. Beyond the difficulty or impossibility of reaching a consensus in fundamental topics, such as the principles and ethical values that are essential to society, the privilege of having an ethical reflection that has the pursuit of good and a life marked by excellence in common, is worthy of celebration.

Table 2.2 Most frequent values for the firm–stakeholder relationship

Frequency	Value
244	Trust
201	Truth
184	Common good
140	Coherence
136	Dialogue
132	Justice
101	Loyalty
36	Control
8	Integrity
5	Generosity
3	Commitment
3	Strength
4	Honesty
3	Moral
3	Respect

Source: own creation

the firm as a key actor of society. From the perspective of executives as well as business ethics and corporate social responsibility experts, this research sheds a light on the aforementioned question. Second, this document presents revealing information about the opinions of executives regarding the principles and ethical values that shall guide the relationship of a firm with its stakeholders in the COVID-19 era.

Regarding the first point of discussion, we would like to highlight that the majority of participants, regardless of the country of origin (Argentina, Colombia, Mexico, Paraguay, Uruguay and Spain), have stated that the firm is a moral agent. 70.52% of the respondents moderately or strongly agreed with the statement: ‘The firm IS a moral agent because it is an actor that makes conscious, voluntary and free decisions’. An intrinsic morality based mainly on three elements is recognised; these elements are: that the firm is aware of what it does, that it decides to do it and that these actions have consequences that affect third parties. An approach that needs to be addressed in more detail is that of the levels of awareness of the organisation regarding its conditionings. The different spheres and levels of ignorance in which the firm acts many times transcend the responsibility of the moral agent. Many times corporate leaders have sensitive information that is not communicated to the corresponding government organisations, preventing the firm from acting according to its identity, values and culture.

Regarding the second topic of this work, the firm–stakeholder relationship, the fact that the classic ethical principles are universal and continue to be perceived as current and valid for the ethical awareness of the people consulted stands out. The most important values are trust, truth and the pursuit of the common good. As shown in Table 2.2, there is no unanimity in opinion regarding the three most important principles that shall guide the relationship of a firm with its stakeholders. On the contrary, we found an interesting, equal appearance of six combinations, which can

be due to various reasons, such as the fact that all the aforementioned ethical principles are considered relevant, or that participants are not used to prioritising some principles over others, it could also be, as some experts expressed during the interviews, that the fundamental principles are equally important. Lastly, it could be because ethical principles, according to the interpretation and applicability given by each person, are interrelated, and in consequence, it is difficult to answer the question of which are the three most important for a firm in terms of its relationship with its stakeholders.

Ultimately, trust, truth and the pursuit of the common good were the most important ethical principles for survey respondents. The discussion regarding the rationality of this result can be had in rational terms, and concretely, in terms of the pertinence of these values for firms. Trust would be the critical principle of the relationship with stakeholders, a two-way trust in the sense of trusting others and being trustworthy. For this, we need truth. There can be no trust where there is no truth, transparency, the will to communicate true and complete information. This is why in societies or countries where lies abound, there are no lasting relationships, there are not many long-lasting businesses, because there is no true trust, in fact, there can't be true trust if it is not substantiated on truth. This fundamental lack of trust has a deep impact on the common good. According to the opinion of the experts consulted for this work, firms must seek the common interest and not only their own interest. This means that in their relationship with the stakeholders, corporations must be careful of the development and satisfaction of all and act with the intention of giving value to all the involved parties.

For all of the above, the archetype of an ethical, socially responsible firm that is aware of its power, its impacts and possibilities, for which they are responsible, stands out. In its relationship with stakeholders, it is evident that there is a need for fundamental ethical principles to guide corporate action and its relationship with them. As a consequence, the corporate purpose shall be pursued in a way that is consistent with these principles. The relationship with the stakeholders must comply with the human demands of any healthy relationship: to be based in truth, respect, trust, in both the best interest of both parties and in creating healthy environments that protect the purpose and the common good. This need is linked to the typical challenges of other sciences, such as politics, law and philosophy, where the principles of freedom (Pichler et al. 1983; Gray 1982; Rothbard 2002; Attas 2017; Wolff 2018), conquering human rights (Welford 2002; Rabet 2009; Amao 2011) and the imperatives of equity in public life (Llano 1999; Kogelmann and Ogden 2018; Banks and Westoby 2019) are a constant target of debate.

2.5 Conclusions

The work done allows us to share some significant findings with the academic community, as well as other findings that ought to be the object of future research. The following conclusions can be drawn from the analysis that was carried out:

1. There is a generalised perception regarding whether the firm is a moral agent with identity, freedom and will of its own. On the executive level as much as for mid-tier and operational positions, most of the participants expressed to recognise the firm as a moral agent. This is mainly associated with belief that the firm has a particular identity that is different from the individual identities of its leaders or owners. In their survey answers, participants insist on the elements of freedom, willingness and the impact of the actions of the firm on the stakeholders and the planet, which generates an inescapable moral duty.
2. There are no significant differences regarding the use of language, terms and the difficulty level of the discourse, which would show that, although the reflection of the firm as a moral agent is infrequent, there is an understanding of common and frequent concepts on all levels of the organisation that make it possible to discern the role of the firm in the environment and the implications of its actions.
3. In terms of the relationship of the firm with the stakeholders, the results allow us to conclude that relationships must be built on trust, truth and the pursuit of the common good. This should be done with coherent behaviour and openness to dialogue, which in times of crisis like today becomes even more necessary. Additional to the information obtained, we found that control is not perceived as a fundamental ethical principle in the relationship with the stakeholders.

One of the limitations of the study is the type of sampling used; therefore, this study could be broadened and replicated using probabilistic sampling. Also, we highlight the convenience of completing the work with the Delphi method applied to a sample of experts to reach more solid conclusions about the intuition that gave rise to this work: firms must build their relationship with their stakeholders on solid ethical principles and the future of the planet depends greatly on organisations that assume their responsibility as moral agents. Finally, given that there is no unanimity regarding whether the firm is a moral agent by own right or by the delegation of society, the owners or executives, we believe it is a topic that should be addressed in future research.¹

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Chapter 3

Does CSR Limit Our Understanding of Business Ethics?



Michael S. Abländer and Stefanie Kast

Abstract Over the last three decades, corporate social responsibility (CSR) has become a key topic both in scholarly research and in business practice. However, the way how such kind of social responsibility is ‘conducted’ in the business world is based on a wrong understanding of ethics and has distracted from the original intention of the CSR debate. CSR has become a managerial discipline based on an instrumental logic. As we will outline in our contribution, at least three developments deserve critical attention in this context: (1) A strict orientation towards predefined standards, (2) following a pure governance logic when implementing CSR and (3) using CSR as a means for the symbolic adoption of responsibility.

Keywords Business ethics · Codes of conduct · Corporate social responsibility (CSR) · Global Reporting Initiative (GRI) · Governance · International standards · ISO 26000 · Stewardship · Symbolic adoption

3.1 Introduction

Corporate social responsibility (CSR) has become one of the most prominent topics in the field of business ethics (Abländer and Curbach 2014). Several political initiatives, like the UN Global Compact (UNGC 2020), the OECD Guidelines for Multinational Enterprises (OECD 2011) or the Green-Book of the European Commission (European Commission 2001, 2011) have highlighted the social responsibilities of corporations. Currently, various new legal regulations, like the EU directive for disclosure of nonfinancial and diversity information (EU 2014) or the new French regulations concerning due diligence on human right abuses in the supply chain (ECCJ 2017) underpin the importance of CSR in the political context. Over the last decades, theoretical contributions have focused on various aspects of

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CSR including its normative foundation (e.g., Scherer and Palazzo 2007), as well as its historical (e.g. Husted 2015), political (e.g. Ungericht and Hirt 2010; Whelan 2012) or societal dimension (e.g. Djelic and Etchanchu 2017). Currently, the focus has shifted to the discussion of the practical implications of CSR in specific business sectors, like the banking sector (Scholtens 2009; Sigurthorsson 2012), the extractive industry and the mining sector (Berkowitz et al. 2017; Dashwood 2007) or the jewellery industry (Carrigan et al. 2017; Claasen and Roloff 2012).

In management theory and business practice, various instruments have been developed to safeguard responsible behaviour in and of corporations. Stakeholder dialogues, whistle-blower hotlines, codes of conduct, CSR reporting and other instruments have become a fixed component in the organisational structures of nearly all large companies. Initiatives like the Global Reporting Initiative (GRI) or the International Standard Organisation (ISO) have set the benchmark for ethical conduct and transparency in the business world by defining widely accepted standards for reporting (GRI 2020) and appropriate business behaviour (ISO 2010). Thus, it seems that ethics has arrived in business practice and determines corporate decision-making.

However, corporate scandals, like the bribery scandal of Siemens, the emission fraud scandal at Volkswagen or the account fraud scandal at Wells Fargo, to name but a few, cast some doubts on the validity of such assessment. Most of the companies involved in the recent business scandals had implemented CSR programs and—at least formally—complied with elaborated codes of conduct concerning relevant ethical questions, like fight against corruption, conduct toward customers or honesty and transparency of managerial decisions. These cases only represent three examples of corporate misbehaviour. Yet, the list of corporations' wrongdoing could be extended unlimitedly despite of all commitments to ethical standards and good business practices as well as the actual implementation of CSR instruments. Most corporations seem to be either unwilling or unable to apply such standards in their day-to-day business. It seems that the formal adoption of 'ethical standards' by far does not make an ethical company. So 'What Went Wrong with CSR?'

To answer this question, the paper is structured as follows. First, we will briefly outline the discussion of CSR as it was initiated in the USA in the 1950s and summarise the most important issues and the original ethical intentions of this early CSR discussion. In a next step, we will analyse three recent developments in CSR practice, which, in our opinion, deserve critical attention and may help us to understand why corporations would not or could not 'walk their talk'. It is (1) a strict orientation towards predefined moral standards, (2) following a pure governance logic when implementing CSR and (3) using CSR as a means for the symbolic adoption of responsibility (Abländer 2015; Abländer and Kast 2015). As we will show in the following discussion section, we believe that these developments deprived the CSR discussion of its essence by not substantially reflecting companies' role and responsibilities in and for society, anymore. We will thus conclude with a plea for seriously reconsidering the meaning of 'responsibility' in 'corporate social responsibility' or abandoning the field of CSR in the social responsibility discussion while simultaneously reviving the discipline of business ethics.

3.2 The Early CSR Debate in the United States

With the beginning of the twentieth century, the role of modern corporations in societal life increasingly became an issue of political discussion. The question was whether such incorporated companies, primarily seeking to maximise profits on behalf of their shareholders, should be seen as ‘essentially a private association, subject to the law of the state but with no greater obligation than making money, or a public one which is supposed to act in the public interest?’ (Micklethwait and Wooldridge 2005: p. 54).

As early as in 1916, John Maurice Clark doubts whether modern capitalism and this new type of corporations serve the interests of the community. In an article in the *Journal of Political Economy*, he writes: ‘We have inherited an economics of irresponsibility. (...) We need an economics of responsibility, developed and embodied in our working business ethics’ (Clark 1916: 210). And he concludes: ‘The world is familiar enough with the conception of social responsibilities (...) But the fact that a large part of them are business responsibilities has not yet penetrated...’ (Clark 1916: 229).

However, for various reasons this early critique received little attention. It was only after WWII, at the beginning of the 1950s, that economists, theologians and philosophers re-started the theoretical discussion about the role of business in society, which became later known as the early CSR discussion (Carroll 2009). This series of critical publications started in 1953 with Howard Bowen’s seminal book *Responsibilities of the Businessman*. Therein, Bowen asks whether corporations bear social responsibilities beyond compliance with the law and making profit on behalf of their shareholders. In his book, he assigns a social responsibility to the businessman, which is defined as an obligation ‘to pursue those policies, to make those decisions, or to follow those lines of action that are desirable in terms of the objectives and values of our society’ (Bowen 2013, p. 6). While economic success remains the primary task of the businessman, he is also seen as a partner of governments who ‘is expected to cooperate with government in the formulation and execution of public policy’ (Bowen 2013: 28). For Bowen, the businessman functions as a trustee ‘not alone for stockholders or owners, but also for workers, suppliers, consumers, the immediate community, and the general public’ and should therefore ‘serve as a mediator, equitably balancing the legitimate interests of the several principal beneficiaries of corporate activity’ (Bowen 2013: 48–49). With this idea of balancing economic and social interests against each other, Bowen laid the foundation for our contemporary understanding of CSR as a responsibility towards a company’s stakeholders.

Although Marquis W. Childs and Douglas Cater in their book *Ethics in a Business Society* cast some doubts on the assumption that businessmen will balance various interests in society, stating that such Greek idea of ‘equilibrium’ is alien to the US business world (Childs and Cater 1954: 83), they, nevertheless, admit that American business has become more concerned vis-à-vis the social dimension of their business activities (Childs and Cater 1954: 98–99). However, they remain sceptical

because they fear ‘that the doctrine of social responsibility espoused by businessmen is merely a propaganda device by which they hope to maintain power’ (Childs and Cater 1954: 99)—a concern that never lost its topicality and which is still present in the contemporary debate about CSR.

Only few years later, in 1957, Morrell Heald expresses his beliefs that the US business world has changed during the 1950s and writes: ‘A prominent aspect of the new capitalism (...) is the emergence of a ‘corporate conscience’, a recognition on the part of management of an obligation to the society it serves’ (Heald 1957: 375). In his book *The Social Responsibilities of Business*, first published in 1970, Heald upholds the above-mentioned ‘equilibrium idea’ of the establishment of a balance between the interests of business and society by business’ management as a sign for the new type of capitalism of the 1950s. And he adds—based on the statements of leading managers of the US-industry—that managers’ original role of trusteeship is now supplemented by new ideas like ‘team-leadership’ or ‘stewardship’ (Heald 2005: 274–275). However, he sees some clouds appearing at the horizon. If business increasingly assumes additional social responsibilities and engages for communities, then the lines between corporate obligations and governmental responsibilities concerning the provision of public goods are blurring (Heald 2005: 279–280). In want of a political theory assigning corporate and governmental duties in society, it becomes increasingly unclear who bears which responsibilities in society.

In the 1960s and 1970s, the discussion about CSR shifted from the question of the responsibilities of the businessman to a broader discussion about the interrelation between business and society. Thus, for example, Joseph McGuire (1963) in his book *Business and Society* asks the question about the role of the business firm in contemporary society and of its influence upon American culture. Interestingly, he thereby adds a new question to the discussion: If those who direct the fortunes of the giant corporations exercise power not only over the economic but also over the political and social destiny of the whole nation, ‘where do they obtain the authority to wield this power, and to whom are they responsible?’ (McGuire 1963: 138). The main assumption of early economic theories that private property legitimises the use of economic power no longer held as managers of large corporations did not own them anymore. Although McGuire does not outline this concept further, he nevertheless prepares the ground for the idea of a ‘license to operate’ as rationale for business operations in stating that to obtain public approval business has to behave ‘in accordance with the laws and ethical percepts of society’ (McGuire 1963: 276).

In his book *Corporate Social Responsibilities*, also Clarence Walton rejects the idea that corporations should only follow their economic interests. Probably too optimistically he states: ‘Growing evidence indicates that the modern corporation is consciously placing public interest on a level with self-interest and possibly above it’ (Walton 1967, vii). In this new understanding of corporations as socially responsible ‘citizens’, managers have to keep in mind the interrelationship between economy and society and should contribute to the community beyond delivering useful products and services, paying salaries to their employees or generate dividend for their shareholders. ‘There is no denying the fact that citizenship entails additional

burdens, but the evidence appears strong that corporate executives are willing to shoulder these responsibilities as part of their professional obligations' (Walton 1967: 110).

By and large, this early debate on CSR is concerned with the *role of business in and for society*. Criticising the common understanding that making business is a private concern and separated from other spheres of society, the proponents of the concept of corporate social responsibility believe that business is a part of society and should be embedded in a set of commonly shared values. Business, therefore, should be conducted in a way that is supportive for the execution of public policy (Bowen 2013: 28) and which is in line with the objectives and ethical values of a society (Bowen 2013: 6). In general, the business-world should be aware of its different social responsibilities vis-à-vis various groups in society.

This general idea is reflected in at least three specific issues. A first point concerns the *excessive profit orientation* of modern companies. The respective authors criticise the liberal doctrine of making profit as the best way to serve public wealth. Although they see the pursuit of economic success as legitimate target in business, they doubt that monetary interests should always range before the interests of the community and that company earnings should go at the expense of the majority of the society (Bowen 2013: 48–49).

A second point is related to the issue of *responsible management and the professional role of managers*. Managers are entrusted with power and, therefore, should act responsibly. As stewards of corporate assets entrusted to them by the community they have to use these assets not only in the interest of the company's shareholders, but also in the interest of the society as a whole (Heald 2005: 274–275). Hence, responsibilities vis-à-vis the society have to be seen as part of the personal professional obligations of managers (Walton 1967: 110).

Third, the early proponents of the idea of CSR argue that in modern capitalism a corporation's *license to operate* can no longer be based on the idea of arbitrary use of private property. With the separation of ownership from management and since business affects the social life in many ways, corporations should prove that their policies do not follow pure economic interests but are in line with ethical norms and societal expectations of society to be granted with a socially legitimised license to operate (McGuire 1963, p. 276).

Admittedly, this early discussion mirrors a widely accepted but rather unspecific unease about developments in modern capitalism that were considered to be harmful for society. The discussion was far away from delivering a new management conception, which would allow for integrating the idea of corporate social responsibility into management doctrine or practice. However, a new idea has rooted in the academic world, and it took only a few years until a first management-oriented conception of CSR was offered by Archie Carroll's (1979) *Three-Dimensional Conceptual Model of Corporate Social Performance*. In his contribution, Carroll defines four types of corporate responsibilities (Carroll 1979, 1991; Pinkston and Carroll 1996): (1) Corporations bear an economic responsibility and should run their business in a profitable manner; (2) they bear a legal responsibility and should obey the law; (3) they bear an ethical responsibility and should respect the demands

of their stakeholders; and (4) additionally, they bear philanthropic responsibilities and should contribute to the common wealth by philanthropic engagement as good corporate citizens. This widely regarded new approach to CSR allowed it to integrate specific aspects of corporate responsibility into management practice by defining clear requirements for managerial behaviour and decision-making. With this model, the discussion about corporate social responsibility not only shifted away from until then vague ideas about what social responsibilities corporations should bear but also became a conception for practical use.

However, this operationalisation of CSR for management practice departed from the original, broader CSR discussion about redefining the role of business in society. The focus of the CSR debate was narrowed down to the practicability of different CSR strategies and the ways of how they should be implemented into day-to-day business operations. From this managerial perspective, the question was no longer, what responsibilities corporations reasonably should bear, but how such predefined types of responsibilities could be implemented, and which instruments can be used to make a corporation a ‘socially responsible’ one.

3.3 CSR—Losing Its Ethical Roots

With the adoption of the CSR conception in management theory, CSR has lost its ethical roots. While the original CSR discussion mainly concerned the question *which* responsibilities corporations bear towards society, in the managerial discussion the question *how* to implement responsibility in the business practice prevails. In our view, at least three developments in this managerial discussion seem to be problematic, since they prevent or at least strictly limit any serious discussion about the social responsibilities of corporations (Abländer 2015; Abländer and Kast 2015). It is: (1) a strict orientation towards predefined moral standards, (2) following a pure governance logic when implementing CSR and (3) using CSR primarily as a means for the symbolic adoption of responsibility. We will explain our concerns, step by step, in the following paragraphs.

3.3.1 CSR—Processing Responsibility by Standardised Checklists

In business practice, ethical considerations about responsibility take the backseat. A corporation’s ‘social responsibility’ is predefined by various standards like the *Global Compact*, the *ISO 26000 Guideline* or the *OECD Convention for Multinational Enterprises*, to mention just a few. Main topics, reiterated in nearly all documents, are labour rights, human rights, consumer rights, prevention of corruption and environmental protection (e.g. ISO 2010: 23–60; OECD 2011: 31–54).

Additionally, various industry-specific guidelines, like the *Forest Stewardship Council* (FSC 2020) or the *Responsible Care* program of the chemical industry (Responsible Care 2020), regulate special requirements of responsible behaviour, which are typical for the respective industries, like the protection of the rights of indigenous peoples or the handling and disposal of hazardous materials. Nearly, all of these documents refer to the respective publications of the United Nations or the International Labour Organisation concerning labour rights, human rights or prevention of corruption (an overview provides Roloff 2011: 254). Referring to such ‘sacrosanct’ documents like the *Universal Declaration of Human Rights*, which claims to reflect the firmly beliefs of the whole community of nations, relieves firms’ management from the obligation to analyse corporations’ business responsibilities themselves. But, even more importantly, using such internationally accepted standards as a predefined list of responsibilities allows for replacing serious reflection about the range of responsibilities of the single corporation by a nearly identical list of unchallenged ‘responsibilities’ for all corporations.

In the 1970s and 1980s, there was, for instance, a serious political and academic discussion about employee codetermination, meaningful work, just treatment of labourers or fair payment (cf. Strauss and Hammer 1987; Benelli et al. 1987), which was followed, among others, by corporations’ realisation of employee stock option plans and other forms of worker participation. Over the decades, the theoretical CSR debate about employee relations progressed and concepts of work–life balance, gender aspects or diversity have also affected corporate policy, especially in western countries. However, the list of work-related topics, which has entered the CSR standards, remains exclusive. Topics like the destruction of domestic workplaces due to the business practice of outsourcing production to low-cost countries or hiring low-paid temporary workforce to replace permanent workforce are not challenged by CSR’s proponents. Yet, such CSR understanding as compliance with an exclusive list of CSR standards, as it has become usual in industry, does not foster any serious individual reflection of what corporations ought or can do and what their respective responsibilities vis-à-vis their employees should be.

As the compliance idea dominates the CSR understanding in business practice, guiding principles, like SA 8000 or ISO 26000, have become ‘de facto law’, and serve as ‘checklists’ for responsible behaviour. From perspective of corporations, the question of a substantive justification of the responsibilities they should assume is thus reduced to the question of how to operationalise and implement the provisions of the respective international standards in their business practices. In most cases, this operationalisation follows the managerial logic of command and control, expressed by the processing of standardised CSR checklists: External demands from international standards are ‘translated’ into elaborate corporate codes of conduct and detailed regulations for nearly every critical business operation, like receiving gifts or dealing with insider information. Sophisticated monitoring and control systems, like anonymous whistle-blower hotlines or electronic monitoring systems to control the account activities of managers, are implemented to control employees’ compliance with these codes and to detect and report misbehaviour. Ethics officers are hired to offer ethics training for employees, and ombudsmen serve as

contact persons in case of problems with code compliance. Corporations elaborate detailed audit-schemes and hire professional auditors to formally control labour conditions and adherence to environmental standards along their supply chains. In sum, ‘responsibility’ becomes a strategic target among others and is operationalised by breaking down responsibility to a list of predefined ‘CSR requirements’.

Although such practices are worthwhile in general, the standardisation of the CSR debate has the unintended consequence to limit the discussion of corporations’ responsibilities to the minimal requirements as defined by the above-mentioned documents. Issues, which are not defined in such standards, like equitable management remunerations, old-age poverty due to low salaries or undue influence on political decision-making in favour of companies’ interests, are not discussed in the context of corporate social responsibilities (Abländer and Löhr 2010: 22). All in all, this practical CSR debate has become a discussion about a narrow set of corporate responsibilities and focusses rather on an externally and politically defined set of goals than on the comprehensive and specific responsibilities of individual corporations. Most part of this discussion concerns pure technical aspects of the implementation of predefined standards and does not foster any substantive discussion of responsibility within corporations and their sphere of influence.

3.3.2 *CSR—The Logic of Governance*

Since responsibility in the contemporary CSR discussion has become a management tool prone to standardisation, its implementation is primarily seen as a question of corporate governance. This has opened the pathway for a new consultancy industry enticing companies with supposed advantages of CSR. Thus, for instance, CSR efforts should increase sales figures, strengthen brand loyalty of customers, motivate workforce or attract investors (Kotler and Lee 2005: 10–11). To succeed in business, corporations should have a customised CSR strategy (Urip 2010), develop a business plan for their CSR activities (Werther and Chandler 2006: 69) and should have a high CSR performance to survive in competition (Vitt et al. 2011: 150–151). ‘Oceans of ink have flowed to support the claim that corporate virtue delivers financial rewards’ (Vogel 2006: 11).

In this view, it is not the aim of CSR to increase managerial awareness for responsible business practices or corporate social obligations vis-à-vis the community anymore. Quite the opposite: CSR should help to stabilise the corporate environment to avoid state regulation of critical issues (Haufler 2001: 42), to lower the pressure of critical non-governmental organisations (NGOs) (Fombrun et al. 2000) and to increase the non-monetary capital-base (human capital, social capital etc.) of the corporation (Leisinger 2007). Especially, business consultants emphasise a kind of ‘strategic CSR’, which is not contradictory but geared to the business interests of the corporation. In this sense, investments in an educated and well-informed workforce create motivated employees and pay off due to an increased productivity. Similarly, investments in social and economic conditions in low developed

countries increase wealth and thus create new markets (Porter and Kramer 2002, 2006). From such point of view, CSR has to be considered economically advantageous because it focuses on future business opportunities. And even if it is difficult to show a direct monetary success of such efforts, it is argued that CSR activities at least are rewarded by an increase of corporate reputation (Gardberg and Fombrun 2006). CSR, thus, becomes an investment in an ‘intangible asset’, which helps to increase profits and must be used in the most efficient manner.

In such ethics business, ‘CSR has long departed from the discursive plane of business ethics and has become (...) commercialised’ (Shamir 2005: 230). This has little to do with the original ethical discussion about the responsibilities of the businessman or the role of business in society and leads to an adverse logic that sees responsibility as a kind of strategic tool. However, acting morally to receive economic rewards leads to a logical contradiction since such behaviour is not moral in an ethical sense. The conclusion that responsible business practices lead to an increased reputation and that an increased reputation helps to make profits is misleading. Responsible business practices lead to reputation since this shows that in the mindset of the management social responsibility ranks before pure profit-making (self)interests. If striving for reputation is used just as a means for profit making, reputation is lost eventually (Aßländer 2013). It is a well-observed paradox that honesty and integrity lead to reputation and thus may entail economic advantages, but that this presupposes that striving for honesty and integrity is a value for its own sake and not misused as a means for economic success (Bowie 2017: 139).

With turning business ethics into an ethics business, the CSR debate has visibly shifted away from its original question of responsible managerial practice and the intention to define requirements for regulating a managerial ethos. While within other professions, as lawyers, engineers, or medical professionals, standards of individual ethical behaviour are discussed by professional associations, in the field of management such association which would define an ethos for managerial behaviour is still not existent. Early attempts to establish a charter of ethical standards for managers, like the *Davos Manifesto* of 1973 (Lozano 2001), have failed and the *Davos Manifesto*, by and large, remained meaningless. Also later attempts to define standards for responsible managerial behaviour, as outlined for example in the principles of the *Caux Round Table for Moral Capitalism*, stem from voluntary initiatives of some business leaders and serve only as ‘a statement of aspirations’ (Caux Round Table 2020), but did not reach the status of binding professional rules for managers.

CSR requirements by and large are not addressed to individual managers—like the professional requirements for individual lawyers, engineers, or medical professionals—but focus on a corporation’s business organisation. Thus, the focus of CSR has shifted towards aspects of corporate governance, which has opened a new market for business consultants offering a wide range of seemingly profitable CSR strategies and instruments to corporations while neglecting responsible managerial behaviour as such. However, the purchase of such products and services is not suitable for advancing a corporations’ comprehensive *responsible* business practices and may not even increase corporate reputation in the long run—the promise of which is a major selling proposition offered by CSR consultants.

3.3.3 CSR—*The Symbolic Adoption of Responsibility*

At least in its practical application, CSR has departed from its original meaning as a critical evaluation of corporate roles in society as it has been the starting point of the CSR discussion in the 1950s and 1960s. CSR is now defined by a mixture of CSR standards, best-practice examples, and social as well as political demands. It is additionally framed by a whole, unregulated industry offering potentially profitable CSR strategies and ‘ethical’ instruments. This makes it difficult to understand what CSR really is. As Benedict Sheehy (2014: 4) notes, the ‘focus on specific behaviours and their classification fails to advance an understanding of the phenomenon of CSR’, and adds: ‘The better approach, therefore, is to ask and examine what type of institution CSR may be...’ He believes that CSR has reached the status of an institution, like ‘free enterprise’ or ‘private property’, which is defined primarily by societal norms and legal regulation. From this point of view, CSR is constituted by CSR-defining norms, like *ISO 26000* or the various UN-Guidelines and the concomitant ‘social practices’ in corporations, like stakeholder dialogues or social reporting.

This might explain why for most companies CSR seems to be less a question of ethical behaviour but simply a question of how to strategically implement and communicate CSR-relevant activities—which then might symbolise the taking on of social responsibility. From this perspective, CSR activities serve as an act of symbolic adoption of responsibility (Bromley and Powell 2012) and are seen as helpful tools and the cheapest way to settle critique from outside the company (Behnam and MacLean 2011). Instead of examining the ethicality of corporate activities, CSR activities are used to internally and externally create the image of a responsible company and thus might help to establish a ‘good corporate conscience’. This view seems to have gained widespread attention. Thus, for instance, Klaus Leisinger (2007: 326) believes ‘that a record of responsible behaviour plus corporate philanthropy can (...) help to mitigate public criticism of corporate behaviour’.

For most corporations, CSR remains a demand from outside the corporation and is *decoupled* from their core business practices (Meyer and Rowan 1977: 356). It helps the company to prove that they are doing something good but distracts from the critical discussion of other corporate activities. Thus, CSR in practice leads not to a reconsideration of corporate policy but is used to cover unaltered, superordinate financial interests by symbolically complying with external social and political demands. In this vein, as Bromley and Powell (2012: 404–405) note, various ‘[s]tudies of corporate philanthropy and environmentalism and CSR have analysed these practices as symbolic actions tied to managing external pressures, largely disconnected from an organisation’s core work’. Interestingly, Bromley and Powell analyse two different types of decoupling CSR from daily business practices: *Policy-practice* decoupling and *means-ends* decoupling. ‘Whereas policy-practice decoupling can be thought of as symbolic adoption, means-ends decoupling is better characterised as symbolic implementation. Means-ends decoupling helps to explain why organisations implement a range of practices (...) that have an opaque relationship to outcomes’ (Bromley and Powell 2012: 497).

In business practice, the symbolic adoption of CSR can manifest itself, for example, in the formal proclamation of CSR strategies which are not lived up to, or the formal commitment to CSR standards, like the UN Global Compact, which are not implemented in any actual business practice. The symbolic implementation is often found in form of a set of CSR instruments, like codes of conduct or whistle-blower hotlines, or the provision of large budgets for philanthropic engagement that represent symbolic acts which allow companies to formally comply with legal regulations and the demands of the broader public, but are intended to shield the true business interests from public criticism. Both types create what Behnam and MacLean (2011: 47) have labelled a ‘credibility cover’, which helps the corporation to get legitimacy and to uphold its *license to operate* while doing business as usual. For corporations, such pure formal compliance instead of substantive changes of corporate policy and practice seems to be the cheapest way ‘to protect internal activities from external monitoring’ (Bromley and Powell 2012: 484).

The conclusion that the practice of decoupling is more than a vague suspicion is supported by Aldag’s (2013) observation that many of those companies used in literature as ‘best-practice-examples’ for having financially successful CSR activities also faced numerous corporate scandals during the last years. The exemplified cases of Siemens, Volkswagen or Wells Fargo support this thesis. Thus, the critical question should be allowed whether positive financial results follow from CSR activities—as proponents of CSR’s win-win scenario would likely do proclaim—or rather from extensive corporate malpractices, while the isolated CSR engagement was intended to shield those unethical, but financially rewarded practices from detection.

3.4 Discussion—What Went Wrong with CSR?

As we have outlined in the previous paragraphs, we believe that the desired ethical effects of the concept of CSR are jeopardised by several erroneous developments. We do not doubt that it is the intention of most of the practical efforts in the field of CSR to foster ethical behaviour in and of corporations. Nevertheless, the debates about which CSR instruments are suitable and of how CSR can be implemented in corporations shifted significantly away from the original CSR discussion. The key problem with this shift is that these recent debates ignore the indispensable fundament of CSR, that is, the serious considerations about the role of business in and for society.

1. Our first observation is that it has been the original concern of the early CSR debate to scrutinise the role of business in society by arguing that business affects society in many ways and, therefore, has different responsibilities vis-à-vis various groups in society, whereas in the recent CSR debate the responsibilities of corporations are reduced to predefined standards. Although such international standards, like *ISO 26000* or the *OECD-guidelines*, provide detailed lists of social responsibilities, the listed responsibilities remain commonplaces. Thus,

for instance, the *ISO 26000 Guideline* defines as its core principles that ‘an organisation should accept that respect for the rule of law is mandatory’, that ‘an organisation should respect international norms of behaviour’ and that ‘an organisation should respect human rights and recognise both their importance and their universality’ (ISO 2010: 12–13). However, ‘respecting the law’, ‘respecting international norms of behaviour’ or ‘respecting human rights’ are matters of course one would expect of every actor and which do not constitute specific *corporate social* responsibilities. Although *ISO 26000* also lists ‘accountability’, ‘transparency’, ‘ethical behaviour’ and ‘respect of stakeholder interests’ as core-responsibilities of organisations, in business practice these demands have been translated into straightforward and readily available standard procedures like organising annual ‘stakeholder dialogues’, establishing ‘ethic-hotlines’ or reporting according to the standards of the Global Reporting Initiative. For dealing with these new requirements, new departments have been created, and public relations agencies have been appointed. But as our initial examples show, this standardisation of CSR has not substantially affected business practices in corporations or their awareness about their obligations towards society. This is due to standards’ often vague classification of CSR-relevant topics—either because no compromise about their contents would have been reached otherwise or in order to not refrain too many companies from joining the respective initiatives. Thus, such general standards obviously lack to give advice with respect to the specific situation of individual companies. Most of these international standards have neither implemented audit schemes to monitor corporate behaviour nor established procedures to penalise deviant behaviour. Since international standards are often the result of a long-winded and cumbersome political process, they only reflect the situation of the past and are too slow for adjusting norms of behaviour to newly emerging critical aspects of corporate behaviour. Important social topics, like workplace security, old-age poverty exacerbated by an increasing number of low-income jobs and temporary employment or social injustice caused by income disparities are not discussed in the context of corporations’ social responsibilities—although corporations are part of the problem. Additionally, these standards—if not decoupled from business practice anyway—are often implemented by classical management procedures of command and control, which do not foster a sense of responsibility but compliance with rules and external demands. Thus, standards like *ISO 26000* have done a disservice to the initial debate of corporate responsibilities since they have terminated the broader discussion about how business can or should contribute to the well-being of a society and how each individual corporation might contribute to this end.

2. Our second point of concern is that in the early CSR debate it has been a hallmark to criticise the liberal doctrine that a companies’ pure profit-orientation would be the best way to generate common wealth. Besides the lack of proof for this assumption, seen from this perspective, the ‘morality pays’ argument easily results in the opposite belief: ‘morality has to pay’. Thus, questions about the legitimacy of corporations’ profit interests are no longer on the agenda of the recent CSR discussion. Asked why corporations should engage in CSR activi-

ties, business students from various business schools in the US referred to the ideas that CSR allows for increasing corporate reputation, better work-force satisfaction, improves market-position, reduces capital costs etc. (Buchholtz and Carroll 2009: 53). Thus, the alleged economic success becomes the key-driver behind the CSR efforts of corporations. From such perspective, business is not 'good business' because it is ethical, but ethics is 'good ethics' because it is profitable. But such logic reverses ethics into a strategic tool, which effects will not last very long since it is not rested on integrity and moral convictions as the above-mentioned companies show. If ethical behaviour is legitimised by its profitability, it is abandoned when morality does not pay off. Who pays his children for telling the truth should not be surprised when they start lying if he quits payment. Or, as Jean-Jacques Rousseau has already observed two hundred years ago: 'Who is doing good for monetary reason is just waiting for being better paid to do evil' (Rousseau 1995: 233–234). Thus, for example, it should have been obvious for every manager at Volkswagen—to refer to one of our initial examples—that cheating with software manipulations is unethical, nonetheless, serious reflections about the ethicality of such behaviour have been overridden by a 'win-at-any-costs' mentality. Therefore, it is one of the fundamental errors of the recent CSR discussion to promote the 'business case for CSR' and to see CSR as a strategic tool for generating economic advantages. This development might be the result of the well-intentioned attempt to convince corporations to change their socially harmful behaviours by offering them arguments according to their own profit-oriented logic. However, permanent attempts from scientists and practitioners to substantiate and proof the link between profit and ethical behaviour resulted in an attitude where economic success is perceived as the prime legitimising factor for 'responsible' managerial behaviour. In practice, this leads to situations where ethical concerns are fade out in the process of corporate decision-making leaving its original logic of pure profit-maximisation untouched. But precisely such win-at-any-costs mentality of the early dog-eat-dog capitalism and the resulting socially harmful outcomes have been major points of critique of the early CSR debate. Its proponents advocated that a company's pursuit of profit should be limited by legality and ethicality—a state that cannot be reached by twisting CSR according to the nowadays proclaimed 'morality has to pay' logic. Making compliance with moral standards dependent from profitability is, at least from the philosophical point of view, unacceptable. From a philosophical stance, ethical rules cannot be overridden by monetary interests.

3. While it was a concern of the early CSR discussion to stress the personal responsibilities of managers and their role in considering the company's obligations towards society, our third point of criticism is that in recent CSR discussion responsibility has become a matter of corporate governance and less a question of managerial integrity. Most CSR instruments implemented in business focus on legal compliance and aim at protecting the corporation against litigations. However, this perspective prevents managers from having a critical look on their personal business maxims and to examine critically how their decisions affect society. From a managerial perspective, CSR is not a reference point for a critical

discussion of the company's specific business practices but has become a strategic investment and part of an 'ethics business'. Yet, to limit ethical considerations to 'profitable ethics' absolves management from ethical reflection of their business decisions and its effects on society and intensifies the problems described above. Seeing 'responsibility' as a kind of 'profit-centre' and not as a requirement for integer managerial behaviour distracts from the original intention of CSR in stressing personal responsibilities of managers entrusted with corporate assets by the community and their role as stewards towards society.

It was one of the concerns of the early CSR debate to widen the scope of business responsibilities of managers in 'contemporary capitalism' by discussing potential contributions of business to society as fundament of the corporations' license to operate. However, social responsibilities in the recent CSR discussion are rather discussed in the context of how to implement a set of commonly agreed upon international standards and how to develop profitable CSR strategies and instruments. Although we do not doubt that the standards define important matters of corporate responsible behaviour and are based on commonly shared values, and that in many cases the implementation of CSR strategies and instruments does create some positive outcomes, we nevertheless see the problem that such approach fosters the pure symbolic adoption and implementation of a special kind of 'prefabricated' responsibilities. From practitioners' perspective, CSR has become an institution constituted by certain standards and practices. For acting in congruence with these requirements, it is, in many cases, sufficient if companies formally adopt or implement a set of approved CSR policies and practices and thus display their 'good corporate conscience'. Indeed, there seems to be a wide consensus about this institutionalisation of CSR. It is interesting to note that neither in politics nor in the critical public, represented by various critical NGOs, the symbolic adoption or implementation of CSR is dismantled. Thus, for instance, there seems to be an agreement between NGOs and corporations that measures like audits in the supply chain or reporting in accordance with the guidelines of the Global Reporting Initiative are adequate instruments to comply with the rules of CSR. However, there is no discussion about the increasing production shift from industrial to low-cost countries, which triggers the problems of low income and weak social standards. And even from side of governments, CSR is rather seen as a welcomed means to release public funds (Albareda et al. 2008: 358f.) than as rationale to redefine corporations' role in society. This is all the more astonishing when considering that governments had to bail out car manufacturers and investment banks during the economic crisis in 2008–2010 by various governmental programs in nearly all industrialised countries. But, except from some half-hearted reforms, after the crisis business went on as usual. As Ronan Shamir (2005, p. 232) notes strikingly: 'Corporations, non-profit organisations, business-sponsored civic groups, commercial entrepreneurs, and business consultants, among others, participate in this constructivist theatre...' Thus, corporations' CSR policies and practices seem not only to be regularly decoupled from corporate core business activities but CSR also has long departed from its original intention to critically examine corporations' contributions to society as fundament of their 'license to operate'.

3.5 Conclusion—Replacing Responsibility by Strategy?

Since Maurice Clark's early claim for an 'economics of responsibility' (Clark 1916: 210), the discussion about business responsibilities has never stopped. In this vein, the CSR debate has added much to answering the question of what corporations should bear responsibilities for. However, recent development of CSR practice shows a different picture. For most companies, CSR has become a means for gaining reputation, earning profits, and mitigating public criticism while behind the curtain doing business as usual. This is far from the initial intention of Maurice Clark and others when demanding corporations' to take on their manifold corporate responsibilities in and for society and thus help to increase social welfare.

As we have outlined in the previous paragraphs, the contemporary practice of CSR has departed from the early idea of corporate responsibility. CSR has become an institution defined by political rules and different social practices. Especially in the 'instrumental' perspective (Garriga and Melé 2004) of consultants and business practitioners, CSR has become a managerial tool that promises to yield profits and helps to 'manage' the attribution of responsibilities from outside the company. In this instrumental understanding, CSR facilitates to comply with a set of predefined 'responsibilities' without endangering the profit strategies of the corporation, but has not yet contributed to initiate a fundamental change in the corporate understanding of 'responsible business' for the benefit of society. The pure symbolic adoption of responsibility might explain why CSR policies—as outlined in the various codes of conducts and mission statements of nearly all larger corporations—did not lead to responsible business behaviour but did remain 'symbolical commitments' (Lim and Tsutsui 2012: 89) and thus could not avoid rock-solid business scandals as outlined at the beginning of the chapter.

During the last decades, the focus of the CSR discussion has moved away from matters of *responsible* corporate policy and practice to questions of 'best-practice' in the *efficient* implementation of *profitable* standards and instruments. While the initial debate focused on the *ethical legitimation of corporate behaviour*, it has now shifted to the *financial legitimation of ethics*. Such kind of CSR is not in conformity with an idea of ethics understood as critical reflection of morality and is far away from critically challenging the role of business in society.

If CSR is exercised mainly as a symbolic act for the assumption of responsibility, such CSR practice risks not only to lose its credibility but also to miss the point of conducting business with integrity. As Thomas Donaldson and James P. Walsh (2015: 198) note: 'a firm is a moral entity that works in and for society. As such, a firm holds two interrelated purposes: first, a focal purpose that reflects its work *in* society and second, a contextual purpose, a purpose that reflects its work *for* society'.

With respect to the roots of the CSR discussion and in consideration of its recent undesirable developments, we suggest a quite more serious reflection of what corporate responsibility in and for society means and call for several respective adjustments of the CSR debate.

We strongly believe that the debate about corporate *responsibilities* must primarily focus on the ethical meaning of responsibility. We thus believe that the debate about corporate *responsibilities* should go beyond the business case for CSR. To believe that CSR instruments, originally intended to establish responsible behaviour, should pay off undermines the concept of responsibility as such. Thus, acceptance must be raised that fostering responsible business behaviour is an arduous task, which does not always yield profits. Additionally, it takes quite more than the adoption of some CSR standards or the isolated implementation of some CSR instruments to make a socially responsible company. To believe that the formulation of a code of conduct, the implementation of whistle-blower hotlines and other control mechanisms, or social reporting according to one of the readily available standards could create company-wide responsibility implies to make a means to an end. What we need, therefore, is a revived debate on the relation of business and society to achieve a new political and social understanding about the purpose of corporations.

Certainly, there are theoretical debates about the new political role of corporations in society (e.g. Scherer and Palazzo 2007; Matten and Crane 2005; Logsdon and Wood 2002). However, these debates obviously have not yet affected the self-understanding of corporate actors regarding their social and political co-responsibilities. As the above-mentioned developments show, from corporate view 'responsibility' does not result from a vivid discussion about what corporations may contribute to solve global problems in society but is seen as something, which can be 'produced' by implementing standardised governance instruments. Most international standards, however, can be seen as a minimum requirement at best. They reflect a political compromise, exclude important topics, which are not regulated by the core-documents of the international community, and reflect only a small part of corporate responsibilities. If it is one of the central elements of CSR that corporations should 'cooperate with government in the formulation and execution of public policy' (Bowen 2013: 28) and balance their interests with those of society at large, then the implementation of some standardised CSR tools is nowhere near enough. What is required is an active participation of corporations in political and social dialogues to find concrete ways to support the societies they live in, instead of lobbying for their business interests. From perspective of society, to accept business as partner in political affairs, clear rules, clarifying the form and scope of corporate political engagement have to be developed (Abländer 2011). Only then fruitful results as, for example, with the 1970s debate about employee codetermination and fair payment can be achieved.

All the more important are attempts to foster the establishment of management professional ethics as binding rules for managers—one of its original roles the discipline of 'business ethics' should pursue more insistently than in recent years. In this context, the company-wide implementation of a consistent corporate culture which fosters the sense of personal responsibility among managers—which can definitely not be reached by monetary incentive schemes—can be seen as fundamental precondition for serious CSR where societal needs and business interests are regarded simultaneously in the managerial decision-making process. Without a

sense of responsibility among managers with regard to the social responsibility of business, CSR remains a concept where ‘social responsibility’ is seen as a side constraint of strategic business considerations and the profit-maximisation for the benefit of some shareholders. What we need, therefore, is a reconsideration of the managers’ role as a steward of entrusted assets who has to act not only in the interest of the company’s shareholders, but also in the interest of the society as a whole. Although, there are academic discussions about replacing the idea of managers as agents of the company’s shareholders by a conception of managers as stewards (e.g. Ghoshal 2005; Donaldson 2002, 2008) this has not yet influenced corporations’ actual behaviour. This might be due to the fact that these insights have not yet changed managerial education at business schools. Therefore, especially in business schools the dominant paradigm of CSR as a strategic factor of economic success has to be replaced by a serious discussion about managerial responsibilities and a congruent managerial ethos to prepare an effective generation change in the business world.

In summary, our suggestions for reshaping the recent CSR debate call for stressing the role of ‘responsibility’ in ‘corporate social responsibility’ again. If, however, the instrumental perspective on CSR prevails in the future, the concept of CSR cannot substantially broach the issue of corporations’ role in and for society and thus cannot be called a discussion about corporate *social responsibilities* anymore. In this case, it would be best to disband the CSR debate as a practical and profit-oriented strategic concept—maybe even by visibly relabelling it as *Corporate Social Strategy*—and reviving the discipline of business ethics instead. Otherwise, the symbolic adoption and implementation of CSR is too easily conducted and thus the institution of CSR cannot be the one legitimising business’ ‘license to operate’.

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Chapter 4

Corporate Social Responsibility, Management and Solution to Unethical Environments in Sports



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Abstract This research seeks to ascertain the extent to which the innovative and competitive capacities of knowledge intensive business services (KIBS) companies are influenced by the service type (technological vs professional) and their respective location (rural vs urban) in times of crisis. Through recourse to structural equation models, the results demonstrate that innovative capacities are strong.

Keywords Management · Residents · Uruguay · Tourism · Sports · Tourist destination

4.1 Introduction

In recent years, the problem of corporate responsibility beyond legal obligations towards society has also been transferred to the sports sector. The speech by Milton Friedman, published in 1970 in the *New York Times*, in which he argues that the only

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social responsibility of companies is to maximize their shareholders' benefits (Friedman 1970) does not seem to convince a society which is increasingly more aware of social and environmental problems.

Involvement of both multilateral organizations such as the United Nations or the OECD, as well as NGOs, is proof of this, by defending and promoting the implementation of corporate social responsibility (CSR) policies in companies, especially in those sectors that have historically had unethical behaviour. After the latest scandals of corruption and lack of transparency that large international sports institutions such as IOC or FIFA have been accused of, as well as increasing violence in certain sports disciplines, both by sportspeople and spectators, doping in top-level sports, rigged competitions, among other problems, there is a need for reminding again about the positive values conveyed by sports, and which the Olympic movement has promoted since the restoration of the modern Olympic Games.

In this sense, as can be seen in the case of other activity sectors, the implementation of a CSR policy could be seen as a solution to avoid unethical behaviour within sports organizations, as it would provide a framework of ethical standards. This chapter aims at contextualizing the reader in the general concept of CSR and its evolution in recent years, as well as its introduction within the sports sector and then to address the issue of unethical behaviour in sports in recent years, concluding with a reflection and recommendations on the adequacy of CSR as a solution to unethical environments in sports.

4.2 The Evolution of the Concept of Corporate Social Responsibility

CSR is a concept that in recent years seems to be in fashion, especially within corporate language. However, what it means for an organization to be socially responsible is sometimes unknown. This lack of knowledge generally leads to a reduced interpretation of the social responsibility scope, which includes mainly three major dimensions: social, environmental and economic. These three large dimensions are also known as the triple bottom line or the 3Ps 'people, planet and profits' (Elkington 2004).

Reduced CSR implementation, and not in line with all areas of the organization, runs the risk of conflict between what is said and what is actually done. An example of this would be when a company has a sponsorship program with entities that promote training and employment integration of disabled people and then, in its human resource policy, it does not include a work placement program for this group within the same company. Sometimes, this reduced implementation of the CSR scope is done out of ignorance, and other times, intentionally. In this latter case, organizations would try to sell themselves to the public opinion as socially responsible, when in fact they are not, or at least not entirely, given that there is an inconsistency in their way of implementing CSR, as it does not apply to all areas of the

organization, which is what is called CSR-washing or greenwashing (Pope and Wæraas 2016).

The CSR concept emerged in the middle of the last century with the expansion of large multinationals with a focus on their behaviour. Bowen, in his book titled *Social Responsibilities of the Businessman*, introduces the concept of social responsibility in academic research for the first time and defines it as ‘... it refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society’ (Bowen 1953, p. 6). Bowen argues that social responsibility is not a panacea, but it contains an important truth that should guide the way of doing business in the future. For Carroll, another outstanding academic in CSR, Bowen’s study has represented a seminal work for further research, and for that reason, he argues that Bowen should be considered the ‘Father of Corporate Social Responsibility’ (Carroll 1999).

In the late 1960s and early 1970s, the concept of CSR was generalized with the emergence of the concept of stakeholders, which refers to those groups that have an impact on the organization and vice versa. One of the most important studies in the development of the stakeholder theory is that by R. Edward Freeman (1984) *Strategic Management: A Stakeholder Approach*. The concept of CSR would be linked to the stakeholder theory, since a company should be accountable not only to its shareholders but also to the rest of organizations and people affected by its activity, ultimately to society. One of the most representative authors, who has worked in this line is Archie B. Carroll. According to Carroll, stakeholder management is a process by which the managers of an organization would reconcile their own objectives with the requests and expectations of the different stakeholders. Therefore, the main challenge for an organization is to achieve its objectives, while satisfying stakeholders’ expectations, that is, what would be called a win-win situation, both for the company and society (Carroll 1991). Carroll proposes a definition based on four categories of responsibilities to be assumed by companies: economic (the basic responsibility of obtaining benefits and at the same time, being viable), legal (the duty to obey the law), ethical (responsibility to act in a consistent manner with society) and discretionary (activities that go beyond the expectations of society) (Carroll 1979, 2016).

There are several definitions attributed to the CSR concept (also called corporate social responsibility or linked to the concept of Sustainable Development), both by academic authors and by organizations, multilateral agencies or non-profit organizations. Although there is no general definition for CSR (Behringer and Szegedi 2016; Sheehy 2014), most of them include the three main dimensions: social, environmental and economic.

The European Commission defines being socially responsible ‘not only fulfilling legal expectations but also going beyond compliance and investing ‘more’ into human capital, the environment and the relations with stakeholders’ (European Commission 2001, p. 6). Therefore, this definition would require organizations, especially companies, to take a step beyond their legal obligations and have responsibility regarding their impact on society and the environment. The European Commission also talks about the existence of two dimensions in the application of CSR, an internal and

external one. While the internal one would mainly be made up of the organization's workers, the external one would include the rest of the stakeholders: business partners and suppliers, customers, public authorities and NGOs representing local communities, as well as the environment. The United Nations also provides a more general definition when it states that 'CSR can be defined as the overall contribution of business to sustainable development' (United Nations 2007, p. 1).

CSR is aligned with various international documents promulgated by multilateral organizations. On the one hand, there are Sustainable Development Goals (SDG), which represent a universal call from the United Nations for the adoption of measures to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The 17 objectives are included in the 2030 Agenda for Sustainable Development, in which sports is cited as an effective and flexible tool to promote peace and development:

Sport is also an important enabler of sustainable development. We recognize the growing contribution of sport to the realization of development and peace in its promotion of tolerance and respect and the contributions it makes to the empowerment of women and of young people, individuals and communities as well as to health, education and social inclusion objectives. (United Nations 2015, p. 10)

SDG are aimed at all types of organizations, but focus especially on getting commitment from countries. For companies, from the United Nations, there is the Global Compact initiative (United Nations n.d.), which in turn integrates SDG. It is an initiative that promotes the implementation of 10 universally accepted principles to promote sustainable development in the areas of human rights and business, labour standards, the environment and the fight against corruption in the activities and business strategy of companies. Currently, it has more than 12,500 member entities in over 160 countries, being the largest corporate social responsibility initiative in the world.

The Organization for Economic Cooperation and Development (OECD) promotes far-reaching recommendations for socially responsible corporate conduct that are included in the OECD Guidelines for Multinational Enterprises document (OECD 2011). These guidelines are the closest thing to a comprehensive code of conduct for companies. It is a key reference point of international standards. Although the guidelines are not binding on companies, the governments of the participating countries are committed to promoting them and making them influential among the companies that operate in or from their territories. At European level, in the year 2000, the Lisbon Summit establishes the objective of converting Europe into a competitive economy, capable of achieving sustainable economic growth with greater social cohesion. In order to fulfil this objective, it is agreed to establish a process of dialogue between all interested parties and the so-called Green Paper is published in July 2001 (European Commission 2001), which reflects the European government policy guidelines on CSR.

One of the consequences of the CSR boom of recent years has been the creation of standardization and certification processes in CSR. While standardization consists of the application of a set of technical and methodological criteria that an organization establishes, certification is the accreditation that an organization can

acquire from an independent body, thus verifying the correct implementation of the norm or standard. There are many international standards and certifications linked indirectly to CSR, for example, the ISO 9000 family of quality management systems standard or the ISO 14000, which is a family of environmental management standards. Although neither of them cover the full scope of CSR, they do align with some of its dimensions. Regulations and certifications have been created at a specific level for CSR. On the one hand, there is the ISO 26000 Guidance on social responsibility, an international standard providing guidelines for social responsibility. Unlike the rest of ISO standards, it is not certifiable, nor does it establish requirements to develop a management system. On the other hand, the international network of partner certification bodies IQNet developed the SR10 aimed at integrating social responsibility management into organizations' business strategy and to communicate the achievements obtained through certification.

The certifying organizations of each country have also created their own standards, as in the case of the Spanish AENOR and its standard UNE 165010: 2009 EX Ethics. Management System of Corporate Social Responsibility. Finally, there are CSR reports that constitute a fundamental tool for organizations to communicate to society in general, and more specifically to their stakeholders, clear and standardized information on their business activities from the dimensions covered by CSR (human rights, human resources, transparency, suppliers, materials etc.). In this sense, the main organization involved in the standardization process of sustainability reports is the Global Reporting Initiative, an independent international organization that has pioneered sustainability reporting through its global standards.

In short, it can be seen how the CSR concept has gained momentum in recent years, despite the fact that its origin dates back to the middle of the last century. There is no agreed definition for the concept of CSR, neither from an academic nor a professional point of view, but it is true that most of them include the social, environmental and economic area, as well as highlighting the importance of stakeholder participation. The fact that CSR is 'in fashion', and increasingly demanded by society, has led to many organizations implementing it, but without giving it the importance it deserves at the core of the organization.

4.3 Corporate Social Responsibility in Sport

The status of the sports consumer product has a positive and a 'wicked' part (Heinemann 1994). On the positive side, its contribution to the economic sector and the generation of employment cannot be argued, as well as its positive impact on people's health, in addition to conveying positive values and its great potential as an educational tool. Regarding the negative aspects, the commercialization of sport, and some of its organizational structures, has led to the adoption of behaviours that contradict the values that have always been attributed to sport, such as fair play, commitment, teamwork, obedience, among others. As pointed out by Levermore (2010), sport has a series of intrinsic values among which are the physical, social

and economic ones. As sport becomes an increasingly prominent economic and social institution worldwide, it is important to understand its potential, as well as its possible limitations as a tool to build a better society.

When it comes to CSR, there is really no difference between sports organizations and companies. They are both members of the community and subject to society's expectations and they can both generate social benefits. However, with regard to the platforms to implement CSR, it is true that sport has a greater potential than other sectors of activity due to its ability to influence society. In this sense, Smith & Westerbeek (2007, pp. 8–10) cite seven unique characteristics of sport for the implementation of CSR:

1. *Mass media distribution and communication power. Sport CSR is pervasive and holds significant distributive power.*
2. *Youth appeal. Sport has an inherent appeal to young people, from both a participative and spectator viewpoint.*
3. *Positive health impacts. By its very nature, sport offers an ideal platform to encourage activity and health awareness.*
4. *Social interaction. Although perhaps overstated and with notable exceptions, sporting rivalry can be a force for stability, democracy and peace.*
5. *Sustainability awareness. Sport CSR programmes have the opportunity to commit resources to, and stimulate a high profile for, a zero net environmental impact, especially in mega-sport events.*
6. *Cultural understanding and integration. Sport can spread understanding and tolerance through the introduction of new cultural values in fun and interactive ways.*
7. *Immediate gratification benefits. Participating in sport programs can bring both participants and organisers fun and satisfaction.*

Sports organizations are also affected and affect specific stakeholders of the sports world such as players, athletes, agencies, spectators, fans, sport clubs, rivals, public commercial partners, media, broadcasters, professional leagues, sport bodies (e.g. IOC, international or national federations), sport equipment industry, among many others (Filizöz and Fişne 2011). Therefore, in the planning and implementation of CSR policies within sports organizations, the unique specificities of the sports sector must be taken into account, both in its great potential and in its contextual framework. We must bear in mind that sports organizations are already implicitly intertwined in society, a feature that helps integration and that companies are generally lacking (Smith and Westerbeek 2007).

The first references of academic articles that discuss CSR within sport appear at the beginning of the twenty-first century, as can be observed more than half a century later in the business world. This lack of attention given to CSR in the area of sport is due partly to the widespread belief that sport is a hobby, and that by definition, it is exclusively attributed positive effects on society. Although this attribution may be true for basic sport, it does not come close to the reality of the industry created around professional sports and entertainment (Breitbarth and Harris 2008). Most of the written literature on sport and CSR shows a narrow view of the actual

scope that is expected of CSR. Basically, it focuses on the altruistic and philanthropic actions that organizations carry out towards the community and that go beyond their conventional activity and what is required by law, as would be the case of sports sponsorship. Instead, they forget about the implementation of CSR within the core of the organization, so that it achieves its objectives under ethical standards (Chelladurai 2016). Some of the criticisms towards the implementation of altruistic projects in isolation to the strategy of the organization are that they often respond to the whims of the organization's leadership by calling them 'pet' and short-term projects (Levermore and Moore 2015).

Most of the literature focuses on marketing and sponsorship and on the importance of creating a socially responsible image for its stakeholders (Batty et al. 2016; Plewa 2011; Plewa et al. 2016), especially those external to the organization (Lin-Hi 2010). In sports sponsorship, companies usually choose each and every one of the circumstances that will surround sponsorship whimsically (Solano 2013). The experts in sponsorship are in charge of carrying out an inventory of sponsable assets and selling them to the sponsors, who in turn make their calculations regarding the return of the investment made in sponsorship, either in a tangible (increase in sales items) or intangible (brand reputation) way.

The existing literature also deals with CSR in sporting events from the marketing point of view of (Alonso-Dos-Santos et al. 2017; Ibrahim and Almarshed 2014; Kulczycki and Koenigstorfer 2016; Miragaia et al. 2017; Walker et al. 2010), impact and legacy (Babiak and Wolfe 2006; Carey et al. 2011; Kim 2013) and environmental practices (Babiak and Trendafilova 2011). Finally, some papers already warn of the lack of academic literature on the real applicability of CSR in sport and instruments that allow to evaluate its real impact (Filizöz and Fişne 2011; Levermore 2010; Smith and Westerbeek 2007).

Despite the lack of empirical research on the implementation of CSR in sport, it is true that many sports organizations have already included CSR, or at least that is what they advertise on their websites, especially large organizations and professional sports (Ratten and Babiak 2010). The International Olympic Committee (IOC) has a page dedicated to sustainability on its website, where it shows its sustainability strategy, case studies on sustainability within the organization, as well as different news related to the actions they carry out (IOC n.d.). The Fédération Internationale de Football Association (FIFA) also includes a section within its website dedicated to sustainability (FIFA n.d.), in which it shows a set of documents dedicated to sustainability and that is divided into three major areas: FIFA World Cup™, Environmental Protection and Diversity and Anti-DiCSRimination. These are reports, guides and policies that are implemented in terms of sustainability.

The National Basketball Association (NBA) has a section called NBA Cares (NBA n.d.), which defines 'the league's global social responsibility program that builds on the NBA's mission of addressing important social issues'. It is basically about social programs that act on the community. Euroleague Basketball has a similar program called One Team, Euroleague Basketball's Corporate Social Responsibility (CSR) program (Euroleague Basketball n.d.), which also develops programs aimed at the community through the integration of the clubs that make up

the league. Regarding athletics, the International Association of Athletics Federations (IAAF) has two sections within its website that could be linked to CSR. The first one, Sustainable Development, is about its IAAF Green Project, which consists of an initiative aimed at fighting environmental problems. The second one is the International Athletics Foundation, a foundation which sponsors projects linked to athletics and it does training activities (IAAF [n.d.](#)).

At football club level, in 2012, FIFA published the FIFA Code of Ethics, a document that has served as a framework for many football clubs to develop their own code of ethics. Although there were football clubs that already had an ethical code, this is the case of FC Barcelona, which dates back to 2010. In addition, the Royal Spanish Football Federation has also developed and approved its own Code of Ethics, since 2015, which promotes respect for fair play. Most professional football clubs also have foundations through which they organize their social programs, both locally and internationally. Within these programs, the football area is the one that is mainly promoted, for example, by opening soccer schools in developing countries. However, programs that are not linked to football are also launched in collaboration with different organizations. To conclude, note that many professional sports people also have foundations (e.g. Leo Messi Foundation, Rafa Nadal Foundation, Tim Duncan Foundation) and participate as ambassadors for different NGOs such as David Beckham as Unicef Goodwill Ambassador since 2005.

While it has been observed that sports organizations have launched several initiatives within the CSR scope, the lack of a long-term CSR strategy that includes all areas of the organization, as well as all stakeholders, can also be perceived. In most cases, these are altruistic actions that take place outside the organization itself and therefore respond to that reduced view of CSR and can be seen as actions linked to cause marketing, a form that mixes both philanthropy with marketing to improve the brand image and reputation of the organization (Smith and Westerbeek [2007](#); Wymer and Sargeant [2006](#)).

A lack of reporting CSR actions that are carried out through reports made available to the public is also perceived. The actions carried out are communicated, but there are no accounts regarding their impact, as laid down in the standardized CSR reports such as that of the Global Reporting Initiative (GRI). In this sense, an example of good practice in CSR reporting by the sports organization was the publication of the London [2012](#) Post Games Sustainability Report GRI Index (London [2012](#) Post Games Sustainability Report GRI Index, 2012) by the Commission for a Sustainable London [2012](#). The Commission was an independent body created to monitor and assure the sustainability of the London [2012](#). When London bid to host the 2012 Olympic and Paralympic Games, it promised to have independent monitoring of the sustainability of the program. To fulfil this promise, the Commission was set up in 2007. The report was prepared by the Commission under the GRI standards through a special supplement, The GRI Event Organisers Sector Supplement (EOSS), of which the IOC and representatives of London [2012](#) participated in its design.

4.4 CSR as a Solution to Unethical Environments in Sports

Commodification of sport is definitely one of the main causes that has led to unethical behaviour in the sports sector, especially in professional sport and entertainment. The following paragraph, which criticizes the consumerist orientation which sport has achieved is a clear example of the transformation that sport has undergone:

The corporations need to reach millions of customers, they demand big television viewing figures; crowds require record-breaking heroes; the human race evolves too slowly to break records with sufficient frequency ... Here are the dope doctors at hand – with a cure. Sportsmen don't need doping. Sponsors do. And so to football ... the beautiful game. And it is, isn't it? When you watch world-class football, and you see the perfect header meet the perfect cross and the ball rockets into the goal. Isn't that beautiful? When you see your kids out there in the garden, sweaters for goal-posts, arguing over who's going to be Ronaldo today, tearing up the lawn – don't you see beauty there? The corporations see it too. They see the beauty. And they know how to use it. (A. Jennings 2011, p. 394)

Some of the criticisms and scandals in the sports world have to do with the owners of two of the most important sporting events worldwide: The Olympic Games, whose owner is the IOC, and the World Cup owned by FIFA. These are events in which the tickets are sold out and the global television audiences are counted in billions (Atkinson et al. 2008). In turn, these events represent an important investment for the host cities, before and during the event.

Although a sporting event has a short duration, between 1 and 4 weeks, it requires years of planning and generally a large investment in sports and non-sports infrastructures. An analysis by The Associated Press shows that the cost of putting on 2016 Rio de Janeiro Olympics was \$ 13.1 billion, paid for with a mix of public and private money (AP 2017), which is a figure close to the organization of the Brazil World Cup 2014 that reached \$ 13.1 billion (AP 2015). When countries are nominated as candidates to organize these mega-events, they are aware of the investment required and focus on the supposed benefit they will obtain in the long term due to the economic and social impact of the event in their territory, as well as the legacy.

There is a vast literature on the impact of major sporting events on the host countries and cities and in some cases, the return on investment is questioned (W. Jennings 2013; Toohey 2008), especially when events fall into large cost overruns (Flyvbjerg et al. 2016), which have sometimes been linked to corrupt practices because of their ability to collect bribes, biasing governance towards large, high-cost construction projects (Tanzani and Davoodi 1998).

Currently, there is a great rivalry between countries to host major sporting events. Countries bidding to host global events like the Olympics or FIFA World Cup are usually elected 7 or 8 years before the event itself takes place. Lobbying is often intense, and in the past, there were allegations of corruption influencing votes. One of the most controversial elections has been that of Qatar as host of the 2022 FIFA World Cup. Apart from accusations of bribery to FIFA members, Qatar 2022 also faces pressure from organizations such as the International Trade Union Confederation (ITUC), Human Rights Watch and others for the alleged treatment of migrant workers during the construction of stadiums (Dorsey 2014; Institute for Human Rights and Business 2014). In 2017, Human Rights Watch demanded the

Qatari government to release data on migrant workers related to World Cup infrastructure construction deaths for the past 5 years and causes of death. Likewise, it also demands FIFA to insist that Qatar should carry out investigations into workers' deaths and make comprehensive data publicly available, as well as insisting that Qatar puts in place reforms to protect workers (Human Rights Watch 2017).

Another criticism is that its choice as headquarters is against the principle of sustainability, since in a country with 2.5 million inhabitants between 8 and 12 football stadiums will be built, in addition to the necessary infrastructure to accommodate all the spectators. The fact of organizing the World Cup in a country that exceeds temperatures of 45 °C in summer has also been strongly criticized, because the initial solution provided was cooling the stadiums with the energy cost involved. However, it seems that now moving the dates of the event to November and December is being considered, which is a proposal that has been strongly criticized for disrupting the calendar of European football clubs (Desk 2015). The suspicion of corruption within FIFA, both in the award of the World Cup to Russia in 2018 and to Qatar in 2022, ended in 2015 with the arrest of senior management accused of racketeering, wirefraud and money laundering (Boudreaux et al. 2016).

According to Boudreaux et al. (2016), some of the reasons for organizations such as FIFA or the IOC for being corrupt have to do with the design and functioning of their organizational structure. On the one hand, the lack of accountability, as there seems to be no clear mechanism by which the president and his executive committee should be held accountable. In addition, when dealing with international organizations, they do not respond directly to any country. On the other hand, national committees or federations do have an obligation to respond to them. On the other hand, the lack of regulation and enforcement due to the negligence of governments, as they would have more to lose than to win. The authors give examples of Switzerland, the country in which the FIFA headquarters is located and therefore would be responsible for monitoring the organization's actions. However, to do so, Switzerland would have more to lose than to win, as FIFA could penalize their football teams in the future.

Doping together with betting-related match-fixing are other unethical behaviours that concern the sports world. In relation to doping, the recent case of the Russian doping scheme stands out. Two investigations commissioned by the World Anti-Doping Agency found a system of doping in Russia. One investigation found the covering up of positive tests from 2011 to 2015, a period that included swapping urine samples at the Sochi Olympics (Axon 2018; BBC 2017). Supposedly they are not isolated cases of doping, but a system in which the structures of the State and sports federations would be involved.

Another threat to the very basis of sport, and linked to cheating, is match-fixing because it artificially removes the fundamental property of sports competition: the uncertainty of process and outcome (Jackson et al. 2018). Its consequences are very serious for the sports industry, as they can result in the collapse of an entire sports competition, as well as all of its related partners and industries (Chappelet 2015). According to Tak (2017), the root of the problem of match-fixing is not in a problem of individual morality by sportspeople, although it is easier to blame them than to large institutions, but rather in the interests and the deeply entrenched ethic of integrity around sports betting of the stakeholders.

After this introduction to the main unethical behaviour that is taking place in the sports world and that mainly affects the large sport-related bodies, the risks of unethical behaviour in which organizations can fall are summarized below. These are presented from two perspectives, the risks that can occur from the organization itself and the risks that third parties would incur due to lack of monitoring by sports organizations (Table 4.1).

With these risks faced by the sports world, the implementation of a CSR policy by sports organizations can be a valid solution to the unethical behaviour mentioned, given that it provides a framework based on ethics and morals. Moreover, doing good for the sports sector, as well as for the sports organizations.

The following are some recommendations to ensure an effective implementation of CSR in sports organizations.

- *Designing a long-term CSR strategy in line with the organization's strategy.* The CSR policies to be implemented must be written in a formal document with a long-term vision. In addition, the policies have to be aligned with the general strategy of the organization, as well as having involved the stakeholders in the drafting process.
- *Alignment with international initiatives.* When designing CSR policies, taking into account international initiatives such as the United Nations Sustainable Development Goals, the OECD Guidelines for Multinational Enterprises, among others.
- *The management of the organization must be the CSR sponsor.* For CSR policies to be truly effective, the highest decision-making body must believe in CSR and

Table 4.1 Risks of unethical behaviour in sport

From the sports organization	By third parties due to lack of monitoring by the sports organization
Acceptance of bribes for awarding venues for sporting events	Purchase of votes in the bidding processes of countries/cities for the organization of sporting events.
Match-fixing	Match-fixing
Creation of a system for doping sportspeople	Diversion of money through additional costs in the construction of sports infrastructures
Violation of the human rights of sportspeople	Doping of sportspeople
Sponsorship agreements with companies that go against the regulations of the organization and/or its principles and values	Violation of the human rights of its inhabitants by the governments of host cities/countries
Selling of broadcasting rights to broadcasters that control	Negative impact on the environment
Focusing resources exclusively on what 'sells', forgetting the promotion of sport among all groups (basic sport, women's sports, special groups)	Greenwashing practices through the sponsorship of sports organizations, events, clubs or sportspeople.
Falta de transparencia	
Lack of transparency	
Abuso de poder por parte de los máximos órganos del deporte	
Abuse of power by the highest sports bodies	
Greenwashing	

Source: Own elaboration

be convinced of its application. Otherwise, all the actions designed run the risk of ending up as a useless piece of paper.

- *Cross-sectional application of CSR.* It is not worth creating a CSR department within the organization if it does not have a cross-sectional vision that affects all areas. It has been observed that many football clubs have foundations through which they organize their philanthropic actions outside the organization, but who is responsible for ensuring that the CSR principles are met within the organization?
- *Creating a reporting system.* It is necessary to create a CSR reporting system in accordance with the needs of sports organizations. In addition to reporting, organizations should submit their reports to external audits to verify that the data presented is real.
- *Making the CSR strategy and its results public.* Sports organizations must make their CSR strategies and the results obtained in their sustainability reports public through their websites and in an act of transparency.

To conclude, as it has been observed, CSR planning and implementation within sports organizations would be seen as a valid solution to solve unethical behaviour that has taken place in some sports organizations in recent years. However, the implementation of CSR policies must come from those held most responsible of sports organizations, they must really believe in it and must make all the areas of the organization believe in it. It does not work with deploying a small scope that only affects one or several areas of the organization, because it runs the risk of entering into inconsistencies, as well as falling into a simple marketing campaign and PR that will be branded as greenwashing (Levermore and Moore 2015).

On the other hand, we must be aware of the initial shortage that CSR suffers from the fact of its voluntariness. That is, its application is left to the discretion of sports organizations, which can only be punished for their non-compliance with a vague social sanction (Solano 2013). For this reason, given the current non-existence of legal obligations with respect to CSRs, it is important for both the public administration and the sports control bodies to design strategies that ensure compliance with CSR by sports organizations.

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Chapter 5

Corporate Social Responsibility. State of the Question in Ecuador



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Abstract The purpose of this chapter is to examine the background, regulations, main practices and initiatives, as well as the pending issues regarding corporate social responsibility (CSR) in Ecuador. The methodology used focuses on carrying out a search and presentation of the most relevant facts and background that gave rise to the adoption of strategies and programmes by Ecuadorian companies in terms of social responsibility. In addition, it examines the international influence on the social, labour, and environmental responsibilities that the Ecuadorian business sector must fulfil. Among the main findings, it can be mentioned that the concern for the issue of corporate social responsibility in Ecuador is shared by a series of agents, international organizations, several public sector organizations, civil society associations, business associations, and universities. Although this interest is shared in a general way, by making a more detailed analysis, it can be seen that the initiatives only come from the State, with little promotion by the Decentralized Autonomous Governments (GADs) towards this issue. However, the initiative of the Municipality of Quito is worth mentioning, which is one of the 24 GADs in the territory that carries out actions aimed at motivating companies in the area to launch CSR actions. On the other hand, it is observed that in Ecuador, the subsidiaries of transnational companies are established as pioneers in social responsibility practices and processes, thus demonstrating the international influence on the local business environment. It is also noteworthy that most of the companies that make up important economic groups in the country perform or collaborate with corporate social respon-

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sibility practices. Finally, it is observed that business initiatives in this area respond to palliative and/or short-term issues of incentives, promotion, and social marketing.

Keywords Corporate social responsibility · Corporate social performance · Stakeholder theory · Theory of business ethics · Triple bottom line · Ecuador

5.1 Introduction

The conceptualization and study of corporate social responsibility (CSR) is recent. Although in its origins, it was related or close to the different “Management Theories” as stated by Milian (2015), its individual interest as an area of study began between 1950 and 1960 in the United States. According to Vázquez-Carrasco and López-Pérez (2013), its origin is in the first definition given by Bowen (1953) in his work entitled “Social Responsibilities of the Businessmen”, which placed the responsibility that the business sector had with society on the Business Table.

Until then, large corporations focused their progress on increasing the production levels and improving services, leaving aside the impact that their presence had on the life of the society in which they had set up their business (Kolb 2007). Following this line, the so-called father of CSR, Howard R. Bowen encourages companies to focus to a certain extent on returning to society part of what they have been provided with in the space in which they are located; a statement that gives way to debate within society, the business, and the academic world (García 2016).

The different debates that arose led to promoting the study of the effects generated by companies. Thus, after a long period of analysis, almost half a century ago, CSR began with the introduction of a series of regulations, laws, and policies within the different States, whereby its presence was consolidated. In this way, CSR arises as a particular obligation of companies, ceasing to be perceived as a mere fashion trend (García 2016).

Currently, there is extensive literature on CSR that is addressed from large companies and global economic powers. However, the CSR of small and medium-sized enterprises, as well as those of developing countries, has hardly been analysed. Taking into account this reality, the aim of this research is to examine the background, regulations, main practices and initiatives, as well as pending issues on corporate social responsibility within Ecuador. In this sense, Ecuador is characterized as a developing country, which has opted for a change within its productive matrix and that despite this, has an emerging industry with a business predominance of small and medium-sized enterprises of which the Study of CSR has not been addressed.

This chapter is structured in five sections. After a brief introduction in which the first ideas of the study are introduced, the second section presents a review of the literature in relation to the CSR concept. Next, the methodology used is presented and in the fourth section, the state of the question of CSR in Ecuador is raised at different levels. Finally, the conclusions of the investigation are discussed in the last section.

5.2 Literature Review

The concept of CSR has evolved since its emergence. It began in the 1950s with a positivist vision, on which it is established that business activity generates impacts within society. This responsibility extends to executives, who must deal with all those realities that go “beyond” accountability (Bowen 1953; Milian 2015).

After this definition, in the 1960s, a considerable increase in researchers’ interest in conceptualizing this new area of study is observed. It begins with Davis (1960), who states that CSR is a set of decisions and actions that entrepreneurs take with a vision “beyond” the interest or direct benefit of companies, and that if they are accounted for can generate benefits in the long term, as well as returning to the company as a socially responsible perspective.

As for Frederick (1960), he promotes a public position for social responsibility, where it is proclaimed that the economic and human resources of society should be used with a social will of general benefit and not only be related to the interests of a limited group of people or private companies. On the other hand, the first outline of “business ethics and corporate citizenship” is also mentioned and incorporated through the contributions of McGuire (1963). This author states that companies do not only have economic or legal obligations, these obligations are broader. Although they are not clearly defined by this author and at that time, it is observed that they are aimed at integrating the welfare of the community and employees, that is to say, of society in general, but in a fair way.

An important milestone for this decade is the identification of the interest groups that surround the company, which are given the name of “stakeholders”; term used by the Stanford Research Institute in 1963 (Sabogal 2008). Although this denomination arose during this period, it was not until the 1980s, when Freeman (1984) popularized it through his stakeholder theory, allowing its use in the formulation of numerous models (Milian 2015).

In the 1970s, philanthropy was positioned as the most frequent CSR action. Subsequently, it was observed that this was insufficient to alleviate the social unrest arising from the social movements of that moment (Milian 2015). During this period, stakeholders are more clearly identified (Carroll 1999) and it is considered that the company is not only responsible for generating profits for its owners or shareholders, but its responsibility is also to ensure the interests of its employees and families, suppliers, community and the country in general (Johnson 1971). All this shows that CSR shows a multiplicity of interests that are not being addressed by companies.

On the other hand, the Committee for Economic Development (CED), an organization made up of entrepreneurs and academics, promotes a change in the CSR perspective (Carroll 1999). This Committee (CED 1971) declares that commercial functions with public consent have the basic purpose of serving and contributing to satisfying society’s needs. Thus, companies must expand their purpose, from entities focused on the production of goods and services to carrying out actions that favour and improve their stakeholders’ quality of life. Insofar as companies broaden their purposes, serving society, their permanence in the market will be determined

by the management they have with their stakeholders. In addition, the CED with the conceptual theory of the three concentric circles clarifies the coverage of the objectives set by companies and their relationship with society (Carroll 1999). This model is the basis of the model developed later by Carroll (1979), where the third circle of the CED is made up of all the discretionary activities proposed by Carroll, so these parts focus on the identification of forms of external assistance that include society in general (Carroll 1999).

Everything stated so far is ratified by Steiner (1971), who affirmed that the role of the company cannot be denied as a business and that it should continue to be so, but that it must also be aware that it has a leading role in achieving the basic objectives of society, a fact that attributes it social responsibilities with society. Thus, it is observed that the goal is no longer in the individual interest, which is left aside, but long-term collective results are now predominant (Kolb 2007; Steiner 1971).

In 1972, there was a debate between Manne and Wallich about the meaning of CSR, promoted by the American Enterprise Institute. Although many and varied contributions were provided, one of them is highlighted, which questions Bowen's positivist vision (1953); the actions must be voluntary. However, currently in practice, it is most certainly difficult to distinguish CSR actions developed with the purpose of complying with a norm or a social standard from those that have a real social volunteering intention (Manne and Wallich 1987) because social responsibility does not always mean the same for everyone (Votaw and Sethi 1973). Davis (1973) changes direction in his definition and contributes further by going deeper into the obligation of the business sector to take decisions that achieve not only social benefits, but also integrate the achievement of economic benefits for companies.

Until then, CSR had been defined as the application of good neighbourliness, in other words, not generating actions that harm the neighbourhood, while working to resolve existing problems (Eells and Walton 1969). These authors were among the first to measure CSR through the introduction of organizational variables. Thus, the denomination of corporate social performance (CSP), which focuses on establishing CSR results in a measurable way (Milian 2015), begins to emerge within the literature. Sethi (1975) is the precursor of establishing that one thing is the formulation of actions and a totally different element is to measure the results obtained by those actions. As for Fitch (1976), he defines it as the responsibility of companies to solve social problems, generated totally or partially by the corporation's actions. To do so, company management must identify and define what problems have been developed, and then establish an order to solve them.

At the end of this decade, Carroll (1979) states that social responsibility is made up of economic expectations (fulfilment of its production function of selling products and services as indicated by the capitalist model, in addition to contributing to the economic viability of areas), legal expectations (obedience of its economic purpose based on compliance with the rules and regulations established by the law), ethical expectations (implementation of different types of behaviour and ethical standards that society expects business to follow) and discretionary expectations (those expectations that go "beyond" what is legal, they are the voluntary roles of

the company, which although they are not well defined or specified, they are implemented according to the choice of the corporation; despite their ambiguity, society remains hopeful that companies fulfil those expectations). All these expectations are developed within society and they are transferred to organizations at a given time (Carroll 1979, 1991, 1999).

When the 1980s arrived, a strong tendency in the development of alternative concepts, models, and theories was observed. In this sense, CSR started expanding towards issues that had not been addressed until then, one of them being environmental awareness (Strand 1983). Thus, Jones (1980) makes a great contribution on the basis established for CSR until that moment, by highlighting that it is not only a set of results that is reflected in certain measures, but it is also a process. In 1981, the definition established by Carroll (1979) is confirmed as appropriate and used as the basis for the formulation of a model of hierarchies of needs developed by Tuzzolino and Armandi (1981), which sought to facilitate the operationalization of CSR, and not contribute to the improvement of its definition. In the following years, Carroll further defines its four-part definition and states that when the first two parts are fulfilled (economic and legal expectations), spaces are created to discuss business ethics and establish the extent to which it develops support for society, with which the 4th part of the concept is being reconsidered from discretionary to voluntary or philanthropic expectations (Carroll 1983).

As shown in the previous decade, a growing interest arises, which in this decade gives rise to an increase in the acceptance of CSP as an umbrella theory in which CSR could be integrated (Carroll 1999), which arouses in Drucker (1986) a new approach. CSR should not only be results, but should also give rise to benefits; when working towards the solution to social problems, the “obligation” should be transformed into an economic opportunity that generates benefits, in his own words “the company must tame the dragon it faces” (Drucker 1986). As a result, the evaluation of the four-part concept of Carroll was considered, which resulted in economic responsibility not being considered as part of social responsibility, but considered as something innate by commercial companies (Aupperle et al. 1985). Thus, it is argued that a company’s social orientation can be evaluated in terms of the importance it assigns to the three non-economic parts of the concept versus the economic one (Aupperle et al. 1985; Carroll 1999). By the end of this decade, Epstein (1987) integrated the so-called “corporate social policy process” proposed in order to achieve the institutionalization of business ethics, corporate social responsibility, and corporate social response capacity within organizations.

During the following decade, the definition of CSR was established as the basis for the formulation of other concepts or subjects with the following standing out: CSP, the stakeholder theory, the theory of business ethics and corporate citizenship. Regarding the main subject of this review, it can be seen that no significant contributions were made within its definition. The most representative in the 1990s is the Wood’s model (Wood 1991), which is based on the definition of Carroll (1979) and the three-dimensional model of Wartick and Cochran (1985), where corporate social participation is based on the principles of social responsibility, the process of social receptivity and problem management policies. Although each dimension has a

distinctive direction and orientation, as a whole, they reflect the broad CSP process that integrates the extremely flexible CSR, together with its concerns (Wartick and Cochran 1985).

Wood's Model is categorized as a more useful framework or template for organizing research on the CSP theory, since it is established as a complete model that articulates the three principles of social responsibility at institutional, organizational, and individual levels, as well as integrating receptive processes and collective impacts generated. Specifically, it allows for the development of more pragmatic evaluations (Wood 1991) because it addresses elements that were not explained in depth by their predecessors, but which Wood managed to explain within a process, this being his major contribution (Carroll 1999; Wood 1991).

In addition, in this period, Carroll (1999) is able to convey how each part of the concept relies on obtaining other responsibilities, through a graphic representation of the concept (García 2016). Thus, he is convincing in his attempt to add a new meaning to the four-part definition by stating that these parts support each other, but does not raise the need to obtain each one of them in the order shown in the graph due to fulfilling all responsibilities to some extent at all times. The economic part is at the base of the pyramid and the rest of the parties (legal, ethical and philanthropic) are placed towards the top (Carroll 1991).

As mentioned by Carroll (1999), as the new millennium passes, progress in defining this concept will show adequate changes as empirical research increases. In fact, the first contributions of the millennium focused on the development of definitions that fall upon the same principles, such as the one shared by Davidson and Griffin (2000), where they classify CSR as a set of obligations that an organization has to promote and execute within the society in which it is integrated. Moreover, they emphasize that the level of social responsibility shown by an organization can be identified as social obstruction, social obligation, social response, and social contribution (Abreu and Badii 2007).

On the other hand, Vélez (2011) highlights that during this period, a long-term vision has been consolidated, in which CSR takes the value and importance it deserves. One of the major driving forces it received came from the European Union (EU), considered the cradle of Social Responsibility (Echaiz 2006). Although previous events promoted by the EU in relation to CSR are identified, the drafting of the Green Paper "Promoting a European framework for Corporate Social Responsibility", presented by the European Commission (2001) is highlighted as the most important. It promotes the social responsibility of "companies at European and international level, through existing experiences, fostering the development of innovative practices, increasing transparency and increasing the reliability of evaluations and validation" (Social Responsibility Portal 2017). This document is considered as the beginning for the formulation of the first government policies that deal with this field (European Commission 2001). With this, faced with an increasingly inclusive dynamics for the execution of CSR within companies at different levels, Porter and Kramer (2006) state that it is necessary to develop strategies from which CSR can be linked to each of the phases that make up the value chain more precisely, thereby encouraging its execution to be better.

Throughout this section, we have discussed the international vision from which the basis of CSR has been created, as stated by Carroll (1999). In the future, it will be adapted to new fields, stakeholders, technologies, making its final definition still be underway, so that it manages to capture the greatest concerns that arise from commercial and social relationships.

5.3 Methodology

The methodology used in this chapter is based on the development of a descriptive analysis on the state of the question of CSR in Ecuador. It is developed by reviewing the scientific literature provided by several researchers affiliated to this country that have addressed this issue; as well as by reviewing secondary sources (exploration of physical, digital documents, and websites) of the main regulatory bodies of CSR. It must be mentioned that in Ecuador, the terms corporate social responsibility (CSR), social entrepreneurial responsibility (SER), or social responsibility (SR) are used interchangeably.

5.4 Results

5.4.1 Background

In Ecuador, as in other Latin American countries, the essence of corporate responsibility existed long before the term was generalized (Silva 2000). Social responsibility has increased since the second half of the twentieth century after the experience of two world wars that leads to the development of new social movements and emphasizes the implementation of social reconstruction processes. Despite this, the concept and good practices of this subject have not been consolidated and seem to be in their early stages (Lima and Lopez 2012). In addition to this, there is great confusion about the CSR concept. All kinds of terms are used and mixed interchangeably: Business Social Investment, triple bottom line, corporate citizenship, corporate quality and philanthropy, social action, and green marketing among others.

In the case of Ecuador, the first companies to incorporate CSR comprehensively were multinationals, a particular segment of export companies, large private extractive companies and national companies, that due to their nature generate higher expectations among their stakeholders (Villacís Laínez et al. 2016); while small and medium-sized enterprises have adopted or initiated good social responsibility practices recently.

In effect, for more than eight decades, since the mid-1920s, international corporations have extracted oil from Ecuadorian subsoil, a lack of instruments and laws that regulate the environmental impact and in the communities produced the

exploitation of this product in the Ecuadorian Amazon by not following good CSR practices. This issue was somewhat corrected with the promulgation of the Environmental Law in 1999. A similar situation occurs in mining, especially in the south of the country where transnational companies and informal mining have been operating for many years, beginning in 1942, without environmental responsibility.

A turning point on social responsibility (SR) were the changes in the Ecuadorian legislation from the year 2007, which consider demands and incentives to companies; as well as public policies whose aim is for the increase in production and economic growth to have synergy with environmental development.

The few and limited studies and official statistics on companies and their SR in Ecuador make it difficult to establish and monitor the development and behaviour of these activities. The following studies serve as reference: (a) Torresano (2012) conducted 743 surveys of companies in the country, where it was concluded that in Ecuador, especially since 2007, about half of the companies have introduced issues related to SR, 51–80% have done it in the last decade, and 57% only in the last 5 years. However, 49% are companies that have not implemented SR strategies yet; (b) the consulting firm Deloitte conducted a survey based on a sample of 91 organizations since 2015. According to Deloitte (2016), 53% of the companies surveyed have a SR strategy, while 34% are in process; and (c) the study carried out by Molina et al. (2017) with the objective of evaluating how the dissemination of socially responsible practices by large and medium-sized enterprises in Ecuador affects the company's corporate image and financial performance. Some 52 companies participated in the study. These authors state that

companies maintain an increased application of CSR practices within the ethical, social and environmental dimensions. Their application has contributed significantly to the income performance and liquidity of organizations, while environmental activities have a positive influence on the corporate image.

5.4.2 Legal and Normative Framework

Ecuador has a comprehensive legal framework in social, environmental, and economic issues. This regulation defines companies' obligations and has promotion or support mechanisms for companies to carry out SR practices. Such is the case of the Constitution or the Organic Code of Production (Torresano 2012). In this sense, Lima and Lopez (2012) conducted a study of the Legal Framework of SR in Ecuador, noting that social responsibility is mentioned in several areas in the Political Constitution and that the current legislation is aimed at four dimensions that address several legal bodies transversally. These four dimensions are the following: (i) those that link the relationship with the environment; (ii) those that mediate between the State, society, and the company – third parties; (iii) those that regulate customers/users – external public- and the company; and (iv) those that intervene in the worker–internal public–and the company relationship.

Due to the high number of laws, regulations, rules, and codes in which the SR of Ecuadorian companies is developed, we will consider those legal bodies and articles that cover and guide every activity related to CSR in general without forgetting to point out that many of them are complementary and become multipurpose instruments depending on the nature and approach from which they are analysed.

Concerning SR of public and private companies, the different levels of governments and economic activities with “the environment and the population”, Art. 14 and 15 of the 2008 Constitution “recognizes the right of the population to live in a healthy and ecologically balanced environment, which ensures sustainability and good living, *sumak kawsay*”, and “guarantees people the right to develop economic activities, individually or collectively, in accordance with the principles of solidarity, social and environmental responsibility” (Ecuadorian Constituent Assembly 2008).

In Art. 395 of the Constitution of the Republic in section 1, it is determined “that the State will guarantee a sustainable model of development, environmentally balanced and respectful of cultural diversity, that preserves biodiversity and the capacity for the natural regeneration of ecosystems”; while in the section related to environmental management policies, it is indicated that “they will be applied transversally and will be mandatory by the State at all levels and by all natural or legal persons in the national territory” (Ecuadorian Constituent Assembly 2008).

Regarding the “direct responsibility” of companies, Art. 396 of the Constitution establishes that the State will adopt the appropriate policies and measures to avoid negative environmental impacts, when there is certainty of damage. (...) Each of the actors involved in production, distribution, marketing, and use of goods or services will assume direct responsibility for preventing any environmental impact, mitigating and repairing the damage caused, and maintaining a permanent environmental control system.

In what has to do with “fiscal policy and international trade”, in Art. 285, the objective of fiscal policy is: “The generation of incentives for investment in different sectors of the economy and for the production of socially desirable and environmentally responsible goods and services”. Whereas Article 306 lays down the state obligation to promote environmentally responsible exports, preferably those that generate more employment and added value, and in particular the exports of small and medium producers and the artisanal sector. Complementary to all this, in Art. 278, paragraph 2, it is stated that: “In order to achieve good living for individuals and communities, and their various organizational forms, they are responsible for: (...) Producing, exchanging and consuming goods and services with social and environmental responsibility” (Constitutional Assembly of Ecuador 2008).

As for “production and work”, the Constitution in Art. 66, paragraph 15 recognizes and guarantees the following: “The right to develop economic activities, individually or collectively, in accordance with the principles of solidarity, social and environmental responsibility”; while Art. 319 states that “various forms of organisation of production in the economy are recognized (...).The State will promote the forms of production that ensure good living and discourage those that infringe their rights or those of nature (...)”; and art. 320 indicates that: “(...) production, in any

of its forms, will be subject to the principles and standards of quality, sustainability, systemic productivity, job evaluation and economic and social efficiency”.

The National Plan for Good Living also includes 3 objectives directly related to the SR of companies: Objective 3: “To improve the quality of life of the population”; Objective 7: “To guarantee the rights of nature and promote territorial and global environmental sustainability”; and Goal 8: “To consolidate the social and solidary economic system in a sustainable way” (SENPLADES 2013).

5.4.3 *Main Initiatives*

The Ecuadorian state defines CSR as:

“a new form of management, with which organizations manage their operations in a sustainable way, generating value at economic, social and environmental levels, recognizing the interests and needs of different publics who they are related with, such as shareholders, employees, the community, suppliers, customers (also called stakeholders), considering the environment and future generations” (MIPRO 2010).

In this context, since 2011, the “Hace Bien, Hace Mejor” seals have been promoted, which are quality certificates granted by the State to Ecuadorian companies that comply with the minimum CSR practices and with the four business ethics promoted by the National Government: ethics with workers, with the community, with the State and with the environment. To access this certification, companies must comply with the requirements and requisites of the following agreements and standards: United Nations Global Compact, Millennium Goals, OECD, Global Reporting Initiative (GRI), ILO Declaration, ETHOS Institute, Principles of Ecuador, ISO 26000, SGE-21, ISO 9001, ISO 14000, Accountability 1000, SA 8000, OSHAS 18001.

Another instrument of public policy and business incentive is set out in the Ministerial Agreement 131 of 2010, whereby the Punto Verde Ecuadorian Environmental Recognition can be obtained. Its objective is to encourage the public and private sector to use new and better production and service practices. This initiative refers to the application of Good Environmental Practices in buildings. The evaluation is established through a comparison of indicators (of at least 2 years of execution) of activities in the thematic areas of waste management, paper management, efficient use of water, energy and fuels; training and responsible purchasing (MAE 2011).

Although the two aforementioned initiatives include financial, fiscal, and labour incentives for companies that are certified, the results are hardly significant at national level until 2015, as Viera (2016) points out. The companies that have CSR programmes represent a small number, 27 to be precise. However, although both initiatives started almost simultaneously, it is the “Punto Verde” seal that has received the most attention, with 17 private companies; while the seal “Hace Bien, Hace Mejor” has certified 13 companies (85% public and 15% private); 11% of the

certified companies have adopted the two schemes proposed by the National Government; 25% of certified companies have renewed and/or extended their commitment to social responsibility, and/or their environmental commitment.

Another initiative to be highlighted is the Metropolitan Ordinance No. 84 of 2015, of the Municipality of the Metropolitan District of Quito, which replaced Ordinance 333 of 2010, which is based on ISO 26000. Based on this Ordinance, the Municipality of the capital of Ecuador has been recognized nationally and internationally for the public management model, and public–private partnership, which is implemented focusing on social responsibility and sustainable development.

5.4.4 Social Responsibility Organizations in Ecuador

According to the Mapping of CSR Promoters in Latin America in 2012, there are 40 organizations in Ecuador that work together with companies to develop a culture of responsible management; CSR promoters are organizations within the academic sector, mass media, international organizations, public bodies, civil society organizations, business associations, and organizations engaged exclusively in CSR that seek to promote responsible business practices through lines of action such as coordination, advice, training, standardization, dissemination, financing, research, and awards and recognition (Ekos 2012) (see listing Table 5.1).

Although there are several institutions in Ecuador that adopt and participate in corporate and business responsibility processes and actions, two of them are currently playing a leading role: the Ecuadorian Consortium for Social Responsibility and the Institute of Corporate Social Responsibility of Ecuador.

The Ecuadorian Consortium for Social Responsibility (CERES) originated when in 1998 the Esquel Ecuador Foundation, a pioneer in the promotion of SR, together with other organizations in the country and the Synergos Institute of the United States took the first steps, and in 2005, this NGO was set up as a member of the Continental Network of Forum Empresa (Garbay et al. 2017).

The mission of this NGO “is to promote the concept and practices of Social Responsibility through a group of strengthened organizations and that are committed to the sustainable development of Ecuador” (CERES 2012). It is currently made up of more than 50 organizations, public and private companies, civil society organizations, and educational institutions that link sustainable development and the incorporation of CSR as part of their management model (CERES 2018). The CERES yearbook (2015) reports that 65% of the companies or organizations that are members of this NGO are considered by their size as large companies and 35% are small and medium-sized enterprises; these institutions generate altogether 64,500 direct jobs and more than 193,000 indirect jobs.

The Institute of Corporate Social Responsibility of Ecuador (IRSE) is a private, non-profit organization. Large companies and economic groups in Ecuador are among its promoters. This institute is part of the Horizontes Foundation, under the form of Legal Person, approved by Agreement No. 472, of December 29, 2005, by

Table 5.1 List of organizations

	Institutions
1	Agencia Cuencana para el Desarrollo e Integración Regional (ACUDIR)
2	Asociación Nacional de Empresas del Sector Floricultor (Expoflores)
3	Banco Interamericano de Desarrollo (BID) en Ecuador
4	Banco Mundial (BM) en Ecuador
5	Bolsa de Valores de Quito
6	Cámara de Comercio Ecuatoriano Americana (AmCham)
7	Cámara de Industrias y Comercio Ecuatoriano–Alemana (AHK)
8	CARE Ecuador
9	Comité Gestor de RSE de Cuenca y su Región
10	Comité para la Organización de la Informática (CDI)
11	Consejo Empresarial para el Desarrollo Sustentable del Ecuador (CEMDES)
12	Consortio Ecuatoriano para la Responsabilidad Social (CERES)
13	Corporación Andina de Fomento (CAF) en Ecuador
14	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) en Ecuador
15	Fondo de las Naciones Unidas para la Infancia (UNICEF) en Ecuador
16	Forest Stewardship Council (FSC) Ecuador
17	Fundación Avina Ecuador
18	Fundación Esquel
19	Fundación General Ecuatoriana
20	Gobierno de la Provincia de Pichincha
21	IDE Business School
22	Innpulsar – Incubadora de Empresas
23	Instituto de Altos Estudios Nacionales (IAEN)
24	Instituto de Responsabilidad Social Empresarial (IRSE)
25	Ministerio de Coordinación de la Producción, Empleo y Competitividad (MCPEC)
26	Ministerio de Inclusión Económica y Social (MIES)
27	Ministerio del Ambiente
28	Municipio del Distrito Metropolitano de Quito (DMQ)
29	ONU Mujeres en Ecuador
30	Organización de las Naciones Unidas para el Desarrollo Industrial (ONUDI) en Ecuador
31	Organización de los Estados Americanos (OEA) en Ecuador
32	Plataforma de Responsabilidad Social (PRS)
33	Programa de las Naciones Unidas para el Desarrollo (PNUD) en Ecuador
34	Red del Pacto Global de Ecuador

(continued)

Table 5.1 (continued)

	Institutions
35	Red Ecuatoriana de Ciudades y Comunidades Justas, Democráticas y Sustentables
36	Revista EKOS NEGOCIOS
37	Techo Ecuador
38	The Nature Conservancy (TNC) en Ecuador
39	Universidad del Pacífico
40	Universidad Técnica Particular de Loja (UTPL)

Source: Ekos (2012)

the Ministry of Education and Culture of the Republic of Ecuador (IRSE 2018). Among the objectives of this institution is to approach CSR technically and methodologically and to guide organizations of all kinds in their management towards sustainable development. It also provides diagnostic services, planning, support, ad hoc training, the design of sustainable social projects, and preparation of sustainability reports according to the Global Reporting Initiative (GRI) in accordance with the ISO 26000 standards and the Ethical and Socially Responsible Management System SGE 21 (IRSE 2018). According to reports of the IRSE, about 80 organizations have been counselled in its 10 years.

When reviewing the reports of these two institutions, as well as reports from the public sector and several academic papers, it is very difficult to find common characteristics that allow for a classification or grouping of these activities and projects, except in the social or economic areas. In addition, it is observed that the actions have focused on the “stakeholders”, leaving aside the workers’ behaviour, who are the core of the organization. Furthermore, a leading role and greater knowledge about SR by managers and middle managers responsible for image and marketing has been observed, and the employees or workers who make up the organizations do not participate in SR actions.

5.5 Conclusions

In general, in recent years the obligations of companies in Ecuador have changed significantly; the Ecuadorian state currently demands greater commitments and responsibilities. However, the complexity of the term “social responsibility” is confused with other terms and concepts, which makes it very difficult to establish monitoring and evaluation systems for these practices, a fact which limits their study within the country.

The review of the literature and reports shows that despite the existence and functioning of several institutions and organizations that support and encourage the public and private sector in activities and projects related to SR, its presence is mainly in multinationals and their subsidiaries, as well as in large companies,

leaving the practice of SR within small and medium-sized companies in an incipient or almost non-existent state. These practices are carried out in isolation and not as a comprehensive strategy within organizations.

The companies involved in these practices are from different sectors and are heterogeneous in terms of their nature, characteristics, and personnel. It is further observed that CSR is a commitment that has been assumed by Ecuadorian companies in their strategic planning, although in many cases, they associate it with an action for the improvement of the corporate image based on communication strategies that have been implemented by companies.

The indicators that are part of the requirements for the certifications are particularly important because they enable to reach international standards qualified by third parties, which promotes the economic, environmental, and social competitiveness of companies. At the same time, they allow for the positioning of national companies within other markets.

In Ecuador, the participation of SMEs involved in aspects of SR is minimal. In view of this situation, a more detailed and careful study will probably be needed if the established regulations and incentives are established based on the characteristics of large companies.

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Chapter 6

Brand Social Responsibility and Consumer Behaviour: What Effect? An Analysis in African Context



Rosalie Christiane Nga Nkouma Tsanga

Abstract The aim of this contribution is (i) to analyse the perceptions of African consumers of brand social responsibility (BSR) and (ii) to measure the effect of BSR on consumer behaviour in the African context. Rooted in a triangular approach, this research uses a sequential methodological approach with two consecutive phases: an exploratory phase characterized by 30 interviews and a confirmatory phase materialized by 300 questionnaires administered to consumers socially responsible. A social desirability test is introduced in this questionnaire to reduce bias. The results of the exploratory study reveal four dimensions of BSR: respect of the health of consumers, respect of the environment, realization of altruistic actions and respect of African traditions. Moreover the results of the quantitative study show that the perceived BSR influences the consumer's cognitive, affective and conative responses.

By highlighting the dimensions of BSR that are relevant to the African context, this research enriches the literature with dimensions that have not been explored by previous studies. From a managerial point of view, it allows brand managers to identify the expectations and perceptions of consumers in terms of BSR and thus to redesign the psychological axes to be used in their communication strategies. In addition, this research identifies processes that can strengthen consumers' attachment to these brands and thus lead the company to improve their competitiveness and performance. The originality lies in the field of study of this research which is carried out in sub-Saharan Africa, precisely in Cameroon, a country with cultural specificities and on local brands.

Keywords Brand social responsibility · Consumer behaviour · Triangulation · Cameroon

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6.1 Introduction

For over a decade, consumer concerns about brands have shifted to social and environmental causes. This has prompted client-oriented companies to review their offers in order to produce the desired satisfactions of the designated targets and consequently improve their competitiveness and performance (Luo and Bhattacharya 2006). We are therefore witnessing the integration of ethical and social standards in business (Dutton and Larouche 2016); the development of societal marketing, marketing ethics and fair trade (Thiery 2005; Kotler and Keller 2012); the launch of sharing products (Thiery and Jolibert 2003); communication-sharing campaigns (Müller 2014; Salem et al. 2017) and the development of brand strategies based on socially responsible consumption (Lindgreen et al. 2012).

If several works have been able to highlight the challenges of social responsibility of brands in the European and American continents, this concept remains very little known and badly perceived in sub-Saharan Africa despite the importance it takes. This is what prompted us to question the behaviour of the consumer towards BSR. The double objective of this contribution is, therefore, (i) to analyse the perception of African consumers of BSR and (ii) to measure the effect of BSR on consumer behaviour, specifically their confidence, their buying intention, their attachment to the brand, their loyalty and word of mouth in the African context.

In an attempt to solve the problem posed, this research is based on a three-step triangular approach (Jick and Todd 1979):

- A conceptual phase which will allow us to investigate the dimensions used in European and American societies to measure BSR.
- An exploratory phase during which we will interview 30 socially responsible consumers in order to identify their different perceptions of a socially responsible brand, so as to build the dimensions and items of the questionnaire that we will use in the next phase.
- A confirmatory phase during which 300 consumers of responsible brands will be questioned in order to check the response modes of consumers vis-à-vis responsible brands.

6.2 Literature Review

The analysis of the literature inherent in BSR requires that we first look at corporate social responsibility. Indeed, these two constructs develop in a similar way and allow us to identify socially responsible consumption behaviours.

6.2.1 Corporate Social Responsibility: A Prerequisite for Understanding BSR

The development of ecological movements and the phenomena of consumer empowerment are leading consumers to exercise, more and more, a significant question on businesses in order to force them to comply with socially acceptable norms and behaviours (Shaw et al. 2006). These pressures are reflected in the adoption of specific behaviour called socially responsible consumption.

6.2.1.1 Theoretical Approaches and Dimensions of Corporate Social Responsibility

As a multidimensional concept and form of participation in sustainable development, corporate social responsibility refers to the actions of the company carrying certain societal well-being, beyond the interests of the company and what is required by law (McWilliams and Siegel 2001).

Theoretical Approaches to Corporate Social Responsibility

The extensive literature review on corporate social responsibility has generated two fundamental theoretical approaches to this concept: the normative and instrumental approaches. Also called business and society (Salmones et al. 2005), the normative approach is based on the content of corporate social responsibility (nature and levels of social responsibility) and describes what the company must do (or what it is desirable or behaviour morally acceptable by the company). Thus, according to this current, corporate social responsibility (CSR) is considered as an ethical guide (business ethics), and the company is an actor whose decisions and policies must take into account the expectations of society, beyond its economic and legal responsibilities.

More instrumental and based on the theory of stakeholder (Freeman and McVea 2001), the instrumental approach is based on the object of corporate social responsibility (to whom the company must be responsible). As a result, CSR is considered a strategic device enabling the company to achieve its economic objectives (Swaen and Chumpitaz 2008). This instrumental trend highlights the principle of strategic intelligence, which involves listening by the company to its environment, a guarantee of its sustainability, its growth and so on; we then talk of perceived corporate social responsibility, meaning all the activities and commitments of the company linked to the perception of its obligations towards society or the stakeholders in its activity (Luo and Bhattacharya 2006).

The perceived corporate social responsibility has made it possible to highlight the importance of consumer perceptions in the construction of the company's social and environmental policies. Garriga and Melé (2004) show that the corporate social responsibility perceived by consumer's influences the reputation of companies and the confidence they inspire. Perceived corporate social responsibility is considered

in this sense as a set of signals emitted by the company to reduce the ambiguities and doubts that slow down consumers' purchasing decisions and therefore build confidence (Swaen and Chumpitaz 2008).

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Dimensions of Corporate Social Responsibility

Several models have been developed to measure the dimensions of corporate social responsibility, the most used of which are the Carroll model (1979) and the Swaen and Chumpitaz model (2008). Carroll's (1979) model considers that corporate social responsibility rests on four dimensions: economic responsibilities, legal responsibilities, ethical responsibilities and philanthropic responsibilities. Swaen and Chumpitaz (2008) propose a conceptualization of corporate social responsibility based on philanthropic responsibility, respect for the environment, respect for workers and respect for consumers.

- Philanthropic responsibility reflects the societal commitment of the company in its environment (local and/or national).
- Respect for the environment includes the initiatives taken by the company to maintain and improve the quality of the environment (environmental protection).
- Respect for workers refers to the good treatment of employees and to the human resources management policies put in place for this purpose.
- Respect for consumers based on their satisfaction and the obligation to provide them with information relating to products.

We use this latter approach to conceptualize the BSR in this research, drawing on the work of Abid and Moulins (2015), who took inspiration from the dimensions of corporate social responsibility to build a scale of BSR. For these authors, the BSR is the fact, for a brand, to respect the environment and the health of consumers and to carry out philanthropic activities. This conceptualization enabled them to carry out a comparative approach to the dimensions of corporate social responsibility and BSR and, consequently, to highlight the points of convergence and divergence between the two constructs. The table below summarizes these different points (Table 6.1).

We note that the dimensions of philanthropic activities, respect for the environment and respect for consumers are found in both concepts. It should be noted that the respect for consumers dimension is becoming more and more important these days following health crises and taking into account the development of ecological and consumer protection movements. In addition, several researchers admit that consumers are the most important stakeholder in the business (Maignan et al. 1999;

Table 6.1 Comparative analysis of the dimensions of corporate social responsibility and BSR

Perceived corporate social responsibility	Perceived BSR	Points of convergence and divergence
Respect the environment	Respect the environment	Point of divergence
Philanthropic activities	Philanthropic activities	
Respect for consumers	Respect for consumers' health	
Respect for workers	Respect of consumers	Point of convergence

Source: Abid and Moulins' adaptation (2015, p. 10)

Lindgreen et al. 2012). This is why it is necessary to identify the link between BSR and consumer behaviour.

6.2.1.2 Socially Responsible Consumption: A Link Between Corporate Social Responsibility and Consumers

Conceptualized by Webster (1975), the corporate socially responsible consumption construct refers to consumption that takes into account social problems and therefore contributes to the social and environmental well-being of others.

Definitions of Socially Responsible Consumption

Also called a socially conscious/socially concerned consumer, the socially responsible consumer is one who buys goods or services perceived as having a positive or less bad impact on his environment and who uses his purchasing power to express his social concerns and/or environmental (François-Lecompte 2005). Being multi-dimensional, this construct generated several definitions which are summarized in Table 6.2.

The analysis of these explanations leads us to propose the concept of socially participative consumer, that is to say, a person who performs acts of consumption in order to contribute to his well-being in the long term and who participates, by voluntary actions, for the well-being of the community. This definition incorporates a conative measure (buying a responsible brand or refusing to buy irresponsible brands) and a societal measure (satisfying one's needs and contributing to the well-being of all).

Dimensions of Socially Responsible Consumption

The authors who developed the definitions inherent in the SRC construct have highlighted dimensions that allow it to be better defined. This is how Roberts (1995) proposed two dimensions of socially responsible consumption: a societal dimension (avoid buying products from companies having a negative impact on the well-being of society) and an environmental dimension (avoid buying products that have a negative effect on the environment) and a societal dimension.

In the same vein, François-Lecompte (2005) developed five dimensions:

- Company's behaviour (refusing to buy from companies whose behaviour is considered irresponsible)

Table 6.2 Evolution of the conceptualization of socially responsible consumption

Authors Years	Constructs	Definitions
Webster (1975)	Consumer socially aware	A consumer who takes into account the public consequences of his private consumption and who tries to use his purchasing power to induce change in society
Brooker (1976)	Consumer socially aware	A person whose actions lead to an improvement in the quality of life in society
Belch (1979)	Consumer socially aware	An individual concerned with both personal and social well-being
Engel and Blackwell (1982)	Consumer socially aware	An individual concerned with not only personal satisfaction and personal well-being but also the social and environmental well-being of others
Antil (1984)	Consumer socially responsible	An individual whose purchases are linked to environmental problems and who is not only motivated by a desire to satisfy his personal needs but also concerned by the potentially negative effects of his purchases
Roberts (1995)	Socially responsible consumption	An individual who buys goods or services perceived as having a positive impact (or less bad) on the environment and use purchasing power to express social concerns
Webb et al. (2001)	Consumer socially responsible	An individual who avoids buying from companies that harm society and actively look for products from companies that help society
François-Lecompte (2005)	Consumer socially responsible	Socially responsible consumption means buying goods or services perceived to have a positive (or less bad) impact on the environment and/or society and using purchasing power to express social and/or environmental concerns
Birtwistle and Moore (2007)	Sustainable consumption	Sustainable consumption is consumption that supports the ability of current and future generations to meet their material and other needs, without causing irreversible damage to the environment or loss of function in the natural system
Moisander (2007)	Consumer socially concerned	A consumer who takes into account the consequences of his private consumption and seeks to use his purchasing power to bring social changes
Vermeir and Vebek (2008)	Sustainable consumption	Sustainable consumption is initiated by a decisional process that takes into account the social responsibility of the consumer, in addition to the individual needs
Webb et al. (2008)	Consumer socially responsible	A person whose acquisition, use and disposal of products are based on a desire to minimize or eliminate all harmful effects and to maximize the long-term positive impact on society

- The purchase of product-sharing (buy products for which part of the price will go to a good cause)
- The desires to help small businesses (do not buy everything in supermarkets and support small businesses)
- Taking into account the geographic origin of the products (the desire to favour products from one's community)
- The reduction in the volume of consumption (the consumer avoids 'consuming too much' and tries as much as possible to do things himself)

As an extension of the thought of François-Lecompte, Webb and his colleagues (2008) add recycling behaviours as well as environmentally friendly consumption methods (using public transport, favouring non-polluting products). These works are more enriching insofar as they include in the concept not only the choice of responsible products (acquisition) but also post-purchase behaviour such as ('use') and waste treatment ('disposals'). This vision, therefore, encompasses the minimization of the negative impacts of its consumption from the purchase to the treatment of waste, thus forming part of a modern and realistic approach to the environmental challenges of consumption.

6.2.2 Effects of the BSR on Consumer Behaviour

Along the same lines as Lindgreen et al. (2012), we consider that the perceived corporate social responsibility is similar to BSR and assume that BSR influences consumer behaviour. Thus, two types of behaviour, favourable behaviour and unfavourable behaviour, can be observed.

6.2.2.1 Negative Effects of BSR on Consumers

The BSR's unfavourable behaviour on consumer reactions concerns scepticism, boycotts and so on. Indeed, several empirical studies have demonstrated the negative effects of corporate social responsibility on consumer behaviour. We can cite the doubt created in the minds of consumers by companies which do not give certain information to their customers and which creates a feeling of mistrust on their part (N'Goala 2008).

As a negative form of socially responsible consumption, a boycott is an expression of ultimate dissatisfaction and an act of resistance (Friedman 1985; Zeng et al. 2018). It can be instrumental or expressive (Cissé-Depardon 2009). A boycott is said to be instrumental when it targets a specific aspect of company policy, such as an element of the mixed marketing of its products. It is said to be expressive when it excludes the irresponsibility of a company/brand, behaviour deemed unacceptable by a company or a brand. Our research agrees with this last form of boycott.

6.2.2.2 Positive Effects of BSR on Consumers

Favourable behaviours are manifested in positive attitudes towards brands (Parsa et al. 2015) and several other modes of positive reactions. Indeed, the integration of corporate social responsibility into business practices generates positive consumer perceptions which help to enhance their brand image (Lacoeuilhe et al. 2018) and the positioning of their brands (Binninger and Robert 2011; Labbé-Pinlon et al. 2013).

Following the same direction, the work of Maignan and Ferrell (2001) show that perceptions of corporate social responsibility positions lead to favourable word of mouth from consumers and their loyalty to the company, or even to an increased loyalty to the brand (Moisander 2007; Swaen and Chumpitaz 2008).

In addition, studies carried out in several contexts (Young et al. 2010) show that socially responsible consumers tend to reward companies/brands for their good societal behaviour by purchasing their brands/products—individually or collectively.

Finally, links have been found between corporate social responsibility and consumer confidence, the perceived quality of the product/brand (Swaen and Chumpitaz 2008) and commitment to the brand (Abid and Moulins 2014).

All of this research allows us to conclude that the perceived BSR influences both cognitive (word of mouth, confidence), affective (brand attachment, commitment to the brand) and conative (purchase/boycott/boycott of the brand, loyalty to the brand) of the consumer. And, therefore, to formulate the following hypothesis:

H1: The BSR influences consumers' cognitive responses.

H1.1. The BSR influences word of mouth of the consumers.

H1.2. The BSR influences consumers' trust.

H2: The BSR influences consumer's affective responses.

H2.1. The BSR influences consumers' brand attachment.

H2.2. The BSR influences consumer commitment to the brand.

H3: The BSR influences consumers' conative responses.

H3.1. The BSR influences consumer purchase intention.

H3.2. The BSR influences consumers' loyalty.

6.3 Research Design

The triangular approach adopted allowed us to collect as much information as possible and to limit a certain number of biases. The problem raised leads us, moreover, to integrate the test of social desirability (Strahan and Gerbasi (1972), a concept in studies relating to CSR (Roberts 1995; Mohr et al. 2001).

6.3.1 Data Collection Process

We collected the data in time: we first carried out an exploratory study with around 30 consumers in order to inquire about their perceptions of BSR and to confirm the items in our questionnaire. Then, we administered a questionnaire to 300 consumers to highlight the effects of BSR.

6.3.1.1 Data Collection Methodology of the Exploratory Phase

Data Collection Process

Semi-structured interview guides, lasting an average of 50 min, were produced on a sample of 30 consumers aged 21 to 55, including 20 women and 10 men belonging to all socio-professional categories. The principle of semantic saturation recommended by Glaser and Strauss (1967) has been respected. The thematic content analysis of the corpus was carried out under N6VO.

Contents of the Interview Guide

The administered interview guide included three themes: the meaning of BSR, the knowledge of responsible brands and the consumption habits of these brands by consumers/interviewees (Cf. [Annexe 1](#)). This phase contributed to the design of the quantitative phase of the research, precisely to the construction of the questionnaire items.

6.3.1.2 Methodology of Confirmatory Step's Data Collect

Selection of Study Units

During this stage, a quantitative study was carried out among 300 consumers of responsible brands. We have taken into account the responsible brands cited by consumers and have retained only those which are indexed in the ranking relating to the perception of corporate social responsibility in Cameroon.¹

Our questionnaire is structured in four parts: the perception of social responsibility of the known/purchased/used brand, the relationship with the responsible brand, sociability and respondent identification.

We pretested a survey questionnaire on 27 people in order to assess the content validity of the concepts used and to analyse the feasibility of the survey among respondents.

From the Measurement of Constructs to the Analysis of Data

This research is based on four-point Likert scales from both the literature and the exploratory study. Thus, the interviewees expressed their opinions on each of the items according to a Likert scale with four modalities: 'totally agree', 'agree', 'disagree', and 'totally disagree'. We have eliminated the 'neutral/no opinion' modality used in conventional scales to have an absolute appreciation of the interviewees (Cox 1980).

The dimensions of the BSR stem from the exploratory study carried out with 30 consumers of socially responsible brands and reveal the multidimensional nature

¹The sixth study based on a survey carried out by ASCOMT (2018) on corporate social responsibility in Cameroon. Ranking of the 10 most responsible companies in Cameroon: MTN Cameroon, SABC, CIMENCAM, Guinness Cameroon, Orange Cameroon, Biopharma, Nestlé Cameroon, Dangote, Eneo and finally TOTAL Cameroon.

of this construct. Thus, a responsible brand refers to four dimensions with 11 items: consideration of consumers, respect the environment, caritas and respect for staff.

Three items were selected to measure the positive word of mouth disseminated on the brand, according to the Cristau scale (2001). The reliability of this scale is evaluated at 0.822.

Six items were proposed in the questionnaire to measure consumer confidence in the brand according to an 'adaptation' of the scale of Gurviez and Korchia (2002). Thus, we used three items to measure the value dimension of the brand; two items to measure the brand sincerity dimension and one item to measure the brand benevolence dimension. This scale has an alpha reliability coefficient of 0.674.

Attachment to the brand was measured using the five-item scale proposed by Lacoeyuilhe (2000) and then used by Valette-Florence and Valette-Florence (2020). This scale has a Cronbach's alpha reliability coefficient equal to 0.767 in our study.

To assess the commitment to the brand, we took inspiration from the scales of Bozzo and his colleagues (2006), as well as that developed by Abid and Moulins (2015). These scales, which have been adapted to our study context, include three dimensions, each represented in our questionnaire by 11 items: normative engagement, emotional engagement and calculated engagement. The reliability of this instrument is estimated at 0.813.

Only two dimensions were chosen to measure the intention of consumers to buy a socially responsible brand. To this end, we looked at the work of Collange (2008). The reliability of this instrument is estimated at 0.730.

Consumer loyalty to the brand was assessed using a scale developed by Moulins and Roux (2010) and used by Ahanhanzo and colleagues (2014). Thus, we adapted this four-point Likert scale with nine items, contained in three dimensions relating to loyalty by cognitive retention, loyalty by social retention and loyalty by emotional conviction. This scale reported reliability evaluated at 0.634.

Finally, the control variable, the social desirability of the respondents, was assessed using the reduced version of the Crowne and Marlowe scale (1960) proposed by Strahan and Gerbasi (1972). According to Devellis (1991), this 10-item scale can be suitably inserted into a questionnaire in order to eliminate the phenomenon of response bias. Therefore, this scale was coded in 0 and 1 according to the answers given. For the first five items, the answer 'true' obtains the score 1. While for the last five items, it is the answer 'false' which obtains the score of 1 point. Then, a total score of social desirability is calculated by adding the score of the responses for the 10 selected items. This score varies between 0 and 10. When this score is high, it indicates that the respondent tends to give socially desirable and therefore biased answers.

Once the measurement scales of the constructs have been developed and their psychometric quality estimated, we will first present the different perceptions that Cameroonian consumers have of BSR via the results of the qualitative study, then we will check our hypotheses on using regression analysis.

6.4 The Results of the Study and Discussion

6.4.1 *The Results of the Exploratory Study: Perceptions of BSR by African Consumers*

The exploratory study conducted among consumers of responsible brands allowed us to discover the multiplicity of perceptions of BSR by consumers, their degrees of knowledge of responsible brands and their consumption habits of these brands.

The content analysis of the corpus made it possible to highlight a four-dimensional approach to BSR in an African context, contained in the *HETA model*. Therefore, a socially responsible brand is a brand that respects the **H**Health of consumers, the **E**Environment and **T**Traditions, as well as carrying out **A**ltruistic actions.

First, it is the health of consumers that is most cited by a majority of respondents (92%). The latter insist on the ingredients of the product, their organic nature and the preservation of their well-being. 'I first wait until the ingredients of the product do not contain enough chemical elements that can weaken my health' (Henriette, 32, business executive).

The second dimension taken into consideration by consumers is respect for the environment. A good part of consumers (57%) insist on this aspect of responsible branding. 'I find that the most important thing for a brand that claims to be responsible is the preservation of our well-being; and for that, it must not pollute the environment' (Brice, 45, teacher).

They are also quite numerous (32%) who think that the responsible brand should carry out generous activities for the benefit of its customers and the entire community. 'Responsible brands must support cultural and human actions; contribute to the emergence of established regions and thus help our poor countries to develop' (Martial, 25, student).

Finally, a new dimension is emerging, that of respect for African traditions. Indeed, some consumers questioned (13%) would like the responsible brand to integrate traditions into its commercial strategies. 'These responsible brands must take into account our traditions and customs' (Pascal, 60, retired civil servant).

The data collected during this exploratory phase were subject to a content analysis, and once the redundancies have been eliminated, we have adopted a four-dimensional approach to dimensions to measure the BSR perceived by the respondents: health, environment, tradition, and altruism. This four-dimensional scale with 11 items is summarized in Table 6.3.

Before approaching the second phase of data collection of our study, it is necessary to underline the necessity of taking into account social desirability, a concept recommended in studies concerning socially responsible consumption by Mohr and his colleagues Webb and Harris (2001). To this end, we retain the reduced measure of social desirability of Strahan and Gerbasi (1972).

6.4.2 Results of the Quantitative Study

Characteristics of the People Interviewed

In total, 300 people, with profiles as varied as they were diverse, answered the questionnaire during the confirmatory phase, including 33.33% men and 66.67% women.

The details of the socio-demographic characteristics of these people are provided to you in Table 6.4.

Consumer Reactions to Socially Responsible Brands

To verify the hypotheses posed in order to validate or not the relationships between BSR and consumer responses (cognitive, affective and conative responses), we used a regression analysis. Similarly, to test the influence of perceived BSR on brand attachment, we test the influence of the three dimensions of perceived BSR on consumer attachment to the brand. All three hypotheses are supported by the data as summarized in the following table. The results of our study confirm that a socially responsible brand affects consumer reactions. This influence is explained by the cognitive, affective and conative dimensions of his behaviour. Indeed, our results highlight the positive and statistically significant influence of consumer confidence. They also show the negative impact of word of mouth from consumers. They reveal, however, an insignificant result with regard to brand attachment. The table below summarizes the correlation coefficients obtained during the data analysis (Table 6.5).

Table 6.3 BSR's items perceived by African consumers

Dimension/reliability	Items	Occurrences of appearance in interviews
Care for the consumer's health α : 0.703	BSR 1. A brand that does not contain any chemical element	26/30
	BSR 2. A brand that makes authentic products	20/30
	BSR 3. A brand whose products do not have any harmful effect on the consumers' health	30/30
Care for environment α : 0.815	BSR 4. A brand that preserves the welfare of all	15/30
	BSR 5. A brand whose production process does not pollute the air	16/30
	BSR 6. A brand that participates in ecological movements	17/30
Achievement of altruist actions α : 0.936	BSR 7. A brand that participates in humanitarian actions	23/30
	BSR 8. A brand that contributes to the emergence of developing countries	5/30
	BSR 9. A brand that supports cultural activities	14/30
Care for traditions α : 0.697	BSR10. A brand that respects African customs	11/30
	BSR 11. An ethical brand	19/30

Table 6.4 Socio-demographic profile of respondents

Characteristics	Modalities	Size	%	Cumulated %
Gender	Male	100	33.33	33.33
	Female	200	66.67	100.0
	Total	300	100.0	
Age	Under 25	50	16.67	16.67
	Between 25 and 35	27	9	25.67
	Between 35 and 45	137	45.66	71.33
	Between 45 and 55	64	21.33	92.66
	More than 55	22	7.34	100.0
	Total	300	100.0	
Income	Less than 100,000 F	77	25.67	25.67
	100,000 F to 200,000 F	134	44.67	70.34
	200,000 F to 300,000 F	31	10.33	80.67
	300,000 F to 400,000 F	38	12.67	93.34
	More than 400,000 F	11	3.66	97
	No income	9	3	100.0
	Total	300	100.0	
Marital status	Single	54	18	18
	Married	131	43.67	61.67
	Divorced	23	7.66	69.63
	Widow/er	28	9.33	78.66
	In cohabitation	64	21.34	100
	Total	300	100.0	

6.4.3 Discussion

At the end of our study, we can say that the brand social responsibility from the consumer's point of view refers to four categories of criteria: its aspect of consumer health, its environmental aspect, its aspect of African traditions and the realization of altruistic actions. In addition, our results show that all the assumptions made are verified, with the exception of the second, which is partially rejected.

Indeed, we see that perceived BSR significantly and positively influences consumer confidence in the brand (H1.2). This result joins the study by Swaen and Chumpitaz (2008) on the impact of BSR on consumer confidence consumers and according to which BSR influences the formation of consumer confidence in the company via the perceived quality of the products offered and consumer satisfaction. The research of Abid and Moulins (2015) is along the same lines. We have noted here the negative influence of BSR perceived on the word of mouth of consumers (H1.1). This is contrary to the work of Maignan and Ferrell (2001).

The results of our research also highlight the existence of a link between perceived BSR and consumer engagement with the brand (H2.2).

Table 6.5 Regression analysis

Variables to explain	Variables	Explicatives	A	t	P (Sig)	Observations
Perceived BSR	Consumers' cognitive responses	Consumers' word of mouth	-0.712*	-2.696	0.000	S/hypothesis verified
		Consumers' trust	0.832**	3.463	0.000	S/hypothesis verified
	Consumers' affective responses	Consumer attachment to the brand	0.231	1.608	0.103	S/hypothesis rejected
		Consumer commitment to the brand	0.344**	1.931	0.001	S/hypothesis verified
	Consumers' conative responses	Consumers' purchase intention	1.213**	1.805	0.000	S/hypothesis verified
		Consumers' loyalty	0.441**	1.74	0.000	S/hypothesis verified

*, **significant coefficients at the respective thresholds of 5% and 1%

These results nevertheless show an insignificant result as regards the relationship between BSR and attachment to the brand by consumers (H2.1). These results are contrary to the point of view of Abid and Moulins (2015).

Finally, in the same vein as research, these results let us know that the perceived BSR positively influences consumers' purchasing intentions (H3.1) and their brand loyalty (H3.2).

6.5 Conclusion

This study aimed at analysing the perceptions of the BSR by African consumers and at measuring the impact of this perceived BSR on the behaviours of the consumers in terms of cognitive, affective and conative responses. To achieve this goal, the model of Carroll (1979) constituted the theoretical framework and the works of Abid and Moulins (2014) that consider environmental care and consumers' health as well as the achievement of philanthropic actions as prime dimensions of the BSR were used as reference. Then a model enabling to measure the effects of the BSR perceived from the reactions of the consumers was elaborated and tested. It is also worth noting that the quantitative stage of this study was preceded by an exploratory stage conducted on a 30-consumer sample in the major cities of Cameroon to find out their perceptions of BSR.

The results of the quantitative study display a four-dimensional approach of the socially responsible brands that focuses on 11 items: care for the consumer's health, care for the environment, care for African traditions and achievement of altruist actions.

To evaluate the influence of BSR perceived from the behaviour of a consumer, we measured the influence of BSR on each the three behaviours of the consumer. It was observed from this analysis that the BSR significantly and positively influences consumers' confidence, their commitment vis-à-vis the socially responsible brand, their buying intention and their loyalty to this brand. Moreover, a significantly negative influence of the BSR was perceived from the mouth-to-ear words of consumers. Nevertheless, our results underline an insignificant relationship between the perceived BSR and the loyalty of consumers to the socially perceived brand.

In whole, beyond proposing a four-dimensional approach of the BSR, focusing as such on a dimension still now ignored by the other contexts and studies (Carroll 1979; Abid and Moulins 2015), the current research brings primary evidences and clarifications on the way socially responsible brands are perceived in Black Africa.

The brand managers of BSR of organizations should lay particular emphasis on each of these elements for they enable not only to know the criteria used by consumers in characterizing the BSR but also to reinforce the commitment of consumers to their brands and their market competitiveness. As such, the company can use the arguments of care for consumers' health, care for the environment, the achievement of altruist actions and/or care for traditions in order to attract consumers, to stimulate their confidence and capture their attention to buy the brand.

However, it is necessary to show the impact of each of these variables on the commitment to the brand in order to bring out the priorities. Another research should be conducted in view of bringing more light on these impacts and classifying them respectively. Other studies, with a comparative approach, aiming at finding out the criteria taken into consideration in one context or another in order to better justify the variability of the criteria and their impacts could also be conducted.

The originality lies in the field of study of this research which is carried out in sub-Saharan Africa, precisely in Cameroon and on local brands. Cultural specificities and the peculiarities of the market are all elements that make this research a new study.

The main limit of this research is related to its context. In fact, this study was conducted only in Cameroon while it relates to the African context. It would be more desirable to collect data from many other countries to generalize the results.

Annexes

Annexe 1: Interview Guide

Good morning, lady/miss/gentlemen.

We are currently reading a study on brand social responsibility (BSR) and its impact on consumer behaviour. While guaranteeing the confidentiality of your comments, we thank you for your cooperation. Our interview will revolve around three themes:

- The meaning of BSR
- Your knowledge of socially responsible brands
- Your consumption habits of this brand category

Meaning of BSR

- What is a socially responsible brand?

Can you give us the first few words that come to mind when we talk about BSR?

Knowledge of Socially Responsible Brands

- Tell us about the socially responsible brands you know.

Why do you consider them as such?

Which of the responsible brands you have mentioned do you buy/consume?

Consumption Habits

- Where do you usually buy this brand (s)?

How long have you been buying this brand (s)?

Your Profile

- Your age

Your profession

Annexe 2 (Table 6.6)

Table 6.6 Measuring the constructed perceptions

Constructs	Items	Authors	Estimated reliability α : Cronbach
Brand social responsibility	Care for consumers' health	Adaptation	0.703
	Care for environment	Abid and Moulins (2015)	
	Achievement of altruist actions		
	Respect for African traditions		
Consumers' word of mouth	I like talking about this brand to other people	Cristau (2001) and Kessous and Roux (2010)	0.82
	I have told stories on this brand to other people		
	I have explained to others why they should buy that brand		

(continued)

Table 6.6 (continued)

Constructs	Items	Authors	Estimated reliability α : Cronbach
Consumer trust	I trust in the quality of products made by this brand	Adaptation	0.67
	Choosing this brand's products is a guarantee	Gurviez and Korchia (2002)	
	This brand is always sincere with the consumers		
	This brand shows		
	This brand renews its products taking into account progress made in research		
	I think this brand is constantly looking for ways to enhance the quality of responses it provides its customers with		
Consumers' attachment	I have much affection for this brand	Lacoeuille (2000) and Valette (2019)	0.76
	My personal information can be modified by another person		
	Buying this brand makes me very happy		
	I get a certain comfortability by buying or owning this brand		
	I am very attracted by this brand		
	I am very linked to this brand		
Consumer commitment to the brand	Separating me from this brand could bring me too many worries, for there is no other brand that suits me	Bozzo et al. (2006) and Abid and Moulins (2015)	0.813
	This brand is actually what I need		
	It is on my benefit to continue buying this brand because, in my point of view, it is superior to all the others		
	I feel concerned as far as consuming this brand is concerned		
	I am ready to do my best to keep on consuming this brand		
	It seems as if this brand was part of my family		
	As this brand acts for my welfare, it is good for me to support it		
	This brand deserves my faithfulness		
	I have the feeling of keeping on buying this brand		
	I would feel guilty if I stop buying this brand		
	Being a customer of this brand is belonging to a big family, a big club		

(continued)

Table 6.6 (continued)

Constructs	Items	Authors	Estimated reliability α : Cronbach
Consumers' purchase intention	If I had to buy this category of product, I would buy this brand	Collange (2008) and Shukla (2010)	0.730
	I have the intension to buy this brand in the future		
	I am eager to recommend others to buy this brand		
Consumer' loyalty	This brand is very easy to identify in the market	Moulins and Roux (2010)	0.634
	This brand is always easy to find in the market		
	This brand seems superior to the others		
	This brand is largely consumed in my neighbourhood		
	This brand matches the images I want to give to myself		
	It is a brand that matches the image that others have of me		
	It is the brand I like too much		
	It is a brand to which I am strongly attached		
	It is a brand made of me		

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Chapter 7

Neither Passive nor Powerless: Reframing Tourism Development in a Postcolonial, Post-conflict and Post-disaster Destination Context



Hugues Seraphin and Maximiliano E. Korstanje

Abstract The present chapter centres on Haitian case, which evinces not only the failure of development theory in improving the economies of poor countries but also how political instability and corruption affect competitive capabilities of tourist destinations in the periphery. In the turn of the century, the rise of different risks as terrorism, natural disasters or virus outbreaks forced the specialists and policymakers to rethink not only its policies but its marketing tactics. The post-disaster marketing as well as the post-conflict destinations emerged as valid options to revitalize tourist destinations obliterated by disasters or any other major threats. More important, policymakers acknowledged the reconstructive nature of tourism, not only accelerating the post-disaster recovery timeframe but also allowing investors that help the local devastated economy.

Keywords Powerless · Post-disaster destination · Tourism development · Haiti

7.1 Introduction

Much effort has been put into tourism as a tool to alleviate poverty (Holden 2013; Scheyvens 2007; Ashley and Mitchell 2009). However, all the efforts in place are direct strategies (with a focus on the economic tool) (Korstanje 2016). In a seminal book entitled *Touring Poverty*, as Bianca Freire-Medeiros (2014) puts it, one of the

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ethical contradictions of slum tourism is not given certainly by the curiosity of tourists but by the fact that, far from being reduced, poverty is the main commodity of tourism in the Global South. In this vein, R. Tzanelli (2016) calls attention to the ethical dichotomies of slum and dark tourism. While the tourists coming from the first world seem interested by the exploitative conditions of existence in the South, the former European nations that fostered a centre-periphery dependency—during the colonial rule—often avoid their historical responsibilities. This puts the theme in a difficult position, which today captivates the attention of cultural theorists and postcolonial historians. In this respect, beyond the interests to be in contact with relegated ethnicities or pour nations, there lies an ideological discourse oriented to perpetuate the supremacy of Europe over other cultures. She dangles that in any case, slum tourism—as well as post-disaster or dark tourism—may very well help locals to boost their economies (Tzanelli 2016).

As the previous backdrop, this chapter discusses the nature of tourism in postcolonial, post-conflict and post-disaster destinations (PCCDD), as well as the economic opportunities, to alleviate suffering and poverty. At the best, tourism should be seen as epitomizing the true nature of a country and its people. Taking Haiti as an example, we are providing evidence that the hospitality sector is an allegory of the Haitian tourism industry, political context and local people true nature. Abundant literature emphasizes on the benefits of tourism as a mechanism of resilience, which mitigates the derived losses and pain in post-disaster landscapes (Miller et al. 2017; Kato 2018). Haigh and Amaratunga (2010) alert though disasters have different origins and causes, as well as differentiated effects and losses, the concept of resilience is vital to overcome the long-lasting devastation or long-term aftermaths. When the implementing risk reduction programs fail, the fields of the built environment as the net of practices, thoughts, believes and synergies orchestrated to accelerate the recovery timeframe should be organized engaging the commitment of all stakeholders.

Resilient societies recover faster than non-resilient ones. Last but not least, resilience, a term that Hutton (2016) defined as the capacity of a group to strive and to reframe their relationship to their environment with limited economic means, is for us what better describes the tourism industry and the locals in Haiti. More importantly, we are also arguing that the tourism industry and local people in PCCDD (and in our case Haiti) are neither passive nor powerless. We picked Haiti as an example in this book chapter, but the results of the book chapter can be generalized to any destination with a similar profile.

The first section of this chapter reviews the salient factors that curb poverty in underdeveloped economies. Paradoxically, the problem of poverty is defined following a profit-centred paradigm, which means that the levels of production and the wealth distribution are the two key factors that mark the difference between the richest and poorest nations. Of course, as a leading figure of the economy, which captivated the attention of orthodox economists, poverty is associated with the material production and the productive means of society. This overlooks the position of ethics in the configuration of tourist destinations, without mentioning the role of the leading financial corporations in the global investment programs for

undeveloped nations (McMichael 2011). Contrariwise, the second section reconsiders the ethical dichotomies between poverty and luxury, as well as in the positive benefits of post-disaster destination helping locals and cultivating in locals the needs of emulating the tourist behaviour. Needless to say, this polemic topic entails two important assumptions. On one hand, in some conditions, tourist behaviour leads to some local social ills as alcoholism, alienation and violence. On another hand, the concept of luxury should be placed under the critical lens of scrutiny. As French philosopher Y. Michaud contended, luxury is not good nor bad; instead, it is reflected through the cultural values of involved society. In consonance with this, Jost Krippendorf defined tourism as an instrument of escapement that revitalizes the daily frustrations (Krippendorf 2010). To wit, tourism serves to enhance the social cohesion before uncertainty and adversity in the same way of rituals in the aboriginal life. After all, tourism can be catalogued as a rite of passage, which keeps society united (Korstanje and Busby 2010; Thirkettle and Korstanje 2013). Following this, the third section scrutinizes Haiti as a study case that contradicts the specialized literature. After years of exploitation, Haiti is a poor devastated country but a society where material asymmetries were historically enlarged. Luxury tourism was never a solution for Haiti in part because of its dark colonial legacy, but after 2015, when certain political stability was gained, tourism contributes positively to the nation. Quite aside from this, the successive failure of Haiti to adopt a sustainable tourism industry depended on something else than its bad image. The fourth section, in consonance with this, focuses on the local commitment as the key factors for Haiti to overcome the state of pauperism and abandonment Haitians are vulnerable to. As Comaroff and Comaroff brilliantly observed, the cultural theorists of capitalism are accustomed to think ‘globalization’ and heritage consumption bring Third World citizens to an atmosphere of crueler exploitation. Instead of this, the Comaroffs alert on the dangers of heritage. Paradoxically, while tourism and heritage consumption improve the living conditions of historically relegated ethnic groups, it calls the attention of the nation-state, which often increases or creates the taxes over these ethnicities engendering long-dormant conflicts (Comaroff and Comaroff 2009). This chapter offers an interesting interrogation between poverty, capitalism, ethics and tourism.

7.2 Tourism as a Tool to Alleviate Poverty?

7.2.1 Current Practices

Because the increased number of visitors going to PCCDDs offer them opportunities for the diversification of their economy, the industry has been hailed to have the capacity to reduce poverty (Hall and Page 2014; Holden 2013; Edgell Sr. and Swanson 2013). Other benefits of the tourism industry for PCCDDs include (but not limited to) earnings of foreign exchange, contributions to the balance of payments,

contribution to gross domestic products, jobs through the supply in sectors connected to the tourism industry, the sales of goods and services produced by the poor people and subsequently opportunities for poor people to start their own business (Hall and Page 2014; Holden 2013). To maximize the impact of tourism as a poverty reduction tools, many initiatives are developed. They fall under what is called 'pro-poor tourism' or PPT (Holden 2013; Truong 2013). Among the initiatives or programmes developed we can name, the Sustainable Tourism Eliminating Poverty Programme (ST-EP) developed by the United Nations World Tourism Organization (UNWTO). Holden (2013: 176) summarized the mechanisms to reduce poverty as follow (Fig. 7.1):

The mechanism suggested in Fig. 7.1 to reduce poverty are direct strategies to reduce poverty. The same way non-promotional materials are more effective than promotional materials (S eraphin et al. 2017), we are here arguing that indirect strategies to reduce poverty using tourism could also be effective and alternative ways and probably even better ways. Also, the above model is suggesting a strategy to reduce poverty using poverty with locals as entrepreneurs or employees, but never as potential future customers, what reinforces the discriminatory nature of tourism identified by Michel (2000).

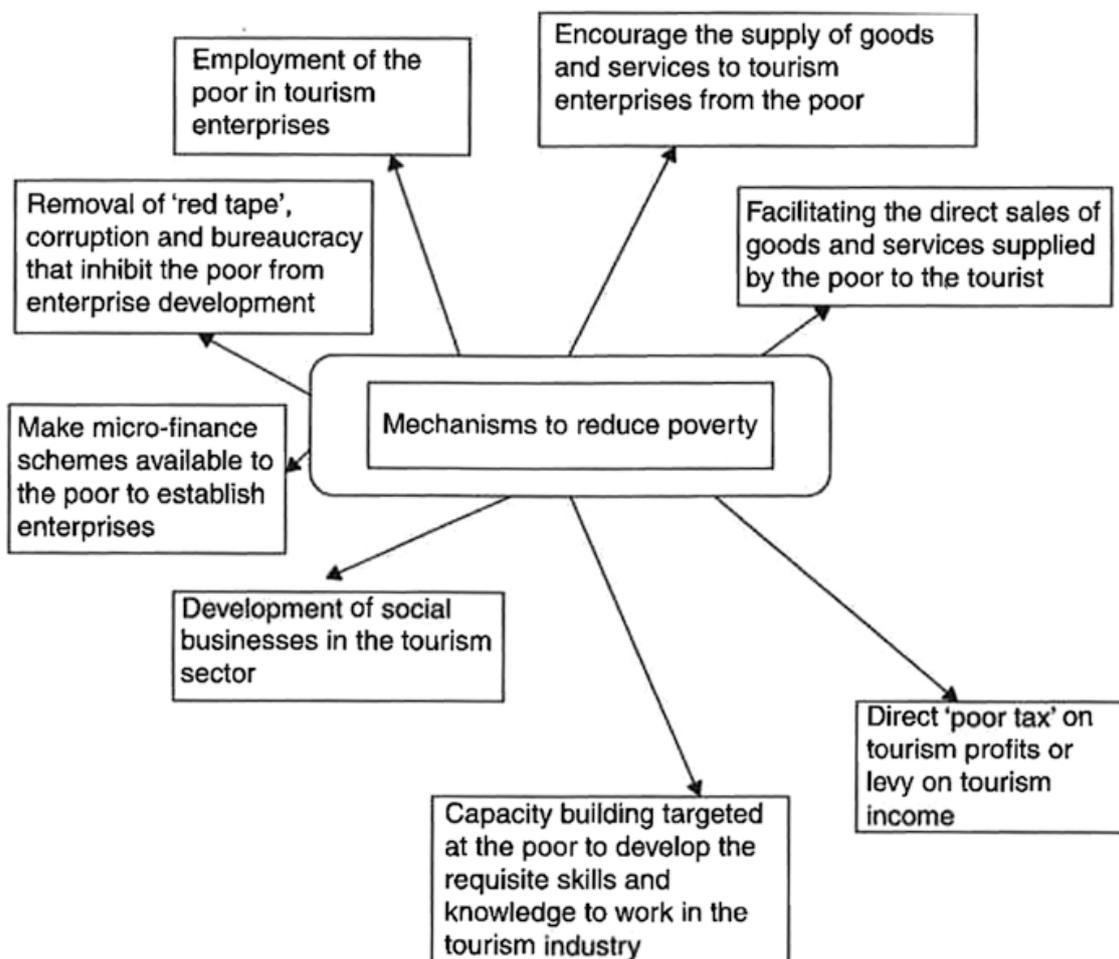


Fig. 7.1 Mechanisms to reduce poverty. (Source: Holden 2013)

In his book *Development and Social Change*, P. McMichael (2011) clarifies the theory of development paved historically the ways for the rise of a global atmosphere, where free market occupies a central position subordinating the autonomies of nation-states. It is not otiose to think that the idea of sustainable development entails the needs of balancing the local needs with global financial interests. At a closer look, the leading countries devote their financial resources to ensure the production of food, exported from South to North, while at the same time, they need of certain stability to meet their energetic matrixes. The theory of development provides certain political instability and economic growth to those nations, which are characterized by historical civil wars, corruption and backwardness. The exegetes of development claimed that the financial aid was of paramount importance to help undeveloped society to embrace progress and development. As McMichael adheres, neoliberalism rests on the needs of promoting governance in the Third World, avoiding the rise of 'failed states'. With this in mind, corporate outsourcing and the private sectors were employed to delineate the borders of nation-states. His main thesis is that scholars are unable to understand development without studying the history of colonialism. While the colonial order imposed a cruel and violent rule to the periphery, no less true was that it cultivated the ideals of free trade and democracy, which prompted the process of decolonization over the 1960s. To fulfil the chasm left by the retreat of colonial powers, the theory of development was reintroduced in order for revitalizing the frustrations and the state of extreme poverty created by the colonial exploitation, as well as local corruption (McMichael 2011). This begs a more than interesting question: is post-disaster tourism part of the problem or the solution?

As Dean MacCannell (2011) puts it, the host-guest encounters are based on a sentiment of indifference, if not curiosity where tourists often consume the natives according to their own beliefs, stereotypes and prejudices. The so-called interests for the alterity seem to be no other thing than the quest of ego affirmation. Throughout his vast career, he understood that the term sightseeing denoted the supremacy of the vision in the West as a source of power. While watching others, we possess them, as MacCannell added. In this context, tourism opens the doors for cross-cultural interactions where weaker 'cultures' are subordinated by 'harder' cultures. Most probably, natives are commoditized as a part of a broader attraction, which acts as a form of entertainment for First World tourists (MacCannell 1976, 2001, 2002). At the same time, the process of secularization erodes the influence of religion in daily life, leaving a gap in the society, which is fulfilled by tourism. Echoing Durkheim and Levi Strauss, if the totem is a sacred object that boosts the social cohesion, so tourism in contemporary society performs a similar role (MacCannell 1976, 2001). As the previous argument is given, MacCannell laments the current dynamics of tourism transforming the people's lives in view of the interests of the market, creating a dissociation between what people do and feel (MacCannell 2011). Doubtless, this leads to an irreversible fragmentation, as he writes,

Social and cultural norms are the basis for a tourist's experience of difference and otherness. They also shape what is locally thought to be civilized or socialized (i.e. proper) behaviour. They demand deference to other feelings, appropriate choices of objects of sat-

isfaction, and moderation in expression of needs and desires. Civilized human beings famously sublimate their repressions via cultural expression- music, dance, cuisine, adornment, etc. There is no place on earth, no cultural region, no geographical feature that figures as a tourist attraction, which is no defined in moral terms. (MacCannell 2011: p. 185)

Moved by ‘pseudo-experiences’, tourists do not need a genuine encounter with the other, less by their own hedonism, which means the prone of pleasure maximization. However, these ego-centred desires come with the environment placing mankind between the wall and the deep blue sea. He holds the thesis that ethics is necessary to reverse the ecological crisis, as well as reforming the basis of a productive system which today is unsustainable. The Other’s pain should not be commercialized as a form of attraction because this prevents the engagement of the self with Others. Quite aside from this, ethics allows society to change those aspects that remain as counterproductive for the system (MacCannell 1976, 2011). Rather, other voices—like Philip Stone—convene that ‘dark tourism’, or post-disaster tourism, represents an anthropological attempt to interpret the own life through the other’s death. The advance of industrialization made death as a taboo transferring the power from priests to doctors. Death transformed into a fear that mobilized a collective conscience in contemporary society. Dark tourism exhibits a difficult meeting with the other’s pain in sites of calamities and disgraces, and in doing so, the man intends domesticating the death. In the society of the spectacle, disasters and risks are packaged and disseminated to a vast audience. Hence, this phenomenon blurs the borders between the commoditization of the death, and the rememorating of the death, Stone finally concludes (Stone 2018). In this token, M. Friedrich et al. (2018) acknowledges dark tourism is not good nor bad. Even, as he cites,

Dark tourism in post-conflict destinations is a potentially influential yet ethically laden phenomenon. As a result, dark tourism may symbolize visitor sites of discordant heritage, sites of selective silences, sites of rendered political and ideological, and sites powerfully intertwined of dark tourism and the difficult heritage it seeks to portray, as well as the potential memorialisation it can offer. Friedrich et al. (2018: 262)

The above-noted cite shows two important aspects, which merit to be discussed. On one hand, the visit of tourists to sites of atrocities as genocide or slaughters helps policymakers to generate a fluid dialogue with other sectors. The moral boundaries are renegotiated according to the opportunity to learn a forgotten lesson. On another, it runs the risk that the message may be selectively distorted avoiding the ‘retributive justices’ the victims claimed (Friedrich et al. 2018).

7.2.2 *Different Perspectives*

The well-known linguist Steven Pinker proffers an interesting argument backing the thesis that modern society lives the most peaceful period of its history. Echoing the ideals of enlightenment, which promoted rationale, ethics and economic prosperity, the modern nation-states have widely adopted democracy as the best of their

organizational principles. The economic prosperity brought by the political stability that democracy ensures resulted in decentralized forms of productions that distributed the produced wealth to a major portion of peoples than in other non-democratic cultures (Pinker 2011). Pinker's assumptions are empirically validated by the senior economists Acemoglu and Robinson (2012) who examine the sociocultural conditions of the prosperous modern democracies respecting the poorer countries. Per their viewpoint, the adoption of democracy not only accelerates a climate of political understanding but also lays the foundations towards a sustainable economy where monopolies are avoided. Unlike the non-democratic nations where the centralization of resources in few hands predominates leading to what these specialists dubs as extractive institutions, in well-established democracies, the economic policies are subject to the scrutiny of many independent agencies, creating 'the check and balance' institutions.

In this context, one might speculate that tourism is not a prime vector for the alleviation of poverty. As Emanuel de Kadt (1979) puts it, those nations which have been historically colonized or occupied by external armies have less probability to adopt successfully development than democratic nations. The same remarks were validated by Stephen Britton, who showed eloquently how under conditions of exploitation, tourism strengthens the centre-periphery dependency, causing unseen negative effects as inflation, acculturation and local crime, among others (Britton 1982, 1991). What is important to discuss is the connection of tourism, poverty and development.

The sociocultural and the political context also play an important role in the alleviation of poverty. Indeed, Edgell Sr. and Swanson (2013: 270) acknowledged that 'the more peaceful the world, the greater are the opportunities for helping to reduce poverty'. Page (2013) also added the fact that tourism only contributes to the reduction of poverty only if there are no barriers hindering it. Among the barriers, we can mention the lack of education and skills of the population that stop them from identifying opportunities, the limited access to finance to create their own business, etc. This is further supported by Dupont (2009) who claimed that there is a one-way direction between economic development and tourism development. He also claimed that there is a one-way direction between poverty alleviation and tourism development. Indeed, taking the example of Haiti, Dupont (2009) explained that it is the economic development of a country that triggers the tourism development of that country and not the other way round. Likewise, it is the alleviation of poverty that leads to the development of tourism and not the other way round. Based on the above, we can come to the conclusion that tourism is the result or the consequence of a set number of parameters and not at the origin of the development of tourism. This alternative approach to tourism could be summarized as follow (Fig. 7.2).

S raphin et al. (2016c) went a step further by saying that if PCCDDs are not performing well as tourism destinations, it is because human issues (primary needs of locals) have not been addressed. Equally important, they added that there is a one-way relationship between the improvement of the well-being of the locals and

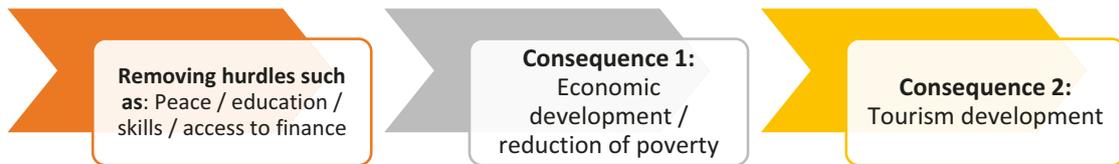


Fig. 7.2 One-way direction to tourism development



Fig. 7.3 From well-being to tourism development

the performance of the destination. In other words, it is the well-being of the locals that is going to improve the tourism performance of the destination and not the other way round (Fig. 7.3). Indeed, research in tourism provides evidence that tourism happens almost naturally when with an increase of free time and with the improvement of the standard of living (Merlin 2001). We are here insisting on the latter.

Ivlevs (2017) explained that well-being as a concept can be put into two categories, namely, material and nonmaterial. In the same line of thought, Séraphin et al. (2016c) argued that having a population that can dream of a better future is a key sign of the well-being of a population. Nonmaterial well-being of a population must therefore be an essential part of the tourism strategy of a government of LDCs. In this book chapter, we are arguing that tourism that could be assimilated to a ‘holy grail’ for poor people in LDCs could be a way to alleviate poverty by using tourism as a nonmaterial and indirect strategy, in other words, using tourism as an aspiration or dream tool for locals as customers and/or employees. We are also claiming that luxury tourism that is sometimes depicted negatively in LDCs (Paul and Séraphin 2015) has the capacity to make locals dream of an even better future and empower them to achieve their end goal. Luxury tourism, in other words, could have a social and even healing function. Lastly, Park et al. (2010) convened that luxury tourism corresponds with a genuine growth for many underdeveloped nations. Though the main features of luxury are exclusion and extravagance, no less true is that consumers often consider a luxury product according to their beauty, not its real value. Luxury consumption not only denotes the psyche of consumers, varying in the threshold of time, but it is perceived in different ways depending on the consumer’s inner world. Instead of demonizing luxury as the worst of evils, social scientists would calibrate their focus paying attention to its potential benefits for society.

7.3 Hope and Fulfilment

7.3.1 *Tourism as the ‘Holy Grail’*

Participation in tourism and/or leisure activities have been identified as factors contributing to the quality of life (well-being and happiness) of people, and sometimes, certain constraints stopped them to enjoy or fully enjoy leisure or tourism activities (Moufakkir 2013). For Michel (2000) and Youell (1998), the tourism industry is an activity that overall excludes poor people and subsequently create discrimination between people. Hence the reason the ethics of tourism has become a cause for concern, discussion and research among academics and practitioners. Ethical tourism is ‘an attempt to manage tourism for the benefit of all stakeholders and to contribute to environmental, social and economic goals (Weeden 2005, Cited in Lovelock and Lovelock 2013: 5). That said, the discriminatory nature of tourism is nothing new. Indeed, ‘the early Egyptian civilization displayed a primitive social structure that rewarded the privileged classes with leisure time to enjoy such activities as dance, music, drama and archery’ (Youell 1998: 3). Similarly, in the later Middle Ages, travelling for leisure continued to be the preserve of those in power (Youell 1998). Taking part in leisure activities undertaken by the ‘elite’ has always been the objective of the masses of the lower and working classes (Youell 1998). Equally important, tourism is also a way to satisfy certain social needs driven by prestige motivations (Correia and Kozak 2012). For some people, tourism is a way to boost their esteem among peers and also a way to contribute to a person’s achievement of self-actualization or self-fulfilment (Youell 1998). This is true whether the traveller is part of an elite or not, as described by Adam (1984, in Hoerner 2003: 80):

The traveller is one who dream about his trip before buying the plane ticket. One therefore dreams and reads. The journey only feeds the mind of he whose spirit is thirsty for knowledge and who precedes them with a methodological interrogation.

More recently, Weaver (2015) explained that (outbound) tourism is a component of the Chinese dream alongside economic growth, personal freedom, reduced corruption, a cleaner environment, safer food, etc.

Based on the collected information so far, tourism can be considered as a motivational or aspirational industry for the masses that can’t afford to take part yet to the industry. In our case, the mass is the poor people in LDCs (and or emerging destinations). French philosopher Ives Michaud clarifies that the problem is not luxury, because it represents a social activity. People buy expensive products to socialize with others. Over the years, the richest classes travelled abroad or bought luxury products while they reconfirmed their privileged status. In this way, as Michaud reminds, poorer classes not only admire the ruling elite but also emulate their lifestyles and consuming behaviour. Recently, social scientists witnessed the rise of a new (individualist) luxury tourist launch to gaze unique experiences, which not only cannot be replicated by others but also can be shared once returned. This

opens the doors to a new philosophical debate on these new luxuries where war tourism and dark tourism are only some examples (Michaud 2013). Unlike the classic luxury, this new one is not transmitted through the language, or the gaze; it should be experienced. For Michaud, this exhibits the triumph of egoism as the mainstream cultural value of modern capitalism.

7.3.2 *Tourism: A Matter of Perception*

Kapferer and Michaut (2015) explain that the key issue with luxury products and services is that they are perceived as superficial and unethical. Indeed, luxury is very often presented as an opposite to altruism, social harmony, moderation and fairness. ‘Sustainable development has become a pervasive problem for luxury brands’ (Kapferer and Michaut 2015: 4). Equally important, Kapferer and Michaut (2015) explained that luxury is perceived differently according to consumers, meaning that luxury can be perceived positively and negatively. Taking the example of Haiti after the earthquake, Wagner (2015) explained that the population was surrounded by image of death and despair, and their only image of hope came from the USA (and the images associated with the country) that most of them were dreaming to go to (S eraphin 2014a, b). In such a context, the hope of a better future can be seen as ‘luxury’ and therefore a rather positive thing. Thomson (2004) also explained that the locals from Haiti were quite envious of non-locals called ‘Blanc’ because they could access comfort (most of the time presented as catering and hospitality products and service) they could not. Here, luxury is to be understood from the ‘comfort’ angle, causing social inequality. In reaction to the destruction of Haiti after the earthquake, the tourism industry and more specifically the hospitality sector reacted with the construction of luxury hotels. This was a way for the professionals of the sector to show their resilience, in other words, their adaptive capacity (Hutton 2016), faith in their country, and also a way to show that they can achieve the best.

7.4 Case Study: The Tourism Industry in Haiti

7.4.1 *Haiti. A Brief Overview*

Hispaniola is made of Haiti and the Dominican Republic. In the eighteenth century, Haiti was the richest French colony. It was even called the ‘Pearl of the Antilles’ (Roc 2008). The island’s wealth was generated by a thriving exportation industry, and to sustain growth, thousands of African slaves were transported to Haiti to bolster the workforce (Reader 1998). The large Haitian slave community, commanded by a comparatively small group of white masters, staged an uprising in 1791. This led to a 13-year war of liberation, with General Toussaint L’Ouverture, leading the Haitian slave army to freedom.

Equally important, the image of Haiti then became associated with Toussaint L'Ouverture, also called the 'Bonaparte of the Antilles' who set free all Haitian slaves. CLR James immortalized L'Ouverture in his classic study "The Black Jacobins" as the revolutionary who took the French Revolution at its word: liberty, equality and fraternity for *all* mankind, former slaves and colonial subjects included. In 1804, Jean-Jacques Dessalines declared the independence of Haiti. The country became known worldwide as the first black republic in the world (Cruse 2012). Today, Haiti is one of the poorest countries in the world (Wagner 2015; Roc 2008).

7.4.2 *Haiti and Its Tourism Industry. A Brief Overview*

Between the 1940s and 1960s, Haiti was a very popular destination in the Caribbean and as such attracted visitors from all over the world. In 1957, the dictatorship of Francois Duvalier and his *Tonton Macoutes* put an end to the tourism industry of the country. On January 12, 2010, an earthquake further damaged the tourism industry. From that point, the industry became a priority for the government, which has identified the tourism sector as a key vehicle for economic development. This new approach of tourism has led to a rebranding of the destination marketing organization and to a strategy aiming to improve the quality of products and services offered with the emergence of the international chain of hotels in a destination where the sector was 100% into the hands of Haitians (Séraphin et al. 2016a, b, c; Séraphin and Paul 2015; Séraphin 2014a, b). Among the luxurious hotels (*5 hibiscus* – the local equivalent of stars) that opened in Haiti, we can name a few like the *Inn at Villa Bamboo*, *Hotel Oasis*, *NH Haiti El Rancho*, *Best Western Premier*, *Karibe Convention Center*, *Royal Decameron Indigo Beach Resort & Spa*, *Hilton*, *Marriott*, etc. (Séraphin and Paul 2015). Those hotels and resorts are presented by Séraphin and Paul (2015) as an *antimonde*, in other words, a world apart from the normal world (Cruse 2009). Barreau (2013) explained that locals are aspiring to reach this world of luxury, for them a way to escape their current social condition, mainly characterized by deprivation (Séraphin et al. 2016a, b, c). For Séraphin and Paul (2015), the locals are more and more supportive of luxury tourism. That said, they also added the fact that luxury products and services remain quite indecent because of the low standard of living of the vast majority of the population.

7.4.3 *The Hospitality Sector: An Allegory of the Tourism Industry and Political Context in Haiti*

(a) 1981–1996: Club Med Magic Haiti: 'On and off'

Between 1950s and 1960s, a period when most of the British Commonwealth Caribbean took their independence, the first generation of hotels was built (Bell 2015). During the 1970s, many hotels were operating below capacity and with major closures; as a result, many governments had to assume ownership and

management of a significant number of hotels (Bell 2015). In the 1980s, a new generation of hotels appeared in the Caribbean: The all-inclusive, *Club Méditerranée*, was followed by Sandals groups of hotels, a Caribbean spiced version of the Club Med concept (Bell 2015).

In 1981, *Club Med*, the world-leading holiday resort company (Juyaux 2009), opened an all-inclusive resort in Haiti named *Club Med Magic Haiti*. This all-inclusive resort, also called ‘Super Club’ (Cazelais 2004), was the first-ever international brand hotel in Haiti and the first-ever hotel own by foreign capitals. This was the case until 2012 (Séraphin 2014a, b). Between 1981 and 1996, the all-inclusive resort never managed to be profitable due to the fact that during the 15 years, the hotel was operating on and off due to the political instability.

The 15 years of Club Med in Haiti were 15 difficult years from a political, economic and social point of view. The late 1980s was the worst period of Haitian history: Haiti became a drug hub in the Caribbean; corruption was rampant as never before; violent repression of the Haitian police towards the opponent of the Duvalier regime was frequent (Avril 1997); pioneers of human rights were expelled, arrested or killed (Maguire 2014); there was a lack of political stability with many coups—June 20, 1988, April 2, 1989, September 30, 1991; etc. (Avril 1997) with 11 different politicians ruling the country between 1986–1996. On top of the political context, Haiti went through an AIDS pandemic in the late 1980s and early 1990s (Destin 2014) and an American embargo. Also, during this period, hotels were not the most popular form of accommodation, but guest houses/apartments (Séraphin 1991) (Table 7.1):

Despite the political and social context, in 1995, the government, via the *Secretariat d’état au Tourisme (SET)*, announced a new strategy for the tourism industry, part of which included the development of training courses in tourism and hospitality and the regeneration of the cultural city of Jacmel (Dupont 2009). The effort to develop the tourism sector did not work. Under the Duvalier dictatorship and beyond, the destination became one of the less-visited islands in the Caribbean because of its negative image and lack of governance of the country (Roc 2008; Charles 1994). The case of *Club Med Magic Haiti* indicates a contract between the ambitions of the government and the strategy put in place in terms of tourism development. Indeed, how can an international hotel survive in such a context? It is during this period (1981–1996) that Haiti stopped being considered as a tourist destination (Séraphin 2014a, b). It is important to highlight the fact that *InterContinental Hotel Groups* faced the same problem as *Club Med* in many Latin American countries. The political unrest, the devaluation of currencies and management inefficiencies leading to higher costs and lower cost profit were the main hurdles (Quek 2012).

Table 7.1 Tourists arrivals by place of stay in Haiti (1986)

Hotels (%)	Guest houses/apartments (%)	Private/unregistered (%)	Other (%)	Total (%)
25	53	22	–	100

Source: Séraphin (1991)

(b) 1997–2005: Club Med Magic Haiti: The beginning of the end

Because of the context described above, *Club Med* decided to close the resort. Meanwhile, the global strategy of the company changed with an upgrade of the resorts in the world (Orsoni 2007; Morel 2007), making it even impossible for the group to carry on managing their resort in Haiti. This period was mainly characterized by the economic crisis and political instability (Clammer 2012). *Club Med* decided to stop its operation in Haiti (Table 7.2).

(c) 2006–2015: Club Indigo: Like a phoenix rising from the ashes

2006 corresponds with the transition *Club Med Magic Haiti – Club Indigo*. The new resort moved from international ownership to local ownership. *Club Indigo* became in 2006 the property of a family part of the local ‘elite’ (Séraphin 2011). As for Thomson (2004), he explained that *Club Indigo* survived mainly thanks to the business tourists (NGO staff, journalists, diplomats, politicians, etc.). From a political point of view, this period has been the most stable with only one president (Clammer 2012). However, this period is mainly going to be remembered because of the earthquake on January 12, 2010, that ravaged Haiti on January 12, 2010 (Mika 2014).

(d) 2015–Nowadays: Club Lookea Magic Haiti: A new era

Since November 2015, *Club Indigo* stopped to exist. The resort is no longer operating under a local management but managed by two international companies Decameron and Transat and operating under the name *Club Lookea Magic Haiti*. This period is the most dynamic period in Haitian history in terms of hotels built. Many changes occurred in the hospitality sector during this period. *Club Lookea Magic Haiti* was no longer the only international chain of hotel in Haiti; then, quality finally became a priority of the government (Séraphin 2014a, b).

Table 7.2 Life brand of a Haitian hotel

Name	Date	Management	Context
Club Med Magic Haiti	1981–1996	International	Political instability
			Major political and social issues
			1997–2005: Closure
Club Indigo	2006–2015	Local	Slight improvement of the political, economic and social climate
			Slight increase in the number of visitors
Club Lookea Magic Haiti	2015–	International	Better political stability (even if chipped by constant issues of various nature)
			Increased number of visitors

7.5 Tourism and the Unconventional Behaviour

7.5.1 *The Unconventionality of Tourism in LDCs*

‘Unconventional’ is to be understood as ‘convention-breaking’, ‘less traditional’ and ‘non-conforming’ (Norman et al. 2007; Noble 2001). This term could also be applied to anything that differs from the norm or standard; as a result, innovation plays a central role in unconventional action and behaviour (Strydom and Adams 2009). As for Dequech (2003), an ‘unconventional behaviour’ is irrational, unreasonable behaviour. For him, it is all about going against the average opinion. For Chaston (2000, cited in Burns 2014: 47), it is important to ‘challenge established market conventions and develop new solutions’. This strategy is called ‘blue ocean strategy’. Still, according to Chaston (2000, cited in Burns 2014: 47), three categories of conventions need to be challenged: (a) sectoral conventions, (b) performance conventions and finally (c) customer conventions. ‘Unconventional behaviour often results from a person’s rejection of the constraints imposed by social standards’ (Dequech 2003: 160). The presentation of luxury in the Haitian context is less traditional and challenges sectoral and performance conventions. Traditionally, the power of tourism to alleviate poverty has always been covered from an economic point of view due to the fact that poverty research as a whole has always focused on poverty as an economic condition (Blocker et al. 2013). For us, poverty is also a state of mind that certain forms of tourism can alleviate. Poor people have aspirations that often go unnoticed by marketplace actors and institutions. Their aspirations can also be the source of the great outcome if tapped in correctly. Tourism is also a resilience resource.

7.5.2 *The Undeserving of the Tourism Industry in Haiti*

Taking the example of the resort of Labadee (Haiti), Séraphin et al. (2018b) explain that the development of resorts in postcolonial, post-conflict and post-disaster destinations (PCCDs) are to be assimilated to enclaves, that is to say enclosed and self-contained facilities, where tourists and locals are kept separated (Mbaiwa 2003). This situation caused by a socio-economic discrepancy between locals and tourists is leading to some resentment of locals towards visitors (Séraphin 2014a, b). The development of luxury products and services (that we are here defining as products and services that mainly visitors can afford and access) in the tourism industry in PCCDs leads to disengagement and resentment of the locals. Not only the locals are frustrated as they can’t access luxury products and services as customers, but also they don’t always fully benefit of a luxury form of tourism as employees neither, as explained by Thomson (2004) in the following quote:

‘New Hilton and Marriott hotels are due to open in Port-au-Prince; change is coming fast. The question is whether the poor—that is, the majority of Haitians—will benefit from the

foreign loans and investment, whether the money will trickle down from the Hilton to the slums at the harbour's mouth. No doubt, something will be lost as the global market brings more all-inclusive resort hotels and standardized Palm Beach sport cabin villages. As in Jamaica in the 1950s, it will be a trade-off between dignity and the mighty dollar (...), but jobs are needed'. As a product and service, the tourism industry started with being only affordable by an elite and is now accessible to most, hence the emergence of mass tourism and problem related to it like overtourism (S raphin et al. 2018a, b; S raphin 2012). However, the example of Haiti provides evidence that tourism remains a luxury product and services for locals in PCCDs. The definition and perception of luxury are therefore contextual (Coquery 2014).

7.6 From Deprivation to Power

7.6.1 Deprivation

According to Blocker, Ruth, Sridharan, Beckwith, Ekici, Goudie-Hutton, Antonio Rosa, Saatcioglu, Talukdar, Trujillo and Varman (2013: 1196), 'individuals facing chronic restrictions in the marketplace may be unable to consume many things that are needed for basic survival, not to mention objects of desire throughout life'. They also added that this situation leads to felt deprivation, that is to say, 'the beliefs, emotions, and experiences that arise when individuals see themselves as unable to fulfil the consumption needs of a minimally decent life' Blocker et al. (2013: 1196). Based on our findings so far, we can come to the conclusion that the vast majority of the locals in Haiti fall under the concept of 'felt deprivation'. This reinforces our claim (4.1) that tourism is to be considered as luxury product and service in PCCDs (Haiti). The problem of 'felt deprivation' also affects the tourism performance of PCCDs. Indeed, S raphin et al. (2016b) explain that the poor performance of Haiti as a destination goes beyond the image issue. For them, it is, first of all, a human issue due to the fact that the primary basic needs of the population are not met. They also explain that the local needs to be able to dream and adopt the 'Yes, we can spirit'. This is further supported by Dupont (2009) who pointed out that it is the reduction of poverty in Haiti that is going to lead to the development of tourism and not the other way round. Equally important, Blocker et al. (2013) also explained that the effects of poverty can be transformed via different uses of power. In the case of Haiti, S raphin et al. (2016b) explain that the *power* to the improvement of the condition of the locals are going through a change of leadership as the country needs leaders who have the well-being of the locals as a priority. They also mention a return of the diaspora. In this book chapter, we are arguing that luxury products and services (like in the tourism industry) can address the issue of absence of perspective (dream and 'yes we can' spirit). As already mentioned, this view is supported by S raphin and Paul (2015) and Barreau (2013). The case of Haiti is calling for an ambidextrous management and approach of luxury by combining an exploitative view of luxury (consumption of tangible luxury goods and brands) and exploratory view of luxury (*power* to aspiration and poverty alleviation). The same way, tourism

can be said to have a Janus-faced character because it triggers at the same time positive and negative outcomes for a destination (Sanchez and Adams 2008), Luxury can be said to have a Janus-faced character as it portrayed a hedonism and self-centred attribute while also portraying a more social and community-caring attribute. When luxury portrayed this Janus-faced character attribute, it can be said to be an unconventional form of luxury.

7.7 Conclusion

In this book chapter, we are introducing some preliminary reflections of an unconventional approach of tourism, namely, a more emotional approach that would enable the deprived to see beyond the physical representation of their environment as their current representations and understanding of reality does not function effectively with an idealization of the elsewhere and a devilish representation of their own country. Some hints support the view that fulfilling aspirations is an important part of consumer research (Blocker et al. 2013). As a resilient industry in an emerging destination, the industry has helped to keep a certain dignity. This book chapter also provides evidence that poor people (in LDCs) are neither passive nor powerless (Hutton 2016). Of course, the first detractors of tourism, development and luxury defined negatively the 'bubble tourism'. On one hand, classic tourism emulated the prosperity of stability and democracy, which were proper of enlightenment. Capitalism and democracy played a leading role in making societies more peaceful, equal and open to the foreigners (MacCannell 1976; Cohen 1972). Such a realm was radically changed after the turn of the new century, where tourism and hospitality industries faced a lot of risks and serious situations which ranged from terrorism (2001) to a stock and market crisis (2008). Today's tourism alludes to a morbid consumption where the other's pain has been commoditized. This ranges from spaces of mass death, war or refugee camps towards post-disaster destinations. In this context, the idea of luxury not only should be reconsidered but also explained in this chapter; it may confront with the neoliberal forces, which now monopolizes the power of the Global North over South, as Tzanelli discussed.

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Chapter 8

Conscious Firms: A Disruptive Productivity Model with Human Development at the Service of Stakeholders



Ismo Koponen and Pablo Álamo

Abstract In the present, social awareness is found in the form of organisations being conscious. The existence of the entrepreneurial phenomenon is explained from the social roots of human behaviour. Without sociability, there is no firm and without awareness, there is no responsible firm. By deeply exploring a case study of a conscious firm awarded by the Schwab Foundation for Social Entrepreneurship, this study contributes to the literature on entrepreneurship and ethical and socially responsible business management. We offer a theory and a productive model with human development that fosters entrepreneurship and makes it possible to build ethical interactions between the firm and the stakeholders. The methodology used is qualitative with a humanistic approach and presents the hypothesis that, if conscious firms want to have high productive performance, they must empower the worker in a way that turns them into entrepreneurs of their own work. The most important conclusion of this work is that conscious firms must have a productivity model that combines two processes: sustainable economic growth and comprehensive human development. We also suggest theoretical and practical implications for the consolidation of ethical advancements in the business world.

Keywords Conscious firms · Productivity · Entrepreneurship · Business ethics · Corporate social responsibility

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8.1 Introduction

8.1.1 *Social Responsibility Today*

The conceptualisation of what a firm is as an economic, human and social phenomenon has evolved through time (Garriga and Melé 2004; Dahlsrud 2008; Kubátová 2018). In this stage of maturity, the theory of stakeholders has played a central role (Carroll 1999; Friedman and Miles 2006; Matten and Moon 2008; Ackermann and Eden 2011; Lange and Bundy 2018). Even when they have incoherent behaviours, only a few businessmen question the principle that an organisation is formed by a series of interest groups that make the organisational project possible. These groups are sometimes called “interested parties,” in the sense that they are the protagonists of the firm, the most important “pieces” of the puzzle and at the same time, the people who are most interested in the success of the project. In consequence, a fundamental part of corporate social responsibility is to establish a satisfactory relationship with the stakeholders (Hopkins 2003; Crowther y Rayman 2005; Parmar et al. 2010; Mitchell et al. 2016).

Social responsibility plays a strategic role in the integration of the different interests, needs, values and priorities of the business world. The notion of social responsibility today is an essential part of business ethics; its foundation is found in the conception of the human being as an agent of social, ecologic and systemic nature (Argandoña, 2020). If ethics offer a general framework for action for economic agents, social responsibility emphasises the community and collective commitment, especially in those agents with the greater potential for impact on the rest. Systemic failures in economic models, especially the limitation of the human system to act autonomously in an ethical and responsible manner, make it possible for behaviours that go against the common good to become rampant. Corporate and financial scandals are one of the most well-known examples of this. The presence of grave justice violations, such as corruption and due-diligence mistakes in terms of human rights, also make social responsibility a political priority in its broadest and most noble conception.

This spirit of commitment to corporate social responsibility has materialised in different ways in the last years, with a growing interest in cultivating ethical leadership. One of the most recent examples is the “New Deal for Europe,” an agreement signed by more than 350 CEOs that was presented in 2019 to the presidents of the European Commission, the European Council and the European Parliament. It is a commitment to implement a global strategy for a sustainable Europe governed by the Sustainable Development Goals of the United Nations, following the Paris Agreement and the UN Guiding Principles on Business and Human Rights. The core of this document is the conception of the firm as an ethical agent because it is conferred the duty of giving value to society without abandoning any human beings and while being sustainable. Furthermore, it conceives the firm within an ecosystem where all actors, especially governments and the institutions created by the civil society, must work in coordination.

There are three agreements of the “New Deal for Europe” that are especially important for this work: Agreements 1, 3 and 4 of the document signed by the CEOs. Agreement 1 focuses on innovation and the need to transform businesses to foster competitiveness; agreement 3 emphasises the urgency of creating more sustainable financial models and collaborative platforms, and agreement 4 talks about the duty of maximising the creation of value for society through sustainable business patterns. All the agreements are important and reflect a new conscience, a new attitude towards social responsibility (Fig. 8.1).

It is not this agreement alone that shows that ethics are a serious matter for many leaders and organisations. We also have the petition made by 155 multinational firms to governments and states during the COVID-19 pandemic. These organisations express their commitment to responsible management by making decisions based on science to achieve an inclusive and sustainable economy. The ultimate goal is to achieve zero carbon emissions. This document was signed by organisations from 33 countries across 34 sectors of the economy, and they maintain that addressing climate change is an unavoidable responsibility, as is moving towards a green economy.

There is definitely a change in conscience that has originated a new commitment. It is an implicit or explicit recognition of a fundamental principle of business ethics: we are responsible for the present and capable of creating the future. If we did not



Fig. 8.1 A new deal for Europe. (Source: Own creation using Foretica (2020))

have this ability, we would not have any responsibilities. Human beings are responsible at least in three dimensions: for themselves, for what they have and for what they do.

For the objective of achieving responsible business behaviour to make sense, it is necessary to accept the existence of two elements. The first element is the ability of firms to change, improve and acquire habits coherent and consistent with their purpose; secondly, the ability to establish productive, healthy and sustainable relationships. Therefore, it is vital to understand the firm as a relational system (Uhl-Bien, 2011), possibly one of the pinnacles of human sociability. If you want to understand what a firm implies as a creation, it is useful to know its creator, the human being, and, specifically, the essential sociable dimension that characterises it and that has made possible the advent of this social phenomenon known as a firm. Consequently, to decipher human wealth, not without its particular complexities, few paths are more expressive than getting to know the deepest roots of human sociability.

8.1.2 Research Question and Method

The goal of this work is to learn about the phenomenon of conscious firms and to approach them from their anthropological and social foundations. We seek to make a conceptual synthesis of what is understood as a conscious firm and to link this proposal of a socially responsible entity to the anthropological (radicals) roots of human sociability present in classical literature, specifically Cicero. We present the hypothesis that the roots of human sociability are a valid method to establish the relational strategy of a firm with its stakeholders, from the humanistic approach presented by Niño-Muñoz et al. (2019). We complete the research with the presentation of the case of a conscious firm based on a productivity model with human development whose top priority is social responsibility.

The methodology used is qualitative, an appropriate choice when one wishes to understand the depth of a social reality. In this case, we study the conscious firm. We approach the phenomenon with interpretative and explicative intentions based on a subjective criterion based on more than 15 years of experience in business consulting, and with the intention of integrating our own experiences with the experiences of colleagues and experts. This work was completed in two stages: the first stage consisted of a literature review that included the classical sources that study human sociability, which makes the corporate phenomenon possible. Our literature review also included authors who have presented theories about conscious firms, with the purpose of providing a descriptive and argumentative synthesis of the phenomenon. The second stage consisted of the selection of a case of a conscious firm and its subsequent study; the selected firm has an organisational purpose that consists of giving value to society based on a productivity method with human development.

In other words, we studied the phenomenon based on a subjective criterion that is based on professional experience and completed the analysis by observing the described corporate social phenomenon from the perspective of a firm with more

than 25 years in the market and more than 400 firms under its belt. As a scientific research method, the case study allowed us to immerse ourselves in the reality of the social phenomenon with the purpose of getting to know it in depth (Peña-Collazos 2009). We used the interview technique following the recommendations of Yin (2003) and Robles (2011) for the case presented as evidence of the phenomenon being studied.

8.2 Theoretical Framework: Human Sociability and Conscious Firms

8.2.1 *The Anthropological Radicals of Sociability*

When humans establish relationships, they communicate what they really are. Human sociability plays a role that goes beyond something circumstantial since it covers knowledge and the development of individual identities. The first known Western studies of human sociability can be found in the classical thinking of Greek and Roman philosophers. Cicero (1997; 2016) was one of the first authors who analysed the roots of the human social dimension. He distinguished nine fundamental social virtues: *pietas*, *observantia*, *honor*, *oboedientia*, *gratitudo*, *vindicatio*, *veritas*, *affabilitas* and *liberalitas*. Following González Gaitano (2007), we use the original Latin names to avoid semantic distortion, since the literal translation of these terms may have a current meaning that does not correspond to what Cicero wished to express.

When we talk about anthropological *radicals*, we are referring to the *roots* of the human being that are part of a natural tendency, meaning a call for action or an impulse towards the future. Figure 8.2 explains the meaning of the anthropological radicals of human sociability.

Cicero's radicals of human sociability are framed in classical thinking. Although they have an Aristotelian debt (Aristotle, 2014), their strongest characteristic is

<i>Pietas</i>	It is a natural tendency to enter a perfective relationship with the origin and those with whom the human being has contracted an unpayable debt.
<i>Observantia</i>	It is a natural tendency to enter a perfective relationship with the person constituted in legitimate authority. This inclination is based on the inherent <i>potestas</i> or power of the position.
<i>Honor</i>	It is a natural tendency to recognize, admire or imitate those who are better than him, those with authority.
<i>Oboedientia</i>	It is a natural tendency to observe the mandates, independently of who mandated it, because it is beneficial to individual or the common good.
<i>Veritas</i>	It is a natural tendency to manifest what is, how it is, without concealments or manipulations.
<i>Affabilitas</i>	It is the natural tendency to friendship, or to be more specific, to love, to give oneself to others.
<i>Liberalitas</i>	It is the natural tendency to give what one has according to a moral, not legal, debt, which implies the ability to both give and receive.
<i>Gratitudo</i>	It is the natural tendency to recognise the good received and wanting to pay it back, meaning, to be worthy of it, to compensate that good in some way.
<i>Vindicatio</i>	It is the natural tendency to restore the loss order, the offences incurred, the evil caused or received.

Fig. 8.2 The radicals of human sociability. (Source: Own creation based on Alamo (2018))

stoicism (Valente, 1964). In any case, their thinking is extremely current for business ethics and social responsibility because it is a strong guideline for corporate policies and the complex network of relationships that a firm has with its stakeholders. Radicals are useful coordinates for relational foundations, as we will see later on.

The hypothesis presented about the anthropological radicals is based on three motives. In the first place because it makes a radical call to ethics, nature, and concretely, the ideal of virtue; regarding this, Cicero maintains that all human beings who are faithful to the judgements of nature will live a reasonably honest life that is mandated by superior rationality. He recognises an ethical vocation in human beings that consists of leading a just life and aspiring to superior goods to which the merely hedonistic logic of pleasure and utilitarian pragmatism aspires. Secondly, this roman philosopher centres the attention on human sociability, establishing an essential equality in all human beings and advocating for a society that is based on interdependency and collaboration, away from an individualism that would render meaningless the ideal of independence within human beings.

The third reason why we consider that Cicero enriches the corporate ethics discussion is based on his defence of the ideal of globalisation, from the first century BC. The three fundamental principles he presents for all public policy – equality, respect and collaboration – are perfectly valid today for a pluralistic society that has overcome the hierarchic/anthropocentric paradigm and which recognises itself as a complex, systemic and ecologic reality. Cicero states that all human beings must feel like a citizen of the world, in fact, he conceives earth as a sole city, whose harmony with nature is only viable through friendship relationships (Schofield 2003; Van der Blom 2010). The fundamental value of friendship as a natural tendency does not apply only to relationships between human beings, it also applies to nature. For Cicero, friendship must be a guarantor of good, never a consort of vices, and the most sublime expression that human beings were not born only for themselves, but for others.

8.2.2 A Masterpiece of Human Sociability

We previously said that it is not possible to understand the corporate purpose and mission if we do not know its creator, the human nature and the roots of its social dimension. Humans seek meaning and find their own perfection in coexistence with their peers, especially through building trust relationships (Coleman, 1988; Fukuyama, 1996; Glaser, 2006). The corporate, economic and commercial reality is explained only in a context of trust since the best productivity, entrepreneurship and innovation performance indicators are not found in environments of suspicion or incredulity. It is a basic privilege of sales psychology: in contexts of freedom nobody purchases from someone whom they do not trust.

According to Alamo (2018), all economies – family, local, national and international – are based on the human social dimension, specifically in the ability to give

and receive. It is not possible to provide something to another person, to give ourselves or our work capacity if there is no one there to receive it (*liberalitas*). It is basic but essential communication. Additionally, this anthropological root has an aspect with enormous consequences: feeling more happiness by giving than by receiving, in serving others more than oneself (Polo and Llano, 1999).

In other words, the human person needs society to understand and accept themselves radically. Interpersonal relationships are not an accident one can dispense with (Polo, 1997). On the contrary, the purpose of human beings is coexisting with themselves in the first place, and with others – family, friends, collaborators and stakeholders – in the second place. This vocation for coexistence is a fundamental principle that, at its maximum level of social conscience, implies the ecologic environment or finding meaning for everything that has been created. When one recognises that all life forms have a predetermined place in the world that must be protected, it can be said that the human person is inspired by a superior being. This inspiration leads to taking care of nature, to avoiding an attitude that goes against it, that respects and coexists (Nyhus, 2016; Stenseke, 2018).

During the mandatory confinement produced by the COVID-19 virus in some countries, society has become aware that without others, without dialogue, without the possibility of giving and receiving something, human beings experience frustration and emptiness that affect the meaning of existence. Human beings were not designed to be alone, or in bad company, but above all, humans are not designed for solitude, except in some very specific situations. Solitude is not an attribute of humanity because it hinders survival and limits knowledge, comprehension and the maximum development of the human being. This reality has radical influence in the firm and gives an anthropological foundation to the theory of stakeholders. It is natural to have that social view and the intention to develop bonds; it is unnatural and incorrect to cut the relational gene, which in its altruistic dimension is fulfilled in serving others. We consider that this vocation for service is the fundamental principle of the relationship with the stakeholders; a relationship that, as any authentically human creation, is binding (Wood, 1982; Christman, 2004; Lopes and Calapez, 2012; Lopes et al., 2012; Lord et al., 2016; Methot et al., 2018). In other words, the relationship with the stakeholders has a much deeper dimension than a merely operational need. On the contrary, it is a real bond where the firm and the people who are a part of it evidence their true identity and forge their destiny.

According to Yepes (1999), this sociability can be seen on a biological level. When humans are born, their corporal, nervous and psychological development is incomplete, and it requires individual learning and the support of others to be able to cover the basic needs such as food, safety and fundamental survival actions. One of the great teachings of biology for the organisational world is that the reason of being of human beings is to coexist and that the relational vocation is not only amongst humans but with the planet as a whole. In other words, we need to create connections, links and associations. This sheds a light on the hypothesis of the importance of friendship for human beings, and in consequence, for ethics.

Healthy and functional human societies make more use of friendship than justice. This is why some authors have proposed that society has a political obligation

to favour the creation of friendship communities. In the business environment, friendship is essential so that there can be a real community with the stakeholders. There is a belief that it is not convenient to make business with friends, or that we do not go to work to make friends, but these thoughts have arisen from experiences that are not truly based on friendship. A friend is someone capable of establishing a prolonged and expensive exchange of goods; a bond that implies making sacrifices for the other, one of them being telling the truth and being capable of accepting the truth. Another characteristic of a friendship is to want good things for our friends, which is why friendship is not compatible with evil, with being complicit with evil actions, injustice or foulness. If there were true friends in firms, meaning competent individuals with the virtue of friendship, many projects would not fail and corrupt behaviours would be avoided.

There is a television series that presents this very clearly: *Suits*, by Aaron Korsh. In this attorney series set in New York, what keeps its main characters on track is the value of friendship, specifically the ability to “bear” the truth when a friend tells it without turning their backs on each other and starting to plot against them. This is a type of friendship that is closely related to loyalty. For classical authors such as Aristotle, friendship is the crown of joy, which makes sense in the business context. A good organisational environment in which people feel good, motivated and fulfilled, is not possible without friendship relationships. One does not go to work to make friends, but without friends, the firm cannot survive for a long time. This is why we present the hypothesis that firms need to improve the levels of friendship since it leads to authenticity, to telling the truth, being transparent, strong, loyal, and to resisting and overcoming difficulties together.

Most organisational problems that have to do with collaboration, teamwork, synergy, trust, motivation and reputation are caused by an absence of real friendship relationships, which cannot thrive without the aforementioned radical of human sociability, *veritas*. In societies where lies are too common, there is no trust, the common good is inexistent, and there is a social environment of deceitfulness and hypocrisy that lacks credibility, efficacy and competitiveness. This is why amongst the most important skills of a leader is knowing how to organise the truth, determine its boundaries, what can and cannot be said and what needs to be kept a secret within legitimate intimacy, but above all, a leader should be an example of truth-based dialogue (Bouilloud et al., 2019).

In summary, without truth, there cannot be trust or it would be too fragile, and it would be too difficult to maintain long-term relationships and productivity and prosperity results (Janke, 2016). We agree with Christians (2019) in that from the perspective of communication, trust is a fundamental ethical principle.

If human beings did not have the capacity and motivation to establish authentic bonds, the firm would not have meaning, and possibly a future. On the contrary, the firm needs to have someone to target, be it society or a market. In order to establish this bond, and for the prospect of alterity to become a stakeholder, at least three elements are necessary: a certain degree of similitude, understanding and harmony. In this context, touching is a fundamental principle of human relationships. In fact, without touching, there is no firm or possible relationship with the stakeholders. The

experience of the pandemic caused by the COVID-19 virus has proven this: Firms need to connect with their stakeholders because, in a context of fear and uncertainty, people need a lot of touching or relational closeness, emotional connection. Leaders that have the skill of touching can encourage their followers to take a step forward and help them be more proactive, to light a candle, a flashlight or a strong lamp instead of staying in the dark. Physical and emotional closeness with the stakeholders is fundamental because, without it, one cannot “touch” the other’s reality and say the right words (Delizonna, 2017). A sincere look and being attentive with all the senses allow these leaders to understand the truths that other people experiment and tell them (Lu, 2014).

In other words, the human tendency to establish bonds and interrelationships has made a masterpiece of sociability possible: The firm as an organisation of people who get together to work in coordination to achieve a purpose that adds value to society. From all the bonds a firm must maintain, those that have to do with the stakeholders are the most important and generally have a strategic signature. The way we see it, establishing conscious bonds with all the stakeholders should be the priority of a firm. This goal is achieved through the development of social roots that are inherent to human nature, and also through the truth, friendship and gratitude towards the stakeholders, with whom it is vital to have an attitude of touching (Fig. 8.3).

To feel the calling to establish deep bonds with the stakeholders, which go beyond a productive or commercial relationship, the firm must have a level of maturity or conscience. Because of this, below we approach the theoretical–practical proposal of Fredy Kofman (2008) of conscious firms. Learning about it will allow

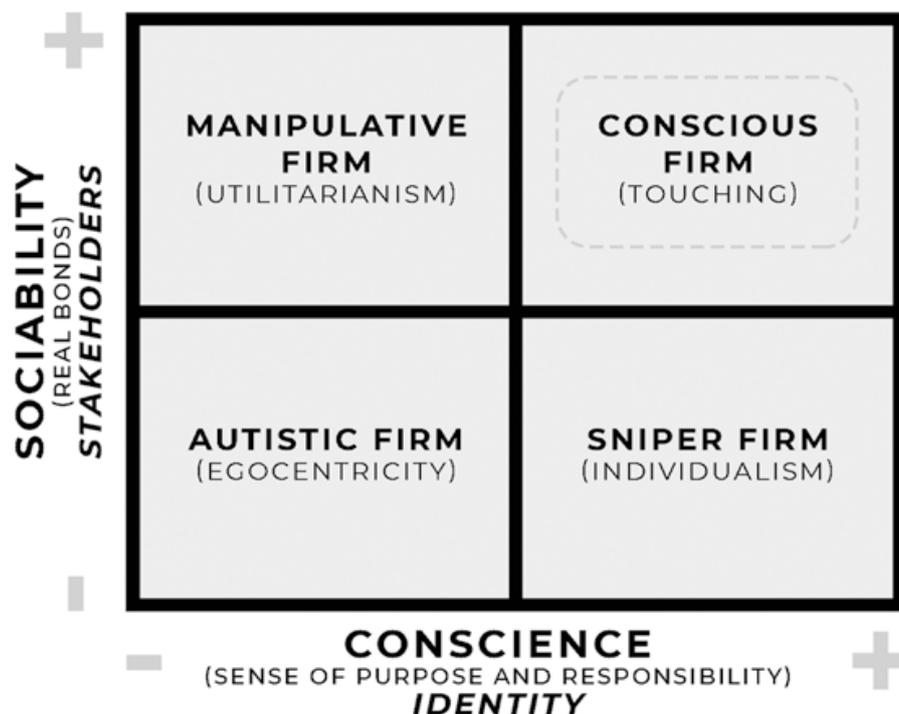


Fig. 8.3 Conscious firm: touching. (Source: Own creation)

us to better understand and analyse the case study we will present later about an organisation that defines itself as a “conscious firm,” where the social virtues of human beings are experienced.

8.2.3 Factors of the Conscious Firm

It is a vision of the firm that is away from traditional paradigms. The conception of the firm as a mercantile or industrial society is a model that does not cover the corporate phenomenon properly. Conscious firms, on the contrary, intend to fulfil the ancient vision of the firm as a community of people who get together to achieve economic purposes.

Conscious firms have a different, disruptive vision of the world that empowers humans and challenges them to develop conscious and creative leadership. The firm is conceived as a dynamic system that separates logic from scarce resources and the competitive paradigm to enter a different reality characterised by a sense of purpose, responsibility and transformation. The conscious firm recognises the value in human intuition, which along with the freedom to contribute to others and a sense of responsibility transform into an organisational purpose with which all the decisions should agree. Once the purpose has been identified, will aligns with it in the shape of action plans and corporate decisions. For conscious firms, regardless of business activity, the purpose consists of adding value to society through their mere existence.

Intuition acts in an environment of conscience, and conscience leads to discovery. According to Kofman (2008), living consciously implies above all an attitude of openness to discovery, being open to the novelty of life with its dynamism and uncertainty. This openness has two dimensions, an internal dimension and an external one. Internally, the conscious leader seeks presence, in the sense of being present and having the vocation to be loyal to this personal purpose that gives sense to existence. Externally, living consciously is understanding the reality around us, being upstanding and honest with our identity, values and purposes. Therefore, it is an “awakening” that empowers the person, the leader, the firm, and motivates it to be coherent and look for a unit of life. This integrity is reflected in the goal of uniting the internal and external worlds. To summarise, living consciously means being inspired to seek that unit.

These internal and external commitments are expressed in a vision of the firm construed as a responsible collective performance to achieve comprehensive human welfare. This is the only way to achieve success beyond success in its three dimensions: “me” (when one lives according to life’s purpose and the stated values), “us” (when mutual collaboration relationships are established) and “it” (when the mission of the organisation is fulfilled).

To achieve success, Kofman proposes to overcome the short-sightedness of the utilitarian paradigm to concentrate on service: a conscious firm does not seek to use

others to achieve its goals, but to provide a service whose quality adds value to society.

Kofman points out that there are four basic components of the firm: impersonal (tasks, functions and resources), interpersonal (human relationships based on trust, communication), personal (commitment, a sense of personal fulfilment and well-being) and transpersonal (the spiritual dimension, love, service and a sense of transcendence). The conscious firm values and cares for the integrity and interconnection of all the elements, because it knows that neglecting any of the components could cause the destruction of value in society sooner or later. For this integration to be successful, the firm must have conscious leaders that have seven skills (Fig. 8.4).

As Kofman points out in the epilogue of his work, these characteristics of the conscious firm can seem like a matter of common sense, but they are usually not as common and end up becoming a utopia in many organisations. Why? Because even though these are simple concepts, a change in conscience is needed to be able to put them in practice. Resisting change is the most logical attitude if a change in conscience does not happen first. Human beings are more comfortable doing what they are familiar with and already know how to do even if the consequences are not the best than doing things that imply a transformation.

In Kofman's opinion, these skills of a conscious leader are possible when the person has a sense of transcendental work. For this, we require a new mentality that conceives work not as a painful and inevitable chore that must be tolerated for the sake of productivity and efficiency, but as a natural medium human beings have to develop and fulfil their lives, as the most powerful way to turn our existence into a work of art, a creation that adds value to society.

In any case, the conscious firm needs conscious leaders who are emotional masters and step away from dictatorial attitudes, who are experts in listening and open to learning thanks to ontological humility. This attitude allows leaders to touch

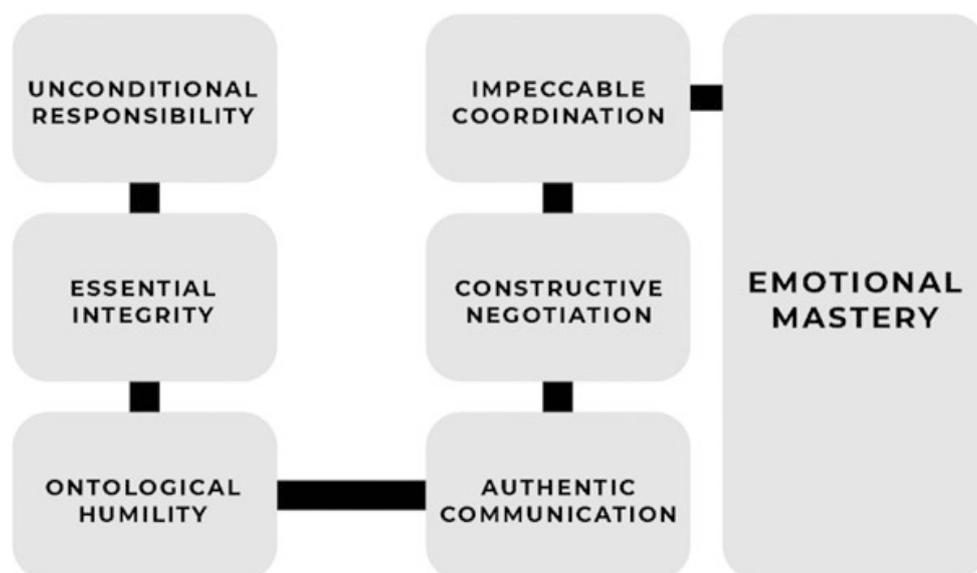


Fig. 8.4 Essential skills of conscious leaders. (Source: own creation based on Kofman (2008))

others' realities, to understand the differences and integrate them, to develop an attitude of touching. Ontological humility makes it possible to have authentic communication and constructive negotiations because humble leaders are capable of telling the truth and allowing others to do it as well. This is how one reaches impeccable coordination to achieve the goal of giving value to society. Thanks to these strengths the firm builds an ethical and socially responsible culture based on raising awareness and productive work that positively impacts the person, the firm and others.

Therefore, conscious firms present a fundamental principle: the development of people, especially their empowerment through the creation of a more conscious identity of their own abilities and the possibility of their work impacting others (Caldwell, 2009). The characteristic signature of this identity is the feeling of being a protagonist, to accept that the past cannot be changed but the future can if one acts with responsibility and stays away from acting like a victim. Conscious firms develop an attitude of appreciation of one's existence in their collaborators and allow them to be the main characters of their own stories. This means that they can discover a purpose they are passionate about, know their abilities, the creative potential of freedom and the social responsibility that implies having a talent and executing any job.

To Kofman, conscious firms have leaders that are the architects of a culture of responsibility where victim mentalities have no place: being a protagonist implies renouncing the emotional benefit, powerful yet fleeting, of unloading personal problems on to third parties and the organisational failures or threats into a scapegoat. On the contrary, a conscious leader uses all their energy and potential to achieve the goals with integrity because they recognise and accept the challenge of being responsible for how we respond to the present and future we are creating with our decisions (Fig. 8.5).

Being protagonists implies, amongst other things, being responsible for projecting the future, discovering what actions are the best within a set of possibilities, preparing for action, and executing it. The best way to be a protagonist is not moving impulsively towards action in the search for a result. Conscious leaders prepare and immerse themselves in the action, which involves their being, the internal dimension. Embarking without thinking about the result is a form of derangement because it makes one act without thinking about identity, without revisiting the deep

Fig. 8.5 Elements of emotional and material wealth. (Source: own creation based on Kofman (2008))



values that give sense to human action and to the purpose of life. In other words, the conscious firm establishes a balance between external action and the internal being. This harmony is not an impulse but a necessary exercise of responsibility, because human action not only impacts others and the environment, it also impacts the person who executes the action, it affects the character and future actions.

Conscious firms base their actions on the empowerment of leaders (Keller & Dansereau, 1995) that act under the unquestionable premise that, if the action is conscious, then the actor and society learn, grow and improve, but if it is not, then the whole system becomes worn or even breaks down. Conscious leaders are committed to being the protagonists of change. This responsibility of assuming a main role in the world allows the entrepreneur to offer things that are worthy of being offered to improve the lives of others. A conscious leader recognises that the problem is in the supply, not in the demand; hiding behind demand would be like adopting a victim attitude. The signature of the entrepreneur who is a protagonist of history consists precisely of being aware and assuming the responsibility that human beings are an infinite source of supply with the power to move demand towards the common good and sustainability of the planet. A conscious leader assumes the commitment of making the supply and the whole chain of actions that make it possible, add value to society.

Besides abandoning the victim attitude, a conscious leader also stays away from the illusion of control and focuses all their efforts on influence (Cartwright, 1965; Tedeschi and Bonoma, 2017; Rheinberg and Engeser, 2018) and how to avoid dysfunction in all the relationships (Greer et al. 2017) that prevent impeccable coordination in organisations. The old paradigm of the organisational leader that manages resources, whose efficiency depends on the visionary power of a few and the “blind” obedience of many, is obsolete. Self-management to achieve a balanced life, an attitude that is very common amongst millennials (Deal et al., 2010; Parker and Citera, 2010; Levenson, 2010; Kuron et al., 2015), is an irreversible trend that has serious consequences for the labour market and the traditional concept of the firm.

In the future, the awakening of conscience will be a main goal of firms because it is the only way to integrate self-management, productivity and sustainability. It is not possible to achieve the authentic empowerment of people without the virtue of presence, of being present here and now, connected to the same purpose to achieve a connection between the mission and the decisions of the organisation. The ability to lead free people, to obtain the best results based on self-management, will be some of the most important competencies in the future. Authentic empowerment leads to stronger commitment, which in turn leads to better results in terms of creativity, productivity and talent rotation (Zhang and Bartol, 2010; Wong and Giessner, 2018; Kim and Beehr, 2019). Empowerment needs presence to visualise the purpose, update it and transform it into actions that are coherent with the stated values. This integrity leads to a balance between the internal and external worlds we mentioned earlier, which is an inherent and unmistakable characteristic of conscious firms.

8.3 Case Study: A Conscious Firm

Next we present the case of an organisation that defines itself as a conscious firm.

8.3.1 *The Birth of a Disruptive Idea*

Luis Antonio Avendaño Fernández, founder and General Manager of Outsourcing Asociados, had an idea that would change the fate of hundreds of firms after witnessing the painful situation of the labour market. For more than two decades working in corporations, he noticed what some employees experienced within the organisations: lack of motivation, productivity and sense of belonging, as well as a negative work environment, amongst other issues. Driven by the desire to change this situation, he started thinking about a productivity model that could be an ally of the economy and human development. For Avendaño, work and happiness have to be allies, not enemies.

For the founder of Outsourcing Asociados, firms need a productivity strategy that is connected to the problems of stakeholders. For all the interested parties, human development should be the priority. According to the environment evaluations he had access to, what is especially serious is the treatment some workers receive from immediate superiors. Two negative attitudes were predominant in the work environment: ego and paternalism. Feeling superior and not experiencing the ontological humility of conscious firms makes leaders not listen or communicate, or makes them try to impose their ideas without being empathetic. Under these circumstances, leaders base their leadership on control, which generates distrust, rejection, lack of motivation, or some type of victimhood amongst the interest groups. On the other hand, a paternalistic attitude, especially between the firm and the employee, leads to a relationship that is based on dependency, where the firm can easily make the mistake of treating people as if they were children. In the experience of Luis Avendaño, these attitudes affect performance negatively, which in turn affects productivity (Fig. 8.6).

Upon discovering this reality, the founder of Outsourcing Asociados decided to create a business that gave the necessary support to increase productivity and achieve the comprehensive development of everyone involved. The hypothesis was conclusive and disruptive: The path of corporate productivity includes empowering the workers and allowing them to act as entrepreneurs of their own work. With an emphasis on internal collaborators, the model creates the conditions that allow workers to think and act autonomously, proactively and responsibly, as people who are in charge of a business with all the corresponding consequences. “Once this is achieved, when people are motivated and focused on the execution of self-management projects, corporate productivity automatically increases at unimaginable rates. In this way, work stops being a painful chore and becomes a life purpose,” according to Luis Avendaño.

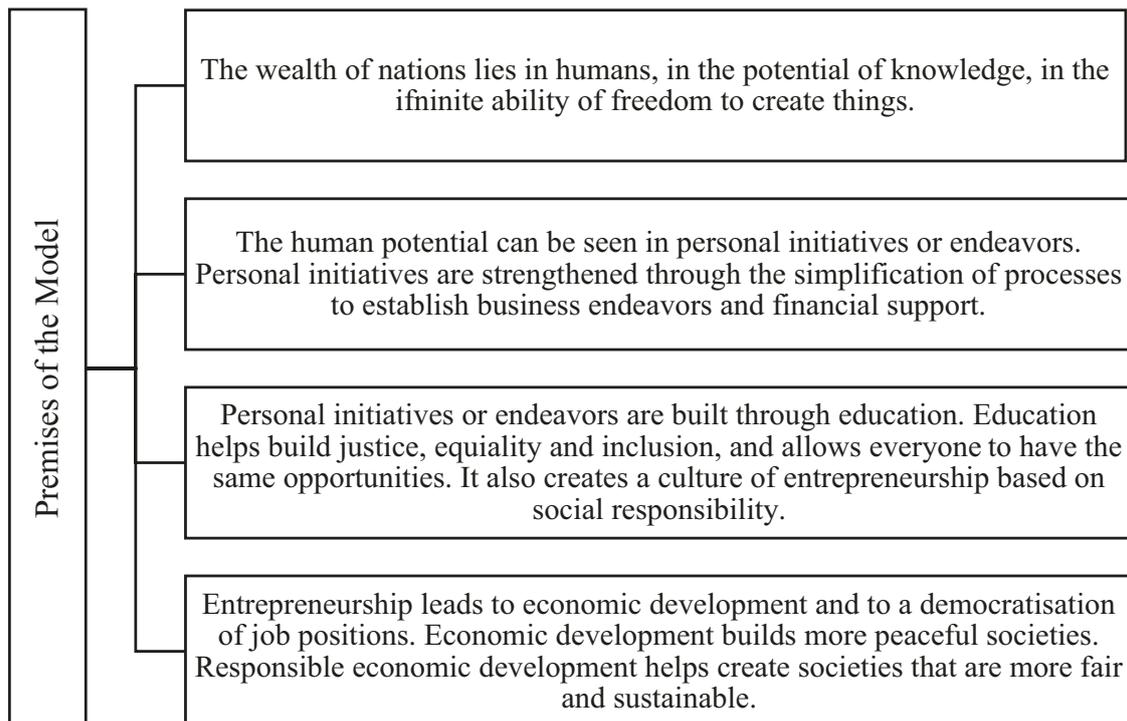


Fig. 8.6 Premises of the Productivity Model with Human Development (PMHD). (Source: own creation based on interviews conducted)

Of the same mind is Ruben Dario Lizarralde who was the General Manager of Indupalma and led one of the greatest business miracles of the history of Colombia. From being technically bankrupt and on the verge of liquidation, Indupalma went to become the leader of its sector under unique circumstances, having to deal guerrilla, paramilitarism and unions. The former minister of agriculture of Colombia during the presidency of Juan Manuel Santos implemented a productivity model that, with its particular characteristics, followed the fundamental principle recommended by Avendaño: to turn the employee into an entrepreneur (Dinero, 2000; Montes, 2012).

The basic principle of the PMHD model was revolutionary for its time, and even now it generates controversy in many contexts since it is based on a way of understanding work relationships that a few states and governments accept. The model implements results-based payments instead of time-based payments; in other words, the idea of productivity with human development attacks the foundation of traditional and more widespread compensation models. The reality of many countries is that firms are obligated to compensate the time workers dedicate to the organisation, regardless of results, with benefits that are disconnected from productivity and bound to the position, salary, seniority, etc. “The consequences are devastating for productivity. Paying for time spent at the office and not based on results makes performance levels drop” according to Avendaño. Many firms are dysfunctional because they do not respect a fundamental reality: the extra motivation that variable retribution entails, and the lack of productivity caused by the firm and the workers not working together towards a common goal where both obtain similar benefits from the productivity achieved.

Currently, Outsourcing Asociados is a second-generation family business. Luis's two daughters, Lina and Sandra, work under his leadership in the roles of administrative manager and communications and institutional relationships manager, respectively. "Our model is based on Kofman's conscious firm proposal. We believe that the reason of being of a firm is to generate value in society, and we do it through a productivity model that achieves greater empowerment, development and satisfaction amongst workers," Lina Avendaño states. Her sister, Sandra, adds: "We are convinced that corporate productivity must be tied to a higher purpose: the wellbeing of people and society. We need to be aware that economic growth must go hand in hand with human development in a context of responsibility and sustainability. This is what we are trying to do and spread."

8.3.2 The Issue of Corporate Productivity

The topic of productivity is a strategic matter for governments and one of the factors with the most influence in the economic and social development of nations (Olson et al., 2000), as it can be observed by analysing the recent case of China. In the current context of globalisation and considering the growth rate of the world's population, with the subsequent increase in demand, a responsible vision of productivity must be adopted. In the micro-level, firms suffer low productivity levels because, in a world that becomes increasingly competitive, they only achieve success if they can reach high quality and productivity levels. One of the priorities of business leaders is productivity management, which entails the design, development and deployment of techniques and tools that help boost results with the expected quality standards (Denison, 1962; Chukwulozie et al., 2018).

For many countries, this need to use and optimise the available resources is an especially sensitive matter when it affects human development and the possibility of creating growth opportunities in communities and societies with low quality of life or even high poverty levels, a situation that is more commonly found in rural contexts (Radosavljevic et al., 2020). In the last few decades, in the 38 countries that are members of the Organisation for Economic Co-operation and Development (OECD), productivity increases have not meant an increase of the average salary for workers, which brings up the question of how to link productivity to a benefit for workers (Schwellnus et al., 2017).

Lack of productivity has different causes and factors that may explain it (De Waal, 2007; Livingston, 2009; Gorantiwar and Shrivastava, 2014; Jain et al., 2016; Onkelinx et al., 2016; Wahjudi et al., 2016; Arulrajah, 2017; Sweis et al., 2017; Ghamari et al., 2018; Morelos et al., 2018). For the founder of Outsourcing Asociados there is a clear issue regarding leadership. One of the main causes that explain low productivity levels is the fact that we continue thinking with obsolete paradigms and continue to use concepts that are no longer functional because they do not move towards top performance. We use tools left by the industrial revolution which happened more than 70 years ago, strategies that are no longer adequate to

face the challenges of the twenty-first century. For example, many firms continue to consider their employees as a resource, a cost that should be minimised and which they can get rid of without any responsibility, forgetting to focus their energies on best management practices based on attainable and interesting goals, good incentive policies and good responsibility tracking systems so that the firm can be competitive (Skinner, 1986; Bloom et al., 2012).

Additionally, in many cases, firms treat collaborators as employees who are, in practice, a simple extension of the machine. This approach is not only wrong from the ethical point of view but obsolete from the point of view of business and economics. The wealth of nations today lies in the knowledge, intelligence, creativity and innovation of all the members that are part of an organisation. Few leaders know how to orchestrate all these factors to achieve responsible and sustainable productivity (Tangen, 2005; Ruelas-Gossi and Sull, 2006). Also, leaders must face another obstacle which is the laws of each country. In some places, laws do not incentivise the creation of new businesses, much less productivity. The labour laws of some countries include paternalistic legislation and are inflexible when it comes to allowing firms to be more efficient in competitive contexts (Égert, 2016).

Another cause that affects productivity is the employer–employee paradigm, which is considering the employee as a resource the firm can do without and who is important as long as they are useful. Being treated like this, from a mainly utilitarian paradigm, does not incentivise human beings to give their best, but only enough, the minimum required. In other words, productivity is conditioned by best human management practices that affect the performance of workers (Shin and Konrad, 2017). Conscious firms position themselves along the same line, with the will to treat people as ends and not as means. When the worker is treated as a resource, as an extension of the machine, and is asked to take on greater responsibilities than those that correspond to the position, their motivation is affected and their creativity diminishes, along with their full potential. “It is important to have work systems that foster better talent performance; our self-management model achieves this because the needs and expectations of the position are met with trust, empowerment of the employee that acts as the fuel of productivity. We believe that people must be treated as ends, that we must trust them completely because it is the only way to unlock their full potential” adds Lina Avendaño.

8.3.3 The Core of the PMHD Model: Process Fusion

The productivity model of Outsourcing Asociados is based on turning the employee into an entrepreneur of their own work, and it has some basic principles:

- Total respect for all valid labour laws
- Elimination of all job intermediaries
- Results-based payment instead of time-based payment
- Freedom to manage their own time

- Possibility to own the materials necessary for their work and make money through them
- Freedom to make business with the firm

To achieve the goals, the PMDH model seeks the fusion of two processes that complement each other: the “Human Development” process that seeks to achieve a better quality of life for people, and the “Economic” process, understood as the achievement of productivity, efficiency and efficacy goals that each organisation must have to fulfil its economic purpose, evolution and sustainable growth.

As shown in Fig. 8.7, the model is based on the premise that employees and employers are allies, not enemies, and are working towards a common goal. They need each other and the most functional attitude is ontological humility, which allows them to work in coordination.

One of the fundamental goals of the PMHD model is comprehensive human development, which is a process of empowerment and self-management that allows humans to transform in a context of positive evolution. This change comes naturally when a person has the opportunity to be free and to turn their work into a life project. This freedom seeks to satisfy the basic needs of human beings and achieving this generates a sense of fulfilment and happiness. From this point of view, the “Human Development” variable is a constituent element for the firm: it is conceived as the generation of a basic structure and favourable environment where human

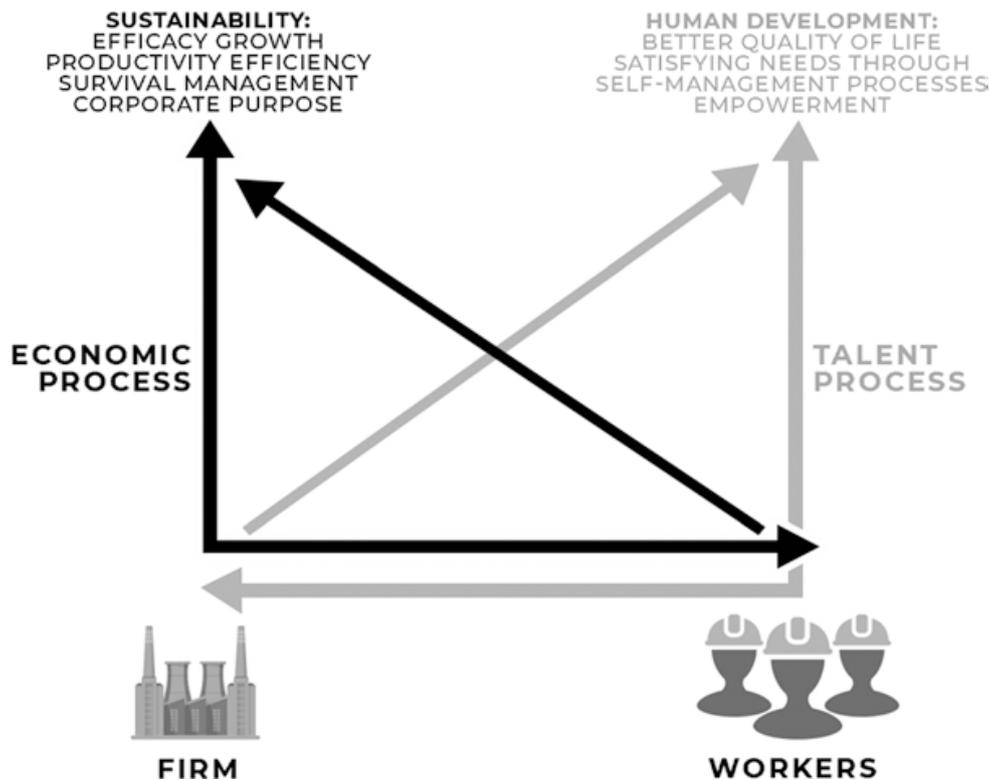


Fig. 8.7 Productivity Model with Human Development (PMHD). (Source: own creation based on the Outsourcing Asociados model)

beings can free their creative potential and focus it on that which they love and value for their own benefit, their families' and society's.

Under this corporate paradigm, in the strict sense, people do not have positions but life projects. Work is considered a life mission of which the worker is the protagonist. “The model seeks to replace the idea of employees with the idea of entrepreneurs. We want everyone to be aware of their potential and to be entrepreneurs of their own work in their own way,” explains Luis Avendaño.

Next to “Human Development,” the model considers the economic process (North, 2005), which is about understanding the need, importance and transcendence of productivity, efficiency, efficacy, quality, profitability and growth goals of the firm. In the opinion of the founder of Outsourcing Asociados, the State must facilitate this process because it is the first to want citizens to feel fulfilled in the exercise of their work. Governments have a lot to contribute for the “Economic Process” to be a success, for example, through education and legal and administrative norms that simplify processes, costs and save time to create firms. In this way, the economic process becomes the basis or support for people to have real Human Development.

Sandra Avendaño, communications manager of Outsourcing Asociados, emphasises the ethical elements that drive the model: “We seek to improve the quality of life of workers by awakening in them the conscience of their full potential. We defend autonomy because people need to reach their fulfilment authentically, by building their own path and leaving in the world a personal touch that is responsible and sustainable. The model is successful when employees get to become employees–entrepreneurs that act with a sense of purpose and according to their values” (Fig. 8.8).

Therefore, additional to results-based payment, the productivity model with human development implies a change of mentality in the employee, who now feels empowered and motivated to maximise their work capacity. The employee is driven by the principles of freedom and responsibility and assumes the risk of getting paid not for the time spent on the task, but for the fulfilment of a payment unit that is subject to the compliance of performance and quality indicators associated with the expected result.

One of the consequences of said empowerment of the employer is sustainability, from many points of view. In the first place, it improves the family–work dynamic because the self-management requirement implies the autonomy of the employee to

Employee-Entrepreneur		
Owens the material goods necessary for their work and makes money through them	Autonomy to manage their own time	Possibility of generating additional income

Fig. 8.8 Characteristics of the employee–entrepreneur in the PMHD. (Source: own creation)

have time. This causes a reduction in rotation and greater satisfaction and commitment that are reflected in productivity and positively impact the sustainability of the business. All the training that goes into the PMHD model is centred on sensitising the employee to their responsibilities as citizens and as members of a family, a firm and a community. Additional to the technical details of the business, it considers worker rights, and in terms of social welfare, it tackles the need to make good use of the emotions that have a deep impact in human relationships. To summarise, the model seeks to awaken the conscience of employees while focusing on the benefits of human beings and their environment. This allows employees to take on their work with responsibility and turn it into a life project. The job becomes a strategic point for human and social life.

Secondly, empowering employees brings environmental sustainability results. Since the model entails doing more with less, one of the most relevant results is outstanding waste reduction. Tying the payment to results and the results to the quality of the process allow the payment system to make more efficient use of resources, naturally causing a lower carbon footprint. Even when the productivity model with human development touches on social responsibility and sustainability, the reality is that firms prefer to approach these topics voluntarily at other times, so the model has limited impact on firms that do not have social responsibility and sustainability at the core.

In any case, the PMHD model challenges firms to be more conscious and have a holistic vision of the business, and stimulates the responsible use of goods and services through some activities: efficient consumption of natural resources, reduction and efficient management of residues, reduction of greenhouse gas emissions, contribution to biodiversity conservation, safety and work accident prevention policies and respect for nature. The model also invites firms to have transparency and accountability policies, especially in terms of human rights, to protect and respect them, and even repairing the damage caused through judicial and extrajudicial repair mechanisms. The creation of this corporate culture depends on the levels of awareness and responsibility of the leaders of each organisation.

Next, we present the results of the application of this business management model.

8.3.4 PMHD Model Results

In 25 years of operations, 405 firms from different sectors have used this model and more than 35,000 employees have benefitted from it. Below are some data worth mentioning regarding the firms who have applied the model:

- Net income of the collaborators has increased 1.8 in average.
- Average productivity increases by 2.7.
- Satisfaction grew 56% amongst workers.
- 78% of workers consider that their quality of life overall improved upon implementation of the model.

From these data, we can see that the model creates a virtuous circle: with better income comes greater purchasing power and greater demand for goods and services, thus calling for more production. All of this positively affects the satisfaction of workers, not only because of the purchasing power but because it generates freedom and independence and allows for self-management. Real empowerment comes from joining self-management with better productivity results and creates satisfaction in workers.

An important point to consider is that productivity increases are seen immediately within the first month of implementing the PMHD model. Because of this sudden change, some firms react by looking for someone to blame for the lack of productivity in the past, while others that are more conscious react by appreciating the evolution of the business. For those who are humble, the experience teaches them that all improvements warrant thankfulness (*gratitudo*) and that actions speak louder than words. As a consequence, employees–entrepreneurs recognise that some administrative practices were obsolete. Under the proper reaction, employees–entrepreneurs trust their superiors more and the friendship bonds intensify. On the contrary, if the reaction is dysfunctional, which sometimes happens especially amongst mid-tier superiors, we can see resistance to change motivated by ego and by the fear to lose the privilege created by situations that are not based on results and merit.

Another result of this model is the development of more conscious firms since it contributes to helping workers integrate the internal and external worlds. One of the deepest consequences of the implementation of this model is the change of paradigms it generates based on the empowerment of conscious leaders (Fig. 8.9).

Next to the corporate paradigm change, the execution of the model generates a new belief: self-management drives productivity and quality of life. In this sense, the model increases the levels of trust, enthusiasm and motivation of the workers.

8.4 Discussion

This research presents three main topics for discussion. The first one is the convenience of firms being conscious of the social dimension of human beings, since this reality sheds a light on many decisions and strategies with the stakeholders, especially with internal customers. Regarding this, it is useful to know how to introduce the values of human sociability into the relational strategy, perhaps through training programs that help make these values a part of the organisational culture. We specifically highlight five of Cicero's anthropological radicals that greatly impact human relationships: truth, friendship, respect, gratitude, and the attitude of reparation in terms of restoring the loss order (*vindicatio*). This classical social virtue has gained strength and becomes current in the context of a need for a circular economy where quality and continuous improvement are compatible with the sustainability of the business and the planet. In the last decades, the United Nations have worked in the need to repair the damage caused through business activities, especially

Conscious firms (basic skills)	Impact on firms (Employee evaluations)	Productivity Model (actions/changes driven by the model)
Unconditional Responsibility	9/10 Firms outstandingly increase their unconditional responsibility.	<ul style="list-style-type: none"> ▪ Complete empowerment of people: they are protagonists, not victims. Work is felt as something that is completely their own. ▪ Incentivizes self-management ▪ Shared goals ▪ Results-based payment
Integrity	9/10 Firms overwhelmingly increase their integrity.	<ul style="list-style-type: none"> ▪ A comprehensive vision of the human being with their personal, family and social dimensions. ▪ Alignment of the internal and external worlds with the values ▪ Clarity about “red lines” or what can be done and what cannot be done under any circumstance. ▪ It incentivises freedom within a framework of values. ▪ The model uncovers hidden truths in the organisation. A lot of information that was “officially” unknown because it affected productivity starts to come out.
Ontological Humility	6/10 Firms moderately increase the levels of ontological humility.	<ul style="list-style-type: none"> ▪ Continuous learning attitude: each project is different ▪ Acceptance of results-based payment: one has to be humble to accept that we only have the right to accept payments for what we do well. ▪ Incentives are given to encourage the importance of listening to others and recognising and valuing other points of view. ▪ Roleplays are performed to work on empathy and understand different points of view
Authentic Communication	7,5/10 Firms notably increase their authentic communication.	<ul style="list-style-type: none"> ▪ The model begins to bring out authenticities and hidden truths and words start to flow. Words must be watched and the vocabulary becomes more respectful. ▪ The model incentivises transparency and communication of evidence, results and accountability.
Constructive Negotiation	8/10 Firms notably increase the ontological humility levels.	<ul style="list-style-type: none"> ▪ It develops the fusion of processes based on the acceptance of the needs of other people. ▪ It encourages the creation of collaboration spaces and an attitude that fosters allyship because both the worker and the entrepreneur benefit when the other does well. ▪ It stimulates the win-win attitude.
Impeccable Coordination	6,5/10 Firms moderately increase impeccable coordination levels.	<ul style="list-style-type: none"> ▪ For the fusion of process to be successful within the productivity model, it is fundamental that all parts are in agreement.
Emotional Mastery	6,5/10 Firms moderately increase emotional mastery levels.	<ul style="list-style-type: none"> ▪ The productivity model with human development implements disruptive changes that generate strong emotions within the firm. It is necessary to manage these emotions well. This entails maturity and character from the leader, as well as being empathetic and assertive.

Fig. 8.9 The characteristics of conscious firms in Outsourcing Asociados and the PMHD model. (Source: own creation based on the interviews)

regarding human rights (Nolan 2005; Ruggie, 2011; Nolan and Taylor, 2009; Murphy and Vives, 2013; Davitti, 2016). In other words, regaining the order lost to the ambition of achieving a result without a holistic and systemic vision of business activity in terms of human rights.

In our experience, which has influenced the selection of the case study presented here, an especially important value is friendship (*affabilitas*). Strangely enough, it is a virtue that is commonly brushed aside in professional settings, despite its huge impact on human relationships and organisational results, and despite its direct effect on work participation and satisfaction and indirect effect on commitment and staff rotation rates (Riordan and Griffeth, 1995; Dotan, 2007; Mao and Hsieh, 2012; Melwani and Sharma, 2018).

The radical *affabilitas* is essential to ethical, conscious and responsible firms that are led by people who live naturally within the aforementioned anthropological radicals and the essential elements of the virtue of friendship. One of the results that come out of the case study is precisely the relationship of friendship and truth, which in the organisational setting has positive effects when friendship is understood in a context of responsibility in the face of the common good or for the general interests of the organisation, along the line presented by Mao and Hsieh (2017).

Secondly, this work describes the phenomenon of conscious firms and shows their main elements. These firms are conscious of the internal and external worlds, which they must try to harmonise by looking for a healthy balance between them. In this way, the conscious leader who knows they are a body, a mind and a spirit, has individual, cultural and environmental goals. The conscious firm does not allow the work environment to leave out any dimension fundamental to human beings. Conscious firms have the will to be ethical and socially responsible and have good corporate practices in the two aforementioned variables: “the conscience of good/responsibility” and “sociability/real bonds” (Fig. 8.10).

In the third place, this research presents a case study that describes a successful productivity model with human development. It is the case of a conscious firm that revolutionises labour relations, which are traditionally reduced to the employee–employer agents, to propose the paradigm of the “employee–entrepreneur.” The firms in which this model has been implemented underwent a reframing of labour relationships, as well as changes in their compensation and payment structures and an empowering of workers that revolutionised productivity in some firms by allowing the firm and the worker to share the risks of the business (Dinero, 2000).

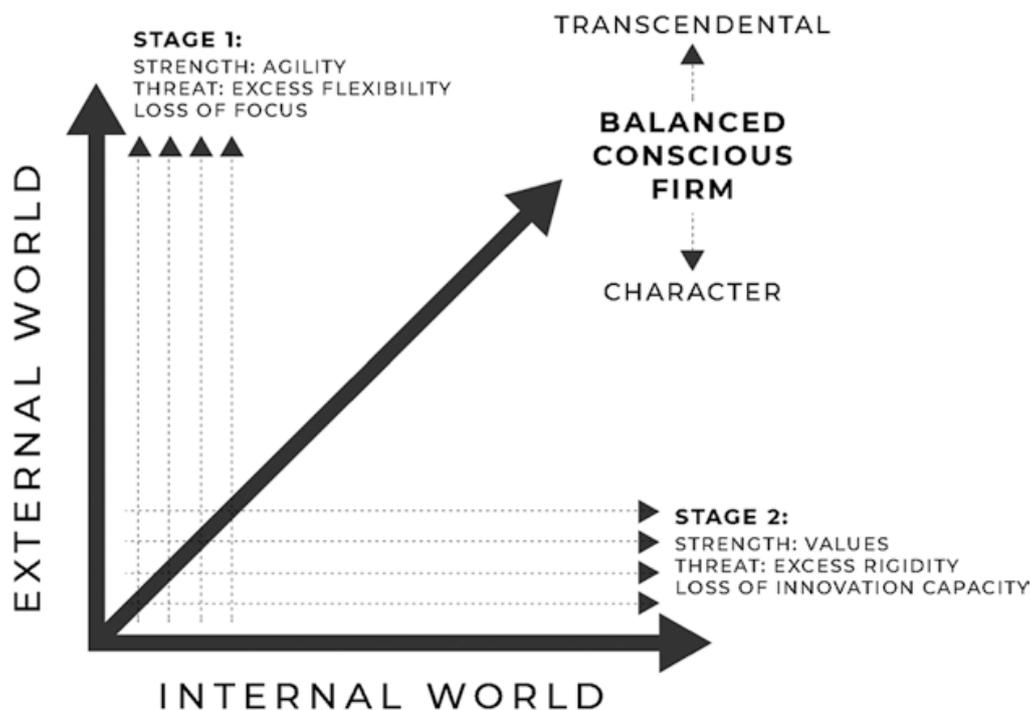


Fig. 8.10 The two elements of a conscious firm. (Source: own creation based on Kofman (2008))

States frequently move like a pendulum, going from a socialist approach to a more capitalist approach, or moving from the idea that the state must own the goods to the idea that the capital must be in the hands of the citizens. The first model prioritises control to avoid the possible abuse of freedom, and the second is based on the premise that the capital is better used and developed in the hands of the citizens.

According to the ideological position taken, either we emphasise and promote the freedom of the firm, or we increase control over the entrepreneurs to protect the interests of the worker who is regarded as a victim of capitalism and the unconscionable ambition of the market. In the middle of this ideological fight that affects the development of nations is the worker, who according to what we have observed, continues without being able to be fulfilled in any of these scenarios. Freedom without responsibility and paternalistic protectionism are two positions with damaging, even perverse, effects on human nature and society.

The Productivity Model with Human Development we have presented for consideration of the academic community is disruptive because it breaks that dual notion and traditional concept of labour relationships. The results of the model, which has been implemented for more than 20 years in more than 400 firms from different sectors, demonstrate that firms substantially improve their productivity rates when they are able to turn their employees into entrepreneurs of their own work. It is complete empowerment based on total trust that makes the employees commit to their work by sharing the risk of the business, but also the profit. We definitely consider that this model reinvents labour relationships in a way that allows entrepreneurs and employees to share the future of the firm.

This way of understanding labour relationships is hard to accept and faces powerful legal, political and cultural barriers that resist change despite the demonstrated positive effects. Firms such as Indupalma, Indega, Didacol, Pizano, Helados La Fuente, Leonisa and Prodensa, amongst others, are telling examples that the model has boosted productivity and generated growth in their workers by notably impacting their quality of life. However, despite the cases of success, the PMHD model is not always accepted because it implies modifying some old beliefs that usually dominate the world of labour relationships: workers have a set schedule through which they must stay in the office or factory, even when they have completed the expected and required tasks, and workers cannot self-manage because they abuse freedom and affect the interests of the firm.

Many firms are restructured and organised by dividing the work into two main categories: jobs that require people to think and jobs that require people to execute what others have invented. Within this logic, some are paid to think and distribute functions, and others are paid to obey and execute a set task. This old corporate paradigm that divides the reality of an organisation into mind and muscle leads to systematically under-utilise a good part of the workers and not allow them to release their full potential, slowly affecting motivation, self-esteem, satisfaction and productivity. Generally, this type of firms achieve minimum worker productivity, which can be summarised in the following slogan: *the boss has convinced me they pay me very well, and I have convinced them that I work very well*. In this way, productivity is set at a lower bar and begins a process of mistrust and minimum commitment that affects productivity. "In conventional hiring, the worker has two natural desires: to

work less and to make more. The former can be counteracted with continuous motivation and the latter is always a source of tension. With the unit-based payment system, the firm wanted more yield, as did the employees. Performance increased from 1 tonne of harvested fruit per wage to 2.2,” says Luis Eduardo Betancourt, General Manager of Unipalma, a firm dedicated to planting and commercialising palm oil in the Colombian Eastern Plains.

One of the results we want to emphasise in this discussion section is that the case study shows that when the change of mentality is achieved, the work becomes democratic and it unleashes a virtuous circle of trust and synergy amongst workers and entrepreneurs. On the one hand is the improvement employees see when they are able to manage their own time and see their income increase, thus reducing wage gaps, absenteeism and claims. Motivation improves because people are able to dedicate time to other activities that are important for them and that are associated with their idea of quality of life. When the maintenance costs of the assets owned by the employees are reduced, their incomes improve and the resources are used more efficiently, improving the carbon footprint per productive unit. All of these benefits help drive productivity to the highest levels and achieve a balance between the internal and external worlds of the workers, which is the fundamental goal of conscious firms.

Despite the positive effects seen in more than 400 firms from different sectors, the PMHD leaves some questions that can be the focus of future research. Why do some firms, despite implementing the model successfully, prefer to go back to the obsolete productivity mechanisms? Why don't the majority of governments favour this disruptive model that is especially convenient in times of crisis and uncertainty? In many occasions, the OECD, the European Union and the World Bank have recognised the existence of structural productivity issues (Nicoletti and Scarpetta, 2003; Égert, 2016; Cetto et al., 2017; McGowan et al., 2017; Fernald and Inklaar, 2020), so a reasonable question arises: what is the most appropriate model for the new scenario created by the COVID-19 pandemic? Eradicating poverty is still the number one goal of the United Nations and socially responsible firms cannot ignore this call. As a consequence, we need to implement productive models that achieve the fusion of three processes: economic growth, human development and environmental sustainability. We understand that the PMHD we have presented here still has to directly integrate the sustainability model to be a strategic ally of the circular economy. Along the line presented by Panagiotakopoulos et al. (2016) and Fundin et al. (2017), we maintain that the future of socially responsible firms is in productivity models where quality and sustainability are undeniable values.

8.5 Conclusions

From the previous analysis, we conclude the following:

1. The corporate phenomenon is one of the masterpieces of humanity, a creation that has been possible thanks to the social dimension of human nature. Knowing

the social roots of the human phenomenon has some benefits: it clarifies the corporate purpose, which is essential to know in order to establish a real human relationship with the stakeholders. The anthropological radicals of human sociability present fundamental values that must guide the relational culture within the organisation involving all parties, and also offer a framework of recognition to the transcendental value of work in human development. The sociable roots of human development allow for a more comprehensive and sustainable bond with the environment in which we coexist, especially through the values of truth, friendship, gratitude and repair.

2. Conscious firms are a valid way of defining a new corporate sense characterised by unconditional responsibility and a fundamental commitment to add value to society. The conscious leader wants to first make a contact with the personal reality, then with others (the stakeholders) and finally with the environment (nature). The conscious firms' proposal establishes the principle that to improve corporate practices, one must first increase the levels of consciousness. Being conscious means to touch reality, to humbly approach it to capture it. It is a mainly emotional touching exercise where the personal and social realities emerge, connecting to a purpose. Being conscious allows us to direct our actions into the right path, to be inspired by a superior purpose that connects the internal and external worlds where all corporate missions unfold.
3. From this idea of being conscious and giving the corporate purpose all its value and sense, the Productivity Model with Human Development we have presented here stands out as a case of success. The aforementioned case study and the results shown allow us to conclude that it is a useful model to establish the conscious firm proposal that seeks to achieve a balance between the sustainable growth of the business and the human development of its workers – understood as the balance of values and quality of life. In this calling to conscious firms, the PMHD model highlights the transcendence of work as the fundamental element of human beings that helps unite the internal (talent, growth) and external (satisfaction of social and transcendence needs by positively impacting the environment) worlds to achieve the expected results from an integral perspective that considers more than just the business. We believe these findings that entail a disruptive view of the employee–employer relationship are coherent with current entrepreneurial trends and with other cases where a direct relationship between the empowerment of workers and productivity has been detected (Cendales-Jiménez, 2017).

A new ethical and social conscience demands a different labour relationship. It also needs a productivity model that achieves a more responsible link to social issues and a sustainable commitment to nature and the use of resources for productive activities so that the firm can participate in the solution of the sustainability issues of the planet.

Indupalma and Unipalma, subsidiaries of Unilever in Colombia, are two great examples of the potential impact of the model, especially during economic and political crises when labour conditions are hard to manage due to social-political

reasons, sackings, labour uncertainty, or even due to elevated safety risks (Evers, 2010). Beyond being a good job opportunity and helping to improve the economic situation of the associates in regions dedicated to the culture of the African oil palm, the model became an exemplary archetype of peace: “In red zones (with the presence of guerilla and militia groups, editor’s note), such as Magdalena Medio, specifically to the south of Cesar, the model has turned out to be a driver of development and peace in the region” (Dinero, 2000: 48).

Based on the results of this research and also based on the experience of more than 20 years observing corporate behaviour, our conclusion is a hypothesis that will be present in future research: “There will be two types of firms in the future: those who really trust people – their productive capability based on self-management – and ‘dead’ firms that will disappear or be irrelevant.” In the corporate process we detected, it is fundamental to turn employees into entrepreneurs of their own work, to empower them in a way that they can see that their job as a life project because it allows them to fulfil all their human needs: intrinsic needs, extrinsic needs and transcendental needs (López-Palomino & Mendoza-Gómez, 2018; Cardona et al., 2019).

When this empowerment is achieved, it awakens “something” in humans. Their most powerful talents and creative potential come to life along with their innovative spirits, which automatically increases productivity and personal satisfaction. To walk the correct path, one needs a superior level of conscience and an unconditional culture of responsibility that makes total and authentic trust possible. We believe that the proposal of conscious firms must include a productivity model that is directly committed to sustainability. This is a path that is worth considering.¹

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Chapter 9

Analysis of the Ethical Management-Stakeholder Relation, Applying SGE21 System



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Abstract The objective of this work is to verify the level of commitment and implementation of ethical and socially responsible practices by organizations and stakeholders. The theoretical framework on which this research is based on is the stakeholders' paradigm (Freeman RE, Harrison JE, Wicks AC. *Managing for stakeholders: survival, reputation and success*. Yale University Press, New Haven, 2007; Post J, Preston L, Sachs. *Redefining the corporation: stakeholder management and organizational wealth*. Stanford University Press, Stanford, 2002; Harrison JS, Bosse DA, Phillips RA. *Strateg Manag J* 31:58–74, 2010; Fernández JL, Bajo A. *La Teoría del Stakeholder o de los Grupos de Interés, pieza clave de la RSE, del éxito empresarial y de la sostenibilidad*. *Revista Internacional de Investigación en Comunicación aDRResearch ESIC*. N° 6 Vol 6. Segundo semestre, julio-diciembre 2012. Págs. 130 a 143, 2012). This research is quantitative, descriptive and correlational analysis, aimed at the owners, partners or managers of small and medium enterprises in the city of Celaya, Guanajuato, Mexico, in the period from May 2017 to February 2018. The main results of this study denote that in matters of ethics and social responsibility, there is a significant and positive relationship between the different stakeholders and senior management.

Keywords SGE21 · Ethical management system · Stakeholder theory · Mexico · Ethical practices

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9.1 Introduction

This chapter aims to verify the level of commitment and implementation of ethical practices, under the stakeholder approach, in the organizations of Celaya located in the state of Guanajuato (Mexico). Secondly, this research verifies the ethical practices developed by internal and external stakeholders in the companies of Guanajuato.

There is a great diversity of standards, tools, systems, guides and codes that allow to implement partially or in an integral way an ethical and socially responsible management system. These instruments mainly are the ISO 26000, SA8000, CEMEFI, GRI, INCAE, OXFAN, SETEM, AGORA, SASIA2004 and SGE21 systems. The management system, SGE21, was selected for its consolidated international policy and since it has been established as a reference to implement this type of management system. This norm is based on the necessary alignments to monitor and evaluate the ethical and social responsibility management system implemented in the organization. This system is based on a voluntary commitment implemented by the company, focused on the development of principles oriented towards sustainability and ethics (Forética 2017).

According to the theory of the stakeholders, the organizations should properly manage its relationship with the stakeholders using ethics and social responsibility, which derives the necessity to carry verifications of the relationship between the practices carried out by internal and external stakeholders to the organization in this area.

In order to obtain data, a questionnaire was prepared based on the literature, the characteristics of the object of study and the alignments dictated by the SGE21. The questionnaire was applied after the preparation of a pretest and incorporation of the pertinent review and adaptations. The data collection was carried out from April to November 2017, through the establishment of face-to-face visits with the executives of the companies under study.

In order to verify the degree of implementation of ethical practices in companies, the data is subjected to a descriptive statistical analysis. Next, to verify the existing relationship between the ethical practices developed by the main internal and external stakeholders, the data was analysed with statistical correlations.

The findings of this research will allow improving issues related to the theory of the stakeholders, to deepen the studies in the mentioned geographic area of Mexico and to progress in the research in the field of ethics. On the other hand, it should be noted that the development of this study entails business implications, in which relevant data are obtained to help managers make important decisions with ethics and sustainability.

The originality of this work was derived from the conjunction of the following aspects: the theoretical framework (stakeholder theory), the geographical area of study (Celaya, Guanajuato, in Mexico), the management tool analysed (SGE21), the socioeconomic context collapse of oil prices, a restrictive monetary policy in the United States and the significant depreciation of the peso (country coin) (OCDE 2017) and the scope of the study (private sphere).

9.2 Theoretical Framework

9.2.1 *CSR in the Perspective of Stakeholder Management*

Considering the fact that companies should be managed for stakeholders (Freeman 2008; Freeman et al. 2007; Harrison et al. 2010), create value for all stakeholders (Post et al. 2002) and create the greatest possible value, this research is based on the theoretical framework of the stakeholder theory. The key points of the stakeholder theory are as follows: a stakeholder is considered to be any group or individual that can affect or be affected by the achievement of business objectives (Freeman 1984, 24); the management of the company caters to the objectives of the range of interested groups (Fernández and Bajo 2012); the objective of management from an ethical standpoint is the long-term maximization of all stakeholders' well-being (Fernández Fernández 2007); and there are active, constant and dynamic interrelationships between companies and stakeholders in which ethics play a very important role (Fernández and Bajo 2012).

We review the current trends in the field of research in the theme related to social responsibility and stakeholder theory. Firstly, we present the concept on which this work is based with reference to social responsibility and then the theoretical revision.

There is a huge diversity of terminology, concepts and guidelines that refer to social responsibility. In this research, the conceptualization we are following is the one provided by Sánchez-Fernández et al. (2014):

We understand by Corporate Social Responsibility (CSR) company practices that go beyond the legal obligations of the organization, helping to meet the expectations of stakeholders. It is not identified as an isolated philanthropic activity, but as a phenomenon of management within the organization. The company must be proactive in order to fix and secure some purpose, some results, and its effects. Today, social responsibility in companies incorporates business perspective under the so-called triple bottom line. (Sánchez-Fernández et al. 2014: 145)

This area is relevant for the development of this research due to the importance of the socially responsible practices developed within the economic, environmental and social spheres in the communities.

Recent research in the field of social responsibility is based on the theoretical framework of the theory of stakeholders; therefore, it is believed that this theory is a fundamental pillar for the development of this research. Amongst the most current studies are those of Yuen et al. (2018) who develop their work under the multi-theoretical framework that combines the theory of stakeholders with other theories. These authors investigate the impacts of the implementation of CSR practices and the quality of service in customer satisfaction, job satisfaction and financial performance in shipping companies which operate in Singapore. This investigation shows that the two impacts complement each other towards job satisfaction and customer satisfaction. In addition, their findings emphasize that they produce synergistic effects in customer satisfaction which are compensatory at a working level. It is also

worth mentioning that both concepts mediate financial performance. These authors conducted a qualitative analysis by collating information from interviews.

Other authors orient their studies towards a dimension of social responsibility such as the environmental dimension or the theory of stakeholders along with other neo-institutional theories. Testa et al. (2018) analyse the internationalization of proactive environmental management. These authors study the influence institutional pressures have on different stakeholders and the role of corporate strategy when integrating environmental practices. Their findings show that different stakeholders can be essential components to support the integration of environmental practices or encourage their superficial adoption.

Dal Maso et al. (2018) combine the theory of stakeholders with other theories to investigate the factors which affect the environmental dimension and financial performance in organizations at an international level in their study. Amongst the findings, the authors emphasize that the prioritization and commitment of the stakeholders positively moderate the relationship between the environmental dimension and financial performance, provided that they fulfil certain social characteristics.

Padhi et al. (2018) study the processes of sustainable management in the supply chain for which they use the theory of stakeholders and resource theory in order to identify sustainable supply chain processes (SSCP) in India. The investigation was conducted in India. The methodology used by the authors for the collation of information was the conduction of semi-structured interviews in different typologies of industry (pharmaceutical, agricultural, chemical) in which an approach is introduced to improve the chain of supply.

Correa-García et al. (2018) carry out their study in Colombia where they evaluate the communication strategies of stakeholders and corporate social responsibility (CSR). Corporate reports using their habitual practice of response-type strategies, communication and involvement are used in their research within the groups concerned, a typology of report mainly oriented towards employees and another aimed at shareholders. These authors use the content analysis methodology to study communication strategies and CSR. The study is carried out on GG non-financial companies of Colombia. For the development of this work, several types of reports are analysed: annual reports (AR), sustainability reports (SR), combined reports (CR) and integrated reports (IR). Their results show that the reports are oriented towards two types of interest groups: IR towards shareholders and the AR, SR and CR towards employees. The most similar reports amongst companies are the IR reports, and the most applied is the communication strategy against response and implication strategies.

Braam and Peeters (2018) study the sustainability reports (SA) of the organizations in European and North American countries. These authors carry out this study due to the questioning of the credibility of the reports on behalf of the different stakeholders. They use panel data methods. It explores corporate sustainability performance (CSP) within organizations. The findings show that CSP plays an important role in selecting the voluntary guarantee of third parties in sustainability reports (mainly according to the degree of efficiency of the CSP and according to specific characteristics of the country).

Chersan et al. (2018) study the auditing practices of sustainability reports in companies within the chemical industry. The research is carried out using the annual sustainability reports (Global Reporting Initiative (GRI)) available on the GRI database.

The results emphasized that these types of companies should report the corporate social responsibility practices they develop and should be audited under specific standards given the importance the environmental repercussions have in this sector.

Pajares (2018) studied organizations in Peru by analysing the level of compliance with the information contained in the sustainability reports (GRI). Amongst his findings, he highlights that organizations and relationships with foreign clients are determinants for the development of the level of compliance with the information required.

Ringham and Miles (2018) analyse CSR reports based on the study of the construction of CSR limits in practice in this area. These researchers emphasize that the limits must be variable and not universal at the organizational level. These researchers study airlines through the use of sustainability reports (GRI).

Fernández-Gago et al. (2018) investigate how the background of the managers in Spanish organizations can affect the way their companies disclose information on CSR. Amongst their findings, they emphasize that having independent directors with a diverse education and a political background can have a positive impact on the likelihood of the company issuing a sustainability report following GRI standards.

Relying on the theoretical reference theory of stakeholders and the approach of social integration, Barrena-Martínez et al. (2018) develop their study examining the barriers and the principal drivers of socially responsible practices for the management of human resources in large Spanish companies. These authors carry out a quantitative analysis whose informants are the managers of the organizations under study. These authors emphasize that there are many barriers which hinder the implementation of socially responsible practices (amongst the main barriers are conflicts in the meetings or management teams and actions aimed at the lack of acceptance of employees) and actions which drive the development of socially responsible practices (including the provision of public financing and the improvement of the working environment).

Tang et al. (2018) carried out their study in China, basing it on the theoretical review, stakeholder theory and the fraud triangle theory, due to the environmental incidents that occurred in the area. A qualitative analysis is carried out based on the application of the methodology of the case. These authors rely on the study of longitudinal cases gathering information from news reports from official Chinese news websites. The study establishes that certain important figures rarely disclose information, with government agencies being the main mechanism for disclosing this type of information. These findings establish that the practices carried out contribute to being able to commit fraud when disclosing environmental practices carried out in China.

Sun et al. (2018) use the stakeholder theory and Hofstede's cultural framework to investigate corporate social performance (CSP) and financial performance (CFP).

These authors carry out their study in companies from 43 different countries, taking the cultural perspective into account. These researchers conducted a quantitative study in which they discovered that corporate social performance has a positive effect on CFP and this depends on whether the company operates in a country that is culturally more or less restricted.

Javaid and Al-Malkawi (2018) carry out their study in Saudi Arabia and study the impact of CSR on corporate financial performance. These authors conduct their study in non-financial companies that are listed on the stock market. Quantitative research is carried out which reveals a strong positive relationship between CSR and CFP. As a novelty, this research uses zakat (charity, which is one of the Islamic pillars) as a CSR measurement.

Quintana-García et al. (2018) study the role of gender diversity in management teams and its impact on CSR in the stakeholder theory framework in the Spanish hotel sector. The results of their research show that gender diversity in senior management teams increases the level of CSR in the hotel industry and improves the capacity of benefitting stakeholders by using the combination of total quality management means and CSR practices, obtaining a positive effect on hotel performance.

9.2.2 Tools, Rules and Other CSR

There are numerous tools, instruments, guides, regulations and reports which make it possible to monitor the implementation of CSR practices, implement CSR management systems and measure the results of actions carried out in the company in this field (Sánchez-Fernández 2015). This author highlights that the most international can be found amongst them such as the GRI and ISO 26000.

In terms of CSR, the most recent studies published are based on the use of regulations, reports and tools which are explained below.

Wagner and Seele (2017), based on the CSR theory with a political perspective, compare the standards of the GRI reports in the two versions (G3.1 and G4.0). These authors conclude that these reports are key elements for the implementation of socially responsible policies in organizations.

Husted et al. (2016) study the legitimacy of certifications based on the study of automotive companies in Mexico. These authors investigate the appropriateness or not of the adoption of foreign and national multinational companies to imitate certifications of geographically close companies. These researchers demonstrate in their study that in order for companies to adopt such decisions, they must take into account legitimacy differences which can be expected in different communities and their own knowledge of local legitimacy.

Masud et al. (2018) study all the banks included in the Dhaka Stock Exchange between (2013 and 2016). These authors evaluate the green regulation of Bangladesh Bank (BB) through GRI reports. In their results, these researchers show the absence of green information due to the lack of global reporting and external verification. The conclusions of their study highlight the lack of transparency in the banks under

study. Despite drawing up GRI reports, it must be noted that verification is not necessary to reach certain levels of GRI. This implies that transparency, which the authors denote as necessary, is not what companies currently provide.

Formánková et al. (2018) evaluate international CSR standards (AA1000:2008, GRI: 2008, SA8000, OECD) analysing various points aimed at higher-education institutions (HEIs). From their research, the conclusion drawn is that all international standards can be adapted to HEIs except the OECD standard, which is mainly aimed at multinational organizations.

Tarigan's (2018) study is based on the organizational performance between Jakarta and Medan. This author bases his study on the ISO26000 taking the community into account, supporting his work with the review of the literature.

Loosemore and Lim (2018) study CSR in the construction and engineering industry in Australia and New Zealand. These authors emphasize amongst their findings that construction and engineering companies develop socially responsible practices in an informal, unsophisticated, compliance-driven manner. In conclusion, these researchers discover that CSR practices in these types of companies are in their early stages of development.

Fuzi et al. (2018) carried out their study in car supplier companies located in Malaysia. These authors used confirmatory factorial analysis based on questionnaires. These researchers drew up a valid and reliable model for examining CSR practices based on six constructs.

Of the most recently published works, the studies that use a diversity of tools, certificates and reports stand out, and research uses qualitative methodologies that are particularly more developed. The most used documents for the study of CSR are sustainability reports (especially GRI in their multiple versions). The standards which are most studied are those supported by the ISO, especially the ISO26000. Therefore, the development of research based on other tools which have not yet been studied, such as the SGE21 standard investigated in this work, is believed to be of vital importance. On the other hand, it should be noted that, since more studies have been carried out using qualitative methodologies rather than quantitative methodologies, it is believed to be important to carry out new quantitative studies in this area to make progress in the research of this matter in this context.

It is also worth mentioning that stakeholders are of great importance to organizations especially in the matter of CSR, so the stakeholder theory provides a suitable theoretical framework to further the study of this area. Therefore, this research proposes a quantitative study, based on the study of the SGE21 standard and is based on the theoretical reference framework of the stakeholder theory.

9.3 Tracking Methodology

This research is quantitative, descriptive and correlational analysis, aimed at the owners, partners or managers of small and medium enterprises in the city of Celaya, Guanajuato, Mexico, in the period from May 2017 to February 2018, carried out face to face.

According to INEGI (2017), the number of economic units (small- and medium-sized enterprises, or SMEs) was 1574 small and medium enterprises located geographically in Celaya, with a sampling error of 9% and a confidence level of 95%; the sample was of 111 companies, obtaining a final sample of 118 companies—94 small- and 24 medium-sized companies.

9.3.1 Reliability of the Instrument

To verify the internal consistency of the instrument, Cronbach's alpha of the eight dimensions treated in this research was established. Table 9.1 shows that globally, the instrument has adequate internal reliability of $\alpha = 0.978$ (George and Mallery 2011). By dimension, the one that obtained the highest internal consistency is high management with an $\alpha = 0.960$, and the lowest was investors with an $\alpha = 0.633$.

9.3.2 Hypotheses

Therefore, based on the literature, the following hypotheses are proposed:

- H1. The high management dimension is positively and significantly related to clients, suppliers, people of the organization, social environment, environmental environment, investors and competition in matters of ethics and social responsibility.
- H2. The dimensions of high management, customers, suppliers, people of the organization, social environment, environmental environment, investors and competition are positively and significantly related to the type of company in matters of ethics and social responsibility.
- H3. The dimensions of high management, customers, suppliers, people of the organization, social environment, environmental environment, investors and competition are positively and significantly related to the size of the company in matters of ethics and social responsibility.

Table 9.1 Cronbach's alpha of the instrument on the SGE21 standard (self-sourced)

Dimensions	Number	Cronbach's Alpha
High management	23	0.960
Customers	10	0.888
Suppliers	4	0.888
People of the organization	15	0.929
Social environment	5	0.862
Environmental environment	8	0.928
Investors	3	0.633
Competition	6	0.734
Total of items	74	0.978

H4. The dimensions of high management, customers, suppliers, people of the organization, social environment, environmental environment, investors and competition are positively and significantly related to the sector in matters of ethics and social responsibility.

H5. The dimensions of high management, customers, suppliers, people of the organization, social environment, environmental environment, investors and competition are positively and significantly related to the company's age in matters of ethics and social responsibility.

9.4 Results and Discussion

9.4.1 Profile

The profile of the participants in this study is shown in Table 9.2, in which, coincidentally, half of those who answered the study by means of a self-administered questionnaire are men and the other half women, mostly between 25 and 34 years old (37.3%), between 35 and 44 years (26.3%) and 45–54 years (20.3%).

In relation to the characteristics of participating SMEs, 80% are small, and 20% are medium, of which 29.7% are family businesses, 23.7% with a single owner and 46.6% corporations, with greater representation of the service sector (55.1%).

9.4.2 Descriptive Statistical Analysis

In order to gain the proper results for this study, a descriptive analysis was carried out, analysing three basic aspects: the central tendency, the dispersion and the distribution form.

A descriptive analysis of the seven dimensions of the model of the SGE21 standard was carried out to have the informative capacity of the measures of central tendency, dispersion and distribution form of the studied variables.

In the senior management dimension, the most important elements are those that guarantee that the monitoring and control of all those legal and regulatory requirements that affect the company's activity, as well as keeping it updated (AD1 and AD3), considering it very valuable to define and maintain an ethical management policy (AD4) in the organization (see Table 9.3).

In the dimension of people that make up the organization, companies state that an element that concerns them is to expressly control that the organization's personnel is not the recipient of undesirable behaviour that has as its objective or consequence the attack against dignity or the creation of an intimidating, humiliating or offensive environment (PIO42), followed by ensuring the absence of discrimination due to gender, racial or ethnic origin, religion or belief, disability, age or sexual

Table 9.2 Surveyed people's profile (self-sourced)

Variables		%
Gender	Men	50
	Women	50
Age of the surveyed	18 a 24	11.0
	25 a 34	37.3
	35 a 44	26.3
	45 a 54	20.3
	55 a 64	5.1
Type of company	Familiar	29.7
	One owner	23.7
	Anonymous society	46.6
Company's size	Small	80
	Medium	20
Sector	Industry	22.9
	Commerce	20.3
	Services	55.1
	Agriculture	1.7
Age of the company	Young companies (10 or less years working)	31
	Mature companies (more than 10 years working)	69

orientation or culture, amongst others (PIO41), and guarantee respect for the principle of equal opportunities, specifically in access to jobs, training, professional development and retribution (PIO40), as observed in Table 9.4.

In the relationship with its clients, in equal circumstances, they give priority to presenting clear and honest information of the commercial offer to customers or consumers and to ensure the safety of the product or service that the organization makes available to customers and consumers (C28, C29) (see Table 9.5).

With reference to the suppliers, Table 9.6 shows how the organization is concerned with collaborating with suppliers in the continuous improvement of the results obtained in the process of diagnosis and evaluation (P37).

In relation to the social environment, they value transparency in the organization activities of social environment, facilitating communication and cooperation with the interest groups (E55) (see Table 9.7).

The environmental environment is an important aspect of being socially responsible; however, SMEs have a medium degree of implementation of actions that improve the environment, as shown in Table 9.8. The elements that give greater importance are its commitment to making public how they prevent pollution generated by operations and products, including strategies against climate change; to continuously improve their environmental performance favouring the global objective of sustainable development (EA58); and identify, record and evaluate those aspects of the activities developed by the organization and its products and services that cause or may cause impacts on the environment (EA59).

Table 9.3 Descriptive statistical analysis of the high management dimension (self-sourced)

Variable	Mode	Mean	Median	Typ. dev.	Minimum	Maximum	Asymmetry	Kurtosis
AD1	5	4.21	5.00	1.139	1	5	-1.452	1.164
AD2	5	4.08	4.00	1.083	1	5	-1.116	0.583
AD3	5	4.19	5.00	1.088	1	5	-1.288	0.902
AD4	5	4.18	4.00	1.001	1	5	-1.250	1.196
AD5	5	4.08	4.00	1.063	1	5	-1.195	0.881
AD6	5	4.03	5.00	1.260	1	5	-1.055	-0.078
AD7	4	3.57	4.00	1.317	1	5	-0.663	-0.627
AD8	1	2.68	3.00	1.490	1	5	0.318	-1.281
AD9	1	2.97	3.00	1.490	1	5	0.043	-1.444
AD10	1	2.92	3.00	1.660	1	5	0.078	-1.641
AD11	1	3.00	3.00	1.622	1	5	-0.012	-1.604
AD12	1	3.07	3.00	1.495	1	5	-0.165	-1.356
AD13	5	3.07	3.00	1.562	1	5	-0.101	-1.497
AD14	1a	3.00	3.00	1.508	1	5	0.000	-1.404
AD15	5	3.20	3.00	1.447	1	6	-0.139	-1.208
AD16	5	3.15	3.00	1.561	1	5	-0.148	-1.481
AD17	5	3.55	4.00	1.430	1	5	-0.577	-0.977
AD18	5	3.38	4.00	1.496	1	5	-0.413	-1.241
AD19	5	3.25	3.00	1.513	1	5	-0.307	-1.332
AD20	5	3.29	4.00	1.580	1	5	-0.329	-1.429
AD21	5	3.11	3.00	1.529	1	5	-0.145	-1.411
AD22	5	3.32	3.00	1.479	1	5	-0.266	-1.303
AD23	5	3.21	4.00	1.584	1	5	-0.303	-1.466

AD1, legal requirements; AD2, legal requirements according to the sector; AD3, legislation and regulations applied; AD4, ethical management policies; AD5, social responsibility (SR) policies; AD6, code of conduct; AD7, compliance with the code of conduct; AD8, ethical management committee; AD9, social responsibility committee; AD10, responsible for ethical management; AD11, responsible for the management of SR; AD12, social responsibility plan; AD13, compliance with the SR plan; AD14, interest groups; AD15, classify interest groups; AD16, communication with interest groups; AD17, information about the interest groups; AD18, public policies against corruption; AD19, internal audits of the ethical management system; AD20, internal audits of the SR system; AD21, review of the ethical management system; AD22, review of the SR system; AD23, RS situation report

In the “investors” dimension, Table 9.9, it is observed that companies give little importance to being socially responsible, fulfilling moderately with the items raised and following guiding principles of transparency, loyalty, and creation of value in a sustainable manner in relation to the organization, which is the aspect that most value the SMEs.

In relation to the competition dimension, SMEs mainly value respecting the property rights of competitors of the company (COM69) (see Table 9.10).

An individual analysis of the eight dimensions treated in this research is presented: high management, customers, suppliers, collaborators, social environment, environmental environment, investors and competition. The dimensions best

Table 9.4 Descriptive statistical analysis of the dimension people of the organization (self-sourced)

Variable	Mode	Mean	Median	Typ. Dev.	Minimum	Maximum	Asymmetry	Kurtosis
PIO38	5	3.63	4.00	1.478	1	5	-0.722	-0.920
PIO39	5	3.91	4.00	1.184	1	5	-0.917	-0.078
PIO40	5	4.23	5.00	1.113	1	5	-1.489	1.555
PIO41	5	4.27	5.00	1.122	1	6	-1.552	1.778
PIO42	5	4.31	5.00	0.991	1	6	-1.558	2.264
PIO43	5	4.09	5.00	1.240	1	5	-1.191	0.272
PIO44	5	4.17	5.00	1.104	1	5	-1.351	1.131
PIO45	5	4.21	5.00	1.131	1	5	-1.509	1.490
PIO46	5	4.03	4.00	1.233	1	5	-1.234	0.553
PIO47	4	3.64	4.00	1.298	1	5	-0.765	-0.520
PIO48	5	3.75	4.00	1.260	1	5	-0.748	-0.541
PIO49	4	3.43	4.00	1.482	1	5	-0.603	-1.055
PIO50	5	3.53	4.00	1.388	1	5	-0.618	-0.883
PIO51	5	3.63	4.00	1.293	1	5	-0.600	-0.670
PIO52	5	3.48	4.00	1.512	1	5	-0.593	-1.119

PIO38, continuous improvement with suppliers; PIO39, identification of collaborators; PIO40, equal opportunities; PIO41, discrimination absence; PIO42, unwanted behaviour of collaborators; PIO43, reconciliation with workers; PIO44, security and health; PIO45, working risks; PIO46, jobs; PIO47, staff training; PIO48, disclosure of the code of conduct; PIO49, laboured environment; PIO50, restructuration; PIO51, complaints and suggestions on corporate social responsibility; PIO52, registration of problems, solutions and efficiency

Table 9.5 Descriptive statistics of the dimension customers (self-sourced)

Variables	C24	C25	C26	C27	C28	C29	C30	C31	C32	C33
Mode	5	5	5	5	5	5	5	5	5	5
Mean	4.23	3.81	4.39	4.11	4.53	4.53	4.19	3.78	3.77	3.75
Median	5.00	4.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00
Typ. dev.	1.065	1.301	1.021	1.211	0.844	0.922	1.086	1.308	1.361	1.358
Minimum	1	1	1	1	1	1	1	1	1	1
Maximum	5	5	5	5	5	5	5	5	5	5
Asymmetry	-1.420	-0.785	-1.972	-1.243	-2.407	-2.440	-1.481	-0.933	-0.857	-0.791
Kurtosis	1.374	-0.624	3.525	0.521	6.639	6.046	1.737	-0.181	-0.504	-0.562

C24, products and services; C25, continuous commitment with R + D + i; C26, product and service as part of the organizational culture; C27, quality as an organizational culture; C28, customer satisfaction; C29, commercial offer; C30, security of the product or service for clients; C31, global accessibility of products, C32, establishment of responsible advertising; C33, resolution/sanction of conflicts in advertising

evaluated are clients and suppliers, which suggests that for SMEs their relationship with their clients (4.1093), collaborators (3.8881) and suppliers (3.8432) is very important. The least appreciated dimension is investors (3.1751). Representing the entrepreneur's perception of the importance of their clients, since they claim to fulfil most of the questions raised, while they are almost convinced of complying with the

Table 9.6 Descriptive statistical analysis for the dimension suppliers (self-sourced)

Variables	P34	P35	P36	P37
Mode	5	5	5	5
Mean	3.91	3.67	3.81	3.99
Median	4.00	4.00	4.00	4.00
Typ. dev.	1.198	1.450	1.303	1.188
Minimum	1	1	1	1
Maximum	5	5	5	5
Asymmetry	-0.970	-0.686	-0.811	-1.198
Kurtosis	0.032	-0.968	-0.463	0.727

P34, responsible advertising; P35, responsible shopping; P36, supplier diagnosis; P37, supplier evaluation

Table 9.7 Descriptive statistical analysis of the dimension social environment (self-sourced)

Variables	ES53	ES54	ES55	ES56	ES57
Mode	5	5	5	5	5
Mean	3.67	3.84	3.85	3.53	3.53
Median	4.00	4.00	4.00	4.00	4.00
Typical dev.	1.359	1.307	1.265	1.512	1.454
Minimum	1	1	1	1	1
Maximum	5	5	5	5	5
Asymmetry	-0.791	-0.910	-1.047	-0.662	-0.620
Kurtosis	-0.547	-0.278	0.093	-1.031	-0.959

ES53, repercussions in the community; ES54, social impacts, ES55, transparency; ES56, report of solidarity actions; ES57, results of solidarity actions

Table 9.8 Descriptive statistical analysis of the dimension environmental environment (self-sourced)

Variables	EA58	EA59	EA60	EA61	EA62	EA63	EA64	EA65
Mode	5	5	5	5	4	5	5	1
Mean	3.68	3.67	3.52	3.25	3.27	3.29	3.43	3.03
Median	4.00	4.00	4.00	3.50	4.00	4.00	4.00	3.00
Typical dev.	1.413	1.365	1.478	1.485	1.556	1.559	1.476	1.552
Minimum	1	1	1	1	1	1	1	1
Maximum	5	5	5	5	5	5	5	5
Asymmetry	-0.832	-0.774	-0.591	-0.305	-0.422	-0.424	-0.538	-0.099
Kurtosis	-0.637	-0.585	-1.065	-1.308	-1.359	-1.334	-1.064	-1.501

EA58, commitment on pollution; EA59, impacts to the environment; EA60, environmental management program; EA61, risk plan for environmental problems; EA62, irrigation plan to prevent environmental risks; EA63, prevention; EA64, review of the risk plan; EA65, inform stakeholders of environmental aspects

Table 9.9 Descriptive statistical analysis of the dimension investors (self-sourced)

Variables	INV66	INV67	INV68
Mode	5	1	1
Mean	3.41	3.21	2.91
Median	4.00	4.00	3.00
Typ. Dev.	1.481	1.584	1.628
Minimum	1	1	1
Maximum	5	5	5
Asymmetry	-0.506	-0.356	0.020
Kurtosis	-1.121	-1.437	-1.635

INV66, principles of transparency and loyalty; INV67, good governance protocol; INV68, disclosure of annual accounts

Table 9.10 Descriptive statistical analysis of the dimension competition (self-sourced)

Variables	COM69	COM70	COM71	COM72	COM73	COM74
Mode	5	5	5	5	5	5
Mean	4.00	3.79	3.53	3.38	3.49	3.73
Median	4.50	4.00	4.00	4.00	4.00	4.00
Typical dev.	1.268	1.473	1.589	1.541	1.658	1.430
Minimum	1	1	1	1	1	1
Maximum	5	5	5	5	5	5
Asymmetry	-1.153	-0.917	-0.577	-0.479	-0.523	-0.829
Kurtosis	0.295	-0.619	-1.234	-1.264	-1.439	-0.638

COM69 respect for competitors; COM70 agreements to resolve differences; COM71 undue actions with competitors; COM72 complainants' complaints; COM73 information against competitors; COM74 incorporation to associations

majority of the proposals raised by SR with its collaborators and suppliers. While they have a medium degree of implementation with their investors (3.1751), see Table 9.11.

9.4.3 Correlational Analysis

A correlational analysis was carried out, in order to establish positive and significant relationships between the commitment of high management, the seven dimensions (customers, suppliers, people of the organization, social environment, environmental environment, investors and competitors), and the four characteristics of the company (type of company, size, sector and seniority).

In Table 9.12, the results obtained are presented. Emphasizing that the relationship between the dimensions is positive and significant, but its relationship with the characteristics of the company is very few positive and significant with some dimensions of the SGE21 standard. Highlighting that the high management dimension is positively and significantly related to a level of $p < 0.01$ with customers, suppliers,

Table 9.11 Concentration of statistical means of the SGE21 dimension (self-sourced)

Dimensions	Mean	Typ. Dev.
High management	3.4138	1.03690
Customers	4.1093	0.82046
Suppliers	3.8432	1.11507
People of the organization	3.8881	0.89514
Social environment	3.6831	1.11042
Environmental environment	3.3919	1.21290
Investors	3.1751	1.18851
Competition	3.6540	0.98134

people who are interested in the organization, social environment, environmental environment, investors and competitors, for which H1 is accepted. The most significant are its relationship with the environment (728) and people of the organization (727). Considering all the dimensions of the SGE 21 standard, the highest relationship was the correlation of the environmental environment with the people that make up the organization (767) and the latter with the social environment (761).

Analysing the relationship of the dimensions of the SGE21 standard with the characteristics of the company, as shown in Table 9.12, there is no positive and significant relationship, which suggests that for SMEs to be socially responsible, there is no relationship with the characteristics of the company; therefore, the hypotheses rejected are the H2, H3, H4 and H5.

The results allow to know the importance that SMEs give to their social responsibility with their customers and suppliers and that the people that make up the organization play a leading role in all their actions to be a socially responsible company.

It should be noted that the only unused dimension of the SGE21 standard was the “public administrations”, because they only had one item, and this study followed an exploratory factor analysis with the 75 items considered by the standard, in order to obtain a robust model adapted to the culture of Mexican companies.

9.5 Conclusions

The main concern in companies, when referring to the organization’s staff, is that the behaviour of the workers is adequate. On these lines, in addition to the implementation of the SGE21 management system, companies are encouraged to implement conduct codes, such as that based on the SA8000 standard, or the creation of specific codes or good practices developed in their organizations. In the research ambit, these findings make it possible to suggest a further investigation based on qualitative methodology, case studies, the analysis of codes of conduct or good practices implemented in these types of organizations.

Table 9.12 Correlation between the dimensions of the SGE21 standard and the characteristics of the company (self-sourced)

Dimensions	AD	C	S	PIO	SE	EE	INV	COM	Type of company	Company's size	Sector	Company's age
High management (AD)	1											
Customers (C)	0.645**	1										
Suppliers (S)	0.627**	0.620**	1									
People of the organization (PIO)	0.727**	0.737**	0.674**	1								
Social environment (SE)	0.640**	0.572**	0.498**	0.761**	1							
Environmental environment (EE)	0.728**	0.499**	0.583**	0.767**	0.718**	1						
Investors (INV)	0.690**	0.489**	0.531**	0.619**	0.591**	0.644**	1					
Competition (COM)	0.491**	0.413**	0.567**	0.524**	0.474**	0.538**	0.613**	1				
Type of company	0.096	0.182*	0.251**	0.225*	0.064	0.218*	0.238**	0.208*	1			
Company's size	0.054	0.095	0.052	0.060	-0.034	0.019	0.014	0.046	0.047	1		
Sector	0.175	0.009	0.158	0.137	0.108	0.141	0.070	0.137	0.348**	0.111	1	
Company's age	-0.099	-0.037	0.028	-0.045	-0.045	-0.066	-0.065	0.047	-0.143	0.205*	-0.018	1

**The correlation is significant at the 0.01 level (bilateral)

*The correlation is significant at the 0.05 level (bilateral)

Due to globalization, there is great diversity (gender, age, ethnicity, religion, disability, amongst others) in companies' workforces. This has led to it being organizations' second-place concern. It is for this reason, based on the results obtained in the research, that companies are advised to implement a diversity management program. In the research field, the proposed line of study is a deeper qualitative research gathering the most current specific problems about diversity in organizations.

Other stakeholders studied are customers and consumers. These stakeholders demand transparency and honesty amongst the priority activities. Along these lines, companies are advised to take measures to manage transparency and good governance. In the academic field, it would be interesting to propose an investigation which made it possible to measure the current degree of activities carried out in the field of corporate administration management in companies, oriented towards consumers and clients.

Organizations are concerned about working with providers along the lines of continuous improvement. This may be due to the pressure that many companies are put under by multinational organizations since they often require this continuous improvement in their processes. It would be advisable to implement quality management programs according to the organizations in the professional field. A deeper quantitative study cantering on quality should be developed with regard to the field of research.

The social environment is another stakeholder which creates interest in the company. Its main concern is communication and cooperation. The establishment of adequate channels to achieve real communication (feedback) and cooperation between the company and the social environment would help companies towards continuous improvement. Organizations should implement appropriate management tools to improve communication between the different stakeholders and facilitate cooperation between them. A qualitative study is proposed in this line of research. It should include a case study in which the main stakeholder of the study is the social environment and in which items related to communication and cooperation are specifically addressed.

An average degree of implementation in organizations is obtained as a result of the item related to the environment. In this respect, companies would be advised to implement a specific environmental management system. This system would allow them to improve different aspects related to the environment and would also help alleviate the concerns which companies have. A deeper quantitative analysis of the environmental practices developed in the company would be advisable in order to effectively verify the degree of implementation and to manage the strengths and weaknesses of the organizations.

With reference to investors, companies denote less concern in the socially responsible area. In order to follow transparency and correct management guiding principles, it would be advisable to implement an adequate governance system focusing especially on the stakeholders. Along the lines previously proposed for customers and consumers, the same should be proposed with reference to investors in order to establish a deeper study of the corporate governance of the company.

Based on the hypothesis, the relationship between the dimensions is positive and meaningful. However, the relationship with the characteristics of the companies is rarely fulfilled.

From the results, it is clear that senior management interacts with clients, suppliers, the people who make up the organization, the environment, investors and competitor according to the antiquity and typology of the institution in the field of ethics and social responsibility in a positive and significant way. It is necessary to continue researching along these lines as previously mentioned.

However, there are no conclusive results which in turn reject the hypothesis of the relationship between top management, suppliers, customers, people who make up the organization, the environment, investors and competition with the size and type of company and the sector in the area of ethics and social responsibility.

As limitations of this investigation, it is not possible to generalize for the whole country and all types of companies. Therefore, based on the results of this research and the limitations found, a quantitative study of the greater scope by increasing the sample and the geographic area would be recommendable in order to verify the hypothesis posed.

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Chapter 10

The Disclosure of Environmental Information in Urban Public Transport Companies in Spain



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Abstract The Rio de Janeiro's summit celebrated in 1992 established the basis of sustainable development. The beginning of the eleventh century showed that preservation of the environment is fundamental not only for the consumption the natural resources but also by the direct impact on business activity generates on the environment. From this perspective, the companies have to maintain a proactive environmental stance that will allow them to differentiate against which they prefer not to save the environment. The objective of this research is to analyze the level of disclosure of environmental information in urban public transport companies in Spain, in order to develop an index. To get that, the information on the websites of the 120 companies of urban public transport used for the analysis of contents is analyzed. The research reveals that the urban public transport companies in Spain have much to improve about disclosure of their environmental stance, given that about 77.50% of them have a low or null proactive position not only for the advantages at the reputational level that they can acquire but also for the implications that allow them to be different from those companies that do not show a will of taking care the environment and their commitment to society.

Keywords Environmental information · Urban public transport companies · Sustainable development · Ethical norms

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10.1 Introduction

Today, the cultural level of society involves a rapid change in his tastes, behaviors, and expectations. Also connected to the globalization in the last decade and the development of new technologies, companies face a dynamic environment where innovation capacity and reinvention are in the order of the day.

There is no question that the traditional view that conceptualizes profit maximization is one that involves the survival of businesses in their early years before moving on to create wealth for the owners. The most modern concept introduces new ways of doing business such as corporate social responsibility (CSR hereafter). The consideration of the firm as a social entity that interacts with its environment becomes a new way of seeing the company where the consideration of stakeholders, through the theory of stakeholders developed by Freeman, becomes one of the primary objectives in the corporate strategy. If we also add the financial scandals of Enron (2001) and WorldCom (2002), productivity of Nike (1991), or being as environmental as BP (2010), its main result is a breach of trust in markets and economies (Kliksberg 2006). With the introduction at the international code of good conduct, good corporate governance, the Rio Declaration, and the UN Global Compact, we propose a new way of working for what is inconceivable that firms do not care about the environment around them and the impact their activities can have on society. It is a social revolution-unprecedented business (De la Cuesta 2004).

A sector distinguished by economic, social, and environmental importance is analyzed. In one hand, the urban public transport sector, in economic terms and in relation to the European context, has a contribution to GDP around 5% (European Commission 2016) and more than 2,7 millions of travelers per year in 2014 (transport and logistic observatory in Spain 2016), and on the other hand, the highest concern is to provide customers high-quality services to ensure their satisfaction and well-being at all times preserving the surrounding environment. In addition, the urban public transport sector is characterized by being a sector rarely analyzed from the point of view of CSR, even less from an environmental perspective.

The goal of this paper has a double contribution: on one side, to analyze the state of art about the corporate social responsibility and shedding light on the definition and environmental dimension, in a field of study such as public administration and more specifically in urban public transport, considering that there is a few literature about divulgation of information and even less about the public sector (Navarro et al. 2010), and, on the other side, to consider the relevance that the transparency has in the public sector, for the importance of the disclosure of information in all aspects and the implications that this fact means for the society and all the business tissue (Navarro et al. 2010). It is for that reason we will be observing if the urban public transport companies in Spain disclose information about CSR, especially environmental information through their websites to develop an index and be available to make a ranking about the level of disclosure of the urban public transport companies in Spain.

The sample of this research is determined by Law 7/1985, of 2 April, regulating the bases of local government, which sets mandatory provision of urban public transport by surface in towns from 50,000 populations, leaving so the sample in a total of 120 companies. The methodological structure applied, in line of researches as Escamilla et al. (2016), Pérez-Bustamante et al. (2011), Navarro et al. (2010), Rodríguez et al. (2009) but with an adaptation to the sector, is the analysis of contents of websites. The main conclusion is the need to improve the information offered on websites and increase the level of disclosure of environmental information because more than 77.50% of the companies do not offer any information and, as you can see, their environmental position is low or null.

10.2 Literature Review

In order to study CSR, there are many definitions and theories, which leads us to find ourselves in a lack of consensus (Garriga and Melé 2004; Alvarado et al. 2011). CSR is focused on “*the voluntary integration by the company, both in its governance and management, social, environmental, economic concerns and respect for human rights derived from the relationships between the company and its direct stakeholders, as well as anyone who is affected by the development of economic activity in the same*” (Escamilla et al. 2016 pp. 196). In summary, a responsibility that goes beyond what is legally required and that is focused on improving the social and economic welfare of the company as well as the surrounding environment is assumed. The different stakeholders that are affected by the companies are who can really make an evolution of the very concept of CSR through the theory developed by Freeman (1984). On one hand, we find the shareholders who are increasingly demanding more transparency in the actions carried out by the company in order to transmit confidence to the company and the market itself—customers who request every day for quality products and services and innovative and fair prices (Kliksberg 2006)—and on the other hand, society is aware that for the company to succeed, CSR cannot stay away.

Throughout the twentieth century, the role of business in society, whether it was possible to prioritize the social value of the economy or can go hand in hand, was discussed at length. The debate stems from the application that performs Bowen (1953) in terms of interaction with the company and society, whereas the role of the company not only is economic but also must meet the needs of stakeholders those around them. In contrast, authors as Hayek (1960) and Friedman (1970) consider the company as a for-profit organization dedicated to the production or supply of goods and services, whose only purpose is to maximize the profit of the company arise. This point of view believes that the adoption of CSR policies adversely affects the interests of shareholders, since they conceive that the agents involved in developing social policies must be the government, since the resources and control mechanisms will mean a reduction in the benefit of the company and therefore the profitability of shareholders. From the exposure posture of Hayek (1960) and

Friedman (1970), authors such as Steiner (1975), Sethi (1975), Carroll (1979), Drucker (1984), Farmer and Hogue (1985), Wood (1991), Boatright (1993), Porter and Kramer (2002), De la Cuesta and Valor (2004), Toro (2006), Valderrama (2007), and Vargas (2006) defend business management where the implementation of CSR policies is a distributed value creation by not only shareholders but also employees, suppliers, customers, and society, so its main objective is to find a balance between the interests of all of them.

The beginning of the new millennium is a drastic change for global society; concepts such as CSR and sustainable development issues are becoming indispensable for business. The paper begins to develop international institutions like the UN, OECD, and ILO; the protection of society, the environment, and human rights is increasing. It is becoming more usual to standardize report information by companies through the use of GRI indicators. At the same time, the impact of business and industrial models on terrestrial natural resources, with the added effect of globalization, has resulted in exponential growth, which in some cases was unsustainable (Stiglitz 2002), and this has consequences such as the introduction of ethical values in business strategies and the development of capacities and activities to be aimed at sustaining the environment (Senge 2001).

This approach seeks the establishment of measures aimed at reducing the environmental impact and management (EU 2001; Observatory RSC (2010), Pérez-Bustamante et al. 2011). When the companies performed good environmental management, they need to establish different scenarios in order to know the risks they are going to face off, organize action plans in case of any unforeseen risk, and inform the society about aspects that may damage the environment by developing its activity (SGAE-21 2008), to make sustainable use of resources and create a scale of environmental values.

Also, the implementation of CSR strategies in its environmental dimension involves improving efficiency. Ultimately, answers to the nature of the CSR system are based on sustainability and are reflected in more efficient processes in terms of utilization of natural resources and thus reducing costs. There is a growing perception by companies to implement eco-efficiency programs as set out in the World Business Council for Sustainable Development: “*Eco-efficiency is achieved through the provision of goods and services at competitive prices to meet the needs of people and provide quality of life while minimizing the environmental impacts of business activities*” (WBCSD 2013).

The concerns arisen by society and government to protect the environment have become a fact of vital importance not only from an economic perspective but also from its social aspect. The inclusion of environmental programs in business has led to the emergence of a competitive force that companies today cannot ignore (Aragón 1998; González and González 2005; Aragón and Rubio 2007).

The study on the implications of having environmental certifications and environmental management by the companies has been performed by authors as Miles et al. (1997), del Brío et al. (2001), and González and González (2003). However, the way in which companies have decided to include these programs in different environmental strategy is different, which some companies distinguish from an

internal environmental orientation (Banerjee 2002), considering the establishment of environmental principles and values that serve employees at all levels (Ottman 1998), as a system of corporate awareness and guidance of their responsibility to society (Shrivastava 1995; Miles et al. 1997), and an external environmental orientation (Banerjee 2002), where the relationship of the company with stakeholders is especially linked to the need to meet environmental objectives, at the same time, without compromising the value creation of the firm (Banerjee 2002; Banerjee et al. 2003; Fraj et al. 2010).

The position taken by the companies should be proactive considering that this may affect competitiveness, legitimacy, and reputation of the company (Hunt and Auster 1990; Piñeiro et al. 2009). Another variable to consider is how to measure environmental proactivity—if it is done with the measurement of emissions (Hamilton 1995; Cohen et al. 1995; Hart and Ahuja 1996; Cordeiro and Sarkis 1997; King and Lenox 2002; Al-tuwaijri et al. 2004; Aragón and Rubio 2007; Piñeiro et al. 2009; Pérez-Bustamante et al. (2011), with the inclusion in the environmental index (Wagner et al. 2002; Wagner 2005), by obtaining awards (Klassen and MCLAughlin 1996), by obtaining certifications (Cañón and Garcés 2006; Larrinaga and Pérez 2008), or by establishing a corporate strategy (Sharma and Vredenburg 1998; Klassen and Whybark 1999; Christmann 2000; Gilley et al. 2000; Álvarez et al. 2001; Melnyk et al. 2003; Carmona et al. 2004; Elsayed and Paton 2004; Bansal 2005; González and González 2005; Garcés et al. 2006; Link and Naveh 2006; Reenings et al. 2006; Roque and Cortez 2006; García and Armas 2007; Montabon et al. 2007; Piñeiro et al. 2009).

In the field of urban public transport, the decisions will have a direct impact on the environment, consuming not only natural resources but also their activity. Thus, it is very important to analyze the level of disclosure of environmental information to society.

In this paper, proactive environmental management will be determined by observing the ratios of the different eco-efficiency programs (water, energy, paper, resource management, CO₂), waste management, innovation projects, obtaining certifications, and strategy corporate enterprise. Previous work of Larrinaga and Pérez (2008) proceeds to analyze whether there is any significance or association between the type of company (public or private) and environmental proactive stance of the company and the level of disclosure of environmental information of the company (Lock and Seele 2013; De Vries et al. 2013).

10.3 Research Methodology

To carry out the research, we use content analysis of the websites of urban public transport companies. This method requires to strictly follow a series of sequential steps. For this, Escamilla et al. (2016), Andrikopoulos and Krikliani (2013), Kuo et al. (2012), Matisoff et al. (2013), Pérez-Bustamante et al. (2011), Navarro et al. (2010), and Larrinaga and Pérez (2008) were followed, among other works, because

they use for the research the same technique and applied research as well as concepts and elements used in this investigation.

10.4 Objectives Identification

In this research, the main objective of this work is to analyze the level of environmental information disclosure of urban public transport companies in Spain due basically to the relevance this information has and the importance of the implications of disclosure this type of information has, making a ranking. In order to get the main objective, it would be necessary to identify the following secondary objectives that achieve the main:

- Identify if the web pages of urban public transport companies contain CSR information. Know the accessibility of information, if otherwise direct and easy access.
- Identify if the companies in the sample disclose environmental information.
- Check if there is any relationship or association between different types of companies that provide the service of urban public transport and environmental stance holding in the company.

After contemplating all secondaries objectives, we proceed to give an answer to the main objective and, to do so, follow the work of Navarro et al. (2010: 295–296) to establish two alternatives for each item that is noted on web pages: “yes,” to which the digit 1 is associated, and “no,” in which the digit 0 is contemplated on the contrary, if there is no information for this item, so that you can objectively measure the level of on the web pages in such a way that the level of disclosure of the environmental information disclosure can be objectively measured depending on the number of items found in each company. This form of evaluation has been used in numerous previous studies (Escamilla et al. 2016; Navarro et al. 2010; Bastida and Benito 2007; Pina et al. 2007; Rodríguez et al. 2006, 2007).

Following the methodology employed by Escamilla et al. (2016) and Navarro et al. (2010), we proceed to take the score of each sample company allowing us to develop a ranking depending on the level of environmental proactivity of companies; the sample can be split into five levels:

- (a) Maximum environmental proactivity: all items
- (b) High environmental proactivity: four to five items
- (c) Proactive environmental media: three items
- (d) Low environmental proactivity: one to two items
- (e) Null environmental proactivity: no item

To proceed to elaborate the index and according to the methodology used in previous researches such as Rodríguez et al. (2006, 2007) and Navarro et al. (2010: 296), it is opportune to grant 25% of the score obtained in each one of the blocks of the collection manual.

10.5 Sample Selection

The transport sector is constituted as a sector of great importance not only for the activity itself but also by generating total employment of 4.42% and a GDP contribution of 4.6%. For all these reasons, it is considered necessary to make an approach to the level of disclosure on environmental measures carried out by the Spanish public transport sector. Under this premise, the sample selection was limited by Spanish law, where the Law 7/1985 of April 2, Regulating the Basis Local System, considers the collective urban public transport as a public mandatory service, with provision required by municipalities in their respective areas of territorial influence either by itself or associated, in municipalities, with a population greater than 50,000. Given this limitation, the date of completion of the work, there are 146 municipalities in Spain (INE¹) that have a population of not less than 50,000 people. With this first constraint, we proceeded to analyze collective urban public transport companies serving in these, amounting to a total of 120 companies,² of which 17 are public ownership and the rest are granted to private companies.

10.6 Definition and Coding of Variables

This phase will be determined for the variables used in the content analysis in order to develop a coding manual to serve as a guide for data collection, so that they could collect in the most equal way. Table 10.1 shows the variables analyzed throughout

Table 10.1 List of items to study the environmental dimension

ISO certification	Castka and Balzarova (2018); Escamilla et al. (2016); Díaz et al. (2014); Vila and Gimeno-Martínez (2010); Larrinaga and Pérez (2008); Cañón and Garcés (2006); Miles et al. (1997)
Environmental audits	Pérez-Bustamante et al. (2011)
Innovation projects	Pérez-Bustamante et al. (2011); Escamilla et al. (2013)
Waste management	Escamilla et al. (2013); Piñeiro et al. (2009); García and Armas (2007); Montabon et al. (2007)
Eco-efficiency programs	Escamilla et al. (2013); Piñeiro et al. (2009); García and Armas (2007); Montabon et al. (2007); Roque and Cortez (2006); González and González (2005); Carmona et al. (2004)

Source: Own elaboration

¹ Date of reference: December 31, 2014.

² For the analysis, we have taken both urban public transport companies who provide transportation services by bus and subway or light rail.

the content analysis of environmental proactivity in urban public transport companies.

Within this phase, there is an item called OTHER including any environmental activity that can be included in that dimension such as environment-specific training and additional certification.

10.7 Data Collection, Analysis, and Discussion of Results

This last phase includes collecting data from companies and all the descriptive analysis of the results obtained, which allowed to deduce a number of conclusions. We use of MOS and SPSS program, and then, we proceed to establish the analysis of the results obtained and discuss the same.

10.8 Research Results

Collecting data (see Table 10.2) has shown the importance for urban public transport companies of having a web page where they can inform their clients about the routes, stops, fares, and relevant company information. A total of 80.67% of the companies do have a website, while 19.33% do not have a website.

Overall, the information on CSR provided by the companies of urban public transport is small. The direct access to CSR information on web pages is possible only in 35.42% of cases. In companies that do not have direct access to such information, it has been analyzed whether there was easy access to information on CSR practices in all its dimensions. We determinate as COMPLEX access to information when they had to go through over three different screens to get to the information they are interested in. In this case, 43.30% do have easy access to information on CSR, while in 56.70% of the companies, access was difficult. In the first part of the analysis, we see if the sampled companies published a CSR report; the result was that 85.57% of companies do not publish a CSR report. The result shows the need by the companies of urban public transport of being more involved in disseminating information on the implementation of CSR policies to all its stakeholders.

Table 10.2 General information about public transport companies

General block	YES	%YES	NO	%NO
Have website	97	80.83%	23	19.17%
Direct access to information	35	36.08%	62	63.92%
Easy access	42	43.30%	55	56.70%
CSR memory	14	14.43%	83	85.57%

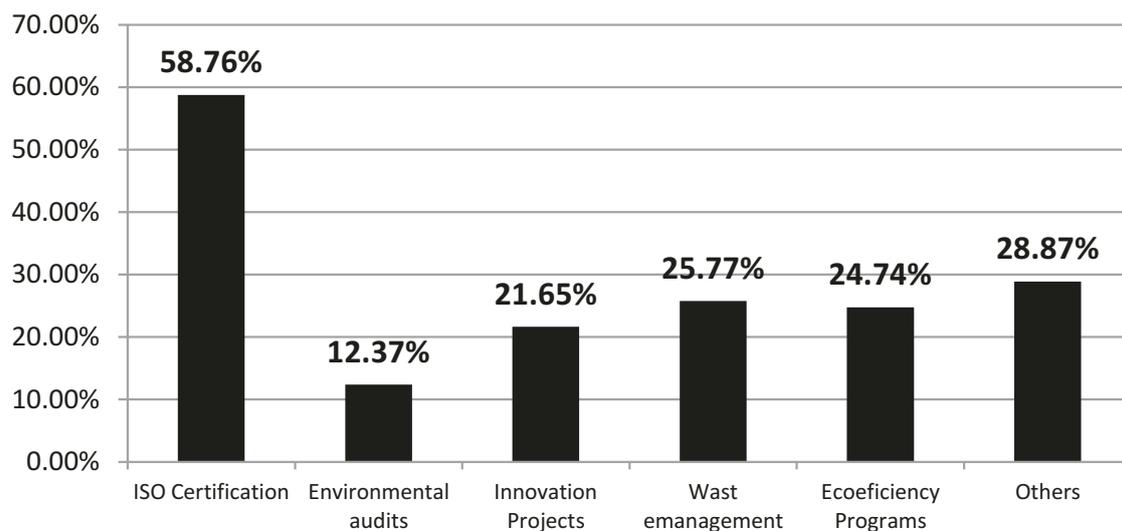
Source: Own elaboration

The provision of passenger transport services can be performed by two types of companies, either by direct labor through the management of the council itself or through local or mercantile society through indirect management through concessions. Content analysis revealed that 14.3% (17 companies) are direct management of local commercial society and 85.7% are indirect management.

Regarding the second stated objective, identifying environmental proactive stances that include an intermediate role in mitigating environmental impacts for companies in the sample is observed, because 34 companies that do have web pages do not have any information about its position environmental. Other companies analyzed have the following data.

Graph 10.1 shows that the level of awareness of the responsibility with the environment is medium. A total of 58.76% have obtained ISO certification in buses used for passenger transport, and 21.65% have innovative projects that improve the quality of service provided and reduce the impact their activities have on the environment and the environment around them, through research in their own facilities or agreements with suppliers. Waste management and eco-efficiency programs are present in 25.77% and 24.74% of companies, respectively. In addition to the companies analyzed, 12.37% performed environmental audits. As for performing other actions to different variables studied, 28.87% provided other actions.

Of all the measures listed in the variable OTHER, it is noteworthy that the UNE-EN 13816 is a certificate of AENOR which aims to provide a set of guidelines for public transport companies to enable them to assume a commitment to quality in order to meet the demands and needs of transport users. The carbon footprint is a certificate that measures the amount of emission of CO₂ released into the environment; this certificate is also issued by AENOR as an eco-label, and its acquisition by companies is a clear showing of their commitment to the environment because it is possible to establish the companies' impact reduction measures and associated



Source: Own elaboration

Graph 10.1 Results of the analysis of environmental proactive. (Source: Own elaboration)

costs. There are only two companies we found with the “Environmental Statement by AENOR according to the European Regulation 1221/2009 EMAS.” Likewise, the investigation shows, among others, actions as Quality Policy MA and security, specific training in environmental, UNE 152001-3, UNE ISO 16064, collaboration with companies, Bureau Veritas certificate, and sustainability declaration power intermodal transport CGM-02/133.

The third objective set is to identify if there is any relationship or association between different types of companies providing the service of urban public transport and environmental stance in holding companies; for this, the association test “chi-square” by Pearson was made (see Table 10.3).

To respond to the primary objective, a ranking based on the number of items obtained by the companies under study (see Annex I) offering the following results on the total sample was elaborated (Table 10.4).

10.9 Conclusions and Discussion

The literature review has allowed to see the debate between CSR and profit maximization or value creation. The first decade of the eleventh century is characterized by the achievement of objectives and not only economic but also social and environmental. The positive effects of having CSR policies are undeniable: those can contribute to the competitiveness of the company (Dentchev 2004), since it involves properly recognizing the value of human capital aspects (Rodrigo and Arenas 2008; Clacher and Hagedorff 2012), business strategy and organizational architecture (Guadamillas and Donate 2008), and cooperative strategies of suppliers Lai et al. (2010).

From a purely environmental perspective, it is considered of great strategic value to maintain a proactive stance (Piñeiro et al. 2009) in terms of environmental policies to power the same impact on competitiveness (González and González 2005; Aragón and Rubio 2007), legitimacy, and reputation of the company (López and Iglesias 2010; Olmedo and Martínez 2011).

The research shows that the public transport companies have so much to do in about the disclosure of their environmental stance since in the sample of 120 companies, 23 do not have a website, and for the 97 companies that do have a website, 35.05% did not offer any information on their environmental stance.

As the disclosure of environmental proactivity information level as shown by the results obtained on the whole sample, over 77.5% maintain a low and null environmental proactive stance. Only five companies retain a maximum proactive stance to

Table 10.3 Association test

Chi-square	Degree of freedom	Significance
9,774	5	0,081

Source: Own elaboration

Table 10.4 Level of environmental proactivity of companies

Proactivity level	Companies	%	Score
Maximum environmental proactivity	5	4,17%	6
High environmental proactivity	13	10,83%	4–5
Proactive environmental media	9	7,50%	3
Low environmental proactivity	36	30,00%	1–2
Environmental proactivity null	57	47,50%	0
Total sampled companies	120	100,00%	

Source: Own elaboration

cover all study variables. As to whether there is an association between the types of business and whether the service is provided by direct or indirect environmental management and proactive stance, it can be concluded that there is no association—their close significance being 0.

Given the importance of the urban public transport sector in society, the sampled companies should consider the advantages of maintaining the divulgation of proactive environmental stance because their integration into the company's strategy will create value not only on a business level but also to all stakeholders, as well as to reduce costs. They think of it as a form of corporate governance where the needs of these can be met without leaving the goal of their activity—to provide services to urban public transport. The investment in CSR policies in general and particularly in the environmental dimension is not supposed to waste the money invested, unlike if the investment horizon is long term, which may acquire capacities and skills that enable competitive sources that enhance your reputation, increase sales, improve relationships with the company or the community where it does business, increase the satisfaction of all stakeholders as well as increase employee motivation, and reinforce the values of corporate culture company.

The challenge for the urban public transport companies is to clearly incorporate the environmental information within the strategy of the company and to inform all stakeholders their commitment and desire to improve the welfare of society and environment. Civil society today demands information from different platforms, which is why after the investigation it can be concluded that the disclosure of environmental information will enable the companies to differentiate those that do not offer any information. The way to develop reports will necessary follow the Global Reporting Initiative guidelines and be applied through the “integrated reporting” where the CSR report and the financial report are unified into one, through the concept of the triple bottom line, providing higher quality and usefulness of the information. In addition, it will advance the comparability of information in a global context as we live in today.

We propose as a future line of research to analyze on the current sample if there is some relationship between environmental proactivity variables as the autonomous community of providing the service, size of the municipality, and the company.

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Annex I (Table 10.5)

Table 10.5 Ranking on disclosure of environmental information in urban public transport companies in Spain

Ranking	Companies	score
1	Francisco Larrea SA	6
1	INTERBÚS	6
1	Metro de Barcelona	6
1	Transportes Urbanos de Sevilla, S.A.M.	6
1	Transports de Barcelona, S.A.	6
6	Autobuses de Córdoba	5
6	La Compañía del Tranvía de San Sebastián	5
6	Empresa Turística de Autobuses S.A.U	5
6	EMT Málaga	5
6	GLOBAL (Salcai Utinsa, S.A)	5
6	Metrovalencia	5
12	MOHN, S.L.	5
13	Arriva De Blas Y CÍA, S.L.	4
13	EMT Madrid	4
13	EMT Valencia	4
13	Metro de Madrid	4
13	Servicio Municipal de Transportes Urbanos de Santander	4
18	Autobuses Urbanos de Palencia	3
18	Corporación Española de Transporte, S.A.	3
18	EMT Gijón	3
18	Interurbana de Autobuses, S.A.	3
18	Martin S.A.	3
18	Los Amarillos, S.L.	3
18	Transportes Unidos de Asturias, S.L.	3
18	Transportes Interurbanos de Tenerife, S.A.U.	3
18	Transports Municipals de Egara, S.A.	3
27	Aisa	2
27	Grupo Alsa	2
27	Argabús, S.A.	2
27	Autobuses Urbanos de Elche	2
27	Autobuses Urbanos de Valladolid	2
27	Autocares Rías Baixas	2
27	Automnibus Interurbano	2
27	Avanza Interurbanos, S.L.	2

(continued)

Table 10.5 (continued)

Ranking	Companies	score
27	Cooperativa Omnibús Automóvil	2
27	La Veloz, S.A.	2
27	Rubí Bus (Corporación Española de Transporte, S.A.) Grupo Avanza	2
27	Servicio de Transportes Urbanos De Burgos	2
27	Transportes Rober, S.A.	2
27	Transportes Urbanos de Sanlucar, S.A.	2
27	Transportes Urbanos y Servicios Generales, S.A.L. (Tusgsal)/ Transports de Barcelona, S.A.	2
27	Transports Urbans de Sabadell	2
43	Arrecifebus	1
43	Autobuses Urbanos de Talavera de la Reina, S.L. (Corporación Española de Transporte, S.A.)	1
43	Autoperiferia, S.A.	1
43	Autos Vallduxense	1
43	Bus Sigüenza, S.L.	1
43	Empresa Ruiz, S.L.	1
43	Edetania Bus	1
43	EMT Tarragona	1
43	Guaguas	1
43	Hispano Hilariencia, S.A.	1
43	Kbus, El Autobús Urbano de Barakaldo	1
43	La Marina Gandiense	1
43	Marco Sánchez Transporte Urbanos	1
43	Metro de Sevilla	1
43	Salamanca De Transportes	1
43	Servicio de Transportes Urbanos de Ponferrada	1
43	Transportes Urbanos de Zaragoza, S.A.	1
43	Transportes Urbanos de Segovia	1
43	Tranvias del Ferrol, S.A.	1
43	Viguesa de Transportes, S.L. (Vigo)	1
63	Alsa City	0
63	Alsina Graells	0
63	Alsina Rodríguez	0
63	Autobuses de León, S.A.	0
63	Autobuses de Logroño, S.A.	0
63	Autobuses Hadú-Almadraba	0
63	Autobuses Urbanos B. Muñoz	0
63	Autobuses Urbanos de Lugo	0
63	Autobuses Urbanos de Zamora	0
63	Autobusos de Lleida, S.A.	0
63	Autobuses Urbanos del Sur (Busursa)	0
63	Autobuses Urbanos del Sur	0

(continued)

Table 10.5 (continued)

Ranking	Companies	score
63	Autobuses Urbanos Irun Fuenterrabia, S.L.	0
63	Autocares De Molina	0
63	Autos Mediterráneo / Autotransportes Colectivos Castellonenses	0
63	Ayuntamiento de Mijas (Gestión Directa)	0
63	Avilabús (Corporación Española del Transporte, S.A.)	0
63	Belizón y Rodríguez	0
63	Compañía de Tranvías de La Coruña	0
63	Compañía del Tranvía Eléctrico de Avilés	0
63	Continental Auto, S.A.	0
63	Corporación Jerezana de Transportes Urbanos	0
63	Empresa Sagales, S.A.	0
63	EMT Palma	0
63	EMT Fuenlabrada	0
63	EMT Huelva	0
63	EMT Mérida	0
63	Guaguas Urbanas de Santa Lucía	0
63	Herederos de José Castillo	0
63	Huesca Automóviles, S.A.	0
63	Iberconsa (Grupo Aisa)	0
63	Ibiza Bus	0
63	La Montañesa Veolia Transporte	0
63	Llorente Bus	0
63	Llorente, S.A.	0
63	Mataró Bus (Corporación Española de Transporte, S.A.)	0
63	Metro Málaga	0
63	Metro de Palma fe Mallorca	0
63	Nicolás López Jiménez, S.L.	0
63	Mosamo, S.A.	0
63	Reus Transport Public	0
63	Sociedade Municipal De Xestion Do Transporte Urbano De Santiago De Compostela, S.A.	0
63	Surbus	0
63	Telbus, S.L.	0
63	Subús, S.L.	0
63	Transporte Urbano de Autobuses de Alcoy, S.A.	0
63	Torrebus, S.L.	0
63	Transabus Balear, S.A.	0
63	Transportes Urbanos de Badajoz, S.A.	0
63	Transportes Urbanos de Linares, S.L.	0
63	Transportes Urbanos de Vitoria, S.A.	0
63	Tranvía de Cádiz a San Fernando y Carraca, S.A.	0
63	Trap, S.A. Cambiada Al Grupo Monbus	0
63	Trap, S.A.	0
63	Unauto, S.L.	0
63	Veolia Transporte Bilbao, S.A.U.	0
63	Urbanos de Ourense, S.A.	0

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Chapter 11

Individual Organizational Legitimacy vs Online Organizational Legitimacy



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Abstract Organizational legitimacy is determined by individuals who observe and evaluate the organizations according to social models. Individuals validate their judgments according to their beliefs, values, and ethical norms, even if they privately disagree with them. However, society relies on the opinions of others to make decisions, looking for shared and common standards with which to compare their evaluations. Advances in the field of organizational legitimacy suggest that this is a multilevel variable, which depends on individual perception (at the micro level), as well as on the influence of collective actors (at the macro level) such as government, media, organizations' social norms, trade associations, or opinion leaders. Nowadays, the most common way to measure legitimacy (at the macro level) has been based on the most relevant newspapers' content analysis. However, the ever-changing new environment characterized by new media and online user-generated content affected the traditional media "authority" and influence in organizations' legitimacy. Therefore, it is necessary to adapt the measurement of legitimacy to the evolution of the media, to the emergence of social networks and the large data generated on the web. Therefore, the objective of this research is to analyze the legitimacy at the micro level through surveys and at the macro level through the news published on [Google.com](https://www.google.com). The results provide a more complete measurement of organizational legitimacy, allow the comparisons between the levels of individual and online legitimacy, and quantify how digitalization may influence variables related to ethics, such as legitimacy.

Keywords Legitimacy · Ethical norms · Online · Google

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11.1 Introduction

Organizational legitimacy is determined by individuals who observe and evaluate organizations according to social models. However, the role played by individuals in the construction of legitimacy has not been researched in depth in the academic literature (Suddaby et al. 2017). Tost (2011) or Bitektine and Haack (2015) have developed models for measuring legitimacy perception by individuals. These researches suggest that the evaluation of organizational legitimacy is a multilevel construct. It is an evaluation that does not consider only the individual perception (at the micro level), but it is also influenced by the performance of collective actors (at the macro level) such as the government, media, social norms, consumer associations, or opinion leaders.

The construction of judgments of legitimacy is based on two components: validity and propriety. At the macro level, evaluators seek the validity of their judgments aligning them with the beliefs, values, and social norms they consider appropriate, even if, privately, they disagree with them. Our society relies more and more on others' opinions to make decisions, looking for common standards with which to compare their assessments. The evaluators look for the existence of collective consensus regarding the actions of the evaluated organization. In some cases, they may substitute their personal judgment for the opinion of the majority (Suddaby et al. 2017).

Most legitimacy measurements have been based on the most relevant newspaper' content analysis. However, the rapid change associated with the development of information and communication technologies (ICT) provokes traditional media, such as the written press, which have lost part of their "authority" and capacity to influence organizations' legitimacy. Therefore, we should adapt legitimacy measurement to the media evolution and the emergence of social networks and large data generated on the web.

The objective of this research is to analyze legitimacy considering both levels (macro level and micro level). We analyze specifically moral legitimacy, which refers to shared moral and ethical values. To measure the macro level of legitimacy, we use content analysis of the news published on the Internet (specifically, google.com); to measure the micro level of legitimacy, we apply the employees' survey method. The scope of the study is the Spanish university industry. This analysis allows the exploration of the legitimacy at the macro and micro levels, providing a deeper measurement that allows the comparison between the moral legitimacy values and more consistent results and implications for research and management.

11.2 Organizational Legitimacy

"Organizational legitimacy is the perception of the adequacy of an organization to a social system in terms of rules, values, norms, and definitions" (Deephouse et al. 2017, p.9). This concept has implied widespread interests and concerns both in

business and among academics, especially related to the institutional theory, being, nowadays, one of the dominant approaches to organizations' understanding (Greenwood et al. 2008).

Since Meyer and Rowan (1977), institutionalists have argued that legitimacy improves the survival of organizations (e.g., Hannan and Carroll 1992; Ruef and Scott 1998), provides better access to resources (Pollack et al. 2012; Pollock and Rindova 2003), and influences the stakeholders' behavior (Miotto et al. 2020).

The importance of legitimacy has led researchers to try to know both the effects of legitimacy on the results in the organizations (e.g., Díez-Martín et al. 2013; Pollock and Rindova 2003) and the actions and behaviors that lead to reaching legitimacy (e.g., Cho and Patten 2007; Suddaby and Greenwood 2005).

Within legitimacy studies, one of the most recent approaches is the "institutional logics" (e.g., Díez-Martín et al. 2019), which analyzes the institutional logic implemented to act according to socially accepted situations (Greenwood et al. 2008). Research in this area seeks to develop responses that fulfill the multiple organizational requests in order to obtain the stakeholders' support. Likewise, they analyze the structural characteristics and the organizational attributes that shape the institutional complexity and their implications on organizational legitimacy.

Several studies show that organizations that carry out activities that the society considers appropriate and ethical achieve greater chances of attracting customers (Kishna et al. 2017), greater facilities to convince potential clients to adopt the commercial model (Bojovic et al. 2017), and better results, since the new clients' acquisitions increase according to the legitimacy of the organization (Wang et al. 2014).

Furthermore, legitimacy has a positive effect on customer satisfaction (Kassinis and Soteriou 2015), which leads to favorable support, commitment, and recommendations. In this line, it has been pointed out that consumers' satisfaction could exercise a mediating role between legitimacy initiatives and business results (Luo and Bhattacharya 2006). The commitment of employees can also be affected by the degree of the organization's legitimacy. Legitimacy improves the stability and comprehensibility of organizational activities by showing the inclusion of the organization in an institutionalized system of beliefs and actions. Legitimized organizations reach employees' approval and acceptance and affect their motivation and commitment.

Legitimacy, as an intangible and strategic variable of great value to organizations, has been studied from the institutional perspective (DiMaggio and Powell 1983; Scott and Meyer 1983; Zucker 1987) and the strategic perspective (Ashforth and Gibbs 1990; Salancik and Pfeffer 1978). Suchman (1995) organizes the concept of legitimacy in three dimensions: the pragmatic legitimacy, which is based on the calculation of self-interest by the most direct interested party of the organization; the moral legitimacy, which represents a normative and positive evaluation of the organization and its activities by the society; and cognitive legitimacy, which is related to an act that has been taken for granted.

Unlike previous studies, this research analyzes legitimacy from two points of view or levels: macro level, that is, the social evaluation of legitimacy from the online media, and the micro level, that is, the evaluation of moral legitimacy (as an ethical dimension of legitimacy) of employees (Fig. 11.1).

11.3 Sample and Methodology

The legitimacy of the university lies in its relationship with the achievement of organizational objectives (Cruz-Suárez et al. 2014; Miotto et al. 2018). Legitimacy provides a foundation for decision-making different from other rational means, so that people are influenced because they believe that decisions made by other legitimated people or organizations are correct or appropriate and must be followed (Bitektine and Haack 2015; Zelditch 2001). The feeling of obligation allows legitimated organizations to gain the voluntary consensus of external agents. Through legitimacy, many organizations can influence people, not only by the use of power but also by demonstrating the exemplariness and desirability of their actions. Therefore, the analysis of legitimacy allows to know how to influence stakeholders and how to develop policies and actions to increase, maintain, or even recover legitimacy (Suchman 1995).

In the field of universities, legitimacy management can foster the attraction of the best students and academics at a national and international level. Universities that properly manage their legitimacy can increase their productivity. For example, a greater commitment to academics may have a positive impact on scientific production or teaching quality and student employability.

Universities have the responsibility to educate ethical and responsible citizens (Gasca-Pliego and Olvera-García 2011; Miotto et al. 2018). Universities have the responsibility to generate knowledge, improve the quality of life of people, and provide solutions to global issues (Núñez Chicharro and Alonso Carrillo 2009; Setó-Pamies et al. 2011; Vázquez et al. 2015; Martínez-Usarralde et al. 2017).

Socially, legitimacy improves the stability and comprehensibility of organizational activities by showing the inclusion of the organization in an institutionalized system of beliefs and actions. This facilitates the dissemination of university activities in society.

Therefore, the object of research is 50 Spanish public universities. At the macro level, a total of 7752 news items, generated by 601 different media, were collected, including the country's major digital newspapers and a multitude of small regional media for the 2016–2017 period (Table 11.1).

We use the Google News tool, filtering the results to select only the period between September 1, 2016, and July 31, 2017, and ordering the items according to

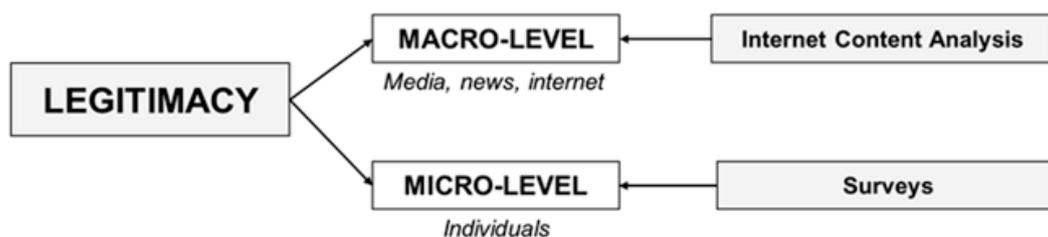


Fig. 11.1 Individual organizational legitimacy vs online organizational legitimacy. (Source: Own elaboration)

their relevance, starting from the news with the greatest impact. The process consisted of entering in the search engine the full name of each university in quotes to only extract news that mentioned the full name of the institution, avoiding crossed results between universities.

Subsequently, we proceeded to download all the news provided by Google for the studied period. This information was processed, grouped by universities, valuing each holder as positive, neutral, or negative. Legitimacy was calculated using the Janis-Fadner coefficient (coefficient of imbalance for content analysis):

$$\left(\frac{e^2 - c * e}{t^2}\right) \text{si } e > c$$

$$\left(\frac{e * c - c^2}{t^2}\right) \text{si } e < c$$

According to this method, “e” is the number of positive news, “c” is the number of negative news, and “t” is the total of non-neutral news.

This coefficient provides a measure of the legitimacy of institutions with values between -1 and 1 . For reasons of clarity and ease to visualize the information, a transformation was carried out to show the legitimacy as a linear scale from 0 to 100 , a value greater than 50 represents an institution with an adequate legitimacy and a value less than 50 a lack of legitimacy.

At the micro level, we collected 509 effective professor’s survey answers from 50 different public universities (through an online questionnaire, we could select just one answer per each IP address). The data collection was done in May and June 2018 (Table 11.2). According to data provided by the Minister of Education (2018), Spanish public universities count with 102,297 faculty members for the academic year 2016/17.

Table 11.1 Digital media that publish news about public universities in Spain

Media	Sample
La Vanguardia	697
20minutos	431
elDiario	345
El Mundo	310
Cadena SER	246
SINC	231
Europa Press	228
El País	186
ABC	171
La Opinión de Murcia	161
Información	126
Faro de Vigo	120
Heraldo	106

Source: Own elaboration

It is important to mention that we have measured the macro level for the academic year 2016–2017 and the micro level for the 2018–2019 academic year. This is because a global measurement must be done a year later to see the influence on the direct stakeholders (Del-Castillo-Feito et al. 2019).

11.4 Results

First, the results of descriptive statistics are presented for each of the issues related to organizational legitimacy at the macro level by regions (Table 11.3). The regions with universities with greater online legitimacy are Navarra and La Rioja. Of the 50 universities analyzed, only three are below 50 points, the average being 63 points (Fig. 11.2).

Before proceeding to the measurement of the micro level of legitimacy, we carried out an analysis of the correlation between the legitimacy and number of professors at the university (Fig. 11.3) and the financing of students (Fig. 11.4). We found out that the greater the legitimacy in online media, the fewer the number of professors and the lower the financing.

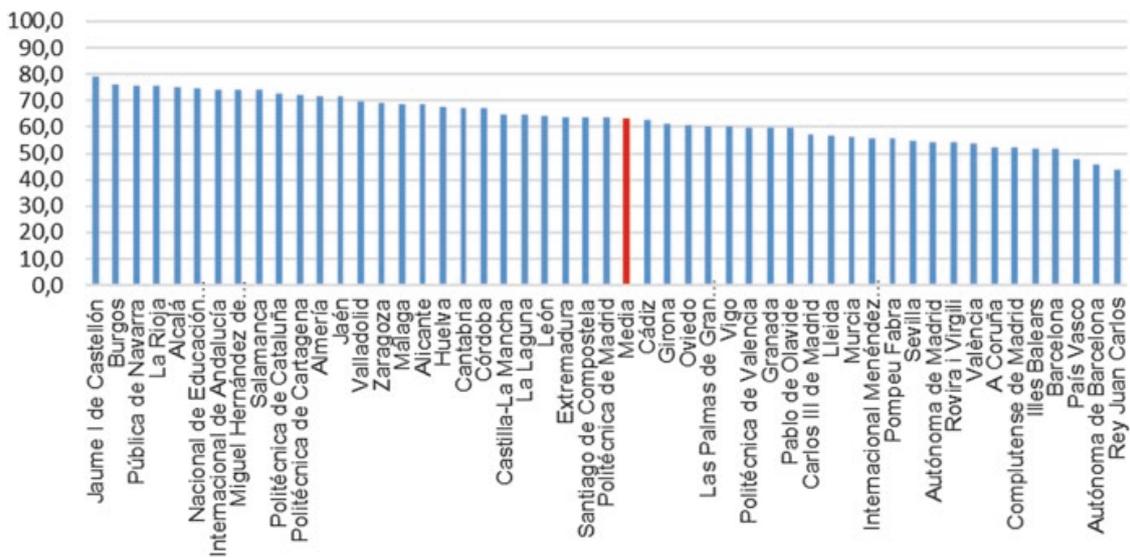
Table 11.2 Description of the sample by the autonomous community (autonomous community)

Region	Surveys	Public universities
Andalucía	45	Almería, Cádiz, Córdoba, Granada, Huelva, Jaén, Málaga, Pablo de Olavide, Sevilla
Aragón	7	Zaragoza
Asturias	22	Oviedo
Baleares	6	Illes Balears
Canarias	18	La Laguna, Las Palmas de Gran Canaria
Cantabria	11	Cantabria
Castilla La Mancha	22	Castilla La Mancha
Castilla León	43	Burgos, León, Salamanca, Valladolid
Cataluña	34	Autónoma de Barcelona, Barcelona, Girona, Pompeu Fabra, Rovira i Virgili, Lleida, Politècnica Catalunya
Comunidad de Madrid	222	Autónoma de Madrid, Carlos III, Complutense, Alcalá, UNED, Politècnica Madrid, Rey Juan Carlos
Comunidad Valenciana	40	Alicante, Miguel Hernández, Politècnica Cartagena, Politècnica Valencia, Valencia, Jaume I
Extremadura	11	Extremadura
Galicia	18	A Coruña, Santiago de Compostela, Vigo
La Rioja	12	La Rioja
Navarra	7	Pública de Navarra
País Vasco	16	País Vasco
Total	534	

Source: Own elaboration

Table 11.3 Legitimacy online by region

Region	Legitimacy	Students	Financing (millions of euros)
Andalucía	62.46	232,400	1628.67
Aragón	69.26	29,527	253.00
Canarias	62.37	37,739	281.69
Cantabria	67.27	10,323	97.33
Castilla La Mancha	64.88	24,549	164.53
Castilla y León	70.94	63,424	506.73
Cataluña	55.78	173,040	1100.56
Comunidad de Madrid	63.40	361,304	642.53
Navarra	75.82	7844	71.74
Comunidad Valencia	62.91	121,222	885.85
Extremadura	63.70	21,215	142.09
Galicia	59.01	54,360	372.80
Islas Baleares	51.89	13,110	80.33
La Rioja	75.65	4185	42.09
País Vasco	47.65	41,134	417.36
Asturias	60.75	20,978	179.41
Murcia	58.76	35,748	246.36

**Fig. 11.2** Ranking of legitimacy online of public universities

The measurement of micro-level legitimacy was made by asking faculty members about moral issues related to legitimacy. Professors were asked if their university complies with the law, if they behave honestly, and if they were socially responsible. The results of the micro-level legitimacy measurement are shown in Fig. 11.5. Table 11.3 presents a comparison between micro-level and macro-level legitimacy (Table 11.4).

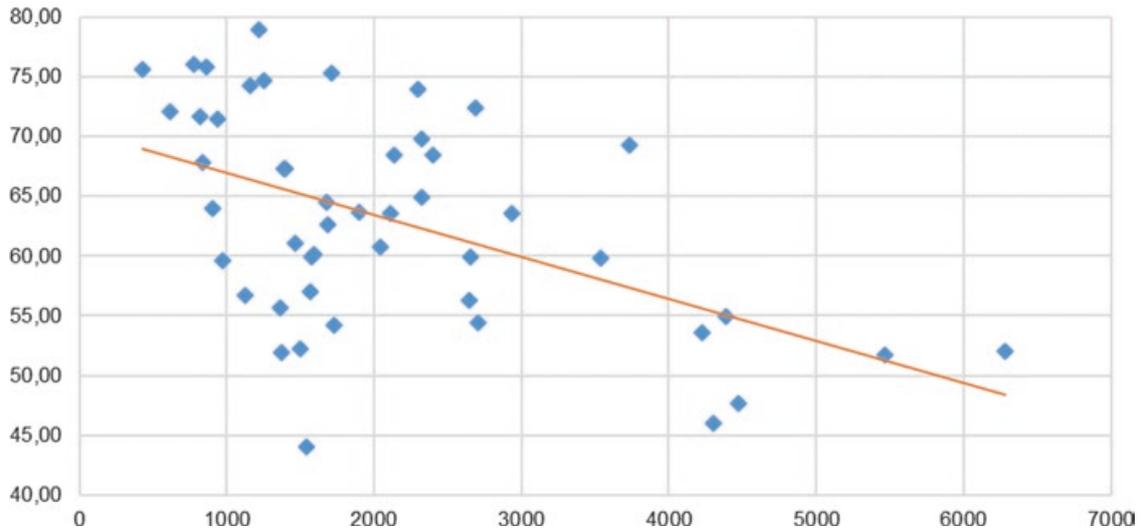


Fig. 11.3 Legitimacy online by the number of professors

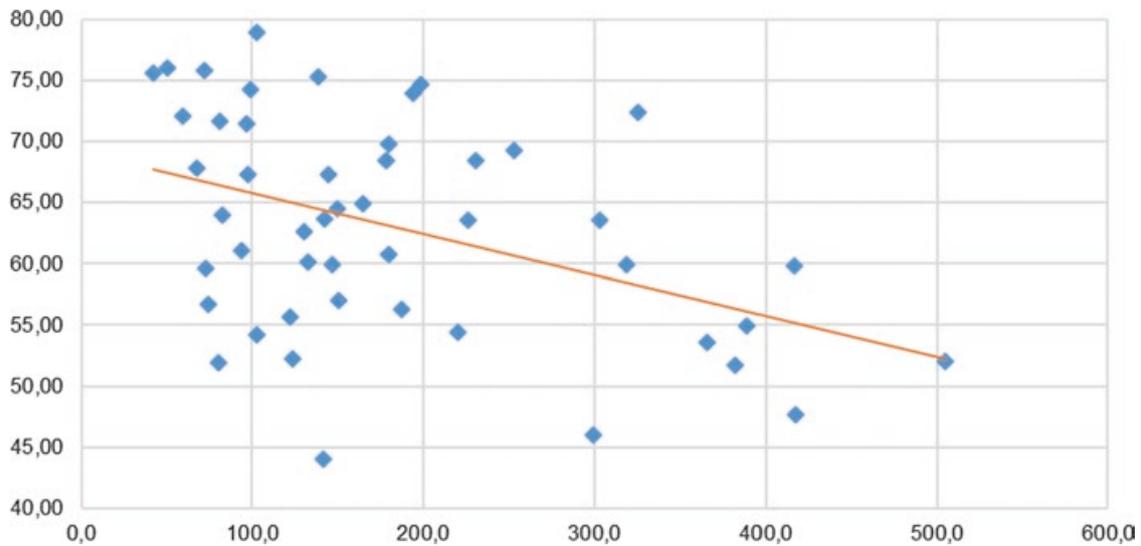


Fig. 11.4 Legitimacy online by financing

The results show that the legitimacy perceived by the employees of the universities differs from the legitimacy perceived by the online media. In general, we may say that the legitimacy granted by employees is superior to that of the media.

11.5 Implications and Discussion

The main implication of this research is to provide a new measure of legitimacy considering two levels of measurement (macro level vs micro level). This measurement highlights that the legitimacy granted at the individual level is generally supe-

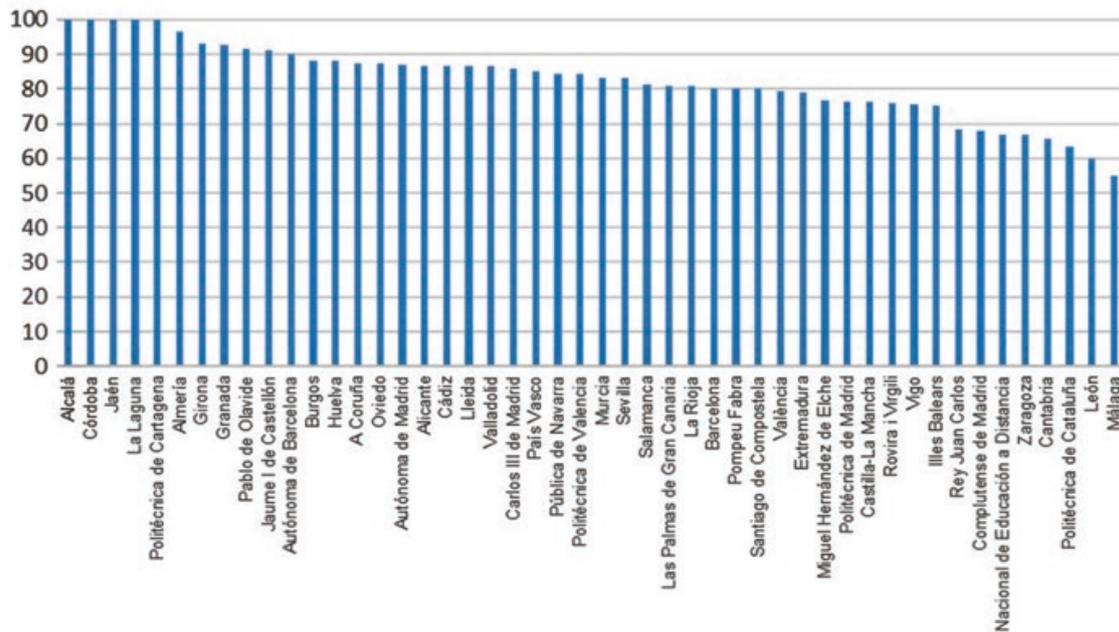


Fig. 11.5 Ranking of individual legitimacy of public universities

rior to the legitimacy of online media. This is especially relevant since it deals with the measurement of ethical and moral aspects.

The measurement of legitimacy in online media (macro level), with great power of social penetration, shows adequate values for most universities. The universities that fail to achieve adequate values of legitimacy in these media are the Autonomous University of Barcelona, Rey Juan Carlos University, and the University of the Basque Country. The universities that register, in their legitimacy in online media, values over 75 are Universitat Jaume I of Castellón, University of Burgos, Public University of Navarra, University of La Rioja, and University of Alcalá.

The measurement of legitimacy through employees (micro level) is superior to the previous measurement. This is logical, since we should consider that the employees of the organization feel aligned with the institution in which they work. Therefore, the total number of universities studied exceeds the minimum values of 50. There are four universities that stand out for the ethical and moral compliance of their institutions; these are the University of Alcalá, University of Córdoba, University of Jaén, University of La Laguna, and Polytechnic University of Cartagena.

Although the disparity of results is somewhat logical, it provides a measure of legitimacy. These results imply multiple implications at the managerial level. Currently, universities must strive to design not only internal but also external management strategies. They must manage the information they provide to their direct stakeholders. They also need to consider the impact of new information technologies.

Universities are exposed to online media and must manage the information that is published on the Internet, since the Internet is the most important recruitment tool and platform. The effort in communication policies toward society should be increased to improve social perception. Furthermore, the effort to demonstrate the value of their actions should also be delivered to the staff members and to the stu-

Table 11.4 Legitimacy: micro level vs macro level

University	Micro level	Macro level	Difference
A Coruña	87.50	52.19	35.31
Alcalá	100.0	75.29	24.71
Alicante	86.67	68.46	18.20
Almería	96.67	71.73	24.94
Autónoma de Barcelona	90.00	46.02	43.98
Autónoma de Madrid	86.82	54.47	32.34
Barcelona	80.33	51.68	28.65
Burgos	88.33	76.03	12.30
Cádiz	86.67	62.60	24.06
Cantabria	65.56	67.27	-1.71
Carlos III de Madrid	85.83	57.00	28.83
Castilla-La Mancha	76.14	64.88	11.26
Complutense de Madrid	68.00	52.00	16.00
Córdoba	100.0	67.27	32.73
Extremadura	79.00	63.70	15.30
Girona	93.00	61.11	31.89
Granada	92.67	59.80	32.87
Huelva	88.33	67.79	20.55
Illes Balears	75.00	51.89	23.11
Jaén	100.0	71.47	28.53
Jaume I de Castellón	91.11	79.00	12.11
La Laguna	100.0	64.48	35.52
La Rioja	80.95	75.65	5.30
Las Palmas de Gran Canaria	81.00	60.17	20.83
León	60.00	64.00	-4.00
Lleida	86.67	56.74	29.93
Málaga	55.00	68.48	-13.48
Miguel Hernández de Elche	76.67	74.24	2.42
Murcia	83.33	56.31	27.02
Nacional de Educación a Distancia	66.67	74.68	-8.01
Oviedo	87.33	60.75	26.58
Pablo de Olavide	91.67	59.64	32.02
País Vasco	85.09	47.65	37.43
Politécnica de Cartagena	100.0	72.12	27.88
Politécnica de Cataluña	63.33	72.38	-9.04
Politécnica de Madrid	76.50	63.53	12.97
Politécnica de Valencia	84.35	59.92	24.42
Pompeu Fabra	80.00	55.69	24.31
Pública de Navarra	84.44	75.82	8.62
Rey Juan Carlos	68.13	44.00	24.13
Rovira i Virgili	76.03	54.25	21.78
Salamanca	81.43	74.00	7.43

(continued)

Table 11.4 (continued)

University	Micro level	Macro level	Difference
Santiago de Compostela	80.00	63.53	16.47
Sevilla	83.18	54.93	28.25
València	79.50	53.56	25.94
Valladolid	86.67	69.76	16.91
Vigo	75.64	59.96	15.68
Zaragoza	66.67	69.26	-2.6

dents themselves, since their evaluations also serve to provide feedback to society's perception in general.

The future lines of research derived from this work are numerous and must exceed the limits of it. It is necessary to continue investigating the measurement of legitimacy, to measure legitimacy from all points of view and dimensions, to deepen the morality of legitimacy, to quantify the influence of digitalization on the organizations' perception, or to test different methodological tools.

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Chapter 12

Ethical Implications Regarding the Adoption of Emerging Digital Technologies: An Exploratory Framework



Arturo Serrano-Santoyo, Ingrid Kuri-Alonso, Eduardo Durazo-Watanabe, and Veronica Rojas-Mendizabal

Abstract The purpose of this contribution is to develop an exploratory framework to analyse the ethical implications of the adoption of emerging digital technologies (EDT) by society. We posit that the exponential growth and dynamics of change of technologies such as artificial intelligence (AI), big data and the Internet of Things, among others, are of such magnitude and depth that many of the phenomena generated in the process of adopting these technologies have not been studied with sufficient breadth, scrutiny and critical analysis, particularly in the contexts of emerging economies. In order to develop the proposed framework, we draw on the principles of complex systems to analyse the interactions of relevant agents of the digital ecosystem under study. Our exploration identified a set of strongly related implications circumscribed to education, ethical and moral development, and regulation. It is suggested that the proposed framework may provide an initial platform for formal discussions and conversations towards understanding and applying EDT in a balanced and ethical manner.

Keywords Digital technologies · Digital ethics · Policy and regulatory frameworks · Technology adoption

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12.1 Introduction

The seductive and glamorous nature of digital devices, systems, and applications has captured the attention of users who have become increasingly dependent on the functionalities offered by a plethora of digital applications for a growing number of human activities. Furthermore, intense competition between large producers of digital technologies – both hardware and, especially, software – has led to unstoppable innovation, affecting in turn other no less disruptive disciplines such as genomics, nanotechnology, and biotechnology, to mention the most significant. Given the overwhelming and pervasive nature of this scenario, it is essential to understand and reflect and act on the implications of technology–society interactions in order to fully leverage the potential benefits of digitisation for social well-being and sustainable development (Benería et al. 2016; International Labour Office 2019; International Labour Organisation 2018; International Telecommunication Union 2018; Kenney et al. 2015; Mazzucato 2018; Stiglitz et al. 2009). The objective of this chapter is to identify implications that require immediate and urgent attention and explore a framework centred on the importance of applying ethical and moral principles as society adopts and appropriates EDT.

The impetus for digitising all human activities with applications, prioritising cost reduction, efficiency, productivity, precision, agility and real-time solutions without taking into account their unintended consequences and ethical and moral implications is creating significant concerns in academic and government circles (Acemoglu and Restrepo 2019; Brynjolfsson and McAfee 2017; Frey and Osborne 2017; Nanterme 2016; Silver and Hassabis 2017). These applications have already created profound transformations in the modus operandi of individuals, communities and institutions. Furthermore, with the emergence of COVID-19, society as a whole is on the verge of a great metamorphosis with even deeper social repercussions. The rapid spread and adoption of EDT such as AI, machine learning, big data and analytics, and other related technologies has already led to essential advances in science and technology with great potential for social benefit. However, taking into account the speed and exponential nature of this process and its confluence with the disruptive nature of COVID-19, the ethical and moral aspects involved in the applications of EDT have become essential to urgently respond to the pressing needs of this new scenario (Bostrom and Yudkowsky 2014; Conn 2017; Etzioni and Etzioni 2016; The European Parliament and the Council of the European Union 2016; The Lancet 2018). Given the complexity of this ‘new normal’, it is essential to understand the benefits, risks, opportunities and consequences involved in adopting EDT with a human focus, at a time when society is under pressure to cope with a devastating global pandemic. The creation of comprehensive education, reskilling-upskilling, and ethical and moral development programmes thus becomes essential to mitigate undesirable impacts on employment and other socioeconomic damage (AINow 2018; Article 19 2018; Chatila 2019; Institute of Electrical and Electronics Engineers 2017; New and Castro 2018; United Nations General Assembly 2015). It is also urgent to develop regulatory models to set standards to defend public interests in

safeguarding the privacy and flow of knowledge before, during, and after a health and environmental crisis such as COVID-19.

This chapter is organised as follows. Section 12.2 deals with the sociological perspective of the ethical and moral development of EDT. In Sect. 12.3, we briefly discuss the ethical implications of EDT. Section 12.4 explores the importance of ethical perspectives in EDT in the current corporate landscape. Section 12.5 describes the proposed framework and a series of recommendations which may be implemented in emerging economies. Finally, we offer our conclusions, emphasising an urgent need to address the ethical and regulatory implications of adopting EDT.

12.2 A Sociological Perspective of the Ethical and Moral Development of EDT

Technological development and the adoption of EDT are strongly linked to changes in market dynamics, production processes, and in general, to changes in society; therefore, a reflection through an academic lens with a critical analysis of ethical implications, such as the sociological, anthropological or economic perspective, is essential. As Müller (2020) points out, the ethics of EDT often focus on various types of concerns, like AI systems as objects, issues of privacy and manipulation, human–robot interaction, employment and the effects of autonomy, ethics for AI systems and artificial moral agency. As a result, a change in ethics will extend to traditional work between people and EDT. Given the complexity of the analysis, it becomes pertinent to provide a reflective framework for the nearly boundless scope of the EDT landscape.

Some sociological perspectives discuss how to approach the study of current and future developments of these technologies. In this regard, Rezaev and Tregubova (2018) argue that the new processes and changes in EDT are not only a reality of everyday life but represent a transformation into a new form of sociality, which they call ‘artificial sociality’ (2018: 93). The authors also argue that research in AI-based technologies, for example, is flourishing outside disciplinary boundaries, meaning they call for an approach based on multidisciplinary and interdisciplinary theories and methodological frameworks.

One challenge is to develop a unified vision of the interactions between people and technology and how technology will change people. A disciplinary approach from the exact sciences, the humanities or the social sciences, from their own theoretical and methodological frameworks, may neglect the holistic vision required for society to understand and adopt EDT. In that respect, for example, the adoption of automation is likely to cause changes in job structure, altering the way individuals work and the types of jobs available. Therefore, a disciplinary view would lead to a reductionist approach in an area inherently and evidently interrelated with other fields of knowledge. We posit that a critical and interdisciplinary analysis stressing the importance of the ethical and moral components of EDT adoption and the

associated social transformation is a fundamental factor in a people-centred vision for the future of work.

Although there is a variety of approaches to the study of the implications of adopting EDT, one dominant theme is the ethical transformation of work and employment through changes in labour structures, human-machine collaboration, labour and wage polarisation, unemployment and the work of the future (Autor 2010; Böhm 2019; Goos et al. 2014; Schmitt et al. 2013). The current tendency to debate the implications of EDT is geared towards boosting the automation and digitisation of economic sectors, particularly in industry, to optimise production systems with little human intervention.

There has recently been a considerable increase in literature around the theme of social, legal and ethical acceptance with respect to substituting or complementing the labour force with EDT (Stone et al. 2016; Van der Zande et al. 2019). In this regard, it has been argued that even as EDT continues to deliver social and economic benefits that are broadly shared across society, it will raise ethical and social dilemmas and challenges for the economy and society as well. One clear example is presented in Stone et al. (2016), who describe how ‘robots and other AI technologies have already begun to displace jobs in some sectors’ (2016: 6) and how ‘as a society, we are now at a crucial juncture in determining how to deploy AI-based technologies in ways that promote, not hinder, democratic values such as freedom, equality, and transparency’ (2016: 6).

One implication of the adoption of EDT relates to the development of new skills in the workforce; companies engaged in processes of technological change and innovation have to involve employees, with a view to labour market inclusion as an ethical compromise, to make responsible decisions in adopting new technology and adapting to technological change with a people-centred vision. According to Bonekamp and Sure (2015), it is possible that in the near future, the adoption of EDT in production systems will impact the workforce, organisation and work structure, changing how human factors contribute and add value to many industrial value chains while productivity gains through automation require fewer humans for the same output.

Since classic automation replaced human muscle, major labour market disruptions have occurred. In this sense, fear of technological unemployment is a phenomenon that has existed for several centuries and has been documented to become more acute in times of radical technological change (Keynes 2010). For some authors, the adoption of EDT is not without drawbacks, considering that these technologies could dominate the working world (Nabi 2019), leading to a widespread fear of losing employment and increasing inequalities (Ernst et al. 2019).

The effect of technologies on labour supply, as discussed in the literature, is profound. Frey and Osborne (2017) estimated in their study that around 47% of total employment in the United States is at risk from computerisation, with routine jobs exhibiting higher unemployment rates. Additionally, the authors documented a change in the structure of the labour market: routine jobs in industry, particularly low-income ones, would enter into a dynamic of reallocation of labour supply due to their flexibility and physical adaptability.

As Nabi (2019) points out, in developed economies approximately half of jobs in the automotive sector have been affected by EDT, and particularly by AI, which has led to job losses. The author adds that this phenomenon is not alien to emerging economies. Indeed, Chui et al. (2017) report that, in Mexico, 51.8% of the labour force might be affected or displaced by the adoption of EDT. Furthermore, Minian and Martínez Monroy (2018) evaluated the vulnerability of employment due to the adoption of new technologies and estimated that 63% of total employment would be at risk of being automated. Although the authors did not take into account economic, political or social factors – that is, they exclusively estimate technical feasibility – they did consider that automation would cause massive unemployment. As a result, to mitigate the adverse effects on employment, upskilling and reskilling initiatives should be implemented as an ethical compromise for the workforce.

However, what seems to be happening currently in the labour market as a result of the adoption of EDT is job polarisation. This phenomenon is a significant trend that has taken place in the labour markets of advanced countries in recent decades. Studies such as Autor (2010) and Böhm (2019) have shown an increase in high- and low-wage occupations, as well as a proportional decrease in traditional middle-wage occupations. This phenomenon has had adverse effects in the expulsion of labour from routine cognitive jobs and a decrease in wages for the least qualified workers in the labour force. The authors agree that the forces underlying this labour polarisation are found in technological change biased by occupation, global trade processes, changes in industry, offshoring, and labour force migration, among others.

As we have argued, general advances in EDT have already enabled significant changes in the workplace and the future of workforce demographics. The relation between EDT and humans is not only changing the workplace but everyday life as well. In this context, ethical and moral issues must be analysed, for example, whether humans will still be accommodated in the workplace or whether they will be replaced by EDT in the interest of efficiency and cost-saving.

Therefore, part of the debate in the literature on EDT adoption focuses on the ethical and regulatory challenges relating to how, where and why these technologies integrate into social structures, industry, the economy or politics. For Tijani and Wahyudi (2008), the development of EDT, specifically the field of AI, has led to deep concern and discussion about the possible consequences and the main ethical implications of the current and future implementation of these technologies. The main issues identified by authors include determining liability when an autonomous system fails and gaps in legal systems that are ill-prepared for such scenarios.

Similarly, Ernst et al. (2019) cite as one ethical problem the change produced in the workforce by automation and the spread of autonomous machines that acquire skills much faster than human beings, meaning that the human factor could cease to be a limiting factor in the development and evolution of EDT. Consequently, until regulations and the legal system catch up, companies must work to establish ethical guidelines that address transition distress arising from EDT as the labour force is complemented by or substituted with these new technologies.

Lucivero et al. (2011) argue that EDT provide opportunities, but their plausibility requires careful evaluation if complaints about their functionality or adoption, or the

manner in which they address social problems, are to be avoided. The authors offer a series of 'ethical tools' regarding EDT: one could 'investigate the history of a particular technology as well as the uncertainties and challenges at stake in current developments. All this is necessary to imagine more in detail whether and how the final technological product will work and to rule out at least some expectations on potential uses and applications as too futuristic' (2011: 139).

Regarding the growing tendency of EDT adoption by society and companies, Wright and Schultz (2018) recommend (1) recognising that the proper adoption of EDT benefits organisations, as well as the well-being of all concerned; (2) minimising disruption, investing in the workforce and retaining technology-displaced workers through the development of upskilling strategies; (3) reducing social inequalities, particularly those that derive from gaps in accessing resources such as technology or education; (4) self-regulation and supervision, through collaboration by organisations maintaining ethical business practices and (5) creating new jobs, taking into account that employment goes far beyond the workplace and its economic function; that is, jobs provide pride and meaning and contribute to the well-being of communities.

This section provides an initial approach that explores a framework for analysing the ethical implications resulting from the adoption of EDT by society, particularly in the labour market. As a result, we argue that the innovation and development of EDT in certain organisations and economic sectors would result in disenchantment, with all the risk that comes with the adjustments and mismatches associated with their adoption. In this sense, we believe that workers should have the right to ethical control over the implementation of technology in their workplace. Therefore, ethics committees must be formed with a focus on protecting the interests and rights of workers threatened by technological substitution.

As discussed, the implementation of some EDT will replace the human labour force; some jobs will disappear, but new jobs will be created. For this reason, the impact of EDT on employment is ambiguous, meaning it is not possible to predict the future of work. However, unfortunately, the adoption of EDT is unlikely to benefit the entire workforce. In this sense, most of the discussion in the literature reviewed centres on the demand for certain types of skills or abilities, while demand for others is likely to decrease significantly, resulting in job polarisation and affecting or benefiting people's wages.

Given these scenarios, a prudent approach would be to recognise that the promotion of EDT must go hand in hand with policies and processes that address associated ethical implications, values and expectations to guarantee that the technological benefits are fairly distributed. We admit that social and ethical acceptance are essential factors that should mediate the adoption of EDT in labour markets.

Finally, we posit that a critical and interdisciplinary analysis stressing the importance of the ethical and moral components of EDT adoption and the associated social transformation is a fundamental factor in a people-centred vision for the future of work.

12.3 Ethical Implications of EDT

The pace of innovation and technological change in AI and related technologies is of such magnitude that their consequences are not easily discernible. On the one hand, it must be acknowledged that there are many applications currently available that have greatly benefited and had a significant impact on health, commerce, industry, culture, and so forth. On the other hand, the implications associated with a fast and, in many cases, blind adoption of these powerful technologies have not been studied or discussed with sufficient depth and critical analysis (Bossmann 2016; Kamm 2007; Latonero 2018; Nalini 2019). Based on our analysis of techno-social interactions and review of literature, reports and interviews with thought leaders in different areas of human endeavour, we identified a set of implications strongly related and circumscribed to education, regulation, and ethical and moral development. Addressing these three aspects is becoming crucial to accomplish a balanced and beneficial adoption of digitisation and to compensate for and mitigate the undesired effects of the current techno-centric environment.

As part of the construction of our framework, we identified a set of implications strongly related to education, regulation, and ethical and moral development. We argue that comprehensive policies and strategies regarding these three fundamental elements may support the development of patterns in adopting digitisation for the benefit and socioeconomic advancement of society, both at local and national levels. We acknowledge that there are other implications that escape the scope of this first stage of our research; however, we suggest that our analysis might provide an initial platform for formal discussions and conversations on the balanced adoption of EDT by society. The implications we integrate into our proposed framework are cybersecurity and privacy, health, economic control of interconnected systems, human behaviour and social interaction, pace of innovation and technology, and work of the future/the future of work. Figure 12.1 shows the interplay of education, regulation, and ethical and moral development and select implications from a connectivity perspective. This list is not exhaustive and other implications could be included in our initial proposal; nevertheless, this list provides the groundwork for a more in-depth analysis. Similarly, the weights assigned to the techno-social interactions depicted in Fig. 12.1 do not describe a concrete case or project; it is just an essential graphical representation to highlight the levels of interaction involved. Figure 12.1 also stresses the importance of privacy and data protection, which is a concern of enormous impact and interest for governments and regulatory entities. The emergence of COVID-19 has led to a myriad of applications to monitor social distancing, which employ EDT to support efforts to control the pandemic.

Though these applications provide valuable real-time information to control the spread of potential infections, there is legitimate public concern about privacy. In this respect, ethics and moral development are crucial to designing technologically advanced tools for protection and prevention before, during and after the pandemic (Aldama 2020; Griggs 2020; ITU 2020a, b, c, d, e; Lund et al. 2020).

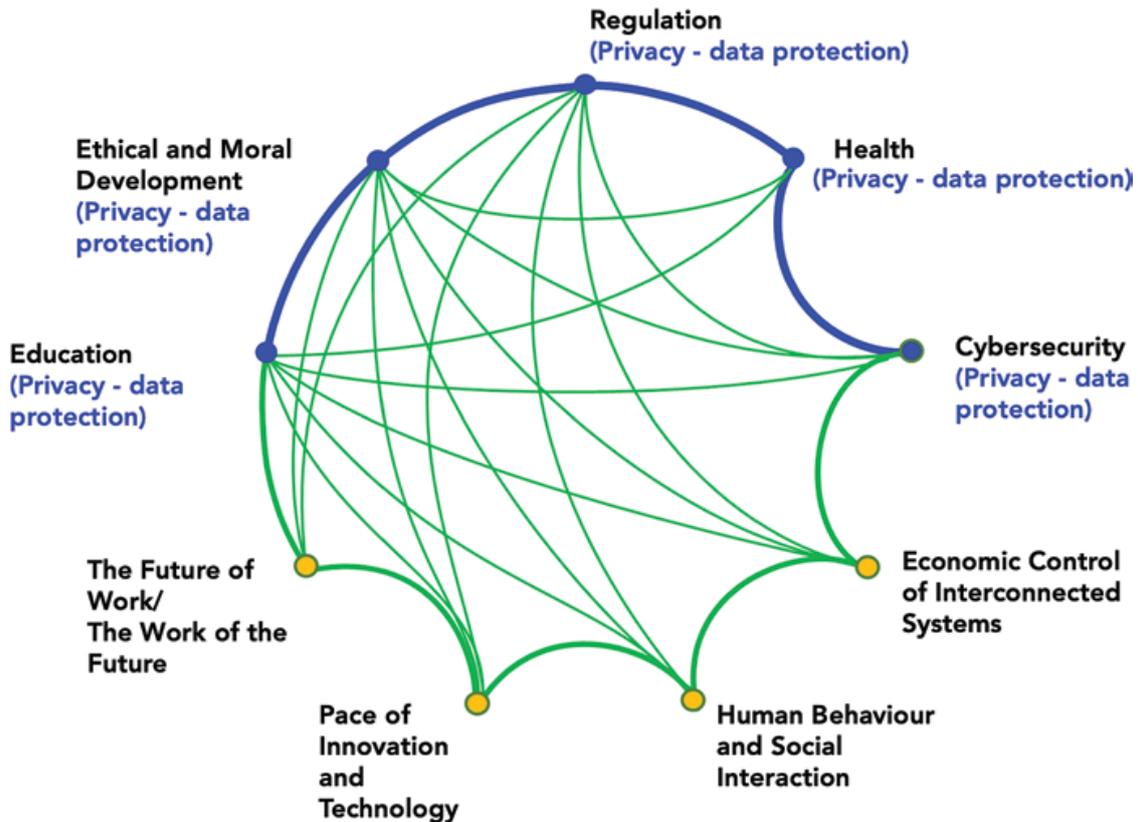


Fig. 12.1 An initial approach to studying the implications of the adoption of EDT

12.4 Ethics and Values in the Corporate Environment

In recent decades, the corporate orthodoxy has been to maximise shareholder value, which is embedded in the concept of value-based management. In short, the strategies deployed to accomplish this goal pursue increased returns on capital or profitable growth, either by obtaining a larger market share or by cutting costs to a minimum, ideally without compromising the quality of products or services. This goal has shaped how companies run their operations and the intended or unintended consequences of actions taken to deliver higher dividends to shareholders (Lazonick and O’Sullivan 2010; Rappaport 1998; Young and O’Byrne 2001).

Recently nearly two hundred of the top companies in America, including Apple, Pepsi, and Walmart, among many other well-known companies, issued a statement that redefined the purpose of a corporation to a more inclusive goal that further integrates customers, employees, suppliers and communities as a commitment to a broader spectrum of stakeholders (Anderson et al. 2004; Business Roundtable 2019; Grewal et al. 2010; Gruca and Rego 2005; Matzler et al. 2005).

However, so far, it is uncertain how this declaration translates into specific actions and how each company is going to implement these mechanisms to provide value for their stakeholders. These actions are especially critical when companies develop their business around EDT, and ethical issues and social consequences are

not fully discussed or foreseen before they are deployed (Freeman 1991; Sternberg 2000; White 2001).

Public trust in EDT is a vital issue since the general public does not understand the technical complexities of associated products and services. Nevertheless, the consequences have a strong impact on users who fear losing control over EDT, with one frequently cited practice being the gathering of personal data without the user's consent.

Providing sufficient information is a *sine qua non*-condition to ensure fairness of use and secure data privacy; further progress with AI therefore requires that consumers trust the technology and that they and their data will be treated fairly. Transparency facilitates such trust.

Another condition is the predictability of the technology; consumers must be familiar with all the uses of the technology they are accessing. They must trust there are no hidden agendas to gather information without user consent (e.g. spyware) or use the hardware capacities of devices for undisclosed purposes.

One excellent example of attempts to operationalise the supervision of EDT is the ethics board that Google set up as recently as 2019. The Advanced Technology External Advisory Council (ATEAC) aimed to examine the ethics around AI, machine learning and facial recognition. Unfortunately, disputes over the profiles of its board members shut the committee down only a week after its creation. Even though Google has internal *AI principles* that guide its developments, an external entity like the ATEAC would add a second necessary layer to a critical area with consequences that reach far beyond Google's facilities (Buchanan and Ess 2009; Zeng 2015).

There is a strong record in implementing worldwide standards with external entities like the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), and the International Telecommunication Union (ITU), to mention a few with broad influence across different sectors. The aforementioned entities are shaped by general business needs but are also nurtured by insights from the public interest, which ultimately reflect the zeitgeist of today (Murphy and Yates 2009; Roht-Arriaza 1995; Wirth 2009).

Most successful processes have been nurtured by a variety of stakeholders that ultimately deliver a balanced output in terms of point of view, interests and desired outcomes. If this process is implemented by only one actor – in this case, the business sector – all other inputs are neglected, the process is biased in favour of business interests and, as argued above, maximizing shareholder value will be prioritised over other outcomes (Cragg 2002; Goodpaster 1991; Weiss 2014).

Building an independent entity to set up guidelines in the ethics surrounding corporate use of EDT is a long-term strategy, but one that can ultimately provide a much more sustained outcome. A one-sided approach may be contested when issues affect stakeholders that have not participated in setting the guidelines for EDT-related products or services. Since firms have not shown a clear intention of pushing forward with this agenda, it may ultimately fall to a government initiative or an NGO to establish, in the public interest, an agenda to build consensus.

Examples in specific technologies like AI have proven that external entities have played a key role in setting up guidelines as an ethics framework. A good example can be found in the document ‘Ethics Guidelines for Trustworthy Artificial Intelligence’, developed by the Independent High-Level Expert Group on Artificial Intelligence set up by the European Commission. Even though the guidelines are not mandatory, a key outcome can be found in that they summarise this broad subject in three components: lawful, ethical and robust. One example of companies nurturing this kind of entity is the Partnership on AI, a consortium set up by companies in the sector to ‘develop and share best practices, advance the public understanding, provide an open and inclusive platform for discussion and engagement and identify and foster aspirational efforts in AI for socially beneficial purposes’.

Still, there remain issues of interpretation in implementing day-to-day operations within those broad guidelines. Even though the products and services are not inherently good or bad, EDT technologies are often used for questionable purposes, including military use, big data that frequently do not respect privacy rights, and government surveillance, to mention but a few contemporary controversial uses.

The discretionary use of these technologies then poses a question of regulation that falls outside the remit of such an entity. Nobody questions the necessity and pertinence of setting up these groups to provide guidance regarding the general behaviour expected of stakeholders, but this kind of organisation is not a substitute for a regulatory entity able to enforce specific regulations.

Corporate compliance mechanisms must be put in place, both internal (corporate whistle-blowers, ethics committees and board supervision) and external (an ethics agency, government laws and industry regulations), and which in conjunction ensure proper outcomes from EDT (Acemoglu et al. 2007; European Commission 2019; Floridi 2018; Hall and Khan 2003; Parente and Prescott 1994).

12.5 Towards a Framework to Study the Ethical Implications of EDT

A new global condition is emerging. Unlimited and ubiquitous connectivity in conjunction with other societal, cultural, economic, geopolitical and environmental factors including the disruptive effects of the COVID-19 pandemic are defining the nature and dynamics of this new scenario. Digitisation and globalisation constitute forces that have moulded the way society currently operates. In order to acquire an integrated approach towards an understanding of the implications of digitisation and its impact on society, we draw on the proposal of Rolando García (2006) and Castañares Maddox (2009), which in turn is a methodology for interdisciplinary research, providing theoretical and empirical foundations for understanding the dynamics of a complex system (See Fig. 12.2). The digitisation of society in the current context, as the Fourth Industrial Revolution converges with COVID-19,

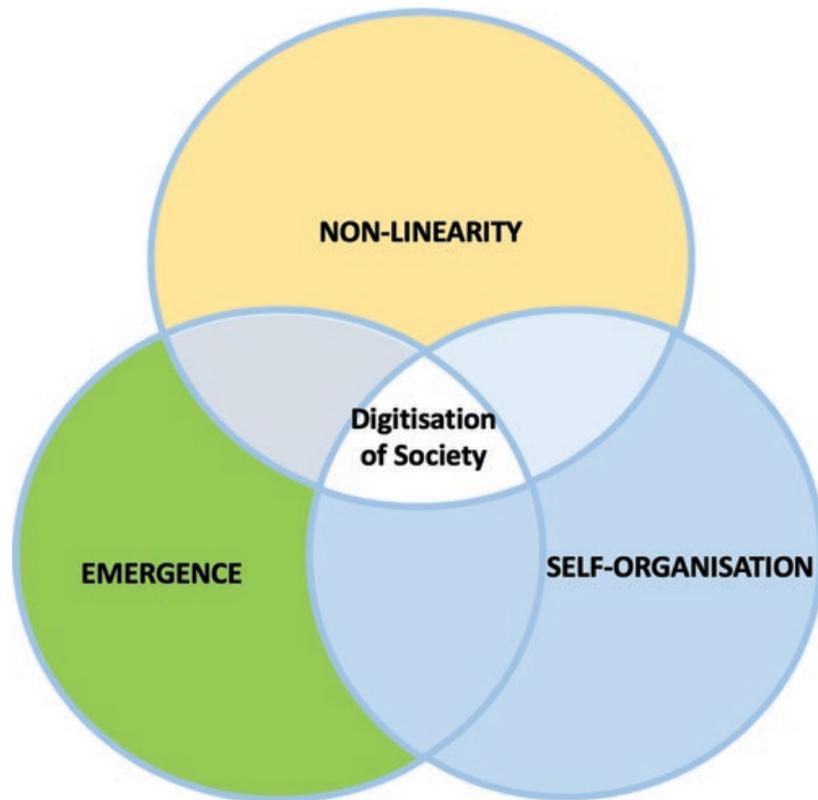


Fig. 12.2 Digitisation of society as a complex dynamic system

provides fertile ground for research. From a complexity science perspective, emergence, self-organisation and non-linearity, among other phenomena, define the dynamics of this ecosystem. This perspective provides alternative views of reality that derive from the connectivity, interrelatedness and interactions of all agents involved.

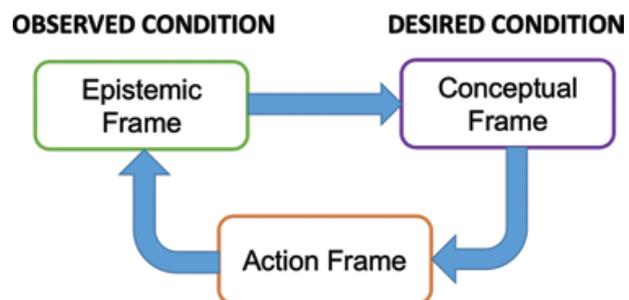
Following Rolando Garcia's and Castañares Maddox's approach, the process for constructing our framework starts once the key question is posed, namely how can EDT systems be designed and developed for social benefit and progress? How can ethical, moral and regulatory elements be included as crucial components of EDT design and development? We start constructing the proposed framework by identifying the scope and telos of the specific digital project. At this stage, the research question surrounding the design and development goal(s) arises from contrasting the observed and desired conditions of the context: the design, development and deployment of EDT projects require an understanding of the context. In other words, reading the social reality of this context is crucial. This understanding includes a detailed analysis of historicity and cultural, socioeconomic, environmental and governance factors. Therefore, to avoid techno-centric solutions, we propose that digital intervention should consider the socio-technical and socio-environmental conditions of a given context (Serrano-Santoyo and Rojas-Mendizabal 2020). In this respect, social progress, community well-being, sustainable development and improvements in quality of life become emergent properties of the system (context) when designers consider ethical and moral

development elements in their projects to transition from the observed to the desired condition, as a result of interactions among all the agents of the system.

The process of raising relevant and pertinent questions around the specific EDT project provides the linchpin for developing an epistemic frame conducive to unifying the vision around developing this project while involving all agents. This unity of vision is fundamental to establish goals and objectives and to define the desired condition of the context after the project is deployed. In responding to the key questions, an action frame must emerge from the conceptual frame, with concrete tasks to carry out (see Fig. 12.3). Interaction among all the agents of the context, along with a continuous observance of the planning-reflection-action triad, will produce a learning environment conducive to the accomplishment and possible adjustments of the components of the desired condition. Emergent properties of the system unfold under the evolving dynamics of the interactions between agents of the ecosystem under consideration (see Fig. 12.4). The attributes of this ecosystem, such as resilience, collaboration, adaptability, and interdisciplinary focus, among others, are traits of complex dynamic systems. As can be seen in Fig. 12.4, this ethical ecosystem will consist of three layers: the strategic, the tactical and the operational level. The upper or strategic level consists of national and international government entities in charge of policies and guidelines regarding the development, design and consumer adoption of EDT (strategic agents). The tactical level considers development companies and the providers and suppliers of EDT devices, systems and processes. At the operational level, developers, designers and individual consumers become the grassroots agents of this structure. The desired condition will emerge from the quality of the inter-level and intra-level interactions of this ecosystem. We have applied this methodology in digital health projects and projects aimed at reducing the digital divide in rural and digitally challenged contexts (Rojas-Mendizabal 2017).

The proposed framework is shown in Fig. 12.5. It can be seen that the components of the observed condition represent a number of factors affecting emerging economies, which in general depend heavily on foreign science and technology and exhibit an increasing innovation gap, among other cultural and structural factors. We posit that the application of the proposed framework for the development of EDT projects would bring about, to some degree and in due time, social progress and well-being, sustainable development and improvements in quality of life (Nussbaum 2000; Nussbaum 2013; Sen 2000). Arriving at the desired condition while taking into account the centrality of ethical and moral elements is not

Fig. 12.3 Epistemic frame, conceptual frame and action frame



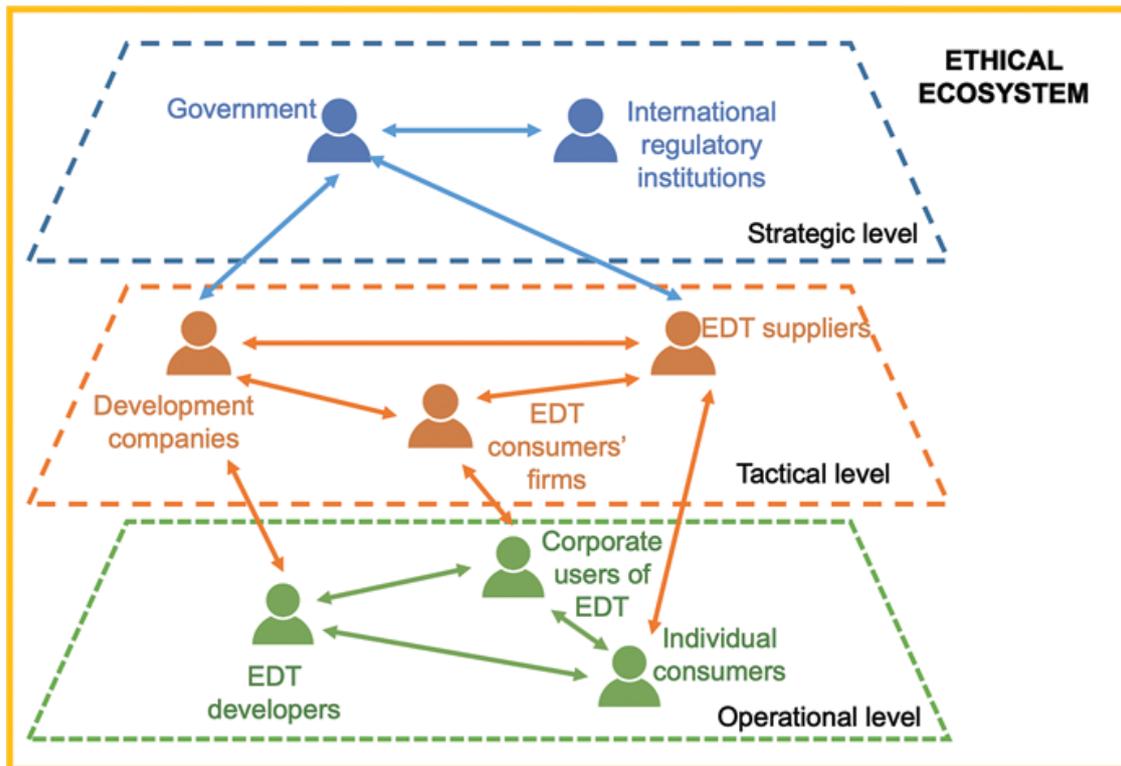


Fig. 12.4 Ethical and moral development ecosystem



Fig. 12.5 Exploratory framework to study the ethical and regulatory implications regarding the adoption of emerging digital technologies (EDT)

straightforward; many iterations of the process described in Fig. 12.3 are necessary to fine-tune the strategies involved, and the quality of the interactions among all agents is crucial, as shown in Fig. 12.4.

As mentioned above, many corporations have considered ethical and moral development as a key factor in successfully deploying their products and services for the benefit of consumers and the long-term survival of their businesses. Some of these corporations have created agendas and internal committees to monitor compliance with their ethical regulations. In this respect, corporate social responsibility (CSR) has emerged as a self-regulated business model to support enterprises in their efforts to become more conscientious with respect to their socioeconomic and environmental impacts (Chen 2020). CSR has also been a driver of initiatives to improve interactions and communication between consumers and producers, creating value in supply chains for the benefit of the environment. Nevertheless, in many instances, CSR has also been used as a powerful marketing tool to acquire a stronger market position and increase sales. Our proposal goes far beyond CSR. We argue that incorporating ethical and moral development in designing EDT and other technologies requires a clear and interdisciplinary mindset, with people's interests at its core, as suggested in the exploratory framework presented in this paper. In such circumstances, social progress and well-being, sustainable development and improvements in quality of life would emerge as a result of interactions among all the agents involved.

Philanthropy and altruism from investors, large corporations and not-for-profit agencies have been an essential source of funding for EDT projects around the world. A good number of these projects have been in the healthcare sector or are related to the 17 Sustainable Development Goals (United Nations Development Programme 2020). Though the philanthropic action behind these funds is praiseworthy and highly commendable, in many instances capacity building and community involvement are lacking, creating paternalistic patterns of development that, in the long run, do not create sustainability or real value for the population (Giridharadas 2019).

As pointed out above, in developing EDT applications with excellent market potential and in a highly competitive environment, ethical and moral aspects are often neglected, or the consequences (intended or unintended) are not analysed with sufficient scrutiny and depth. When a rapid pace of innovation, competition and financial concerns become the main drivers in designing and producing devices, systems and processes, with no oversight as to their ethical and moral implications, this inhibits a culture focused on empathy and service to society. Environments that lack moral and ethical development face the danger of forging a culture imbued with a desire to control everything; ambition for prestige; defensiveness; greed, jealousy and envy; contempt for other peoples' ideas; and a tendency to manipulate, to mention the most relevant attributes of a highly undesirable ecosystem. We posit that in order to counteract this, a focus on research and development efforts centred on service to society is essential. It is crucial to establish accountability, explainability, equity and diversity policies, together with ethical and regulatory guideline frameworks and codes of conduct, as fundamental components in forming new

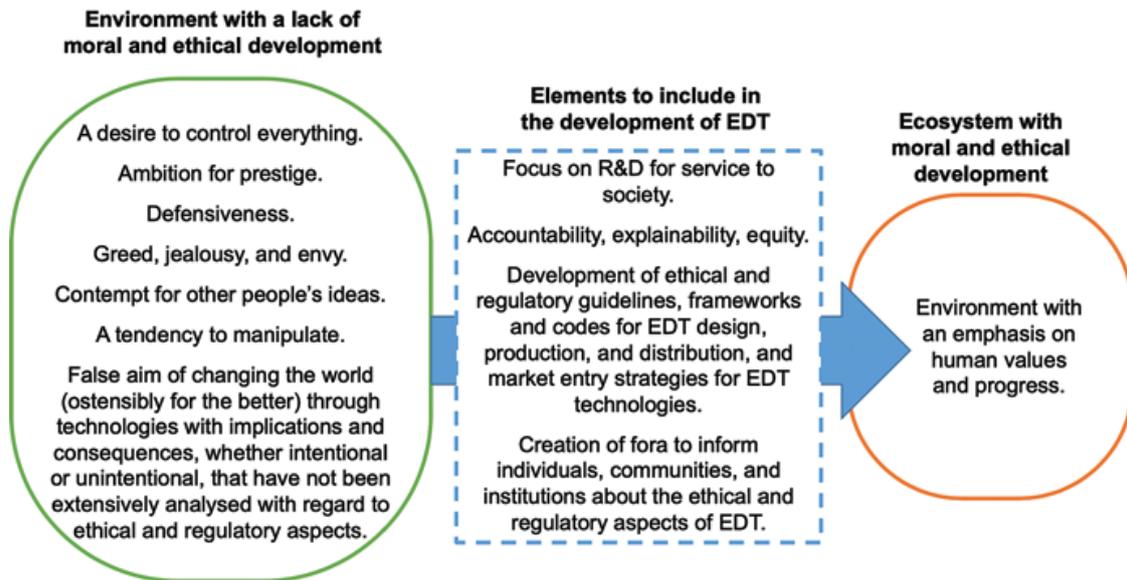


Fig. 12.6 The transition from an environment with a need for ethical and moral development to one with an emphasis on human values and progress

ecosystems for a future of work in which human progress is the main driver. Figure 12.6 shows the elements we recommend considering in order to transition from environments with a lack of ethical policies or structures for technology development to environments with strategies in place centred on social progress and well-being, sustainable development and improvements in quality of life. Under these circumstances, we believe that creating fora to inform individuals, communities and institutions about the relevance and urgency of ethical and regulatory processes and guidelines is also an essential contributing factor in achieving a balanced appropriation of EDT by society.

12.6 Conclusions

The proposed framework may contribute to increasing awareness about the effects and benefits of EDT and, more importantly, help to analyse whether or not society is ready to digest and understand the potentially serious, and probably unintentional, consequences. In-depth analysis, reflection and attention regarding the implications of a balanced adoption of EDT by society must not be postponed or neglected if digitisation is to become a reliable vehicle for integral human progress. Education plays an essential role in developing the skills and attitudes necessary to conform to ethical and moral environments. As stated above, it is vital to encourage dialogue at all levels to acquire a clearer vision of the steps to be taken to include ethical, moral and spiritual factors in standard operations in the design, development and production of EDT for the benefit of consumers and society in general. The specific

steps will depend on the characteristics and dynamics of particular intervention contexts. In this process, community involvement is essential.

A new vision of entrepreneurship is also necessary to bring about cadres of developers, designers and administrators with human values such as empathy, compassion and humility, with mindsets centred on service to society. The 'new normal' emerging from the confluence of the Fourth Industrial Revolution and COVID-19 may give rise to new ways of thinking, learning and operating, insofar as the use of EDT is concerned. The changes in the future of work and the work of the future will drive new opportunities while also posing significant challenges for entrepreneurs. The accomplishment of the 17 Sustainable Development Goals set by the United Nations could also trigger social and humane innovation initiatives to improve poverty indicators and the general condition of the world. This 'new normal' may generate a new *modus operandi* in which ethical and moral development is not a choice but a prerequisite for the advancement of science, technology and all fields of knowledge with equity, justice and diversity.

The forces of globalisation and technology change have been disrupted by the confluence of the Fourth Industrial Revolution and COVID-19. Our ethical, moral and spiritual approaches to daily activities and operations in our homes and working environments will be critical to navigating in a sea of ambiguity, unpredictability and uncertainty, and may provide clarity for our decisions and actions. A complexity perspective that includes interdisciplinary and collaborative actions could also support our *modus operandi* in the 'new normal'.

In our attempt to provide an integrated analysis of the ethical and moral imperatives in the process of adoption of EDT by society, we included a sociology perspective and a discussion of the current role of ethics and values in the corporate environment, with specific examples. Though there is a broad spectrum of literature available on these themes, our purpose was to identify crucial issues, placing emphasis on the deployment of ethical and moral programmes in the processes and operation of organisations and society.

Social, humane and solidarity innovation initiatives will also play a relevant role in preventing and mitigating the undesirable effects of current and future pandemics and possible environmental disasters. There is still a long road ahead and learning paths remain to be explored. Research and development and innovation become our assets to respond with agility and efficacy to the current pressing conditions. Nevertheless, in this conjuncture, ethical, moral and spiritual development represents a fundamental platform for the development of a more balanced and just society.

The pervasiveness and exponential nature of EDT demand urgent and orchestrated action by all agents in the ecosystem. Ethical and moral development and regulatory concerns are essential to take full advantage of the potentialities and societal benefits of these technologies. Furthermore, human intervention in the creation, deployment and application of EDT is of prime importance. In this respect, at all levels and ages, education must consider the importance of building the moral and spiritual capacities required to design, manufacture, apply, sell and distribute new and current digital technologies. Ultimately, attitudes, skills and actions emerge from our structure of human values. Without integral and proper education focused

on service to society, the deployment of EDT will create undesired outcomes and the prospect of technology as a vehicle for sustainability, equality and progress will become ever more elusive.

One final word: complexity provides a vision of the world and how we function in it. Our modest contribution, which attempts to develop a holistic and integrated scheme for incorporating ethical and moral development to EDT applications, is not finished. It is not so much a final product as the beginning of a journey to learn and understand the interactions and dynamics involved in socio-technical systems such as technology adoption and appropriation. Identifying the implications of the adoption of EDT by society and describing the interactions involved in this process, using the principles of complex systems, is an initial step. Models with information about the context and other variables involved are necessary to further study the dynamics of these ecosystems. We have just taken the first step towards this goal.

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Chapter 13

Impact of the Application of Ethical Values in the Dimensions of Entrepreneurship and Change/Innovation



Wilfrido Moreno and Víctor Mercader

Abstract The proposed research is of great relevance at an organizational and business level as it relates ethical values to the dimensions of entrepreneurship and change/innovation, as well as each to each other. Indicators from a very recent literature review are being related and compared with the indicators and/or ethical values of the empirical instrument applied to a sample formed by 475 professionals who work in the highly industrial and productive region of Baja California in Mexico, which borders the southern state of California, U.S.A.

Once the instrument is applied, the results obtained are (1) the need for ethics in companies; (2) the level of ethical values when professionals perform the role of entrepreneurship and change/innovation, based on 28 ethical values or variables; (3) the relationship between ethics and the two dimensions cited in the study; (4) the “why” or causes of such relationship, which it is categorized by creating their own taxonomy; (5) all the empirical results obtained are related to gender, and relevant correlations and conclusions are generated. The study is very useful for knowledge application and business performance at all levels and for all kinds of companies and organizations.

Keywords Ethics · Entrepreneurship · Change · Innovation · Ethical values · Indicators · Business

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13.1 Introduction

Entrepreneurship and change/innovation have been integral and key to human evolution, encompassing all the dimensions of life and activities throughout history. While having developed slowly for centuries, in the era of digital technologies upon which we now greatly depend, they are currently advancing at an ever-increasing pace, creating uncertainty and changes, which seem to overwhelm and enslave us although we believe we are free. This can be related to the tangible aspect, while similarly ethical values have accompanied human beings from the beginning in an intangible way, and they are indicators which reflect implicit trends that become realities. Combining both aspects becomes an art that we all need to learn for a productive, effective, and ethical management.

The organizations and companies will obtain different achievements based on their management of the indicators gathered and analyzed in this study and many others, which will feasibly affect their performance and sustainability.

Both dimensions of this study have been examined thoroughly by many researchers, especially since the beginning of the current century, with a wide, rich, and important range of studies and investigations. However, by no means does this imply that the field is saturated; on the contrary, it is a dynamic and evolving topic in our digital era, and being relevant to all academic disciplines, it should be further developed and awareness about it should be created at all levels. Therefore, this study aims to better understand the influence of ethical values in both dimensions mentioned above.

13.1.1 Purpose

Overall Goal This research study aims to determine the relevance, relationship, and feasible improvement solutions to be applied based on a series of indicators which reflect the ethical values that are found in entrepreneurship, as well as change/innovation, in organizations and companies. The study has been performed by graduate professionals who work in different organizations or companies in the area of Baja California, Mexico and the methodology used has the potential to be applied in other regions of the world.

Specific Objectives The following goals should be attained:

- Create a table which reflects the link between reviewed literature and the results of the empirical study.
- Identify how professionals behave and apply a series of indicators/variables/values/attributes when performing their role within entrepreneurship and change/innovation, in order to gather metrics that help draw correlations.
- Establish indices of need for ethics in entrepreneurship and change/innovation.

- Identify reasons and categories, which shape the relationship between ethics and entrepreneurship and ethics and change/innovation.
- Draw conclusions and understand limitations, as well as to offer recommendations for further studies.

13.1.2 Justification for the Study

To sum up, when analyzing companies and corporations, the following justifications can be identified:

This study of the dimensions of entrepreneurship and change/innovation, as well as their assessment, measurement, and interrelation, is considered relevant for research purposes and of practical use in organizations and companies.

Being able to identify the impact of ethical values on entrepreneurship and on change/innovation and on their embodiment, according to the perception of professionals, who work or manage a wide range of companies.

It can be said that both dimensions have key influence roots based on the use and application of the indicators/variables/values/attributes being measured and analyzed, which vary depending on the approaches and interpretations made by managers or entrepreneurs according to their ideals, circumstances, and hierarchy of goals. Hence, the findings of this study, whether foreseeable or not, will potentially be used as clarification and guidance, especially in our evolving digital era.

13.2 Theoretical Framework

13.2.1 Content Analysis

The theoretical framework for this research study is given by the conceptual support based on the theoretical concepts that provide the basis for this project. Prior research about the content, application, and practicality of the two dimensions encompassed by this study, namely, entrepreneurship and change/innovation, should be considered, including academic research and valid and reliable experiences in order to provide the basis, perspectives, links, approaches, and multiple innovative ideas, which will enable us to achieve concrete results in order to validate this study.

It is worth noting that while change can lead to innovation, innovation always triggers changes in one way or another. Currently, the rapid pace of progress forces us to change in multiple ways, which implies that we must prepare and adapt. Each person and group, as well as organizations or companies, will in turn change at its own pace. In the digital age, technologies at all levels and effectiveness in the use of information have become key to the development and indirectly, the source of power for any organization and country. Therefore, it is critical to identify the variables used by the different researchers in the most updated way possible.

Thus, for example, at the mainstream level, many activities will have to rely on smart phones and computers. The restrictions we now face are manifold and we must adapt to a continuous and sometimes convulsive change. Ladeira et al. (2019) investigate this phenomenon based on the factors that shape digital entrepreneurship creating mind maps, cause and effect relationships, and neural networks of connection and relationship. These advancements spur digital entrepreneurship, including digital business models at both the micro and systemic levels, creating new jobs, as well as business and economic growth (Sahut et al. 2019). Kraus et al. (2019) analyze and use the relevance of digital business models, crowdfunding, collaborative economy, and contributions to digitization as key to progress in this era. When focusing on companies and corporations, where digitalization is critical, it is important to understand the origin of the relation between corporate entrepreneurship, innovation, and knowledge conversion, which are essential factors. This relation has not yet been well established (Arfi and Hikkerova 2019).

When taking a closer look at this digital age, according to Obschonka and Audretsch (2019), the two monsters appear that are changing our known landscape, namely, Big Data and Artificial Intelligence. With technological corporations whose capital is based in innovation, technological and digital entrepreneurship models arise in different countries, with whole areas dedicated to technology, such as the so-called Silicon Valley, analyzed by Audretsch (2019), who looks at their pros and cons and their global impact. Thus, “Smart Entrepreneurship” is examined, in an attempt to identify the link between actual field practice and ongoing, agile, evolving, and innovative research and a number of questions arise regarding decision-making and ethics with very diverse external perspectives and varying interests. This is how Petkovska et al. (2018) focus on open innovation which implies specific knowledge and know-how, that is, it requires an information-based approach and the ability to determine the adequate timing. For this, a structure that unifies the understanding of entrepreneurship and technological innovation and information networks need to be created to enable greater and better productive performance (Sobel and Clark 2018; Urbano et al. 2019). Far from discouraging the students, these challenges spur them, especially in the field of information technology (IT), and they strive to maintain their entrepreneurial intent and self-motivation in order to achieve innovations that create change (Sitaridis and Kitsios 2019). Along with Penalver et al. (2018), we aim to give greater emphasis to the relations between strategy and structure, considering factors such as cooperative innovation between companies and their innovation capabilities.

The vast majority of digital entrepreneurship does not focus on the ethical-social or family factor but on the creation of products or apps for profit and other purposes. This reality is immersed mainly in the economic factor. However, entrepreneurship itself and change/innovation are associated with ethics to the extent that they are governed by standards and rules set forth by laws to establish a certain order and avoid damaging others. Unfortunately, this seems to be a defensive approach rather than a positive natural attitude to ensure the common good. Indeed, the entrepreneur sometimes acts out of necessity or fear to deal with difficult situations or avoid risks that may damage third parties or themselves.

However, some authors such as Ahsan (2020) consider the factor of ethics and create mechanisms to ensure ethical practices in the shared economy and improve effectiveness. Miller (2019) considers entrepreneurship as a virtue and analyzes its perspectives and benefits. When focusing on ethics, reviewing literature about it, discovering its sources and investigating its applications in companies and other sectors is a rewarding challenge that motivates researchers to delve into the subject (Banon-Gomis et al. 2011; Kim et al. 2016). It then appears as an incentive for social entrepreneurship aiming to actively help those in need and leverage skills and opportunities related with it (Pathak and Muralidharan 2018). This requires training based on applicable knowledge and ethical values in order to transform people into agents of innovative ventures (Rodriguez-Lopez and Souto 2019; Sitaridis and Kitsios 2019).

The influence of ethics, although negative in this instance, becomes clear in the case of bribes given to obtain and/or grant government loans to entrepreneurs (Baron et al. 2018).

Another aspect worth examining is the work motivation for both the company and the individual in the venture analyzed by Bolzani and Der Foo (2018) who establish relations based on five variables, namely, achievements, power, security, benevolence, and self-direction. Likewise, Lyubovnikova et al. (2018) analyze the variables productivity and innovation to drive satisfaction and self-esteem in companies, considering a work environment that provides greater support and productive well-being. On the other hand, Choi et al. (2018) carried out a study that compares and relates socially oriented entrepreneurial intentions according to the perception of behavior control.

An important point to consider is the relationship that appears when entrepreneurship seeks social improvement with ethics, known as social entrepreneurship, which has been steadily expanding and requires a high level of innovation to obtain positive results and ensure its sustainability (Osorio-Vega 2019; Pathak and Muralidharan 2018).

Similarly, ethics combines with social responsibility, which has become a highly relevant topic for organizations, especially in the last decade, which according to many investigations, increases their competitive edge and sustainability (Ali et al. 2017; Cuervo-Cazurra 2018; ElGammal et al. 2018). This implies that a mentality change has occurred in terms of ethical values and responsibility when considering not only profit but also the human factor, which is ultimately the most productive in an improved work environment. This ethical and responsible awakening is worth living, and everyone should be up-to-date with its multiple advantages, although they might not be immediately visible but might be motivational and generate a better productive coexistence within a company and society at large (Ferrell et al. 2017; Mercader 2017). There are successful examples such as the one presented by BR et al. (2018), where financial services are created for farmers with almost no resources using a positive entrepreneurial mindset, providing training and access to technology and entering work cycles with continuous benefits.

Currently, the comfort zones we are trying to establish are temporary, and therefore, this forces us to broaden our minds and horizons to compete in a dynamic

world that increasingly requires problem-solvers, capable of swiftly implementing their creations and products created by others. Similarly, Ibarra et al. (2018) propose business models based on different levels of innovation, highlighting the urgency and validity of digitization. On the other hand, Bristow and Healy (2018) examine the relation between resilience and innovation for the economic and general recovery in the aftermath of crisis, while Geissdoerfer et al. (2018) focus on sustainability by benchmarking normal business models with those that consider sustainability in detail with its different additional variables. Innovation analysis is particularly interesting when focusing on the process rather than on the product—which is the usual approach—and this provides useful results (Desyllas et al. 2018). This concept and criterion are supported by Niosi and McKelvey (2018) with cascading innovation being introduced in processes. Regarding innovation and innovative minds, all kinds of feasible solutions arise in all areas of life; for example, Jackson (2018), in his degree thesis, proposes and generates innovation in payment means, which in larger companies can be more sophisticated and simplified in this digital age.

Actually, this has less to do with having many innovators with great, feasible ideas than with being creative enough to sell them, ensuring their profitability and sustainability. Hence, any innovator or entrepreneur should also have in mind that “seeds” should be planted for the future and not for the short terms, and plan accordingly. Hence, Rajapathirana and Hui (2018) focus on business performance variables, innovative capacity, and examine different types of innovation. In this way, innovation expands and there are more and more books that gather the contents of different articles and research studies by multiple authors under the common topic of innovation applied to various areas, from social services (Langer et al. 2019) to Innovation Processes and Change and Technology, with a number of different business models (Schallmo et al. 2018). Here, it is worth noting the importance of migratory changes of companies in different areas or countries based on conditions and multiple variables that can improve productivity and benefits, including parallel companies that can be created, which implies innovating new methods and performance models (Hacklin et al. 2018).

13.2.2 Summary

In summarizing the literature review, which again, has been as recent as possible, especially in the areas of innovation and change, information and technology have become a priority for advancement and development. From this, it becomes clear how the most advanced and profitable corporations in the current landscape specialize in technology support and data and information management, while those who work in production are necessary and although they can be bigger, they have become dependent in one way or another, on technology and information that involves continuous innovation, which today has become increasingly accelerated and highly competitive.

Again, it is worth highlighting that any change should be designed and carried out in a responsible and ethical manner, something which applies to all fields of development and progress, including business, economy, education, society, science, and politics among others; this would help combine achievement and productivity wisely (Ferrer 2010; Mercader 2019). Reviewing the benefits of applying ethical values is highly useful for parties in a win-win situation that should be the norm when doing business and daily living.

The multiple variables and indicators that emerge from the analysis of the literature review and the referential framework presented in this study need to be studied and interrelated because they provide guidance for decision-making and execution of business and organizational processes and indicate the trends in this digital and changing era. Therefore, separately or combined, they may be used by a wide range of businessmen, leaders, researchers, students, educators, and private and government personnel, both at the professional and personal level, as well as at the corporate and institutional level, and why not at the familiar and social level.

Table 13.1 shows a very brief but clear summary, with four sub-tables, namely, Tables A, B, C, and D, which include the following:

Table 13.1A. Indicators, variables, and/or elements of entrepreneurship and change/innovation in the literature analyzed

Table 13.1B. Authors from analyzed investigations related with the indicators obtained from the literature review in the digital age

Table 13.1C. Categorizations and/or indicators empirically obtained when applying the instrument to the relation between ethics and entrepreneurship and change/innovation

Table 13.1D. Ethical values and/or indicators applied empirically in the instrument to establish the respondent's level of perception of behavior in ethical values when performing in a role related to entrepreneurship and change/innovation

Table 13.1 Summary and relation of indicators obtained and used for reviewing literature and applying the instrument empirically

13.3 Methodology

13.3.1 *The Methodology and Procedure*

The methodology and procedure applied are as follows:

- (a) The sample included 475 participants, all of them professionals with academic studies and a university degree, working in different types of companies or organizations and from different careers, although mainly in Engineering and Administration.
- (b) This sample is more than enough to achieve 95% reliability when compared to the professional population in the region.

Table 13.1A Indicators, variables, and/or elements of entrepreneurship and change/innovation in the literature analyzed

Companies and corporations	Human behavior	Ethics
Work environment	Self-learning	Actions and example
Organizational learning	Self-direction	Collaborative attitudes
Training	Business and individual self-efficacy	Financial support
Entrepreneurship-impact causes	Self-motivation	Social benefits
Growth and development	Barriers and student learning	Creation of environmental value
Business decisions	Benevolence	Ethical issues
Productive performance	Abilities and capacities	Discrimination
Market design and probabilities	Personality characteristics	Self-interests decrease
Work teams and HR	Collaboration	Inspirational education
Business spirit	Environmental conditions	Being ethical
Organizational strategies	Working conditions	Entrepreneurship as a virtue
Strategies and plans	Challenges	Moral entrepreneurship
Technological experiences	Disruption	Ethical judgment
Context/time factor	Micro and systemic approach	Ethical leadership
Decision-making factor	Enthusiasm	Bad attitude
External factors	Entrepreneur intention	Social domain orientation
Cash flow, purchases, payments, and collections	Business motivation	Evolutionary thinking
Business formation	Individual motivation	Economic and social consequences
Integrating leadership	Self-motivation	Responsibility
Achievements, power, and security	Opportunities	Social responsibility
Need for various insurance	Conduct control perception	Bribes
Structural issues	Cause-effect relations	Shared value
Problems to solve	Foreseeable and unforeseen risks	Social innovation vision
Financing resources	Satisfaction	
Business performance	Decision-making	
Benefits and losses	Under-pressure work	
Systematic revision	Uncertainty factors	
Technology and equipment		
Strategic utility		
Business models	Entrepreneurship	Innovation
Shared knowledge	Pros and cons analysis	Competitive innovation
Cross linking	Corporate entrepreneurship	Innovative contribution
Crowdfunding	Digital entrepreneurship	Migrant companies
Sustainable marketing	Social entrepreneurship	Understanding structures
Qualitative methodologies	Sustainable entrepreneurship	Technological functions

(continued)

Table 13.1A (continued)

Alternative methodologies	Intention of social service	Cascade innovation
Management methodologies	Entrepreneurial intentions	Knowledge market
Parallel business models	Competitive advantages	Process innovation
Primary business models		Product innovation
Digital models		Networks and information
Digital platforms		Economical-innovative resilience
Network systems-companies		Technological innovation
Sustainability		Support theories
Transformation		
Macro elements	Economy	
Governmental agencies	Failure analysis	
High technology	Changes of government, currency, and others	
Business and trade associations	Circular economy	
Institutional barriers	Collaborative economy	
Government anomalies	Competitive economy	
Big data	Ecosystems and geography	
Inclusive growth	Unpredictable phenomena	
Sustainable development	Trade fluctuations	
Globalization	Permits, insurance, and others	
Artificial intelligence	Regulations and norms	
Investments and return		
Loans		
NGOs		
Contextual overview		
Silicon Valley case		
IT information technology		
ICT		

- (c) The instrument has been developed by the author in order to gather answers to different questions related to entrepreneurship and change/innovation, their relationship, and the influence of ethical values on these dimensions.
- (d) The professionals that constituted the sample answered the questions on the instrument anonymously.
- (e) The instrument was designed as a questionnaire with open-ended and closed questions, and therefore, the analysis is quantitative and qualitative in this research, which implies that it will be a mixed analysis.
- (f) An electronic questionnaire was provided to people with professional, master, or doctorate degrees who work mainly in the State of Baja California.
- (g) The questionnaire included socio-demographic variables, such as gender, age, nationality, profession, and level of education.
- (h) The support of the literature review on the subject and within the theoretical framework is crucial to provide support and validate the study, and it was based

Table 13.1B Authors from analyzed research related with the indicators obtained from the literature review in the digital age

Entrepreneurship	Innovation	Ethics
Ahsan (2020)	Bristow and Healy (2018)	Ali et al. (2017)
Arfi and Hikkerova (2019)	Desyllas et al. (2018)	Banon-Gomis et al. (2011)
Audretsch (2019)	Geissdoerfer et al. (2018)	Cuervo-Cazurra (2018)
Baron et al. (2018)	Hacklin et al. (2018)	ElGammal et al. (2018)
Bolzani and Der Foo (2018)	Ibarra et al. (2018)	Ferrell et al. (2017)
Choi et al. (2018)	Jackson (2018)	Ferrer (2010)
Kraus et al. (2019)	Langer et al. (2019)	Kim et al. (2016)
Ladeira et al. (2019)	Lyubovnikova et al. (2018)	Mercader (2006)
Miller (2019)	Niosi and McKelvey (2018)	Mercader (2017)
Obschonka and Audretsch (2019)	Penalver et al. (2018)	Mercader (2019)
Pathak and Muralidharan (2018)	Rajapathirana and Hui (2018)	Osorio-Vega (2019)
Petkovska et al. (2018)	Schallmo et al. (2018)	
Rodriguez-Lopez and Souto (2019)		
Sahut et al. (2019)		
Sitaridis and Kitsios (2019)		
Sobel and Clark (2018)		
Urbano et al. (2019)		

Table 13.1C Categorizations and/or indicators empirically obtained when applying the instrument to the relationship between ethics and entrepreneurship and change/innovation

Human benefit and coexistence	Guide and way to act	Social responsibility
Reliability	Ethical values need	External-driven behavior
Decision-making	Need in work and life	Being and behavior
Social development	No relationship	Various
Differentiation between good and evil	Relation with environment	

on the most recent information since the subject is innovative and constantly changing in our digital era.

- (i) Statistical methods were applied, drawing correlations between entrepreneurship and change/innovation and among the variables or ethical values that were considered in the different questions of the instrument. Additionally, descriptive statistics were used.
- (j) The ethical values indicator taxonomy designed by Mercader (2006) was used and validated in subsequent investigations, with relevant adaptations to this study for some of the questions.
- (k) New categorizations or indicators on the relationship between ethics and entrepreneurship and change/innovation were developed, as a result of the responses gathered from the sample.
- (l) Comparisons and relationships against the theoretical framework and the empirical study and subsequently correlations were done. This provided the

Table 13.1D Ethical values and/or indicators applied empirically in the instrument to determine the respondent's level of perception of behavior in ethical values, when performing in the role of entrepreneurship and change/innovation

Social behavior values	Growth and improvement values
Honesty	Vision/objectivity
Respect	Communication
Responsibility	Knowledge/learning
Integrity	Self-motivation
Equity/justice	Decision-making
Friendship/union	Compliance/diligence
Kindness/care	Self-discipline/temperance
Personal talent values	Spiritual of self-values
Courage	Patience
Enthusiasm	Tolerance
Spirit of service	Humility
Perseverance/worker	Appreciation/gratitude
Generosity	Understanding
Creativity	Love
Good humor	Compassion/forgiveness

basis for proposing improvements with feasible solutions to be applied by organizations and companies, as well as by researchers.

The findings of this survey prompted us to reflect on, understand, focus on and apply to professionals, employees and employers, and education—both for teachers and students—an integrated knowledge and interest which can be used to promote the need to continuously apply entrepreneurship and change/innovation aligned with labor, personal, and social performance. The influence and relation of both dimensions with ethical values should also be examined.

13.3.2 The Questions, Sample, and Results of the Survey

The questions of the survey focused on the following:

1. Gender
2. Age
3. Nationality
4. Profession
5. Level of education
6. In your opinion, how necessary is ethics in businesses?
7. At which level do you usually perform in your entrepreneurship role based on the following ethics-related variables?
8. At which level do you usually perform in your change/innovation role based on the following ethics-related variables? Rate yourself on a scale of 1–10 in each of the following values, being 10 the highest.

The 28 ethical values or indicators used include the following:

Kindness/Care, Compliance/Diligence, Respect, Honesty, Spirit of service, Vision/Objectivity, Self-motivation, Humility, Patience, Compassion/ Forgiveness, Friendship/Union, Creativity, Decision-making, Tolerance, Appreciation/Gratitude, Communication, Responsibility, Integrity, Honesty, Knowledge/Learning, Courage, Understanding, Enthusiasm, Equity, Perseverance, Generosity, Self-discipline, Good humor, Love.

9. Do you think there is a relationship between ethics and entrepreneurship?
10. Do you think there is a relationship between ethics and change/innovation?
11. Why? Please explain.

The sample taken for this research study, consisting of 475 professionals, is representative of the population of Baja California and the percentage of graduates of state universities according to figures from the National Institute of Statistics and Geography of Mexico (*INEGI, Instituto Nacional de Estadística y Geografía de Mexico*), with a confidence level of 95% and an error margin of 5%, since applying the formula required no less than 385 participants.

The data gathered has been critical when analyzing the responses obtained, with the following results:

1. Categorizations, based on the open questions, of the reason and/or why the respondent considers that there is a relationship between ethics and entrepreneurship and between ethics and change/innovation.
2. Mean (averages) in the two dimensions analyzed, namely, entrepreneurship and change/innovation, which have focused on companies and organizations.
3. Correlations between the two dimensions under study, entrepreneurship and change/innovation, and also between the 28 ethical values applied and both dimensions.

The results are presented in percentage tables and charts—the frequencies have been omitted due to the space limit—for easier understanding in a visual and simple way, and some of them also combined with gender. Empirically obtained from the analysis of the study sample, these results are highly relevant and useful for entrepreneurs, professionals, public and private employees, teachers and students, as well as the general public.

13.4 Results and Discussion

For clarity purposes, the order of the survey questions should be followed when analyzing the data. In addition, significant findings within the table entries have been bolded. The survey begins with demographic questions.

13.4.1 *The first question* aims to establish the respondent's gender or sex and the results of the sample indicate that of a total of 475 participants, 223 were female,

accounting for 46.95% of the sample and 252 were male, 53.05%, which implies a fairly balanced sample for this study.

13.4.2 The second question refers to age, which in its analysis was classified on ranges of 5 years as shown in Table 13.2, combining age ranges with gender. It should be noted that 32.63% of the sample, a significant majority, ranged between 26 and 30 years old. The second larger majority is aged 31–35 years old, with 17.68%, and then, with very close percentages, the group aged 20–25 and the group aged 36–40 years old, with 16.63%. The sum of these four categories accounts for 83.58% of the total sample and the sum of 20–30-year-old accounts for 49.26% of the sample. The differences between masculine and feminine groups are not significant.

Similarly, Table 13.3 was designed by generations, with Millennials accounting for three thirds of the sample, that is, a very significant percentage of the sample (66.35%). Responses from both sex groups were also very balanced.

13.4.3 The third question refers to nationality, with a vast majority (93.05%) of Mexicans, followed by 4.21% from the United States and the rest of nationalities only account for a 2.74% (Table 13.4).

13.4.4 The fourth question focuses on the professions of the respondents in the sample, which reveals a wide range of professions, although when analyzed in detail, the vast majority of respondents exert three professions, namely, Engineering with 24.84%, Management with 13.05%, and Public Accounting with 12.00%; the three professions combined account for 49.89% of the total professions. A section called Miscellaneous was also prepared, accounting for 6.74% of the sample, while Law reached 5.68%. All other professions were well below 5%, including Architecture, Foreign Trade, Communication, Graphic Design, Teaching, Economics, Nursing, Computer Science, Medicine, Marketing, International Business, Dentistry, Psychology, and Chemistry. On the other hand, 1.89% replied they had a Bachelor's degree without specifying the career or profession, and similarly, 1.89% declared they were Entrepreneurs and 2.11%, Employees. Only 2.32% did not answer the question.

Table 13.2 Participants' age by age range of 5 years combined with gender

Age range	Female	Female %	Male	Male %	Total	Total %
20–25	39	17.49	40	15.87	79	16.63
26–30	70	31.39	85	33.73	155	32.63
31–35	43	19.28	41	16.27	84	17.68
36–40	34	15.25	45	17.86	79	16.63
41–45	18	8.07	18	7.14	36	7.58
46–50	6	2.69	12	4.76	18	3.79
51–55	8	3.59	7	2.78	15	3.16
56–60	5	2.24	2	0.79	7	1.47
61–65		0.00	2	0.79	2	0.42
Total	223	100.00	252	100.00	475	100.00

Table 13.3 Age of the participants by generations combined with gender

Generations	Female	Female %	Male	Male %	Total	Total %
Baby boomers	5	2.24	4	1.59	9	1.89
X	32	14.35	37	14.68	69	14.53
Y (Millennials)	147	65.92	171	67.86	318	66.95
Z	39	17.49	40	15.87	79	16.63
Total	223	100.00	252	100.00	475	100.00

Table 13.4 Nationalities of the participants combined with gender

Nationality	Female	Female %	Male	Male %	Total	Total %
Brazilian		0.00	1	0.40	1	0.21
Spanish		0.00	1	0.40	1	0.21
Foreign		0.00	1	0.40	1	0.21
Guatemalan	1	0.45		0.00	1	0.21
Mexican	207	92.83	235	93.25	442	93.05
Mexican-USA	4	1.79	2	0.79	6	1.26
Mexican-Chilean		0.00	1	0.40	1	0.21
USA	10	4.48	10	3.97	20	4.21
Venezuelan		0.00	1	0.40	1	0.21
No reply	1	0.45		0.00	1	0.21
Total	223	100.00	252	100.00	475	100.00

A significant difference is observed between the sexes, particularly in Engineering, since female engineers account for 10.76%, while male engineers account for 37.30%, with a total of 24.84% professional engineers in the sample. It is also interesting to note that if professions coming from the School of Business Administration and Economics, such as Foreign Trade, Economics, Marketing, and International Business, were integrated, their combined percentage (9.89%) when added to that of Public Accounting (12.00%) and of Management (13.05%) would account for 34.94%, which is very significant and would be the highest percentage.

A table for professions has not been included here for the sake of space, but it will be provided upon request via email.

13.4.5 The fifth question indicates the level of education or academic level of the respondents, and it is worth highlighting that being a professional was part of the inclusion criteria. However, it should be noted that only 68.84% have a professional degree, 12.42% are pursuing a master's degree, and 17.05% already have a master's degree, with only 1.47% who have obtained a doctorate. The goal of the survey was that all respondents have some type of college preparation and work experience (Table 13.5).

These questions conclude the demographic analysis.

13.4.6 The sixth question refers to the degree of necessity of ethics in companies. The responses obtained from the participants are very important since they reflect a prevailing need for ethics in companies and organizations in general and,

Table 13.5 Academic degree of the participants combined with Gender

Academic degree	Female	Female %	Male	Male %	Total	Total %
(a) Doctorate	3	1.35	4	1.59	7	1.47
(b) Master's degree	31	13.90	50	19.84	81	17.05
(c) Professional degree	163	73.09	164	65.08	327	68.84
(d) Pursuing a master's degree	26	11.66	33	13.10	59	12.42
No reply		0.00	1	0.40	1	0.21
Total	223	100.00	252	100.00	475	100.00

Table 13.6 Need for ethics in companies

Need for ethics	Female	Female %	Male	Male %	Total	Total %
(a) Highly necessary	184	82.51	215	85.32	399	84.00
(a) Quite necessary	35	15.70	30	11.90	65	13.68
(c) Moderately necessary	4	1.79	5	1.98	9	1.89
(c) Somewhat necessary		0.00	1	0.40	1	0.21
No reply			1		1	
Total	223	100.00	252	100.00	475	100.00

therefore, in what goes on inside them, since the response Highly Necessary reaches 84%, which, when combined with the response Quite Necessary, accounts for 97.68%, that is, almost all the respondents in the sample (Table 13.6).

13.4.7 The seventh question was as follows: At which level do you usually perform in your entrepreneurship role based on the following ethics-related variables? The participants rated the 28 ethical values and/or variables from 1 to 10, 10 being the highest value and based on this rating, the averages or arithmetic mean were obtained in order to subsequently establish correlations.

Table 13.7 shows a summary of the responses for this question, and it is worth noting that all the ethical values and/or variables assessed were considered highly relevant and none was rated below 8. The results show that the most significant values in the role of entrepreneurship were those above 9 out of 10, namely, Honesty, Responsibility and Respect, which unsurprisingly confirms the findings of previous literature (Mercader 2006), followed by Integrity, Perseverance/Hardworking, Compliance/Diligence, and Equity/Justice. These results provide guidance for entrepreneurship, especially in the digital age.

13.4.8 The eighth question was presented as follows: At which level do you usually perform in your change/innovation role based on the following ethics-related variables? Again, the participants assessed the 28 ethical values and/or variables rating them on a scale from 1 to 10, and the averages or arithmetic mean were obtained to later establish the corresponding correlations.

Table 13.8 shows a summary of the results from this question, with all the ethical values and/or variables rated above 8, which shows the relevance of the ethical values in change/innovation. The most significant values in the role of change/innovation were rated above 9, including Honesty, Respect, and Responsibility, which were considered the most important values and of utmost priority for companies and

Table 13.7 Respondent's level of perception of behavior in ethical values when performing in the role of entrepreneurship

Value order	Ethical value	Average evaluation	Value order	Ethical value	Average evaluation
1	Honesty	9.190987	15	Self-motivation	8.801724
2	Responsibility	9.182013	16	Self-discipline/ temperance	8.797414
3	Respect	9.173448	17	Humility	8.739785
4	Integrity	9.096983	18	Generosity	8.698925
5	Perseverance/ worker	9.029979	19	Understanding	8.691649
6	Compliance/ diligence	9.025974	20	Kindness/care	8.688841
7	Equity/justice	9.008584	21	Friendship/union	8.659529
8	Spirit of service	8.955032	22	Creativity	8.61588
9	Appreciation/ gratitude	8.94206	23	Courage	8.602151
10	Vision/objectivity	8.903433	24	Patience	8.570815
11	Decision-making	8.897216	25	Love	8.564378
12	Enthusiasm	8.892704	26	Good humor	8.561966
13	Knowledge/ learning	8.866953	27	Tolerance	8.549356
14	Communication	8.860215	28	Compassion/ forgiveness	8.359914

organizations. These are followed, as it was the case for entrepreneurship, by Integrity, Perseverance/Worker, and Equity/Justice. In this case, compliance/diligence were rated below 9. Once again, this constitutes a guide of values to be applied in change/innovation.

13.4.9 The ninth question focuses on the existence of a relation between ethics and entrepreneurship using a Likert scale. The results of this question are shown in Table 13.9, which indicate that the highest percentage is Very strong relation (41.68%) followed by Strong relation (37.26%). Both answers combined account for 78.94%, which shows the relevance of the relation.

13.4.10 The tenth question asks whether the respondent considers that there is a relation between ethics and change/innovation, also using a Likert scale, with results shown in Table 13.10. The highest percentage is Very strong relation (43.79%) followed by Strong relation (34.95%). Both answers combined account for 78.74%, which shows a remarkable relationship, very similar to that obtained for entrepreneurship.

13.4.11 The eleventh question focuses on establishing the reason underlying the relation mentioned in questions 9 and 10. Qualitative responses were highly diverse and at the same time, some were ambiguous, but they were summarized in 14 categorizations shown in Table 13.11. It is remarkable that 25.47% of the participants did not answer this open question, possibly because it was the last one. The percentages obtained were calculated based on the answers provided. The most outstanding

Table 13.8 Respondent's level of perception of behavior in ethical values when performing in the role of change/innovation

Value order	Ethical value	Average evaluation	Value order	Ethical value	Average evaluation
1	Honesty	9.178112	15	Self-motivation	8.788793
2	Respect	9.112554	16	Self-discipline/ temperance	8.774194
3	Responsibility	9.105376	17	Creativity	8.754881
4	Integrity	9.017204	18	Understanding	8.735484
5	Perseverance/ worker	9.004292	19	Courage	8.671674
6	Equity/justice	9.00216	20	Kindness/care	8.660173
7	Knowledge/ learning	8.948387	21	Generosity	8.65812
8	Vision/objectivity	8.907328	22	Humility	8.635776
9	Decision making	8.906725	23	Tolerance	8.623932
10	Spirit of service	8.87931	24	Friendship/union	8.608602
11	Compliance/ diligence	8.850427	25	Patience	8.529032
12	Communication	8.837259	26	Good humor	8.517391
13	Appreciation/ gratitude	8.819742	27	Love	8.399142
14	Enthusiasm	8.802151	28	Compassion/ forgiveness	8.378788

Table 13.9 Relationship between ethics and entrepreneurship in combination with gender

Relationship between ethics and entrepreneurship	Female	Female %	Male	Male %	Total	Total %
(a) Very strong	97	43.50	101	40.08	198	41.68
(b) Strong	89	39.91	88	34.92	177	37.26
(c) Moderate	29	13.00	52	20.63	81	17.05
(d) Moderately weak	2	0.90	7	2.78	9	1.89
(e) Weak	2	0.90	4	1.59	6	1.26
No reply	4	1.79		0.00	4	0.84
Total	223	100.00	252	100.00	475	100.00

categorizations were Being and Behavior with 14.41%, Need in work and life with 13.28%, and Decision-making with 12.99%. The sum of the first five categorizations, which are above 10, accounted for 61.02%.

13.4.12 No longer a question. Before concluding this research analysis, it is important to clarify the following:

First, it is worth highlighting that a very high and statistically significant positive correlation has been found between the two dimensions under study, entrepreneurship and change/innovation, namely, of **0.9447551**.

Table 13.10 Relationship between ethics and change/innovation in combination with gender

Relationship ethics and change/innovation	Female	Female %	Male	Male %	Total	Total %
(a) Very strong	100	44.84	108	42.86	208	43.79%
(b) Strong	77	34.53	89	35.32	166	34.95%
(c) Moderately weak	38	17.04	43	17.06	81	17.05%
(d) Weak	5	2.24	11	4.37	16	3.37%
No reply	3	1.35	1	0.40	4	0.84%
Total	223	100.00	252	100.00	475	100.00%

Table 13.11 Categorizations of the relationship between ethics and entrepreneurship and change/innovation in combination with gender

	Categorizations	Female	Female %	Male	Male %	Total	Total %
1	Human benefits and coexistence	2	1.20	3	1.60	5	1.41%
2	Reliability	4	2.40	2	1.07	6	1.69%
3	Decision-making	26	15.57	20	10.70	46	12.99%
4	Social development	14	8.38	13	6.95	27	7.63%
5	Differentiation between good and evil	13	7.78	8	4.28	21	5.93%
6	Guide and way to act	4	2.40	3	1.60	7	1.98%
7	Need in work and life	27	16.17	20	10.70	47	13.28%
8	No relationship	2	1.20	7	3.74	9	2.54%
9	Ethical values need	16	9.58	20	10.70	36	10.17%
10	Relation with the environment	13	7.78	23	12.30	36	10.17%
11	Social responsibility	2	1.20	9	4.81	11	3.11%
12	External driven behavior	6	3.59	15	8.02	21	5.93%
13	Being and behavior	21	12.57	30	16.04	51	14.41%
14	MISCELLANOUS	17	10.18	14	7.49	31	8.76%
	Total	167	100.00	187	100.00	354	100.00%
	No reply					121	
	Participants at the start	223		252		475	

Second, correlations have been found between the 28 ethical values applied to entrepreneurship and change/innovation; in this case, they are positive and of medium significance, ranging from **0.7458714**, the highest correlation, and **0.6008530**, the lowest. These results are shown in Table 13.12 below.

This concludes the analysis, in the knowledge that answers and valid and useful information have been found for the benefit of companies and public and private organizations and in the hope that these answers and information will be applied at all levels to help strengthen Ethics and its influence on entrepreneurship and change/innovation.

Table 13.12 Correlations between the ethical values applied to entrepreneurship and change/innovation

Value order	Ethical value	Correlation	Value order	Ethical value	Correlation
1	Friendship/union	0.745871	15	Courage	0.654354
2	Respect	0.726284	16	Compassion/ forgiveness	0.647519
3	Communication	0.724073	17	Humility	0.646356
4	Integrity	0.71588	18	Tolerance	0.64571
5	Love	0.713374	19	Spirit of service	0.642583
6	Responsibility	0.708268	20	Understanding	0.636193
7	Creativity	0.694618	21	Good humor	0.632124
8	Self-motivation	0.688625	22	Perseverance/worker	0.631799
9	Compliance/diligence	0.6733	23	Kindness/care	0.630068
10	Appreciation/gratitude	0.669187	24	Enthusiasm	0.629394
11	Decision-making	0.668518	25	Vision/objectivity	0.610883
12	Self-discipline/ temperance	0.666063	26	Equity/justice	0.603759
13	Honesty	0.66362	27	Patience	0.602337
14	Knowledge/learning	0.660225	28	Generosity	0.600853

13.5 Conclusions, Limitations, and Future Research

For the sake of clarity, and based on the findings of the analysis of the results gathered by the empirical application of the instrument, combined with the results of the literary review, especially the most recent literature, the conclusions are presented as follows:

13.5.1 Conclusions

- (i) A considerable number of indicators/variables values have been obtained from the review and analysis of the literature related to the two dimensions under study—entrepreneurship and change/innovation—based on the characteristics of our digital era and prioritizing the most recent publications. The indicators/variables have been classified in theoretical categorizations, namely: Companies and corporations, Human behavior, Ethics, Business models, Entrepreneurship, Innovation, Macro elements, and Economy. Table 13.1 summarizes all this material, with an accurate convergence of the multiple elements of the topic, based on the concepts and criteria of different authors.
- (ii) The fact that there is a great need for ethics in entrepreneurship and in change/innovation and that this has been empirically verified and validated, turns out

to be a real sign that points to the urgency of acting upon ethical values at all levels and in every place of work and life, especially in this era of pervasive speed and change.

- (iii) It should be noted that the ethical values with the highest averages in both dimensions were Honesty, Respect, and Responsibility followed by Integrity, in line with the hierarchy of values found in previous research studies, upon which our instrument was based (Mercader 2006).
- (iv) The results helped us understand and correlate the intangible dimension represented by ethics and the application of ethical values to draw the conclusion that it can and should be included in the tangible dimension represented by entrepreneurship and change/innovation in order to obtain more balanced and sustainable results and achievements.
- (v) Given that the research sample comprised only professionals in middle or high positions in different types of companies, the results obtained can be said to have been filtered through the perspectives of people with a certain degree of knowledge, position and preparation that presumably provide greater reliability.
- (vi) Participant perception of levels of behavior in ethical values when they perform both in the role of entrepreneurship and of change/innovation showed a higher average or mean in the range of 9.1909 and 8.3509 for entrepreneurship and between 9.1781 and 8.3787 for change/innovation. It would be interesting to identify why the differences are small among the values and why they were rated high.
- (vii) The successful identification of a very high and positive correlation between entrepreneurship and change/innovation (0.9447551) is an achievement of great interest and confirms the interrelation between both dimensions. As stated at the beginning of this chapter, entrepreneurship goes hand in hand with change and innovation. Additionally, the correlations obtained as a result of the application of the 28 ethical values or variables included in the instrument to the two dimensions under study, which ranged from 0.60 to 0.75, positively show that there is a correlation between ethics and the dimensions under study, although the correlation is moderately strong.
- (viii) Remarkably, 66.95% of the respondents are Millennials (Y) and within this group, 32.63% of the total sample is between 26 and 30 years old, thus providing a generational perspective that is worth considering, since they make up the vast majority of the professional workforce in our digital age.
- (ix) There is an important relation between ethics and entrepreneurship and also between ethics and change/innovation; in the first case, when combining the responses Very strong and Strong, it accounts for 78.94% of the total, thus highlighting the relevance of the relation. Similarly, in the case of change/innovation, it accounts for 78.74%.
- (x) When obtaining answers to the reason for the above mentioned relationship, 14 new categorizations were established, and these can be used as indicators of the relation between ethics and the dimensions studied, which poses an interesting learning challenge and opportunity for analysis by business experts and other researchers, since they are linked to social, labor, and business development.

13.5.2 *Limitations and Future Research*

As with most research studies, limitations appear, and they can be summarized as follows: The research and its empirical application are conducted within a specific region that is considered relevant due to its industrial and productive nature, but this does not necessarily imply that the results would be similar if they were conducted in other regions, both nationally and internationally. Similarly, the study was limited to a wide group of professionals in different industries, and this could be further refined to more specific or more homogeneous groups.

It would be very interesting indeed to do further research to analyze and detail the most relevant indicators and variables for samples in other countries in order to compare the differences and similarities created by diverse cultures and management styles. Likewise, it would be important to use the instrument for researching the public and government sectors, as well as education, health, social welfare and political sectors. Last but not least, further research should be done combining the findings from the symbiosis between ethics and entrepreneurship and ethics and change/innovation at all levels and ages with new development perspectives for us, in this digital era, providing greater Productivity and Happiness.

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Chapter 14

Social Innovation as an Ethical Basis for Innovation: An Analysis Through Stories of Entrepreneurship



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Abstract In recent decades, globalization has provided an impetus for development in countless organizations, industries, and countries, but has also produced wide economic disparities, social injustices, and vulnerable communities. Against this backdrop, social innovation – with its ethical basis – shapes up as mechanism capable of levelling out inequities and empowering communities. This study examines a group of female entrepreneurs from the city of Tijuana, Mexico, and their potential to innovate socially. To this end, four main variables are studied: *the entrepreneur's life profile, capacity for collaboration, originality of the business venture, and social impact*. The research is qualitative and data were collected through a semi-structured interview conducted with a purposive sample of 10 entrepreneurs. In conclusion, it was observed that women entrepreneurs' life profiles – particularly their level of education and socioeconomic status – had a significant impact on their potential to socially innovate. Nonetheless, there are individual cases in which ethics, values, and a genuine desire to contribute to social transformation drive women to innovate socially, despite their socioeconomic status.

Keywords Social innovation · Innovation ethics · Entrepreneur · Gender studies · Tijuana

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14.1 Introduction

Globalization has meant that even events in faraway places now have a significant and immediate impact across virtually every corner of the planet. This has led to a vast array of opportunities to facilitate regional development, while also creating wide economic and social disparities, particularly in developing regions.

Innovation has emerged as a vehicle capable of providing the necessary conditions for society to adapt by assimilating and leveraging the transformations brought about by this new context.

Without a doubt, innovation has brought major benefits to developed countries, but it is not quite as clear-cut for the developing world. Against this backdrop, social innovation shapes up as a response that takes into account not just technological progress but also the vulnerability of the communities it serves, while remaining more ethical than conventional innovation (Chell et al. 2016). For this reason, social innovation is seen as a vehicle for regional development, empowering individuals to become agents of their own destiny (Nieto 2008; Morales 2010; Richer 2005).

However, it is not enough to assume that social innovation is ethical simply because it seeks to achieve a social impact. Instead, one must dig deeper into the underlying motivations of social projects (Chell et al. 2016), and developers of innovations must bear in mind that, in today's world, there is a direct relationship between knowledge and responsibility, in which ethics play an ever greater role.

Morales (2010) viewed social innovation as the set of actions, processes, practices, methods, or systems that are implemented with participation from the community and beneficiaries and seek to bring about social development through original or innovative changes that can be viably reproduced and generally disseminated without limitation.

This definition means social innovation must be driven by a set of agents of change. In this context, women take on particular relevance as a result of their growing role in the various spheres of human activity, as employees, employers, consumers, or entrepreneurs, but above all due to the knock-on effect achieved when they enter the global economy (Aguirre and Sabbagh 2010).

This approach positions women as key players in social innovation projects. Nonetheless, their ability to innovate socially, and the direction their innovations take, are determined at all times by their life profile (education, socioeconomic level, and collaborative networks).

In this context, it becomes important to explain how female entrepreneurs' life profiles contribute to (1) the originality of their business venture, (2) network building, and (3) the social impact of their business. These are three key variables in social innovation.

The subjects of this research are a group of women entrepreneurs in the city of Tijuana, Mexico. The study provides important information on women entrepreneurs' potential and the aspects that enable them to innovate socially within their own contexts, based on the premise that social innovation is a form of innovation centred on ethics, as suggested by Chell et al. (2016).

14.2 Conceptualizing Social Innovation

The theory of social innovation has been extensively developed over the first two decades of the twenty-first century, leading to a plethora of definitions. However, they are all rooted in an understanding of innovation as a mechanism that encourages economic growth and sustainable development for nations and their populations, at all times from a perspective grounded in ethics and social justice (Colina 2010; Organization for Economic Co-operation and Development [OECD] 2012).

Social innovation presents itself, therefore, as a mechanism that strengthens and empowers society to face up to new challenges in a manner that is both ethical and creative, thus contributing to the development and prosperity of regions and their populations (Colina 2008; Organization for Economic Co-operation and Development [OECD] 2012; Kraemer-Mbula and Watu 2012).

So it is that the origin, means, and ends of social innovation are all oriented towards society. This is applicable in both the public and private sectors and in for-profit and non-profit organizations, where some of the most creative action happens at the boundaries between sectors such as fair trade, distance learning, environmental conservation, and restorative justice (Murray et al. 2010) – a range of phenomena in which ethics are a cornerstone and constant driving force.

The ethical and social perspectives are firmly anchored in a global repudiation of a number of issues, such as climate change, war and conflict in various countries, social inequality, a lack of food, poverty, child abuse and maltreatment, corruption at different levels, trafficking and prostitution of women, migration, unemployment, drug abuse, crime, a lack of access to social security, a lack of housing, illiteracy, pollution, disease, and usury and greed by financial institutions, to name but a few (Villa 2014; Ramírez 2013; Mulgan et al. 2007; Chambon et al. 1982).

These concerns breed such uncertainty, discontent, and dissatisfaction that humankind expects institutions to change in response to this need for improved living conditions (Villa 2014). In this context, say Mulgan et al. (2007), there would be less need for innovation in a satisfied, well-balanced world. Innovation comes about when problems exist and are aggravated and when established systems and institutions do not function or act ethically. This gives rise to a need to create spaces and strategies that help to solve the socioeconomic and political problems that beset society, and particularly its marginalized and vulnerable communities. Ramírez (2013) highlights the importance of generating

targeted strategies and actions that help to close the social inequality gap we are seeing, reduce poverty, offer quality education, improve security, create jobs, and wipe out corruption, thus producing better living standards [...] (p. 212)¹

Despite the importance of this phenomenon, in scientific literature there remains a lack of academic consensus on the concept of social innovation; the term is considered a malleable concept that can be framed from different perspectives

¹The translation is my own.

(Hernández-Ascanio et al. 2016). While the concept continues to evolve, the definitions employed by the various approaches include recurring references to concepts like originality, transformation, entrepreneurship, interaction, collaboration, necessity, collectiveness, community, complexity, diversity, social well-being, sustainability, social justice, commitment, equity, and social inclusion, among others (Abreu 2011; Bouchard 2006; Conejero and Redondo 2016; Dawson and Daniel 2010; Echeverría 2008; Morales 2010; Moulaert et al. 2013; Murray et al. 2010; Pérez 2007; Phills Jr. et al. 2008; Richer 2005; Taylor 1970; Westley and Antadze 2012).

In particular, the concepts of social well-being, sustainability, social justice, and equity allude to a view of innovation that is centred on ethics. In this line of thought, authors like Bustamante (2013) note that social innovation has three ethical vectors that allow the technical excellence and social relevance of innovation to converge. These ethical vectors are (a) Community knowledge and innovation; (b) Engagement, citizenship, and democracy; and (c) Education.

Loogma et al. (2012) and the European Commission (1995, 2013) identify various enablers of social innovation, which are consistent with Bustamante's (2013) proposal: (a) the social need to be met; (b) the social objective; (c) mechanisms of social change, which include education, learning, negotiation, etc.; (d) social engagement, which includes collaboration, sense of community, etc.; and (e) social benefit, which includes empowering participants, identity affirmation, democracy, social inclusion, etc.

As can be seen, all these aspects that give a social meaning to innovation are closely linked to individual and collective ethics and, therefore, the life profile of each participant.

14.3 Methodology

This study employs a qualitative approach to describe how the profiles of women entrepreneurs impact their capacity for social innovation. The research was conducted in the city of Tijuana, Baja California, Mexico. Tijuana's location just across California's southern border has resulted in the city becoming a space for binational interaction, where the concentration of political, economic, social, and cultural relations between the two countries encourages collective work (Celaya and Almaraz 2011) and promotes the development of creative environments and innovation processes.

The research employed non-probability purposive sampling, with participants identified following two main strategies. The first strategy involved approaching entrepreneurship support organizations in the city of Tijuana: the Research, Assistance and Teaching Centre for Micro and Small Enterprises (CIADMyPE) and the National Chamber of the Electronics, Telecommunications and Information Technology Industry (CANIETI). The second strategy used to identify research subjects was exponential discriminative snowball sampling.

A qualitative data collection instrument comprising 34 questions was designed, based on specialized literature: Buckland and Murillo (2013), Rey de Marulanda and Tancredi (2010), the European Commission (2013), and the Agencia Vasca de la Innovación (2013) (Basque Innovation Agency).

This method is not intended to yield generalizable results for wider populations, nor can it be claimed that the samples obtained were representative. The interviews focused on gaining a deeper understanding of women's participation in social innovation processes, on the basis of the experiences of the entrepreneurs who took part in the study.

Based on the literature review and after identifying the aspects most frequently found in the social innovation process, a content map was developed. This map aims to characterize the life profiles of the entrepreneurs and gauge the scope of their business ventures, while also determining their capacity for social innovation (see Fig. 14.1).

The instrument comprises two main sections. The first focuses on characterizing the life profiles of women entrepreneurs through three sets of questions: demographic characteristics, context, and entrepreneurship. The second section sought to determine the entrepreneurs' capacity for social innovation and was divided into three sections: *degree of originality of the business venture*, *degree of association or collaboration between entrepreneurs*, and *degree to which the entrepreneurs achieve a social impact*.

Once the instrument had been designed, the entrepreneurs were contacted by telephone to schedule interviews. The interview process took around 3 months, after which the information collected was processed by transcribing the interviews and

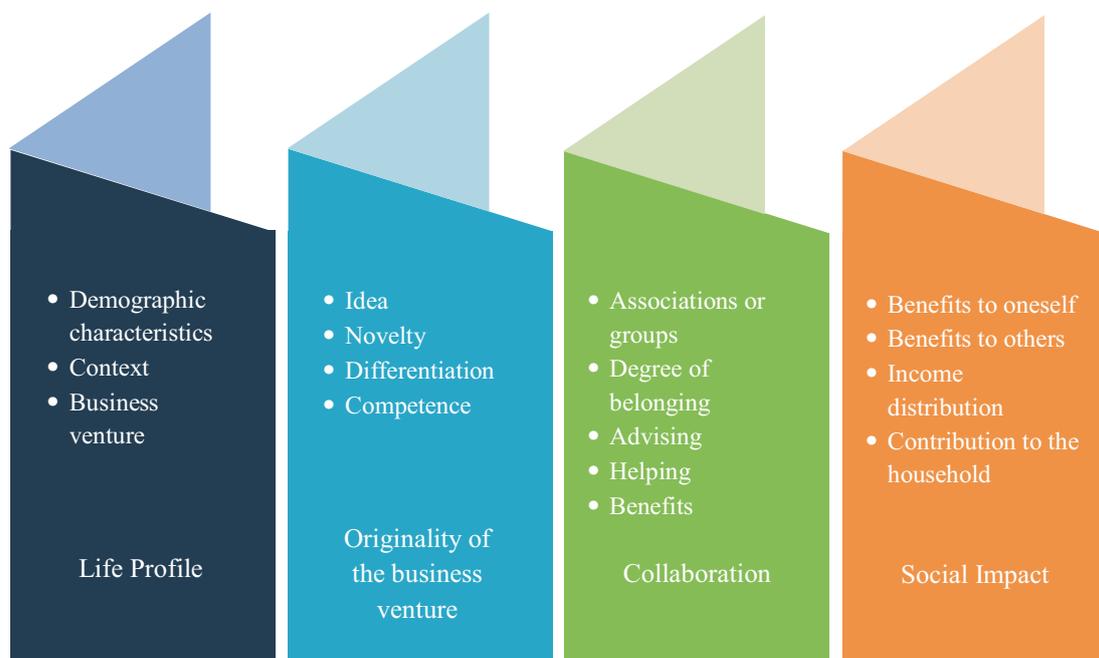


Fig. 14.1 Content map (Self-source)

then conducting a speculative analysis, as per Strauss and Corbin (2002), and a narrative analysis, as per Creswell and Poth (2018).

The narrative structure made it possible to organize and categorize data, with a focus on the participants' accomplishments, in order to estimate each entrepreneur's capacity for social innovation.

The following section is structured around the three core components of the social innovation process: degree of originality of the business venture, degree of association or collaboration between entrepreneurs, and degree to which the entrepreneurs achieve a social impact.

14.4 Results and Discussion

Data analysis was carried out based on the narratives of entrepreneurs' accomplishments with the goal of estimating their capacity for social innovation. First of all, the interviews provide the participants' demographic characteristics and life circumstances with a view to describing the unique, specific contexts in which entrepreneurs operate, together with their business experiences (see Table 14.1). To attempt to determine their capacity for social innovation, questions were asked about the originality of their business ventures, their capacity for collaboration, and their understanding of their social impact, which altogether attest to their social innovation capacity.

It should be noted that the ages of the women in the study sample ranged from 33 to 46 years. Of the 10 women interviewed, only three had more than one child, and the same three had the lowest level of schooling (lower secondary or primary education). Four of the interviewees had undergraduate education, only one of whom was single and had no children, while the remaining three all had a master's degree (in marketing, international corporate law, and operations management) and were single, with only one having a dependent.

14.4.1 *Degree of Originality of the Business Venture*

No discussion of innovation can brush aside the concept of the new idea, which various authors have claimed to be at the very heart of innovation (Schumpeter 1976; Rincón 2004; Morales 2009; Organization for Economic Co-operation and Development [OECD] 2005; European Commission 1995; Caulier-Grice et al. 2012). According to Schumpeter (1976), innovation may consist in a new good, the introduction of a new method, the opening of a new market, the conquest of a new supply source, or the creation of a new organization. Accordingly, the first subcategory in this study, origin of the idea for the business venture, focuses on establishing whether the venture arose out of a similar pre-existing business model, exhibits significant differences from any such model, or is an entirely new idea.

Table 14.1 Overview of entrepreneurs (Self-source)

Entrepreneur 01	She produces and sells cheeses. Her business was founded out of necessity, but she has managed to generate a regular stream of income for her family, in addition to achieving an impact on her community on both social and business levels
Entrepreneur 02	An architect by training, with seven years' experience, she started a business selling handicrafts upon becoming a mother. She currently lives in Tijuana as a result of her husband's job and is studying a master's degree in family constellations at the National Polytechnic Institute (IPN), Tijuana campus
Entrepreneur 03	She is currently in informal employment and runs a business selling car accessories and other products at a travelling street market. Her journey as a microentrepreneur began in Sinaloa. She set up her business mostly for the flexibility it gives her to continue to fulfil her role as a mother and, in particular, provide care for her young daughter, who is disabled
Entrepreneur 04	A native of Monterrey, she holds a bachelor's degree in marketing. Her previous work experience was in design, as an apron maker and production manager in the United States. She began her business endeavour when she got married; her in-laws have a cattle ranch, so she began to explore permaculture and has taken certification courses in cheese-making and equine-assisted therapy. She is in the process of becoming certified in the United States
Entrepreneur 05	A native of Mexico City, she holds a bachelor's degree in computer science and has worked in educational software development since 2002. Her company is part of a group of software development companies with ties to Silicon Valley. Their focus at the moment is on developing educational software for basic-level students (at preschool and primary levels) and their teachers
Entrepreneur 06	She works in circus arts, and specifically fantasy makeup. She left school after completing lower secondary education, but then learnt her trade as a makeup artist. Originally from a family of limited means in Mexico City, she moved to Tijuana in search of better work opportunities and living standards. Her current job enables her to look after, raise, and provide for her three children
Entrepreneur 07	Originally from the State of Mexico, she holds a bachelor's degree in architecture and put her career on hold when her third child was born. Three years ago, she joined a multilevel marketing scheme that has given her freedom in the way she works and a steadily growing income
Entrepreneur 08	A native of Tijuana, she holds a master's degree in marketing and is a single mother of one. This is her first company and is based on public relations, specifically in the health sector with a view to medical tourism. She gained her experience working in hospital management, where she was able to build relationships and networks of contacts, which she capitalized on to open her own business
Entrepreneur 09	She is a Tijuana native and single with no dependents, and holds a master's degree in international corporate law. A multidisciplinary professional, she has knowledge of programming and foreign trade. She has worked as a consultant since 1998, and in 2007 decided to start her own company, a firm specializing in computer systems for foreign trade
Entrepreneur 10	An entrepreneur from Tijuana, and single with no dependents, she earned a master's degree in operations management in England. She is currently the operations manager of a galvanizing and metal plating plant, a family business founded by her father. Although small, the company stands out for its innovative processes. This has opened the door to the US market, particularly given the company's geographical position and low costs

The results show that half the entrepreneurs displayed new ideas, while the rest reported basing their ventures on pre-existing business ideas within the same development context. Of particular note is the fact that entrepreneurs native to the city exhibited greater originality, which suggests that having lived most of their lives in the same city has enabled them to better understand the dynamics of their environment, enhancing their capacity to find new ways to meet local demand.

(...) you wouldn't think it, but having crossed the border [into San Diego] from a young age to eat at McDonald's, go to the cinema, and watch the Padres [San Diego baseball team] gives you another idea of culture and brings you so much closer [to American culture]... for example, one thing we've noticed is that we have no problem dealing with them as equals, we don't buckle under, not at all, so our mentality is different (Entrepreneur 05).

A look at the interviewees' level of education shows that those who have achieved the greatest levels of novelty in their business ventures also exhibit the highest levels of schooling. This same pattern of behaviour can be applied to the differentiation of the business venture, as it is entrepreneurs with more original ventures and higher levels of education who have achieved highly differentiated businesses, while the remainder show little differentiation.

It is also interesting to note that entrepreneurs who have based their businesses on information technology are the only ones not to face direct competition in the region. However, in this project the notion of innovation goes beyond the technological aspect; it also refers to generating and applying new ideas and is dependent upon participants engaging with each other within their own social systems (Marcy and Mumford 2007). From this perspective, innovation is bound to the social context in which it takes place. The capacity to innovate is therefore influenced by the history, culture, education, institutional politics, and economic structure of societies (European Commission 1995; Sachs 2006; Nieto 2008).

In addition to this, Caulier-Grice et al. (2012) maintain that innovations, particularly social ones, need not be entirely original or unique, but do require some degree of novelty with respect to their field, sector, region, market or user, or the way they are implemented. With that in mind, connections were found between the degree of originality of the business venture within its context and the entrepreneurs' work experience, level of education, and origin.

Indeed, highly educated entrepreneurs and those with significant experience in their field have been able to innovate in their respective industries. However, cases were found in which women entrepreneurs from lower socioeconomic backgrounds and with low levels of education have demonstrated small incremental innovations, positioning them as role models within the region.

In sum, it was found that four of the 10 ventures studied achieved a greater level of originality (entrepreneurs 05, 08, 09, and 10). Entrepreneurs who displayed greater originality were from a higher socioeconomic background, which has enabled them to pursue a professional career. It is thus striking to note how socioeconomic status has a significant impact on the complexity of innovations.

14.4.2 Degree of Association or Collaboration Between Entrepreneurs

One hallmark of social innovation is collaboration between those involved. Indeed, Richer (2005) reported that one of its most salient features is the construction of cooperative relationships between participants at a local level. This explains why social innovation is seen as a collective learning and knowledge creation process (Cloutier 2003). It is uncommon for social innovations to function in isolation, particularly given that the lines between the various participants have become ever more blurred (Buckland and Murillo 2013).

On this basis, to measure the interviewees' capacity for social innovation, it becomes crucial to determine the degree to which they establish collaborative networks. One subcategory that enables us to analyse the entrepreneurs' capacity for collaboration is the number of associations that they belong to. In this sense, entrepreneurs with more complex business models were found to belong to a higher number of associations; this is the case with entrepreneurs 05, 08, and 10. Similarly, a relationship was found between entrepreneurs' capacity to understand their context and their capacity to associate with others and establish connections; entrepreneurs native to the region are better placed to develop collaborative networks within their own environments.

Conversely, those with simpler business ventures displayed a low level of membership in associations. For instance, entrepreneurs 01, 02, 03, and 04 were found to belong to a low number of associations, as they reported being associated with just one organization, which mostly assists them with business management.

The degree of belonging shows how well-integrated the entrepreneurs are in their associations. The intention here is to take into account not just membership but the quality of their engagement, whether this takes the form of participating in events, providing advice, or helping to run the associations.

It was found that participants who belong to a greater number of associations are also more heavily involved in their associations. In this regard, the origin of entrepreneurs is not believed to have an impact. However, integration can be associated with other characteristics, such as marital status, level of education, and number of dependents.

This is consistent with Aguirre and Sabbagh's (2010) assertion that as women become more economically active, they tend to have fewer children, their cultural priorities change, and they become better prepared to lead independent lives. In turn, this enables them to focus first and foremost on their professional lives and engage in activities that create more business value, as is the case with collaborative networks.

Particularly noteworthy in this regard is entrepreneur 01, whose business venture is not one of the most complex, but who nevertheless exhibits a significant degree of belonging to associations. In this case, it is her own personal traits – such as motivation – that have led her to stand out.

I like to ask for things, I like to say, 'you're a government official, you have resources'. I'm not asking in my name, but for all the cheese-makers, of whom I am one. So give us the chance to make ourselves known (Entrepreneur 01).

As for giving advice to other entrepreneurs regarding their experience in business management, only three of the 10 participants were reported to have significant experience; entrepreneurs 04, 05, and 09 reported, to varying extents and in various ways, helping colleagues or other entrepreneurs within their sector in business-related matters. Thus, the results observed did not show any definitive link between entrepreneurs' profiles and the help they provided to other entrepreneurs.

Finally, the results observed in relation to the degree of association or collaboration among entrepreneurs show that out of the 10 participants, four exhibit a higher degree of association or collaboration: entrepreneurs 08, 05, 10, and 01. Interestingly, this group includes most of the entrepreneurs from a higher socioeconomic background, but also one of lower socioeconomic status. A relationship can therefore be identified between the degree of collaboration and the entrepreneurs' socioeconomic status. This can be explained primarily by the motivation for the business venture and how well placed entrepreneurs are to support and work together with colleagues.

Most entrepreneurs who exhibit lower degrees of collaboration report starting their business mostly to gain greater flexibility to look after family members. Their main concern is therefore family care, rather than business and activities that create business value.

14.4.3 Degree to Which They Achieve a Social Impact

The most distinctive feature of social innovation is, in all likelihood, its social impact, which is closely linked to the ethical aspect. This social impact may relate to improvements in living conditions, consumption, the way time is used, the family environment, labour market insertion, housing, income, or health and safety, among other aspects (Morales 2010). Thus, the primary aim of social innovation is to fulfil a social need. According to Caulier-Grice et al. (2012), social innovations are centred on needs because in most cases, these are met not by the state or non-profit organizations but by friends and family members. With this in mind, the entrepreneurs' social impact was measured by examining aspects such as the benefits derived from their business venture, the benefits to third parties, income distribution, and their contribution to household income.

The main benefits observed in this study are organized into four subcategories: increase in economic status, improvement in quality of life, economic independence, and self-realization. Generally, the business ventures that have the greatest impact on these four categories are established by more highly educated women from a higher socioeconomic background. In addition to their impact on the first two subcategories (which are directly associated with economic betterment), their businesses also have an impact on their ambition to achieve substantial economic independence and self-realization – goals associated with personal development

rather than the fulfilment of basic needs. These ambitions are reflected in the initial motivation behind their businesses.

As an entrepreneur, I feel fulfilled, because it's a challenge. Being a woman, a professional, and a housewife is tough, but not impossible if you manage your time well, so I think it's a great challenge, and a challenge that can be overcome (Entrepreneur 08).

More vulnerable entrepreneurs in terms of socioeconomic status and education aimed, from the outset, to improve their financial situation and quality of life, with personal fulfilment not featuring among their main motivations, let alone a desire to benefit others, as illustrated by entrepreneur 03:

So that's why (...) I couldn't do any other job, because my ten-year-old daughter I was telling you about has Down syndrome, so I couldn't do any other work or clean offices because it just wasn't possible; I spent all my time at the school, every morning at the school. It's a requirement imposed by the school, you can't just drop her off and leave or they won't take her, so I spent almost 5 or 6 years at the school.

Indeed, the ability to have an impact on others is a highly sought-after characteristic in social innovation projects, and in this regard, it was more highly educated entrepreneurs from higher socioeconomic backgrounds, and with no dependents, who were able to achieve an impact that went beyond a personal benefit. This suggests that it is one's personal situation that makes it possible to achieve an impact on others' lives and not just on one's own immediate context; all four mention engaging in community support programmes focusing on marginalized groups or their own employees. It may be concluded therefore that these entrepreneurs are better placed to help others than the other participants.

I remember my first *posada* (Mexican Christmas party) three years ago. I remember entering the room and seeing all the workers' families, their wives, their four kids... and I felt such a huge social responsibility I hadn't felt before; I feel responsible (Entrepreneur 10).

Some colleagues of mine didn't finish primary school. For me it's important they're well qualified, that way I can ask more of them – and pay them more, obviously (Entrepreneur 10).

One outlier is entrepreneur 01, who falls into the group of entrepreneurs who have achieved the greatest impact on others. She has not only improved her quality of life and that of her family, but has also sought to impact her community by securing basic utilities for her neighbours and cultural support programmes for children and young people. Equally, she has made an impact on their livelihoods by getting involved in creating events and associations that provide wider exposure for their products and greater support for their businesses.

I like to share everything God gives me, whether that's information, job skills or knowledge (...) I like to look for showcases or ways I can be out there and tell people about what they're buying, and talk to them about our cheese and the importance of making healthy purchases (Entrepreneur 01).

The explanation for this behaviour lies specifically in the motivation behind the business venture and, primarily, a capacity to build networks that have enabled her to achieve a greater impact than other entrepreneurs who share similar characteristics.

The remaining entrepreneurs (02, 03, and 06) have achieved less of an impact on others. This may be due to the vulnerable situation that they and their businesses find themselves in, which has not provided them the means to achieve a greater impact on people outside their immediate context, in other words beyond their families.

We're fully independent, we see our growth through our needs and we're going to try to get what we need (Entrepreneur 06).

It was in income distribution and contribution to household income that substantial differences were found. Entrepreneur 04 uses most of her income to fund social causes, while entrepreneurs 01, 03, and 06 reinvest some in their businesses and the rest is channelled towards their families. Entrepreneurs 05, 09, and 10 split their profits mostly two ways: a portion is reinvested into the business, while the rest covers their personal needs. This is due to the fact that they are single and have no dependents, so have no household to contribute to.

Broadly speaking, it was observed that all entrepreneurs with dependents set part of their income aside for their dependents' well-being, and in particular their children's education. As discussed in the literature, women commonly invest a higher share of their income in their children's education than men, leading to a greater social impact (Aguirre and Sabbagh 2010). This is consistent with findings by Yunus (2006), who argued that having money brought into the household by women translates into greater benefits for families, as the benefits obtained generally directly serve children. For example, entrepreneur 06 reports:

So makeup caught my interest, and I started doing it for work. It was a job that allowed me to look after and raise my children because I had no other family here. And for me, my children's upbringing and care were paramount, so this was a job that helped me do two things: bring in an income and work with my husband, and ultimately, be with my children without neglecting them.

Thus, an examination of the social impact achieved by entrepreneurs shows a strong link between their socioeconomic status and capacity to impact their community. This is the case for entrepreneurs 05, 08, and 10, who exhibit a greater impact while also belonging to a higher socioeconomic status. This enables us to infer that the capacity to impact society is also linked to entrepreneurs' socioeconomic status.

14.4.4 Capacity for Social Innovation

This study measured the female entrepreneurs' capacity for social innovation through three categories: originality of the business venture, collaboration, and social impact. Analysing these aspects made it possible to observe behaviour and infer the relationships that exist between these dimensions and the profile of each entrepreneur.

In summary, links were found between these three main areas in entrepreneurs with the greatest impact. The profiles of those that appear to have the greatest capacity for social innovation (entrepreneurs 05, 08, and 10) exhibit similar characteristics, namely in terms of their level of education, marital status, and origin, and the motivation behind their business ventures. Two members of this group hold a master's degree and the other a bachelor's degree, which shows that entrepreneurs' level of knowledge is indicative of their capacity for innovation.

Similarly, a relationship was found between the entrepreneurs' marital status and their motivation for launching their businesses. Three of the participants with the greatest capacity for social innovation were single and reported their main business motivation to be professional growth. Their single status and business motivation have provided them with a clearer focus and direction in managing their businesses. This contrasts with the rest of the entrepreneurs, who report starting their businesses mainly to gain greater flexibility to take care of their families, and are not necessarily focused on business growth or activities that add value to their businesses.

Thus, the major behavioural differences between the entrepreneurs studied essentially concern the time they devote to the business and whether their vision is oriented towards business growth. Those that appear to have a greater impact have been able to engage in certain activities that have allowed them to inject more value into the business, as has occurred in the collaborative networks that have formed within their respective industries. This is important to mention as one of the hallmarks of social innovation is a pooling of efforts by different participants, encouraging cooperation and hybridization between sectors (Agencia Vasca de la Innovación 2013).

The last category considered in determining the capacity for social innovation was social impact. Like in the previous categories, it was the same group of entrepreneurs that featured more prominently in this respect. One explanation for this behaviour is the fact that these entrepreneurs are also those of the highest socio-economic status, which suggests that this puts them in a better position to help other entrepreneurs or the community in which they operate.

Nevertheless, it is important to stress that this category also includes entrepreneur 01, who, despite not achieving the highest total capacity for social innovation, was shown on the basis of the subcategories to warrant further attention. Entrepreneur 01 does not share the same profile characteristics as the group with the greatest capacity for social innovation, nor has she enjoyed the same advantages, yet she has achieved a significant impact not just on her family's lives, but also on community members' lives and even the sector she works in.

Therefore, the results indicate that entrepreneurs of higher socioeconomic status have a greater capacity to innovate socially as they find themselves in a better position to do so. However, it was also found that although socioeconomic status does afford a significant advantage, it is far from being the only factor. Indeed, the results suggest that business motivation is also of great importance, both in launching and providing direction for a business, and as a determining factor of what the business will achieve.

14.4.5 Conclusions

Academically, the field of social innovation is still being consolidated. The discussion on its conceptualization has not been resolved, as there is no consensus on its definition or constitutive elements. Many efforts by international organizations to measure it are still in development.

However, what is clear is the importance of social innovation for regional development, as it provides innovative and ethical solutions to the problems and challenges faced by modern-day society. From this perspective, this study offers one approach to discussing social innovation, but also to measuring the selected sample's capacity to innovate socially.

In this sense, this research identified three key components of social innovation processes. The first is originality, having innovation projects based on a new idea; the second focuses on collaboration, as developers of social innovations must give thought to collaboration between the various participants and sectors involved; and the last is the social impact, considered to be at the heart of any social innovation process, which should be deeply rooted in ethical principles and foundations.

On that basis, the following findings are clear from the study results. As far as originality is concerned, the research suggests that a high socioeconomic status has an impact on one's capacity to establish original business ventures. A higher level of education influences entrepreneurs' capacity to become part of innovation processes and add complexity and value to these processes.

Meanwhile, entrepreneurs' capacity to establish collaborative ties through membership in associations, or simply through helping other business owners, is affected by their socioeconomic status. Entrepreneurs with higher levels of education, of higher economic status, or whose marital status entails fewer family responsibilities are better placed to build up these collaborative networks.

The motivation behind each business endeavour also plays a role in this respect. Entrepreneurs with motivations that extend beyond simply meeting their basic socioeconomic needs, who also seek to develop professionally and expand their business, invest more effort into establishing these ties, which has repercussions on the strength of their business.

Lastly, there is a direct relationship between the extent of entrepreneurs' social impact and their socioeconomic status. Entrepreneurs of higher socioeconomic status, whose primary needs have been met, are better placed to seek ways to achieve an impact beyond their immediate environment, for example in foundations or marginalized groups, or among their own co-workers.

It follows that certain aspects of the women's profiles, such as their financial situation, family status, and education, equip them with tools that bolster their capacity for social innovation.

In particular, education is one vehicle that has sparked individuals' capacity to create more complex innovations, yet it remains a reality that conditions in developing countries often restrict access to education, especially for women.

However, this study found that there are other factors associated with the capacity to innovate socially, which may offset the disadvantages faced by women. These include a personal motivation that goes beyond financial growth and extends to other forms of development, the pursuit of personal accomplishments and fulfilment, and a capacity to build collaborative networks. These factors are not always associated with socioeconomic status, but without a doubt play a role in social innovation capacity.

Another aspect that came to light in this study relates to the advantages that the entrepreneurs attribute to their geographic location. In this sense, most entrepreneurs highlight the opportunities Tijuana offers on account of the city's proximity to the United States. In other words, their location opens up opportunities that they would not have access to if they did not live right on the border. These opportunities range from having access to a larger market to the ability to purchase raw materials at better prices and gain inside information on novelties, enabling them to innovate within their own contexts. Equally, this exposure to greater cultural diversity fuels the exchange of ideas, which has an impact on creative capacity.

In addition, the literature and the findings of this study have brought to light greater economic participation by women, which has significant implications that are reinforced by the roles they play in society; as women become economically active, their socioeconomic priorities diversify. Thus, the results observed in this study suggest there exists a great opportunity to design public policies geared towards creating the conditions and mechanisms necessary to increase women's capacity for social innovation. Building collaborative networks that enhance women's role in the socioeconomic development of their environment is an ideal way to achieve this.

Lastly, this study has shown that intent and capacity to innovate socially are not just associated with ethical factors; other factors, such as women's life profiles, also play a role, with women's economic status and level of education empowering them to think and act – or precluding them from thinking and acting – in such a way as to achieve an impact on society that goes beyond their personal lives. The reality is that any entrepreneur will need to seek first to fulfil her own primary needs before attempting to have any impact on others. This is not directly associated with the ethical aspect.

This would also explain why many successful cases of social innovation contradict the literature. To put it another way, ideally it is hoped that social innovation will originate from the bottom of the pyramid, yet it is often those at the bottom of the pyramid that face the least favourable socioeconomic conditions to undertake such projects.

As a result, it is those towards the top of the pyramid – business owners or the government – that end up promoting these initiatives. Consequently, any discussion of education or awareness-raising in terms of ethics or values is of little use if we fail to also put in place the socioeconomic conditions necessary for these projects to bear fruit.

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Chapter 15

Just Good Business: Torrecid – A Case Study



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Abstract Although the companies always seek their own benefit, in most cases end up benefiting the public interest collaterally, offering products and services, in addition some companies try to be or appear good. A company that serves the public interest and at the same time makes a profit is not only doing good management but is socially responsible. When speaking of business ethics, globalization has served to underline the growing role of multinational companies, sometimes these companies fulfill the functions of promoting the common good better than some states, on some occasions pressured by the market and public opinion; other times however of their own interests. On other occasions, companies extending their country's legislation to their facilities in other countries benefit the latter. Business ethics is not a tactic but a culture, which applied in multinational companies can have extraordinary effectiveness to improve life in this globalized world. Having a good business ethics program can be used not only as a competitive advantage in the market, or as a marketing strategy for consumers and clients, but in many cases ensures better financial returns for the company. In most cases, good works are rewarded, while the bad ones are punished by the market itself. In this chapter, we present the case study of the Torrecid Group which is a Globalized Multinational Business Group founded in 1963, dedicated to provide products, services, solutions, and future trends to the Ceramic and Glass Sector. It is present in 28 countries and has customers in more than 130 countries. Its headquarters are located in Alcora (Spain). This case study explores the ethical behavior of this group.

Keywords Ceramic sector · Business ethics · Corporate social responsibility (CSR) · Good business

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15.1 Introduction

Although the link between the act of leading and ethics has been studied since antiquity (Bass and Steidlmeier 1999; Correa Meneses et al. 2018), ethics in organizations is a relatively new topic in the USA; at first, it was related to a legal perspective, while in Europe, a trend toward trust and self-regulation of organizations was assumed (Toro and Rodríguez 2017). The conflicts that have emerged between organizations with their interest groups and the financial corruption scandals that have rocked the world in recent decades (McCann and Holt 2013; Mayhew and Murphy 2009) have generated that ethics takes relevance and is on the agenda of organizations and universities. Brito (2016) claims it is necessary that leaders, through their ethical decisions and actions, become an example of integrity for the interest groups of the organizations to which they belong. Furthermore, in the current climate of uncertainty, there is a great challenge to restore trust, faith, and optimism in organizations (Niemeyer and Cavazotte 2016). In summary, people want to be reliable, positive, and honest, that is, ethical leadership (Correa Meneses et al. 2018).

The first studies on ethical leadership focused on the traits of the leader. The traits that define a leader as ethical are: integrity, honesty, and reliability (Brown and Treviño 2006), which generate followers' expectations about behavior and have been empirically associated with effective leadership. When acting as an ethical leader, it also influences the organizational culture (Correa Meneses et al. 2018).

Ethics reflects on the purpose of human behavior, social institutions, and coexistence in general (Guisán 1990). Organizational ethics articulates ethics and organizations as social systems in which people converge and share objectives; it is a discipline that reflects on human behavior from the perspective of what is correct or not in the administration and that must be contrasted within a society with conflicts and interests that limit human beings (Toro and Rodríguez 2017). It can also be defined as the analysis of what should or should not be done to contribute to one's own good and that of the organization, in search of improving human quality and developing the potential of the people who make it up (Guillén 2006).

Developing ethical competences is a necessity for organizations, since ethics helps its members to make better decisions based on reflection on the norms that govern their behavior (Toro and Rodríguez 2017). In decision making ethical dilemmas are constant, where the investigation of what is right or wrong is a complex matter and where it is necessary to identify variables that allow understanding situations and acting toward them. The effectiveness of the decision-making process depends largely on the efforts that the organization deploys to carry it out, since they influence both the individual ideologies and the ethical values of the organization (Verma et al. 2016). Improving the decision-making process is essential for the development of the organization, since it affects the managers and leaders of the organizations, influences the production fields in which companies focus, and affects their stakeholders (Trevino 1986).

In organizations, people explore ethical situations when they must come face to face with their own values and with their ability to manage and resolve situations

that require intervention in the workplace (Toro and Rodríguez 2017). Organizational culture is understood as a particular system of symbols influenced by history and society in which the organization operates and which generate its identity, is flexible and is transformed according to the contingency factors generated by the employees and the context (Allaire and Firsirotu 1992). Mendez (2000) defines it as the collective consciousness that is expressed in the system of meanings shared by the members of the organization, which identifies and differentiates them from others, institutionalizing and standardizing their social behaviors. Likewise, the organizational culture influences the behavior and performance of employees, since through this it is possible to establish moral parameters with which individuals can link or identify themselves (Trevino and Nelson 2010; Valentine and Fleischman 2004). When an organization aims at the inclusion of moral parameters as the axis of its organizational culture, it is called an ethical organizational culture. In this sense, an organization can contribute to the moral development of an individual, by encouraging a culture that allows its members to make ethical decisions and fulfill individual and social responsibilities.

Although the entrepreneur's selfish goal always serves the public interest (Preziosa 2007), some companies try to be or appear good but a company that increases its profits and at the same time serves the public interest is only going good management. Businesses today want more than to maximize profits and many seek to produce other benefits for society (Hervás-Oliver et al. 2018). A new way of doing business appears, this way integrates respect for people, ethical values, the community, and the environment with the management of the company, regardless of the products or services it offers, the sector to which it belongs, its size or nationality.

To be ethical, a company must meet the following three premises (Moncuerde 2018): (1) possess ethical regulation mechanisms, (2) that their actions be classified as ethics by third parties, and (3) ethics is integrated with the business. For the authors of this chapter, the most important would be the third, which implies that the organization's actions are coherent and ethical values are integrated into them.

With all that has been seen, business ethics can be defined as the set of values, norms, and principles reflected in the culture of the company, whose objective is to achieve greater harmony with society and allow better adaptation of workers in the workplace, respecting their rights in their dual role as employers and individuals. The company must not only look at itself but for all stakeholders. If a company acts ethically, worker motivation and satisfaction will be increased, business cohesion will be generated, the image of the company will be improved and with all this, its shareholders will also be more confident and satisfied.

In this chapter, we present the case study of Torrecid. The case study has been done as an exploratory case (Yin 2018) focusing on ethics issues. This company is a Globalized Multinational Business Group founded in 1963 and dedicated to provide products, services, solutions, and future trends to the Ceramic and Glass Sector. Its main working principle is: "we offer not only high-quality materials for ceramic industry but also very important additional advantages as total technical support and consulting on production, implementing of innovative technologies, as well as newest modern designs of ceramic tile and decoration." It is present in 28 countries

around the world with customers in more than 130 countries. Its headquarters are located in Alcora, Castellón (Spain), and we try to analyze its ethical behavior. For this we check if the company prioritizes its clients' needs, the transparency policy, its dealing with workers, its respect for the environment, its respect for human rights, its organizational culture and climate, the effectiveness of the organization, its external image, decision-making at the organizational level as well as other important aspects.

The rest of the chapter is structured as follows: first, a company introduction; second its product and market characteristics; third, its corporate ethics values; and finally, some conclusions and future works are provided.

15.2 Torrecid Group

15.2.1 *Creation and Evolution of the Company*

The frit and enamel industry is strongly committed to innovation, dedicating a significant part of its resources to R&D. The quality and competitiveness of its products has been a stimulus for the spectacular growth of the ceramic industry in Spain. The synergies of collaboration between the ceramic industries and the factories of frits, enamels, and ceramic color have catapulted the Spanish ceramic world, being one of the main world producers (Hervás-Oliver et al. 2018). In the 1990s, the sector experienced growth of 236%, thanks to the expansion of the foreign market (exports grew by 529%). From 2000 to 2008 there was an increase in global sales of 50%, increasing exports by 86%. From 2009 to 2012 there was a 27% reduction in sales compared to 2008, due to the global crisis. At the end of 2012, an improvement was registered that continued in the period 2013–2016, although sales continued to be below pre-2008 levels. In the last two years, the improvement in sales has continued, reaching historical turnover and productivity records (Table 15.1).

Torrecid was created on 15 August 1963 when its founder, Mr. Federico Michavilla Pallarés, started a small plant in Alcora, occupying 392 sqm, where a staff of 8 produced 800 tons of frit yearly. In 1978, the actual CEO joined the company and led the change with a new vision for the business and together with his

Table 15.1 Ceramic frits, glazes, and pigment statistics sector

Total sales of the sector 2019	1.327.661.063 €
Total exports 2019	943.707.481 €
Percentage of total sales	71,08%
Total sales Spain 2019	383.953.582 €
Percentage of total sales	28,92%
Total workers in the 2019 sector	3.876

Source: Asociación Nacional de Fabricantes de Fritas, Esmaltes y Colores Cerámicos. Sector Figures, 2019

team transformed a small family company into a Global Multinational Worldwide Leader. The company evolution is as follows (Torrecid 2018):

- Al-Farben, founded in 1980, is a world leader company in the manufacture of colors and inorganic pigments for many sectors: glaze and body stains, glass enamel coating, and decoration colors (for low temperature, metallic effects, fusing glass, tableware, etc.).
- Torrecid Group's presence in Italy dates back to 1989. This was the first subsidiary established out of Spain with a clear objective of positioning in the leading manufacturing ceramics market.
- Opening of new commercial offices with technical services based on personalized service, development of innovative products and revolutionary technology: Portugal (1990) Mexico (1992), Brazil (1993), Indonesia (1995), Morocco (1997), Thailand (2003), Poland (2004), UK (2004), Taiwan (2005); India (2008), Turkey (2009), Vietnam (2010), Russia (2010), The Middle East (2011), Colombia (2011), Malaysia (2012), USA (2013), Korea (2013), South Africa (2014), Bangladesh (2014), Japan (2015), Peru (2016), and Egypt (2016).
- Installation of productive plants, with the most modern technology: Brazil (1996), Indonesia (2002), and Suzhou in China (2002).
- Acquisitions: Eracles SRL in Italy (2000) produces balls and coating of high-density sintered alumina; Glazura SRO in Czech Republic (2002); Surcotech in UK (2004); Reimold und Strick group in Cologne, Germany (2005); CCT Group in Tortosa (Spain) dedicated to development and production of inorganic pigments and colors (2005); Wandergar in Castellon (Spain) is an engineering company for ceramic applications focused on providing technical solutions for architecture and interior design projects, with a wide range of techniques, such as ventilated facades, clad facades, raised floors, ceramic ceiling, or dry installation systems (2007) and Mefrit spol, SRO in Czech Republic (2018) for the production of frits and glazes for the ceramic and metal sector.
- Chilches Materials S.A. was created in 1999, the main activity is the processing of zircon sand to offer opacifiers with different degrees of fineness worldwide. The company has the latest technology in ultra-fine grinding and fully automated bagging process.
- Creation of Digital Service Ceramic SL. In 2006, full implementation of digital ceramic decoration in the field of ceramics and glass.

The history of growth and development of Torrecid is linked to innovation. The most significant events the company can highlight as far as innovation is concerned are the following (Torrecid 2018):

- In the 1980s: Porous single firing manufacturing technology
- In the 1990s: Opening an exclusive center dedicated exclusively to R&D, mirror-like tile surface production technology, roller glaze application technology, electrostatic dry glaze application technology, and opening of a center for technological innovation in Spain

- 2000–2010: Technology to obtain tiles with hydrophobic and oleophobic properties; VITROCID as the new building material, glazed decorated laminations LAMIPRESS, the new digital tile decoration technology INKCID, patent for pigmented inks developed for digital printing and non-Slip
- 2010–Today: New metal effect inks METALCID, New ceramic effect inks KERAMCID, Digital glazes D.G-CID & T.M-CID, Digital decals DECAL-CID, third firing decoration inks SMART-CID, and water-based full digital ECOINK-CID

At the end of 2018, the Group is made up of 7 companies nationwide (Spain), 19 foreign companies, 9 branches, and 3 representative offices. These entities assume different roles in the value chain, ranging from frit and enamel manufacturing companies that carry out all kinds of productive activities, to entities with commercial activities.

15.2.2 Products and Markets

Thanks to its technological advances, offers its customers a complete range of products that deal with their specific needs and allows them to obtain a final product more competitive and value added. The company has products for a large number of markets generically subsumed in glass and ceramics but with numerous and varied applications in other industries (Torrecid 2018).

The products are: raw materials, frits and glazes, ceramic colors, grinding media (eralox), additives and mediums, ceramic decoration (third firing), precious metals, digital inkjet (inkcid), and advanced ceramic.

The markets are: Ceramics, Glass, Roof Tiles, Sanitaryware, Tableware, Hobby/Craft and Pottery/Porcelain, Metallurgy, Refractories, Abrasives, and Construction.

In addition to this, Torrecid is committed to strengthen its relationship with customers in order to understand the best ways of collaboration and to succeed in projects of mutual interest and benefit. Customer Service represents one of the basic functions. By means of a highly professional team and close cooperation with the customers, provides the technological support and Technical Assistance required for technology transfer and contributes in this way to the ongoing improvement of its customer's products and processes. Services offered are as follows:

- Technical assistance. The aim is to jointly products from design to industrial production. This comprehensive service is tailored to each customer to provide them with the right solutions for their market.
- Product development in a wide range of aesthetic and technical options. Development service provides a customized response to this challenge with constant and continuous renewal of designs and effects.
- Image and exclusive design with higher definition details, colors and decorations, and an endless range of artistic options to create trendsetting pieces.

- Ceramic applications engineering, the constant evolution and innovation of solutions to expand the usage of ceramic tiles in non-conventional places.
- Digital printing service to provide the best and most comprehensive service to the worldwide customers.

Thanks to Torrecid's collaboration with its customers, the ceramic product has ceased to be an element for covering walls and floors in kitchens and bathrooms, becoming a decoration solution due to its technical properties for all types of surfaces (flooring, exteriors, interiors, facades, countertops, etc.), having the possibility of reproducing all types of coating products on the market in ceramics (wood, marble, metal, cement, etc.).

15.2.3 Business Philosophy and Corporate Ethics

The company's mission (Torrecid 2018) is to provoke the change through the global leadership in INNOVATION to generate new solutions and future trends to provide the best competitive advantages and the maximum added value. Torrecid bases the accomplishment of this mission on five factors: (1) Ethics, (2) Innovation, (3) Quality, (4) Service, and (5) Marketing.

In this mission, it can already be verified that one of the most important pillars is ethics and throughout this section we check it.

The Group's policy is for its companies to consolidate in their respective markets and achieve a high level of development and autonomy at the financial, commercial, innovation, managerial, and decision-making levels. Each company must be autonomous, bear and manage its risks, as well as have the capacity to compete in its corresponding market.

The Group's strategy for the future is to develop its current structure, enhance current business lines, and take advantage of market opportunities. It is set up by organic growth and by promoting synergies with the companies acquired, and promote diversification by entering new sectors both organically and inorganically, through the acquisition of companies.

Within the ethics in companies, risk analysis is important, regarding this Torrecid does the following (Torrecid 2018):

- Suppliers: Torrecid works to have diversified sources of supply. It is a serious and ethical company with win-win relationships with its suppliers, building long-term relationships. The proof of this is the strategic nature that it confers on the most relevant is important. The company is in process of conducting a direct assessment of suppliers from a social and environmental point of view, for which it wants them to sign a code of conduct that includes the following aspects: (1) compliance with the regulations regarding working conditions and anti-corruption, (2) prohibition of child and forced labor, (3) non-discrimination, (4) freedom of association, (5) respect and dignity of its employees, (6) compliance

with security and health measures, (7) respect for the environment, and (8) compliance in relation to the specific regulations of mineral conflict.

- **Inventories:** The company follows a strict accounting policy for inventory provision, which promotes active inventory management and helps to mitigate the risk of product expiration. This is accompanied by monitoring the evolution of ratios related to inventory turnover. The risk of material damage is covered by insurance policies.
- **Quality:** The group has implemented a quality assurance system, including all stages of the process: product design, raw material control, supplier approval, control and improvement of production processes and quality control of the finished product. They have laboratories with the most modern technologies to carry out the most demanding analyses. They have a technical assistance service that helps the client to put the products into production to minimize the quality risk that could derive from their incorrect use, and training the client's personnel in the correct use of the same.
- **Fraud:** Both internal (possible illegal actions of workers/collaborators) and external (cyberattacks, hackers, impersonations, etc.). For the former, there are strict personnel recruitment policies (looking for profiles that fit with the company's values). To manage the external ones, there are computer tools to block the aforementioned attacks, as well as recurring circulars with instructions on control practices to be carried out by the departments that make the payments.
 1. **Fight against corruption and bribery:** All employees receive training in aspects related to company culture, emphasizing the topic of anti-corruption. Torrecid Group has developed a code of ethics and conducts that contains the group's mission, vision, and values. It also contains a compilation of the norms, policies, and rules that determine the ideal or most appropriate behavior as well as specific instructions to report possible non-compliances and what to do and what not to do. In addition, all the operations of purchase and sale of products and services are analyzed to avoid cases of corruption or bribery.
- **Technological:** It has been implemented: security systems (local/perimeter), redundancy of critical systems, protocols for data copying/restoration, emergency plans, etc., to avoid the impact on operations that would lead to blocking of computer systems.
- **Macroeconomics:** The adequate handling of information, being up-to-date with respect to policies, regulatory changes, and the evolution of the environment, allows taking measures in those cases where it is deemed necessary.

We found some aspects that we think should be treated separately because of their importance, such as: the environment, circular economy, sustainable use of resources, protection of biodiversity, human resource management, work organization, health and safety, relations and social issues, accessibility, respect for human rights, and fight against corruption and bribery.

- **Environment:** Torrecid is committed to caring for environment by reducing environmental impact that its products can have both on its production processes and

on those of its customers. To do this, it implements containment plans and environmental measures. The group has carried out a pilot study of environmental risks in two of its headquarters, which will then be extended to the rest of the group's companies. The result of this study is that companies are below the risk threshold required by current legislation.

1. Environmental improvement projects: Technology has been developed for the full digital, water-based application for ceramic coatings. This technology is much more environmentally friendly than the inks manufactured so far, and it also saves both in its manufacture and in its subsequent use. These inks contain water in their formula, replacing a significant amount of solvent. In addition, the heads of the printing machines that use these inks can be cleaned with water instead of organic solvents. In this way, the impact of ceramic inks on the environment is minimized, both in their manufacture and in subsequent customers' use.
 2. Protection of biodiversity: Torrecid Brazil complies with the country's forest code, having 20% of the company's surface as a forest reserve with native vegetation.
 3. Pollution: The group's production processes are subject to severe emissions control, as well as annual reduction targets. Among its plans are: first, the reduction of carbonates as raw materials, this will reduce CO₂ emissions, and second, 10% reduction per year of natural gas consumption per oven, due to improve energy's efficiency. The group companies are always within the limits established by the current legislation of each country where they produce, adopting the best available techniques to guarantee such compliance. To improve this: first oxy-gas ovens are used that improve combustion and emit less CO₂ and NO_x. Second, combustion ovens are kept sealed and with a slight positive pressure, reducing NO_x emissions, and third all melting, mixing, packaging, or cleaning processes are equipped with a filtration system prior to the emission into the atmosphere. Thereby minimizing the emission of dust particles into the atmosphere and with a pressure difference meter with alarm to warn of possible breakage. Production companies outside the European Union (China, Mexico, and Brazil) comply with local legislation. In addition, European measures to minimize contamination are widely applied. Regarding noise and light pollution, the measures carried out comply with the regulations.
- Circular economy and sustainable use of resources:
 1. Torrecid consumes natural raw materials, mainly minerals. For the optimization of their use, there are protocols that promote the circular economy, thus minimizing the consumption of resources and reducing the disposal of waste in landfills. 100% of the waste generated is managed by an authorized manager. Non-hazardous waste is reused 54%, 14% recycled, 4% goes to landfill, and 28% has another uses. Hazardous waste is recycled 27%, 20% is recovered, 3% is incinerated, 19% goes to landfill, and 31% has other uses. Torrecid

- annually sets targets for reducing hazardous waste. This practice is intended to extend to all the companies in the group.
2. Packaging: Some group companies are subject to a packaging return system, with this method no waste is generated. At the end of their useful life they are managed by an authorized manager. This system is being used in Spain, Portugal, and Brazil, and it is intended to implement in all the production factories of the group whenever local legislation allows it.
 3. Wastewater: Torrecid is aware of the rational use of water and its reuse. The waters are purified with sludge from the grinding and this is reused entirely for cleaning and for the refrigeration system of the frit melting furnaces. The discharge of industrial water is “zero.” This system is applied in Spain and China and will be implemented in the rest of the production plants. The sanitary water generated at the headquarter after purifying and chlorinating is used to irrigate its garden areas. This water is analyzed and they have legal permission for its use.
 4. Use of energy: After carrying out an energy audit at the Castellón facilities, the following actions have been implemented: (1) change of all lighting by LEDs, (2) installation of frequency variators in motors and pumps; (3) change to high-efficiency motors, (4) on–off programming of all the air conditioning, (5) modification of the program to clean bag filters, and (6) optimization of the cooling water distribution ring of ovens. All these measures are exported to the rest of the group companies after their verification and positive evaluation. The installation of photovoltaic panels at the headquarters is being studied.
- Human Resources: HR management is the process that allows and facilitates having the necessary people with the appropriate training, values, abilities, and skills that make it possible to meet the company’s objectives. To achieve its objectives, Torrecid has a strong company culture shared by all its employees. Values, ethics, the ability to evolve, teamwork, and people’s sense of humor are an indispensable part of this global project. Torrecid does not use recruitment policies of other competing companies; on the contrary, it selects personnel without experience but with values and a desire for professional and personal development. The Group has a staff of 2259 people, integrating people who participate and assume the culture of the company, in its way of being and acting. Based on the firm conviction of believing in people ability, without distinguishing sex, limitations, or races. The good health of the company, its growth, and its results depend on this commitment and efficiency. The company evaluates its employees at least twice a year and they are provided with complete information about it, so that they can reflect and evolve in their performance.
1. Torrecid conducts a continuous search for recent graduates, in order to have a base of candidates who can fill vacant positions and participate in employment forums in order to find the right employees. The group’s presence throughout the world and the diversity of its activities means being able to offer those recent graduates, endowed with talent and thirst for knowledge, a wide range of possibilities at the international level.

2. Aware of the importance of the value contributed by human capital, the strategy revolves around the commitment to young talent, continuous training, growth and development of people within the organization, with a promotion system 100% internal, based purely on meritocracy. All this within a good working environment in a global environment.
3. Training: The company is aware that people are the basis of success, and the future development of companies and society depends on their training. The training begins on the day of joining the company and is included in the reception plan. This training is continuous throughout the entire working life of the company. Training plans are made in: safety, general, and specific training in the workplace. The group has an annual average of 50.6 hours/employee training.
4. Employees: Torrecid has 1773 men and 486 women working, there are a very low number of the latter. New hires by sex: 158 (26.16%) women and 445 (73.84%) men. It says that the idiosyncrasy of some countries limits a further increase in the number of women, although it does not seem like a compelling reason. Over the ages of the employees, 50.41% are under 30 years old, 40.37% are between 30 and 50 years old, and only 9.22% are over 50 years old. The company says this is due to its commitment to young people, although it may have other explanations. About the professional classification is 1.4% are senior managers, 11.69% are department heads and experts, 48.38% are technical and administrative, and 38.53% are auxiliaries/operators. Type of contracts: 82.12% are permanent, 16.78% are temporary, and 1.1% are part-time. The geographical distribution of its employees is as follows: 10% America, 59% Europe, 3% Africa, and 28% Asia. Thirty-three (1.5%) people with different degrees of disability currently work in the company. In 2018 the company fired a total of 254 (11.24%) people, the majority during the initial trial period, having failed to achieve the performance expected of them.
5. Remuneration: People who start their employment relationship in the company, within positions considered of the same category receive the same salary. The existing salary differences are the consequence of objective reasons: the different levels of living between countries, the legal differences, the time they have been working for the group, the responsibilities acquired, and their results. The group pays wages above the minimum established by current legislation in each of the countries in which it operates.
6. Policies of labor disconnection: The right of workers not to respond to emails or phone calls outside their working hours is explicitly recognized, except in cases of force majeure, exceptional circumstances, or in positions of special relevance and responsibility.
7. Measures designed to facilitate the enjoyment of conciliation and encourage co-responsibility by parents. Through adequate forecasting, attempts are made to facilitate the possibility of opting for reduced working hours and flexible hours in those cases where necessary.

- **Health and safety:** The jobs have been evaluated and pertinent prevention plan has been drawn up with the aim of continuing to maintain the accident rates, below the sector average. The group's commitment goes beyond the established policy, since work lines focus on eliminating any possible risk that may affect the company's workers. Possible risks of workplace are analyzed, as well as ergonomics in it. Training in occupational risk prevention is given. This training is updated and adapted to the position and practice. In 2018, it has been reported 57 accidents involving absence (from 2259 workers), none of them fatal. There is no record of any occupational disease.
- **Social relationships:** The company promotes as preferred way of social dialogue the contact of employees with their direct managers, based on trust to freely express ideas for improvement and quick conflicts resolution that may arise. In those countries where the Company Committee exists, there is a fluid channel between company representatives and employees through the Company Committee and the Health and Safety Committee. The diversity of legal systems and circumstances in which company's activity is carried out due to its geographical dispersion must be taken into account.
- **Universal accessibility for people with disabilities:** All facilities and work centers are enabled to facilitate employees access to their jobs, and for customers and suppliers to visit areas.
- **Equality:** The group bases its policies on the commitment to integration of people, equal treatment and opportunities between women and men, in the meritocracy. Torrecid SA has an Equal Opportunity Plan.
- **In the company there is a protocol for the prevention and treatment of situations of sexual and moral harassment,** where the procedures for reporting, investigating, and acting in these situations are included.
- **Diversity:** People join the group's staff regardless of their nationality, race, sex, ethnicity, or religion; all under the respect of their own cultural identities, regardless of whether or not they have any degree of disability. The company judges people for their worth and contribution to the project and development of Group's activities.
- **Respect for human rights:** Establishes "zero" tolerance with practices that may undermine human rights. The standards of Europe are implanted in all the countries of the world. The company is against child labor and does not allow it in any of its facilities, regardless of the usual country practices in which they are located.

In this section, it has been possible to observe the policies applied by Torrecid Group in all aspects related to the business ethics.

15.3 Conclusions

As we have already written, Torrecid Group's Mission is based on five factors: Ethics, Innovation, Quality, Service, and Marketing. The first company value is ethics and integrity to convince by example. As it has been seen in this chapter, the

company is more for self-regulation than only for the legal fulfillment of its obligations. Although when analyzing the present case study, the diversity of legal systems and circumstances in which the company's activity is carried out due to its geographical dispersion must be taken into account. Torrecid tries as far as possible to standardize the situation that occurs in Spain (which is usually the best) for the rest of the world.

In most ethical aspects, the Torrecid Group has a very solid foundation: zero tolerance for child labor, forced labor and practices that can undermine human rights, not only in its facilities but also in those of its suppliers worldwide. Its ethics code contains a compilation of norms, policies and rules anti-corruption, in which all its employees are trained and that must be fulfilled in all the companies of the group and performs audits to review compliance.

In other aspects, it uses the Spanish plants as pilot plants in which it introduces certain improvements that it then tries to extend to the rest of its plants in the world as far as possible. As for example in environment, circular economy, health and safety, prevention of occupational risks. It must be said that in terms of the environment it is a groundbreaking company, since it has developed many products that significantly reduce the environmental impact not only in its production plants but also in its customers' facilities.

In the policies related to human resources many ethical aspects are also observed, but perhaps to be the best in class company in this aspect, the ratio between men and women could be improved. In this moment the ratio is 1 woman in every 4 men. Although the company says that the difference between the number of men and women employed is due to the idiosyncrasy of some countries that limits a further increase in the number of women, at least they could narrow the difference.

With the study carried out in this chapter it can be said that the Torrecid Group is an ethical company, with strong moral and ethical principles, that not only complies with the laws but whenever possible it goes one step further, in fact as we have titled this article "Just Good Business."

Future research should go into analyzing the company's leadership in how its ethical model is applied and transferred by its suppliers throughout the supply chain. Furthermore, this leadership has implied a sustainable development on the three bottom lines on his supply chain.

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Chapter 16

Ethics and Rural Development: Case Study of Tajo-Salor (Extremadura, Spain)



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Abstract In the genesis of theories, which provide a basis for endogenous rural development policies, a major role is played by those critical views of this predominant position of economic thought, which had achieved to establish an increase in production and its measurement through quantitative indicators as the top and only priority of economic growth. Imposing these last theories implied relegating other issues of economic development to a second place such as income distribution, social welfare improvement, poverty reduction, cultural identity, population participation, and conservation of natural resources. In the European context, the policy known as “leader approach” is the best example of these endogenous rural development policies. As we know, the implementation of these programmes is managed by the so-called local action groups (LAG) and is based on a specific territorial area: the region. By using the case study methodology, the main objective of this research is to analyse the allocation of investments and resources managed by LAG, which have been responsible for applying the leader approach in the Tajo-Salor region during the last decades. As it will be justified, the region under study meets all the conditions to be considered a paradigmatic object of the case study; with the added interest that it is a peri-urban region, very close to the capital of the province. This research aims to study to what extent the investments of rural development programmes in the aforementioned region have focused on productive projects (undertaken by private entrepreneurs), but it particularly analyses to what extent the

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aforementioned programmes are capable of promoting other types of actions, of a “non-productive” or non-profit nature, aimed at addressing these other aspects which have been relegated to a second place by the predominant economic thought. This work will call these projects “ethical investments”.

Keywords Case study · Ethical investments · Region · Leader approach · Rural development

16.1 Genesis of Rural Development Theories and Their Implementation in the European Context

Many authors consider that rural development policies lack a solid theoretical basis (among others, Buller and Wright 1990; Ceña 1994; Slee 1999). However, some of them place the origin of the aforementioned policies in the incapacity demonstrated by classical and neoclassical theories of economic thought to correct the problems of underdeveloped countries during the post-war period. In these countries, poverty was concentrated in rural areas, which is the reason why in the 1970s, different international organizations identified their development with the development of their rural environment. It is in this context where various theories emerged, which despite their heterogeneity and diversity could be considered the theoretical background of rural development (Ceña 1994). Some of these theories, supported in some cases by various international organizations (World Bank, ILO, UNESCO), are growth with equity, basic needs, endogenous development, eco-development, etc.

Without analysing each one of them, in general terms, it is common to oppose those trends of thought that had set an increase in production and its measurement through quantitative indicators as the top priority of economic growth. This attitude resulted in relegating other issues of economic development to a second place: income distribution, job creation, improvement of social welfare, reduction of poverty, cultural identity, population participation, conservation of natural resources, etc.

On the other hand, in developed countries, during the 1980s, the territorial imbalances that the post-war growth model had produced between rural and urban areas became evident. By bridging the gap between the policies applied in underdeveloped countries (more focused on agricultural development), the response of institutions to these disparities was in line with rural development models. In fact, during the 1950s and 1960s, also in developed countries, the predominant theories, in favour of achieving the maximum possible economic growth, gave rise to the so-called “developmentalism”. The productive activity is concentrated in “poles”, capable of generating economies of scale, technological advances and maximizing production, whose increases are identified, uniquely, with economic growth. Changes in production systems reinforce a double process of industrialization and urbanization.

This model determined the distribution of economic activity and population on the territory, although the same theories that understood production concentration as necessary also foresaw that in the second phase, the expansion or dissemination of technology and productive activity would take place. Dissemination rarely occurred and territorial imbalances were maintained over time. In fact, during this period, important authors who were critical about the prevailing economic model also stood out. Among these, it is worth highlighting the figure of Myrdal (1957), who considers that economic activity and the free play of the market, far from generating convergence and distribution of wealth among the different regions—what it does is increase regional disparities; according to this author, wealth distribution throughout the territory would only be possible, thanks to state intervention.

With the 1970s crisis, the post-war model was questioned, and new theories emerged that even in their very name (“new development”, “other development”, “alternative development”) already indicated their critical nature regarding the predominant model until then.

Valcárcel and Troitiño (1992), when relating to the origins of rural development policies, highlight the relevance of factors such as (a) the influence of theories that exposed the serious consequences that the development model had had on many rural communities of the Third World, seriously threatening their survival; (b) contributions in the 1950s and 1960s by authors such as Prebisch, Cardoso, or Samir Amin, within the Economic Commission for Latin America created within the UN (ECLAC); (c) several social movements and trends of thought linked to May 1968: environmentalism, self-managed socialism, cooperativism, third worldism, etc.; (d) the United Nations Conference on the Human Environment, held in Stockholm in 1973, where the concept of eco-development arises and (e) several theoretical contributions, which, in the late 1970s, in response to the predominant model, proposed “another development”, a “new development”, or an “alternative development”.

In the European context, Sumpsi (1994) explains the origin of rural development policies from an exclusively agrarian approach, based on the disparities generated by a common agrarian policy (CAP), clearly biased in favour of products and crops typical of continental agriculture. In order to correct these differences in income and development levels between the wealthy regions of the north and the depressed areas of the south, in the late 1970s, the community institutions proposed the so-called agricultural development programmes, the “Mediterranean package”. Despite the financial support that these actions received, their sectorial nature, eminently agrarian, prevented achieving the proposed objectives. It was then that those responsible for these initiatives reached the conclusion that in order to overcome economic bottlenecks that gripped the growth of the least developed regions, it was necessary to carry out a set of actions that not only focused on the agricultural sector but also addressed the rest of economic sectors. That is how, first, the Integrated Development Operations (IDO) emerged and, later, in the mid-1980s, the Mediterranean Integrated Plans (MIP). These programmes could be considered, according to the aforementioned author, a real precedent for the reform of the Structural Funds of 1988 and for community initiatives for rural development that emerged in the early 1990s.

Bryden (1988) considers that the marginalization of rural areas is a consequence of their submissive and dependent integration within economic dynamics and an institutional framework, which is beyond their control, since it is exerted at the urban level. Breaking with that reality is a “sine qua non” condition to start a new path of economic development and territorial balance. In this regard, the inequalities between the centre (urban area) and the periphery (rural environment) cannot be explained solely by the perverse effects that the free market has on the rural environment. Those who resort to this type of argument would not be taking into account the importance that territorial interests may have as distorting elements of market performance. Furthermore, they would be ignoring the fact that in those non-capitalist economies where the market is not the mechanism for allocating resources, territorial imbalances also take place. Therefore, according to the aforementioned author, an analysis of regional disparities must take into account multiple elements such as (a) the movement of resources (human and financial) between the centre and the periphery, (b) the way in which this movement is implemented and its relationship with the territorial and economic weaknesses of the periphery, (c) the interest of the centre in the resources of the periphery and their importance for maintaining its cultural and economic hegemony and (d) the effects that the design of the institutional framework have as a possible source of the periphery’s problems and weaknesses.

Etxezarreta (1988), in relation to the genesis of rural development policies, highlights the relevance of two factors: (1) First is those factors that have their origin in the functions that post-war capitalism establishes on the primary sector (from the end of the Second World War in the European case and the Stabilization Plan in the Spanish case). These functions will involve major changes in production systems; the inability of small farms to become modernized will move a substantial part of their farming assets to other productive sectors and outside the rural environment. Thus, a process of mass emigration from the countryside to the city begins, which, in turn, will lead to the disappearance of part of the basic services provided in this area. And (2) second is those factors related to the patterns of thought typical of the urban environment: awareness is raised regarding the territorial imbalances generated by the post-war accumulation model, while new functions related to leisure and environmental care are assigned to the rural environment, the territorial balance, or the preservation of historical, architectural and cultural heritage. Achieving these new functions will require population retention in rural areas.

This is the scenario described by the European Commission (1988) in its Communication “The future of the rural world”, which, years later, gave rise to the first calls for the Leader Initiative (1991 and 1994) with which, in an experimental way, the aim of the European Commission was to test the validity of endogenous rural development programmes, with the fundamental objective of diversifying rural economies and promoting population retention.

The expectations raised by the call for the Leader Initiative caused an unprecedented mobilization in rural areas in such a way that some European countries, such as Spain, were forced to create programmes, which by following the model proposed by the initiative leader allowed rural areas that had failed to access the second

call of the aforementioned initiative to apply the same types of policies. In this way, the Spanish government approved the Proder I Programme (MAPA 1996); this programme was continued in a second call 6 years later (MAPA 2002), whose aim was also to allow endogenous rural development programmes to be applied to those rural areas that had not resulted in beneficiaries of Leader + (European Commission 2000). Although the way in which the eader Initiative has been used has evolved over time, its approach and its application in rural Europe are still fully valid today.

16.2 Scope, Objectives and Methodology of the Research

The field of research will be the rural environment of the city of Cáceres. Throughout different programming periods, it is possible to differentiate several stages in the strategy used by the Tajo-Salor region to access the management of rural development programmes. In the first period (1996–2000), eight municipalities, with a total population of just over 21,000 inhabitants, created the Association for the Integral Development of Salor-Almonte (ADISA). One of the main noteworthy objectives of this association is to prepare projects to opt for being granted funds within the Proder I Programme. This purpose was finally achieved (Fig. 16.1).

In the second stage, during the 6-year period 2000–2006, there were significant changes in the instrumentalization of the strategy used. At the end of the year 2000, the Association for the Integral Development of the Tajo-Salor-Almonte Region (TAGUS) emerged, which was the result of joining the Association for the



Fig. 16.1 Municipalities that make up ADISA. (Source: Final implementation report of Proder I)

Development of the Region of Alcántara (ADECA) and ADISA into the same development strategy. TAGUS was composed of the municipalities that made up both groups, altogether, 16 municipalities with a population of just over 30,000 inhabitants (Fig. 16.2).

Finally, a third phase can be distinguished, which coincided with the application of the leader approach in the 6-year period 2007–2013. During this period, the same structure with which TAGUS emerged is maintained with a single variation: instead of 16 municipalities, there were 15, given that Zarza la Mayor decided to join the Alagón Valley Development Association (ADESVAL).

Table 16.1 summarizes the evolution of the strategy used by the Tajo-Salor region to implement a rural development programme throughout the three programming periods that make up the temporal scope of the study. The implementation of the 6-year period 2014–2020 is still operational today, with which, leaving aside this period, the proposed research analyses the application of the development strategy in the aforementioned region since its very origins.

Within the Tajo-Salor region, most of the economic activity and the inhabitants of the region (more than 70% of the population of the municipalities included in ADISA and around 50% of TAGUS) are concentrated in the peri-urban area of the city of Cáceres, with the municipalities of Arroyo de la Luz, Casar de Cáceres and Malpartida de Cáceres. However, as the following figure shows, as a whole, it is a region with a low population density (13.76 inhabitants/km²) in which the most peripheral municipalities in relation to the position occupied by the capital of the province and/or worse communicated show values lower than the regional average (Fig. 16.3).



Fig. 16.2 Municipalities that make up TAGUS. (Source: TAGUS. Final implementation report of Leader +)

Table 16.1 Development strategy in the Tajo-Salor region

Development association	Periods of time	Managed programme	Municipalities	Population
ADISA	1996–2000	Proder I Programme	8	21,058
TAGUS	2000–2006	Leader + initiative	16	32,296
TAGUS	2007–2013	Leader approach	15	27,567

Source: Own elaboration based on information provided by TAGUS

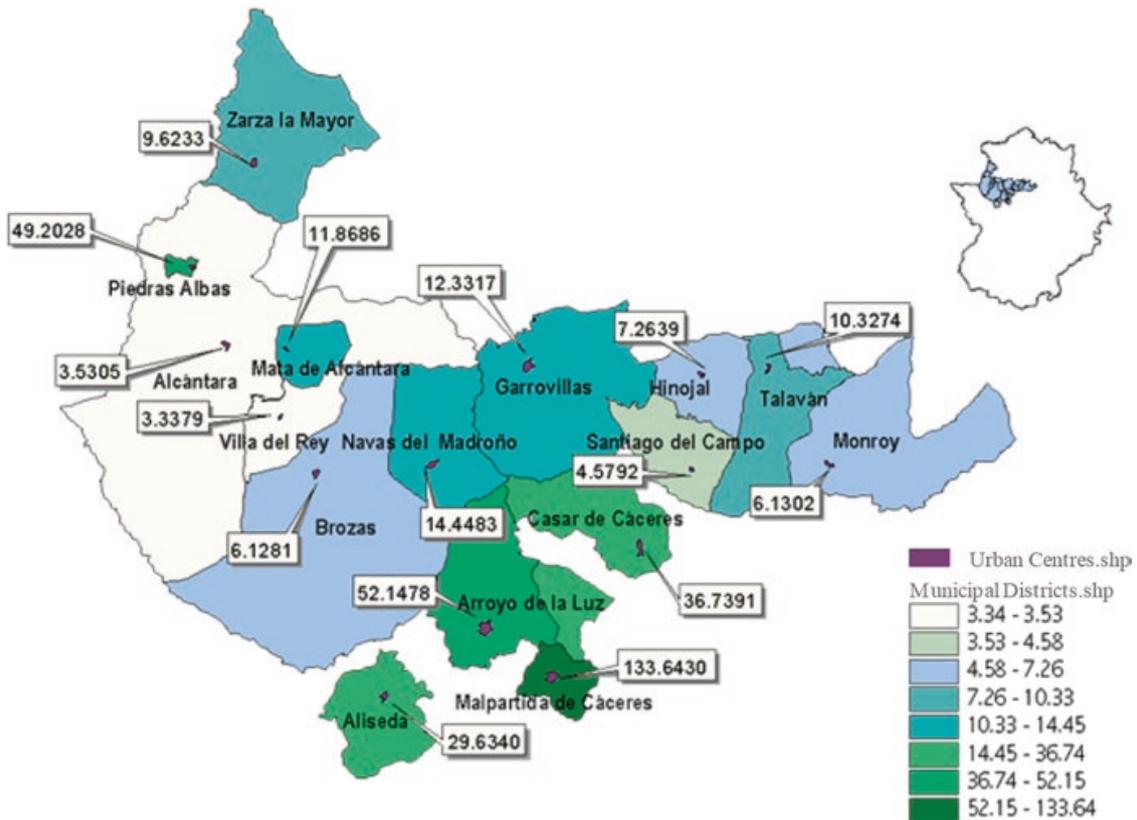


Fig. 16.3 Population density by municipalities TAGUS (2000). (Source: TAGUS. Project applying for the Leader + Community Initiative)

If other indicators are referred to, such as an ageing population, its dependency rate, educational level, unemployment, or occupation, by economic sectors, it is evident that the Tajo-Salor region has all the characteristics to be able to be considered an ideal case to apply the rural development policies proposed by the Proder Programme or the Leader Initiative in its different calls. In addition, the proximity to the city of Cáceres and the interconnections between it and those three municipalities referred to above have an extra interest for the chosen case in being able to know in more detail how these rural development policies can be implemented in peri-urban environments.

As studied in the introduction, several theoretical contributions can be highlighted in the origin of rural development policies, which are critical with the predominant economic thought and question the priorities of economic growth processes. The aim of some of the measures proposed in the structures of the Proder

Programme or the Leader Initiative is to meet a number of other needs implicit in rural development processes. These actions would go beyond the merely “productive”, they would be managed by public or collective institutions, and their implementation would be explained based on criteria of general interest or social welfare.

The main objective of this research is to analyse the relevance that these types of projects (called “ethical investments”) have within the development strategy applied by the Tajo-Salor region in recent decades and in which lines of action it has been possible to implement this type of investment.

To achieve this objective, this investigation uses a case study methodology. Yin (2016, 2018), Jiménez and Comet (2016), Durán (2012), and Coller (2000) highlight the usefulness of this type of methodology. In particular, Coller (2000) advises about its suitability in those situations in which the chosen case has clear limits and is valid to contrast the issue to be studied. As discussed, the Tajo-Salor region complies with these two premises, as it is a region with clearly defined borders and socio-economic conditions that require the application of the rural development policies under analysis. The fact that the Tajo-Salor region is in Extremadura (Spain) is not a trivial matter, since authors such as González (2006) consider this region an ideal environment from which to analyse the effects that rural development programmes have on the territory.

As Fig. 16.4 shows, the temporal scope of this study involves analysing the application of rural development programmes in up to three different programming periods. This requires grouping the investments made by these programmes into homogeneous categories, taking into account the purpose of the measures applied in Proder I, Leader + and leader approach.

Regardless of the programme to which the measures belong and its name, Fig. 16.4 groups them according to their purpose. Within the set of measures that make up development programmes, it is essential to distinguish productive from non-productive measures. The former usually have mostly private initiative and financing. When taking into account their objectives, the productive measures can be differentiated by those aimed at promoting tourism, supporting SMEs, and agricultural valorization. As for non-productive measures, they are financed (almost entirely) with public funds and have a public or collective promoter. These measures finance the operating costs of CEDER (Regional Development Studies Centre), the implementation of various actions of rural heritage valorization and, depending on the type of programme concerned, training projects and transnational cooperation.

This research will focus on this second type of measures, on the analysis of the projects carried out and their relative importance within the programme as a whole, without forgetting those other projects that, although they have a public or collective promoter, have been financed with the resources allocated to some of the productive measures.

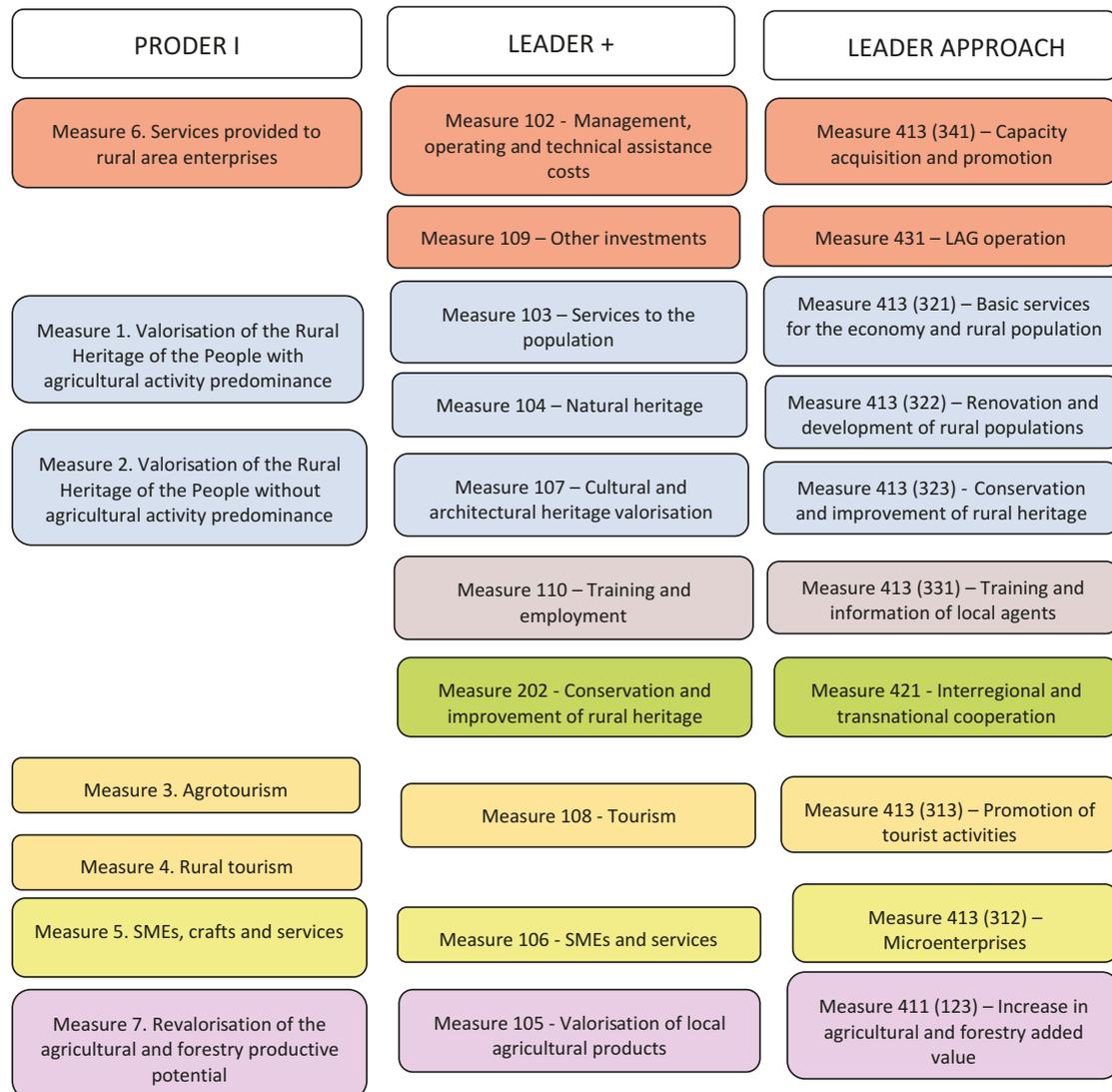


Fig. 16.4 Correlation of measures of rural development programmes. (Source: Own elaboration)

16.3 Research Results

16.3.1 Distribution by Investment Measures Implemented Through Development Programmes

Table 16.2 shows the investment committed by the measures in the analysed programmes. Beyond the progressive increase in the resources allocated to the functioning of the CEDER, in the rest of the non-productive measures, the same trend is not seen. In contrast to Proder I, in Leader +, investments aimed at rural heritage valorisation decrease and increase significantly with the application of the leader approach. The Proder programme did not have resources for training actions, nor for interregional or transnational cooperation; the two editions of Leader did, but with a very uneven evolution of the resources committed by them.

Table 16.2 Investment by measures in the development programmes carried out in Tajo-Salor

	Proder I	Leader +	Leader approach
CEDER operating costs	544,212.56	861,515.54	1,046,030.68
Rural heritage valorisation	936,749.45	865,719.48	1,443,123.98
Training		297,405.88	664,192.15
Rural tourism	821,601.20	2,393,457.27	1,807,502.00
SMEs, crafts and services	2,275,493.48	4,279,825.42	4,379,545.28
Agricultural valorisation and commercialization	1,316,348.47	3,482,283.66	156,524.32
Interregional and transnational cooperation		551,827.00	21,256.00
	5,894,405.17	12,732,034.25	9,518,174.41

Source: Own elaboration from documentation provided by ADISA and TAGUS

As a whole, the weight of the non-productive measures varies throughout the three programmes analysed. They go from representing 25% of the investments implemented in Proder I, to representing 20% of the resources committed by Leader +, to then experiencing a significant increase with the implementation of the leader approach, where they represent a third of the total investment. As the previous table shows, in any of the three editions, the non-productive measure that commits the most resources is the one aimed at rural heritage valorisation. Most of the investments under analysis will be financed by this measure.

16.3.2 Ethical Investments as a Rural Development Instrument: Purpose and Relative Importance

From the total investment committed to non-productive measures, it is easy to understand the objective of the resources allocated to the operation of the CEDER (hiring the technical team and maintenance of the LAG headquarters), the training actions (organisation of all kinds of training courses) and those dealing with transnational and interregional cooperation (participation in international networks, attending fairs and workshops, joint promotion of rural areas based on certain tourist attractions). As Fig. 16.5 shows, these three measures together represent 55% of the total non-productive investment. Projects aimed at rural heritage valorisation make up the other 45% of committed resources.

Rural heritage valorization investments stand out due to their heterogeneity, differentiating various types of projects according to their purpose: (a) creation of infrastructures (distinguishing, in turn, between road, cultural, social and sports or recreational investments); (b) actions to recover assets and (c) cultural dissemination and promotion. Regardless of the nature of these investments, in general, due to the amount and number of projects implemented, they demonstrate the sensitivity of rural development programmes to meet other needs of the population and the territory in which they are implemented.

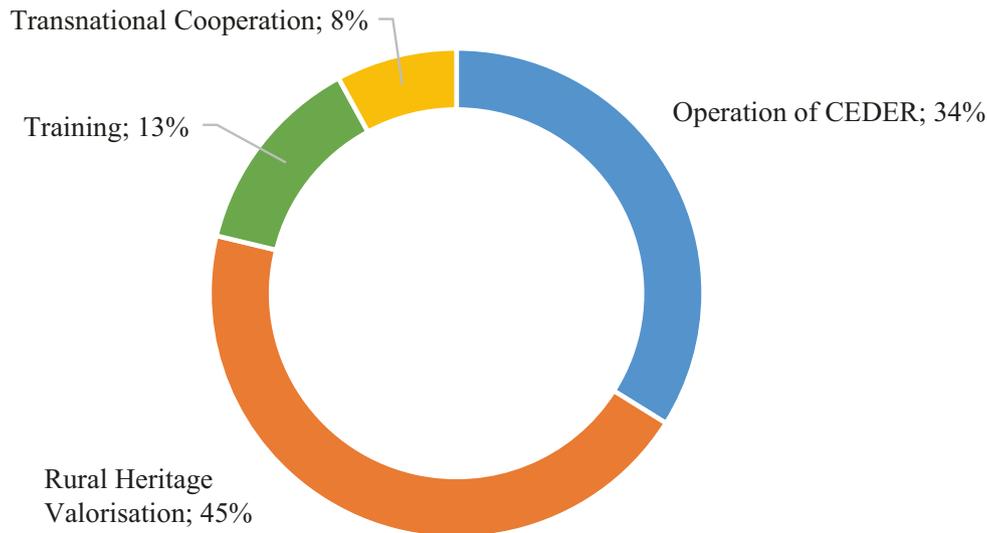


Fig. 16.5 Distribution of the non-productive investment in the Tajo-Salor Region. (Source: Own elaboration)

Those resources aimed at creating infrastructures represent 70% of the investment of this measure. According to their typology, they focus on (1) sports or recreational infrastructures and (2) social provisions for the elderly or groups of disabled people. The sum of these two types of projects represents almost 50% of the total investment aimed at rural heritage valorization. However, as Fig. 16.2 shows, throughout the period analysed, the attention given by each of the programmes to one type of infrastructure or another varies. Almost half of the investment in sports or recreational facilities and all of the investment in social facilities are implemented by applying the leader approach. Even the typology of the actions carried out varies over time. Thus, for example, regarding the creation of sports or recreational infrastructures, the investments made in Proder I focus on the creation and improvement of sports facilities (construction of stands and lighting of soccer fields, urbanization and lighting of sports fields, etc.). In Leader +, without ceasing to carry out these types of actions, there are more actions aimed at creating and adapting parks and playgrounds for children, and finally, with the leader approach, the largest number of projects carried out addresses improvements in municipal swimming pools in up to eight different locations. Regarding the typology of social investments, the modernization of old people's homes and supervised flats or the creation of a day centre for the disabled could be highlighted (Fig. 16.6).

Within the infrastructures chapter, the road and cultural ones have quantitatively less relative importance. As Fig. 16.2 shows, the implementation of cultural investments is maintained evenly throughout the three programmes analysed. Furthermore, they have a well-defined profile: they are projects aimed at the creation of ethnographic museums or the modernization of cultural centres. This is not the case for road infrastructures, where there is a great heterogeneity of the projects carried out: construction of bridges, paths, pavements and paving promenades; adaptation of river channels; modernization of municipal slaughterhouses; adaptation of municipal services to new technologies of information and communication (ICTs); remodelling of green areas, etc.

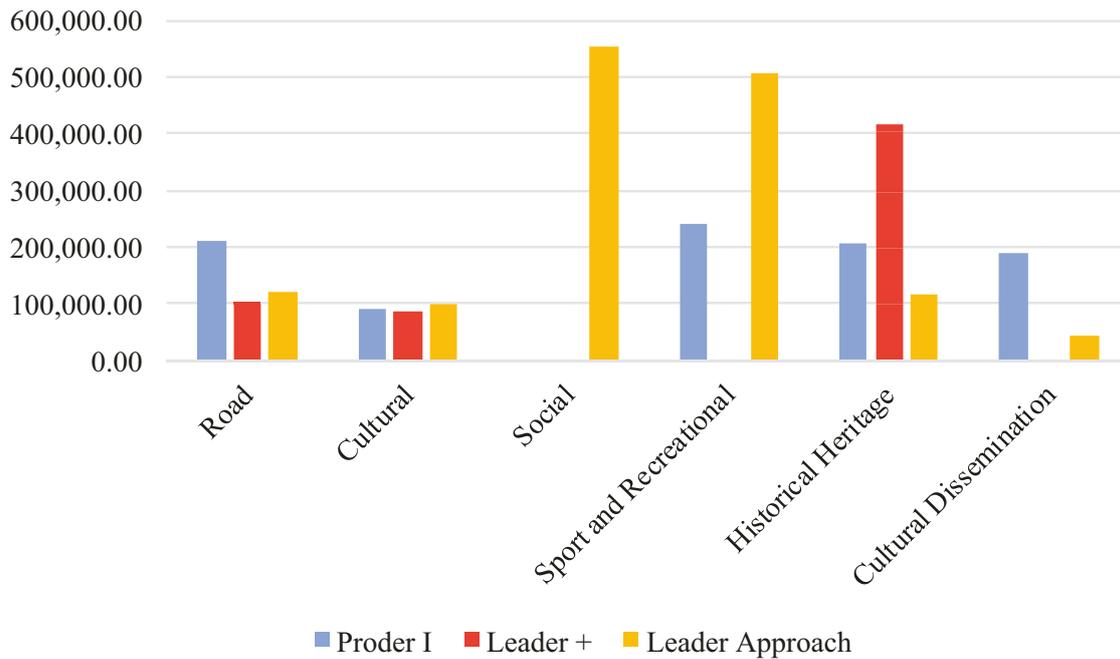


Fig. 16.6 Distribution of rural heritage valorization investments based on their purpose. (Source: Own elaboration)

As a whole, those projects dealing with the recovery of historical heritage account for around 20% of the total investment in this measure. Although more than half of the resources are committed to Leader +, it is not observed (as in previous cases) that among the programmes, there is an evolution in the type of action undertaken. Thus, for example, regardless of the type of programme concerned, most of the investment is committed to rehabilitation and enhancement projects of religious buildings. Signposting monuments and the rehabilitation of other elements of rural heritage, such as emblematic fountains or squares, are the other projects undertaken within this line of action.

Resources aimed at cultural promotion have a lower budgetary relevance, although it should be noted that in general, within the measure, they are the only type of action that lacks a purely material nature. This fact differentiates these types of projects from those related to cultural infrastructures. A small but heterogeneous group of actions such as the publication of regional cultural journals support for the publication of several books on certain cultural resources in the region, creating a newspaper archive or promoting local folklore are included in the cultural promotion.

16.3.3 Implementation of Other Investments of a Cross-Cutting Nature Through Productive Measures

As pointed out, most of the resources of the productive measures are committed to co-financing several kinds of private business projects. However, within these measures, it is also possible to find a series of actions, which, without being very

numerous or having great budgetary relevance, have the same characteristics as the investments analysed in the previous section given that they (a) have a public or collective promoter (usually the LAG itself), (b) are non-profit and (c) are financed with the group's public resources. In total, there are just over 30 actions of which the majority are tourism promotion actions, and their implementation is concentrated in the implementation period of the leader approach.

The total budget committed by these types of measures is about € 400,000 (an amount similar to the investment made in road infrastructures during the three programming periods studied), of which around 80% have been implemented with the application of the aforementioned leader approach and within measure 413 (313) of promoting tourist activities. Regarding the actions carried out, two types of projects can be distinguished: on the one hand, there are those promoted by different municipalities in the region and which seek to modernize tourist signposting systems or other types of facilities such as tourist information points, and on the other hand, there are a great number of actions which are managed directly by LAG and whose aim is to promote and support different events of tourist interest for the region, including collaboration with different editions of the Tenca festival or the Week of the Torta del Casar, two of the most characteristic gastronomic products of the Tajo-Salor region.

This type of investment could be considered a type of intermediate project between the ethical investments studied in the previous section and those others undertaken by a private developer and with a merely productive nature. In this case, these are cross-sectional projects whose aim is to "make the region"; they do not seek to make up for the shortage of resources or infrastructures that will bring social benefit, but they do involve the commitment of public resources in actions that benefit the entire region and its tourism sector.

16.4 Conclusions

Even without considering most of the investment made by development programmes, research shows that non-productive measures and investments associated with them represent a significant amount of the total resources of these programmes. Non-productive measures represent a third of the total budget of the application of the leader approach, to which funds committed to actions of a public or collective nature financed under productive measures would need to be added. Therefore, it seems evident that beyond the logical interest in promoting private projects that strengthen the productive fabric of the area, the implementation of rural development programmes in the Tajo-Salor region has remained sensitive to the existence of another set of needs of the territory.

Leaving aside the expenses arising from the technical management of the programme, most of the resources committed to non-productive measures are concentrated in projects aimed at rural heritage valorisation. Among these, the effort made by the development programme of the Tajo-Salor region to modernize and create all

kinds of infrastructures and equipment stands out. The significant heterogeneity of the projects undertaken clearly shows the capacity of the development model proposed to respond to the needs of each municipality and each population segment (elderly, young, disabled, etc.).

The implementation of the programme and the analysis of its projects also shows sensitivity towards other types of issues that have to do with identity and cultural dissemination or preservation of historical heritage and traditions, all of which are of great interest for a comprehensive development project with a long-term vision for the territory.

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