

A large iceberg floating in a dark blue ocean under a bright blue sky. The visible tip of the iceberg is small and jagged, while the submerged portion is much larger and more complex in shape, illustrating the concept of hidden corporate responsibilities.

Understanding Corporate Responsibility: An Executive Briefing

Results and Insights from Project RESPONSE

*This report is dedicated to the fond memory of Janet Bohdanowitz,
a wonderful research partner and a dear, unforgettable, friend*

About Project RESPONSE

Project RESPONSE has been supported and funded by the EU Commission's Directorate General (DG) Research to develop knowledge and understanding on the degree of alignment between companies and their stakeholders about what Corporate Social Responsibility (CSR) entails. The project has sought to assess the relationship between this alignment and corporate social performance, and to identify the internal and external factors that influence alignment levels. Finally, it has studied CSR at the level of individual manager's behaviour, and assessed the relative effectiveness of diverse training interventions on the development of social consciousness in managers.

This 3-year research project is a flagship research initiative of the **European Academy of Business in Society (EABIS)**. It was conducted between 2004 and 2007 by a multi-disciplinary team of academic researchers from a consortium of leading business schools in Europe (**INSEAD**, France; **Copenhagen Business School**, Denmark; **Università Commerciale Luigi Bocconi**, Italy; **Leon Kozminski Academy of Entrepreneurship and Management**, Poland) and a training consultancy (**Impact**, Austria). The project was implemented through an innovative model of partnership between EABIS member business schools and its corporate founding partners – **IBM, Johnson & Johnson, Microsoft, Shell** and **Unilever** – who collaborated from the design stages to the execution of the research plan. In addition, the RESPONSE team was fortunate to draw on the wisdom and knowledge of the Business and Academic Advisory Boards, which included leading thinkers on the relationship between business and society.

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This briefing is a short introduction to the key findings of the project.
The full report is available from the project website at
http://www.insead.edu/ibis/response_project

Project RESPONSE: Seven Key Findings at a Glance

Insights from the Research

Implications for Action

1. Alignment Matters. Businesses with the highest levels of social performance are characterised by a greater degree of alignment between managers and stakeholders about the risks and responsibilities the company faces and on how well it is dealing with them.

Corporate social responsibility does not mean that individuals in businesses have to think or act just like NGO activists, but a lack of alignment on goals and ambitions can be a barrier to both external action and internal change processes.

2. Mind the Gap. Whereas stakeholders reveal a broad, multi-faceted and proactive perception of what corporate responsibility means to them, managers tend to frame the issue with a narrow focus on risk avoidance and 'do no harm' type of objectives.

Even companies considered leaders in CSR need to reflect on the fundamental perception gaps identified and invest accordingly to enable managers to "walk their leaders' talk" by seeing CSR as a driver of innovation, integrated into business.

3. Moving Targets, Sharper Aim. Business environments characterised by rapid change appear to be most conducive to the development of understanding between stakeholders and managers. This pattern was found when comparing dynamic and static business strategies, stakeholder demands, industries and regions.

Initiatives and policies related to the integration of corporate social responsibility should focus on enabling businesses to continually respond and adapt to changing economic, social and environmental challenges. CSR is about the capacity to change oneself, one's company and its environment.

4. Corporate Social Innovation. High alignment companies tend to be those where social and environmental challenges are viewed as drivers for innovation and corporate responsibility is used as an approach to the unlocking of new opportunities.

The most useful motivation for corporate responsibility centres on its role as a driver of innovation in strategies, products and processes. This approach involves managers reaching for greater understanding of external interests, taking risks and developing new solutions to constantly shifting social and environmental challenges.

5. From the Inside-Out. Companies that excel in their approach to corporate responsibility tend to be those that integrate the principles of sustainability into both their everyday business processes and their strategic decision-making.

Companies, policy makers, investors and stakeholders in general should place more importance on how corporate social responsibility principles are integrated into the strategic decision-making and core business practices of business corporations.

6. Reinventing Stakeholder Engagement. Stakeholder engagement appears to be an important step, but not sufficient in and of itself to achieve excellence in corporate social responsibility. Engagement might be most effective where it focuses on supporting learning and change.

Stakeholder engagement should be redirected, at least in part, from the current emphasis on the joint promotion of external initiatives to more explicit and active collaboration aimed at embedding responsibility principles and routines in all relevant operating and strategic processes.

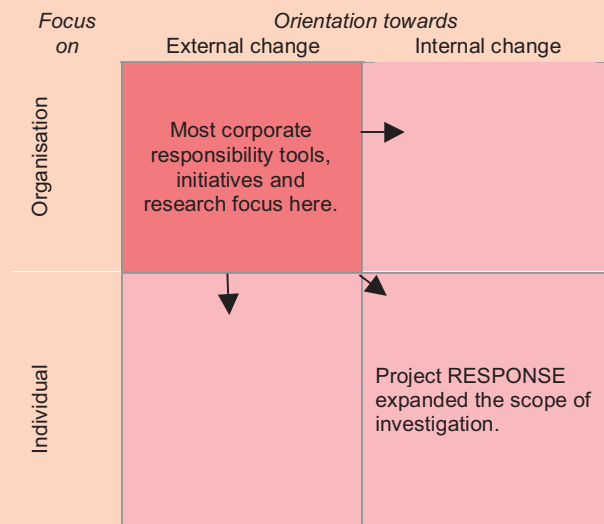
7. Developing Responsible Managers. Experiment data suggest that novel coaching approaches, such as meditation and relaxation techniques, could have an important impact – in addition to traditional executive development frameworks – on the integration of responsibility into day-to-day decisions and actions.

Education and training providers in business schools and companies should establish systematic pre-post impact measurement of CSR training programmes (both on behaviour and behavioural influences) and should consider experimenting with more innovative approaches to develop better social consciousness in managers.

Exhibit 1: Project RESPONSE

Project RESPONSE is the first attempt to systematically investigate the importance of alignment between the mindsets of managers and their companies' stakeholders. It looks beyond the predominant focus of many current CSR approaches, where the spotlight is on high level commitments to corporate social responsibility, externally-oriented practices such as social reporting, philanthropy and multi-stakeholder partnerships, and organisational level responses to social and environmental issues. RESPONSE widens this focus to investigate:

1. Not only the "will" but also the "skill" to understand stakeholder expectations and adapt internal processes to meet them.
2. Not only the way organisations respond to societal demands, but also the way individual managers frame the issues and change their behaviour accordingly.
3. Not only the challenge of engaging with external stakeholders but also the challenge of driving internal change in businesses and individuals.



The evidence base upon which the findings are premised is unprecedented in its depth and breadth. 210 senior managers and key executives in 19 large multinational companies, as well as 217 representatives of more than 180 stakeholder organisations, were engaged in deep structured interviews. In addition, a total of about 1000 managers were surveyed in 8 of the participant firms, based on a random sample of about 400 managers per firm, for a response rate in excess of 30%.

The 19 case comparison companies were selected to form matched pairs (or in some cases triplets) of comparable businesses within the food, pharmaceutical, natural resources, energy, banking, chemical, information technology and industrial products sectors. Each pair/triad of companies compares different levels of social performance while keeping other factors (such as size, financial performance and product lines) as similar as possible. The evaluation of social performance was made through a triangulation of social investment ratings, assessment by stakeholders and the project team's own judgment.

In a separate research stream involving three of these comparison companies plus an additional firm not engaged in the core research, RESPONSE focused on the role of managers' psychological profiles (such as emotions, decision-making criteria and personal values) in generating socially responsible behaviour. This model was then used as a basis to assess the effectiveness of different training approaches in helping managers develop "social consciousness" - an intuitive, spontaneous response to CSR dilemmas. This part of RESPONSE consisted of experimental trials of training interventions involving 93 managers within the four companies..

In total, between 2004 and 2007, Project RESPONSE engaged nearly 1,500 representatives from about 200 institutions, of which 20 were multinational corporations and 180 were stakeholder organisations.



1. Alignment Matters

Project RESPONSE studied a wide range of potential enabling factors to find out which ones are associated with the highest levels of corporate social performance. It did so by comparing higher and lower social performers within each industry studied in order to identify those factors that appear to systematically differentiate the levels of performance.

The analysis revealed that:

- **Alignment of mindsets.** The higher social performers across industries tend to be those companies where managers and stakeholders prioritise issues, risks and responsibilities in a similar way.
- **Strategic integration.** Higher social performers are also those companies where social and environmental issues are more fully integrated into strategic and managerial decision-making.
- **Innovation as motivation.** Developing a business case for corporate responsibility based on risk reduction, efficiency or a price premium does not appear to make a difference in achieving excellent social performance. High performing companies tend to be those that see social and environmental challenges as drivers for innovation, and corporate social responsibility as an approach to unlock these new market opportunities.
- **Internal initiatives are more effective than external initiatives.** There is strong evidence that internal CSR change initiatives are associated with high social performance, but no clear evidence that investment in externally focused CSR initiatives is effective in taking corporate responsibility performance to a level of excellence.

"The fundamental innovation that RESPONSE brings to the CSR debate is the framing of the problem in terms of a "perception gap", rather than simple lack of motivation.

We go beyond theorising about it; we measure it and identify reasons why certain firms have wider perception gaps than others"

*Maurizio Zollo, Academic
Director of Project RESPONSE*

Exhibit 2: What explains differences across firms in their social performance?

A wide range of possible factors were systematically investigated to see if there was a link to high social performance.

Strong evidence	Some evidence	No clear link
Stakeholder/management alignment of mindsets	Inclusion of social commitment in mission statement	Firm-level CSR performance targets
Top management support	Devolved autonomy for CSR	CSR consideration in investment decisions
Integration of CSR in business processes	Length of establishment of CSR management in company	CSR training
Integration of CSR in strategic decision-making processes	CSR consideration in staff performance appraisal	Stakeholder engagement
CSR dept influence at corporate level	CSR reporting	External pressure
Internal change initiatives	Individual values	External initiatives by the company
Business case based on new market opportunities	Good governance	Business case on risk reduction, efficiency or price premium.
Strong organisational values		
High margin/ R&D focused strategy		



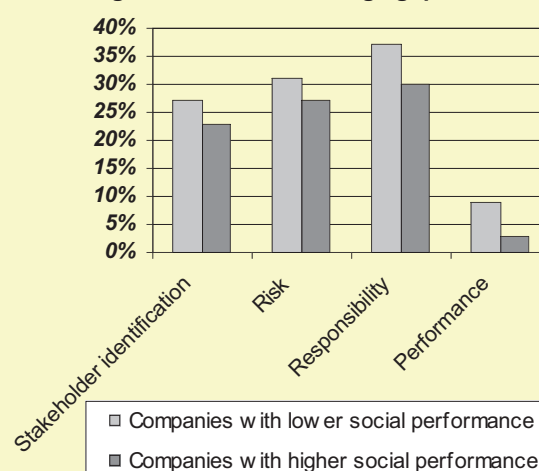
One of the strongest predictive factors in differentiating the highest social performers across industries is the degree of alignment between managers' and stakeholders' perspectives on what constitutes the company's social responsibility.

Exhibit 3: Assessing Alignment

Using in-depth, structured interviews, the research team was able to develop robust, company specific measures of management-stakeholder alignment across four domains. In each of these domains managers in higher socially performing companies were found to exhibit narrower gaps than those in their lower performing peer companies.

- **Stakeholder Identification** – To what extent do managers and stakeholders agree on *who* the company's stakeholders are?
- **Risk** – To what extent do managers and stakeholders agree in prioritising stakeholders in terms of their impact *on the company*?
- **Responsibility** – To what extent do managers and stakeholders agree on the prioritisation of stakeholders in terms of the company's impact *on them*?
- **Performance** – To what extent do managers and stakeholders agree in their judgement of how well the company is performing in relation to its responsibilities?

Manager-stakeholder average gaps



Within almost every one of the industries examined, the companies achieving higher levels of social performance are the ones where managers and stakeholders have more strongly aligned mindsets.

Is manager/stakeholder alignment associated with higher performance?				
Industry	Stakeholder Identification	Risk	Responsibility	Performance
High Tech	✓	✓	✓	✓
Pharma	✓	✓	✓	✓
Chemicals	✓	✓	✓	✓
Food	✓		✓	✓
Energy		✓	✓	✓
Natural Resources		✓	✓	✓
Banking			✓	✓

2. Mind the Gap

The interviews revealed that managers have a more narrow, firm-focused perspective on corporate social responsibility than stakeholders and that they focus much more than their stakeholders do on risk avoidance (“doing no harm”), rather than on proactive positive social impact (“doing good”).

Exhibit 4: What does corporate social responsibility mean to you?

Perspectives range from a narrow to a broad view of corporate social responsibility, with managers tending to hold a narrower view.

Narrower, more firm-centric

Wider, more societal focus

“Fair play in society, towards employees, towards environment. Meet the law.”
(Manager, Chemicals)

“CSR is doing well in one’s own business, having in mind the stakeholders”
(Manager, Banking)

“Creating programs to help communities in education, health care and environmental protection.”
(Stakeholder, Pharma)

“Corporations need to position themselves as responsible corporate citizens on the world stage – even at the risk of taking positions that are not widely shared in the business community.”
(Stakeholder, Natural Resources)

Of the managers interviewed, 64% see corporate social responsibility in terms of the risks and responsibilities of the firm (“Firm” view), 20% see it in terms of the concerns and rights of stakeholders (“Stakeholder” view), and 16% see it in terms of opportunity to address global maladies (“Global” view). Stakeholders are roughly evenly split between these three viewpoints.

Also, each of these three views can be articulated with a narrower vs. a broader perspective. In each case, the interviews show that **managers tend to take a narrower definition of corporate social responsibility compared to stakeholders.**

One surprising finding concerned the split in viewpoints as to whether corporate social responsibility is primarily a matter of compliance with societal pressures to “do no harm”, or an opportunity to find new ways to do business that contribute to sustainable development.

On the spectrum of views between compliance and opportunity, stakeholders and business are often seen as staking out opposite ends. Business leaders and leadership organisations such as the World Business Council for Sustainable Development focus on what business *can do* to address social and environmental challenges while stakeholder organisations, whether through regulation, campaigns, negotiation or ethical investment often take public positions which focus on what they *should not do*.¹

However, interviews with managers within individual companies and a wide selection of their stakeholders reveal a different picture. Managers tend to adopt a compliance-based view of their duties toward society, while a greater proportion of external stakeholders see the opportunity for business to “do good while doing well”.

¹ See for example *From Challenge to Opportunity: The Role of Business in Tomorrow’s Society*, WBCSD (2006).

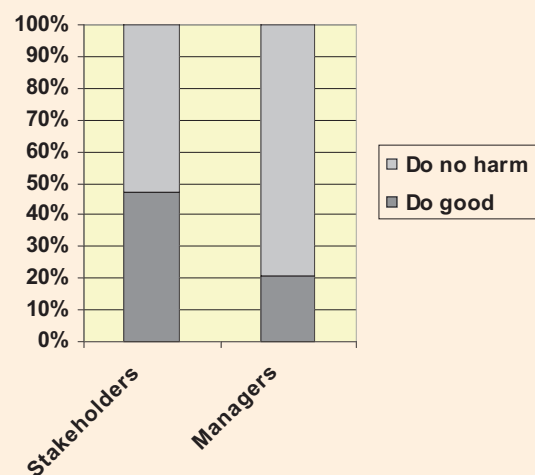


Exhibit 5: Unexpected Gaps

Project RESPONSE divided CSR issues along 2 dimensions – do no harm/do good and product/process. The table below gives some examples.

	Product focus	Process focus
'Do no harm'	<ul style="list-style-type: none">• Impacts on users e.g. health, safety, ethics, security, risks of improper use.• Broader impacts in use e.g. efficiency, safety, ethics.	<ul style="list-style-type: none">• Managing environmental impacts of production.• Respecting labour rights.• Avoiding human rights abuse complicity.• Avoiding corruption.
'Do good'	<ul style="list-style-type: none">• Broadening access to products e.g. food, medicine, finance and ICT.• Innovation of new environmentally friendly products.	<ul style="list-style-type: none">• Defending human rights.• Supporting community and regional development.

The research found that while both managers and stakeholders prioritise process issues, stakeholders are much more ready to see opportunities for companies to do good than managers are.



The prevalent managerial view revealed by this study -- that social and environmental issues are 'do no harm' compliance issues rather than opportunities for business innovation to benefit society -- is a wake-up call for business leaders and external advocates of strategic corporate social responsibility. Whereas high level commitments and international round-tables have reframed corporate social responsibility in its widest terms as an opportunity for innovation, this has not been effectively integrated into management thinking *within* companies.

The openness of external stakeholders to the opportunity for businesses to do good also suggests that a focus on innovation could represent the common ground upon which managers and stakeholders can build a solid basis for cooperation.



Understanding how companies with the strongest social performance have succeeded in getting managers and stakeholders to see things from each other's point of view is crucial. Project RESPONSE investigated a range of internal and external factors to identify which factors were associated with strong alignment. Three common features of the internal and external environments of high performing companies stood out:

"The finding that it is easier to align mindsets in highly dynamic environments may be somewhat counter-intuitive but interesting nonetheless. The priority focus on internal change and innovation, however, has enormous implications for the way we think about corporate responsibility going forward and for where companies and stakeholders should be directing their efforts."

Peter Lacy, Executive Director, EABIS and Member of the Response Business Advisory Board

1. **Business environment dynamism.** Companies with high alignment are more often found in countries, industries and competitive niches characterised by rapid change than by those where business models and social norms are more stable.
2. **Innovation as motivation.** Managers in companies where addressing social and environmental issues is seen as a means of innovating and creating new markets exhibit greater alignment than those driven only by values, reputation or cost-saving business cases.
3. **Integration of corporate social responsibility.** The degree to which understanding and management of social and environmental impacts are integrated into business operations and, even more importantly, in the strategic decision-making process, emerged as one of the strongest predictors of alignment.

The findings relative to each of these three factors are outlined in more detail in the following pages.

That the strongest enablers of alignment appear to **be internal factors under a company's current control** is an important finding. This means that developing stronger alignment between managers and stakeholders is a practical step that companies can take to improve their corporate social responsibility performance. This contrasts with factors such as corporate history and values, or even leadership commitment, for which there is relatively little room for action by managers themselves in driving the integration of social responsibility within their corporations.

Exhibit 6: What factors support alignment?

How strong is the evidence in support of a link between the following factors and levels of stakeholder-management alignment in the companies studied?

Possible factors	Strong evidence	Some evidence	No clear link
Innovation business case			
Differentiation strategy			
Integration of corporate responsibility			
External pressure ***			
Market dynamism ***			
Influential CSR department			
Strong industry norms ***			
Stakeholder engagement			
Leadership commitment			
Strong organisational values			
Value-based firm origins			

*** = External factors

Recognising the relationship between dynamism, responsiveness and stakeholder alignment does not mean dismissing the impact of established organisational values. Committed leadership and corporate values appear to be necessary in setting corporations on the path towards corporate social responsibility, but are not enough to bridge the gap between managers and stakeholders which stands in the way of achieving excellence.

3. Moving Targets, Sharper Aim

The research looked at how alignment differed between countries, industry sectors and competitive niches. The object of this was not to draw up a ranking of industries or countries but to understand whether complexity and discontinuous change impede learning or sharpen the focus of managers on stakeholder expectations. In each case it found that higher levels of alignment are associated with more dynamic and complex contexts, such as:

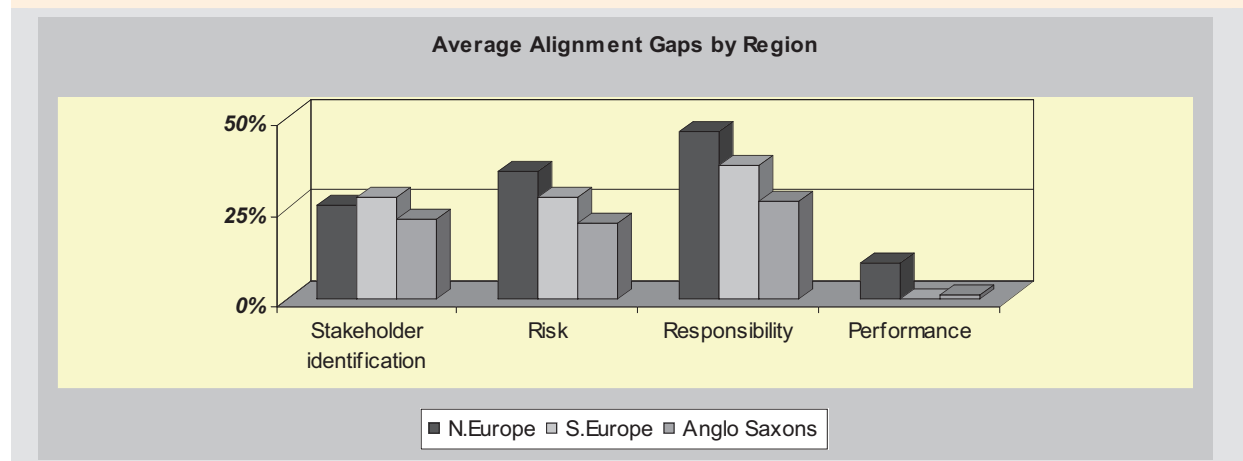
- **Corporate responsibility initiatives** motivated by an innovation-driven business case;
- **Business strategies** focused on differentiation and meeting complex customer requirements;
- **Stakeholders** actively pursuing new demands;
- **Industries** characterised by high levels of change; and
- **Regions** marked by faster economic change (see Exhibit 7).

Exhibit 7: States of agreement?

Northern European countries have a long history of formalised engagement between companies and their stakeholders and are often seen as leaders in creating national environments conducive to corporate responsibility.² Northern European firms generally produce more detailed public reports on social and environmental performance than either Anglo-Saxon or Southern European firms and have more codes and formal procedures in place on these issues. But are their managers more in-tune with stakeholder expectations or has social responsibility become routine and less responsive to shifting challenges?

A comparison of average levels of alignment in Northern Europe, Southern Europe and the 'Anglo-Saxon' economies (Canada, UK and USA) gives findings which may be surprising:

- In 3 out of the 4 areas measured, managers in **Anglo-Saxon** companies exhibit the smallest gaps, i.e., the highest levels of alignment with stakeholders.
- In 3 out of the 4 areas measured, **Northern European** companies exhibit the largest gaps. In particular, they overstate their own social performance much more than do the Southern European and Anglo-Saxon companies.
- The **Southern European** companies studied show surprisingly high levels of alignment which challenges the region's reputation as a corporate social responsibility laggard.



This finding highlights one of the key challenges of corporate social responsibility: its **dynamism**. Countries, industries and companies where corporate social responsibility is an established feature of doing business, but where levels of resistance to change might also be historically higher, may find it more difficult to find energy and insights to constantly drive the adaptation process, at least when compared to others competing in more dynamic contexts.

² See for example *The State of Responsible Competitiveness*, AccountAbility, UK (2007).

4. Corporate Social Innovation

The research found that in the high alignment companies, managers are more likely to express the business case for corporate social responsibility in terms of innovating to develop new market opportunities. In contrast, business cases based on risk reduction, cost efficiency or higher sales margins do not appear to make a difference to either alignment or performance levels.

An approach to corporate social responsibility centred on innovation seems to foster greater understanding of external interests and priorities as well as a willingness to take risks and envision new approaches to addressing these challenges.

"I was fascinated to read that the best performing companies see the motivation for CSR in terms of innovating to create new markets. I share the view that CSR and innovation are two sides of the same coin... It seems to me that one challenge here is for business schools to equip young business leaders with the skills necessary to develop links between responsibility and competitive strategy that are based on innovation and value creation rather than just on cost efficiency."

Günter Verheugen, Vice-President and Commissioner for Enterprise and Industry, European Commission

5. From the Inside-Out

In the companies studied, high levels of alignment go hand in hand with integration of social responsibility principles and practices within the business. It is hard to say whether integration leads to better alignment or whether better alignment supports an integrated approach. It might very well be a bit of both. But what is clear is that companies that excel in their approach to corporate social responsibility do so by integrating the principles of sustainability into both their everyday business practices and their strategic decision-making processes.

Exhibit 8: Integration in practice

One of the participating natural resource companies is distinguished by its success in integrating sustainable practices into its procurement process. Environmental and social issues are considered in relation to procurement, marketing, product use and in managing the end-of-product life cycle.

Managers with operational responsibilities are thus sensitised to the potential impacts of their operations through their everyday activities. Additionally, the inclusion of environmental and of health and safety issues in its management system has enabled the establishment of indicators in all business units, sectors and groups. Social performance is tracked and benchmarked, and improvements implemented based on best practice and learning within the company.

In contrast, there appears to be no association between the degree to which companies have developed solid, externally focused stakeholder engagement practices and the level of managers' agreement with stakeholder perspectives. This is surprising because aligning internal and external perspectives is one of the key aims of stakeholder engagement. However, it seems that actual changes in day-to-day behaviour, as illustrated above, are more powerful than dedicated external communication in making the shift from 'good' to 'great' performance. Indeed, companies that have invested heavily in external communication processes may have inadvertently lost out by failing to put sufficient focus on internal change processes.

This finding clearly points to the need to invest in deep internal organisational change processes aimed at adapting operating and strategic processes to integrate sustainability principles. This means, in concrete terms, that all the fundamental processes that make the organisation work -- from the way resources are allocated to the way people are hired and motivated, from the procurement of resources to the marketing and sales of products -- need to be adapted to fully embed the consideration of its potential social and environmental impact.

Day-to-day changes in behaviour are more powerful than efforts dedicated primarily to external communication in bringing stakeholder and manager viewpoints closer.

challenge. Other actors, particularly Social Rating Agencies (SRAs) and NGOs, could be forces of positive change as well, but their positive influence depends on their ability to understand how the company works and make sound assessments about where to direct investments to speed up and facilitate progressive change.

Interviews revealed that neither SRAs nor NGOs, however, know what goes on inside the businesses they evaluate. They do not have a clear picture of how these companies motivate people, allocate resources, organise processes, develop strategies, and manage change. Their evaluations are in fact typically dependent either on the external communication efforts of the companies themselves, or on media reports and activist campaigns against the company. Both sources, of course, are second hand and give little clue as to how responsibility issues are actually handled within the organisational boundaries.

SRAs, in particular, would be best advised to move beyond the analysis of external communication and towards a thorough assessment of internal change processes. NGOs as well need to substantially upgrade their understanding of corporate processes and their skills in coordinating and cooperating to drive and support internal change.

This is a tall order, particularly considering the peripheral role played by CSR experts in most corporations today. The power and the responsibility to effect this change rest primarily on the shoulders of corporate leaders and senior executives who are able to invest resources and muster sufficient internal power to influence the evolution of business activities.

“Inner Ring” stakeholders – customers, suppliers, shareholders, employees, communities – have equally relevant roles to play in helping companies to face this major change management

Neither social rating agencies nor NGOs have a clear picture of what goes on inside the companies they are focused on: they are in danger of becoming out of sync with what is needed to drive internal change.

6. Reinventing Stakeholder Engagement

Among the companies studied, those that have established processes for managing dialogue with their stakeholders are no more likely to have achieved high levels of alignment than those that take a more *ad hoc* approach to monitoring and responding to external concerns. Stakeholder engagement is an established touchstone of CSR best practice – but could it really be that it is a waste of everybody's time?

Our reading is that this would be the wrong conclusion to draw. In our view, stakeholder engagement is a critical step, but does not go far enough to achieve CSR excellence. For example, since the set of companies studied in this project was made up of 'good' and 'great' social performers, it could be that stakeholder engagement practices are necessary conditions to get to 'good' social performance levels, but falls short of enabling companies to achieve excellence.

The research findings can be interpreted as highlighting;

- **The danger of overinvestment in external communication processes** which can drain attention and resources from internal change processes; and
- **The opportunity to rethink the role of stakeholder engagement** away from "listening" and "telling", towards more active collaboration in changing the way things are done inside the organisation.

CSR champions within companies should consider shifting the balance of their attention and resources away from promoting external communication processes towards initiating internal change initiatives aimed at mainstreaming sustainability in business and strategic processes.

Stakeholder engagement is not being discredited as an enabler of excellence in corporate responsibility. On the contrary, this engagement is a critical first step in aligning company managers - stakeholders for CSR performance. The dialogue, however, needs to be redirected from external initiatives to looking internally first, and to collaborating more to integrate CSR into the company's day-to-day activities.

The findings give support to the view that stakeholder engagement could be seen as a critical lever for internal change.

It could go beyond being a way of understanding expectations or even developing joint externally-directed initiatives, and focus on catalysing and supporting learning and deep internal change processes inside the corporation. CSR champions within companies might use relationships with external counterparts to help gain internal legitimacy and drive change, for example. Similarly, stakeholder organisations could seek opportunities to engage with companies which go beyond consultation, debate or project collaboration to actively promote changes in the way the company responds to social and environmental issues at the core of its business.

These approaches are likely to be more effective in bridging the gap between managers and stakeholders, but also much more demanding of managers' and stakeholders' efforts and resources. The prize of these efforts may be equally large. **Helping companies to turn themselves into truly responsible actors might very well be the best and surest, albeit not the shortest, route to finding solutions to today's global economic, social and environmental problems.**

Stakeholder engagement represents an important preliminary step towards understanding stakeholder expectations, but it might not be sufficient to achieve excellence in corporate social responsibility.

Engagement with external stakeholders is most effective where it focuses on catalysing and supporting learning and deep internal change processes.

7. Developing Socially Responsible Managers

The findings reviewed above indicate that a substantial gap remains between managers and stakeholders on the understanding of, and expectations around, CSR issues and practices, even in companies that demonstrate superior corporate social performance. Bridging this gap is a challenge that needs to be tackled by any company or educational institution engaged in “responsible” management training. It goes beyond raising awareness on CSR-related issues to address the inner decision-making process of managers, including the development of specific traits related to emotional disposition, personal values and identity.

The traditional response to this challenge involves some type of dedicated training intervention, either designed internally by companies themselves or externally through business schools or specialised providers. Previously, it was not possible to say much about the effectiveness of these initiatives in influencing managerial awareness and consequent behaviour – in fact, no study had been done to scientifically evaluate their impact and no routinized process is normally available even in advanced educational institutions.

Project RESPONSE therefore took the step of assessing, for the first time, the impact of different approaches, including (i) a traditional executive education program, (ii) a coaching approach focused solely on deep meditation, without any mentioning of CSR, and (iii) a relaxation-based stress management technique, also devoid of any explicit reference to CSR.

This experimental research stream engaged 93 managers in four companies to evaluate the pre-post difference in their response patterns consequent to one of the training approaches, as well as no training at all (control group), in a randomized, controlled, experimental setting. Managers were asked to respond to a series of decision dilemmas, as well as a number of tests to establish a psychological profile of the individual manager based on emotional dispositions, personal values and decision-making criteria. The responses gathered suggest that the innovative approaches (ii) and (iii) could influence a stronger move towards socially responsible behaviour than the traditional executive education approach could do (see Exhibit 9).

Exhibit 9: Impact of different education and coaching approaches on decision-making

	Product focus	Process focus
‘Do no harm’	<i>Product Safety</i>	<i>Outsourcing</i>
	Executive Education ✗	Executive Education ✗
	Introspection ✓	Introspection ✓
	Relaxation ✓✓	Relaxation ✓
‘Do good’	<i>Access to drugs to Africa</i>	<i>Employee Volunteering</i>
	Executive Education ✗	Executive Education ✓
	Introspection ✓	Introspection ✓✓
	Relaxation ✓	Relaxation ✓

✗ Negative change ✓ Marginally positive change ✓ Positive change ✓✓ Strong positive change

Given the impact on behaviour shown by these novel approaches, the next step was to identify the psychological mechanisms that might explain these behavioural changes. The managers who

undertook the meditation-based coaching program showed a significant increase in positive emotions (happiness, self confidence, inspiration, among others) and decreased frequency of negative emotions (anger, tiredness and anxiety). They also gave increased priority to values such as 'responsibility', 'wisdom', 'forgiving', 'inner harmony', 'unity with nature', and decreasing importance to 'preserving public reputation'. These emotions and personal values are considered to be likely to support the development of more socially responsible decision-making and behaviour.

Interestingly, participants in the stress management programme also returned similar, albeit weaker, indicators from their experience – the training seemed to encourage a shift towards socially responsible behaviour and some related psychological traits. A possible explanation for this somewhat unexpected outcome is that the development of socially responsible behaviour might not only depend on emotional attitudes and personal values, but also on the effect of basic work pressures such as stress (for which both a “non-orthodox” training approach might be highly applicable). One might even posit that the strain placed on managers in the workplace leads to short-term time horizons, narrow self-interests, and familiar approaches to problem solving. This would thus prevent sound decision-making based on search for creative solutions to unstructured problems, on caring and trusting attitudes and on long-term views of the implications of one's decisions on broader audiences internal and external to the company.

Meditation and relaxation techniques seem to enable managers to break free from patterns of decision making driven by short-term outcomes, self interest and reliance on safe solutions to embrace more proactive and innovative approaches to social and environmental challenges.

Three main implications can therefore be drawn from this experimental study:

- All providers of management development programmes, including internal corporate academies, need to establish a robust system of pre-post impact measurement for their CSR-related training initiatives
- Companies and business schools need to look beyond traditional methods for executive learning and consider different pedagogical approaches to CSR – such as meditation and relaxation techniques, experiential learning and others. This appears to be necessary in order to address the more fundamental issue of developing social consciousness in managers
- The data generated open up various avenues of opportunity for further and deeper knowledge development. Given the crucial importance of better training for managers on CSR issues, it is to be hoped that future research will endeavour to build on this initial platform, expanding both its scope and reach to validate these findings.

A Cautionary Note:

A word of caution is necessary in the interpretation of the results of these experiments. Firstly, although the aggregate number of participants (93) is sufficiently large to draw statistical conclusions, this remains a relatively small sample and has still only looked at a few different learning approaches,. Secondly, the post-intervention measures are taken immediately after the end of each experiment, therefore, missing any possibility to assess the duration or longevity of the impacts on managerial behaviour and profiles. Future researchers are thus warmly encouraged to probe these findings with larger samples of practicing managers, with longer-term post-intervention measurements and across different learning methodologies. The research team recognise this is very much the beginning of a potentially significant line of future research inquiry.

The Last Word

Project RESPONSE is probably the first, and certainly not the last, word on most of the phenomena it has studied. Its findings have, in fact, raised as many interesting questions as RESPONSE has attempted to answer.

We hope that, in addition to its important findings being expanded and improved upon by future scholars, RESPONSE will be seen as a pioneering effort to develop a new way to conduct management research in areas as fundamentally complex, unstructured and yet crucially important to management theory and practice as corporate social responsibility.

The RESPONSE team is particularly grateful to those thoughtful practitioners who have endured endless discussions with us on theoretical development, measurement, participant recruitment, data collection, data analysis and, finally, sense-making and dissemination of the findings throughout the duration of Project RESPONSE. The successful implementation of a study based on multiple designs (matched pair case analysis and field experiments), multiple levels of analysis (the organisation and the individual) and multiple research philosophies (rigorous description aimed at relevant prescription) would simply not have been possible without their patient and unwavering support.

To conclude, perhaps the '8th Finding' of the project is the many learnings that have emerged carving out a new path in collaborative research design and in engaging with business and stakeholders. In this sense, RESPONSE has been a living case study of partnership in its own right. This approach underlies the philosophy at the heart of the European Academy of Business in Society, an approach that emphasises relevance, but preserves rigour and academic independence. We will stream these findings into EABIS' other EU sponsored project the 'European Platform for Excellence on CSR' (CSR Platform) in order to share the rich insights from RESPONSE and to help build a blueprint for future European research on the role of business in society.

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SELECTED VIEWS ON PROJECT RESPONSE

The European Academy of Business in Society continues to play a very important role in research and education on CSR in Europe. Project RESPONSE has looked closer than ever before at stakeholder expectations of business, at business responses to those expectations and at all the implications this has for competitiveness. As such it addresses questions that are at the very heart of European policy on CSR.

We have had high expectations of Project RESPONSE and we have not been disappointed. The findings themselves have great value and should provide a sound evidence base for companies to combine a progressive approach to sustainability with high performance and competitiveness.

Günter Verheugen
Vice-President and Commissioner for Enterprise and Industry
European Commission

Project RESPONSE has been the most comprehensive CSR study ever done in terms of its research design. We especially applaud the innovative, collaborative design and governance, and getting both the outside in/inside out view of all the stakeholders engaged. EABIS has been pleased to support the academic research team in its efforts to learn more about how to make the relationship between business and society a productive one.

Gilbert Lenssen
President
EABIS

Project RESPONSE has been a novel, cooperative effort between business and academia which can potentially improve both the way we think about and the way we practice CSR. It has combined academic rigor with managerial relevance to understand the factors that might help businesses and stakeholders to proceed in the same direction. Even more importantly, it has enabled us all to see how we can integrate CSR into business more fully, including the way we educate managers going forward.

Frank Brown
Dean
INSEAD

"I believe the conclusions of Project RESPONSE are not only about corporate responsibility, but point to the key role of innovation in driving new market development in response to evolving societal needs. The RESPONSE team has provided valuable insights which make clear that we must raise the level of understanding between firms and stakeholders and clarify roles throughout the value chain. This knowledge should in turn help us all improve our core business strategies and inform how we approach future partnerships, fostering more collaboration among all stakeholders. I commend the RESPONSE project partners for achieving a very important milestone in the CSR research agenda."

Jean-Philippe Courtois
President
Microsoft International

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