

# **Organisational social character: the role of values in corporate impact on social welfare**

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## **Abstract**

Given the difficulties inherent in differentiating societal contribution from the profit motive in corporate organisations, this article aims to improve scholarly understanding of the factors that underlie divergent organisational approaches to social welfare and societal outcomes. In doing this a model is proposed that draws on Schwartz's seminal values theory to categorise organisations according to a values typology, which is taken to represent 'organisational social character.' The model categorises organisations into four typologies, which are then applied to develop a framework to predict organisational decision processes and societal outcomes. A holistic discussion based on a literature review and theoretical development leads to generation of propositions on decision processes, decision responses and impact on social welfare. Of the four typologies derived from this analysis, namely '**strategic opportunist**,' '**institutional preservationist**,' '**moral traditionalist**,' and '**virtuous radical**,' we argue that the latter orientation can provide stakeholders with a model of how organisations can transcend a narrow short term profit orientation and instead develop an organisational character that better incorporates societal contribution as a 'lived' organisational objective.

## **Key phrases**

Corporate social responsibility; ethics; Schwartz values theory; social welfare and values

## 1. INTRODUCTION

Serious social and environmental challenges threaten the sustainability of human populations (United Nations General Assembly 70 Session 2015:5). Corporations, as they increase their share of markets, are increasingly expected to contribute to addressing these challenges (Bielak, Bonini & Oppenheim 2007:1). Much academic work exists on the associations between corporate social activities and financial performance (for reviews see Margolis, Elfenbein & Walsh 2007; Lu, Chau, Wang & Pan 2014; Wang, Dou & Jia 2016).

Many offer guidance about how to implement these activities under the assumption that they impart social benefit. Notwithstanding the commitments made by many corporations to socially responsible actions, there remains inconsistent evidence of positive impact of these socially responsible actions on societal and environmental challenges (Akpan 2008:509; Crane, Henriques, Husted & Matten 2017:787; Slawinski, Pinkse, Busch & Banerjee 2015:2).

While corporate social responsibility (CSR) critics abound (e.g. Banerjee 2014; Jenkins 2005:81; Visser 2010:8), what is seemingly lacking in this literature is theory explaining *why* corporations often fail to impact significantly on social welfare (Slawinski *et al.* 2015:2), defined as “the well-being for the earth and its living organisms” (Brickson 2007:866). This article seeks to develop a model, which explicitly identifies why many organisations fail to live up to these commitments and why some do. It considers executive cognitions and the economic context in which they are expressed as influences on CSR effectiveness. The singular objective of shareholder wealth maximisation underlying the neoclassical economic theory implies a win-lose mentality in which any gains for social welfare come at a cost to the organisation (Mitchell, Weaver, Agle, Bailey & Carlson 2016:266). Social welfare initiatives therefore, can tend toward cost effective activities that offset negative injunctions and improve social welfare only minimally.

In contrast, some business models might have a primary objective of serving the greater good (Rauter, Jonker & Baumgartner 2015:148). Such an objective might require transcendence of the assumptions of neoclassical economic theory, thereby contradicting social norms and traditional perceptions that there might be a cost associated with divergence from the economic model of profit maximisation. From this alternative foundation, these organisations might prevail over dominant economic institutions that reinforce the costs of externalities and produce radically different results for social welfare. The cognitions

associated with this transcendence of economic institutions have rarely been explored to enrich the understanding of corporate impacts on social welfare.

The purpose of this research is to address this gap by establishing the leadership cognitions underlying different organisational responses and their impacts on social welfare. It considers their personal values, as barriers to, or enablers of, positive social impact. Values and belief systems held by executives influence strategic preferences (Ismail 2016:33), formulation of organisational social policy (Hood 2003:268) and organisational decision processes (Simsek, Veiga, Lubatkin & Dino 2005:76). They are therefore likely to permeate organisational assumptions and practices regarding social welfare.

It is proposed that the chief executive's values will be reflected in the organisation's conceptualisation of its role in social welfare, which is labelled "organisational social character", and that this in turn will define the organisation's conduct and impact with respect to social welfare. The objective is to extend current theory regarding organisational outcomes on social welfare by proposing a framework to integrate leadership cognitions, and organisational shared meanings to predict social outcomes.

This article stands to make several contributions. First, it addresses the need for descriptive theory explaining why corporations have not made a significant impact on social welfare (Jones, Donaldson, Freeman, Harrison, Leana, Mahoney & Pearce 2016:218; Slawinski *et al.* 2015:2). Second, it provides insights into a potential framework for business-society relations that is based on values, which is relatively rare (Chin, Hambrick & Treviño 2013:198). In particular, it attempts to extend theory that is based on the use of a self-interested versus other-regarding dichotomy to include other values such as conformity, security and self-direction. Third, it presents a comparison of divergent organisational approaches to social welfare and the associated processes and societal outcomes thereby providing practical guidance for organisational change. Finally, it offers a normative theory and testable propositions to predict organisational behaviours and social impact, combining empiricism and normative tools.

The researchers conducted a literature review encompassing studies on values theory, decision-making, corporate social responsibility and sustainability with a focus on leadership and the micro-foundations of business-society relationships. They utilised a combination of

theoretical and empirical studies as the basis for the proposed values model and framework of associated processes and outcomes.

The article proceeds as follows. First, values theory is reviewed and applied to develop and propose a model that unifies theorising about traditional CSR models with that of new business models. Second, in exploring the influences on and consequences of the organisational typologies described, guidance is offered that can be used to predict an organisation's impact on social welfare. It is concluded that executive values and the economic institutions that dominate most conceptualisations of the corporate objective can combine to impede significant changes in social welfare, but that a particular combination might be possible, which mitigates this problem, resulting in what is considered to be an emergent, less cynical approach. Finally, the limitations of the theory and implications for research and practice are discussed.

## 2. VALUES THEORY

Values are defined as enduring beliefs that serve as guiding principles in the life of a person or social entity, and which influence attitudes and behaviour (Rokeach 1973:5; Schwartz & Bilsky 1987:551). Executive values are known to influence policy and practice in organisations (Hood 2003:268) and are associated with organisational outcomes such as profitability and growth (Berson, Oreg & Dvir 2008:625), and social performance (Chin *et al.* 2013:216; Le, Fuller, Muriithi, Walters & Kroll 2015:19). Values are trans situational (Rokeach 1973:5) and relatively stable within individuals over time (Vecchione, Schwartz, Alessandri, Döring, Castellani & Caprara 2016:120) and thus, form part of the lens through which the individual filters and forms a perception of a situation. They are therefore likely to influence the way in which an executive perceives the organisation's role in society.

Divergent organisational approaches to social welfare are reflected through sense making and sense giving, and processes of responsiveness to societal concerns (Basu & Palazzo 2008: 123; Richter & Arndt 2018:596). Through these channels, executives with disparate values may influence organisational outcomes and thereby foster or impede the changes required to resolve contemporary social challenges. Insight into the differences in the structure of values of executives is therefore, perhaps particularly important.

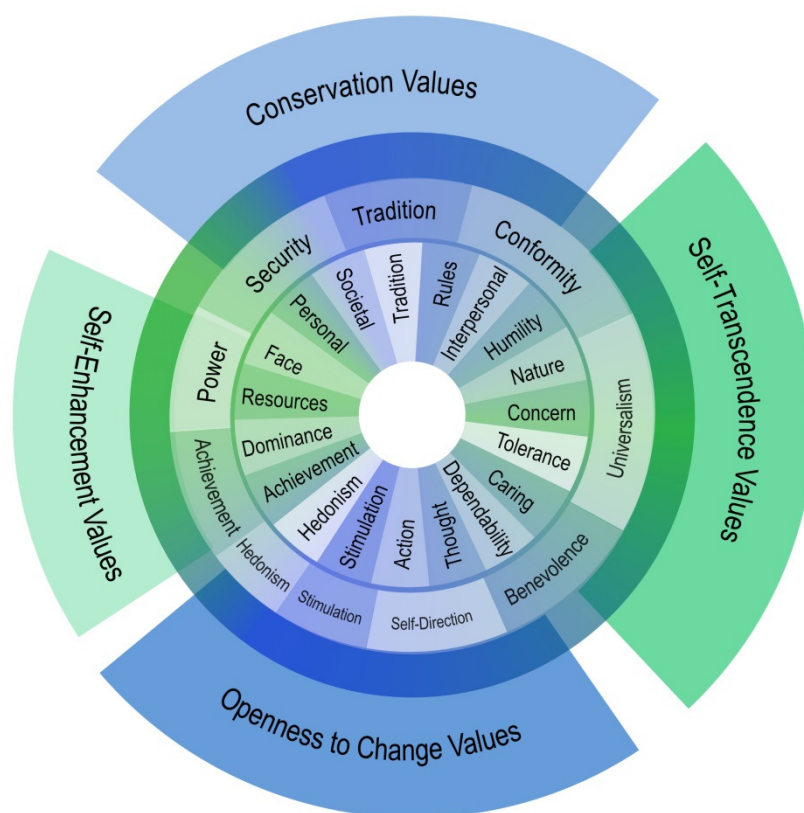
Values can be described in terms of content, which refers to the type of motivational goal they express, and structure, which refers to the dynamic relations among them (Schwartz &

Bilsky 1987:556). Schwartz and his colleagues present the structure of human values as 19 values (Schwartz, Cieciuch, Vecchione, Davidov, Fischer, Beierlein, Ramos, Verkasalo, Lönnqvist, Demirutku, Dirilen-Gumus & Konty 2012) which can be grouped into 10 values from his original work (Schwartz 1992:14) (see Figure 1). The original 10 values are presented in the outer ring of the circle, and the refined 19 values are presented in the inner ring of the circle.

Each of the nineteen values represents a motivational goal and the structure refers to specific conflicts or compatibilities between value priorities such that the pursuit of any value will conflict with some values, but also will be congruent with other values (Schwartz *et al.* 2012:669). For example, power (dominance) and achievement values are compatible in that they both emphasise social superiority and esteem. However, the pursuit of achievement values, or personal success, is likely to conflict with the pursuit of benevolence values, or the enhancement of the welfare of others. In this circular structure, the values that are in close proximity are congruent, and those that are distal are antagonistic.

The use of both value content and structure are important (Schwartz 1996:124; Schwartz *et al.* 2017:252). Schwartz (1996:140) contends that research using a selection of singular values to predict behaviour ignores other values that may be meaningful in the relationship. By doing this, these approaches provide useful information, but fail to offer coherent theory. Values research within the ethics decision making and business-society fields often takes a single-value approach (e.g. Berson *et al.* 2008:619; Hood 2003:266; Watson & Berkley 2009:469) with a few notable exceptions (Adams, Light & Sagiv 2011:1345; Fritzsche & Oz 2007:336). However, attitudes and behaviours are guided not by the priority given to a single value but to the trade-offs made among competing values and groups of values (Schwartz, Cieciuch, Vecchione, Torres, Dirilen-Gumus & Butenko 2017:252; Skimina, Cieciuch, Schwartz, Davidov & Algesheimer 2018:45).

Figure 1: The structure of values



Source: Adapted from Schwartz *et al.* 2012:669

Specifically, studies in the fields of ethics and CSR have focused on the dichotomy between a moral and an economic approach, which correspond to self-transcendent values versus self-interested values, (Campopiano, De Massis & Cassia 2012:396; Graafland & van de Ven 2006:119; Le *et al.* 2015:14). These studies have established that self-transcendence values tend to be positively related to ethical behaviour and measures of social responsibility (see also Hood 2003:268). In contrast, results of studies investigating the dichotomy between conservation and openness to change, and linkages to ethical or social behaviour have been mixed (Adams *et al.* 2011:1343; Fritzsche & Oz 2007:341; Watson & Berkley 2009:471).

Fritzsche and Oz (2007:341) tested the 10-value structure and found no relationship between openness and ethical behaviour, whereas Adams *et al.* (2011:1343) found that self-direction and stimulation were correlated with perceptions of the primacy of shareholders over other stakeholders. These mixed results indicate that an opportunity for theorising lies

in the use of a comprehensive framework of values including their interrelationships. This article intends to address this gap, utilising the theory of values (Schwartz *et al.* 2012; Schwartz *et al.* 2017) to provide a theoretical basis for future empirical testing of the dynamic relationships between values and corporate behaviours with respect to social welfare. Central to this process of theorising is the concept of organisational social character.

### **3. ORGANISATIONAL SOCIAL CHARACTER**

Values are inherent in individual perceptions and meaning systems (Gioia & Chittipeddi 1991:434), and therefore are likely to influence the way in which an executive perceives the organisation's role in society, and the way in which the executive gives meaning to the organisation for its members. Recent evidence shows that an organisational shared meaning or "ideology" can be identified and measured, and that it influences the organisation's approach to decisions involving society (Gupta, Briscoe & Hambrick 2017:1029). Gupta and colleagues considered employee political ideologies as a measure of latent values that shape an organisational political ideology. This ideology is influenced by the ideology of the CEO. Similarly, this article considers the collective meaning of organisational members basing it on values. However, instead of political ideology, the researchers used the concept of "organisational character", or the way an organisation "goes about making sense of its world" from Basu and Palazzo (2008:124).

This article refers to the central character of an organisation in the specific context of business-society relations as its "organisational social character". Organisational social character was defined as the organisation's normative foundation that is an expression of the values and attitudes that characterise the organisation's philosophy with regards to its role in society and its relationship with society. The researchers suggest that an organisation's social character, if guided by values, is related to certain cognitions, decision processes and behaviours.

While many scholars advocate for the integration of CSR practices into business strategy and practices (e.g. Maignan, Ferrell & Ferrell 2005:965; Maon, Lindgreen & Swaen 2009:78; Porter & Kramer 2011:5; Visser & Kymal 2015:32), they often consider these changes at a superficial level, failing to consider the underlying normative belief systems that might encourage or hinder impactful change. Organisational social character as a construct has the potential to distinguish between organisations that embody divergent value systems and

to explain variation in corporate processes and their consequences on social welfare. By comparing and contrasting these positions, this article offers an integrated understanding of why some approaches fail to have positive impact and others succeed.

#### **4. TOWARD A MODEL OF ORGANISATIONAL SOCIAL CHARACTER**

In the preceding sections, a values basis was presented for a model suggesting that there are cognitive factors that predispose executives to divergent approaches to social welfare. Authors that explain divergent approaches along an ethical or “economic” dichotomy have demonstrated that companies taking an ethical approach engage differently than those taking an “economic” approach. Other researchers propose that many organisations already subscribe to CSR practices and now need to integrate social welfare into business strategy and practice. These scholars have provided important contributions regarding *how* to implement social welfare practices within a business context. This article proposes that the cognitive characteristics of executives are an important origin of different approaches and uses two continuums explain the divergence in organisational approaches to social welfare.

Two dimensions based on Schwartz’ value types form the foundation of a values model that can be applied to describe the social character of an organisation. The model, therefore, works at an individual level to predict organisational-level behaviour. The first set of conflicting values lies between self-transcendence and self-enhancement motivational emphases and the second lies between conservation and openness to change. The dimensions build to a classification model that provides a useful synthesis of current business-societal approaches and emergent “sustainable” business models.

##### **4.1 Self-orientation (self-transcendence versus self-enhancement)**

The self-orientation dimension reflects the self-transcendence versus self-enhancement dichotomy, and refers to the normative position of the executive, which reflects his or her emphasis on the acceptance of others and concern for their welfare (i.e. universalism, benevolence) or an emphasis on one’s own success and dominance of resources (power and achievement). This dimension is important because it is implicit in the long-standing debate regarding the corporate objective, which places a self-interested objective relating to the maximisation of shareholder wealth against a self-transcendent or stakeholder objective. The economic or strategic perspective is based on the assumption that the greatest social



good occurs when individuals are free to pursue their own self-interest in economic activity (Friedman 1970; Jensen 2002). The moral or stakeholder perspective on the other hand, claims that companies have a responsibility to society and the environment and thereby, are required to pursue self-transcendent interests (Freeman 1984).

This continuum also represents a focus on attaining personal versus social outcomes (Schwartz *et al.* 2012:665). For example, an executive that pursues power values is likely to behave in his or her own self-interest, (Schwartz *et al.* 2017:249) and create an organisational social character that reflects these beliefs. This executive, therefore, might take a neo-classical economic approach to his organisation, subscribing to societal responsibilities only when there is an institutional requirement or under conditions where it makes business sense. Self-interested values are associated with a view that shareholder interests take precedence over other stakeholders (Adams *et al.* 2011:1343). In comparison, an executive that pursues self-transcendence values might view the corporate objective somewhat differently. Self-transcendence values of benevolence, universalism and humility entail concern for the enhancement of others and a focus on attaining social outcomes (Schwartz 1996:124; Schwartz *et al.* 2012:667). Thus, executives that pursue self-transcendent type values might perceive the corporate objective as serving multiple stakeholders, and thereby may establish policies and practices that reflect this perception.

#### **4.2 Openness orientation (openness to change - conservation)**

The second major factor that differentiates organisations with respect to social character is openness, which reflects the extent to which executives' openness to change or conservation is pervasive throughout the organisation. This dimension reflects a conflict between own independent thought and creativity (self-direction and stimulation) versus submissive self-restriction, preservation of traditions, and protection of stability (security, conformity and tradition) (Schwartz 1996:123). Whereas the self-orientation dimension helps to explain the normative approach to social welfare, this dimension (openness), although also normative, is taken here to help to explain the structural approach. An organisation's structural approach relates to processes, organisational forms and structures, and practices (Stubbs & Cocklin 2008:113) and is informed by the organisation's leadership (Berson *et al.* 2008:625). Therefore, the extent to which the executive's values configuration is dominated by openness to change versus conservation values is likely to influence the structural elements specific to the organisation's social character.

Some CEO's promote innovative practices and embrace change. These CEO's typically seek challenge and risk, are likely to pursue values such as self-direction, and are associated with innovation-oriented organisational cultures (Berson *et al.* 2008:625) and innovative practices (Kashmiri & Mahajan 2017:268). In contrast, CEOs that value security, conformity and tradition, are likely to promote different organisational structures and practices. These executives emphasise rules, regulations and efficiency. They are associated with bureaucratic cultures, which are typically characterised by a lack of flexibility, risk averseness and clearly defined structures for consistency and predictability (Berson *et al.* 2008:617,625).

### 4.3 A model of organisational social character

Based on the idea that executives vary in their value structure, and that these values can permeate through the organisation's strategy and structural elements, organisations can be categorised according to these value structures. The two underlying value dimensions described above are used as the basis for the model of organisational social character presented in Figure 2. Although the four typologies are based upon a continuum of values, they appear to have enough distinct elements to result in divergent decision-making processes and outcomes. Further, unlike the manifestation of these values at the individual level, where a reflection of conflicting values would not be expected (Schwartz 1996:124), the organisational social character is taken to comprise different combinations of these values.

**Figure 2: A model of organisational social character**

CHANGE ORIENTATION	Openness to change	<b>Strategic Opportunist</b> - Shareholder orientated - Innovative management structures - Risk taker	<b>Virtuous Radical</b> - Oriented towards good for all of society - Innovative management structures - Risk taker
	Conservation	<b>Institutional Preservationist</b> - Shareholder orientated - Traditional management structures - Risk averse	<b>Moral Traditionalist</b> - Stakeholder oriented - Traditional management structures - Risk averse
		Self-enhancement	Self-transcendence
		SELF-ORIENTATION	

Source: The author's derived the table using the information collected during the course of the study.

The ***moral traditionalist*** character reflects the self-transcendence values of universalism, benevolence and humility together with the conservation values of security, conformity and tradition. Such organisations thus prioritise ‘other-centred’ rather than self-oriented values, and conservation over openness to change values. Organisations with this orientation exhibit concern for enhancement of others and engage in activities intended to benefit society. Research links self-transcendence values with ethical decision-making (Fritzsche & Oz 2007:341). These companies are taken to engage in social welfare activities as a form of responsibility or accountability, where engagement becomes a mechanism for fulfilling obligations, enhancing accountability, or acquitting moral duty, similar to the “responsibility” quadrant of Greenwood’s model (Greenwood 2007:322).

The tradition/conformity and security combination as a dimension of the ***moral traditionalist*** character emphasises harmony of relations and conservation of order. This has implications for ethical decision-making, stakeholder orientation and organisational structures. Research has linked this dimension with ethical decision-making, specifically showing a positive association between self-direction and unethical decision-making, and a negative association between tradition and conformity and unethical decision-making (Watson & Berkley 2009:471). Thus, organisations in this quadrant are more likely to make ethical decisions.

However, the inclusion of tradition and conformity in this character type might entail a lower emphasis on universalism values to emphasise devotion to one’s in-group. Organisations with this positioning might emphasise the concerns of specific stakeholder groups rather than the greater good of society. For example, prioritising stakeholders based on instrumental models of stakeholder salience (Mitchell, Agle & Wood 1997:872), emphasises specific stakeholder groups such as shareholders or external groups that have an influence on the organisation’s achievement of its financial goals.

The emphasis on conservation may promote the observance of societal and institutional norms, implying risk-aversity and a desire to maintain the status quo. Established processes and traditional management structures might be more likely in these types of organisations. Within a capitalist institutional context, organisations with this character, therefore, might make ethical decisions, albeit within the limitations of market logic and the dictates of traditional structures.

The ***institutional preservationist*** character is similar to the ***moral traditionalist*** character in that it reflects conservation values but differs from it in the emphasis of self-enhancement values along the self-orientation continuum. This character emphasises power values and the avoidance of uncertainties by controlling relationships and resources. These organisations are therefore expected to approach societal relations in terms of compliance with regulation, and may attempt to change regulations to suit their profit objectives. Executives that foster this character, through their emphasis on achievement and superiority, may use social welfare activities to promote the reputation and legitimacy of their organisations. Stakeholders may therefore be used as an instrument for corporate legitimacy and control in this way.

Unlike organisations characterised by the ***moral traditionalist character***, where support of capitalist institutions might be moderated by self-transcendence values, organisations with the ***institutional preservationist*** character are resolute in their support of institutions and management structures focused on profit maximisation.

The ***strategic opportunist*** character emphasises self-enhancement while emphasising openness to change on the openness to change/conservation continuum. The pursuit of openness to change values is likely to promote an innovative organisational culture, while the self-enhancement aspect of this typology is likely to ensure that an organisation's innovation is profit-oriented rather socially-oriented. These companies may have attempted to integrate social welfare into their business practices, or may have adopted non-traditional management structures allowing some integration of these practices, but only insofar as this supports goals of profitability.

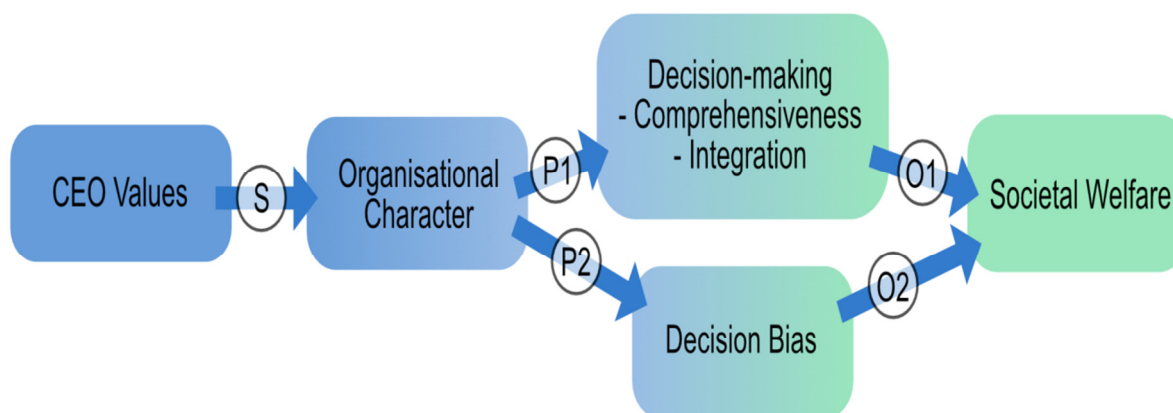
With a self-enhancement orientation the ***strategic opportunist*** character also expresses self-centredness, social superiority and esteem, which are associated with a profit or shareholder wealth maximisation objective (Adams *et al.* 2011:1343). For these organisations, engagement in social practices is instrumental, with the intent of managing the organisation in the interest of shareholders, managing risk and obtaining competitive advantage. Organisations that select to engage where business and societal goals align (Beschorner 2013:109; Crane, Palazzo, Spence & Matten 2014:136) reflect the opportunistic character of this type.

The fourth character, *virtuous radical*, typified by openness to change and self-transcendence values, transcends the neo-classical economic view of the firm. These companies are comfortable with the diversity of existence and emphasise reliance upon one's own judgement, and therefore foster both innovation and social welfare. Without an overt focus on conformity and security, they are risk takers, not afraid to break with the status quo. Organisations that claim profit is not their first priority (Rauter *et al.* 2015:148) are characteristic of these organisations. A culture that enables strong capabilities for change, a commitment to innovation and high levels of trust is also a characteristic of this type. Eccles, Perkins and Serafeim (2012:45) distinguish these types of companies from traditional companies on account of their long-term decision-making perspective, and the way their leaders transcend the short-term pressures of capitalism. These companies might adopt new and innovative business models that incorporate a multiplicity of values and integrate social concerns into business decisions. Thus, without the limitations of conservation and self-enhancement values, these companies might work for the good of all and transcend the constraints posed by traditional economic institutions.

## **5. A CONCEPTUAL FRAMEWORK FOR SOCIETAL OUTCOMES (PREDICTIONS)**

The model of organisational social character typologies provides a theoretical basis for understanding how executive values relate to organisational processes and behaviours, and how these channels might influence outcomes on society. Here the organisational social character construct and associated organisational processes are applied to explain why many organisations may not deliver on their claims of societal impact, and why some may. The researchers suggest that the divergence in processes and decisions made by organisations classified within the different social character typologies will result in actions that are associated with variation in their impacts on social welfare (see Figure 3).

**FIGURE 3: A framework of organisational social character, decision processes and social welfare**



Source: The author's derived the diagram using the information collected during the course of the study.

The "S" sense making arrow of the framework presents an argument that CEO values form the genesis of organisational shared meanings and influence the organisation's social character via sense making and sense giving channels. Organisational social character then represents the shared meaning or philosophy with regards to its role in society and its relationship with society.

This assumption underscores the "P" process relationship of the model, indicating that CEO values impact organisational decision processes via organisational social character. Decision processes are important channels through which executives influence organisational outcomes. A key way in which this occurs is through organisational sense making processes adopted by an organisation, which affect how members of the organisation interpret situations (Daft & Weick 1984:286), and how relationships with stakeholders, and responses are formed (Basu & Palazzo 2008:124; Brickson 2007:872; Richter & Arndt 2018:593). The P arrows present the argument in the context of business and society relationships that different organisational social character typologies are associated with divergent decision processes and decision bias.

The final "O" outcome arrows present the argument that different decision processes are associated with divergent social outcomes. A firm's decision-making processes influence strategic decision-making effectiveness and firm performance (Dean & Sharfman 1996:387;

Eisenhardt 1989:567), and are therefore likely to influence other goals such as positive social welfare.

The ideas developed by this framework provide the basis for a number of propositions to be tested in future research. These propositions concern: 1) organisational decision processes 2) bias toward both societal or organisational goals, and 3) outcomes on social welfare. These predicted relationships are summarised in Table 1.

### 5.1 Decision-making processes

Decision responses are influenced by their processes, which involve the type of information collected, as well as the ways in which information is collected and assessed, evaluated, communicated and utilised to make choices (Daft & Weick 1984:292). This article draws on Fredrickson and Mitchell's (1984:402) framework of decision comprehensiveness to convey how social information might be incorporated into decision-making processes and how organisational social character might be associated with these processes.

The cognitions of the executive and the resulting organisational social character are not expected to be the only influences on the decision-making processes within the organisation. Nevertheless, it is expected that the organisation's social character and its related normative and structural elements will serve to provide a useful differentiation between organisational practices.

**TABLE 1: Organisational social character, decision processes and social welfare**

Organisational Social Character	Moral Traditionalist	Institutional Preservationist	Strategic Opportunist	Virtuous Radical
<b>Analytic Comprehensive</b>	Socially Comprehensive	Not Socially Comprehensive	Not Socially Comprehensive	Socially Comprehensive
<b>Integrative Comprehensive</b>	Not Integrated	Not Integrated	Some Integration	Fully Integrated
<b>Decision Bias</b>	Profit Shareholder Wealth	Profit Shareholder Wealth	Profit Shareholder Wealth	Greater Good
<b>Impact on Social Welfare</b>	Neutral/Incremental	Neutral/Negative	Neutral/Incremental	Large-scale Impact

Source: The author's derived the diagram using the information collected during the course of the study.

### **5.1.1 Analytic Comprehensiveness**

Depending on their values, executives promote either broad or focused information gathering in terms of social values, and its analysis (Swanson 1999:513). Executives will then either choose to ignore social information or utilise it to evaluate situations, and either emphasise or de-emphasise it in their choices and actions.

**Proposition 1a:** Organisations with a *moral traditionalist*, *strategic opportunist* or *institutional preservationist* character will not tend to foster an analytic comprehensive decision-making process regarding social information.

**Proposition 1b:** Organisations with a *virtuous radical* character will tend to foster an analytic comprehensive decision-making process regarding social information.

In general, the more organisational social character tends towards self-enhancement values, the lower is the organisation's expected tendency to comprehensively collect social information that is not of explicit value to the organisation, or which is not profitable. Therefore, executives that promote self-enhancement might promote analytical comprehensiveness, but not with respect to social information. They are instead expected to focus on the collection and analysis of information relevant to the economic objectives of the organisation. *Institutional preservationists* and *strategic opportunists*, with their tendencies towards self-enhancement values, fall in this category.

In contrast, organisational social character types that tend towards self-transcendence are likely to be analytically comprehensive in terms of social information. To enable the analysis of both economic and societal information, these organisations require an acceptance of the notion of a multi-objective organisation (Hahn, Figge, Pinkse & Preuss 2017:6), which would require a degree of transcendence of economic institutions. Therefore, organisations that are analytically comprehensive in terms of social information require an emphasis on self-direction values in addition to self-transcendence. Although *moral traditionalists* tend towards self-transcendence values, they do not pursue the openness values required to transcend economic institutions, leaving only the *virtuous radical* typology that fosters a socially analytic comprehensiveness.

### **5.1.2 Integrative comprehensiveness**

The second decision-making aspect, integrative comprehensiveness, has been referred to as how comprehensively individual decisions are integrated into the organisation's overall



strategy (Fredrickson & Mitchell 1984:402). In a social welfare context, this article defines it as the extent to which an organisation is comprehensive in the integration of social information into decisions, strategy and practices. In other words, organisations displaying high levels of social integrative comprehensiveness are expected to make conscious attempts to integrate individual decisions regarding social welfare into overall strategy and to ensure that these decisions reinforce one another.

Similar to social analytic comprehensiveness, social integrative comprehensiveness implies that both the self-orientation and change orientation continuums of the model are important. Organisations with social character typologies tending towards self-transcendence might be more willing to utilise social information and integrate it into decision-making. However, integration of social information also implies that there is transcendence of bureaucracy and rigid institutional norms, and a tendency to break down silos and traditional management structures.

**Proposition 2a:** Organisations with an *institutional preservationist* character will not tend to foster an integrated comprehensive decision-making process regarding social information.

**Proposition 2b:** Organisations with a *moral traditionalist* or *strategic opportunist* character will tend to foster a somewhat integrated comprehensive decision-making process regarding social information.

**Proposition 2c:** Organisations with a *virtuous radical* character will foster a fully integrated comprehensive decision-making processes in terms of social welfare.

*Moral traditionalists*, with a combination of self-transcendence and conservation tendencies, are not likely to fully integrate social information into strategy and cross-departmental decisions. *Institutional preservationists* might have neither the self-transcendence nor openness to change expected to be necessary to optimally integrate social information. *Strategic opportunists*, characterised by openness to change, may be willing to transcend traditional management structures in order to integrate social information into decisions. However, as self-interested organisations that prioritise shareholders and profit maximisation, they are not likely to integrate social welfare into business strategy unless it directly contributes to profit maximisation.

The integration of social concerns for instrumental purposes tends to be sporadic, limited to instances where business and societal goals align (Beschorner 2013:109; Crane *et al.*

2014:136), rather than comprehensive. Therefore, the framework affirms that only the *virtuous radical* organisation will comprehensively integrate social welfare into decisions and strategies.

## 5.2 Decision bias

The third decision channel through which organisational character might influence societal outcomes may relate to the bias of organisational decisions toward either economic or societal goals. If CSR and the strategic approach in particular selects to be socially responsible only where business and societal goals align, thereby prioritising the organisation's goals, an understanding of the intentions behind these choices will help to discern whether or not companies are pursuing the good of society, or whether they are pursuing social welfare activities for accountability, institutional or instrumental purposes.

**Proposition 3a:** Organisations with a *moral traditionalist*, *institutional preservationist* or *strategic opportunist* character will tend to foster decision bias towards economic interests.

**Proposition 3b:** Organisations with a *virtuous radical* character will tend to foster decision bias towards social welfare.

Organisations that pursue self-enhancement values are more likely than those that pursue self-transcendence values to bias decisions towards shareholder wealth and profit maximisation (Adams *et al.* 2011:1343) and to make unethical decisions (Fritzsche & Oz 2007:341). The self-orientation dimension is therefore likely to be a strong indicator of the bias of decisions throughout an organisation.

However, since profit maximisation represents the status quo, to bias decisions toward societal and environmental concerns goes against societal and economic norms. Organisations that promote tradition and conformity are not likely to transcend the dominant economic paradigm, which might create unnecessary risk and dissonance. Further, a compliance mind-set and bureaucracy constrain efforts towards creative solutions, thereby maintaining the status quo (Hoffman & Bazerman 2007:18). Thus, to transcend capitalist logic and bias decisions toward social welfare, an organisation requires not only self-transcendence but also a willingness to break the status quo, which requires openness to change. The framework thus affirms that only organisations with a *virtuous radical* character will tend to foster a bias towards social welfare.

### 5.3 Social welfare

The framework clearly argues that different decision processes are associated with organisational impact on social welfare. First, social analytic comprehensiveness is associated with the broad understanding of societal challenges that is necessary to solve them (Swanson 1999:516). Companies that do not have this comprehensive understanding of the larger environment will not be sufficiently equipped to resolve societal challenges.

Further, comprehensiveness refers to the consideration of multiple alternatives (Fredrickson & Mitchell 1984:402), which is important given the complex and ambiguous context of business-society relations. It enables decision makers to ascertain the strengths and weaknesses of alternatives, and when numerous alternatives are considered comprehensively, decisions can be made more quickly and the likelihood of choosing an optimal solution is higher (Eisenhardt 1989:565). A key caveat, however, is that the optimal solution is dependent upon the goal (Fredrickson 1985:834), and therefore, provided the goal is positive impact on social welfare, companies that gather a broad range of social information and consider multiple alternatives are more likely to achieve positive societal impact.

**Strategic opportunists** and **institutional preservationists** with the ultimate goal of financial success may tend to utilise decision-making processes with a narrow focus on profit, and therefore, are not likely to have the comprehensive understanding of the social challenges required to solve them. **Moral traditionalists** and **virtuous radicals**, with analytical comprehensiveness specifically regarding social information, are likely to consider numerous alternatives resulting in higher likelihood of finding an optimal solution.

Integrative comprehensiveness may also be associated with social welfare impact. In an organisational context, decision integration influences decision speed and effectiveness (Eisenhardt 1989:565). Decision-making teams that integrate decisions analyse alternatives simultaneously, which limits discontinuities between decisions and may be associated with strategic change. Managers that make decisions in fragments, with little regard for how various decisions interact with each other or with the organisational strategy, may tend to struggle over making them, resulting in risk aversion. These processes are likely to lead to slow, hesitant decisions with incremental impact at best. Therefore, organisations that do not integrate societal decisions with other strategic decisions are unlikely to make the radical decisions required for large-scale positive impact on society.

Positive social welfare impact requires an understanding of societal challenges *and* to act in society's interest (Greenwood 2007). If organisational responses or actions are biased towards profit, positive societal outcomes may only ensue only by chance. Similarly, if the bias tends towards maintaining institutions or legitimacy, decision makers may choose sub-optimal solutions that comply with standards or regulation rather than optimal choices that are tangential to, or violate, the standard (Hoffman & Bazerman 2007:18).

Strict compliance measures lock organisations into a focus on compliance rather than the attainment of societal goals. These sub-optimal solutions may serve to offset negative injunctions or may even serve to harm society or the environment (Akpan 2008:509; Idemudia 2009:140). For example, in a study of oil companies in the Niger Delta the companies' over-emphasis on affirmative duties while evading the resolution of their negative impacts constrained the impact of positive efforts and allowed for the destruction of traditional sources of livelihood (Idemudia 2009:140). In contrast, a decision bias toward a societal or environmental perspective may shift the potential outcomes.

**Proposition 4a:** The extent to which organisations bias decisions towards profit is likely to result in neutral or negative outcomes on society.

**Proposition 4b:** *Strategic opportunists, institutional preservationists* and *moral traditionalists* will have neutral, incremental or even negative impacts on society.

**Proposition 4c:** Organisations with a *virtuous radical* character are likely to more comprehensively analyse and integrate social values into decision-making, bias decisions toward social welfare and effect positive, impactful results on society.

In contrast to all three traditional typologies, the *virtuous radical* is the only positioning that is likely to influence radical change and positive, large-scale impact on society. The self-transcendent and openness values underlying this organisational character may permeate through decision-making channels for positive influence. They are likely to utilise socially comprehensive and integrative processes and bias tends to be toward societal goals. Thus, they have the understanding of social challenges to correctly target efforts, they integrate social goals across decisions in the organisation leading to faster and more effective decisions, and where an inevitable trade off arises, they favour society.

## 6. DISCUSSION AND RESEARCH IMPLICATIONS

This article set out to develop a cognitive framework for the comparison of organisational approaches to social welfare and their impact on society. It built on insights from several relevant streams of literature, namely those related to (i) personal values, (ii) decision-making, (iii) corporate social responsibility and (iv) sustainability. It proposed that the components of the framework contain elements of these literature streams, unifying them in a novel way to enable a more useful and deeper understanding of why corporate initiatives may fail to impact social welfare, as well as to suggest what may be needed for large-scale social impact. The development of this framework thereby responds to calls for theoretical work that addresses social welfare issues related to the activities of corporations (Jones *et al.* 2016:218) and addresses aspects of a persistent gap in the social responsibility and sustainability literature. By offering testable propositions, this work also extends emergent theory on the failure by corporate organisations to address social welfare issues, enabling a research program that can more appropriately investigate the antecedents and channels through which corporations impact social welfare.

A number of scholars have recently proposed frameworks for the integration of socially responsible initiatives into business strategy, offering practical advice for considering social welfare during the strategic decision-making process. Such models often acknowledge the role of cognitions but do not explicitly explore the nature of executive cognitions and organisational approaches as antecedents and potential barriers or enablers to this integration. Using the structural patterns of executive values this article uncovers how executive cognitions may associate with organisational approaches that either impede or enhance integration and societal outcomes.

Through the consideration of cognitions, the article highlights certain contradictions inherent in the “CSR paradigm” grounded in an institutional market logic that is antithetical to its objectives. The model of four typologies suggests that two continuums are important, rather than the single ethical-economic dichotomy that is typically portrayed in much of the literature. The fourth typology of organisational social character embodies values and processes that are key to understanding how some organisations might transcend capitalist institutions to impart far-reaching changes in business-society relations.

This article therefore also contributes to the growing body of literature concentrating on social welfare outcomes rather than financial outcomes. It demonstrates how three of the

social character typologies, representing current conceptualisations of social welfare approaches, may tend to result in neutral, incremental or even negative societal outcomes, until at last those that transcend narrow profitability logics to deliver meaningful systemic impact.

## 7. RESEARCH IMPLICATIONS

Theories should attempt to jointly consider the normative implications of descriptive findings, and, conversely, consider the kinds of data that could answer important normative questions (Donaldson 2003:365). Drawing from Schwartz' values theory, this article sought to provide a coherent values-based theory, offering testable propositions to provide the basis for empirical research that can answer both normative and descriptive questions. The organisational social character typologies developed here, however, are based on continuums and not rigid boundaries. A descriptive analysis might confirm these boundaries, or whether it is possible that organisations exhibit elements of more than one quadrant simultaneously. Evidence of flexible boundaries in our model is indicated by studies of CSR motivations that have found that executives or companies sometimes claim to pursue multiple motives simultaneously (Brønn & Vidaver-Cohen 2009:98). The normative question then becomes "how do organisations balance the elements of the four social characters and how ought they to balance them?"

Further research investigating the societal outcomes associated with each social character and their associated processes could provide useful insights into questions like these. Measuring values through survey methodologies such as the Portrait Value Questionnaire – Refined (PVQ-R) has shown robust results (Lindeman & Verkasalo 2005:173; Schwartz *et al.* 2017:247), as have other measures of organisational character concepts such as CSR Orientation (Aupperle, Carroll & Hatfield 1985:456).

The difficulty in measuring social welfare outcomes remains a formidable challenge (Kroeger & Weber 2015:43), although research continues to suggest methodologies to assess changes in social welfare (for example, Kroeger & Weber 2015; Becchetti, Castriota & Solferino 2011:121; Ballesteros, Useem & Wry 2017:1690). Nevertheless, if organisations have the potential to transcend these barriers to social welfare contribution, values theory may hold the key to how this may be accomplished, and the researchers argue that the

identification of *virtual radical* characteristics may assist organisations to develop their own values configurations that prioritise these values.

## 8. CONCLUSION

This theoretical study suggests that a values-based framework can be used to understand organisational approaches to social welfare, and to usefully predict and investigate their relationship with social welfare impact. The framework offers insight into the channels through which different executive and organisational approaches might hinder or enable meaningful changes in social welfare. Theoretically derived relationships were specified in the form of propositions to aid future research. The nature of the relationships, including potential mediating process variables, as well as the strength of these relationships remain to be tested, and future research is recommended in this regard.

This article proposed that the notion of organisational social character shows promise for distinguishing between companies on the basis of values orientations, as well as to predict the channels through which companies may affect social welfare. Through this concept, although drawing from seminal values theory, an emergent approach to social welfare was identified that is distinguished from the current paradigm. The *virtuous radical* character, with its potential to transcend certain capitalist logics, might be a catalyst for the disruption of narrow profit orientations in certain contexts, contributing to the process of economic institutional evolution. It is hoped that values based transcendence of the profit dictated paradigm of CSR might one day become a fundamental way to do business.

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