Honouring the Tensions: Corporate Boards at the Interface of Corporate Governance and Corporate Social Responsibility

Rosemary Sainty
UTS Business School
University of Technology Sydney

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Certificate of Original Authorship

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Table of Contents

List of Tables

List of Figures

List of Acronyms

- ASX - Australian Stock Exchange
- ASIC - Australian Securities & Investments Commission
- BITC - Business in the Community (UK)
- CG - Corporate governance
- CRI - Corporate Responsibility Index
- CSR - Corporate social responsibility
- ESG - Environmental, social and governance
- GRI - Global Reporting Initiative
- MNC - Multinational corporation
- MSI - Multi-stakeholder governance initiative
- NGO - Non-governmental organisation
- PRI - Principles for Responsible Investment
- SASB- Sustainability Accounting Standards Board
- SME - Small and medium-sized enterprise
- UNGC - UN Global Compact
- UNEP - United Nations Environment Program
- UNEP FI -United Nations Environment Program Finance Initiative

Abstract

The operating environment for business has become increasingly complex and interconnected. Globalisation, privatisation and deregulation have meant that corporations have moved far beyond their traditional sphere of influence, giving rise to emergent social, environmental and economic challenges. In response, an evolving corporate social responsibility (CSR) institutional infrastructure has generated a series of voluntary, multi-stakeholder initiatives. Despite their success, unresolved tensions within the institutional field persist whereby a shareholder primacy approach to corporate governance (CG) continues to dominate the broader multi-stakeholder concept of CSR. Whilst increasing numbers of companies report annually on commitments made to such initiatives, the level of engagement of directors of boards, who are ultimately responsible for the CG of their organisations, is not yet understood.

This thesis investigated the gap in both theory and practice at the interface of CSR and CG, exploring beliefs and practices amongst key actors with a primary research focus on boards. The research addressed methodological and conceptual biases in the literature to take a qualitative, interpretive and exploratory approach. Research methods were inductive, adopting constructivist grounded theory to enable a multi-level exploration through the sensemaking of individuals at the CG/CSR interface. The research design employed multi-methods—combining individual interviews, focus groups and 'directors' conversations' to answer calls to access the 'black box' of corporate boards and the lack of qualitative research at the interface of CG/CSR. The research sample was predominantly Australian, linked to an international context. The grounded data analysis allowed beliefs and practices associated with logics to emerge inductively from the data. Findings revealed a complex interplay of inherent tensions and multiple institutional demands.

Institutional logics recognise that organisations inhabit pluralistic institutional environments and their governance provides an important setting from which to map multiple and potentially conflicting logics. Adapting Besharov and Smith's (2014) model of logic multiplicity, I developed a conceptual framework of beliefs and practices of board members and relevant actors at the CG/CSR interface: self-reinforcing systems that maintain a dominant market logic are being challenged by changing societal expectations. Board members navigate this complexity, giving rise to aligned, contested or estranged typologies of multiple logics. Opportunities for future research at the interface of CG and CSR conclude the thesis.

Keywords: corporate social responsibility, corporate governance, corporate sustainability, corporate boards, institutional theory, institutional logics, paradox.

Chapter 1: Aims of the Research

1.1 Introduction

> By acknowledging the fundamental tension that exists between the roles corporations are asked to play, organisational scholars have the opportunity to inform practice - and thereby help society - where past efforts to remove the tension have fallen short. (Margolis & Walsh, 2003: 297)

An evolving corporate social responsibility (CSR) institutional infrastructure has generated a series of voluntary, multi-stakeholder initiatives, yet unresolved tensions persist whereby a shareholder primacy approach to corporate governance (CG) continues to dominate the broader multi-stakeholder concept of CSR. Whilst increasing numbers of companies report annually on commitments made to such initiatives, the level of engagement of directors of boards, those who are ultimately responsible for the CG of their organisations, is not yet understood.

The thesis investigates this gap in both theory and practice, exploring beliefs and practices amongst key actors at the interface of CSR and CG, with a primary research focus on boards as the ultimate decision-makers of the corporation. Qualitative, grounded research findings from a multi-methods research design reveal a complex interplay of competing institutional demands and inherent tensions at the interface of CG and CSR, as board members seek to balance competing interests. The development of an integrative framework defines, analyses and explains the heterogeneity in how multiple logics become instantiated across the board ecosystem. It serves as a device to map the complex interplay of beliefs and practices of multiple institutional logics across the emergent CG/CSR institutional infrastructure. This chapter introduces the research problem, research aims, theoretical framing and the research approach and design. It then concludes with an outline of the thesis.

1.2 Research Problem

Globalisation, privatisation and deregulation have meant that corporations have moved far beyond their traditional sphere of influence, thus presenting significant governance challenges. Both my research and practical experience in the field indicate that CG practices and the role of boards of directors are becoming critically important considerations with social, economic, environmental and political implications. These span national and international institutions and initiatives, to individual board and director level activity (Brammer & Pavelin, 2013; Jain & Jamali, 2016; Scherer & Palazzo, 2011). Corporate boards, which are the entities that sit at the intersection of CG and CSR, navigate an increasingly complex and interconnected world.

In 2006, Allen White, co-founder of the Global Reporting Initiative (GRI) wrote:

> In the dynamic world of corporate social responsibility (CSR), remarkably little attention has been focussed on the role of corporate boards. This is at once unfortunate, unsurprising and unacceptable: unfortunate because the board is the supreme governing entity of the corporation and should be a major actor in shaping the firm's CSR strategy; unsurprising because the board, by virtue of law and tradition, perceives its role in CSR to be either negligible or contradictory to its mandate; and unacceptable because the board, the ultimate steward of the well-being and performance of the organization, cannot afford to be a passive bystander in shaping the organization's CSR strategy. (White, 2006: 3)

Nearly a decade later, attention was gaining focus. As noted by Eccles, in Medland (2014):

> Until recently there have been two separate worlds. There are experts in the fields of corporate governance, those who focus on compensation and other boardroom issues - and there has been the sustainability universe, which includes investors. Now we are beginning to see a convergence. (Medland, 2014, para.1)

The field of CG is converging with that of CSR, albeit by different disciplinary routes, towards a re-assessment of the purpose of the corporation or, put more broadly, the role of business in society (Willmott & Veldman, 2014). Collectively, a new global dialogue is growing around businesses' activities in recognition of the fact that corporations have grown to become one of the most dominant institutional forms. Approximately half of the world's one hundred largest economies are global corporations who are able to use their economic power to influence other actors' interests, which is a salient point (Jensen & Sandström, 2011).

Yet challenges persist. Proponents of the CSR institutional infrastructure (Waddock, 2008a) have begun to identify a lack of engagement at the most senior levels of corporate entities and its CG systems, with real implications for their objectives (Black Sun 2012; Escudero, Power, Waddock, Beamish, & Cruse 2010; Kiron, Kruschwitz, Haanaes, Reeves, Fuisz-Kehrbach, & Kell 2015; UN Global Compact Lead, 2012). Similarly, academics (Baden & Harwood, 2013; Bondy, Moon, & Matten, 2012; Brown, de Jong, & Levy, 2009b; Moog, Spicer, & Bohm, 2015; Stout, 2012; Willmott & Veldman, 2014) are identifying a continuing dominant market logic and the "co-opting of an ethical concept by economic interests" (Baden & Harwood, 2013: 615). The purpose of CSR is seen to benefit the firm primarily and, in the worst case, at the expense of society (Mazutis & Slawinski, 2015).

As the founding Australian representative (2008–2011) to the UN Global Compact (UNGC), the world's largest CSR initiative, I witnessed first-hand the growth in explicit CSR activity (Matten & Moon, 2008). This included increased rates of sustainability reporting and corporate signatories to the UNGC and its new Australian Network (St James Ethics Centre, 2010) across the Australian Stock Exchange (ASX) 200[1]. I worked closely with many CSR and sustainability managers in engaging their employers in CSR activity. This period demonstrated to me the absolute importance of board-level support for ongoing CSR commitments, never more so than when a CSR-supportive CEO would leave the corporation, to be replaced by a new, board selected and less supportive executive. A subsequent unwinding of CSR activity and resourcing within the company would generally follow. This phenomenon drove my motivation for the current study. Given the impacts of board decision-making on corporate progress in CSR, I wanted to explore the level of board engagement and understanding of CSR. In commencing my academic research, I discovered another challenge: less than 1% of research on corporate boards was qualitative, owing to the difficulties in accessing the 'black box'[2] of the board (Leblanc & Schwartz, 2007; McNulty, Zattoni, & Douglas, 2013; Pettigrew, 1992). This would require novel and innovative research approaches to overcome (Ryan, Buchholtz, & Kolb, 2010; Tihanyi, Graffin, & George, 2014): "Corporate governance and CSR are closely coupled principles that will have to be increasingly discussed together" (Murphy & Schlegelmilch, 2013: 1809).

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[1] The ASX 200 index is a market-capitalisation weighted and float-adjusted stock market index of Australian stocks listed on the Australian Securities Exchange.

[2] The term 'black box' refers broadly to a system or object viewed in terms of its inputs and outputs without any view into its internal workings, that is, an opaqueness (Bunge, 1963). The 'black box' of the board was identified by Leighton and Thain (1997) as being due to reasons of access and confidentiality: "As a result, the board of directors remains a kind of "black box", whose internal workings can only be surmised from public information about decisions announced and actions taken" (1997: 31). This presents a significant challenge to gaining an understanding of the internal workings of boards (Leblanc & Schwartz, 2007).

This year marks the thirtieth anniversary of the Brundtland Report (1987) and the international sustainable development 'movement'. Coinciding with this anniversary, the MIT Sloan Review's final sustainability research report from their Sustainability Global Executive Studies Survey (Kiron, Unruh, Kruschwitz, Reeves, Rubel, & Mayer Zum Felde, 2017) points to uneven progress at the CG/CSR interface across industries and geographies. There have been some gains, but it remains a work in progress. In their preceding 2015 report, the authors (Kiron et al., 2015) found that 65% of companies surveyed had corporate sustainability as a top management agenda item but only 22% of managers believed that their boards provide substantial oversight on corporate sustainability (or CSR) issues. The annual release of the World Economic Forum's Global Risks Report for 2017 has again turned attention to the pressing social and environmental imperatives that require transformational shifts in our economic, environmental, geopolitical, societal and technological systems. The report recognises the role of business in what must be a collaborative multi-stakeholder effort from governments, businesses and civil society. This calls for engagement at the most senior decision-making levels of a business, i.e. the board of directors, and invites new political perspectives on collaborative models of global governance (Scherer & Palazzo, 2011). I hope to assist in this endeavour with the following research aims.

1.3 Research Aims

The research involves an exploration of the institutional logics (beliefs and practices) at play amongst key actors at the interface of CG/CSR, with a primary research focus on boards, as the ultimate decision-makers of the corporation. Taken as a multi-level investigation, the research explores:

1. The beliefs and practices (logics) at play at the intersection of CG and CSR amongst the relevant institutional actors, specifically in relation to CSR, CG and investor domains.
2. Their experience of board-level engagement.
3. The CSR beliefs and practices at the board level.

And as a sub question:

4. How and by what or whom are board members' beliefs and practices of CSR influenced?

1.4 Theoretical Framing

Senior corporate decision-makers face a vexing reality:

> They must find a way to do their work even as seemingly rival financial and societal demands intensify. By honouring the dispute and exploring the tension, we offer a different starting point for organisation theory and research. (Margolis & Walsh, 2003: 296)

CG and CSR are embedded in a shared institutional setting of broader economic, social and political institutions (Brammer & Pavelin, 2013; Brammer, Jackson, & Matten, 2012). Therefore, institutional theory offers an appropriate theoretical position from which to explore the CG/CSR interface and its inherent tensions. Institutional theory also provides a useful research framework where the institutional field in which the CG/CSR interface is embedded encompasses coercive, normative and mimetic influences (DiMaggio & Powell, 1983; Matten & Moon 2008), represented by key actors at the CG/CSR interface. These are identified in the evolving CSR institutional infrastructure to include CSR, CG and investor stakeholders (Scherer & Palazzo, 2011; Waddock, 2008a). For example, influences include coercive (regulators and standard setters), normative (CSR initiatives, professional membership and industry bodies,) and mimetic (directors of boards, senior executives and managers of corporations signed on to CSR initiatives) actors.

Recent developments in institutional theory, i.e. institutional logics and institutional complexity, shift focus from the isomorphic stabilisation and homogeneity of the earlier institutional theorists (Di Maggio & Powell, 1983; Meyer & Rowan, 1977) to "a meta-theoretical framework for analysing the interrelationships among institutions, individuals, and organisations" (Thornton, Ocasio, & Lounsbury, 2012: 2) in wider social or belief systems (Friedland & Alford, 1991). By analysing how "different systems of domination can be reconfigured and change", institutional logics "foreground issues of contestation and struggle" (Hirsch & Lounsbury, 2015: 97). Therefore, institutional logics is proposed as the theoretical frame, augmented by recent theorising in institutional complexity (Besharov & Smith, 2014; Greenwood, Raynard, Kodeih, Micelotta & Lounsbury, 2011; Pache & Santos, 2013b), paradox (Jay, Soderstrom, & Grant, 2017; Van der Byl & Slawinski, 2015) and legitimacy literatures (Scherer, Palazzo, & Seidl, 2013). With its early origins in institutional theory (Meyer & Rowan, 1977), Suchman (1995) identifies an inclusive, broad based definition of legitimacy that acknowledges the role of the social audience. In order for organisations to maintain their legitimacy, three legitimacy strategies are identified: pragmatic legitimacy based on audience self-interest; cognitive legitimacy, meaning taken-for-grantedness and comprehensibility; and moral legitimacy based on normative approval. Building on this, Scherer et al. (2013) believe that multiple and sometimes paradoxical (Jay et al., 2017) legitimacy strategies may be needed in order for corporations to retain their legitimacy. Corporate legitimacy therefore becomes an essential area of concern for boards at the CG/CSR interface.

1.5 Research Approach and Design

The research approach provides a layered, qualitative view, where the researcher engages directly with actors, to open the 'black box' of board members' beliefs and practices. The research is based in Australia and linked to an international context. Figure 1.1 provides an early representation of this interface, which suggests a convergence of institutional arrangements associated with both CG and CSR, with the board at its intersection. McNulty et al. (2013) have called for the broadening of CG research to include "investors, directors, regulators, and managers" (2013: 195). Hence, the first stage of research seeks to scope the interface of CG and CSR with purposively sampled institutional actors actively engaged in CSR initiatives, before delving more deeply in to the board room.

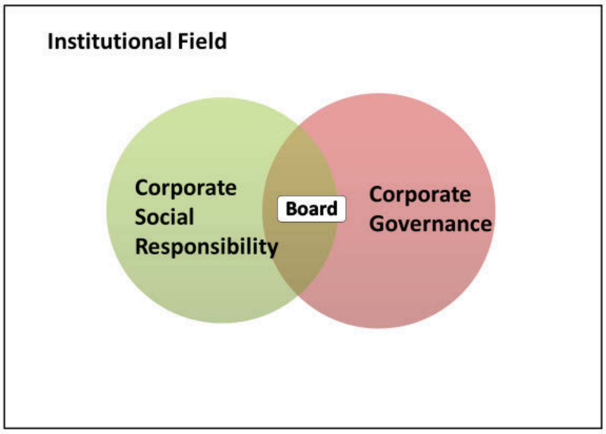

Figure 1.1 The CG/CSR Interface

Recent research on board characteristics and engagement in CSR has led to mixed results from a largely quantitative research approach (Brammer & Pavelin, 2013; Ryan et al., 2010). Therefore, addressing existing methodological and conceptual biases (McNulty et al., 2013; Pettigrew, 1992; Yar Hamidi & Gabrielsson, 2012), the research will be qualitative with an interpretive, exploratory approach. The research methods are inductive, adopting a constructivist grounded theory approach to data gathering and analysis (Charmaz, 2014) to foster an exploratory, emergent research environment. Constructivist grounded theory "starts with the assumption that social reality is multiple, processual, and constructed" (Charmaz, 2014: 13).

The research design employs multi-methods across three stages and combines individual interviews, focus groups and 'directors' conversations' to answer calls to access the 'black box' of corporate boards and lack of qualitative research in CG and CSR.:

- Stage One—Scoping the institutional field: semi-structured, exploratory interviews from a pool of purposively sampled institutional actors and one serendipitously sourced focus group of sustainability managers
- Stage Two—Deliberative forums: two 'directors' conversations' (in Sydney and Melbourne) with current board members and senior institutional actors actively engaged in CSR initiatives
- Stage Three—Delving deeper: approximately ten semi-structured interviews with board members, drawing on the insights that emerged from Stages One and Two of the research.

Emergent themes from each stage serve to inform subsequent stages of data collection. Synthesis and analysis of the data then leads to the development of a conceptual framework encompassing the "board ecosystem".

1.6 Outline of the Thesis

Figure 1.2 provides an outline of the thesis with the shaded boxes illustrating my commitment to "bridge the research - practice gap" (Bansal, Bertels, Ewart, MacConnachie, & O'Brien, 2012: 73), in a field where practitioner knowledge leads theory (Bertels, Papania, & Papania, 2010). Chapter 2 begins with a discussion on CSR terminology and settles on a definition for the thesis. It then investigates the field of practice, the earlier development of a CSR institutional infrastructure with a reality check on a lack of board-level engagement and concerns about the legitimacy of self-regulation.

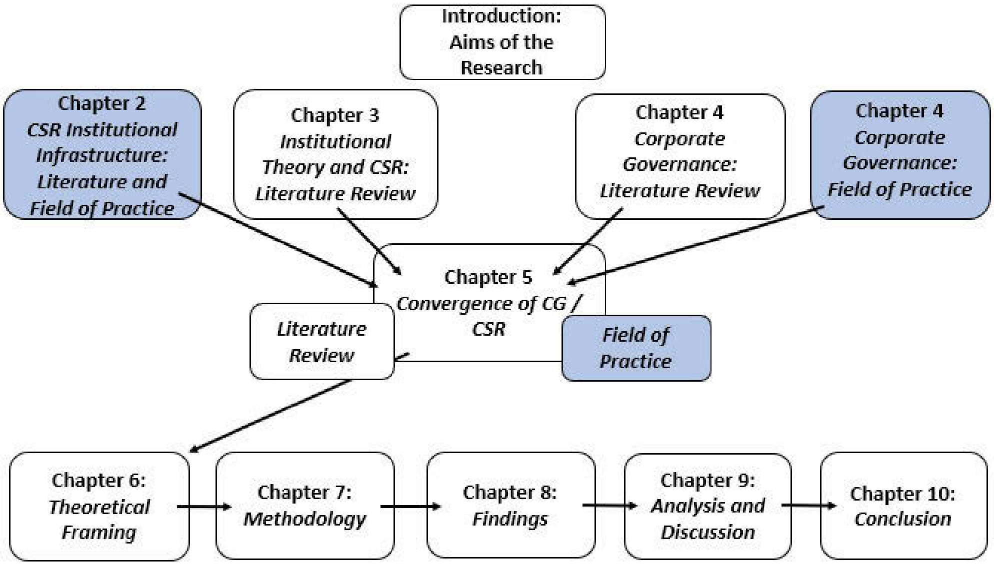

Figure 1.2 Structure of the Thesis

Chapter 3 explores institutional theory and its application to CSR, from which to draw theoretical framing. Chapter 4 provides a review of both the theory and practice of CG leading to recent developments at the interface of CG/CSR. Here, a shareholder primacy, short-term approach to governance for those corporations operating under an Anglo-American model of governance (the research setting) is challenged. Corporations are operating in increasingly complex global environments as societal expectations shift.

Chapter 5 begins with a discussion of the convergence of CG and CSR in both the literature and field of practice (Sections 5.1 and 5.2). Section 5.3 then reviews the literature, where both CG and CSR are embedded within broader economic and social institutions. A more integrated and coherent conceptual treatment of the relationship between CG and CSR is called for. Research into boards of directors needs to be broadened—theoretically, conceptually and methodologically. Section 5.4 follows up on Chapter 2, with a review of the CSR institutional infrastructure, mapping the recent convergence of collaborative activity at the CG/CSR interface.

In Chapter 6, the most recent theoretical developments in institutional theory—institutional logics and institutional complexity, plurality and multiplicity—provide the theoretical lens for the research and a conceptual framework is proposed. Framing also draws from the paradox literature that examines inherent tensions in CSR, and the legitimacy literature, examining multiple corporate legitimacy strategies at the CG/CSR interface.

Chapter 7 details the methodology. Addressing existing methodological and conceptual biases, the research methodology is qualitative, interpretive and exploratory. Research methods are inductive, adopting a constructivist grounded theory approach to data gathering and novel multi-methods to answer calls to access the 'black box' of corporate boards. A multi-level approach allows for a theoretical and methodological investigation of cross level-effects at the interface of CG/CSR.

Chapter 8 provides detailed findings from the grounded analysis across three stages of research, i.e. one-on-one interviews, a focus group and deliberative forums. Data analysis methods include NVivo coding queries and matrices, rich pictures/diagramming, conceptual mapping and memo-writing. Extensive narrative summaries and tables of analytic categories are presented as research output.

Chapter 9 consists of two sections: analysis and discussion. In the analysis, analytical categories from the research findings are raised to theoretical concepts, before applying the conceptual framework: mapping logic multiplicity at the CG/CSR interface across dominant, aligned, contested and estranged typologies. These outcomes are then considered in the discussion section. The thesis then concludes in Chapter 10, with my research insights, contributions, limitations and suggestions for further research. The thesis ends with a 'coda'—a final word from three leading thinkers and co-founders at the CG/CSR interface who were interviewed during the research.

In addition to the contributions listed in Chapter 10, it is hoped that this ambitious study can contribute to the growing body of new perspectives in CG literature and emergent forms of global governance that seek to address the complex challenges posed by the

CSR agenda. In this way, I aim to deliver research impact through sharing insights, building momentum and supporting others' working at the CG/CSR interface.

Chapter 2: CSR Institutional Infrastructure

2.1 Introduction

The following chapter sets the stage for the research, contextualising the CG/CSR interface, tracing the development of the CSR institutional infrastructure and highlighting its shortcomings, particularly in terms of board-level traction. Given the diversity of definitions in CSR, it is important to begin this chapter by addressing terminology issues. The conceptual ambiguity surrounding the different perspectives in CSR are then outlined: descriptive, normative, instrumental and political. These point to underlying tensions. A review of the CSR institutional infrastructure (Waddock, 2008a) and its progress in Australia and internationally culminates in a reality check on a lack of board-level engagement together with concerns about the legitimacy of self-regulation and unresolved tensions as to whose interests are being served. A market logic continues to prevail within the business models of companies and more transformational approaches are called for.

2.2 CSR Terminology

Thirty years ago, in 1987, the World Commission on Environment and Development provided a foundational definition for sustainable development: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" thereby linking economic and ecological issues. The UNGC (2017) (the world's largest global CSR initiative) has evolved its own definitions from the more normative "voluntary corporate citizenship initiative" in 2000 to a "corporate sustainability leadership initiative" in 2010 and finally to the highly instrumental "strategic policy initiative for businesses" in 2015 and "call to companies to align strategies and operations with universal principles" in 2017, in its efforts to engage greater numbers of business signatories to its cause. These definitional shifts reflect a growing focus on integrating CSR with business strategy and practice, whilst maintaining a commitment to its universally held principles of human rights, labour standards, the environment and anti-corruption. Elkington's (1997) triple bottom line continues to provide helpful signposting for the three central and overlapping domains of CSR—economic, social and environmental. Over time, terms such as CSR, corporate responsibility, corporate citizenship, corporate sustainability, responsible business practice and environmental, social and governance (ESG)[3] have been in use with varying emphases on the economic, social and environmental dimensions and an increasing focus on governance from the investment community. More recently, this has evolved into a discussion led by the International Integrated Reporting Council (IIRC, 2013) on short, mid and long-term "value creation" across a broad base of "capitals" (2013: 6). Capitals are defined as the stores of value (e.g. financial, manufactured, intellectual, human, social, relationship and natural) that all organisations depend on for their activity.

Therefore, a proliferation of related definitions, terminology and perspectives exists in the literature (Aguilera, Rupp, Williams, & Ganapathi, 2007; Crane, Matten, & Spence, 2008; Dahlsrud, 2008; Mazutis & Slawinski, 2015). CSR is an "essentially contested concept … internally complex and having relatively open rules of application" (Matten & Moon, 2008: 405). Waddock (2008b: 37) points to an evolving consensus on the terminology, noting that the general thrust is clear: CSR "encompasses the responsibilities engendered by the firm in the course of doing business". She defines the field as "the ways in which a company's vision, values and business models (ways of adding value) affect societies, stakeholders and the natural environment" (Waddock, 2008b: 36).

More recently, Bansal and Song (2017: 105) state that corporate responsibility and sustainability are historically distinctive terms and call for a "sharpening of the distinctiveness between responsibility (taking a normative position) and sustainability (taking a systems perspective)". Thus, they are seen as two fields of study whose complementarities and intersections should be explored. For the purposes of this thesis, in examining the intersection of CSR and CG, CSR is used as an umbrella term (Matten & Moon, 2008), encompassing both corporate responsibility and sustainability, drawing directly from Waddock's (2008b) definition, and "overlapping with some, and being

[3] There is a growing presence of the investor community at the CG/CSR interface, with an instrumental focus on ESG issues. They seek to drive greater integration between CSR and CG via board engagement, broadening interpretations of directors' fiduciary duties and stakeholder engagement, and a longer-term approach to value creation—financially, socially and environmentally. The term 'ESG' Friede, Busch, & Bassen 2015) is used by the investor community as a related term to 'CSR' and shall be referred to in the thesis in an investor context.

synonymous with other, conceptions of business-society relations" (Matten & Moon, 2008: 405).

2.2.1 CSR definitional and conceptual ambiguity

The ongoing ambiguity around CSR terminology reflects ongoing tensions in conceptual interpretation, pointing to an underlying contest of logics in theory, beliefs and practices (Baden & Harwood, 2013). CSR in the literature is examined from a number of perspectives: descriptive, normative, instrumental and, more recently, political (Baden & Harwood, 2013; Bondy et al., 2012; Donaldson & Preston, 1995; Kang & Moon, 2012; Scherer & Palazzo, 2011). These are each summarised in Table 2.1 and discussed in turn below.

Table 2.1 Key Perspectives in CSR

CSR Perspective	Key tenets	Authors
Descriptive CSR	Describes observable practices and relationships related to CSR	Baden and Harwood (2013) Donaldson and Preston (1995)
Normative CSR	Values and stakeholder relationships are considered an explicit part of business activity, where a concern for profits is the result rather than the driver in the process of value creation.	Donaldson and Preston (1995) Freeman (1984) Freeman, Wicks and Parma (2004) Mazutis and Slawinski (2015)
Instrumental CSR	Focuses on the benefits of CSR to the overall performance of the firm in terms of traditional economic objectives such as profitability and growth. This leads to a form of 'enlightened self-interest' where the 'business-case' for CSR is promoted routinely by CSR practitioners and consultants.	Baden and Harwood (2013) Brown, de Jong and Lessidrenska (2009a) Kang and Moon (2012) Margolis and Walsh (2003) McWilliams and Siegel (2001) Sundaram and Inkpen (2004)
Political CSR	Business firms assume social and political responsibilities that go beyond legal requirements and fill the regulatory vacuum in global governance, giving rise to models of global governance forged by networks and partnerships of private actors, civil society and international organisations that make up the CSR institutional infrastructure.	Moon, Crane and Matten (2005) Scherer and Palazzo (2007, 2011) Voegtlin and Scherer (2017)

2.2.1.1 Descriptive CSR

As noted in Table 2.1, a descriptive perspective of CSR focuses on observable, specific CSR-related practices and relationships including management practices, corporate characteristics, performance characteristics and stakeholder relationships (De Graaf & Stoelhorst, 2009; Donaldson & Preston, 1995).

2.2.1.2 Normative CSR

Unresolved tensions exist between normative and instrumental accounts of CSR. Normative CSR is "society-centric" (Mazutis & Slawinski, 2015: 138) and closely aligned to a normative approach to stakeholder theory and its moral concerns in the "operation and management of corporations" (Donaldson & Preston, 1995: 71). For Freeman (1984: 4), stakeholder theory informs the normative perspective of CSR, taking into account "all of those groups and individuals that can affect, or are affected by, the accomplishment of organisational purpose". Stakeholders are ends and not a means to an end (Baden & Harwood, 2013). Significantly, stakeholder theory rejects the "separation thesis" (Freeman, Wicks, & Parma, 2004: 364); thus separating ethics from economic activity and the purpose of the firm. For Freeman et al. (2004), the real issue at stake is nothing less than economic and political freedom.

2.2.1.3 Instrumental CSR

By contrast, instrumental CSR focuses on the benefits of CSR to the performance of the firm in terms of traditional economic objectives such as profitability and growth, i.e. a cost-benefit analysis (Margolis & Walsh, 2003; McWilliams & Siegel, 2001; Sundaram & Inkpen, 2004). This perspective is based on three premises outlined by Scherer and Palazzo (2011): the separation of business and politics (Friedman, 2007); a corporate fiduciary duty to maximise shareholder profit (Sundaram & Inkpen, 2004) and, finally, that "societal responsibilities might only be assumed if they advance the long-term value of the firm" (Scherer & Palazzo, 2011: 904). There is a strong preference for an instrumental form of CSR in Anglo-American liberal market-economies where a shareholder-focussed approach to governance dominates the institutional landscape (Kang & Moon, 2012). For the purpose of the thesis, I focus on these globalised liberal market economies in which Australian corporations are based (see Chapter 5, section 5.3.3). Stakeholder theory is co-opted by economic interests to become 'strategic', i.e. prioritising the interests of shareholders above other stakeholders' needs (Baden & Harwood, 2013). Consequently, an instrumental perspective on CSR has led to a predominance of empirical studies interested in the relationship between CSR and financial performance (Brammer & Pavelin, 2013; Mazutis & Slawinski, 2015), thereby undermining the multi-stakeholder concept of CSR. In their analysis of "authentic CSR", Mazutis and Slawinski (2015: 137) extend the CSR instrumental perspective, where CSR discourse seeks to "legitimise and consolidate the power of large corporations" (Mazutis & Slawinski, 2015: 138). Critical perspectives of instrumental CSR point to a continuing dominance of the neo-classical view of the firm. Hirsch and Lounsbury (2015) relate this to Weber's "systems of domination" where a systemic form of power shapes our beliefs and practices, in particular the dominant market logics associated with neo-liberalism. Baden and Harwood (2013: 616) believe that "CSR has won the battle but lost the war", representing the "co-opting of an ethical concept by economic interests", leading to a "moral muteness". The desire to engage business by highlighting the business case has become counterproductive.

2.2.1.4 Political CSR

Most recently, globalisation has given rise to a new perspective on CSR. A review of the CSR field of practice infrastructure confirms the emergence of a political form of CSR. According to Scherer and Palazzo (2007; 2011: 899), "many business firms have started to assume social and political responsibilities that go beyond legal requirements and fill the regulatory vacuum in global governance". Businesses, particularly multinational corporations (MNCs) become economic, political and social actors (Matten & Crane, 2005). This gives rise to models of collective governance forged by networks and partnerships of private actors, civil society and multi-lateral organisations that make up the CSR institutional infrastructure. For Scherer and Palazzo (2011), the CSR debate moves beyond the (instrumental) separation of ethics and economics and the scope of national CG systems towards the changing order of political institutions in which corporations are embedded. Corporations actively participate in global systems of voluntary regulation and market transactions. Normative concerns are addressed by the role of UN-based declarations and conventions acting as universal principles, and adopted within the various voluntary governance initiatives, such as the UNGC. This has implications for the investigation of the CG/CSR interface, heralding an underlying conceptual shift in the relationship between corporations and society. Over time, the role of political CSR has strengthened, "as the balance of power is perceived to shift from governments to corporations; a trend attributed to globalisation and in particular to an insufficiently regulated capital market" (Murphy & Schlegelmilch, 2013: 1808).

Over forty years ago, Preston (1975) determined that the corporation was embedded in society where social expectations are taken up by government regulation and "one corporation linked to one set of societal expectations through one regulatory and legislative framework" (Beckmann, 2015: 151). Preston (1975) proposed a *triangular interplay* of market/business, public/society and government/regulation discourse. The state is the "rule maker" representing collective interests and the firm, the "rule taker" (Beckmann, 2015: 151). Yet corporations now increasingly inhabit globalised environments. Their value chains operate across multiple societies and jurisdictions, representing a "post-national constellation" (Scherer & Palazzo, 2011: 901). This changing interplay between business and society points to a new corporation-society paradigm (Beckmann, 2015; Post, 2015), which, in turn, has implications for the CSR movement. The global financial crisis (GFC) and global sustainability challenges demonstrate that "there are global market failures with no global government to effectively address them" (Beckmann, 2015: 153). For Scherer and Palazzo (2007; 2011), a reformulation of the theory of the firm is required:

> As far as we can see, the economic conceptualization of the firm does not yet sufficiently address the challenges of globalization and the post-national constellation but instead still rests on the containment power of nation-state governance. (Scherer & Palazzo, 2011: 921)

Therefore, Preston's (1975) corporation-society paradigm requires a conceptual transition to new forms of global governance where corporations as economic and political actors engage in collective self-regulation via the CSR institutional infrastructure. In the "context of globally expanding markets and corporations" (Scherer & Palazzo, 2011: 922) it has become clear that "economic power begets political power" and that private management and public policy have become "interpenetrating social systems" (Post, 2015: 137) with implications for the CSR institutional infrastructure and indeed the purpose of the corporation. For instance:

> The giant consumer goods company Unilever … symbolises these shifting relationships. I can think of no entity that has done more to blur the lines between the role of the private sector and the role of the public sector. If you blotted out its name while reading its web pages, you could mistake it for an agency of the United Nations. (Monbiot, 2014: para 3)

Efforts to understand these shifting dynamics must therefore include a broadening of the CSR institutional infrastructure to encompass CG considerations. Sometimes referred to as soft law and hard law, complex and dynamic relationships between voluntary collective global governance frameworks and nation-state CG systems are in play.

2.3 CG Definitional Ambiguity

In parallel developments, the field of CG does not have one agreed definition (Brickley & Zimmerman, 2010; Young & Thyil, 2014). Here, the academic literature demonstrates the historical nature of the discipline, embedded in institutional fields of economic, political and social systems (Cheffins, 2013; Tricker, 2000). CG encompasses systems of laws, regulations, institutions and cultural determinants; policies and procedures; and markets and contracts. Senior decision-makers and influencers in the corporation include executives, boards, shareholders and other stakeholders (Brickley & Zimmerman, 2010; Clarke, 2011). Brickely and Zimmerman (2010) caution researchers that a general consensus on a definition of CG is a myth and that any interpretation of CG will influence research and its outcomes. Therefore, drawing from Sir Adrian Cadbury (2000), I define CG broadly, in alignment with my chosen working definition of CSR:

> Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, of corporations, and of society. (Cadbury, 2000: vii)

In summary, the “long and contentious debate about the theory and purposes of the firm” (Margolis & Walsh, 2003: 271) continues and warrants a deeper examination at the interface with CSR, which is the focus of this thesis. This shall be examined further in Chapter 4.

2.4 Reviewing the CSR Institutional Infrastructure

The thesis situates the CSR field of practice in an institutional field, described as “CSR institutional infrastructure” (Waddock, 2008a: 87). This provides a foundation for a growing body of literature analysing CSR within an institutional theory lens (Bondy et al., 2012; Brammer et al., 2012; Campbell, 2007; Matten & Moon, 2008). Less theoretical than descriptive, the CSR institutional infrastructure is classified broadly into three categories by Waddock (2008a), as set out in Table 2.2 for an Australian context:

- market/business based institutions
- civil society
- state/government categories.

Reflecting the traditional triangular corporation-society paradigm (Preston, 1975), the classification framework is challenged by an overlap of partnerships of private actors, civil society, multilateral institutions and others in a series of “interpenetrating social systems” (Post, 2015: 137). CSR initiatives do not neatly fit within the system of categories, serving cross-cutting issues and multiple purposes (Grayson & Nelson, 2013; Maon, Swaen, & Lindgreen, 2017; Waddock, 2008a). They work towards change from within the economic system and are driven by demands for greater transparency, accountability, responsibility and sustainability (Grayson & Nelson, 2013; Leipziger, 2015).

The evolving institutional infrastructure aims to address the consequences of dominant market logic (Waddock, 2008b) of maximising shareholder wealth and the increasing reach and influence of corporations through globalisation and privatisation. In this context, the term institution is taken to mean those organisations, networks and associations that influence corporations through a range of pressures and processes including norms, certifications, and rankings. Waddock (2008a) described the activity of CSR institutions as “collectively framing a different kind of logic”—a broader, multi-stakeholder position using “peer pressure, moral suasion, reputational leverage, market-based dynamics, and state-based legislative and regulatory approaches” (Waddock, 2008a: 89). In some cases, this activity has led to legal requirements, particularly in regard to disclosure, for instance the European Commission directive on disclosure of non-financial and diversity information by large companies (European Commission, 2014). These reflect the mimetic, normative and coercive isomorphic pressures described by institutional theorists (DiMaggio & Powell, 1983; Matten & Moon, 2008). Yet, critically, missing from many such frameworks has been the inclusion of the governance structures and systems that institutionalise CSR at the level of the corporation (De Graaf & Stoelhorst, 2009) through national, international voluntary and mandatory systems imposed via government or intergovernmental requirements or licensing arrangements. Table 2.2 sets out the key components of the Australian CSR institutional infrastructure between 2006 and 2014.

Table 2.2 Australian CSR Institutional Infrastructure

Classification	Sub-Classification		Examples in Australia
Market and Business Sector Initiatives	Responsibility Assurance Infrastructure	Codes, Standards and Principles	UN Global Compact–Australian Network, ISO26000-International Standard of guidelines for social responsibility
		Assurance: Reporting, Certifying, Accrediting	International Integrated Reporting Council (IIRC), AccountAbility's AA1000 Principles-based Standards, Business Reporters Leaders Forum (BRLF) Corporate Responsibility Index (CRI)
		Transparency and Reporting	Global Reporting Initiative (GRI) Carbon Disclosure Project (CDP)
	Consultancies and Standard Setters		ISO and Standards Australia – e.g. 14000 Environmental Management Standards, Supply Chain standards etc., Accounting firms
	Business and Other Associations		World Business Council on Sustainable Development (WBCSD) Green Building Council of Australia Sustainable Business Australia
	Responsible Investment Movement		Principles for Responsible Investment (PRI) Responsible Investment Association of Australia (RIAA) The Centre for Australian Ethical Research Australian Council for Superannuation Investors (ACSI) Investor Group on Climate Change (IGCC)
Civil Society Institutions (Including Multi-sector)	Multi-stakeholder Initiatives		Extractive Industry Transparency Initiative, Forestry Stewardship Council
	Watchdogs and Activists		Oxfam, Catalyst, Transparency International Australia
	Journals and Magazines		Ethical Investor, The Sustainability Report
	Ratings and Rankings		Dow Jones Sustainability Index (DJSI) Global 100 Global Real Estate Sustainability Benchmark (GRESB)
State /Government Sector Initiatives	Inquiries/ Legislation, Directives		OECD Guidelines for Multinational Enterprises

		ASX Corporate Governance Principles and Recommendations, 3rd edition

2.4.1 An institutionalised arena

As Waddock (2008a: 106) recognised, the "constellation of pressures" created by the CSR institutional infrastructure to drive change, may be in danger of becoming a fragmented and confusing "proliferation". The world's largest and most influential corporate responsibility initiative, the UNGC, provides some important signposts and insights on the challenges posed by CSR initiatives. The UNGC has provided a central role as an "institutionalized arena for addressing global governance gaps" (Rasche, Waddock, & McIntosh, 2012: 6). Three key factors have driven its continued position. First, based on universally recognised UN declarations and conventions gives a significant global authority and moral legitimacy (Rasche et al., 2012, Suchman, 1995), which at least partway addresses global governance gaps. These same UN declarations and conventions have also been supported in many other related initiatives. For example, the GRI, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises are providing a measure of coherence in the CSR landscape. Second, the UNGC has provided a model of an inclusive approach towards partnerships with business, government, labour and civil society, providing an institutional arena for the development of many important and related initiatives, some of which have gone on to be internationally significant in their own right. For instance, the UN supported Principles for Responsible Investment (PRI), the Principles for Responsible Management Education (PRME) and the Women's Empowerment Principles each attempt to support and amplify the same principles across diverse sectors.

Third, through a combination of an inclusive approach and universal UN-based principles the UNGC was able to contextualise itself into regional and national settings through its many country networks (now numbering over one hundred). With the backing of the UN system, networks were able to adapt to their particular country or regional context and convene government, business and civil society to create institutionalised arenas for *multi-stakeholder deliberation* and peer learning (Matten &

Moon, 2008). Disappointingly though, to date the number of businesses to sign on to the Compact has fallen well short of its target (approximately 10,000 of a 20,000 target of companies by 2020 of a possible 70,000 world-wide). The Global Compact must compete with other CSR initiatives for membership fees from limited corporate budgets. There is, however, the “potential for collaboration across different (sometimes competing) initiatives” (Rasche et al., 2012: 23), leading to greater coherence and a possible consolidation. Thus, a greater collective purpose from across the CSR institutional infrastructure is required and a clarity of whose interests are being served (see Chapter 5, section 5.4).

2.4.2 Australian CSR institutional infrastructure – a work in progress

The emergence of these initiatives has been played out in a changing social, political and economic period in Australia (Devinney, Auger, & De Sailly, 2012). Policy positioning of three successive governments has led to a politicisation of many of the issues advocated by the global CSR initiatives, for example, climate change, human rights and labour law (UNGC, 2014). This has led in part to a “regulatory vacuum” (Scherer & Palazzo, 2011: 903), which has seen a CSR institutional infrastructure take root in Australia, as represented in Figure 2.1. Forged by networks and partnerships of business, civil society, international organisations and, increasingly, the investor community, this emergent “post-national constellation” (Scherer & Palazzo, 2011: 903) now links Australia directly to the evolving global institutional context for CSR, but it is not without its tensions.

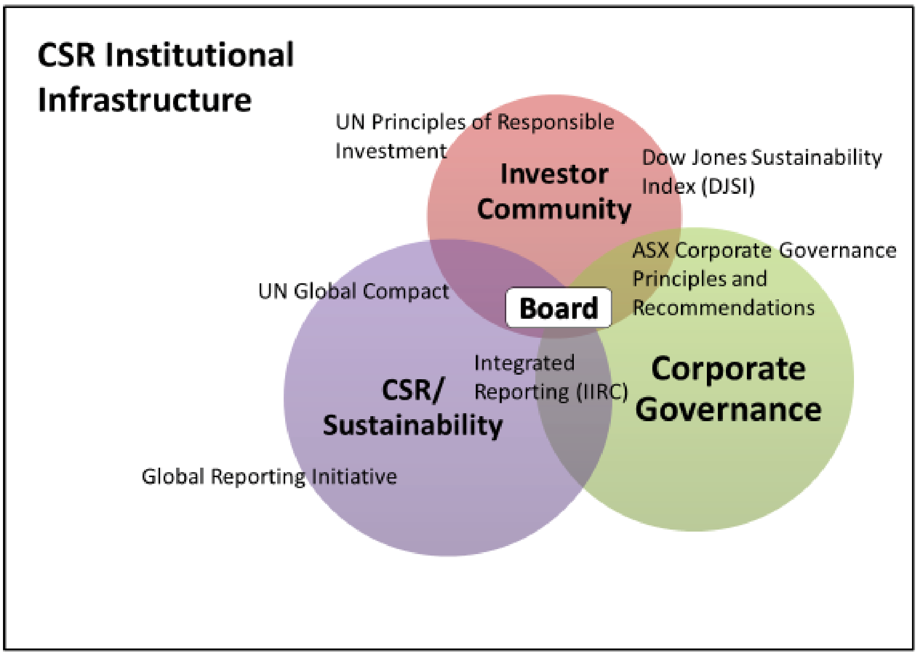

Figure 2.1 Australian CSR Institutional Infrastructure at the CG/CSR Interface

In 2006, the report outcomes of the Parliamentary Joint Committee on Corporations and Financial Services' *Corporate responsibility: Managing risk and creating value* recommended an "enlightened self-interest" interpretation of directors' duties where "directors may consider and act upon the legitimate interests of stakeholders other than shareholders, to the extent that these interests are relevant to the corporation" (2006: xiv). Attracting high quality employees, building a good reputation and avoiding regulation were cited as reasons supporting the enlightened self-interest position. Since the Corporations Act (2001) permits directors to have regard for the interests of stakeholders other than shareholders, the Committee decided that no amendment to the Corporations Act (2001) was required. In summing up, it concluded that mandatory approaches to regulating director's duties and to sustainability reporting were not appropriate and would ultimately lead to a 'tick-the-box' compliance approach. However, given these recommendations, the Committee (2006) stated an expectation of increased engagement by corporations in CSR activities.

Funding (through the Australian Government's Federal Treasury) was then made available to St James Ethics Centre (2010), a small but influential not-for-profit organisation to:

- Expand the number of Australian companies that are actively engaged in identifying and adopting more responsible business practices.
- Consider options to improve and, where necessary refine, the tools that are available to promote responsible business practices across all levels of corporate management.

As a result, I established and led the national 'Responsible Business Practice Project' (St James Ethics Centre, 2010), building a multi-stakeholder platform including major ASX listed corporations, international CSR leaders, federal government departments, civil society, professional bodies, and academic and labour organisations.

Recognition of businesses' lack of certainty on how to engage with the responsible business practice agenda and confusion around initiatives of engagement and reporting motivated the building of the centrepiece of the national project—a trusted 'hub' of international and local initiatives. Its purpose was to make the way clear for businesses of all sizes and provide a national coordinated entry point, thereby assisting businesses to transition through a period of re-evaluation towards a more sustainable, adaptable and ultimately resilient position. This included the Australian networks for the UNGC and the GRI. Notably, although some engagement occurred with business groups and associations, prominent institutional bodies such as the Business Council of Australia, the Australian Chamber of Commerce and Industry and the Australian Institute of Company Directors were not active stakeholders.

Despite the increase in explicit CSR activity (Matten & Moon, 2008), including increases in sustainability reporting across the ASX 200 and membership to the UNGC and its new Australian Network (St James Ethics Centre, 2010), a gap in engagement at the most influential level of decision-making in the corporation (the board of directors) remained. This phenomenon drove my motivation for the current study. Although the business lobby had argued against greater regulation during the Parliamentary Joint Committee Inquiry (2006), the opportunity for engaging in voluntary CSR activity had been largely ignored at senior levels of corporations. CSR/sustainability reporting is regarded as a compliance issue. Without the engagement of boards of directors, the ongoing commitment of resources to support the integration of CSR into the corporation will eventually wither (Global Compact LEAD, 2012).

2.5 Reality Check

2.5.1 From the field of practice – a failure to engage boards

Despite its growing significance, those with ultimate responsibility of the governance of corporations, i.e. the boards of directors, remained largely disengaged from the corporate responsibility and sustainability agenda, both in Australia and internationally (Black Sun, 2013, 2014; Global Compact LEAD, 2012; Kiron et al., 2015, 2017; Ramani, 2015; Ridehalgh, 2012). This points to a failure of engagement and subsequent integration at the intersection of CG and CSR. The 2015 global survey of sustainability practices of nearly 3,800 senior managers and executives conducted by MIT Sloan Management Review in collaboration with the Boston Consulting Group and the UNGC (Kiron et al., 2015) found that 65% of companies had corporate sustainability as a top management agenda item but only 22% of managers believed that their boards provided substantial oversight on corporate sustainability (or CSR) issues. Barriers to engagement were perceived to be due to unclear financial impact, lack of sustainability expertise on the board, not seen as a priority for stakeholders, short-termism, shareholder value and a common misunderstanding about the fiduciary duty of the board (Kiron et al., 2015). Competing priories on the board agenda, an emphasis on maximising shareholder value (MSV) and the extent to which short-termism is entrenched in capital markets has meant that CSR engagement is “no small matter to fight in the board room” (Kiron et al., 2015: 17). Reflecting a board level approach to CSR, Redmond (2013) argued “we are at a stage where directors are permitted to take different stakeholder interests into account but only to the point that this can be argued to be good for long-term shareholder wealth”.

These findings are supported by earlier research by Rose (2007) who found that a sample of experienced corporate directors from U.S. Fortune 200 corporations were able to perceive the ethical and social implications of their role. However, they believed that corporate law “requires them to pursue legal courses of action that maximize shareholder value”, emphasising “legal defensibility at the expense of personal ethics and social responsibility" (Rose, 2007: 319). A joint report from Ceres and Sustainalytics (2014) evaluated the progress of over 600 of the largest, publicly traded U.S. companies in integrating sustainability into their business to find incremental progress is underway but not at a scale that is required to tackle global climate change and other sustainability threats. Less than 40% of the companies surveyed had no board oversight of sustainability.

Key institutional actors have engaged senior levels of business management, yet to date, have been largely unsuccessful in engaging the board level of the corporation (Escudero et al., 2010). For example, the UNGC has more recently come to recognise that, as a consequence of a focus on CEO commitment in the UNGC's first decade, not enough attention has been paid to the responsibilities of boards (Global Compact LEAD, 2012) and CG: "Directors need to integrate sustainability thinking into their oversight of business strategy and expand their understanding of legal compliance and risk management to incorporate sustainability issues" (Global Compact LEAD, 2012: 6). Whilst acknowledging that the duties of boards vary across jurisdictions, their responsibilities typically include:

- guidance and oversight of business strategy
- risk management and legal compliance
- performance assessment and external reporting
- consideration of investor relations
- recruitment and compensation of the chief executive and other senior executives
- engaging with stakeholders (Escudero et al., 2010).

Each is interconnected with the CSR leadership agenda and point to areas in which the board could become actively engaged. For example, the recruitment of CEOs and top management committed to sustainability principles with remuneration linked to ESG targets, increasing the diversity of board composition to include members familiar and committed to sustainability issues as well as education of board members on sustainability concerns, public endorsement of sustainability reporting, systematic dialogue with stakeholders including ESG investors and the establishment of a specialised CSR or sustainability board committee to oversee and report on sustainability strategy and performance (Escudero et al., 2010; Global Compact LEAD, 2012).

Similarly, since its establishment in 2011, the IIRC, led by accounting firms, investor bodies, corporations and professional associations, have found that the support of the board and its improved understanding of CSR issues are essential to make progress in more effective, long-term sustainability (Black Sun, 2012; IIRC, 2013). Central to this objective has been the integration of sustainability reporting and annual financial reporting into the one document, via a process of integrating strategy, to create value over the short, medium and long-term (IIRC, 2013). A key requirement of this process is the involvement and sign off from the company's highest level of governance, its board of directors. Those companies leading the way have the support of the board. However, integrated reporting is slow to take hold as companies struggle with how to develop such a report (Ernst & Young, 2013). This is particularly the case in Australia where risk-averse directors of boards (Colvin 2015) may be paradoxically exposing themselves to greater risk by not taking responsibility for the full range of emergent CSR issues (see Chapter 4, section 4.2.7): "Company risk awareness has not translated into preparedness" (Ernst & Young, 2013: 2). Increasingly, investors are requiring boards to provide transparent and accountable oversight in integrated reporting and decision-making (KPMG, 2017) and question why companies are not providing this information.

2.5.2 From the field of practice – the Australian context

The resultant backlash from the divestment of fossil fuel assets by the Australian National University in 2014 (Hewson, 2014) is a case in point. Such action was forewarned by the Business Roundtable on Climate Change in 2006, where "in line with market based institutional governance systems" (Griffiths, Haigh, & Rassias, 2007: 421) a group of proactive companies argued for the economic case for adjustment to climate change issues, since "delayed action may lead to a major disruptive shock" (Australian Business Roundtable on Climate Change, 2006: 5). It is this shock that is now being experienced in board rooms around the country. This state of flux is likely to continue in Australia, given the combination of a highly active responsible investment movement with close international links, the active influence of superannuation industry funds as the dominant institutional investors and the importance of fossils fuels to the Australian economy (Young & O'Halloran, 2015). The Australian investor community is connected to international activity via a network of associations including the PRI Australian Country Network, the RIAA and the IGCC (Table 2.2). Each of these links to their respective international counterparts. Collaborative activity by these networks is set to rise at the CG/CSR interface (see Chapter 5, section 5.4).

2.5.3 In the literature – legitimacy concerns

The lack of engagement in the CSR institutional infrastructure at the most senior levels of the corporation behoves a consideration of the dominant logics at play at the interface of CG and CSR.

> The primacy of property rights, the belief in self-regulative markets, and the assumption that the pursuit of private interests automatically promotes the common good are premises that need to be reconsidered under the post-national constellation. (Scherer & Palazzo, 2011: 922)

This is a critical point not least because, according to Brown et al. (2009b), the most influential actors in the CSR institutional field have become large multinationals and international consultancies, followed by the United Nations Environment Program and its Finance Initiative (UNEP FI). In this way, private actors have been able to join multi-stakeholder coalitions, partnerships and working groups, thereby influencing outcomes and framing policy debates. The legitimacy of self-regulation in terms of whose interests are being served is called into question (Banerjee, 2008; Brown et al., 2009b; Fransen & Kolk, 2007; Moog et al., 2015; Smith & Ronnegard, 2016).

According to Berger and Luckmann (1966), legitimacy is subjectively perceived and created via processes of social construction. Suchman (1995) defines legitimacy as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (1995: 574). Suchman (1995) identifies three different strategies adopted by organisations in order to gain social legitimacy: pragmatic legitimacy based on audience self-interest; cognitive legitimacy, meaning taken-for-grantedness and comprehensibility; and moral legitimacy based on normative approval. Baur and Palazzo (2011) believe that the legitimacy of non-governmental organisations (NGOs) in CSR partnerships has thus far been neglected. Leaders of global CSR initiatives have assumed a special status within corporations, representing the common good. “This role requires a particular focus on their moral legitimacy” (Baur & Palazzo, 2011: 579) and should therefore be examined in the research context of the CG/CSR interface. This could be extended to an analysis of the institutional logics (beliefs and practices) underpinning their approach towards senior levels of CG. For Scherer & Palazzo (2011), the moral legitimacy of political CSR, and therefore the CSR actors, is dependent on a commitment to discursive engagement across stakeholder groups at the interface of CG/CSR. Yet stakeholder salience theory (Mitchell, Agle, & Wood, 1997; Thijssens, Bollen, & Hassink, 2015) notes that, practically speaking, it is not always possible for corporate actors to engage broadly across stakeholder groups. Stakeholders become prioritised based on attributes of power, legitimacy and urgency. Corporate managers who operate at this interface may see stakeholders with institutional power as having particular salience (Harvey & Schaefer, 2001). Hence, large western NGOs are seen to be disproportionately engaged in multi-stakeholder dialogue and this challenges the inclusiveness and therefore democratic legitimacy of multi-stakeholder governance initiatives (Fransen & Kolk, 2007).

Moog et al. (2015) add to the growing commentary on the legitimacy of multi-stakeholder governance initiatives (MSIs) in their examination of the Forest Stewardship Council. They consider whether such MSI’s facilitate the “democratization of transnational corporations … or whether they constitute new arenas for the expansion of corporate influence and the private capture of regulatory power” (Moog et al., 2015: 469). At its core, the MSI dilemma represents the paradox of using market-based solutions to solve social and environmental problems, which lead to a lack of regulatory authority and increase dominance of corporate interests. “Non-governmental civic regulatory efforts in the current neo-liberal trade environment generally lack the financial resources and jurisdictional authority needed to effectively regulate these trenchant problems” (Moog et al., 2015: 488).

Therefore, multi-stakeholder CSR initiatives may claim a moral legitimacy whilst promulgating the pragmatic ‘business case’ (Baur & Palazzo, 2011; Crane, Matten & Spence, 2008; Suchman, 1995). Simultaneously, trade bodies representing many of the same leading corporations pledging CSR commitments act to obstruct legislative action on, for example, climate change (InfluenceMap, 2015). The early work of Parsons (1956 as cited by Barley, 2010) is salient here, identifying an organisation's influence of the larger socio-cultural context in which it is embedded as an important domain of organisational theory. Similar to Scherer and Palazzo (2007; 2011), Barley's (2010) analysis of corporate political influence seeks to examine how corporations themselves shape the institutional environments in which they operate. In Australia for instance, a recently released report from the think tank 'The Australia Institute' (Aulby, 2017) analysed the degree of tax-deductible advocacy engaged in by foreign-funded mining lobby groups and industry bodies such as the Minerals Council of Australia (MCA). It found that the Australian mining industry had spent more than half a billion dollars lobbying Australian governments over the past decade, exerting political influence aimed at reducing tax revenue amongst other environmental and social issues (Aulby, 2017). Many of the MCA members are signatories to CSR-related initiatives. "Inasmuch as corporations influence the political system or operate in failed states without any democratic mandate or control, we need to consider how we can close the democracy gap and make corporate decisions more accountable" (Scherer & Palazzo, 2011: 721) and corporate boards more engaged. A reconsideration of CG structures and the fiduciary duties of boards is suggested, as public and private interests play out (see Chapter 5).

2.6 Incremental vs Transformative Change

Therefore, despite the successes of the CSR institutional infrastructure, a trade-off between "building a new institution and not challenging existing institutions and power relations" has left a "legacy of unresolved tensions" (Brown et al., 2009a: 182), as demonstrated by the slow progress of traction at senior corporate levels. Strategies applied by the co-founders of the GRI, which is the world's most widely used CSR/sustainability reporting framework now celebrating its twentieth anniversary, have highlighted the tensions and trade-offs in building a CSR institutional infrastructure (Brown et al., 2009a; Waddock, 2008a). Gaining the necessary buy-in from business constituents via a technical approach to sustainability reporting and the promise of win-win outcomes has left a legacy of unresolved tensions. Central to the GRI co-founders, Massie and White's success was maintaining a balance between the individual and collective interests of their diverse constituencies, "between inclusiveness and efficient pursuit of technical objectives, and between building a new institution and not challenging the existing institutions and power relations" (Brown et al., 2009a: 183). The focus remained instrumental rather than normative with the GRI morphing from a social movement to a service organisation, where accounting firms and other service suppliers sensed the growth of a new marketplace (Brown et al., 2009a).

More recently, White (2014) has shifted his focus to what he sees as the core issue at hand in building a more sustainable world: the purpose of the corporation itself (this will be covered in more detail in Chapter 4). By working within the system, the GRI was able to produce incremental change; however, this is not enough to address what he sees as a "governance deficit" (Waddock, 2008b: 262). Reporting is a means to an end, not an end in itself. White (2014) sees disclosure as one among many important, but not sufficient, conditions for catalysing transformational change. For instance, a growing number of bi-lateral and multi-lateral trade agreements raise questions about the changing relationships between MNCs and state sovereignty. As the "complex interface of trade, business and civil society" (Kell, 2013: 35) increases in scale and significance, the globally competitive rush to enhance trade and investment must be balanced with societal benefit and environmental protection. Herein lies the challenge for the CSR institutional infrastructure.

White (2014) is driven by the belief that both CG and indeed the CSR movement has not kept pace with the scale, complexity and influence of global corporations and requires fundamental "system redesign" in terms of corporate purpose, directors' duties and shareholder primacy. The transformative efforts needed to address structural systemic change go beyond the capacity of mainstream CSR initiatives (Brown et al., 2009a). White is not alone on this journey as will be seen in Chapter 5 when I review the most recent, emergent activity at the CG/CSR interface. But first, a literature review of institutional theory, the chosen theory with which to investigate the CG/CSR interface (Chapter 3), is followed by a review of the theory and practice of CG (Chapter 4) leading to a convergence at the interface of CG/CSR (Chapter 5).

Chapter 3: Literature Review: Institutional Theory

3.1 Introduction

The following chapter provides a literature review of institutional theory, which was the chosen theory to investigate the CG/CSR interface. An overview of CSR literature via an institutional lens includes a commentary on the institutional determinants of CSR and a comparative analysis of implicit and explicit forms of CSR. Shortcomings in institutional theory are then highlighted. In response, the development of micro-level approaches of institutional entrepreneurs and actors, augmented by an understanding of sensemaking and sensegiving processes, is introduced. Later, in Chapter 6, the most recent theoretical developments in institutional theory will be discussed (institutional logics), as the theoretical framing for the research is established.

3.2 Theoretical Development: Neo-Institutional Theory

The rise and rise of institutionalism as a theory of organisations and its modern-day evolution to new institutionalism (Greenwood, Oliver, Sahlin, & Suddaby 2008) can be attributed to its key strengths. These include a commitment to a multi-disciplinary approach incorporating sociology, economics, political science and social psychology, and its adaptability, i.e. recognising and embracing emergent trends and influences in the organisational fields of a rapidly changing world. As Barbara Czarniawska (2008: 777) reflects, "Institutional theory is not a theory at all, but a framework, a vocabulary, a way of thinking about social life, which may take many paths". Organisations are seen to emerge within highly institutionalised environments incorporating practices "defined by prevailing rationalised concepts of organised work and institutionalised in society" (Meyer & Rowan, 1977: 342), functioning as powerful myths and cultural rules. This increases the organisation's legitimacy and survival. Since myths do not necessarily correlate with productivity or efficiency, organisations may need to de-couple their formal structures from their work activity. Increasing rationalisation of cultural rules from within the institutional context may be taken for granted, supported by opinion or enforced by law. As rationalising institutional myths arise in existing domains "extant organisations expand their formal structures so as to become isomorphic with these new myths" (Meyer & Rowan, 1977: 345). Here, the underpinning logic of neo-institutionalism emerges, i.e. institutional isomorphism that drives stabilisation and homogeneity.

DiMaggio and Powell (1983) built on the conceptual foundations provided by Meyer and Rowan (1977) in a landmark paper, making reference to Weber's (1952) iron cage of capitalism's rationalist order in which Weber saw humanity imprisoned "perhaps until the last ton of fossilized coal is burnt" (DiMaggio & Powell, 1983: 147). Weber (1952) believed that, once underway, the momentum of rationalisation and bureaucracy was irreversible. DiMaggio and Powell (1983) posited that organisational change occurs more as a result of homogenisation than efficiency, owing to forces within the organisational field, driven largely by the state and professions. Institutional fields are made up of "those organisations that in the aggregate constitute a recognised area of institutional life: key suppliers, resource and product consumers, regulatory agencies and other organisations that produce similar services or products" (DiMaggio & Powell, 1983: 148). Organisations gradually become homogenised as the field is established. DiMaggio and Powell (1983) favour the term isomorphism as the concept that best fits the process of homogenisation. Normative isomorphic processes "create a pool of almost interchangeable individuals" including at board level (DiMaggio & Powell, 1983: 152). They identified three mechanisms of institutional isomorphic change: coercive isomorphism (formal and informal pressures exerted on organisations by institutions on which they are dependent), mimetic isomorphism (organisations model themselves on other organisations such as those seen to be "leading the field") and normative isomorphism (the promulgation of normative rules across organisational fields primarily through professionalisation processes of knowledge acquisition and belief systems).

Scott (1995) synthesised and expanded on the neo-institutional perspective, reclassifying and differentiating the three isomorphic sources (coercive, normative and mimetic) posited by DiMaggio and Powell. Table 3.1 outlines Scott's framework where institutions consist of regulative, normative and cognitive structures and activities that provide stability and meaning to social behaviour—the three pillars of institutions. "Institutions are transported by various carriers - cultures, structures and routines, and they operate at multiple levels of jurisdiction" (Scott, 1995: 33). Individuals construct social reality from within the context of wider pre-existing cultural systems and symbolic frameworks (Berger & Luckmann, 1966). Individual behaviour is seen as an "enactment of broad institutional scripts rather than internally motivated autonomous choice" (Scott, 1995: 44). Roles may become collective and their routines "taken for granted", or mimetic.

3.2.1 Legitimacy and Neo-Institutional Theory

From an institutional perspective, legitimacy is derived from its three core elements—"cultural alignment, normative support or consonance with relevant rules or laws" (Scott, 1995: 45). Various authorities within the institutional systems may confer legitimacy, especially agents of the state or professional associations through processes of certification and accreditation, or ceremony. Within an organisational field there may be competing institutional bodies that confront organisations with potential conflicting normative messaging. This will be an important dynamic to explore as regards the engagement of directors of boards at the CG/CSR interface. Scott (1995: 58-9) neatly summarises:

> Most of the work conducted by Neo Institutionalists … is guided by the combination of a cognitive emphasis and attention to macro levels (world system, societal and org field): processes operating at a trans-organisational level. Moreover, this work stresses cultural carriers – widespread beliefs, professional norms – but also attends to the impact of macro-structural carriers such as international organisations, the state and trade and professional associations.

Table 3.1 Three Pillars of Institutions (adapted from Scott, 1995)

	REGULATIVE	NORMATIVE	COGNITIVE
Basis of Compliance	Expedience	Social Obligation	Taken for granted
Mechanisms	Coercive	Normative	Mimetic
Logic	Instrumentality	Appropriateness	Orthodoxy
Indicators	Rules, Laws, Sanctions	Certification, accreditation	Prevalence, isomorphism
Basis of Legitimacy	Legally Sanctioned	Morally governed	Culturally supported, conceptually correct

A central construct of institutional theory to be further explored in this research is the concept of legitimacy. In organisational studies, legitimacy is a necessary condition for organisations by enabling control internally and access to resources externally. Both internal and external legitimacy stem from the work of Max Weber (DeJordy & Jones, 2008) with more recent adaptations developed by Scott (1995) and Suchman (1995), although these share similar underlying typologies:

- Weber's authority through imposition aligns with Scott's regulative pillar and Suchman's pragmatic legitimacy based on audience self-interest.
- Weber's authority through agreement is the legitimating mechanism for Scott's normative pillar and Suchman's moral legitimacy based on normative approval.
- Weber's legitimacy through enactment aligns with Scott's cultural-cognitive pillar and Suchman's cognitive legitimacy, meaning taken-for-grantedness and comprehensibility.

Research on legitimacy straddles from individual to organisational units of analysis. For example, a study by Westphal and Zajac in 2001 (as cited by Greenwood et al., 2008) shows the influence of powerful actors, CEOs, in mediating institutional effects around legitimacy and may become critical in understanding how directors of boards engage in CSR. Suchman (1995) adopts "an inclusive, broad-based definition of legitimacy that incorporates both the evaluative and the cognitive dimensions and that explicitly acknowledges the role of the social audience in legitimation dynamics" (1995, 574). He sees legitimacy as a generalised perception linked to socially constructed systems of values and beliefs. As noted (Chapter 2, section 2.5.3), Suchman (1995) identifies three sources of legitimacy: cognitive legitimacy, meaning broadly shared taken for granted assumptions; pragmatic legitimacy based on an economic logic of self-interest and moral legitimacy based on normative approval and a pro-social logic that requires explicit moral discourse.

Many corporations are now engaging in the CSR/sustainability agenda in response to legitimacy concerns. Here, 'corporate legitimacy' is understood to mean "the social acceptance of business organisations and their activities and is considered a vital resource for organizations" (Scherer et al., 2013: 260). Scherer et al. (2013) argued that in the face of conflicting demands, the use of a single legitimacy strategy, for example, Suchman's (1995) cognitive or pragmatic domains, will not be enough and that corporations will need to acknowledge the requirement for multiple legitimacy strategies – spanning cognitive, pragmatic and moral. At the CG/CSR interface this involves "the explicit consideration of the legitimacy of capitalist mechanisms and corporate activities by giving credit to the interests and arguments of a wide range of constituencies that are affected by the activities of (multinational) corporations" (Scherer & Palazzo, 2011: 916).

3.3 Institutional Theory at the CG/CSR Interface

3.3.1 Introduction

As demonstrated by Waddock (2008a), institutional theory recognises that organisations are embedded within and influenced by wider social, economic and political systems. For this reason, institutionalism lends itself to the study of complex organisational issues of the day such as CSR (Brammer et al., 2012). It is able to explain the strong macro-institutional pressures resulting in the institutionalisation of CSR as well as the institutional work of actors and entrepreneurs (Lawrence, Suddaby, & Leca, 2011; Maguire, Hardy, & Lawrence, 2004) at the micro-level of contested fields that "examines the practices of individual and collective actors aimed at creating, maintaining, and disrupting institutions" (Lawrence et al., 2011: 52). As Waddock (2008b) notes, much of this work can be attributed to a number of pioneering individuals or 'difference makers' such as Allen White (co-founder of the GRI) and John Elkington (triple bottom line reporting). Institutionalists are challenged to develop a framework that must make sense of and encompass ambiguity and paradox. This is reflected in the development of CSR and its fundamental paradox: "a liberal notion of voluntary engagement and a contrary implication of socially binding responsibilities" (Brammer et al., 2012: 3).

3.3.2 Institutional theory as a framework for examining CSR

Therefore, by studying CSR through the lens of institutional theory, researchers can examine its contested and contingent nature at a time when established rules, norms and practices across business and the economy are in a state of turbulence, providing valuable insight into the "institutional set-up in which responsible or irresponsible business behaviour is enacted" (Brammer et al., 2012: 22). Institutional theory also offers useful terminology with which to examine how firms and boards of directors engage with corporate responsibility. Put simply, institutions provide the "rules of the game" (Carson, Devinney, Dowling, & John, 1999: 115) for both actors and organisations as they engage in economic or social activity. These take place in an institutional environment where formal (for example, contractual) or informal (for example, relational and reputational) institutional arrangements are made. With the globalisation of business, new markets extend into unfamiliar institutional territory, providing new challenges such as business practices that may be judged as corrupt in some jurisdictions yet as business-as-usual in others. International civil society institutions such as Transparency International (2013) seek to institutionalise global norms, for example, the Business Principles for Countering Bribery to address this.

3.3.3 Institutional determinants of CSR

For an emergent area such as CSR, institutional theorists open up many potential research pathways along the interplay of regulative, normative and cognitive-cultural elements within the contested terrain of institutional fields. One such important theorist, Campbell (2007) has created helpful signposts for further studies. Campbell (2007) presents a series of propositions to explain under what institutional conditions corporations are more likely to act in socially responsible ways: "I focus on the institutional determinants of corporate social responsibility because firms are embedded in a broad set of political and economic institutions that affect their behaviour" (Campbell, 2007: 948). Economic conditions are seen to affect the degree to which corporations can act with social responsibility; however, this is mediated by other institutional factors. Corporations will be more likely to act in socially responsible ways if there is consultative state regulation; collective industrial regulation; independent bodies that monitor, for example, NGOs, media and institutional investors; normative institutional environments, for example, educational environments and influencing peer environments; industrial, trade and employer associations engaged in dialogue; business associations playing a key role in educating members; and institutionalised dialogue with unions, employees, community groups, investors and other stakeholders (Campbell, 2007: 952-962)

3.3.4 Implicit and explicit CSR

Matten and Moon (2008) evolve the theoretical framework of institutional theory in a cross-national study to explain how CSR is conceptualised and practised in a comparative analysis of the United States and Europe, and how and why the practice of CSR is changing over time—in Europe and more globally. They argue that "national differences in corporate social responsibility can be explained by historically evolved institutional frameworks that shape national business systems" (Matten & Moon, 2008: 407). These national businesses are made up of political, financial, educational, labour, "nature of the firm", market processes and companies' governance systems. Given these national differences, CSR can be characterised as more "explicit" (Matten & Moon, 2008: 410) in the United States, that is, more deliberate, strategic, discretionary and voluntary. By contrast, CSR is more "implicit" (Matten & Moon, 2008: 410) across Europe, i.e. more embedded within wider systems defining corporate obligations collectively. The authors note the increasing trend towards explicit CSR by European companies and, indeed, globally. This is explained through the process of legitimisation of a firm's practices via a cross-national homogenisation of institutional environments. These are seen to be driven by the three types of isomorphic pressures: coercive isomorphism (for example, the OECD Multinational Enterprises (MNE) Guidelines and the GRI), mimetic processes (such as partnership activities of the UNGC Country Networks) and normative pressures (e.g. educational bodies, business schools and associations may exert normative pressure on companies to adopt explicit CSR practices).

It could well be argued then that the global spread of explicit CSR reflects the increase in global influence over national institutional fields—in the corporate, civil society and governmental domains (Scherer & Palazzo, 2011). However, national business systems are still seen as playing a significant role, for example, the recently enacted UK Anti-Bribery Act (2011) or the European Commission's non-financial reporting directive (2014). In turn, governments may influence each other through global institutions such as the G20, United Nations or World Economic Forum.

Matten and Moon (2008) conclude their paper with a slant towards a "descriptive, instrumental, normative laboratory" where each nation's institutional context will "play out with a rebalancing of corporations' relationships with societal institutions" (2008: 420) and a trend towards a more explicit expression of CSR commitment. It is this laboratory that the present research investigates, with a focus on the CG/CSR interface.

3.3.5 Shortcomings of institutional theory

A number of shortcomings in institutional theory are now highlighted. An emphasis on macro-institutional processes has led to a corresponding lack of attention to important intra-organisational or micro-processes. Similarly, an emphasis on stabilisation and homogeneity has led to a lack of attention to processes of change in the institutional field. Further research on social power is required and an examination of the systems that enable privilege and dominant elites' influence over the institutional field (Greenwood et al., 2008).

In their comprehensive review of CSR literature, Aguinis and Glavas (2012) provide a multilevel, multidisciplinary theoretical framework to integrate the literature at institutional, organisational and individual levels of analysis, and highlight knowledge gaps relating to the respective theoretical orientations. These differing conceptual and disciplinary lenses used by CSR scholars have led to a fragmentation of the literature as well as a lack of analysis at the individual or micro-level and the micro-macro divide. A total of 95% of the 181 articles published in the 17 journals in their study focussed on a single level of analysis. Therefore, multi-level research integrating these separate conceptual streams is called for as is the need for more qualitative studies.

3.3.6 Institutional entrepreneurship and institutional work

In answer to the overemphasis on stabilisation and homogeneity, and lack of micro-level analysis, DiMaggio (1988) extended institutional theory to account for deinstitutionalisation and institutional change, beyond isomorphic organisational change as influenced by institutions. This represented an important shift where institutional settings could now be regarded as contested terrains, driven by "institutional entrepreneurship" (Maguire et al., 2004: 657). Defined by Maguire et al. (2004: 57) as "activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones", institutional entrepreneurs must be skilled in:

- Gathering resources with which to drive the institutional change.
- Strategy, tactics and alliance building.
- Identifying inconsistencies and tensions within the existing institutional field.
- Reconfiguring existing power relations, driving legitimacy across a diverse stakeholder group.
- Communicating win-win amongst the stakeholders, e.g. business and society (Brown et al., 2009b; Fligstein, 1997).

More recently, institutional theorists such as Lawrence et al. (2011) have begun to shift focus from the "macro-processes" within the institutional field to the micro level of relationships between institutions and the actors who populate them: "The study of institutional work examines the practices of individual and collective actors aimed at creating, maintaining, and disrupting institutions" (Lawrence et al., 2011: 52). This is where institutional change is performed in the everyday tasks of individuals who both reproduce and challenge roles and rituals. This new focus provides for the examination of the relationship between agency and institutions, and a more layered, holistic account of institutional processes:

> Actors, at any given time, are subject to pressures from many different institutions and are often responding locally, creatively, incrementally, and more or less reflexively. An institutional work perspective attends more closely to practice and process than to outcome—asking "why" and "how" rather than "what" and "when" (Lawrence et al., 2011: 57).

This approach is well suited to the aims of the present study, an examination of the interface of CG/CSR, and the actors who sit at this intersection, i.e. the directors of boards together with relevant actors from CSR, CG and investor communities. For example, recent research from the field of CSR in Australia (Crittenden, 2014) analyses institutional actors' efforts at integrating energy efficiency into the core business practices of their firms. The research utilises institutional work as a theoretical framework to identify work practices associated with cognitive, normative and regulatory mechanisms. This contributes both important perspectives on emerging practices in CSR at the firm level and theoretically provides a contrast to the more heroic institutional entrepreneurship perspective featured in Waddock's "Difference Makers" (2008b). To gain a more comprehensive perspective at the level of the individual, it is helpful to augment an institutional understanding with the complementary cognitive perspectives offered by sensemaking and sensegiving theories.

3.4 Sensemaking and Sensegiving

3.4.1 Sensemaking

For social psychologists such as Weick (1995), individuals play a more active part in constructing a social identity than can be described in institutional theory, through processes of sensemaking. Similarly, sensemaking has been criticised for neglecting the role of the larger social and historical contexts in which it is embedded (Weber & Glynn, 2006). There is mutual benefit in linking sensemaking and institutional theory, thereby attending to the micro level of actors' sensemaking, within an institutional context:

> Organisational members are socialized (indoctrinated) into expected sensemaking activities and … firm behaviour is shaped by broad cognitive, normative, and regulatory forces that derive from and are enforced by powerful actors such as mass media, governmental agencies, professions, and interest groups. (Weick, Sutcliffe, & Obstfeld, 2005: 417)

Thus, "no organization can properly be understood apart from its wider social and cultural context" (Scott, 1995: 151).

Building on Weick's (1995) earlier work, Weick et al. (2005: 409) describe "explicit efforts of sensemaking". These arise through disruptive ambiguity, leading to processes of organising flux, noticing and bracketing, labelling, retrospection and prospection, presumption, and social and systemic influences. Sensemaking is action orientated and language based. Basu and Palazzo (2008: 124) see the possibility that a "potentially richer description of CSR might emerge from studying internal institutional determinants … sensemaking processes within which CSR is embedded … either at the individual manager level or at that of the organization". At the individual level, these authors define internal institutional determinants as comprising "cognitive, conative and linguistic processes" (Basu & Palazzo, 2008: 124). According to the authors "decisions regarding CSR activities are made by managers and stem from their mental models regarding their sense of who they are in their world" (Basu & Palazzo, 2008: 124). The present study is interested in exploring whether this finding can be extrapolated to individuals at the board level.

Following Basu and Palazzo's (2008) work, Angus-Leppan, Metcalf and Benn (2010) examined leadership styles via qualitative data analysis of the self-reported sensemaking of leaders charged with CSR programme introduction. They see sensemaking as "an important and relevant theory of meaning and action" (Angus-Leppan et al., 2010: 1920) because of the ambiguities and loose coupling around CSR and CSR organisational practices. This has also been highlighted in a further discussion (Angus-Leppan, Benn, & Young, 2010). The diversity in interpretations and value estimations of CSR and its human and ecological elements are investigated among the different stakeholder groups of a leading Australian corporation. Sensemaking is seen as a potential internal institutional determinant of CSR, providing insight into the mental models that may underlie perceptions of CSR.

McNulty et al. (2013), in looking into the lack of qualitative research in CG, cite a small number of exemplars including the work of Pye (2002b). In a longitudinal study of company executives, Pye (2002b) found that sensemaking provided the most appropriate perspective from which to understand changing explanations within a CG setting. The studied period (1989 to 2000) represented a formative decade for CG (Tricker, 2000). Pye (2002a) found that, within a context where "capital markets and corporate activity had become global, a whole new language of governance informed contemporary explanations of organizing, managing, and directing corporations" (McNulty et al., 2013: 193). This included terms such as "corporate governance", "shareholder value", and "strategic focus" (Pye, 2000b: 921). Pye (2000b) saw this as an example of collective sensemaking, confirming sensemaking (Weick, 1995) as "the most appropriate perspective by which to appreciate these changing explanations" (Pye, 2000b: 922). Interestingly, Pye (2000b) included additional interviews with fund managers and non-executive directors during the study, thus redefining the boundaries of the research to a broader sample.

3.4.2 Sensegiving

A related concept to sensemaking is sensegiving: "to influence the sensemaking and meaning construction of others toward a preferred redefinition of organizational reality" (Gioia & Chittipeddi, 1991: 442). Whereas sensemaking's primary focus is at a local level, sensegiving is concerned with "meanings spanning social collectives" (Ocasio, Loewenstein, & Nigam, 2015: 35) and both reproducing and transforming existing interpretations. For example, in a study by Gioia & Chittipeddi (1991: 443) an organisational leader adopts a sensegiving mode to convey to his organisation "the nature of his vision, the values underlying it, and the actual changes that he wanted to achieve as a result". In other words, rather than making sense of a situation for oneself, sensegiving involves making sense of an ambiguous situation and presenting an interpretation of reality, for others. To explore the interface of CG/CSR with a focus on the directors of boards, it will be important to consider both the sensegiving and sensemaking of actors in a field in flux (see Chapter 7, section 7.7.2).

In summary, this chapter has provided a foundational introduction to the theoretical approach of the research, institutional theory, augmented by an understanding of sensemaking and sensegiving theories. However, a more comprehensive, multi-level account of complexity and change in the institutional field will be necessary to fully investigate the CG/CSR interface. In Chapter 6, more recent developments in institutional theory, institutional logics, addressing these theoretical shortcomings will be introduced, from which the theoretical framing for this research will be developed.

Chapter 4: Literature Review: CG in Theory and Practice

4.1 Introduction

Chapter 4 aims to provide a review of both the theory and practice of CG leading to recent developments at the interface of CG/CSR. The academic literature on CG demonstrates the historical nature of the discipline, embedded in an institutional field of economic, political and social systems. Theoretical and practical developments in CG are in 'lock-step' as the following chapter demonstrates (Cheffins, 2013; Tricker, 2000). The following sections provide a brief summary of the historical development of CG in the field of practice, to be followed by an analysis of the foundational CG theories, leading to recent developments at the interface of CG/CSR. The interplay of CSR and CG issues has its roots in the earliest CG theory and practice and will be woven throughout the following review.

A shareholder-focussed, short-term based approach to governance has come to dominate the institutional landscape for those corporations operating under an Anglo-American model of governance (including Australia, the United Kingdom, the United States, Canada and New Zealand). By contrast, corporations operating in other institutional settings may take a broader stakeholder approach, for example, in Europe and Japan (Devinney, Schwalbach & Williams, 2013; Matten & Moon, 2008). With the growth of MNCs has come a more complex and globalised institutional setting, posing governance challenges for the board as companies operate across multiple jurisdictions, including those with weak regulatory environments. Whilst acknowledging jurisdictional differences in comparative forms of CG, the present study will focus on the Anglo-American model, as operating in Australia and trans-nationally through many of the world's largest MNCs.

4.2 The Evolution of CG Practice

4.2.1 Introduction

The evolution of CG can be traced back at least as far as the East India Company, and other chartered forms of the sixteenth and seventeenth centuries, through to a transnational globalised form. CG has become a subject of interest and debate across academia and in the field with the focus of attention growing from an early American orientation in the 1970s towards an internationalised field by the 1990s (Cheffins, 2013). Most recently, there has been an interdisciplinary emergence of literature driven in part by the corporate collapses of the early 2000s and the GFC. A key theme is the broadening of considerations from a traditionally narrow view of CG. The focus is shifting from financial and legal issues to a more multidisciplinary view of the corporation within an increasingly complex context and dominant role in society (Clarke, 2012).

Tricker (2000) identified three main eras of CG: the nineteenth century saw the foundations for modern corporations laid by the entrepreneurs of some of the world's great companies, the twentieth century became the century of management theory and practice, and the twenty-first century has ushered in an era of CG and focus on the distribution of power and legitimacy. Ryan et al. (2010: 673) described a CG "triad" of shareholders, directors of boards and executives engaged in a dynamic balance of power where changes in roles and responsibilities over time provide fruitful avenues for CG considerations. For example, with the recent developments of consolidated investor activism or conversely hedge funds and private equity firms engaged in highly leveraged buyouts. As power shifts evolve, the rights and responsibilities of the various actors come into play (Ryan et al., 2010). More recently a significant fourth player has come into view—the broader stakeholder group, heralding a shift in the underlying institutional logics (Freeman et al., 2004).

4.2.2 Historical developments

In many ways, the historical developments of CG reflect the current contest of logics at the CG/CSR interface: shareholder versus stakeholder, owners versus broader societal interests. At its core, this contest is represented by the mainstream business (mis)interpretation of Adam Smith's *Wealth of Nations* published in 1778, and often argued by business in response to calls for a greater CSR. Individuals work for their own gain and are motivated by self-interest. In this way, they may contribute to the public good, although this is not their specific intention. This is regarded as the fundamental economic insight of Smith's "invisible hand" (Crook, 2005). Questions about this premise are now being asked within the mainstream business press: at what threshold does self-interest and pursuit of profit become greed? Who is responsible for the externalised (social and environmental) costs of pursuing self-interest or profit (Crook, 2005)?

4.2.3 Early frameworks

Through legislation developed in the mid-nineteenth century, the design of the legal entity known as a corporation was created. In 1886, a United States Supreme Court ruling established corporations as persons, thereby granting them far greater benefits than the previously restrictive arrangements. Corporations became a body separated from its owners with many of the rights of a real person, with the owners' liability for the company's debts limited to their equity investment (Cheffins, 2013). As time progressed, the power of the corporation and its owner/investors grew. In 1919, the Ford v Dodge decision found that executives have a legal duty to serve the best interest of shareholders (Cheffins, 2013). As shares of public companies began to be listed on multiple stock exchanges, shareholders were becoming more diverse, making them more remote from the management of the company. This phenomenon was reported by Berle and Means in 1932 in their landmark work, *The Modern Corporation and Private Property*. The authors also found that with the rise of the modern corporation came a rise in its economic and political power. Later, in 1932, a debate between prominent academics Berle and Dodd played out in a series of *Harvard Law Review* articles (Dodd, 1932). Dodd challenged the shareholder primacy position of Berle, arguing that corporations, as persons, had citizenship responsibilities and that recognising their social obligations would ultimately benefit shareholders (Luhman & Cunliffe, 2013). Other key developments in the US during this period included securities regulation reform (following the Great Depression), which required increased transparency, accountability and disclosure. Concepts of stewardship, societal obligation and trust, linked private rights with public duties.

4.2.4 The 1970s–1990s

Moving into the 1970s and an increase in accountability of board members by shareholders seeking greater control and rebalance of power saw two trends emerge. In the US, it was the selection of independent directors and audit committees, and in Europe, it was the promulgation of the two-tiered board (Tricker, 2000). With the 1980s came profit-driven growth strategies, driving the director's responsibility to deliver shareholder value. Linked to this was increasing privatisation of state-owned entities. A decade on from the 1980s and a series of corporate collapses across the US, UK and Australia followed. This drove perceptions of dominant CEOs and boards given to excess, where CEO and chair may be combined and independent directors weakened. These hurt the community, investors, the economy and ultimately the company and required regulatory action from governments worldwide (Tricker, 2000). In the UK, a more principled view of CG was espoused in an important report commissioned by the London Stock Exchange (Cheffins, 2013). The Cadbury report of 1992 recognised the role of CG in contributing to the stability and equity of society and the economy. This was followed by a subsequent report for the World Bank in 2000: "The aim is to align as nearly as possible the interests of individuals, corporations and society" (as cited by Clarke, 2012: 5). These principles became an appendix to the London Stock Exchange listing rules, with an 'if-not-why-not' reporting requirement. Ultimately, the Cadbury report became a model taken up by various countries around the world. Pressure for better CG grew in Europe (cross-border competition), Japan (recession) and Asia (family controlled companies caught in the Asian stock market crash of 1997) with the Anglo-American model being most favourably regarded as a better model (Tricker, 2000).

4.2.5 Challenges of the new millennium

The new millennium provided momentum for the development of a raft of global governance initiatives such as the UNGC, with the Secretary General of the UN calling for a global compact of shared values and principles, with which to give a human face to the global market (World Economic Forum, 1999 as cited by Post, 2013).

With the advent of the GFC later that decade, accountability, responsibility and transparency became the dominant message of the growing CSR institutional infrastructure, with an emphasis on reporting and disclosure. Questions were beginning to be raised over the relation between the maximisation of shareholder value and the sustainability of economic prosperity (Lazonick & O'Sullivan, 2000). However, a "continuing insistent focus of corporate governance on boards, CEOs and shareholders - oriented almost obsessively towards financial markets" prevailed (Clarke, 2012: 3). This represented a vertical approach to governance, neglecting the horizontal dimension of relationships with stakeholders in and outside the company. The widely institutionalised myth (Meyer & Rowan, 1977) promulgated by Milton Friedman (1970: 6): "There is one and only one social responsibility of business: to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game" persisted.

Yet, according to prominent CG academic Margaret Blair (2012: 76), "corporate law instructs directors that they must act in the best interests of the corporation". A more balanced approach of both monitoring (conformance) and strategic (performance) functions is required (Useem, 2012). This is indeed a challenge for directors of boards in an institutional field where the dominant market logic enshrines shareholder primacy and where holistic approaches may not yet be associated with value creation. Boards may feel under pressure to deliver shareholder value through tight turnarounds, thus pressuring the strategic decision-making and prioritisations of managers (Useem, 2012). This calls forth the tensions and trade-offs at a sensemaking level discussed in the work of Hahn, Figge, Pinkse and Preuss (2010); Hahn, Preuss, Pinkse and Figge (2014) and Hahn, Pinkse, Preuss and Figge (2015) discussed further in Chapter 6, and highlights the importance of a closer analysis of the interface of CG/CSR. The convergence of CSR initiatives as mapped in the previous chapter, points to a growing institutional infrastructure to address these issues. A range of regulatory responses seeks to complement the initiatives, such as the European Commission's Non-Financial Reporting Directive on CSR disclosures for large corporations (2014). The Australian Securities & Investments Commission (ASIC) regulatory guidance on a company's operating and financial review (OFR) (ASIC, 2013) recommends the disclosure of sustainability risks where those risks could affect the entity's achievement of its financial performance or outcomes disclosed. In complement, the ASX's third edition of its Corporate Governance Principles and Recommendations (2014) now recognises that business activities may impact a range of stakeholders and that there is an increasing requirement by the investment community for company boards to report on environmental, economic and social performance.

Business has been increasingly playing a role in the development of 'global governance initiatives' (as detailed in section 4.3.10), in addressing these regulatory vacuums

(Scherer & Palazzo, 2011). Interestingly, large established corporates have argued for greater regulation and standardisation as regards CSR (Accenture & UN Global Compact, 2013). This may advantage their incumbent position, deterring new entrants to their market (Crook, 2005). In conclusion, Tricker (2000: 295) calls for “the highly successful, but now outgrown, concept of the corporation to be redesigned”.

4.2.6 The purpose of the corporation revisited

Promising collaborations are broadening debate across stakeholders’ groups in the CG domain. The Modern Corporation Project based at the Cass Business School (Willmott & Veldman, 2014), together with the Frank Bold Society (a Brussels based public interest law firm) have come together to form the Purpose of the Corporation Project (Frank Bold, 2014a) and examine the intersection of CG, financialisation and corporate responsibility. Issues of political economy and CG theory and practice have been addressed via the publication of a series of accessible statements by leading international academics from a diversity of disciplines: company law, economics, accounting, management and politics. These, in turn, have been endorsed by their academic peers. For example, *The Modern Corporation Statement on Economics* (Lazonick et al., 2016), traces the shift from the corporation as a social organisation where shareholders had come to play a peripheral role, to the dominant neo-classical theory of the market economy. The corporation came to be viewed as a set of voluntary contracts; market-based financial metrics driving corporate strategy with shareholders cast as the only risk-bearers. This trajectory has led to the triumph of the ideology of MSV, where executive pay is tied to share prices, thereby inducing executives to allocate corporate resources accordingly.

Consequences of this trajectory include:

- Short-termism with a focus on immediate market metrics leading to a reduction in time horizons of strategic decision-making and innovation. A shift from “retain and reinvest” to “downsize and distribute” (FrankBold, 2014b: 1-2): redistributing the financial gains to shareholders, thereby hollowing out the corporation.
- Increased within-country income inequalities with a redistribution of income to public shareholders and corporate executives through stock buy-backs and

increasing executive pay, and a decrease in employment conditions and taxation powers.

- Lack of recognition of risks taken by other stakeholders other than shareholders such as workers and government.

In summary, MSV has in fact contributed to economic instability rather than economic efficiency, increasing macro-economic imbalances and the erosion of innovative capability (Frank Bold, 2014b).

4.2.7 A dominant risk paradigm

One consequence of the GFC has been the rise of a dominant risk paradigm in the institutional field, with a particular focus on the need to improve the 'risk culture' of the financial services and other related sectors (Palermo, Power, & Ashby, 2017; Sheedy & Griffin, 2017). A resultant risk aversion and fear of director liability has led to board decision-making focussed on conformance versus performance (Clarke, 2014; Drummond, 2013). In Australia, for example, at the CG/CSR interface there is a significant resistance at the board level in producing a "future focussed" integrated report due to a perceived director's liability and fear of litigation (Drummond, 2013). This is in part driven by adverse findings of directors' duty of care in two legal cases against Australian companies James Hardie and Centro (Drummond, 2013). Push-back from the professional association representing Australian company directors (Australian Institute of Company Directors (AICD)) holds that there is not adequate protection or "safe-harbour" (Drummond 2013: 2) for Australian company directors in the future-focussed reporting requirements of integrated reporting. Climate risk poses another challenge for corporate boards. Barker (2013) argues that developments in the science and economics of climate change mean that it is no longer a non-financial environmental externality but a material financial risk, and that CG inaction on climate change is increasingly likely to breach the directors' duty of due care and diligence (Barker & Youngdahl, 2015). This plays to an instrumental approach to CSR and a pragmatic legitimacy and is backed up by the framing of ESG as 'investor risk' in the ASX Corporate Governance Principles and Recommendations (2014: 30):

> Principle 7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

This raises the question—risk to whom or what? Whose interests should prevail? The ASX document recognises that a failure to manage risks can impact "not only the entity and its security holders" (ASX, 2014: 28), but a broader group of stakeholders including employees, customers and others. Disclosure requirements "should include a discussion of environmental and other sustainability risks where those risks could affect the entity's achievement of its *financial performance*" (ASX, 2014: 30). However, in a risk-averse climate, board members may be paradoxically exposing themselves to greater risk by not taking responsibility for the full range of issues, both financial and non-financial, impacting on business performance. In an industry survey of companies engaged in corporate sustainability (Ernst & Young, 2013: 2), corporate risk response was not well matched to the scale of sustainability challenges: "Company risk awareness has not translated into preparedness".

An inherent tension exists within the concept of 'risk' itself, as evidenced in a study on UK policy post-GFC in the financial services sector:

> This policy emphasis on risk culture reflects a post-crisis aspiration to rebalance two logics of risk-taking which exist in tension with one another. One, which might be called a 'logic of opportunity', is revealed in the history of innovation, risk-taking, business adventures and entrepreneurialism. The other – a 'logic of precaution' – emphasizes control, safety and risk avoidance … The relationship between these two logics reflects a duality (opportunity vs. harm avoidance), which is inherent in the concept of risk itself. (Palermo et al., 2017: 155)

The authors recognise the 'institutional complexity' therein—deriving from incompatible prescriptions about organisational ends. The phenomenon of institutional complexity and plurality will be detailed in Chapter 6 as core to the theoretical framing of this thesis, where tensions exist between incompatible yet interrelated logics (Greenwood et al., 2011).

4.3 Theoretical Development of CG

A review of the development of CG theory demonstrates how closely intertwined it is with the field of practice, reflecting political, social and economic developments. A theoretical overview will be helpful in considering a potential theoretical convergence at the interface of CG/CSR.

4.3.1 An early theoretical separation

To commence with the seminal work of Adam Smith provides an instructive perspective for the present study. Smith first published *The Theory of Moral Sentiments* in 1759, to be followed by *An Inquiry into the Nature and Causes of the Wealth of Nations* in 1776. Taken together, the publications provided a transformative understanding of the subject of economics and, later, CG. Unfortunately, the first book was, over time, overlooked in favour of the second book, thereby depriving its underlying moral, philosophical framework, including:

> the appreciation of the demands of rationality, the need for recognising the plurality of human motivations, the connections between ethics and economics, and the co-dependent - rather than free-standing - role of institutions in general and free markets in particular in the functioning economy. (Sen, 2010: viii)

This led to the selective quoting of Smith and gave rise to a "cramped and simplistic theory of human rationality" (Sen, 2010: x) based on Smith's description of the pursuit of self-interest as an explanation for the motivation for economic exchange. Meanwhile the breadth of Smith's moral philosophy and the role of virtues such as prudence, mutual trust, justice and public spirit were ignored (Hühn & Dierksmeier, 2016; Sen, 2010). This development helps plot the point of divergence of CG from CG/CSR in economic theory and practice, which has continued to this day. Freeman (1994) identifies this as the "separation thesis" (see Chapter 4, section 4.3.4). Smith (as cited by Sen, 2010) was a proponent of a well-functioning market together with a political economy operating beyond the profit motive, incorporating an institutional framework to ensure social equality. He recognised that the striking class divisions of his day reflected inequality of opportunity and economic circumstances. Reasoning beyond a social contracts position, Smith advocated the need for impartiality; the "impartial spectator" (Sen, 2009: xviii) to ensure an ethical inclusiveness of justice, and fairness. As Sen (2010) notes in his concluding foreword of *The Theory of Moral Sentiments*, Smith's work continues to have a remarkable global reach and relevance.

4.3.2 Agency theory

The narrowness derived from the selective approach to Smith's work—the rational actor seeking to maximise his or her utility—became embedded in agency theory, i.e. the dominant Anglo-American theory of CG. The birth of the modern corporation required a separation between ownership and control of wealth (Berle & Means, 1932). Owners (principals) of the company, represented by a board of directors, delegated authority to agents to act on their behalf. This required a system of contracts to ensure the manager (agent) act in the owners' best interests (Jensen & Meckling, 1976). Managers must be monitored (by the board) and their interests aligned with those of shareholders to maximise the market value of the firm. Thus, the shared aim of manager and principal became "to receive as much possible utility with the least possible expenditure" (Davis, Schoorman, & Donaldson, 1997: 22). Agency theory recommended the use of control mechanisms such as contracts to manage the employment and owner-manager relationships, in part through the use of executive stock options as a means of aligning shareholder and executive interests. There is a focus on resources and power, both within and around the organisation. According to Eisenhardt (1989), the cooperative effort between owners and managers viewed through the agency theory lens seeks to find:

> the most efficient contract governing the principle-agent relationship given assumptions about people (e.g. self-interest, bounded rationality, risk aversion), organisations (e.g. goal conflict among members), and information (e.g. information is a commodity which can be purchased). (Eisenhardt, 1989: 58)

Agency problems occur when the interests of principal and agent diverge. Such reductive thinking lacks tolerance for the complexity of the marketplace, for the individual and for the culture and history of the enterprise. For instance, not all owners or shareholders share the same motives. There are at least two significant groups operating under different time horizons. This includes those investors with a long-term interest in the sustainable development of the company such as pension funds and those interested in short-term earnings, at its most extreme form, exchange traded funds. This, in turn, influences the decision-making of management. Connelly, Tihanyi, Certo and Hitt (2010) found that long-term institutional ownership structures led to more strategic, competitive actions by CEOs than shorter-term investor interests: "principals with differing interests can influence the implementation of a range of executive actions" (Connelly et al., 2010: 736) (see Chapter 5, section 5.3.8).

Research by Cai, Jo and Pan (2011) challenges the assumption of manager self-interest at the interface of CG/CSR, indicating a negative relationship between CEO remuneration and CSR activity. They de-bunk the over-investment and entrenchment hypotheses of agency theory. These hypotheses postulate that CEOs over-invest in CSR to improve their reputation as good corporate citizens, thereby hoping to entrench their position as CEO and increasing their compensation. By contrast, the findings support the conflict resolution explanation of stakeholder theory where the value of the company is seen to be linked to the interest of a broader group of stakeholders and the CEO takes a lower executive pay to reduce conflict (Cai et al., 2011).

Raelin and Bondy (2013) address some of the theoretical shortcomings of agency theory by proposing a second layer of agency, between shareholders and society, where shareholders become societal agents. The authors propose to “explicitly connect shareholders to society through a principal-agent relationship, conferring duties on shareholders to protect society in the course of ensuring profit maximization of firms” (Raelin & Bondy, 2013: 420). To embed the interests of society in the corporation, they propose the structural solution of independent oversight boards representing the interests of society and that the social purpose of the firm be included in its founding documents; therefore, bridging public and private at the CG/CSR interface.

Given that agency theory is fundamentally about relationships, it is curious that its premise is not examined more closely in sociological literature and retains its disciplinary narrowness as an economic paradigm (Shapiro, 2005). Yet agency relationships are present in many forms of social organisation, “under cover of other aliases - bureaucracy, organisations, professions, roles, markets, labour, government” (Shapiro, 2005: 282). The social sciences have the potential to broaden the analysis of agency theory to “examining the sites along the social landscape where agency is especially prominent” (Shapiro, 2005: 282). Specifically, agency relationships at the interface of CG/CSR can be more deeply understood through the lens of institutional theory, which is itself a theoretical framework developed in reaction to economic rationalism (Suddaby, Seidl, & Le, 2013). Institutional theory is able to recognise that individuals construct social reality within the context of wider pre-existing cultural systems and symbolic frameworks (Scott, 1995) to reveal “how principals and agents actually choreograph their dance” (Shapiro, 2005: 282). As explained by one of the originators of agency theory: “to fully understand agency, we need both streams - to see the incentives as well as the institutional structures” (Mitnick, 2013: 2).

Finally, paradox approaches may also help (Smith & Lewis, 2011). Paradoxical tensions stem from perceptions of opposing and interwoven elements, and managing paradox entails developing understandings and practices that accept and accommodate tensions. Sundaramurthy & Lewis (2003) recommend an analysis of underlying tensions, using agency and stewardship theories to help elaborate differences and similarities between control and collaborative approaches in governance settings.

4.3.3 Stewardship theory

Addressing the shortcomings of agency theory, a second prominent theory in CG is stewardship theory. This represents a broadening of the view of human nature from "individualistic, utility maximizers" to "collective self-actualizers who achieve utility through organizational achievement" (Davis et al., 1997: 38). Although agency theory may help to focus the conflicts of interest that can arise between principals and agents, organisational relationships are likely to be more complex than those represented (Davis et al., 1997). Stewardship theory takes a more optimistic and layered view of human nature and the organisation. Rather than being cast as self-interested opportunists, stewardship theory grants managers a greater range of motivations and, as a consequence, professional integrity. Managers, under the oversight of the board, become stewards of the firm, "balancing competing stakeholder and shareholder objectives, making decisions in the best interests of all" (Clarke, 2007: 26). They bring their own moral orientation to their role and this may include a commitment to CSR (Aguilera et al., 2007). This, in turn, has implications for the board in terms of selection criteria for their chief executives (Global Compact LEAD, 2012).

Managers and their principals, represented by the board of directors, may choose between either an agency relationship or a stewardship relationship depending on the manager's psychological attributes and the organisation's situational characteristics (Davis et al., 1997). Broadly:

- The agency relationship has a control-oriented philosophy represented by psychological factors of economic, self-serving behaviour, lower order motivation (economic needs), low value commitment and an institutional orientation to legitimate power. The situational antecedents include a control orientation towards risk, a focus on the short-term, operating to the objective of cost control, high power distance and a culture of individualism.

- By contrast, a stewardship relationship is characterised by an involvement-oriented philosophy, with psychological factors including higher order motivation (self-actualisation, achievement), high value commitment and a personal orientation to power. The situational antecedents include a trust orientation to risk, a focus on long-term, operating with the objective of performance enhancement, low power distance and a culture of collectivism.

Power distance can be defined as the distribution of power in an organisation, where low power distance cultures connote equality and high power distance indicates cultures with larger differences in authority and privileges of those actors within the organisation (Davis et al., 1997; Hofstede, 1991). These configurations have implications for understanding the interface between CG/CSR, i.e. where directors of boards seek to navigate a complexity of both psychological and situational factors, underpinned by an interplay of beliefs and practices. Problems occur when there is a mismatch between the two parties, principal and agent predispositions and expectations, which may be represented by conflicting institutional logics (Thornton et al., 2012). For example, where the principal chooses an agency relationship and the manager chooses a steward relationship, or the converse. Both situations lead to frustration and mistrust. By contrast, where both the principal and manager choose an agency relationship, expectations of risk control and monitored agency costs are shared. Where principal and manager choose a stewardship relationship the shared aim becomes maximising the potential performance of the group.

More recently, theorists define stewardship as “the extent to which an individual willingly subjugates his or her personal interests to act in protection of others *long-term welfare*” (Hernandez, 2012: 174). Stewardship behaviours can be enacted across all levels of the organisation, including the board level. The approach is underpinned by deontological ethics whereby an organisation does not view its employees merely as a means to an end. For Hernandez (2012: 173), “a sense of mutual obligation arises from this implicit social contract”. The role of business leaders as stewards is regularly exemplified within CSR institutional initiatives (Kell, 2012; 2013). Therefore, stewardship theory is an important lens both in terms of theory and practice at the interface of CG/CSR and exemplifies a pro-social logic:

> These distinctive elements of the stewardship construct foreshadow the unique dynamics that arise in the creation of stewardship behaviours - namely, a shared sense of ongoing responsibility to multiple stakeholders, which affects a focus on collective welfare over the long-term. (Hernandez, 2012: 176)

4.3.4 Stakeholder theory

The central concepts at the heart of stakeholder theory have significant historical roots, reflected in the classic debates of Berle and Dodd (1932):

> If the unity of the corporate body is real, then there is reality and not simply legal fiction in the proposition that the managers of the unit are fiduciaries for it and not merely for its individual members, that they are . . . trustees for an institution [with multiple constituents] rather than attorneys for the stockholders. (Dodd, 1932: 1150)

More recently, stakeholder theory has broadened the perspective of CG in both theory and practice to include a wider group than principals and agents with a ‘stake’ in the firm (Freeman, 1984). More integrative of business and society, stakeholder theory also provides a foundation for the development of CSR theorising, and thus occupies a significant and complementary position at the interface of CG/CSR. In the field of practice, many of the most widely used CSR frameworks are based on multi-stakeholder initiatives (for example, the GRI). Most importantly, stakeholder theory rejects the “separation thesis” (Freeman et al., 2004: 364), which separates ethics from economic activity and the purpose of the firm. In so doing, the earlier separation of Smith’s theories is corrected. Values and relationships are considered an explicit part of business activity and “concern for profits is the result rather than driver in the process of value creation” (Freeman et al., 2004: 364). Freeman (1994: 409) sees the separation thesis as “self-serving to business and ethics academics”. Rejecting this thesis allows for a blending of the central concepts of ethics and economics to yield a far richer understanding of the “stories about business” (Freeman, 1994: 409).

Donaldson and Preston (1995) classified three mutually supportive aspects of stakeholder theory (descriptive, instrumental and normative), mirroring the descriptive, instrumental and normative definitions of CSR. The descriptive aspect describes the specific corporate characteristics, practices and relationships as related to stakeholder management. The instrumental aspect considers the benefits of stakeholder management to the overall performance of the firm in terms of traditional economic objectives such as profitability and growth. The central core of stakeholder theory is the normative aspect (Donaldson & Preston, 1995). This identifies the moral dimension of stakeholder theory where a stakeholder's legitimate interests are taken to have intrinsic value to the firm, guided by underlying moral or philosophical principles and obligations (Donaldson & Preston, 1995; Margolis & Walsh, 2003). For Donaldson and Preston (1995), the three aspects are mutually supportive, with the normative base of the theory being fundamental.

Stakeholder theory challenges the primacy of the shareholder over and above other stakeholders. Core stakeholders typically include internal stakeholders (e.g. shareholders, employees and managers) and external stakeholders (e.g. customers, suppliers, competitors, community and the environment), in both formal and informal institutional relationships (Clarke, 2007). Other stakeholders may include government and regulators, unions, civil society and related associations (Luhman & Cunliffe, 2013). With a potentially diverse group, there is a need for balance and integration between competing interests. Senior management and directors of boards are required to consider which stakeholders they have a responsibility towards and what types of relationships will allow the business to deliver on their purpose. This leaves stakeholder theory with a critical challenge: how can competing stakeholder interests be met? Is there a critical paradox within the stakeholder theory as outlined by Goodpaster (1991), whereby management have a contractual duty to manage the firm in the interests of the stockholders, at the same time as a moral duty to take other stakeholders into account? In their critique of stakeholder theory, Sundaram and Inkpen (2004: 359) ask "how can we make the stakeholder objective compatible with naturally occurring incentives, impulses, and imperatives of the market-based economy in democratic-capitalist societies?". These are critical issues to be considered in the research at the interface of CG/CSR and have macro, meso and micro level implications, both in terms of theory and practice.

Freeman et al. (2004: 366) answer criticisms of how to meet the challenge of prioritising stakeholder values and conflicting interests, through "managerial common-sense", encouraging a "pragmatic and pluralistic approach". Unlike agency or shareholder theory that focuses on the one purpose for all corporations, stakeholder theory allows for a diversity of purpose across corporations with "many possible normative cores" in their value creation (Freeman et al., 2004: 368). For instance, feminist principles of the ethics of care and connection or ecological concerns. Interesting research on neuro-economic studies and the effects of male and female hormones on moral decision-making are pertinent here, as noted by Ryan (2017), herself a prominent CG scholar. This supports the earlier findings of feminist ethicist Carol Gilligan (1982). As women's brains mature, moral decisions are based more on relationships, dialogue and cooperation than males:

> The normative ethic of care, rooted in studies of female moral development (Gilligan 1982), can also be informed by neuroscientific results. Ethic of care research has emerged in … stakeholder theory (Burton and Dunn 1996; Wicks et al. 1994). Workers in the feminine firm … redefine the purpose of the firm from maximizing shareholder value to more communal goals. (Ryan, 2017: 779)

These findings have important implications for board-level CSR-related decision-making and studies linked to gender diversity (Byron & Post, 2016; Rao & Tilt, 2016). However, as noted by Freeman et al. (2004: 368), "the shareholder theory, particularly as propagated by economists, continues to perpetuate the idea of business as an amoral economic activity that radically restricts what is possible for human beings". Although shareholder rights are not absolute in any jurisdiction, their dominance points towards an underlying political economy ideology (Freeman et al., 2004), one which upholds the separation thesis. This is predicated on a belief that the shareholder primacy norm is a legal duty, reinforced by shareholder voting rights and remunerative incentives (Smith & Ronnegard, 2016). Yet, stakeholder theory calls on companies and markets "as integral vehicles for working with others, to improve everyone's stake" (Freeman et al., 2004: 368). These tensions are self-evident at the interface of CG/CSR.

4.3.5 Integrative governance

The early work of Mary Parker Follett may assist in understanding some of these challenges. In a paper first presented as early as 1925, Follett (1942) asked, "How can a business be so organized that workers, managers, owners, feel a collective responsibility?" (1942: 7). Follett (1942) introduced the principle of "integrative unity", a concept that "will keep us not only from a false individualism but from a false altruism" (1942: 8). Integrative unity addresses the coordination and relation of parts, to the whole of the business, including where one stands philosophically. This includes the intrinsic motivation of being a contributing part of the whole, i.e. contributing to policy yet not subordinate to it. In an early description of what was later to be named stakeholder theory, Follett (1942: 12) proposed that the primary role for business was to find a method for integrating the interests of three classes "(1) workers, including industrial and managerial workers, (2) consumers, and (3) investors". Follett (1942) proposed a more instrumental stakeholder theory to Freeman's (1994) normative emphasis. Nevertheless, at base, both positions champion *interconnectedness and interdependence*. Follett (1942) identified the importance of manager relationships with core stakeholders, i.e. co-managers and directors, bankers, stockholders, wage-earners, competitors, suppliers and customers. She recognised that business could contribute a "collective creativeness" to society (Follett, 1942: 12). In many ways Follett's (1942) thinking goes beyond stakeholder theory, by seeking to integrate business imperatives with stakeholder relationships. This resonates with the very recent developments of integrated reporting (IIRC, 2013) and governance at the CG/CSR interface. Even more ambitiously, Follett (1942) suggested that an integrative unity approach to business could make a very real contribution to a participatory democracy.

4.3.6 A team production theory of corporate law

Connected to this line of thinking is Blair and Stout's (1999) team production theory. Extending from a more traditional nexus-of-contracts approach in CG, the authors recognise that not all relationships within a firm are made explicit in contracts. Parties including shareholders are recognised for the contributing role they play in enabling the corporation as a team production. Hierarchical governance structures provide an institutional substitute for a contractual approach. An important aspect of this theory is the recognition of the mediating role that boards play in managing different and sometimes competing interests. Described as a "director primacy model" (Clarke, 2014: 273) corporate board members are recognised as the "mediating hierarchy" (Blair & Stout, 1999: 254) of the corporation:

> the board of directors has to negotiate not only the conformance functions of monitoring and accountability that the agency theorists are focussed upon, but the performance functions of providing strategic direction and a policy framework if the business is to succeed. (Clarke, 2014: 274)

Thus, a research focus on corporate boards at the interface of CG/CSR is well justified and likely to provide fresh insights as boards navigate an increasingly complex business operating environment.

4.3.7 Multiple theoretical lenses

Echoing Freeman's call for a pragmatic and pluralistic approach, a multi-theoretical approach to CG "may begin to provide a fuller understanding of the mechanisms of corporate governance" (Clarke, 2007: 29). Each theoretical frame reflects its own logic, such as a shareholder or stakeholder logic and each of these will provide its own perspective in the exploration of the interface of CG/CSR. Similarly, the continued persistence of the separation thesis, the duality of agency and stewardship relationships, and the balancing of the performance and conformance functions of the board, point to the complexity of CG and the potential benefits of multiple theoretical lenses. Whether these lenses are contradictory or complementary, their co-existence will enable a richer analysis of the research setting.

Augmenting this approach, Aguilera et al. (2007) developed a multi-level theoretical model identifying three central motives that drive actors at the CG/CSR interface across three CG orientations:

- Instrumental motives – shareholder interests.
- Relational motives – stakeholder interests.
- Moral motives – stewardship interests.

Their work (more detailed than outlined here) provides an early example of a conceptual model seeking to integrate CSR and CG considerations.

4.3.8 New models of governance

New, more flexible and hybrid models of governance are beginning to emerge such as the Benefit Corporation[4] (Pache & Santos, 2013b). These may be less rules-driven, more reflexive and based in networks and partnerships as opposed to a compliance-based approach with a narrow stakeholder view (Benn, 2012). New models of governance call

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[4] B Corps are for-profit companies certified by the non-profit organisation B Lab to meet standards of social and environmental performance, accountability and transparency < http://bcorporation.com.au/>

for a shift in mindset and theoretical perspective. For Benn (2012: 612) "governance refers to managing competing corporate interests for the organisation, for the wider good of society, and for the planet as a whole", which are competing interests that the dominant management theories (resource based, strategic management and stakeholder theories) have difficulty in addressing. The emergence of more radical governance theories includes reflexive modernisation, deliberative democracy, radical pluralism, new institutionalism and ecological democracy. These reflect concepts raised by Dryzek (2013: 163) who takes a discourse approach in considering global sustainability issues to postulate a theory of "ecological modernisation". Dryzek (2013: 169) describes political-economic systems where "consensual relationships among key actors prevail". More radical versions of ecological modernisation could involve:

- broad ranging changes to institutional structures and economic systems,
- open democratic decision-making,
- participatory, authentic and competent communication,
- concern with international dimensions of environment and development. (Dryzek, 2013: 176)

From an organisational design perspective, Waddell (2012: 1) stated that critical global issues can be addressed successfully via "global action networks". These represent new approaches to governance of the commons, with networks of diverse actors emerging from a global governance deficit. According to Waddell (2012: 10), global action networks must integrate complexity and emergence, and aim for a "global coherence". That is, to integrate the many stakeholder objectives into a coherent mission and vision, one that emphasises "holistic systems rather than islands of success … with trust and participation rather than representation and membership" (Waddell, 2012: 12).

4.3.9 Deliberative democracy

Underpinning the legitimacy of such new models is the notion of deliberative democracy (Dryzek, 2013), which involves networked, collaborative governance that allows for both *contestation and consensus in the public sphere* (communicative versus electoral). Given the role that business now plays in global governance with the institutionalisation of international norms, a deliberative concept of CSR can enhance the legitimacy and credibility of corporate action because it becomes subject "to the scrutiny of open public debate, review, and determination" (Scherer & Palazzo, 2007:

1112). The communicative dimension is central. Key elements of a deliberative system include:

- Authentic communication.
- An integration of multiple perspectives on complex issues.
- A prioritisation of public goods.
- Generalisable interests over sectional interests.
- A co-existence of moments of consensus and contestation. (Dryzek & Stevenson, 2011: 1867)

Given the contested logics at the interface of CG/CSR, a deliberative approach that is informed, respectful and competent is appropriate, both in terms of theory and practice. It is able to integrate different positions in complex issues and be inclusive of different interpretations. Deliberations advocate the public good over self-interest and are able to represent the voiceless (Gilligan, 1982). Finally, deliberative democracy is able to generate creative solutions to problems, at the same time as maintaining a self-critical aspect (Dryzek, 2013). These deliberative elements of governance link directly to the moral dimensions of corporate legitimacy (Scherer, 1995). These themes will be explored both in the methodology and findings.

4.3.10 Models of global governance

As discussed in Chapter 2, a growing body of literature from a broadening disciplinary base defines the new role of the business firm as a political actor or citizen within a globalising society. This occurs as businesses begin to assume "political" responsibilities that move beyond legal requirements to fill the regulatory vacuum in global governance:

> Global governance, seen as the process of defining and implementing global rules and providing global public goods, is a polycentric and multilateral process to which governments, international institutions, civil society groups, and business firms contribute knowledge and resources. (Scherer & Palazzo, 2011: 900)

Large MNCs such as Unilever and Nestlé symbolise these shifting relationships, blurring the traditional lines between the role of private and public sectors as they form voluntary, strategic partnerships across civil society, state and multi-lateral organisations including the UN and related bodies.

With increased privatisation, companies have inherited activities that used to be the responsibility of the state. At the same time, globalisation has increased the reach and influence of business including into areas of weak governance. From this regulatory vacuum emerges new and interesting models of global governance forged by networks and partnerships of private actors, civil society and international organisations as described earlier by Waddell (2012) (such as the UNGC, the GRI, Integrated Reporting and the PRI). This emergent "post-national constellation" opens new and interesting perspectives in theorising on CSR and CG with "interconnected institutional, procedural, and philosophical themes emerging on the CSR research agenda" (Scherer & Palazzo, 2011: 903) revolving around tensions between normative versus instrumental approaches including:

- the emerging global institutional context for CSR: from national to global governance;
- CSR as self-regulation: from hard law to soft law;
- the expanding scope of CSR: from legal liability to social connectedness;
- the changing conditions of corporate legitimacy: from cognitive and pragmatic to moral legitimacy;
- the changing societal foundation of CSR: from liberal democracy to deliberative democracy. (Scherer & Palazzo 2011: 906-907).

Given these important developments, the authors ask, "How can the interest of a globalized society be better represented on the corporate board of directors?" (Scherer & Palazzo 2011: 921).

In a subsequent paper, Voegtlin and Scherer (2017) extend the theorising on models of global governance to encompass 'responsible innovation', which are needed to ensure that the aims of the Sustainable Development Goals (SDGs) (2015) are met. The SDGs came into effect in January 2016 and consist of 17 goals focussed on poverty alleviation, democratic governance and peacebuilding, climate change and disaster risk, and economic inequality. They replace the Millennium Development Goals, which expired in 2015. The SDGs have already had an impact across the existing CSR institutional infrastructure, following extensive consultation and negotiations involving all UN member states, the private sector and civil society. The ambitious 17 goals and 169 targets aim meet the UN's 2030 Agenda for Sustainable Development. For Voegtlin and Scherer (2017), the innovations required to meet these goals must avoid harming people and the planet as a whole, needs to 'do good' to improve the Earth's life-support systems and requires:

> responsible global governance that recognises the "dominant role of business organisations in co-creating global governance and providing global public goods, to achieve their aims … this requires governance schemes that accommodate the political role of the firm. (Voegtlin & Scherer, 2017: 233)

Some words of caution from the critical literature: Whelan (2012: 728) warns that a political concept of CSR initiatives should be seen as one potential form of globalisation and not as a consequence of globalisation, and that corporations should be presumed to engage in CSR and sustainability for instrumental reasons since they are "predominantly concerned with generating considerable financial returns for shareholders". We must not forget the fundamental role of power in inter-organisational relations where the importance of shared meanings, together with collaboration and trust, are more likely to "lead to the synergy and creativity associated with more trusting forms of collaboration" (Clegg & Hardy, 1999: 425) such as emergent global CSR initiatives. As Clegg and Hardy (1999) note, trust means taking risks: "old certainties concerning power require radical overhaul" (1999: 427), which is a relevant point for the risk-averse board.

Chapter 5: At the Interface of CG and CSR: Convergence, Complementarity and Contestation

5.1 Introduction

The following chapter draws together central themes from the previous chapters with which to consider a convergence of CG and CSR, thereby setting the stage for the theoretical framing and methodology of the thesis. A review of convergence at the CG/CSR interface in the literature is followed by a review of recent developments in the field of practice, noting that practitioner knowledge may lead theory. Areas of convergence include a contest of shareholder and stakeholder logics, a shared institutional setting incorporating CSR institutional infrastructure, complementary theoretical approaches and disciplinary tributaries and the growing influence of the responsible investment community. A more integrated, coherent and conceptual treatment of the relationship between CG and CSR is called for. Research into boards of directors needs to be broadened—theoretically, conceptually and methodologically.

5.2 Convergence

As identified in Chapter 2, a dominant market logic continues to prevail within the business models of companies and across the institutional field. Entrenched beliefs and practices of maximising shareholder value have led to the unintended consequences of "an inappropriate focus on the short-term, potentially (and paradoxically) sub-optimal returns to shareholders, excessive executive pay and a range of negative social and environmental externalities" (Frank Bold, 2014: 2/5). In the field of practice, an increasing number of the proponents of CSR initiatives identify a lack of engagement at the most senior levels of the corporate entity, the board of directors, together with the business institutions representing them, and their systems of CG (Chapter 2, section 2.5.1). Taken together, these factors pose significant implications for their aims and the legitimacy of self-regulation.

In response, recent international collaborative efforts from across the institutional field are challenging the norm of shareholder primacy and reconsidering the purpose of the corporation (Eccles & Youmans, 2016; Wilmott & Veldham, 2014). A growing interest at the interface of CG and CSR is underway. As noted by Eccles in the mainstream business media:

> Until recently there have been two separate worlds. There are experts in the fields of corporate governance, those who focus on compensation and other boardroom issues - and there has been the sustainability universe, which includes investors. Now we are beginning to see a convergence. (Medland, 2014: para 1)

The field of CG is converging with that of CSR, albeit by different disciplinary routes towards a re-assessment of the purpose of the corporation or, put more broadly, the role of business in society. This convergence is represented in the field by the interests and institutional arrangements of actors from CG, corporate reporting and sustainability initiatives and, increasingly, responsible investment. Pressing commentary from stakeholders across institutional settings and networks, involving business, investors, civil society and academia is now taking place. Table 5.1 summarises some of the key areas of convergence and complementarity at the CG/CSR interface, to be discussed in this chapter.

Table 5.1 The CG/CSR Interface: Convergence and Complementarity

Issue	CG	CSR
Dominant Logic	**Shareholder**	**Stakeholder**
Shared Challenges in the Field of Practice	• Perceived failings of CG e.g. corporate collapses and the GFC • Dominance of shareholder primacy and MSV in field of practice • Calls to address needs of multiple stakeholders in an overarching system of governance that balances responsibility of the needs of all stakeholders and addresses the focus on short termism and its consequences	• Challenge in engaging boards of directors in CSR initiatives • Emergence of an instrumental form of CSR, where the economic is prioritised over social and environmental dimensions, thereby undermining the stakeholder value logic of CSR • Tensions and trade-offs implicit in aligning financial outcomes with environmental and social issues
Complementary Theoretical Approaches	• Extant CG literature is weak on the theoretical underpinnings of the CSR of CG, is shareholder centric, with an over-emphasis on agency theory • Extant CG literature is informative on practical tailoring of governance structures	• Extant CSR literature is strong on theoretical underpinnings of a range of approaches • Extant CSR literature is weak on translation of theory into actual governance structures and practices • A growing literature on hypothesised relationships between governance and CSR, global models of governance and integrated governance has begun
Converging Disciplinary Tributaries	• Disciplinary narrowness perceived, heavily influenced by economics, finance and legal disciplines • Methodological (quantitative vs qualitative) and conceptual (agency theory) biases in research at board level	• Invites disciplinary diversity, e.g. social psychology, economics and political economy

5.3 In the Literature

5.3.1 Introduction

From CSR theory, there is a maturing of approach to recognise the *tensions and trade-offs implicit* in pursing environmental, social and financial outcomes (Hahn et al., 2015) and the emergence of an institutional form of CSR playing to a dominant market logic (Bondy et al., 2012). This comes as a consequence of "playing by the rules of the same game" from within the existing economic system (Carson et al., 1999: 115). Concurrently, CG theorists join a growing chorus questioning a 'taken for granted' norm, i.e. that corporations exist principally for MSV (Clarke, 2014; Stout, 2012).

5.3.2 A shared institutional setting at the CG/CSR interface

Brammer and Pavelin (2013) considered the potential convergence of CG and CSR literature and noted a number of bases of shared interests. Both CG and CSR literature consider "multi-level phenomena" from individual actors (micro) and organisations (meso) to the macro-level: "national and supra-national institutions and wider socio-economic systems" (Brammer & Pavelin, 2013: 721). Both fields recognise that CG and CSR are "embedded within broader economic and social institutions" (Brammer & Pavelin, 2013: 722) and national business systems (Matten & Moon, 2008) and both have conducted research to consider which of their elements are related to improved financial performance (Clark, Feiner, & Viehs, 2014; Ioannou & Serafeim, 2015). Therefore, an analysis of the interface between CG and CSR may be understood within an *institutional context* (Devinney et al., 2013). CSR policies and strategies are developed within an institutional context and represent "critical aspects of the choices that the firm - or more correctly its shareholders and managers - makes about how it wants to be governed" (Devinney et al., 2013: 413). Central here is the identification of those stakeholders deemed to have "legitimate claims" on the firm. As discussed (Chapter 4, section 4.3.8), globalisation, privatisation and deregulation have meant that corporations have moved far beyond their traditional sphere of influence, presenting significant governance challenges. Corporate boards find themselves struggling with an expanding group of stakeholders who may pursue socially responsible issues such as human rights, environmentalism, child labour restrictions and workplace rights (principles espoused by the UNGC). Institutional arrangements must encompass a social license to operate; the social rents of the firm (Carson et al., 1999).

5.3.3 A comparative institutional environment at the CG/CSR interface

A macro-level orientation to the institutional field must also consider the transnational landscape across which corporations and their supply chains operate (Devinney et al., 2013; Jain & Jamali, 2016; Matten & Moon, 2008; Scherer & Palazzo, 2011). Kang and Moon (2012) built on the work of Matten and Moon (2008) to investigate how and why a firm's approach to CSR differed across countries under different models of capitalism and governance systems, and pointed to both explicit and implicit responses in CSR practices. A shareholder-focussed approach to governance has come to dominate the institutional landscape for those corporations operating under an Anglo-American liberal market-economy (including Australia, the United Kingdom, the United States, Canada, and New Zealand). By contrast, corporations operating in other institutional settings may take a broader stakeholder approach, for example, in Europe and Japan with a coordinated market economy where business associations and unions play a dominant role. Finally, a state-led market approach (for example, South Korea and France) operates where the state plays a dominant role.

Kang and Moon (2012: 85) introduced the useful concepts of "institutional complementarity" and "logic of similarity" to specify the nature of the relationship between CG and CSR, across the different national institutional settings. They identified CG as "the missing link between the broader institutional arrangements that govern finance and labour and CSR" (Kang & Moon, 2012: 85). Institutional complementarity is a process of mutual reinforcement whereby the value of both CG and CSR institutions within a country context is enhanced and is a "central concept used to explain institutional logic, resilience and change" (Kang & Moon, 2012: 89). The logic of similarity and the logic of contrast refer to similarity or contrast of *institutional linkages*. Thus, in the case of liberal market economies, the corporation's motive for CSR is competitive, complementing the CG shareholder value. For the coordinated market economies, the corporation's motive for CSR is largely socially cohesive, complementing the CG stakeholder value. Finally, in the state based economies, the corporation's motive for CSR is developmental, complementing the CG public value. Each demonstrates logics of similarity. However, with the growth of MNCs has come a more complex and globalised institutional setting, posing governance challenges for the board as companies operate across multiple jurisdictions, including those with weak regulatory environments (Scherer & Palazzo, 2007; 2011). Conversely, some jurisdictions may have potentially greater legal requirements as regards directors' duties. Yet the reality of operating globally under a dominant market logic of shareholder primacy has meant that companies must move amongst existing laws and social norms of different institutional environments. Consequences of this include the growth of tax havens and tax avoidance schemes by MNEs and the simultaneous emergence of voluntary global governance initiatives to meet a regulatory vacuum (Scherer & Palazzo, 2011; Waddock, 2008a). For the purposes of the present thesis, I focus on the globalised liberal market economies where Australian corporations are based.

5.3.4 A governance lens at the CG/CSR interface

De Graaf and Stoelhorst (2009: 25) saw an "integrative potential" in studying CSR through a governance lens:

> If CSR is about finding ways to develop a constructive relationship between business and society, then governance structures and systems present themselves as a natural focal point for CSR research.

For the authors, it is the governance structures and systems that institutionalise CSR at the level of the corporation and society. Governance structures enable and constrain the way competing normative and political logics play out. This is demonstrated in their study of four Dutch banks where the Dutch governance system and different governance structures of the four firms determined their responses to changing stakeholder expectations. Utilising stakeholder theory and an institutional perspective, governance structures are seen to mediate institutional pressures. De Graaf and Stoelhorst's (2009) research approach, studying CSR through the lens of governance, may also help integrate the descriptive, normative and instrumental approaches to CSR:

> On one hand, governance structures and systems enable the basic instrumental goals of firms, such as access to markets, to employees, to capital, and to regulatory approval. On the other hand, they are deeply intertwined with normative views of firms' roles in society. (De Graaf & Stoelhorst, 2009: 26)

Jain and Jamali (2016) provided a comprehensive review of peer-reviewed articles on CG and CSR from 2000 to 2015. They too recommended a more integrated, nuanced approach in considering where CG mechanisms influence CSR outcomes, for example, across formal/informal, internal/external and structural/psychological dimensions. Given this complexity, the authors suggested multiple theoretical lenses might be needed. They noted four major theoretical frameworks currently in use at the interface of CG and CSR research: agency, institutional, resource dependency and stakeholder theories (Jain & Jamali, 2016). Moving beyond the economic rationality of agency theory, institutional theorists consider the economic, social and country specific influences at play. Normative and mimetic influences create informal institutions that, in turn, influence formal legal, political and financial systems at the interface of CG and CSR (Jain & Jamali, 2016; Matten & Moon, 2008). Jain and Jamila (2016), together with authors Aguilera and Williams (2009) believe:

> CG variables are often *interdependent,* and interactively shape or create specific CSR outcomes for the firm … to form bundles and configurations of governance practices that in turn influence CSR outcomes. (Jain & Jamali, 2016: 266)

They recommend that future research at the CG/CSR interface should be multi-level - individual, group, company and institutional, since "the institutional environment in which firms are embedded holds the key" (Jain & Jamali, 2016: 267). For example:

> CG structures at the institutional and board levels are typically designed to curtail managerial entrenchment, hence restricting managerial discretion to safeguard shareholder interests. Yet managerial discretion is pertinent for conceiving and implementing CSR decisions that involve balancing the interests of investing and non-investing stakeholders. (Jain & Jamali, 2016: 267)

Future research should also consider CG variables as both independent and interactive, to account for the influence of formal/informal, internal/external and structural/psychological dimensions of governance on CSR outcomes. The authors find that although both CG and CSR are growing independently into mature disciplines, research at the intersection of CG/CSR is still emerging and requires further development, for example, "directed at teasing apart the tension between financial and non-financial goals of corporations thus challenging traditional agency arguments" (Jain & Jamali, 2016: 26).

5.3.5 Bridging disciplinary tributaries at the CG/CSR interface

Since the separation of ethics and economics in Adam Smith's work gave rise to a "cramped and simplistic theory of human rationality" (Sen, 2009: x) (see Chapter 4, section 4.3.1), a split along disciplinary lines has formed two main tributaries. The disciplines of law, finance, accounting and economics examined the more applied legal and regulatory aspects of CG. By contrast, disciplines such as sociology, political economy, organisational studies, behavioural sciences and business ethics more closely aligned with normative, cultural/cognitive theorising associated with CSR (Table 5.1). Greater social and environmental challenges loom on the horizon and the field of CG is now beginning to draw from a broader range of disciplines. The shareholder-centric CG literature must therefore evolve to embrace current debate on the needs of multiple stakeholders balanced against the responsibility to protect shareholder rights (Brammer & Pavelin, 2013; Bucholtz, Brown, & Shabana, 2008; Freeman et al., 2004). With a growing interest in the interface of CG/CSR, Brammer and Pavelin (2013) pointed to synergistic opportunities between both the body of CSR literature that is strong on theoretical underpinnings and concepts in CSR, but weak on translation of this into appropriate governance structures, and CG literature, where weak theoretical underpinnings are compensated by "informative lessons for the practical tailoring of governance structures" (Brammer & Pavelin, 2013: 724). These positions are set out in Table 5.1. Therefore, the two sets of literature could serve to inform each other—matching theory (CSR) with practice (CG) to provide a conceptual model of "responsible governance" (Brammer & Pavelin, 2013: 724) with a more hybridised, synthesised body of knowledge.

5.3.6 Broadening research horizons at the CG/CSR interface

Elsewhere in the literature, recent research by Young and Thyil (2014) explored the relationship between CG and CSR and discovered that contextual factors including the economic environment, national governance system, regulation and soft law, shareholders, national culture, behavioural norms and industry impacts were important for the integration of CSR into governance and proposed the concept of "adaptive governance" (Young & Thyil, 2014: 1). In their study of large Australian companies Klettner, Clarke, and Boersma (2014) found that there was evidence of board and senior management involvement in sustainability strategy development, with incentives to "monitor and ensure implementation of that strategy through financial rewards", yet "strong underlying tensions remain due to the insistent market emphasis on shareholder value" (Klettner et al., 2014: 145). In contrast, Harjoto and Jo (2011: 45) explored the "corporate governance and CSR nexus" to find that companies used governance mechanisms, together with CSR engagement, to reduce conflicts of interest between managers and non-investing stakeholders. This quantitative study demonstrated that CSR was positively associated with governance characteristics, including board independence, institutional ownership, and analyst following, supporting the conflict-resolution hypothesis as opposed to the over-investment and strategic-choice arguments (Harjoto & Jo, 2011).

5.3.7 Researching boards at the CG/CSR interface

However, research on boards has been limited. In their comprehensive review of qualitative CG research, McNulty et al. (2013: 194) revealed a "major imbalance in the attention given to boards compared to other actors in the governance debate such as investors and owners". They encourage a qualitative research approach for a deeper engagement "with phenomena that are beyond the purview of quantitative inquiry" (McNulty et al., 2013: 192). The authors point to the longitudinal research of Pye (2013) from 2001 to 2004, investigating the sensemaking perspectives on meaning associated with CG, as offering an insightful theoretical and practical contribution (McNulty et al., 2013). Based on a study by Van Ees and van der Laan (2012: 191) "research on boards and board effectiveness has generally taken boards as monolithic entities" with a fixation on performance and compliance. Only more recently has attention been given to individual board members operating in a team environment. For instance, Roberts (2012: 210) invites a more layered view to demonstrate "how complex, diverse and contingent the character of any board is both in terms of individual behaviour, the dynamic of relationships that this sets up and the resultant group culture".

Delving further into the 'black box' of board behaviour, Yar Hamidi and Gabrielsson (2014) reviewed more than one hundred published articles reporting on board leadership in CG research. They found that agency theory has had a dominating role, with a far smaller number of studies examining process. These include issues such as behavioural dynamics, interacting and collective teams, or traits and personality of a board chairperson related to board leadership inside and outside the boardroom. Methodological and contextual biases need to broaden to, for instance, interviews and observations, in different institutional contexts as well as a shift in focus from formal structural recommendations to "what has been found to matter the most for board task effectiveness: the constructive involvement of board members working together as a team" (Yar Hamidi & Gabrielsson, 2014: 260). According to Jain and Jamali (2016: 268), to gain a better understanding of the dynamics of board functioning and processes "qualitative methods such as grounded theory and alternative theoretical lens such as sensemaking and sensegiving should be adopted. These are likely to offer deeper insight … of the linkages between CG and CSR".

The failures of CG both in theory and practice over the last decade, highlighted by the GFC, has "brought home the point that research into boards of directors needs new theoretical perspectives and new ways of examining what boards actually do … both conceptually and methodologically" (Ryan et al., 2010: 678). A "continuing insistent focus of CG on boards, CEOs and shareholders - oriented almost obsessively towards financial markets" has prevailed (Clarke, 2012: 3). This has represented a vertical approach to governance, neglecting the horizontal dimension of relationships with stakeholders inside and outside the company (Clarke, 2012). An examination of CG at the CSR interface has revealed the domination of agency theory and a shareholder value logic. Further, years of quantitative research focussed on board structure, composition and vigilance based on publicly accessible data needs to be broadened:

> Empirical research on the relationship between CSR and CG is a triumph of technology and opportunity over the search for real meaning and understanding. (Brammer & Pavelin, 2013: 738)

There is now a call for new and more novel approaches that seek to address the challenges of accessing "the confidential realm" of corporate boards, thereby more deeply explaining the CG/CSR phenomena at the board level. "Surmounting that obstacle will require innovative and even bold research designs … together with a broader range of theoretical perspectives" (Ryan et al., 2010: 678). For example, the recent research by Joseph, Ocasio and McDonnell (2014) on institutional logics at the board level demonstrates its usefulness as a research approach in dealing with ambiguity and paradox from macro-institutional to micro-cognitive sensemaking levels. In their review of empirical evidence, examining the relationship between features of boards of directors and aspects of CSR, Brammer and Pavelin (2013: 726) reported "extremely mixed findings" across a fairly "narrow range of indicators". This includes board diversity, balance between insider and independent directors and institutional ownership characteristics. They called for both a more integrated and coherent conceptual treatment of the relationship between CG and CSR and a more "effective integration of theoretical and empirical work on the nexus between corporate governance and CSR" (Brammer & Pavelin, 2013: 738). My thesis aims to meet this call.

5.3.8 Responsible investment at the CG/CSR interface

Concurrently, investors represent a significant and growing influence at the interface of CG/CSR (Brammer & Pavelin, 2013; Young & Gates, 2013). An increasingly active responsible investment community driven largely by institutional investors (Devinney, 2013) is seeking to engage with senior decision makers within corporations, for greater commitment towards sustainability disclosures (Brammer & Pavelin, 2013; Kiron et al., 2015). According to Gillan and Starks (2000), shareholder activism, or "relationship investing", has now evolved to become an important dimension of financial markets, pressuring directors of boards for improved performance and shareholder value. In particular, this includes shareholder activism by institutional investors such as public pension funds or coordinated groups of investors with a growing ESG and 'long-term value creation' agenda (Gillan & Starks, 2000; PRI, 2013). Today, large-scale institutional investors such as pension funds have become the dominant players on the world's financial markets. As reported by the OECD (2008) as cited by Sandberg (2013: 436), "the pension funds of Western countries hold assets equivalent to (on average) 76 percent of the GDP of their respective countries" making them "an important force for corporate social responsibility worldwide".

Brammer and Pavelin (2013: 731) noted that institutional investors typically dominated ownership in large corporations and were "highly heterogenous" in the CSR investment products and offerings they provided. These authors reviewed a largely quantitative literature on company ownership and CSR and, although research findings were mixed, they discovered a positive relationship between the extent of company ownership by institutional investors with a focus on the long-term such as pension funds and CSR engagement (Brammer & Pavelin, 2013). This may be driven in part by the development of investor-led activity that has gained momentum over the past decade via collaborative global responsible investment initiatives such as the UN supported PRI, representing more than 1,300 asset owners and investment managers. Institutional investors in particular have been found to use a number of institutional levers (DiMaggio & Powell, 1983; Scott, 1995) to influence the ESG performance of corporations: coercive, for example, state-based CG/CSR codes; normative, for example, ESG/CSR reporting frameworks; and cultural-cognitive, for example, peer working groups associated with the PRI (BlackRock & Ceres, 2015; Young & Gates, 2013). Although progress has been made, both the corporate and investor communities have room for improvement in reporting, disclosure and long-term decision-making (Kiron et al., 2017; Young & Gates, 2013).

Recent research is driving the economic argument of the "business case" for ESG. In the largest study of its type, reviewing more than two hundred academic studies, industry reports, newspaper articles and books, Clark et al. (2014) found that, based on the economic impact, it was in the best interest of investors and corporate managers to incorporate sustainability considerations into their decision-making processes with 80% of the reviewed studies demonstrating that share price performance is positively influenced (by sustainability practices). Supporting these findings is a comprehensive study of a large sample of publicly traded US firms (Ioannou & Serafeim, 2015) that showed over a 15-year period (1993–2007) investors had begun to shift in their recommendations from a pessimistic attitude towards corporations with high CSR ratings to a more optimistic one. The research demonstrates that the more experienced and higher-status investors were more likely to be the first to make this shift. Employing a neo-institutional approach Ioannou and Serafeim (2015: 1053) framed a "weakening of the prevalent agency logic, due to the emergence of a stakeholder orientation", an orientation gaining in legitimacy as it provides an "insurance like protection" for those now recognised, and less tangible, assets of the corporation.

In an exhaustive overview of academic research on the relationship between ESG criteria and corporate financial performance (CFP) since the 1970s, Friede, Busch and Bassen (2015) found that most of the more than 2000 empirical studies showed a positive relationship between ESG and CFP. Their main conclusion was:

> The orientation toward long-term responsible investing should be important for all kinds of rational investors in order to fulfil their fiduciary duties and may better align investors' interests with the broader objectives of society. This requires a detailed and profound understanding of how to integrate ESG criteria into investment processes in order to harvest the full potential of value-enhancing ESG factors. (Friede et al., 2015: 227)

Connelly et al. (2010) made further sense of the long-term dedicated institutional investors versus short-term transient institutional investors and how companies were balancing these competing forces via strategic (long-term) versus tactical (short-term) actions. Extending agency theory, the authors considered how principals with varying "intertemporal preferences" influenced the competitive actions that executives take (Connelly et al., 2010: 724). They found that "ownership of a firm by dedicated institutional investors, who hold concentrated portfolios over time, is positively associated with firm use of strategic competitive actions" where strategic action creates value by improving the ability of a firm to compete over time. Conversely, "ownership by transient institutional investors (short-term), who hold broad portfolios and make frequent trades based on current earnings, is negatively associated with strategic competitive actions and positively associated with tactical ones" (Connelly et al., 2010: 723), where tactical actions create value in the short-term via direct influence on current earnings and market share. This leaves company executives to balance the pressures of investor dualism. The authors believed that company executives might be able to benefit from the different investor preferences that allowed them to *balance short-term and long-term goals*.

Given then, the influence of large institutional investors and pension funds (Sandberg, 2013), there is great potential to pursue the CSR practices of companies in which they invest, as evidenced in the annual letter to corporate CEOS from BlackRock CEO Larry Fink:

> Each year, I write to the CEOs of leading companies in which our clients are shareholders. These clients, the vast majority of whom are investing for long-term goals like retirement or a child's education, are the true owners of these companies. As a fiduciary, I write on their behalf to advocate governance practices that BlackRock believes will maximize long-term value creation for their investments. (Fink, 2017)

This is precipitating an important debate on notions of universal ownership and how far fiduciary duty can be expanded for pension trustees to become stewards for societies' welfare and not just economic stewards of a fund's members (Sandberg, 2013). The core issues relate to a contest of powerful institutional logics. As Devinney et al. (2013) asked: What responsibilities should shareholders have for the social and environmental costs or externalities brought about by management pursuing the maximization of shareholder wealth on their behalf? Do short and long-term investors operate by the same institutional logics (core beliefs and practices)? "Underlying many of these questions is the need to continue to differentiate among different kinds of investors – particularly institutionalized investors – and to better understand the effects of different investors' activism and engagement (or not) with issues of social importance (Devinney et al., 2013: 417). The next section covers a comprehensive update of activity in the field of practice at the CG/CSR interface, where the investor community now plays an increasing role.

5.4 In the Field of Practice: An Evolving Institutional Infrastructure at the Interface of CSR and CG

A new generation of institutional infrastructure is rapidly evolving at the CG/CSR interface, encompassing CG, responsible investment, corporate reporting and corporate sustainability initiatives around shared interests such as long-term value creation, stakeholder dialogue and board engagement. Here, practitioner knowledge leads theory (Bertels et al., 2010) and the question of modern CG moves "beyond an academic discussion and firmly grounds it in real world decision-making contexts" (Halburd, 2014: 668), bringing what is becoming an increasingly important conversation in global governance and management circles into national contexts. Coalitions of institutional actors and entrepreneurs (Fox, 2014; Grayson & Nelson, 2013; Lawrence et al., 2011; Maguire et al., 2004) representing stakeholders from the UN and other transnational agencies, business and its industry bodies, associations and intermediaries, professional services, NGOs and civil society, the investment community and regulators and academia are working to raise awareness, build momentum and engage the most senior levels of decision makers in the field of CG on the purpose of the corporation and sustainable development. Recent developments from within the ranks of the major international CSR initiatives are moving beyond corporate reporting requirements to address current practices in CG, the interpretation of the legal requirements of boards of directors and the very purpose of the corporation. Particular attention is being focussed on:

1. Re-examining *fiduciary duty*, board engagement and capacity building.
2. Developments in corporate reporting, interpretations of *materiality* and a shift towards a long-term approach to shareholder value creation.
3. An examination of the *regulatory and policy* environments that enable current investment and capital market practices.

Table 5.2 extends Waddock's (2008a) mapping methodology of the CSR institutional infrastructure by:

- encompassing recent key international developments at the CG/CSR interface including CG, responsible investment, corporate reporting and corporate sustainability initiatives
- shifting the categorisation of the institutional infrastructure from Preston's (1975) triangular interplay of business, civil society and government (Chapter 2, section 2.4) to the more complex and interpenetrating social, economic and political systems that reflect the growing political role of private actors (Beckmann, 2015). These confirm the emergence of a political form of CSR (Scherer & Palazzo, 2011).
- demonstrating the collaborative and overlapping nature of initiatives by identifying the multi-stakeholder collaborators across each initiative—transnational corporations, industry bodies and associations, professional services, the investor community, NGOs and civil society, state/regulators and multi-lateral agencies such as the UN and academia.

Table 5.2 An Evolving Institutional Infrastructure at the Interface of CG and CSR

Institutional Infrastructure	Initiatives / Founding Organisations	Business	Industry Assocns	Prof, Services	Investor	Civil Society	State/ Regulator	Transnati onal	Academia	Objectives
Corporate Governance	**The Purpose of the Corporation Project:** Frank Bold Law Firm with The Modern Corporation Project (Cass Business School)									• Collaboration of public interest law firm and academia together with practitioners to develop new options for CG models. • Liaising with business, policymakers and civil society organisations to foster an open discussion with all stakeholders on the purpose of the corporation. • Challenges shareholder primacy as a social norm.
Corporate Governance	**The Statement Campaign and the Sustainable Development Task Force**: American Bar Association, UNGC, Harvard Business School									• Collaboration of academia, the legal profession and transnational actors. • Extensive legal analyses of the fiduciary duty of corporate boards across the jurisdictions of G20 countries to clarify the norm of shareholder primacy. • Development of an annual "Statement of Significant Audiences and Materiality" for Corporate Boards to identify their most significant audiences (stakeholders including shareholders) and the short-, medium- and long-term time frames in which the company evaluates the impact of its decisions on them.
Corporate Governance	**Integrated Governance**: UNEP FI's Asset Management Working Group									• Investor driven, collaborating with academia, intermediaries to providing corporate boards with a framework to phase in the integration of sustainability into board decision-making, ensuring value creation for the company and beneficial results for all stakeholders in the long-term.
Corporate Sustainability	**The UN Sustainable Development Goals (SDGs):** UN Bodies and Member States									• Agreed by UN member states (2015) and commitment to the UN 2030 Agenda to achieve sustainable development in its three dimensions – economic, social and environmental across 17 goals and 169 targets. • Call to action for all governments, business and civil society acting in collaborative partnership to "end extreme poverty, fight inequality and injustice, protect the planet, and provide a framework for global and local sustainable development efforts".
Corporate Sustainability	**Board Training Program**: UNGC LEAD Program and PRME									• Collaboration with professional services, leading corporations and academia to develop customised board program. • Aligning corporate sustainability through practical governance structures and processes.
Corporate Reporting	**The Corporate Reporting Dialogue (CRD)**: International									• Convened by IIRC, collaboration with key financial and sustainability bodies representing international standards and reporting frameworks, responding to market calls for greater coherence, consistency and

	Integrated Reporting Council (IIRC)									comparability between corporate reporting frameworks, standards and related requirement. • Developing a platform for ongoing dialogue and "Statement of Common Principles of Materiality" (2016) to align and rationalise the respective reporting standards and frameworks of its participants.
Responsible Investment	**Sustainable Stock Exchange Initiative (SSE):** PRI, UN Conference on Trade and Development, UNEP FI & UNGC									• Co-convened by transnational UN actors, the SSE is a collaboration of investors, regulators, businesses and others. • Promotes global dialogue and peer learning, providing a platform to explore how the world's exchanges can work together to create more sustainable capital markets. Core purpose: enhancement of listing rules and regulatory initiatives to include the disclosure of sustainability strategies by listed companies. • Goal: All stock exchanges that are members of the SSE or the World Federation of Exchanges (WFE) providing listed companies with guidance on sustainability reporting by end of 2016.
Responsible Investment	**The Financial System We Need. Aligning the Financial System with Sustainable Development:** UNEP FI									• Convened by the UNEP FI, collaborators include central and development banks, financial regulators, finance ministries, other government departments, standards institutions, institutional investors and market-based standard-setters such as stock exchanges. A high level Advisory Council guides the inquiry. • The final report of the Inquiry aims to shape a financial system that can finance the development of an inclusive, green economy. • Practical national examples of policy changes in banking, capital markets, insurance and institutional investment are provided A Framework for Action shows how a systematic approach can now be taken at both the national and international levels.
Responsible Investment	**Fiduciary Duty in the 21st Century**: PRI, UNGC and UNEP FI									• Collaboration of transnational actors, law firms, asset owners, investment managers, regulators and policymakers. • Demonstrates that the consideration of long-term investment value drivers, which include ESG issues, in investment practice is a fiduciary duty. • Identifies a series of challenges (e.g. outdated perceptions, lack of clarity) and proposes a series of recommendations for institutional investors, financial intermediaries, policymakers and regulators to enable better investor decisions consistent with their fiduciary duties.
Responsible Investment	**Task Force on Climate-related Financial Disclosures (TCFD)** G20 Financial Stability Board									• Created by a G20 taskforce that includes investors, businesses, accounting firms, stock exchanges and ratings agencies from around the world, leveraging the 2015 Paris climate agreement.

										• Voluntary guidelines for investors and insurers build on existing accounting and reporting frameworks to use in climate risk investment decisions. • Adopted by large investors and insurers who want a standard for reporting on climate risks. Companies in their portfolios will be pressured to report on their CG approach to climate change, climate-related scenarios, and climate impacts over the short, medium and long-term.

Noteworthy is the prominent role of UN-based initiatives such as the UNEP FI, UNGC and PRI in convening multi-stakeholder groups and collaborating with private actors, for example, from transnational corporations and professional services firms and, increasingly, the global investor community. These private actors serve on the initiatives' boards, advisory bodies and working groups with varying degrees of self-interest and pragmatism (Suchman, 1995). The moral 'authority' of the initiatives is based on UN international conventions and declarations that underpin their principles, for example, human and labour rights, and environmental sustainability. Although individual, organisational and institutional motivations require greater analysis (Aguilera et al., 2007), in aggregate there is a discernible shift underway in the most recent initiatives in terms of the institutional logics at play, from a dominant market logic (Bondy et al., 2012; Hirsch & Lounsbury, 2015) towards a broader stakeholder logic (Ioannou & Serafeim, 2015). There is also a greater engagement across the board 'ecosystem', and an alignment with the practical tailoring of governance structures (Brammer & Pavelin, 2013) around a longer-term approach to value creation for the corporation and a broader range of its stakeholders. In so doing the proponents of these initiatives and coalitions hope to align their interests in sustainable development with the corporate interests of business sustainability.

This is demonstrated in the narrative that promotes their objectives, described in terms of materiality, ESG integration and long-term value creation, i.e. sustainability issues are integrated in a way that ensures value creation for the company and beneficial results for all stakeholders in the long-term (UNEP, 2015). The following section describes this evolving institutional infrastructure. It extends the work of Waddock (2008a) and, more recently, Grayson and Nelson (2013) to incorporate the most recent collaborative activity at the CG/CSR interface.

5.4.1 Re-examination of fiduciary duty, board engagement and capacity building

5.4.1.1 Re-examining fiduciary duties

Purpose of the Corporation Project

To engage boards more effectively, promising alliances are broadening debate into the CG domain, in particular with an examination of what is understood to constitute the fiduciary duties of boards and, by extension, what are considered to be "material" sustainability issues integral to their decision-making responsibilities. For example, a significant international collaboration addressing the fiduciary duties of boards and, more broadly, the role of the corporation in society is the partnership of the Purpose of the Corporation Project (see Chapter 4, section 4.2.6), an initiative of Frank Bold's (2014a), a Brussels-based public interest law firm and The Modern Corporation Project, hosted by critical management scholars at the Cass Business School (Willmott & Veldham, 2014). The project seeks to bridge the gap between theory and practice (Bansal et al., 2012) at the CG/CSR interface, engaging the academic community and all stakeholders in an open public discussion to consider the purpose of the corporation. The project argues that MSV has in fact contributed to economic instability rather than economic efficiency, increasing macro-economic imbalances and the erosion of innovative capability. In response, the emergence of new corporate forms such as the Benefit Corporation movement, Inclusive Capitalism and Conscious Capitalism are being sought by a growing number of stakeholders across the community, customers and employees.

The Statement Campaign

In a parallel development, an ambitious campaign is currently being led by Eccles and Youmans of Harvard Business School (2016) in collaboration with the American Bar Association's Task Force on Sustainable Development (2016) and the UNGC. Curated by the American Bar Association, careful legal analyses of the fiduciary duty of corporate boards across the jurisdictions of G20 countries challenge the myth of shareholder primacy and narrow interpretations of fiduciary duty, to allow for a more considered deliberation of key stakeholders, material issues and the short-, medium- and long-term performance of the corporation, by the directors of boards. Universally, the board's fiduciary duty is first to the corporation itself. Across jurisdictions, the laws on fiduciary duty to the broader stakeholder interests are variable. In some countries, notably the US, there is a dual primacy regime where the board's duties are co-equal to the interests of the corporation and shareholders as separate entities. However, there is no country where there is a higher duty to shareholders than to the corporations. Eccles and Youmans (2015a) draw from the pivotal work of CG scholar Lyn Stout (2012: 8):

> The ideology of shareholder value maximization lacks solid grounding in corporate law, corporate economics, or the empirical evidence. Contrary to what many believe, U.S. corporate law does not impose any enforceable legal duty on corporate directors

> or executives to maximize profits or share price … As a theory of corporate purpose, it is poised for intellectual collapse.

These misunderstandings arise, in part, because, generally speaking, company law across jurisdictions simply does not explicitly say why we have companies or what the purpose of companies is from society's perspective. For Eccles and Youmans (2015a), the purpose of their campaign is to engage boards in identifying their most significant audiences (stakeholders including shareholders) and the short-, medium- and long-term time frames in which the company evaluates the impact of its decisions on them. In short, a disclosure on how the board, looking after the interests of the corporation as a separate legal person, articulates the company's role in society as presented in an annual '*Statement of Significant Audiences and Materiality'*. Core objectives include transparency and disclosure, accountability and responsibility, and a deeper engagement at the board level of the material issues affecting the long-term interests of the corporation. Central here is the recognition that 'materiality' as a concept is fundamentally a social construction, not a legal edict (Eccles & Krzus, 2014).

Fiduciary duty in the 21st Century

From the investor perspective, the UNEP Inquiry into the Design of a Sustainable Financial System reviewed the legal and policy frameworks across eight jurisdictions (including the US, Canada, the UK, Germany, Japan, Australia, South Africa and Brazil) in its 2015 released report: *'Fiduciary Duty in the 21st Century'* (Sullivan, Martindale, Feller, & Bordon, 2015). The report found that "failing to consider long-term investment value drivers, which include ESG issues in investment practice is a failure of fiduciary duty" (Sullivan et al., 2015: 9). Convened by the UNEP FI, UNGC and PRI, the report represents a collaboration across responsible investment, corporate sustainability and transnational (UNEP FI) actors, with legal research assistance provided by law firms and interviews with asset owners, investment managers, lawyers, regulators and policymakers. As such, it marks an important deliberative development, with country specific recommendations, and plans to extend the original report's analysis to key Asian markets. The report also found that regulatory action was needed to clarify definitions and interpretations of fiduciary duty in a way that ensures these duties are relevant to 21st century investors. To achieve this, a string of obstacles must be overcome, including board engagement, outdated perceptions of fiduciary duty, a lack of understanding of ESG issues and investment performance, a lack of transparency of responsible investment practice, and an inconsistency in corporate reporting and ESG performance analysis.

5.4.1.2 Board engagement and capacity building

UN Global Compact Board Programme

Recognising the importance of board engagement to meet its sustainability leadership objectives, the UNGC launched a '*Global Compact Board Programme'* (2014). The programme focuses on a tailored approach in determining the integration of relevant sustainability issues in the corporation's strategy and business model, and follows up with an action plan for embedding sustainability into board responsibilities and structures. Framed in business language, it aims to:

- align strategy and materiality of corporate sustainability as critical for the company's long-term viability
- realise the integral role that board members can and should play in overseeing, incentivising and driving corporate sustainability, embedding it into board duties, governance mechanisms and structures
- demonstrate leadership on board adoption and oversight of corporate sustainability with investors, employees, customers and other stakeholders.

This reflects a move to align the interests of those responsible for the governance of the corporation with the aims of the corporate sustainability movement via practical governance structures and processes.

Integrated governance - a new model of governance for sustainability

To further drive board engagement and assist the integration of sustainability issues into governance structures, the investor community via the UNEP FI's Asset Management Working Group (composed of global asset managers) together with Harvard Business School published a governance framework to assist: *'Integrated Governance - A New Model of Governance for Sustainability'* (2014). The authors defined integrated governance as "the system by which companies are directed and controlled, in which sustainability issues are integrated in a way that ensures value creation for the company and beneficial results for all stakeholders in the long-term" (UNEP FI Asset Management Working Group, 2014: 6). The report analysed 2011 Bloomberg corporate data on 60,000 businesses and found that less than 2% of companies that report on ESG information had a director with responsibility for these issues. The report then outlined a model of integrating sustainability throughout the corporate boards' strategic agenda that "moves sustainability issues from the periphery of corporate strategy to the heart of it" (UNEP FI Asset Management Working Group, 2014: 5). As the authors noted, achieving this goal would require the commitment of "many actors - asset owners, investment managers, shareholders, and companies" (UNEP FI Asset Management Working Group, 2014: 5). This includes engagement with intermediaries such as proxy voting service firms who could potentially play an influential role in the take-up of integrated governance and whose comments were sought for the report. The authors saw such transformative change as coming about from market forces, driven by institutional investors, and through mimetic processes of benchmarking with competitors. The report played down the importance of the role of government and regulatory responses. However, a preceding detailed survey of one thousand CEOs showed that 83% of respondents believed more support by governments to provide an enabling environment would be integral to the private sector's ability to advance sustainability, in particular by providing clearer policy and market signals (Accenture & UN Global Compact, 2013). The integrated governance framework involved three phases for the corporate board, from minimal engagement, to a dedicated sustainability board committee and finally holistic integration of sustainability in the corporate strategy. Four elements are required: "independence both at the individual and at the group level, aligned incentives and investor long-term active ownership" (UNEP, 2014: 6).

Building sustainability competence on corporate boards

Other practical approaches towards board engagement and capacity building include a series of reports and projects by NGO Ceres in conjunction with the investment community, culminating in '*Lead from the top: Building Sustainability Competence on Corporate Boards'* (Ramani, 2017). Based on extensive interviews with corporate directors, senior corporate leaders and governance experts both in the US and internationally, the resources take a practical approach to identify key strategies for effective board engagement aimed at producing tangible environmental and social impacts. They recommended:

- Integrating knowledge of material sustainability issues into the board nominating process to recruit directors that ask the right questions;
- Educating all directors on material sustainability issues to allow for thoughtful deliberation and strategic decision-making at the board level; and
- Engaging regularly with external stakeholders and experts on relevant sustainability issues.

Notably, the reports recommend making the approach as relevant as possible to the business of the board by focusing on company-specific material issues that significantly impact operations and revenues.

5.4.2 Developments in reporting, disclosure and interpretations of materiality

5.4.2.1 Convergence in corporate reporting: The corporate reporting dialogue

As discussed in Chapter 2, section 2.4.1, a confusing proliferation of CSR initiatives has been facing the danger of fragmentation. Nowhere has this been more obvious than in the realm of corporate reporting where tensions, confusion and competition amongst different reporting frameworks has gradually been giving way to a greater collaborative effort. In particular, the IIRC has convened The Corporate Reporting Dialogue (CRD) (2016). This is welcome news for companies, investors and regulators alike. The initiative brings together key bodies representing both financial and non-financial reporting, often in dialogue for the first time, to help drive a more integrated approach towards corporate reporting across social, environmental and economic dimensions or, in integrated reporting terms, the six capitals of value creation, i.e. financial, manufactured, intellectual, human, social/relationship and natural (IIRC, 2011). Participants include CDP, Climate Disclosure Standards Board, Financial Accounting Standards Board, GRI, International Accounting Standards Board, International Integrated Reporting Council, International Organization for Standardization and the Sustainability Accounting Standards Board. The CRD is designed to respond to market calls for greater coherence, consistency and comparability between corporate reporting frameworks, definitions of materiality, standards and related requirements. Practical work underway includes the development of a mapping tool of corporate reporting initiatives. However, as the 2017 IIRC consultation process recently reported, challenges persist. For example, there are differences in materiality definitions used across reporting standards and frameworks versus the overarching concept of value creation as intended by the IIRC Framework (IIRC, 2017). This may lead to a situation where operationalising the materiality concept is misunderstood or misapplied.

5.4.2.2 Materiality

Therefore, central to the discourse on reporting and disclosure in CSR is the elusive and sometimes vexed concept of 'materiality'. Used in both financial and non-financial reporting, materiality underpins the parameters of what is considered to be relevant in governance determinations and reported as such (Eccles & Youmans, 2016). "Materiality forms the conceptual bedrock of corporate reporting, yet no authoritative definition of it exists" (Eccles & Krzus, 2014: 119). Contestable issues include who determines what is considered material? Whose interests are prioritised? And on what grounds and in what time frames? According to the GRI, materiality is defined in terms of the reporting entity's significant environmental, social and economic impacts at a determined threshold of significance relative to its nominated stakeholders (van der Lugt, 2014). Included in this threshold is the ability to meet the needs of the present without compromising the needs of future generations, which is the core tenet of sustainable development.

By comparison, materiality defined from an *investor perspective* focuses on the material benefits of sustainability issues on financial returns (RobecoSAM & GRI, 2015). Time frames are relevant in terms of both short-term impact and long-term value creation with a focus on growth, profitability, capital efficiency and risk exposure. The integrated reporting framework (IIRC, 2013), which is heavily represented by professional services and standard setters, moves away from the language of sustainable development to define materiality in more 'business–friendly' rhetoric of value creation across financial and non-financial capitals over the short, medium and long-term (Humphrey, O'Dwyer, & Unerman, 2014; van der Lugt, 2014). As the framework has evolved, the report's primary audience has become the investor, or provider of financial capital. The most recent development in sustainability reporting frameworks comes from the Sustainability Accounting Standards Board (SASB) where the definition of materiality derives from regulatory requirements, sectoral relevance and stakeholder participation. Based in the US, SASB standards are designed for disclosure in standard filings to the SEC, and thus a regulatory audience.

These different approaches continue to fragment a shared understanding of CSR/sustainability reporting. The integrated reporting model goes some way to align with this perspective. The IIRC and the International Federation of Accountants (IFAC) explain:

> A matter is *material* if it could substantively affect the organization's ability to create value in the short, medium and long-term. The process of determining materiality is entity specific and based on industry and other factors, as well as multi-stakeholder perspectives". (IFAC, 2015: 4)

To bring some coherence to the discussion, the CRD (2016) has released a '*Statement of Common Principles of Materiality'*, which aims to align the respective reporting standards and frameworks of its participants. The CRD acknowledges that it is not possible to establish a single definition of materiality (in some countries it is a legal concept with established definitions). They instead provide a foundational principle of materiality: "Material information is any information which is reasonably capable of making a difference to the conclusions stakeholders may draw when reviewing the related information" (CRD, 2016: 2). Although impossibly broad, of greater importance is the intention to seek out commonality and coherence across financial and non-financial reporting requirements, ultimately to align to a longer-term approach to value creation.

For Eccles and Youman's (2015a: 3) "Statement Campaign", "determining materiality is at the essence of directors' fiduciary duty and it is the basis for establishing the legitimacy of the corporation's role in society". Materiality is a social construct so that even in a legal context, it is ultimately defined by the particular circumstances of the company (Eccles & Youmans, 2015a). Hence, materiality assessments must be made by the corporation itself and it therefore falls to the management and board of the corporation to determine this by identifying its most significant stakeholders, report audiences and operating time frames. For White (2015), operationalising the concept of materiality will always be a work in progress, reflecting the constantly shifting conditions shaping global business in the 21st century and the global mega-trends with new forms of systemic risks and opportunities (World Economic Forum. 2017, 2017). With momentum building from collaborative initiatives and more broadly from the community, "pressures to bring a more holistic, long-term perspective to materiality in law, regulation and strategy are inevitable, and methodological innovation will continue apace" (White, 2015: para. 12).

5.4.3 Engaging financial markets, regulatory and policy environments

5.4.3.1 The role of stock exchanges

Linking developments in corporate reporting to financial markets and the regulations and policies that guide them is the Sustainable Stock Exchange Initiative (SSE) (2014). Begun in 2009, the initiative provides a platform for exploring how stock exchanges from around the world, in collaboration with investors, regulators and companies, can increase corporate transparency, performance on ESG issues and sustainable investment. Co-convened by the PRI, the United Nations Conference on Trade and Development (UNCTAD), UNEP FI and the UNGC, the SSE's stated purpose is the enhancement of listing rules and regulatory initiatives to include the disclosure of sustainability strategies by listed companies to drive more sustainable capital markets. Exchanges are invited to join as a Partner Stock Exchange and make a public commitment to promote sustainability in their markets. The initiative is currently working to the goal that all World Federation of Exchanges stock exchanges and SSE Partner Exchanges will be providing listed companies with guidance on sustainability reporting. Activities include biannual dialogue and a peer-learning platform, together with participation from securities regulators, investors, companies and other key stakeholders within its Consultative Group. Taken then from an institutional perspective, mimetic, normative and coercive measures are being pursued by the UN-based founders to achieve their aims. In this way the SSE initiative represents Scherer and Palazzo's (2011) global governance model, i.e. addressing the regulatory vacuum across the world's stock exchanges, through building a peer network driven by the UN agencies, together with institutional investors and individual governments.

5.4.3.2 The responsible investment movement

These developments are supported in turn by responsible investment initiatives. In particular, the PRI has recognised the importance of driving engagement at the board level of companies and has taken active steps through its "Clearinghouse" in issue areas such as the director nomination process, the inclusion of ESG criteria in executive incentive schemes and encouraging companies to sign up to the UNGC and undertake integrated reporting (PRI, 2013). Since corporations are dependent on the "political economy of financial institutions, relationships and expectations" (Clarke, 2014: 277), such investor led support becomes critical in moving away from the short-termism of trading rooms:

> Despite the protestations about the social good of fossil fuels, when it comes to allocating capital, markets will do what capital markets always do – reallocate capital from risky, low-growth sectors to those with better prospects. (Fabian, 2014: para. 10)

Collaborative investor campaigns such as the 'Global Investor Statement on Climate Change', a collaboration of six investor institutions and UN bodies (representing three hundred and fifty global institutional investors with more than twenty-four trillion dollars in assets) are proving highly effective, presenting to key UN summits and calling on government leaders to provide economically meaningful carbon pricing.

5.4.3.3 Influencing regulatory and policy environments

The final report of the UNEP Inquiry's '*The Financial System We Need: Aligning the Financial System with Sustainable Development*' (2015) deepens engagement and influence on the regulatory and policy front. This ambitious initiative directly addresses the role of financial markets and their potential re-alignment to sustainable development. That is, to connect the agendas for financial reform and sustainable development. The initiative, as part of the UNEP Inquiry (into the design of a sustainable financial system) focuses on the roles of the "financial system's rule-makers", i.e. the institutions that support and maintain current practices and beliefs in the financial markets (UNEP, 2015: vi). These include central banks, development banks, financial regulators, finance ministries, other government departments, standards institutions, institutional investors and market-based standard-setters such as stock exchanges and key international organisations and platforms. A high level advisory council that represents this "ecosystem" guides the inquiry. The emphasis is on long-term, real-world solutions where policy makers and practitioners learn from existing good practices, so that ultimately sustainability factors can be included in the policies, regulations, standards and norms that govern financial systems (UNEP, 2015: iii). Complex and challenging, such actions are seen as necessary to dismantle a powerful and unsustainable set of beliefs and practices.

Having reviewed the rapidly evolving institutional infrastructure at the CG/CSR interface, I now turn to the development of the theoretical frame with which to explore the beliefs and practices at play amongst key actors in this dynamic environment, with the primary research focus being at the board level.

Chapter 6: Theoretical Framing

6.1 Introduction

Building on the literature reviews of the preceding chapters, this chapter develops the theoretical framing for the research, incorporating recent developments in institutional theory, institutional logics, and institutional complexity. Framing also draws from the tensions, trade-offs and paradox literature that examines inherent tensions in CSR and the legitimacy literature, examining multiple corporate legitimacy strategies at the CG/CSR interface. The chapter proceeds as follows:

- *Institutional logics* move the focus from the stabilisation and homogeneity of organisational form (institutional isomorphism) to change, complexity, heterogeneity and the role of agency. With a research focus on the body that sits at this interface, the board of directors, institutional logics provides a multi-level analysis, from macro-institutional processes to meso-level organisational dynamics and micro levels, based on board member sensemaking
- *Communicative institutionalism* provides the tools for a multi-level analysis, linking communication, cognition and institutions to account for the maintenance and change of institutional logics
- Recent critiques note that developments in institutional logics "provide new opportunities to embrace more critical traditions and notions of power and domination while also uncovering alternative possibilities for examining socioeconomic changes" (Hirsch & Lounsbury, 2015: 96). A small number of current studies hold promise for a *critical institutional perspective* to investigate the CG/CSR interface and corporate board members
- The *tensions, trade-offs and paradox literature* provide an important perspective on CSR/sustainability by addressing contradictory yet interrelated economic, environmental and social tensions that reside at different levels and operate in different logics and time frames simultaneously at the CG/CSR interface
- Similarly, the *legitimacy* literature contributes an important understanding to how corporations engage with CSR/sustainability in response to legitimacy concerns and the need for multiple legitimacy strategies to manage inherent tensions between CSR and business objectives—spanning cognitive, pragmatic and moral strategies (Scherer et al., 2013).

- Finally, developments in *institutional logics complexity and plurality* (Greenwood et al., 2011; Pache & Santos, 2010) provide the foundations from which to map multiple and potentially conflicting logics. Adapting Besharov and Smith's (2014) typology of institutional logic multiplicity, I propose a conceptual framework from which to chart the interplay of beliefs and practices of board members and relevant actors at the CG/CSR interface to meet the research aims. The framework provides the scaffolding to link institutional logics with other theoretical traditions that address the inherent tensions at the CG/CSR interface, notably tensions, trade-offs and paradox theorising, and the corporate legitimacy literature.

6.2 Institutional Logics

Institutional logics extend the work of neo-institutional theory—the coercive, normative, mimetic isomorphic mechanisms of DiMaggio and Powell (1983) and the myths and cultural rules of Meyer and Rowan (1977). Institutional logics shift the focus from isomorphic processes, to change, complexity and the role of agency. According to early theorists, Friedland and Alford (1991), institutional logics are the defining mechanism of organisational fields. Society consists of three levels—individuals, organisations and institutions. Hence, individual organisational behaviour exists in a social context with social influences, defined as an interinstitutional system. "Institutional logics provide a link between individual agency and cognition and socially constructed institutional practises and rule structures" (Thornton & Ocasio, 2008: 101). As institutionalisation takes place, a set of shared meanings or a central logic is established at the core of the institution, acting as a "set of material practices and symbolic constructions - which constitutes organizing principles" (Bondy et al., 2012: 283), that is, beliefs and practices. Where competing logics exist within the organisational field, the momentum for institutional change is created, in turn shaping organisational change driven by institutional workers or entrepreneurs (DiMaggio, 1988; Lawrence et al., 2011). Building on this work, Thornton and Ocasio (1999) broadened the definition of institutional logics to link individual agency cognition with socially constructed institutional practices and rule structures. In this way, the structural, normative and symbolic dimensions of the institutional field are integrated, as opposed to the separated structural (coercive), normative and symbolic (cognitive) carriers of Scott (1995): "To understand individual and organizational behaviour, it must be located in a social and institutional context, and this institutional context both regularises behaviour and provides opportunity for agency and change" (Thornton & Ocasio, 2008: 101). Therefore, institutional logics allows for the development of theorising, to address the lack of analysis at the individual or micro level, and at the micro-meso-macro divides. *Institutional entrepreneurs* or "difference makers" (Waddock, 2008b) are welcomed as agents capable of creating new or modifying old institutions. They play an important role in utilising cultural resources, exploiting institutional differentiation, fragmentation and contradiction in the pursuit of institutional change.

More recently, Thornton et al. (2012) developed a meta-theory of institutional logics encompassing two models:

1. the interinstitutional system and
2. cross-level effects, allowing for a multi-level analysis.

These 'novel approaches' provide the analytical tools to investigate the organisational field: from micro, meso to macro phenomena, and to understand how actors change institutions at the same time as being influenced by them. This approach recognises that institutions are, for all intents and purposes, social constructions or human productions (Berger & Luckmann, 1966).

6.2.1 The interinstitutional system

Institutional logics incorporate both the symbolic (cultural) and material aspects of institutions, and recognise their socio-historical context and contingencies (Thornton et al., 2012). The authors de-couple logics from 'institutional orders' to allow for a co-existence and interplay of different logics within organisations—at an interinstitutional level. Institutional orders operate as a sub-system of institutions. Such an approach is well suited to an analysis of the interface of CG/CSR where an incumbent shareholder primacy logic may be contested by a broader stakeholder logic, both across and within institutions, organisations and even individuals.

Developed as a model of "ideal types" (Thornton et al., 2012: 17), the authors' added two new inter-institutional categories of community and the professions to the five cornerstone institutions of family, religion, market, democracy and the bureaucratic state (now renamed corporation) proposed earlier by Friedland and Alford (1991). Each ideal type represents “a domain of institutions built around a cornerstone institution” (Thornton et al., 2012: 54). Each of these core institutions has a central logic, “that guides its organising principles and provides social actors with vocabularies of motive and a sense of identity” (Thornton & Ocasio, 2008: 101). The development of a typology of the ideal types provides a useful tool with which to conduct a systematic analysis. *Analytic categories* for each type identify its essential phenomena and safe guard against observer bias. “Ideal types are a theoretical model for how the boundaries of the institutional orders are systematically defined and identified” (Thornton et al., 2012: 53). This will become important as the research focus seeks to explore the interface of CG/CSR, moving across the boundaries of institutional orders to examine breaches of institutional boundaries.

The following Table 6.1 .1 sets out an adaptation of five of the seven interinstitutional ideal types relevant to the analysis of the interface of CG/CSR: state, market, profession, community and corporation, along with their *elemental categories* across the Y-axis (Thornton et al., 2012). Not intended to be exhaustive, the elemental categories represent “cultural symbols and material practices particular to that order” (Thornton et al., 2012: 56) and have been developed from an interdisciplinary base to promote an integrative interdisciplinary approach—sociological, psychological, political and economic. This is well suited to an analysis of the interface of essentially two different disciplinary fields—CG and CSR. The elemental categories provide useful comparisons of beliefs and practices within and across institutional orders that may be complementary or conflicting. For example, the normative base of the community (ideal type) is identified as “group membership” where the market is “self-interest” and the state, “citizenship” (Thornton et al., 2012: 73). Such a framework allows for the exploration of the beliefs and practices of those actors that sit at the CG/CSR interface, i.e. members of corporate boards and the interinstitutional logics that may influence them. Further, the contested nature of the purpose of the corporation (Frank Bold, 2014) can be understood as a contest of logics across the interinstitutional system.

In summary, key concepts in a meta-theory of institutional logics include:

- Institutions are supported by institutional logics.
- Institutional logics represent the beliefs and practices of institutional actors that construct, maintain and change institutions.
- The development of the interinstitutional system of ideal types derives from cornerstone institutions and serves to decouple institutional logics from institutions.
- Each ideal type in the interinstitutional system has a central logic “that guides its organising principles and provides social actors with vocabularies of motive and a sense of identity” (Thornton & Ocasio, 2008: 101).
- The development of a typology of ideal types provides a useful analytical tool of elemental categories, which can be built on.

Table 6.1 Interinstitutional System of Ideal Types (adapted from Thornton et al., 2012: 73)

Interinstitutional System: Ideal Types					
	X Axis: Institutional Orders				
Y Axis: Categories	Community	State	Market	Profession	Corporation
Root Metaphor	Common boundary	State as redistribution mechanism	Transaction	Profession as relational network	Corporation as hierarchy
Sources of Legitimacy	Trust and reciprocity	Democratic participation	Share price	Personal expertise	Market position of firm
Sources of Authority	Commitment to community values and ideology	Bureaucratic domination	Shareholder activism	Professional association	Board of directors and top management
Basis of Norms	Group membership	Citizenship in nations	Self-interest	Membership in guild and association	Employment in firm
Basis of Strategy	Increase status and honor of members and practices	Increase community good	Increase efficiency, profit	Increase personal reputation	Increase size and diversification of firm
Informal Control Mechanisms	Visibility of actions	Backroom politics	Industry analysts	Celebrity professionals	Organisation culture
Economic System	Cooperative capitalism	Welfare capitalism	Market capitalism	Personal capitalism	Managerial capitalism

6.2.2 Cross-level effects

In addition to the interinstitutional system of ideal types, Thornton et al.'s (2012) meta-theory of institutional logics encompasses a model of cross-level effects. The approach thus cuts across multiple levels of analysis, aiming to connect the micro-level of individual activities (e.g. corporate board members, institutional actors) to the meso-level of the organisation (e.g. corporations and their governance structures, CSR initiatives, other institutions) and the macro-level of the institutional field (e.g. CG institutions, CSR institutions, interface of CG/CSR, societal) (Suddaby et al., 2013). Institutional fields encompass practices and beliefs both within and across individuals and organisations. For the purposes of this thesis, a multi-level approach through the sensemaking of individual actors allows for a theoretical and methodological investigation of cross-level effects at the interface of CG/CSR, as well as an analysis of how board members become engaged in CSR. This, in turn, has been reflected in the present study's research design (Chapter 7, section 7.6). The elements of a multi-level analysis include interactions at the following levels:

- Macro–societal: the interinstitutional system and models of ideal type, for example, in CG–shareholder primacy (market logic) or CSR–a broader stakeholder logic.
- Micro and meso–individual and organisational: how macro level institutional logics are made available/accessible to the individual and organisations, for example, directors and their board's governance structures.
- Micro and macro–individual and societal: the availability and accessibility of institutional logics is dependent on an individual's "vertical specialisation moving across different institutional orders" (Thornton et al., 2012: 16). Individuals recombine institutional logics through switching and blending different categorical elements across different institutional orders. In the case of directors of boards and matters of governance, shareholder primacy logic may be recombined with CSR and sustainability categories associated with macro influences such as global sustainability initiatives (and a multi-stakeholder logic). This may lead to an instrumental approach to CSR.
- Meso and macro–organisation and institutional: social interaction involving decision-making, sensemaking and collective mobilisation mediates between

institutional logics and organisational practices and identities. Focus groups of directors of boards will be analysed as such processes of social interaction.

- Meso and macro–institutional and societal: at its most broad, institutional logics at the institutional field level are in turn embedded in and interact with societal-level logics (Thornton et al., 2012).

In summary, the meta-theory of institutional logics provides a framework with which to tackle the complexity of embedded agency and institutional emergence and change (Thornton et al., 2012). The development of an interinstitutional system with its typology of ideal types provides a useful analytical tool for the study of an institutional field in flux, i.e. at the interface of CG/CSR.

6.3 Communicative Institutionalism and Institutional Logics

Recent theoretical developments in institutional theory have recognised how streams of communication reproduce and change institutional logics. This has led to the emergence of a new strand of institutional theory, "communicative institutionalism" (Cornelissen, Durand, Fiss, Lammers, & Vaara, 2015: 24). Previously in institutional theory, communication has been seen as a neutral conduit of information flows between actors with no real role in institutional maintenance and change. Now, communicative institutionalism sits at the intersection of communication, cognition and institutional theory. Communication involves the interactive processes between actors as they build mutual understanding to play a "constitutive role in (cognitive) institutional maintenance and change" (Cornelissen et al., 2015: 15).

This development has been welcomed by theorists of institutional logics (Ocasio et al., 2015) as a further tool for research and analysis of the institutional field, one which attends to the "interactive and communicative construction of institutions" (Cornelissen et al., 2015: 24). Drawing on the previous communication research of Taylor and Van Every in 2000 and others, Ocasio et al. (2015) develop empirical guidance for examining communication and its role in forming institutional logics:

> We develop an account of how communication distributed throughout organisations and institutional fields reproduces and changes category conventions within vocabularies of practice and, as a result, reproduces and changes institutional logics. In doing so we link communication, cognition, and institutions to account for how

> diverse, local acts of communication can constitute the higher-order cultural structures of institutional logics. (Ocasio et al., 2015: 29)

The challenge for the authors is explicitly to link locally situated streams of communicative events to the key elements of institutional logics including cultural structures, governing principles and domains of practice. This complex achievement requires a multi-level framework detailed as follows and shown in Figure 6.1.

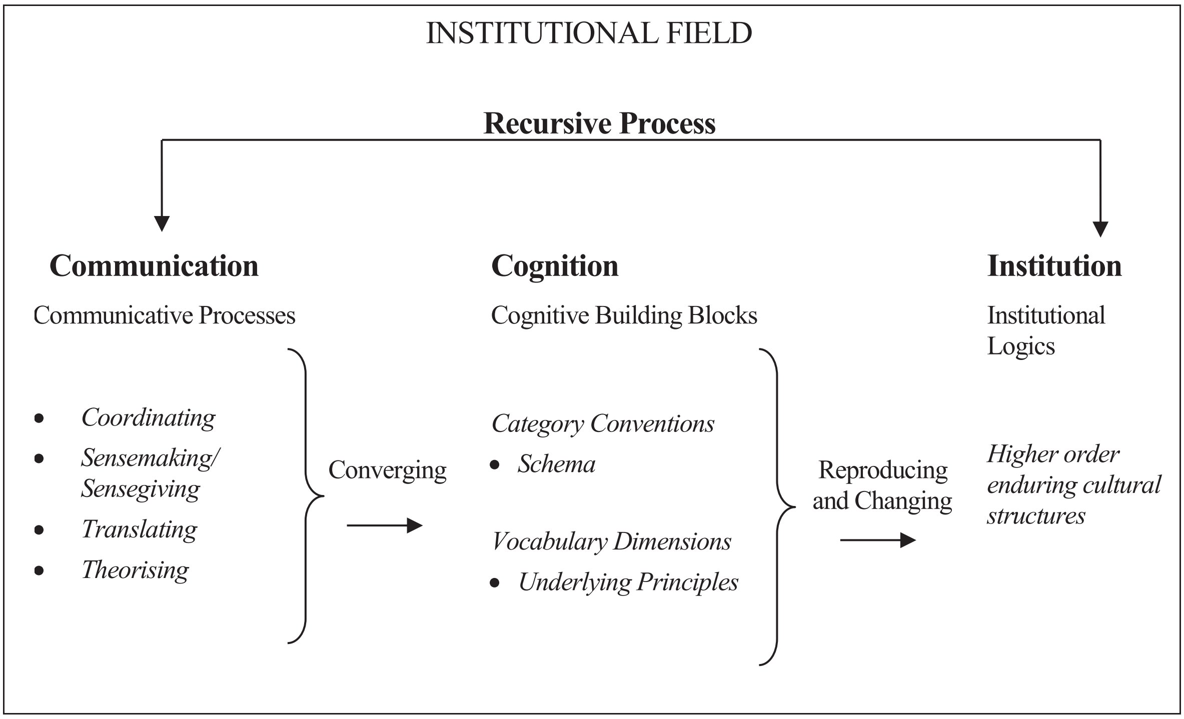

Figure 6.1 How Streams of Communication Reproduce and Change Institutional Logics (adapted from Ocasio et al., 2015)

Four specific communicative processes are identified within streams of communication as shaping the constitution of institutional logics at the interface of CG/CSR. These function at increasing levels of abstraction:

- Coordinating – how individuals and groups at the CG/CSR interface interact with each other and with practices across an organisation and institutional field.
- Sensemaking and sensegiving – how actors at the CG/CSR interface "draw on available logics and categories to engage in sensemaking and sensegiving, providing opportunities to reproduce and transform interpretations of organizing practices" (Ocasio et al., 2015: 35).

- Translating – applied broadly, translating of practices and narratives across and within organisations and institutional fields at the CG/CSR interface. The greater the translation of existing narratives across contexts, the greater the reproduction of existing institutional logics. Conversely, the greater the translation of new narratives across contexts that contradict existing narratives, the greater the potential for changes in institutional logics (Ocasio et al., 2015).
- Theorising – more than sensegiving, theorising moves into the abstract, playing an important role in the emergence and transformation of institutional logics (Ocasio et al., 2015).

When all four communicative functions combine, they make up communicative events that may converge to inform cultural structures, which are the cognitive building blocks of institutional logics at the CG/CSR interface. These are composed of:

- Category conventions – social conventions on how to use words in communication about practices. If category conventions develop that are not compatible with current institutional logics, practices may then diverge from the current logics.
- Vocabulary dimensions – in the same way that schemas are implicit in interconnected systems of categories, the principles of institutional logics are latent in the higher-order structures within vocabularies (Ocasio et al., 2015: 39).

These building blocks in turn produce and reproduce categorical distinctions and durable principles to form the basis of institutional logics at, for example, the CG/CSR interface. Institutional logics are then sustained recursively via ongoing communication, practices and vocabularies (Ocasio et al., 2015). In other words, "institutional logics depend on vocabularies of practice, and vocabularies of practice depend on category conventions being linked to practices through communication to yield systems of meaningful categories" (Ocasio et al., 2015: 32).

This lends itself to an interpretive, qualitative research approach. Interpretive research assumes that knowledge of reality is gained through social constructions (e.g. language, shared meanings) and qualitative research is based on representation by thick, rich description and explanation (Andrade, 2009). This approach is well suited to the study of the interface of CG/CSR where both conflicting and complementary logics appear to be at play amongst the members of corporate boards and those institutional actors that may influence the CG/CSR interface. A research approach based on communicative processes will enable an analysis of the dynamics of underlying principles and potentially identify and track "the tipping points that govern transitions in institutional logics" (Cornelissen et al., 2015: 17). Examples are the emergence of a stakeholder logic and shifts in the board mindset (Ingley, 2015). A change in institutional logics may be analysed by the study of shifts in language in sensemaking and sensegiving "from possibility to necessity to generics over time and across actors" (Ocasio et al., 2015: 44).

6.4 In the Literature: Institutional Logics at the CG/CSR Interface

Turning to empirical evidence, a small number of current studies hold promise for a critical institutional perspective to investigate the CG/CSR interface and corporate board members. In a quantitative study, Joseph et al. (2014) explored the institutional logic of shareholder value at the CG/CSR interface. Based on agency theory, shareholder value logic became the guiding principle for corporate managers and directors of boards during the 1980s, and "revolutionized the institutional field of corporate governance" (Joseph et al., 2014: 1836). Hence, the vocabularies of practice drawn from communication streams includes "board independence," "shareholder value maximization" and "financial analysis" (Joseph et al., 2014: 1837). These authors also considered the dynamics of power of the actors embedded within the organisation and institutional field. They focussed on the CEO to demonstrate how this may determine the structural responses to institutional logics—at the micro, meso and macro levels.

Research by Bondy et al. (2012) provides a promising critical perspective on the practice and theory of CSR at the interface with CG, utilising institutional theory and institutional logics. Based on interviews of CSR professionals from MNCs, the authors found evidence of a new institutional form of CSR within MNCs. This represented a move away from a multi-stakeholder understanding of CSR to an instrumental business imperative of profit generation, thereby "failing to redress negative systemic problems associated with the dominant market logic" (Bondy et al., 2012: 282). The authors believe that previous studies have failed to acknowledge business as an agent in the institutionalisation of CSR. Yet in the field, there are many examples where business plays an active role in the establishment of the CSR institutional infrastructure with implications for power, agency and legitimacy (Chapter 2, section 2.5.2).

Bondy et al. (2012) found evidence of influence by two of the three isomorphic pressures, i.e. coercive (government, customers and investors) and mimetic (CSR competitors and peers), but not, as one might have expected, the normative, i.e. values based dimension. At the micro, agency level "managers will act opportunistically to either ignore or shape CSR in ways favourable to themselves" (Bondy et al., 2012: 294). Within the same institutional field, there may be differing, sometimes competing or dominant logics, for example, the current dominant market logic within the business context, which revolves around maximising of profit and shareholder primacy (Bondy et al., 2012; Clarke, 2014). At the micro-level, institutional actors may seek to influence the field to their own advantage, progressing their own logics through the use of resources, such as social skill and power. This occurs in institutional fields where there are high levels of ambiguity and competing definitions, as posited by Fligstein in 2001 (Bondy et al., 2012).

Bondy et al.'s (2012) paper goes some way to addressing criticisms of institutional theory (Munir, 2015). These include a lack of both critical perspective and engagement in issues of power, resistance and domination. Hirsch and Lounsbury (2015) saw an important opportunity to engage in such issues, thereby bridging critical and institutional approaches. These authors believed that an institutional logics perspective (Thornton et al., 2012) provided a powerful critical lens on issues at the CG/CSR interface, such as the purpose of the corporation and the role of business in society. In particular, "the extent to which market logics associated with neoliberalism have become so profoundly dominant in recent history, facilitating the recent financial crisis" (Hirsch & Lounsbury, 2015: 98). By moving the focus from stabilisation and homogeneity to an analysis of how "different systems of domination can be reconfigured and changed", institutional logics (beliefs and practices) "foregrounds issues of contestation and struggle" (Hirsch & Lounsbury, 2015: 97). For instance, this may include an analysis of the dominant market logics associated with neoliberalism at the CG/CSR interface, state logics of regulatory responses following the GFC, corporate logics of risk aversion in a post-GFC world or community logics in grass roots responses to a lack of trust in both states and markets (Hirsch & Lounsbury, 2015). "A more critical institutional perspective will not only focalize attention on issues of power, domination, and inequality, but can also uncover alternative possibilities for change and reformation" (Hirsch & Lounsbury, 2015: 98).

As Bondy et al. (2012: 284) demonstrated, a critical perspective was necessary in examining actual CSR practices conducted within MNCs where "actors not only compete for control over institutional structures and processes, but are also constrained by existing arrangements". These findings substantiate Aguinis and Glavas's (2012) review of CSR literature at the institutional level of analysis, where institutional mechanisms may lead to "symbolic rather than genuine" (2012: 941) CSR initiatives, undertaken to placate stakeholder demands or meet the minimum requirements of standards or regulations.

However, the new generation of rapidly developing collaborative initiatives at the CG/CSR interface outlined in Chapter 5, section 5.4 are actively addressing aspects of a dominant market logic and short-term approaches to profit maximisation. Ioannou and Serafeim (2015: 1053) found that a move from within financial markets is underway where a "weakening of the prevalent agency logic, due to the emergence of a stakeholder orientation, is associated with a shift in the way analysts respond to CSR ratings". This is a powerful signal to those corporations and their boards at the interface of CG/CSR with coercive, normative and mimetic implications (Matten & Moon, 2008). Ioannou and Serafeim (2015) identified the emergence of a new "stakeholder logic" that appeared to be weakening the dominant market logic in financial markets: "under a stakeholder logic, CSR is conceptualized as a set of corporate policies essential to corporate standing that does not penalize a firm's financial performance and may even generate financial value in the long run" (Ioannou & Serafeim, 2015: 1071). This definition suggests a balancing of normative and instrumental tensions. They discovered a range of mechanisms underway in the institutional field responsible for "weakening" the agency logic – mandatory and voluntary CSR and sustainability reporting, NGO activity, academic research, increasing consumer awareness, proactive corporate leadership and socially responsible investments" (Ioannou & Serafeim, 2015: 1071).

My research hopes to build on these findings through a broader exploration of the interface of CG/CSR and a closer examination of those actors ultimately responsible for the CG of their organisations, i.e. the members of corporate boards. The next sections of this chapter extend the theoretical framing to incorporate the inherent tensions at the interface of CG/CSR drawing from the tensions, trade-offs and paradox literature (Hahn et al., 2014; Van der Byl & Slawinski, 2015) and corporate legitimacy theorising (Scherer et al., 2013). The chapter then culminates in developments in institutional logics, e.g. logic complexity, plurality and multiplicity (Besharov & Smith, 2014) from which a conceptual framework is developed.

6.5 Inherent Tensions, Trade-offs and Paradoxes at the CG/CSR Interface

Institutional approaches at the CG/CSR interface may benefit from insights from other theoretical traditions that address issues of multiple goals, values and identities. For instance, the tensions, trade-offs and paradox theorising emphasises the inherent nature of multiple "contradictory yet interrelated elements in organisations" as they grapple with the CSR and sustainability agenda (Smith & Lewis, 2011: 382). For Hahn et al. (2010: 217), "trade-offs and conflicts in corporate sustainability are the rule rather than the exception". By acknowledging tensions and trade-offs across economic, social and environmental aspects of CSR, we can move beyond an overly optimistic win-win paradigm to more closely understand the complexity and diversity of issues at the CG/CSR interface. Trade-offs can occur at or between four levels, i.e. individual, organisational, industry and societal, and three dimensions, i.e. outcome (resultant trade-offs), temporal (present and future aspects) and process (processes and transformations) (Hahn et al., 2010). Theorising is progressed in a subsequent paper (Hahn et al.2014): a cognitive framework with stages of sensemaking (Weick, 1995) explains how managers navigate complex CSR and sustainability decision-making, proposing both a business case frame and a paradoxical frame. The authors argue that managers "rarely push for radical change when faced with complex and ambiguous issues" (Hahn et al., 2014: 463). The cognitive aspects of the model serve to augment the cognitive dimension of Ocasio et al.'s (2015: 35) communicative institutionalism model and the formation of "generics", particularly in its analysis of sensemaking, cognitive framing and underlying logics.

Succeeding these papers, Hahn et al. (2015: 297) drew on literature of strategic contradictions, tensions and paradoxes and proposed a systematic framework for the analysis of the emergent "integrative view for the management of tensions in corporate sustainability". Rather than expecting an alignment of environmental and social concerns with financial outcomes, the framework considered the relationship between the three and sought to apply acceptance and resolution strategies to manage these tensions in an integrative way (Hahn et al., 2015).

Similarly, Van der Byl and Slawinski (2015: 54) saw the CSR landscape as "rife with tensions as firms seek to balance often divergent economic, social, and environmental goals". They noted the insights from Margolis and Walsh's (2003: 280) seminal paper:

> A preoccupation with instrumental consequences renders a theory that accommodates economic premises yet sidesteps the underlying tensions between the social and economic imperatives that confront organizations. Such a theory risks omitting the pressing descriptive and normative questions raised by these tensions, which, when explored, might hold great promise for new theory, and even for addressing practical management challenges.

Van der Byl and Slawinski (2015) subsequently reviewed the eleven years of literature following the Margolis and Walsh (2003) paper and identified four different approaches to how tensions in CSR have been examined, as set out in Table 6.2.

Table 6.2 Approaches to Studying Tensions in CSR (adapted from Van der Byl & Slawinski, 2015: 57)

Approach	How Tensions are Managed	Orientation
Win-win (business case)	Tension avoided through alignment/optimisation of CSR elements – the "business case"	Instrumental (economic focus on shareholders and profit maximisation) Interrelated CSR elements
Trade-off	Tension avoided as one CSR element chosen over another	Instrumental (economic focus on shareholders and profit maximisation) Contradictory CSR elements
Integrative	Tension managed by shifting focus from economic to social and/or environmental	Integrative (rebalance from instrumental to equal weighting of CSR elements) Interrelated CSR elements
Paradox	Acceptance and exploration of tensions rather than resolution	Paradox (moving beyond integrative to embrace tensions) Interrelated and contradictory CSR elements

A *win-win (business case) approach* takes an instrumental view towards what are seen as *interrelated* economic, social and environmental goals. These are emphasised in practitioner initiatives that claim a 'value proposition' for business, for example, "creating shared value" (Kramer & Porter, 2006: 62). However, the authors and other scholars (Crane, Palazzo, Spence, & Matten, 2014) see this as "acquiescing to the dominant economics focus in management research" without addressing the potential complexities and tensions between "these often-disparate sustainability objectives" (Van der Byl & Slawinski, 2015: 58). For Hahn, Figge, Pinkse, & Preuss (2017: 2/14), the business case "limits the potential contribution of firms to sustainable development because it establishes a primacy of financial outcomes at the firm level over concerns for environmental protection and social well-being at the societal level".

A *trade-off approach* is equally instrumental, this time towards c*ontradictory* tensions. Although a trade-off could potentially involve a positive gain for CSR and negative impact on economic performance, companies will normally favour financial goals over CSR (Slawinski & Bansal, 2015). Both win-win and trade-off approaches deny the inherent tensions in achieving economic, social and environmental goals.

An *integrative approach* seeks to move from a dominant economic focus, to rebalance the three elements of CSR, i.e. economic, social and environmental (Hahn et al., 2015). Acknowledging the tensions between the three elements, the integrative approach takes a systems or holistic perspective where each element is interconnected (Van der Byl & Slawinski, 2015). However, although an integrative approach might be adopted, unresolved tensions may ultimately resurface.

The most recent though least published is the *paradox approach* and signifies a shift from a simple integration of CSR elements to "the complexity that arises when contradictory yet interrelated elements are considered simultaneously" (Van der Byl & Slawinski, 2015: 65). Paradox theory has recently been developed to explain how companies manage contradictory demands concurrently (Smith & Lewis, 2011). It is well suited for application to CSR's deeply interconnected elements of economy, environment and society, allowing researchers to consider explicitly the nature, types and management of tensions inherent in CSR.

> At its core, a paradox perspective on corporate sustainability embraces tensions to simultaneously accommodate competing yet interrelated economic, environmental, and social concerns that reside at different levels and operate in different logics and time frames and in different spatial scales." (Hahn et al., 2017: 2/4)

Hahn et al. (2017) seek to consolidate the literature on the paradox approach to CSR by distinguishing between the descriptive, instrumental and normative aspects of the paradox perspective and their interconnections. Borrowing from Donaldson and Preston's (1995: 65) paradigm of "descriptive accuracy, instrumental power, and normative validity" the following paradox perspectives are:

- Descriptive–describes and explains how organisations and individuals respond to tensions in CSR.
- Instrumental–establishes connections between tensions in CSR and various outcomes.
- Normative–embraces intrinsic value of competing environmental and social concerns at the level of societal and natural systems. (Hahn et al., 2017)

Although few papers have taken a normative focus to date, this thesis intends to do just this in order to "honour the dispute and explore the tension" (Margolis & Walsh, 2003: 296). Despite tensions being inherent in CSR, an instrumental approach has dominated the literature, studying the relationship between CSR and CFP with a focus on win-win outcomes or trade-offs (Van der Byl & Slawinski, 2015). Research is largely reductionist, linear, quantitative and driven by an economic logic. Although this is understandable in terms of establishing the legitimacy of studying CSR, it has led to a gap in understanding the interplay of contradictory yet interrelated CSR elements. It is this gap that the thesis seeks to address, drawing key theoretical concepts from the paradox literature, exploring tensions and examining the institutional logics that underpin them. This is pursued using grounded qualitative research at the interface of CG/CSR: "The time is ripe to delve deeper into the complexities of sustainability" (Van der Byl & Slawinski, 2015: 71). It is also hoped that such an approach can assist not just managers but those with ultimate responsible for CG, i.e. the board, as they "grapple with how to address challenging sustainability issues and tensions … and navigate ambiguity" (Van der Byl & Slawinski, 2015: 72).

6.5.1 Navigating inherent tensions

Jay et al. (2017) extended the exploration of the ‘contradictory yet interrelated’ paradoxical elements of CSR/sustainability. Active strategies with which to navigate sustainability related tensions include acceptance and reframing, and defensive strategies may include opposition, divisional compartmentalisation and temporal splitting (Jay et al., 2017). For instance, compartmentalisation occurs where CSR/sustainability departments become decoupled within the organisation (Meyer & Rowan, 1977) and are isolated from having any real impact on their organisation (Jay et al., 2017). This points to underlying contradictions in the purpose of the corporation (see Chapter 4, section 4.2.6) such as economic versus broader social and environmental goals. As another example, the temporal paradox of short-term versus long-term thinking where increasingly, organisations are taking on long-term sustainability related practices, even where a focus on short-term earnings and incentives remains prevalent. “Temporal splitting” (Poole & Van der Ven, 1989: 562) may provide resolution using transition points instead of polarised short-term versus long-term action on either side of the paradox.

A type of “oscillation” may arise “in the midst of a paradox” either leading to a form of paralysis or, if managed deliberatively, can be used strategically for “on-going learning and adaptation” (Jay et al., 2017: 364). Taken further, the energy generated from these inherent tensions can be used as “fuel for innovation and flourishing” (Jay et al., 2017: 365) – *where corporate sustainability leads to a sustainable business.* At the board level, this would require a proactive approach and a cognitive re-frame to challenge any taken for granted beliefs and assumptions on shareholder primacy, short-term returns and the purpose of the corporation. Tensions may be further amplified at the board level owing to inherent paradoxes within the structures and processes of CG and board roles, for example, the dual role of board members to both monitor and advise or, put theoretically, to be both agent and steward (Galbreath, 2016; Pye, 2013; Sundaramurthy & Lewis, 2003). Jay et al. (2017) suggested navigating the sustainability paradox to simultaneously confront and engage the interdependencies and contradictions, aiming to ‘break’ any trade-offs and possibly invoking temporal splitting to help move in the direction of sustainability. In a sense, this raises Margolis and Walsh’s (2003) call to “honour the tensions” whilst recognising that tension can be a force for positive, that ambivalence should be cultivated and championed and that language that articulates multiplicity can be promoted (Jay et al., 2017: 366). Navigating the tensions takes on a cyclic rhythm, where innovation derives from temporary resolution and latent tensions (Jay et al., 2017) thereby nudging “win-win” from a traditional business case to a place where short-term and long-term interests can intersect.

6.5.2 Corporate legitimacy, complexity and paradox approaches

By way of review:

> In contrast to the economic logic of pragmatic legitimacy... moral legitimacy ‘reflects a pro-social logic that differs fundamentally from narrow self-interest’ (Suchman, 1995: 579). And, in contrast to the unconscious internalization of cognitive and institutional logics that is the basis of cognitive legitimacy, moral legitimacy requires the explicit consideration of the legitimacy of capitalist mechanisms and corporate activities by giving credit to the interests and arguments of a wide range of constituencies that are affected by the activities of(multinational) corporations. Moral legitimacy is a result of a communicative process and finally rests on the ‘forceless force of the better argument’ (Habermas, 1991: 185). (Scherer & Palazzo, 2011: 916)

As discussed in Chapter 5, section 5.4, many corporations are now engaging in the CSR/sustainability agenda in response to legitimacy concerns, where legitimacy is understood to mean “the social acceptance of business organisations and their activities and is considered a vital resource for organizations” (Scherer et al., 2013: 260). Scherer et al. (2013) argued that in the face of conflicting demands, the use of a single legitimacy strategy, for example, cognitive or pragmatic, was not enough “as corporations navigate an increasingly fragmented and dynamic global environment facing multiple, heterogeneous, and conflicting sustainability related challenges” (2013: 278). Instead, corporations needed to acknowledge the requirement for multiple legitimacy strategies – spanning cognitive, pragmatic and moral, and to combine all three in “structural and contextual arrangements with internal platforms for reflection” (Scherer et al., 2013: 278). Corporate legitimacy therefore becomes an essential area of concern for boards at the CG/CSR interface. Of consideration is how the inherent tensions can be managed and “how [CSR] as a public good, they can be aligned with business objectives” (Scherer et al., 2013: 278).

Scherer et al. (2013: 279) believe that there has been an underestimation of “the dynamics of environmental challenges, regarding conflict and heterogeneity among institutional demands … in the globalised world” (see Chapter 4, section 4.3.10). They looked to the paradox literature to help organisations respond to contradictory legitimacy demands by employing conflicting strategies in parallel, "which implies a 'both/and perspective' instead of an 'either/or choice'" (Scherer et al., 2013: 279; Smith & Lewis, 2011). The authors propose an integrated framework whereby corporations that "switch between or employ simultaneously the three different legitimacy strategies, are likely to be most successful in preserving their legitimacy" (Scherer et al., 2013: 261). These are derived from Suchman's (1995) three types of legitimacy (cognitive/routine, pragmatic/self-interest and moral – see Chapter 2, section 2.5.3):

- The "*isomorphic adaptation strategy*"–changing practices to meet the interests and legitimacy concerns of the corporation's most powerful stakeholder groups. This strategy pertains to cognitive legitimacy, taken for granted assumptions derived from established and socially accepted legal rules of the economic game. Legitimacy concerns are raised where there is a mismatch between the corporation's status quo and societal expectations and may draw from coercive, normative or mimetic influences, e.g. regulatory factors, normative initiatives and the behaviour of competitors.
- The *strategic manipulation strategy* describes pragmatic legitimacy processes where corporations actively influence social expectations in their economic interest by influencing the perceptions of key actors or policy-makers in their environment (Barley, 2010). Manipulation strategies do not modify the practices that stakeholders criticise, but rather manipulate the stakeholders' perception through decoupling and impression management and can be challenged by civil society and social media. For example, public relations exercises, marketing campaigns and reporting practices.
- *Moral reasoning*–the third strategy, builds upon a process of deliberation, which is an open discourse with key stakeholder groups to find a consensual solution or an "informed compromise" that reflects a pro-social logic versus a narrow self-interest (see Chapter 4, section 4.3.9) (Scherer et al., 2013: 264) applied selectively to particular stakeholder groups appropriate to the relevant issue (see Chapter 5, section 5.4.2).

Moral reasoning alone is not enough to navigate the complexities at the CG/CSR interface:

> We suggest that moral reasoning cannot completely substitute adaptation and strategic action. The complexity of the corporation's steering task in competitive market societies would overburden the corporation in its strategic course if only moral reasoning was available as a means of establishing legitimacy. (Scherer et al., 2013)

Boards must play a *strategic role* to operative effectively in a competitive environment, drawing from all forms of legitimation. Choice of legitimacy strategy will be influenced by the cost of organisational change and the consistency of societal expectation, where environmental challenges and societal demands to which companies have to respond are in "continual flux" (Greenwood et al., 2011: 319). The ability to learn is crucial (Scherer et al., 2013). Processes of legitimation are both agentic and embedded (Pettigrew & Starkey, 2016). Those that can manage this complexity are most likely to be successful in maintaining their legitimacy, "such a paradox approach is quite demanding, as it requires a capacity to handle the inherent contradictions between the different response strategies" (Scherer et al., 2013: 261). For instance, the use of a "strategic public relations approach" to follow a "credible moral reasoning strategy" (Scherer, 2013: 268) in the face of looming regulatory or societal demands. Hahn et al. (2017) saw such paradox approaches to competing sustainability demands as largely instrumental and, therefore, would most likely help firms to maintain their legitimacy.

Our understanding of the dynamics at the CG/CSR interface is further informed by investigating the underlying interplay of logics (beliefs and practices) and responses to institutional complexity (Greenwood et al., 2011; Kraatz & Block, 2008), which is considered in the next section of this chapter.

6.6 Theoretical Developments in Institutional Logics: Multiplicity, Plurality and Complexity

The theoretical development of the tensions, trade-offs and paradox literature runs in parallel with that of institutional complexity, plurality and multiplicity. Where the paradox literature invites theorising into the nature of multiple inherent tensions, institutional logics explores the dynamics of beliefs and practices associated with multiple logics. Therefore, I integrate aspects from the paradox literature and its interest in contradictory and interrelated tensions, together with legitimacy literature into the development of a conceptual framework.

Theoretical developments in institutional logics encompassing logic multiplicity, evolution and change provide a helpful framework with which to examine the complex interplay of beliefs and practices at the CG/CSR interface. Organisations are seen to inhabit pluralistic institutional environments (Meyer & Rowan, 1977; Pache & Santos, 2010) where they are "subject to multiple regulatory regimes, embedded within multiple normative orders, and/or constituted by more than one cultural logic" (Kraatz & Block, 2008: 2). It therefore follows that organisations become participants in multiple discourses and members of more than one institutionally derived identity (Kraatz & Block, 2008). Institutional complexity may confront organisations with "incompatible prescriptions from multiple institutional logics" (Greenwood et al., 2011: 317) leading to organisational paralysis and breakup (Pache & Santos, 2010) or, alternatively, opportunities for institutional agency, innovation and strategic choice (Mair, Mayer, & Lutz, 2015). Institutional complexity may create a continual state of flux to which organisations must respond. Field-level characteristics, organisational positioning and organisational characteristics (e.g. structure, ownership, governance and identity) determine the organisational experience and response to these dynamics (Greenwood et al., 2011).

Ultimately "institutional logics shape organisational action through their roles in conferring legitimacy and controlling critical resources" (Bertels & Lawrence, 2016: 4). This, in turn, gives rise to a diverse set of organisational responses (Bertels & Lawrence, 2016; Greenwood et al., 2011) and a diversity of logics deriving from the seven cornerstone institutions, i.e. community, professions, family, religion, market, corporation and the state (see Chapter 6, section 6.2.1). For Besharov and Smith (2014: 366), "the instantiations of logics within fields, organisations, and individuals draw from and are nested within these societal-level logics". For example, academic, judiciary and social logics (Thornton et al., 2012). In the case of newly emerging logics (for example, at the interface of CG and CSR), values and beliefs may be well understood, yet practices may be undefined and ambiguous, in contrast to the prescribed sets of practices associated with those well-established, broader societal logics (Bertels & Lawrence, 2016).

6.6.1 Institutional actors, workers and entrepreneurs

The role of individuals, their identities and social interactions in bringing about institutional change is key and actors may have multiple identities due to their multiple institutional memberships (Kraatz & Block 2008):

> A focus on institutions as inhabited moves people, and especially social interactions, to the centre of institutional analysis, such that understanding how organizations respond to institutions, including the competing institutional logics associated with institutional complexity, depends on an understanding of the people in organizations whose thoughts, feelings, and actions will animate those responses. (Bertels & Lawrence, 2016: 5)

For Lawrence et al. (2011), institutional change is performed in the everyday tasks of individuals, or "institutional workers" (2011: 52) who both reproduce and challenge roles and rituals. Smets & Jarzabkowski (2013) take a practical, practice-orientated view of agency in institutional work within institutionally complex contexts: "most individuals are not grand entrepreneurs, but practical people doing practical work to get a job done". They achieve this by exercising "practical-evaluative judgement" even as they encounter contradictory and complex institutional practices (Smets & Jarzabkowski, 2013: 1304). In contrast, institutional entrepreneurs (Chapter 3, section 3.3.6) go further to "initiate changes that contribute to transforming existing or creating new, institutions" (Battilana, Leca & Boxenbaum, 2009: 66). Greater attention on the role of individual actors in the institutional micro-processes that underpin field level trajectories is required (Powell & Colyvas, 2008; Mair & Hehenberger, 2014). Kraatz and Block (2008: 40) asked: "what role do people play in holding together the pluralistic organization? What kind of a mindset enables a person (particularly a leader) to effectively function in the presence of so much diversity?" The role of actors in negotiating the relationship between competing logics becomes key (Mair & Hehenberger, 2014). Such questions open the way for some interesting qualitative research at the CG/CSR interface.

6.6.2 Logic plurality

A growing pool of research investigates the phenomenon of "mutually beneficial coexistence" (as opposed to a contest) of plural logics and its potentially positive aspects, "where each model persists and benefits from interaction with the other" (Mair & Hehenberger, 2014: 1175). This resonates with the sustainability paradox approach (Jay et al., 2017) of navigating the social, environmental and economic tensions. Organisations capable of engaging in and strategically managing plural logics are more likely to adapt, innovate and sustain themselves over the long-term in the face of emerging challenges (Kraatz & Block, 2008). Plural logics can be regarded as a resource rather than a restriction, which balance the interests of multiple stakeholders and capacity to innovate (Mair et al., 2015). For instance, Venkataraman, Vermeulen, Raaijmakers and Mair (2016) demonstrated how a development NGO instrumentally engaged two distinct and often competing logics (market and community) to strategically pursue their own agenda of developing new social structures and inclusive market practices for families in poor rural areas of northern India. Mair and Hehenberger (2014: 1174) proposed that convening events to bring together dissimilar actors "creates relational spaces for negotiation over institutional models, their practices, and their underlying assumptions". These "front stage" events allow for a broader stakeholder audience understanding and, in combination with more intimate "backstage" interactions, can enable the deconstructing of the constituent parts of differing beliefs and practices (logics), that can then be reframed to "neutralise opposition and facilitate joint courses of action" (Mair and Hehenberger, 2014: 1174). Mair and Hehenberger (2014) demonstrated this phenomenon in their study of traditional philanthropy and more recent venture philanthropy models, each with significantly differing repertoires of practices and underlying assumptions. They identified three stages: opposition, field transmission and neutralising of differences to mutualistic co-existence. The examination of patterns of interaction between established and emergent institutional models is crucial to understanding how fields evolve (Fligstein & McAdam, 2012). Such "convenings" are an increasingly common instrument of the proponents of the CSR institutional infrastructure, often under the legitimising banner of UN endorsed initiatives (e.g. the UNGC, GRI and PRI).

6.6.3 Logics and organisational governance

Organisational governance provides an important context from which to examine the dynamics of multiple and potentially conflicting logics (Greenwood et al., 2011; Kraatz & Block, 2008; Mair et al., 2015) and may help to explain the state of play in beliefs and practices at the interface of CG and CSR. Governance is an ongoing process within organisations, where "diverse identity groups with different values and logics vie for influence wherein recurrent bouts of "legitimacy politics" occur" (Kraatz & Block, 2008: 39). Those with greater *power* within an organisation are likely to exercise greater influence on organisational responses to multiple institutional logics, for example, at board or executive levels: "organizational responses to multiple institutional logics are likely to be reflexive of the interests of the most influential group" (Greenwood et al., 2011: 344). Kraatz and Block (2008) suggested that where organisations might serve a number of diverse purposes, some of which may be incommensurable (for example, across the financial, social and environmental spectrum), they could be conceptualised as a "pluralistic social dilemma" (2008: 39). Here, a "stable 'coalition of identities' may emerge as identity groups learn to co-exist and recognize their symbiosis" (Kraatz & Block, 2008: 39). Theorising on such integrative processes allows a shift in CG thinking away from the dominant focus of control, which is understood through agency theory (Jensen & Meckling, 1976) and neoliberal ideologies (Hirsch & Lounsbury, 2015) to the possibility of cooperation, i.e. *power with* rather than *power over* (Follett, 1942).

Combining multiple logics proactively in governance practices may provide opportunities in terms of broader access to resources and innovative practices, thus enabling organisations to "thrive and prosper in the midst of institutional pluralism" (Kraatz & Block, 2008: 246). For example, a number of studies have examined the dynamics underway in the recent formation of hybrid organisations (Pache & Santos, 2013b). Mair et al. (2015) see governance as highly relevant in the context of institutional plurality: "Governance constitutes a critical mechanism to balance institutional logics and to foster and protect internal and external legitimacy" (2015: 732). They examined the governance structures and practices that both combine and balance multiple institutional logics to produce authentic hybrid organisations. Specifically, using organisational governance as the focal lens, they examined how the governing boards of authentic social enterprises managed the differing prescriptions of commercial and social welfare logics through providing strategic direction and balancing stakeholder interests (Mair et al., 2015). In contrast, organisations purporting to be social enterprises but conforming to a single dominant logic reflect only symbolic rather than substantive motives.

6.6.4 Typologies of multiple logics

For Thornton et al. (2012), changes in institutional logics in a given institutional field may result from changes in societal or external logics[5] or internal pressures and contradictions. These provide opportunities for change in the beliefs and practices that make up institutional logics, which is often amplified by the work of institutional entrepreneurs. Critical external events may act as a trigger to bring about change (Greenwood, Hinings, & Suddaby, 2002), such as the advent of climate change and divestment of fossil fuels assets, the GFC or the discovery of human rights abuses in global supply chains. Thornton et al. (2012) identified a wide range of processes by which institutional logics change, from a more radical transformation to a more iterative, developmental level of change. The authors proposed a typology of change, with three forms of transformational change identified – replacement, blending and segregation of institutional logics, and four forms of developmental change – assimilation, elaboration, expansion and contraction of institutional logics. In the context of the CG/CSR interface, a more radical change could be represented by new forms of CG such as the Benefit Corporation (B Corp)[6] movement. B Corps represent a hybrid form of a socially purposed business enterprise. Here blending, or combining diverse social and market logics, represents transformational change (Pache & Santos, 2013b; Thornton et al., 2012). By contrast, as an example of developmental change, a study of the socially responsible investment (SRI) movement in France (Arjalies, 2010) examined the process of changing entrenched institutional logics of asset managers. Rather than the traditional social movement approach of challenging an institution externally, the SRI movement has sought legitimacy by transforming institutional beliefs internally, proposing alternative logics through "compromise movements" (Arjalies, 2010: 57). Ultimately, this has been at the expense of the SRI movement, where SRI logics to date have become mainstreamed or assimilated into the dominant market logic operating in financial markets (Arjalies, 2010).

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[5] Thornton et al. (2012: 165) refer to a diversity of logics, e.g. academic logic, judiciary logic, social logic, which derive from the seven cornerstone institutions.

[6] B Corps are for-profit companies certified by the non-profit organisation B Lab to meet standards of social and environmental performance, accountability and transparency < http://bcorporation.com.au/>

However, as Thornton et al. (2012) note, the challenge of differentiating between, for instance, transformational blending of logics (e.g. combining diverse logics) or developmental assimilation (e.g. incorporation of external logics) requires further theorising. Besharov and Smith (2014) follow Thornton et al.'s (2012) work with the development of an integrative framework to define, analyse and explain the heterogeneity in how multiple logics become instantiated within organisations. Given that organisations inhabit pluralistic institutional environments (Lawrence et al., 2011; Meyer & Rowan, 1977), organisations are presented with a potential confusion of institutional demands and, correspondingly, academics with a theoretical puzzle (Besharov & Smith, 2014). Legitimacy pressures arise where organisational actors may seek to appeal to different bases of legitimacy in different situations or where access to resources is necessary for their successful performance. Besharov and Smith's (2014) integrative framework provides a typology of logic multiplicity found within organisations to tease out this complexity, "We theorize about the heterogeneous ways in which multiple logics manifest within organizations and their implications for organizations and institutional fields" (2014: 365). Four types of logic multiplicity within organisations are identified, depending on their position in relation to two critical dimensions:

- compatibility – the degree of consistency multiple logics provides to the goals of organisational actions, where goals reflects values and beliefs.
- centrality – the degree to which one or more logic is equally relevant, valid and core to the functioning of the organisation.

Both dimensions provide a multi-level continuum, operating across individual, organisational and field levels (Besharov & Smith, 2014). *Low compatibility* exists where multiple logics are contradictory in their goals. Goals are taken to reflect core values and beliefs, and are more relevant to the compatibility of logics than how they are achieved. Here, the authors note the importance of professional bodies and the influence they may play within an organisation, for example, where a number of professional bodies or associations compete for legitimacy and power (Besharov & Smith, 2014: 386), thereby potentially decreasing logic compatibility. High compatibility occurs where the goals of multiple logics can co-exist (or only one set of goals exists). *Low centrality*, on the other hand, may be characterised by a single logic dominating an organisation's functioning where organisational members adhere to the one logic at the expense of other logics that remain peripheral. Conversely, high centrality will occur where multiple logics are manifested in core organisational features that are central to organisational functioning (Besharov & Smith, 2014). Other influences of centrality include fragmented institutional fields and organisational variables such as mission, strategy and resource dependency. The dimensions of centrality and compatibility combine to produce four ideal types of logic multiplicity within organisations: contested, estranged, aligned and dominant, as elaborated in Table 6.3.

Table 6.3 Four Ideal Types of Logic Multiplicity (adapted from Besharov & Smith, 2014)

Typology	Description
Contested	Multiple logics are core to organisational functioning (high centrality) but provide contradictory prescriptions for action (low compatibility). This may result in high levels of conflict and lack of clarity over which goals should be prioritised in the organisation: - Low compatibility of logics leads actors to confront and grapple with divergent goals, values and identities, as well as different strategies and practices for achieving these goals. - High centrality leads multiple logics to vie for dominance, with no clear guide between them.
Estranged	Unlike the contested domain, here one logic guides organisational action and a secondary logic remains estranged, leading to low level conflict: - Low compatibility means that logics offer inconsistent implications for organisational action, leading actors to grapple with divergent goals and divergent means of achieving these goals. - Low centrality leads one logic to exert primary influence over organisational functioning.
Aligned	High compatibility and high centrality results in a united organisation whilst simultaneously manifesting the goals, values and organisational practices associated with multiple logics: - High compatibility leads actors to draw on logics that offer consistent implications for organisational action. - High centrality leads multiple logics to exert strong influence over organisational functioning.
Dominant	The organisation may appear to embody only a single logic since compatibility exists in the goals and values across the logics but only one logic prevails in terms of organisational functioning and validity: - High compatibility leads actors to draw on logics that imply consistent goals for organisational action. - Low centrality leads to core organisational features and functioning that reflect a single logic, supported by the secondary logics.

6.6.4.1 Assumptions

Besharov and Smith (2014) outline a number of important theoretical assumptions pertaining to the framework:

- Societal-level institutional logics (for example, market or corporate logics) manifest within organisations in a variety of ways. Cultural context plays a role as well as geographic and historical contexts, dependence on resource providers and the experiences and identities of the different actors. Similarly, changes in logics multiplicity occur over time
- Just as logics influence the cognition and action of individuals and organisations, so can actors influence how logics are instantiated, "Actors' practices and ways of being can both reinforce and challenge the assumptions, values beliefs, and rules considered appropriate" in a "mutually constitutive relationship between logics and action" (Besharov & Smith, 2014: 366). Individual actors (institutional entrepreneurs and workers) may influence how logics are enacted within organisations. Organisations may, in turn, influence the manifestation of logics at the field level.

6.7 Conceptual Framework

Adapting Besharov and Smith's (2014) typology of institutional logic multiplicity, I propose the following conceptual framework (Figure 6.2) from which to chart the interplay of beliefs, practices and influences of board members and relevant actors at the CG/CSR interface to meet the following research aims:

An exploration of the institutional logics (beliefs and practices) at play amongst key actors at the interface of CG and CSR, with a primary research focus on boards as the ultimate decision-makers of the corporation. Taken as a multi-level investigation, the research topics explored are:

- The beliefs and practices (logics) at play at the intersection of CG and CSR amongst the relevant actors.
- Their experience of board level engagement.
- The CSR beliefs and practices at board level.

And as a sub question:

- How and by what or whom are board members' beliefs and practices of CSR influenced?

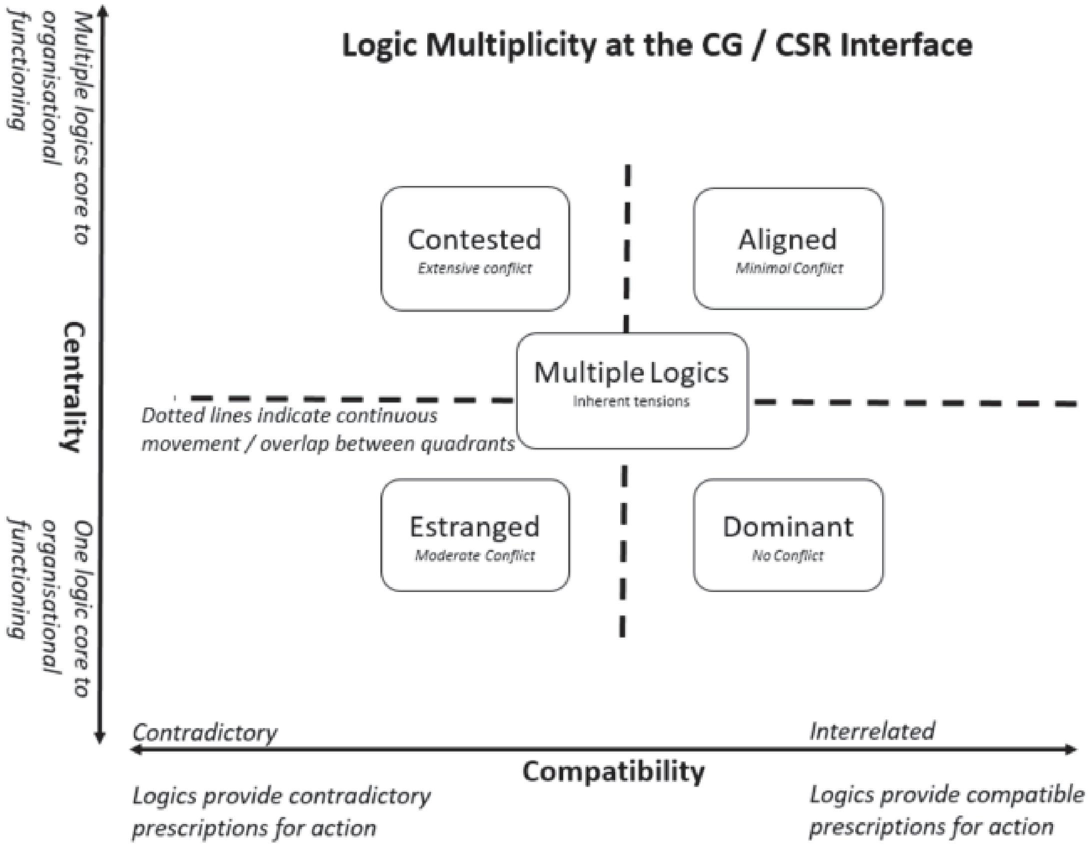

Figure 6.2 Logic Multiplicity at the CG/CSR Interface (adapted from Besharov & Smith, 2014)

The framework enables a multi-level investigation of the multiple and potentially conflicting logics at play in the 'board ecosystem'. The *compatibility* dimension represents the contradictory and interrelated logics associated with board members' beliefs and practices at the CG/CSR interface. The *centrality* dimension sheds light on the extent to which logics associated with the three elements of CSR, i.e. environmental, social and economic are treated as equally valid and relevant to organisational functioning. This leads to four distinct yet overlapping typologies of multiple logics: the conflict of multiple instantiated but contested logics, the fragmentation and estrangement of a single logic, the dominance of a single logic subsuming all others and the cooperative alignment and mutually beneficial co-existence of a plurality of logics.

Preceding chapters in the thesis have considered the earlier development of a CSR institutional infrastructure with a reality check on a lack of engagement at the board level and concerns about corporate legitimacy. This was followed by a review of the recent convergence of activity at the CG/CSR interface – a rapidly evolving, new generation of institutional infrastructure encompassing CG, responsible investment, corporate reporting and corporate sustainability initiatives. How can this be understood from a theoretical point of view? It is hoped that the proposed conceptual framework can encompass and enable insights into this complex and dynamic environment as research at the CG/CSR interface progresses.

Therefore, the research and conceptual framing aims to build on and extend institutional logics theory by focusing on how the board ecosystem as a research site comprises the existence of multiple, sometimes competing, sometimes complementary, institutional logics. The framework also provides a basis for "linking institutional approaches to multiplicity in organisations with other theoretical traditions that address issues of multiple goals, values, and identities" (Besharov & Smith, 2014: 378). These include the tensions, trade-offs and paradox theorising, and the corporate legitimacy literature (see Chapter 6, section 6.5). As the key proponents of institutional logics note in a call for conference papers (Lounsbury, Ocasio & Thornton, 2017), recent formulation of theory (Thornton et al., 2012) has led to research on institutional logics that reveals a more fluid and loosely coupled view of institutional logics relative to actors' identities and practices. As regards the CG/CSR interface, "Efforts to construct good organisations may involve balancing competing and complementary ambitions and interests, to include an understanding of material, including technological, and symbolic aspects that interplay in interpreting and mediating interaction in complex institutional environments" (Lounsbury et al., 2017: para. 3).

The following chapter details the research methodology and methods utilised to pursue this agenda, with a research focus on corporate boards.

Chapter 7: Methodology

7.1 Introduction

Chapter 7 sets out the methodology of the research, incorporating my own methodological journey chronicled in a methodological journal (Bazeley, 2013; Charmaz, 2014). This covers the research approach and research questions, my ontological and epistemological position as a social constructivist and the methodological premises using an interpretive, qualitative approach. The research methods are explained, which utilised multi-methods incorporating semi-structured interviews, focus groups and deliberative forums. An adaptation of constructivist grounded theory methods (Charmaz, 2014) guided the data gathering and analysis.

7.2 Research Approach

The research approach provides a layered, qualitative view where the researcher engages directly with actors and governance settings, to open the 'black box' of boards' beliefs and practices. As detailed in the literature review, CG and CSR are embedded in a shared institutional setting of broader economic, social and political institutions. The institutional field provides an appropriate theoretical setting from which to explore the beliefs and practices at the CG/CSR interface and corporate boards.

Recent research on board characteristics and engagement in CSR has led to mixed results from a largely quantitative research approach (Brammer & Pavelin, 2013). Ryan et al. (2010) pointed to a failure of CG research, with its focus on board structure and composition, and its reliance on publicly available data. These authors believed that it was time to tackle the challenges of "diving more deeply into board processes" (Ryan et al., 2010: 678), and of the need to adopt new approaches, both conceptually and methodologically. They called for innovative and bold research designs, together with a broader range of theoretical perspectives and samples. Leblanc and Schwartz (2007) acknowledged the resistance of board members as research subjects, such as their concerns for confidentiality and being observed. They considered a number of ways to overcome these impediments including by leveraging peer networks, "access via prior access" (Leblanc & Schwartz, 2007: 484), a technique described later in this chapter.

Therefore, addressing existing methodological and conceptual biases (McNulty et al., 2013; Pettigrew, 1992; Ryan et al., 2010; Yar Hamidi & Gabrielsson, 2012), the present research method was qualitative with an interpretive, exploratory approach. The research methods were inductive, adopting a constructivist grounded theory approach to data gathering and analysis (Charmaz, 2014) to foster an exploratory, emergent research environment. The research design employed multi-methods – combining individual interviews, focus groups and "directors' conversations" to answer calls to access the 'black box' of corporate boards and lack of qualitative research in CG and CSR. Institutional logics was gradually introduced during data analysis through theoretical coding, moving to and from data and theory, as the complexity of embedded agency and institutional emergence and change was analysed (Thornton et al., 2012). The development of an interinstitutional system with its typology of ideal types provides a useful analytical tool for the study of an institutional field in flux: at the interface of CG/CSR (Greenwood et al., 2011). In complement, communicative institutionalism sits at the intersection of communication, cognition and institutional theory and provides the researcher with the opportunity to investigate the interactive processes between actors as they engage in institutional maintenance and change (Ocasio et al., 2015).

Institutional fields encompass practices and beliefs both within and across individuals and organisations. For the purposes of the present study, a multi-level approach allowed for a theoretical and methodological investigation of cross-level effects at the interface of CG/CSR, as well as an analysis of how boards navigate this CG/CSR interface. This reflects the scope of CG, from global governance to national institutions through to the micro processes of actors and groups at firm and board levels: "an evolving, complex, global, multi-level phenomenon" (McNulty et al., 2013: 184). The following section will cover the research design's key features, which are listed in Table 7.1 .1.

Table 7.1 Key Features of the Research Design

Feature	Description
Research Aims	Taken as a multi-level investigation, the research explores: • The beliefs and practices (logics) at play at the intersection of CG and CSR amongst the relevant actors and their experience of board level engagement • The CSR beliefs and practices at the board level • How and by what or whom are board members' beliefs and practices of CSR influenced

Methodological Assumptions	Social Constructivism: • Human reality as socially constructed • Habitualised actions evolve to become institutionalised, taking on a self-evident objective reality and taken for granted meanings
	Subjectivism: • Research findings are co-created by researcher and participant
	Interpretive Approach: • Researcher interpretations become the vehicle by which reality is revealed
	Qualitative Inquiry: • Inductive process, captures how people ascribe meaning through authentic interaction and interpretation • Thick, rich description and explanation
Method of Inquiry	Constructivist Grounded Theory: • Iterative, inductive, comparative, emergent and open-ended • Pragmatist orientation towards action and meaning • Core strategies of coding, memo-writing and sampling for theory development • Working back and forth between data and emerging theoretical insights – constant comparison and data saturation
Research Methods	Multi-methods (Qualitative): • Semi-structured interviews • Focus group and deliberative forums
Research Setting	• The interface of CG and CSR in the field of practice. Australian actors linked to an international environment. • Members of corporate boards from Australian and international companies and foreign subsidiaries
Sampling	Combined sampling strategies: • Snowball sampling as a technique to access research participants • Sampling begins as purposive, becoming augmented by theoretical sampling
Data Collection	Data collected from the period 2014–2016 • Nineteen interviews with Australian and international actors at the interface of CG/CSR including corporate sustainability managers, investors, professional associations and civil society • One focus group of Australian sustainability managers (10 participants) • One Sydney based and one Melbourne based “Directors’ Conversation” – deliberative forums featuring board members, with the investor community, civil society, regulatory, professional associations and industry bodies – Australian and internationally linked. Total number of participants: 22. Total number of attendees: 96 • Eleven interviews with members of Australian and international corporate boards

7.3 Research Aims

The research involved an exploration of the institutional logics (beliefs and practices) at play amongst key actors at the interface of CSR and CG, with a primary research focus on boards as the ultimate decision-makers of the corporation. Taken as a multi-level investigation, the research topics explored were:

- The beliefs and practices (logics) at play at the intersection of CG and CSR amongst the relevant institutional actors, specifically in relation to CSR, CG and investor domains.
- Their experience of board level engagement.
- The CSR beliefs and practices at the board level.

And as a sub question:

- How and by what or whom are board members' beliefs and practices of CSR influenced?

Follow on issues included:

- The institutional drivers (coercive, normative and mimetic) and interinstitutional systems influencing directors of boards.
- Competing logics at play, for example, shareholder primacy versus a broader stakeholder responsibility, or a market logic versus a corporation logic (Thornton et al., 2012).
- How directors of boards manage the trade-offs and tensions across social, environmental and economic dimensions of governance decision-making.
- How this reflects the broader CG/CSR interface.
- The role of institutional entrepreneurs and CSR initiatives.
- The perceived barriers and levers for board engagement.

The research paradigm was composed of the researcher's ontological and epistemological stance, together with the methodological premises and chosen methods of inquiry (Denzin & Lincoln, 2011). These are outlined below.

7.4 Ontology and Epistemology

Undertaking research with a view towards knowledge creation requires assumptions about the nature of social reality and how we are able to know it. Ontology is this field of inquiry and requires us to consider "What is the nature of reality? Is absolute reality permanent and unchanging, or is it continuously in flux and transformation?" (Chia, 2008: 1/5). These two positions represent the opposing traditions of contemporary social sciences research – a Parmenidean ontology of being, or positivism; and a Heraclitean ontology of becoming, or constructivism. For a becoming or process ontology, the observed routines and regularities that make up our social world are taken to be socially constructed local practices, with three core elements:

- Language as a method of structuring reality, where individuals are not pre-formed but continually under construction and reconstruction.
- Relationships and practices are prioritised over individuals or organisations. Human action is explained in terms of a non-deliberate practical coping rather than rational and intentional action. The micro-level of analysis is not conceived as an individual unit but as a field of practice.
- Immanent disposition–culturally acquired "habitualizations" giving rise to an unconscious moderating tendency and consistency of actions or dispositions. (Barnes, 2001; Bourdieu, 1990; Chia, 2008).

In turn, these provide a set of theoretical priorities with which to shape one's epistemological position, methodological preferences and explanatory principles in organisational research. Given its philosophical position on the constructed nature of social reality, a Heraclitean ontology of becoming brings academia closer to the world of practice and "the *pragmatic* concerns of a practitioner world that readily embraces the existence of a realm of tacit understanding and unconscious knowing-in-practice" (Chia, 2008: 4). Such an approach is well suited to the analysis of boards of directors navigating an increasingly complex, emergent terrain at the interface of CG/CSR.

Building on these foundations is the work of Berger and Luckmann (1966) in their treatise on the sociology of knowledge: human reality as socially constructed reality. For Berger and Luckmann (1966: 210), the object of inquiry is society, "as part of a human world, made by 'men', inhabited by 'men', and in turn, making 'men', in an ongoing historical process". Social order is not biologically given, but instead involves a process of ongoing externalization, an "ongoing human production" (Berger & Luckmann, 1966: 51). Such processes of social construction also provide a theory of institutionalisation, which sits well with an institutional theoretical framework for the thesis.

According to Berger and Luckmann (1966), and in keeping with Heraclitean ontology, all human activity is subject to habitualisation. Habitualised actions become embedded as routines with taken for granted meanings that help narrow possible choices of action, and a stable background of habitualised activity. Institutionalisation occurs whenever there is a “reciprocal typification of habitualised actions by types of actors” (Berger & Luckmann, 1966: 59). Such actions build a shared history of the institution. For Berger and Luckmann (1966), it is impossible to understand an institution without an understanding of the historical process in which it was produced. Habitualised actions evolve to become institutionalised, predefined patterns of conduct controlling human behaviour. As these are carried over to a new generation, the institution takes on a self-evident objective reality. However, no matter how large or powerful it may appear, the objectivity of the institutional world or, more broadly, the social world, is a humanly produced, constructed objectivity. Despite the objectivity that marks the social world in human experience, “it does not thereby acquire an ontological status apart from the human activity that produced it” (Berger & Luckmann, 1966: 60). The externalisation and objectification processes lead to an internalisation process, where the social world acts back on its producer. These are described as three dialectical moments in social reality, “Society is a human product. Society is an objective reality. Man is a social product” (Berger & Luckmann, 1966: 61). Such an ontological position is well suited to an examination of the institutions and actors in CG and the emergent CSR institutional infrastructure.

Having established my ontological position as a social constructivist, we can consider my epistemological position. Epistemology asks, “What is the relationship between the inquirer and the known?” (Denzin & Lincoln, 2011: 12) or the truth we seek and believe as researchers? How do I see the world and how do I come to understand it? In contrast to a positivist or post positivist Parmenidean ontology, with its belief in a single reality and objectivist epistemology rooted in a deductive scientific rigour, the constructivist ontological position adopts a subjective epistemology (Denzin & Lincoln, 2011). Research findings are co-created by researcher and participant, based on the philosophical belief that we construct our own understanding of reality (Denzin & Lincoln, 2011). An understanding and interpretation of this co-constructed meaning is sought to inform improved practice (Lincoln, Lynham, & Guba, 2011). Where a collective reconstruction of meaning moves towards a consensus between participant and inquirer, this helps build validity into the research findings (Lincoln et al., 2011). Such an approach supports the micro-level focus of the research questions on the sensemaking of institutional actors, "Sensemaking is defined as the ongoing retrospective development of plausible images that rationalise what people are doing" (Weick, 2008: 1403).

7.5 Methodological Premises

7.5.1 Interpretive approaches

The constructivist position takes an interpretive, open-ended and contextualised perspective (Creswell & Miller, 2000) in its methodological approach and assumes that reality is socially constructed. Interpretive approaches rely on naturalistic methods (e.g. interviewing, observation and analysis of texts) where meanings emerge from the research process (Lincoln et al., 2011). The goals are to "understand and interpret through meaning of phenomena (obtained from the joint construction/reconstruction of meaning of lived experience); such understanding is sought to inform praxis (improved practice)" (Lincoln et al., 2011: 106). Interpretive research contends that "our knowledge of reality is gained only through social constructions such as language, consciousness, shared meanings, documents, tools, and other artefacts" (Andrade, 2000: 43). The researcher becomes the vehicle by which this reality is revealed. The researcher's interpretations play a key role, supported by subjective quality arguments rather than objective statistical exactness (Andrade, 2009). For this reason, reflexivity, i.e. critically reflecting on the self as researcher, "demands that we interrogate [ourselves] regarding the ways in which research efforts are shaped and staged" by our personal beliefs, values and biases (Lincoln et al., 2011: 124).

7.5.2 Qualitative research

Interpretative research methods are typically qualitative, providing insight into "the complex world of lived experience from the point of view of those who live it" (Andrade, 2009: 43). To distinguish between qualitative research and an interpretive approach, interpretive research assumes that knowledge of reality is gained through social constructions (e.g. language, shared meanings) whereas qualitative research is a broader term referring to research processes conducted in a natural setting based on representation by thick, rich description and explanation (Andrade, 2009). A qualitative research approach will assist in addressing the existing methodological and conceptual limitations noted in the study of CG and boards of directors and bring transparency to the 'black box' of the board through its data sources and rich descriptions (Brammer & Pavelin, 2013; McNulty et al., 2013; Nielsen, 2012; Ryan et al., 2010; Yar Hamidi & Gabrielsson, 2012):

> The eclectic nature of qualitative studies can help governance scholars to use complementary and alternative theories (to the dominant agency theory) so as to produce new and innovative interpretations of corporate governance phenomena. Moreover, the involvement of the researchers in a real-world situation can help governance scholars to get a deeper understanding of the relationships among key subjects (investors, directors, regulators, and managers) and of the processes leading to decision making. (McNulty et al., 2013: 195)

Interpretivist and qualitative methodological premises are also compatible with the sensemaking focus at the micro-level of institutional actors: their interpretations, their interactions with others and broader macro phenomena (Lawrence et al., 2011; Pye, 2002b). The researcher's role is to investigate how people ascribe meaning to phenomena through authentic interaction and interpretation. Therefore, qualitative researchers tend to work with smaller sample sizes than quantitative researchers do. Where qualitative research methods use inductive processes to explain concepts and develop theory, quantitative methods follow a deductive process.

In reality, many researchers use a blend of inductive and deductive, drawing on pre-existing constructs in a blended approach (Gibbs, 2008). Qualitative research validity and credibility can be addressed through a search for disconfirming evidence, self-disclosure of biases and beliefs on the part of other researchers (reflexivity), prolonged engagement in the field and thick and rich descriptions of settings, participants and themes (Creswell & Miller, 2000). For Reay and Jones (2016: 442), the study of institutional logics "are naturally suited to qualitative data and methods that demand immersion in the phenomenon … researchers must ground their insights and abstractions to the context through quotes, observations, and thick description".

Graebner, Martin and Roundy (2012) encouraged diversity in the way in which qualitative data are used and broadened the scope by which qualitative studies should be judged, “no cookbook or recipe exists for qualitative research” (2012: 276). The authors identified three fundamental characteristics of qualitative data as:

- open-ended, flexible and exploratory
- concrete and vivid, fostering the development and communication of ideas
- rich and nuanced – with the potential to “capture details and mechanisms that are easily overlooked in quantitative data”. (Graebner et al., 2012: 278)

This qualitative study aspires to both the validity criteria proposed by Creswell and Miller (2000) and the criteria of quality in qualitative research proposed by Tracy (2010) including worthy topic, rich rigour, sincerity, credibility, resonance, significant contribution, ethics and meaningful coherence. The literature review points to the worthiness of the topic as relevant, timely, significant and interesting (Tracy, 2010). From the field of CG there is a growing concern that research needs to move “beyond simple input and output models that have been based on a dominant agency theory” to instead “explore processes and interactions in a real empirical context, and follow a more eclectic range of theoretical frameworks” (McNulty et al., 2013: 184). From the global machinations of pan-national institutions to the micro-processes at the board level, there is a need for a qualitative method of inquiry to explore and describe a field in flux, “The financial crisis is a salutary reminder of the need to move forward with respect to the questions asked, phenomena studied, theories employed, and prescriptions provided by corporate research” (McNulty et al., 2013: 184).

7.6 Research Methods and Design

7.6.1 Introduction

Research strategies and design require a clear focus on the research questions, the purposes of the study, and what information and methods of obtaining the information are most appropriate. Weaving together theoretical paradigms, research strategies and data collection “situates researchers in the empirical world and connects them to specific sites … and bodies of relevant material” (Denzin & Lincoln, 2011: 14). An exploratory, inductive and interpretive approach to investigate macro, meso and micro levels within an institutional field (the chosen theoretical lens for the research) was particularly appropriate. The following section describes the research approach, design and chosen methods, sampling, data collection and ethical considerations. The challenge in writing this chapter section was one of interconnectedness, i.e. the research design, methods and sampling were interwoven and interdependent. Owing to the challenges of gaining access to board-level research participants, sampling techniques drove the multi-method design. The resultant research approach aimed to meet the demand for new ways and novel approaches to research the chosen topic (McNulty et al., 2013; Ryan et al., 2010).

7.6.2 Constructivist grounded theory

For this reason, the research method took a grounded approach, drawing from the constructivist grounded theory of Charmaz (2014), which clearly linked my ontological position as a social constructivist and my subjectivist epistemological stance. Grounded theory is a qualitative research design developed by sociologists Glaser and Strauss in 1967, which emerged from the tensions between positivist quantitative and qualitative research in sociology in the US at that time (Charmaz, 2014). The founders emphasised an inductive theory building approach as opposed to the deductive hypothesis testing approaches of the then dominant quantitative field of practice and developed systematic strategies for qualitative research practice. Grounded theory aims to move beyond description to generate or discover theory within an abstract analytic schema of a process, action or interaction. Rather than a priori theoretical approaches, theories are grounded in data from the field and in the actions, interactions and social processes of people (Creswell, 2007).

Grounded theory has evolved both theoretically and methodologically since 1967 with a well-documented split between its founders, with Glaser criticising Strauss' approach as becoming too prescribed and structured (Creswell, 2007). Corbin and Strauss' highly popular grounded theory workbooks (1990, 1998) stressed technical procedures over the emergent and comparative methods of the original theory, drawing grounded theory closer to the positivist orientation from which it had sought to differentiate itself. More recently, Charmaz (2014: 223) has been "reconstructing theorising in grounded theory studies" to emphasise the interpretive foundation to theorising in constructivist grounded theory, with "flexible guidelines, not methodological rules and recipes" (2014: 16). Constructivist grounded theory retains the iterative, inductive, comparative, emergent and open-ended approach of the original theory, as well as the pragmatic orientation towards action and meaning. Core strategies of coding, memo-writing and sampling for theory development are encouraged. By using the term “constructivist”, Charmaz (2014) wanted to highlight the subjectivist position of the researcher in their construction and interpretation of data, thereby fostering researcher reflexivity. Similarly, she maintained strong links to social constructivism, highlighting subjectivity as “inseparable from social existence” (Charmaz, 2014: 14).

Charmaz (2014 :16) took an eclectic methodological approach: “grounded theory methods can complement other approaches to qualitative data analysis” and celebrates grounded theory’s capacity for innovative ideas and cross disciplinary relevance. Patterns and connections are given greater priority than seeking positivist causation. Charmaz (2014) challenges the very use of the term ‘theory’ as positivist. The constructivist grounded approach does not pursue a “grand theory” but rather the linking of abstract concepts and relationships, new ways of understanding the world (Charmaz, 2014; Creswell, 2007). The social constructivist position of grounded theory seeks to understand emergent multiple realities: “What do people assume is real? How do they construct and act on their view of reality?” (Charmaz, 2014: 231). Such ‘what’ and ‘how’ orientations are well suited to the research questions and an exploration of the beliefs and practices at the CG/CSR interface, and to the field of institutional logics: “socially constructed sets of material practices, assumptions, values, and beliefs that shape cognition and behaviour” (Besharov & Smith, 2014: 364; Thornton et al., 2012).

McNulty et al. (2013) highlighted the importance and timeliness of identifying concepts and constructs that are grounded and emergent in actors’ meanings amongst the CG ‘constituency’. Citing important longitudinal research by Pye (2002a) conducted from 1989 to 2000 that identified the emergence of terms, CG, shareholder value and strategic focus, the authors suggested it is timely to consider “what concepts and meanings apply today for those leading corporations and organizations and what have they to do with corporate governance … what new ideas and meanings are emerging amongst the interested constituents of corporate governance?” (McNulty et al., 2013: 194). Similarly, in their review of recent literature evaluating the impact of CG mechanisms on CSR outcomes, Jain and Jamali (2016: 268) recommended a grounded approach to guide future research on boards:

> To gain a better understanding of the dynamics of board functioning and processes … qualitative methods such as grounded theory and alternative theoretical lens such as sensemaking and sensegiving should be adopted. These are likely to offer deeper insights that can in turn enhance our understanding of the linkages between CG and CSR.

Applying a grounded theory approach is also well suited to research where a theory is not yet available to explain a process or a population of interest to the qualitative researcher (such as the 'black box' of the board) and where grounded theory can provide a general framework (Creswell, 2007). These points are pertinent to my own use of grounded theory. In addition, well suited to the research, a grounded theory approach may be applied where "the literature may have models available but they were developed and tested on samples and populations other than those of interest to the qualitative researcher. Theories may be present, but they are incomplete because they do not address potentially valuable variables of interest to the researcher" (Creswell, 2007: 66). Bazeley (2013) highlighted the complexity and fluidity of the grounded approach, allowing for different perspectives for different actors and the working back and forth through data so that a number of ideas emerge as prominent, as opposed to the earlier more prescriptive approach of axially coding a single core phenomenon.

As other scholars in institutional logics have found, a grounded approach aligns well to their research methods. An example is Bertels and Lawrence's (2016) study on emerging logics and institutional complexity in the educational sector. The authors employed extensive coding and an iterative process of constant comparison between data and prior theory to develop theory to explain organisational responses to institutional complexity (Bertels & Lawrence, 2016). As a qualitative, inductive analysis, "we proceeded through several stages as we worked back and forth between our data and emerging theoretical insights" (Bertels & Lawrence, 2016: 13). Venkataraman et al. (2016) employed a grounded theory approach in their study of the interplay of community and market logics of an NGO in rural India. Using initial and focussed coding (Charmaz, 2014), similar codes were grouped and further abstracted to be grouped under the community logic or the market logic:

> Moving iteratively between our data and theory we were able to depict the continuous interplay between the community and market logics and how PRADAN (NGO) used these logics strategically in the creation, sustaining and institutionalization of social structures. This coding process allowed us to understand the change process on the ground. (Venkataraman et al., 2016: 7)

In a study examining models of philanthropy, Mair and Hehenberger (2014) applied a variant of grounded theory to demonstrate how convening events that bring together dissimilar actors can result in a mutual co-existence of competing logics. The authors' analysis "continuously alternated between our deep dive into the phenomenon and developing a conceptual understanding of its contribution to theory" (Mair & Hehenberger, 2014: 1177). The authors believed the grounded approach "allowed us to stay true to the data while detecting patterns that had relevance for theory building" (Mair & Hehenberger, 2014: 178).

A recent paper by Reay and Jones (2016) reviewed the qualitative literature on institutional logics. They found that a grounded 'bottom-up' approach allowed *patterns* associated with logics to emerge inductively from the data: "Researchers capture logics by showing as much of the raw data as they can; text segments taken directly from interview transcripts … grouped into meaningful categories that constitute a pattern or set of behaviors associated with one or more logics" (Reay & Jones, 2016: 449). They identified four specific benefits of following an inductive ('pattern inducing'), grounded theory approach in capturing institutional logics:

- researchers can provide nuanced descriptions of localised practices or statements of beliefs from which a pattern associated with a particular logic can be shown
- presenting direct quotations and text excerpts allows researchers to show at least some of the data together with the rich context of the study
- insights into actors' explanations for particular behaviours are provided, thus helping to show values and beliefs that may guide practices
- a grounded, pattern-inducing approach can help to build new theory, linking micro-level phenomenon to institutional concepts. (Reay & Jones, 2016: 451)

As detailed in the literature review (Chapter 5), CG and CSR are embedded in a shared institutional setting of broader economic, social and political institutions. Using a constructivist grounded theory approach to data analysis, this research also aims to move iteratively between data and theory as it explores the logics at play at the CG/CSR interface. Institutions are, by definition, patterns of social action that are subject both to context and agentic interpretations (Berger & Luckmann, 1966; Bondy et al., 2012). Institutional theory, therefore, provides a foundation from which to employ a grounded research approach. Ultimately, for Charmaz (2014), the combination of originality and credibility will drive the contribution of the research, as detailed in the criteria for grounded theory studies below (Table 7.2; Charmaz, 2014).

Table 7.2 Criteria for Grounded Theory Studies (adapted from Charmaz, 2014)

Credibility	Intimate familiarity with setting or topic Sufficient data to merit claims–range, number, depth Systematic comparisons between observations and categories Wide range of empirical observations Strong logical links between data and argument/analysis Enough evidence for claims
Originality	Fresh categories, new insights New conceptual rendering of data Social and theoretical significance of work Grounded theory extends current ideas, concepts, practice
Resonance	Categories portray studied experience Revealed liminal and unstable taken for granted meanings Links between larger collectives /institutions and individual lives where relevant Data makes sense to participants, offers deeper insights
Usefulness	Interpretations that can be used in everyday world Analytic categories suggest generic processes, tacit implications Analysis can spark further research Work contributes to a better world

Care should be taken to use "precise language and thoughtful research design: careful justification of theory building, theoretical sampling of cases, interviews that limit informant bias, rich presentation of evidence in tables and appendixes, and a clear statement of theoretical arguments" (Eisenhardt & Graebner, 2007: 30).

7.6.3 Political bricolage

Denzin and Lincoln (2011: 4) cast the qualitative researcher as a "bricoleur or maker of quilts", using whatever tools of their craft are available or can be created, with the best choice of interpretive strategy allowed to emerge. The "choice of research practices depends upon the questions that are asked, and the questions depend on their context" (Nelson, Treichler, & Grossberg, 1992: 2), together with "what is available in the context, and what the researcher can do in that setting" (Denzin & Lincoln, 2011: 4). The difficulty of accessing corporate boards for research purposes, together with calls to develop innovative and bold research designs from within the CG field (Ryan et al., 2010: 678) present challenges and opportunities. *Research strategies must secure the interest of board members.*

Therefore, the research design and methods draw directly from my past experience in establishing global governance initiatives (e.g. the UNGC and GRI) in the Australian corporate sector. During this time, I convened high-level multi-stakeholder forums across the corporate sector, civil society, government and investor communities (St James Ethics Centre, 2010). The purpose was to build a collaborative, deliberative environment from which to drive a responsible business agenda. The convening of these system-wide forums shared many similarities with the appreciative inquiry summits of Cooperrider and McQuaid (2012: 46):

> New convening capacities and leadership tools for aligning strengths, interests and priorities at all levels of a supply system, or across public–private sectors including government, academia and NGOs, and even across entire industries, regions and countries—this is the new strategic capacity for game changing innovation.

Cooperrider himself was involved in convening a summit with the UNGC in 2004, with leaders from business and industry, civil society and governmental agencies. Operating from a social constructivist premise, he believed that "the successfully managed macro-moment represents an almost totally undefined, untaught and underestimated leadership leverage point like no other" (Cooperrider & McQuaid, 2012: 46). Mair and Hehenberger's (2014) study of the logics at play in emergent forms of philanthropy used the research method of convening events to bring together dissimilar actors to study the mutual co-existence of competing logics.

7.6.4 Multi-methods research design

The evolving nature of the research was best served by a multi-methods approach, collecting multiple types of qualitative data. Importantly, multi-methods approaches should not be confused with mixed methods that include both qualitative and quantitative data (Creswell & Clark, 2007). For the purposes of the present study, the research methods included interviews, focus groups and deliberative forums across three stages of research outlined in Figure 7.1 and detailed later in this chapter. Qualitative research allows for such innovative and novel approaches, where "no cookbook or recipe exists" (Graebner et al., 2012: 276). Graebner et al. (2012) advocated a broader and more flexible logic to guide the creation and evaluation of qualitative work and identified a number of distinct rationales for using qualitative research, which are relevant to the present study:

- generating theory when the phenomenon being studied is new, previously un-investigated, or developed in settings that lacked ecological validity. Such theory-building may or may not be stated as formal propositions
- to capture individual's lived experiences and interpretations, enabling informants to express themselves in their own words, so that the research sample's own **subjective** experiences and interpretations can be more closely captured. This may complement and extend previous theoretical work rather than building entirely new theory.
- to understand complex processes – for example, feedback loops, balanced tensions, or multiple levels of analysis.
- To examine narratives, discourse, or other linguistic phenomena - qualitative data may be used because the phenomena of interest fundamentally involve words and language. (Graebner et al., 2012: 278-280)

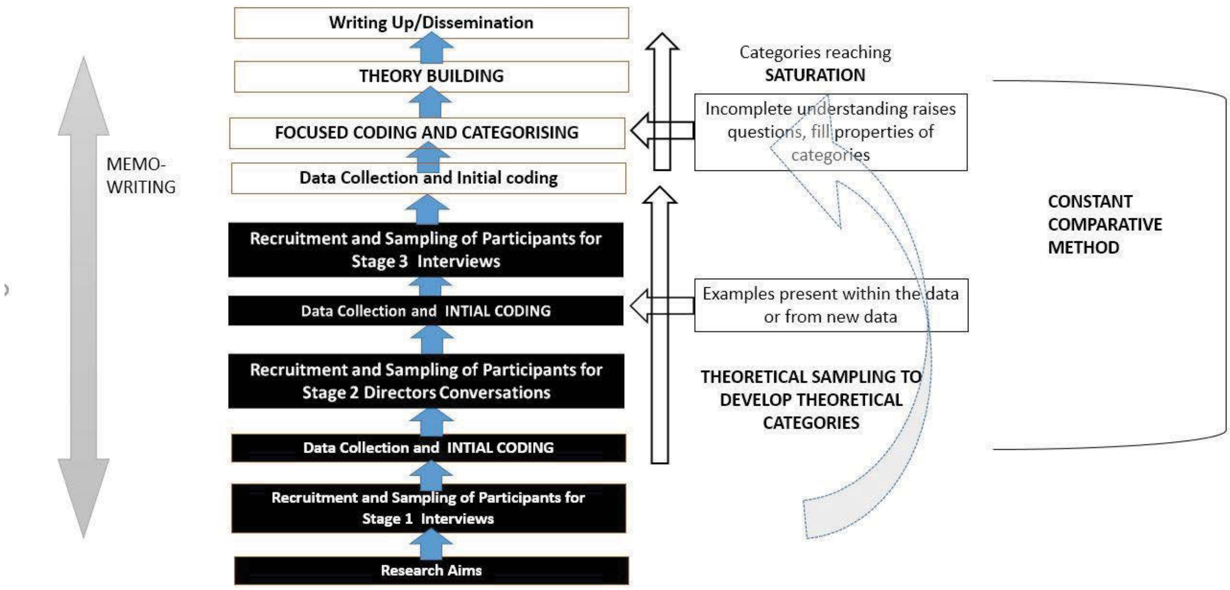

Figure 7.1 Constructive Grounded Theory Research Design (adapted from Charmaz, 2014)

7.6.5 Focus groups and deliberative forums

Central to the multi-method research design are focus groups and their adaptation to deliberative forums (or "directors' conversations"). According to Morgan, Krueger and King (1998), focus groups are an adaptable research method that can serve many purposes: "There is no one 'right way' to do focus groups … we encourage you to experiment with new forms" (Morgan et al., 1998: 54). Focus groups allow the researcher, acting as moderator, to both guide the conversation toward topics under investigation as well as following new ideas as they emerge, allowing different perspectives and tensions to arise. This approach is well suited to a social constructivist position and the research questions that seek to understand the beliefs and practices at play at the CG/CSR interface and on corporate boards. Similarly, a grounded approach to data analysis benefits from the emergence of multiple realities.

The three defining features of a focus group approach include:

- *A research method for collecting qualitative data* – purposive samples of participants who meet the needs of the research project, an openness and flexibility in how questions are asked from group to group, interactive in nature with data becoming more open-ended and less predetermined, and exploration, discovery, interpretation.
- *Focussed efforts at data gathering* – requires planning, to create a concentrated conversation, i.e. a constructed (as opposed to naturally occurring) situation that determines who will participate and what questions will be asked. In terms of the research questions, allows access to a confidential, interactive forum. Large amounts of rich data are produced from multiple research participants in a short period. There is a trade-off with naturally occurring data, whilst acknowledging the difficulty in accessing boards in a participant observation setting.
- *Generate data through group discussions* – with a focus on a range of experiences and perspectives, "focus groups sacrifice details about individuals in favour of engaging participants in active comparisons of their opinions and experiences" (Morgan et al., 1998: 32).

As a qualitative research method, focus groups generate a rich understanding of participants' experiences and beliefs. Morgan et al. (1998) highlighted three strengths that focus groups brought to the qualitative research process:

- *Exploration and discovery* – especially useful as the participants can grow the conversation from an initial question, based on their own interests and perspectives.

- *Context and depth* – participants interact with each other, adding depth to the range of experiences and perspectives.
- *Interpretation* – as participants discuss and learn about each other, the researcher draws greater interpretive insights.

"In a lively group conversation, the participants will do the work of exploration and discovery for you", which is of relevance in research that seeks to "interpret how and why people think and act as they do" (Morgan et al., 1998: 13). The moderator controls the degree of structure – balancing the group's interest and their own research focus. An exploratory, inductive and grounded approach favours less structure: "Listening to what the participants choose to discuss in a less structured group reveals their perspective on the research topic" (Morgan, 1998: 47).

Recruitment of participants generally relies on purposive sampling strategies and will be discussed in more detail in the sampling and data collection sections below. Successful recruitment includes conveying that research is interesting and worthwhile, making the contact a personal and meaningful connection and building on existing relationships wherever possible (Morgan, 1998). Choosing participants as per the project goals is critical.

For Kamberelis & Dimitriadis (2011), focus groups and forums provide a unique and authentic setting for "collective conversations" (2011: 545) and social interactions (Thornton et al., 2012) that have been used for a wide range of purposes over time—political and otherwise. Focus group research is multi-functional and exists at the intersection of:

- Pedagogy – collective engaging and dialogue for higher levels of understanding of issues critical to the development of the group or transformation of conditions of its existence.
- Activism – enacting a political function, to make conditions more democratic for a group of stakeholders.
- Research –from an interpretive approach, to achieve richer, thicker and more complex levels of understanding, to answer how and why questions unanswered by positivistic quantitative methods. (Kamberelis & Dimitriadis, 2011: 546)

Thus, focus groups and forums are an appropriate method to address the central research questions exploring the logics at play at the CG/CSR interface, within corporate boards and their ecosystems.

Researchers are “typically strategic in configuring these intersections” (Kamberelis & Dimitriadis, 2011: 545). Denzin and Lincoln’s (2011) political bricoleur understands that all research findings have political implications. As the invitations to the “Directors’ Conversations” emphasised, the forums aimed to investigate the convergence of CSR and CG at board level; building momentum and mainstreaming discussion. In addition to being multi-functional, focus groups are performative. They allow us to see the world in motion, where ideas may be challenged and contested, and where sensemaking may take place:

> Focus groups thus offer unique insights into the possibilities of critical inquiry as **deliberative**, dialogic, democratic practice that is always already engaged in and with real world problems and asymmetries in the distribution of economic, cultural, and social capital. (Kamberelis & Dimitriadis, 2011: 547)

Such methods are synergistic with the principles of deliberative democracy (Dryzek, 2013), and emergent forms of networked, collaborative governance (Albareda & Waddock, 2016; Scherer & Palazzo, 2007, 2011). The emergence of models of global governance forged by networks and partnerships of private actors, civil society and international organisations opens new and interesting perspectives in theorising about CSR and CG. They point to “interconnected institutional, procedural, and philosophical themes emerging on the CSR research agenda” (Scherer & Palazzo, 2011: 903). These revolve around tensions between normative and instrumental approaches and the changing conditions of corporate legitimacy: from cognitive and pragmatic to moral legitimacy (Suchman, 1995). It is precisely these tensions and perspectives that the directors’ conversations aim to explore in order to reveal the logics at play.

The directors’ conversations incorporate key elements of a deliberative system including authentic communication, an exploration of multiple perspectives on complex issues and a co-existence of moments of consensus and contestation (Dryzek & Stevenson, 2011). Here, the communicative dimension is central, providing the grounded data to which the theoretical lens of institutional logics and its focus on complexity, multiplicity, pluralism and contestation can be tested (Besharov & Smith, 2014). For Kamberelis & Dimitriadis (2011), such research settings are capable of producing data based on social-interactional dynamics that is unattainable through individual interviews and observations. The richness and complexity of group dynamics reveal unarticulated norms and normative assumptions, collective memories and ideologies: "The role of the researcher becomes decentred, allowing the researcher to facilitate the democratisation of the research process and to see how people position themselves in relation to each other" (Kamberelis & Dimitriadis, 2011: 545). As moderator, the researcher must build rapport, synthesise, probe and clarify. A professional, intimate, trusted setting with a clear understanding of confidentiality and purpose of research will allow participants to engage deeply.

In addition to an audio transcript, field notes or video recording body language and emotion add to the data's richness. Early findings from the first focus group are incorporated into the subsequent focus groups as a way of confirming, disconfirming or amplifying the phenomena under study (Krueger, 1998). A growing pool of research from the field of institutional logics sees the empirical benefits of convening focus groups and forums, for example, Mair and Hehenberger's (2014: 1175) study of the mutual co-existence of differing logics in the philanthropic field, "Convening enables events to become relational spaces that serve as contexts for negotiations over the models, practices, and underlying assumptions".

7.6.6 Semi-structured interviews

Semi-structured interviews complement the interactive methods of focus groups and forums, and form an integral part of the research design. Interviews enable researchers to access subjective experiences and perspectives of their research subjects, as distinct from naturally occurring data, such as observations and, to an extent, focus groups (Perakyla & Ruusuvuori, 2011). Interview data analysis for social constructivists assumes that participants actively create meaning, giving rise to the concept of the "active interview" (Silverman, 2010). It is this very process of constructing meaning or sensemaking (Weick, 2005) that is explored in investigating the research questions. To quote Silverman (2010: 299), "constructionist interviewers seek to understand the varied contexts out of which we draw from experience to convey accounts of who and what we are". To capture these insights, a semi-structured interview method was utilised. In keeping with a grounded approach, the interview guide was developed iteratively as fieldwork progressed and greater insights into the research questions were gained (Angus-Leppan et al., 2010; Charmaz, 2014). Stage One interviews sought to scope the CG/CSR interface, building on the literature review and serving to contextualise emerging themes explored in the first of the focus groups. Subsequently, Stage Three interviews drew from the key themes raised in the focus groups, in a series of focussed interviews with directors of boards.

The grounded iterative approach involves a reflective process of "studying, revising and developing interview questions and skills" (Charmaz, 2014: 57) as data collection progresses and the researcher moves towards saturation of emergent categories and concepts. This is aided by "intensive interviewing" (Charmaz, 2014: 56) characterised by selection of research participants with direct experience of the topic being studied, in-depth exploration of participants experiences and perspectives, open-ended questions and detailed responses. The interviewer avoids interruption, listens closely, behaves empathically, probes and aims for an in-depth description of the studied experience. In keeping with a grounded approach of intensive interviewing (Charmaz, 2014), careful preparation for each interview involves researching the interviewee's background and becoming familiar with any relevant contextual information to elicit the interviewee's perspective. "Identifying some of your prospective participant's key terms in advance can help you form questions and put your research participant at ease" (Charmaz, 2014: 61). The research interview commences with open ended questions followed by probing and iteratively developed questioning to delve more deeply into beliefs, assumptions and insights.

7.6.7 Sampling

Research design and sampling are inextricably linked (Denzin & Lincoln, 2011). Sampling bounds the case study design and collection of data (Miles & Huberman, 1994). To tackle the challenges of qualitative research at the board level and broaden the analysis to "a wider array of actors and institutions involved in governance" (McNulty et al., 2013: 194), purposive, snowball and theoretical sampling approaches were utilised.

7.6.7.1 Purposive sampling

Unlike the random sampling practices used in quantitative research, purposive sampling allows researchers to choose a sample based on features that may interest the research and where the processes being studied are most likely to occur: "Purposive sampling demands that we think critically about the parameters of the population we are studying and choose our sample case carefully on this basis" (Silverman, 2010: 141). Although sampling in qualitative research is not statistical, it should ideally be theoretically grounded. In addition to active members of corporate boards engaged in corporate responsibility, and given the institutional theoretical underpinnings of the study, other research participants included in the study are purposively sampled representatives of the CSR and CG institutional infrastructure (Brammer & Pavelin, 2013; Scherer & Palazzo, 2011; Waddock, 2008a) as discussed in Chapter 2, section 2.4 and detailed in the following section on data collection (see also Table 7.3).

7.6.7.2 Snowball sampling

Samples in qualitative studies can be allowed to evolve as fieldwork evolves and the understanding of initial choice of participants and research requirements develop conceptually driven sequential sampling (Miles, Huberman, & Saldaña, 2014). Given the challenges of accessing directors of boards (Leblanc & Schwartz, 2007; McNulty et al., 2013; Pettigrew, 1992), snowball or opportunistic sampling (Miles et al., 2014), where research engagement with one director leads to the introduction of another, became a helpful research strategy and a key feature of the present study. By drawing directors into the "directors' conversations", connections with new directors were made and successfully pursued for one- to-one interviews. Two of the directors that attended the forums agreed to be interviewed in the third research stage. Leblanc and Schwartz (2007) discuss snowball sampling as one way to overcome the impediments of gaining access to boards. In answering criticism over the snowball technique possibly affecting the validity of the sample, "we would argue that such concerns are not critical, particularly when one is engaged in qualitative, grounded research" (Leblanc & Schwartz, 2007: 849).

7.6.7.3 Theoretical sampling

Theoretical sampling is a type of grounded theory sampling, taking the researcher further than the representative objectives of purposive sampling, to develop the emerging theoretical categories in the research project (Charmaz, 2014). As categories develop, further data is gathered until no new properties or theoretical insights of the categories emerge and saturation is achieved. According to Charmaz (2014), theoretical sampling is strategic, specific and systematic. It pertains to the conceptual and theoretical development of analysis as opposed to increasing the statistical generalisability of results. As data gathering proceeds and categories become saturated with properties, memos become increasingly analytic, to be later sorted and integrated into the theoretical categories. Diagrams, rich pictures and maps chart this course. To understand or explain surprising results in the course of data collection and analysis, theoretical sampling invokes abductive reasoning, a form of imaginative reasoning that requires a tolerance of ambiguity that may help to demonstrate the links between categories (Charmaz, 2014). Abductive reasoning follows inductive discoveries to pursue and test imaginative interpretations and deductions, "By engaging in theoretical sampling, saturation and sorting, you create robust categories and penetrating analyses … successively more abstract memos give grist … sorting and diagramming gives you an initial analyst frame … to write the first draft of your report" (Charmaz, 2014: 224).

In summary, the research draws on a range of sampling strategies. Purposive and theoretical sampling are especially suited to emergent qualitative research. As Bazeley (2013) noted, sampling often begins as purposive, to then become augmented by theoretical sampling. This allows for deeper, more exploratory analysis of themes arising from the initial analysis.

7.7 Data Collection Methods

7.7.1 Introduction

Data collection was guided by constructivist grounded theory. As discussed, this incorporated an iterative, inductive, emergent approach together with an awareness of the subjectivist position of the researcher (Charmaz, 2014). Grounded theory seeks to understand emergent multiple realities, well suited to the research aims of exploring the institutional logics (beliefs and practices) at play amongst key actors at the interface of CSR and CG, and the engagement boards. The research occurred across three iterative stages as set out in Figure 7.2 and detailed in the following sections to collect thick, rich textual data:

Stage One: Scoping the institutional field – Semi-structured interviews, field notes and focus group

Stage Two: Directors' conversations

Stage Three: Delving deeper – Semi structured interviews inside the board

All recorded interviews, focus groups and directors' conversations were transcribed, de-identified and uploaded into NVivo software for analysis.

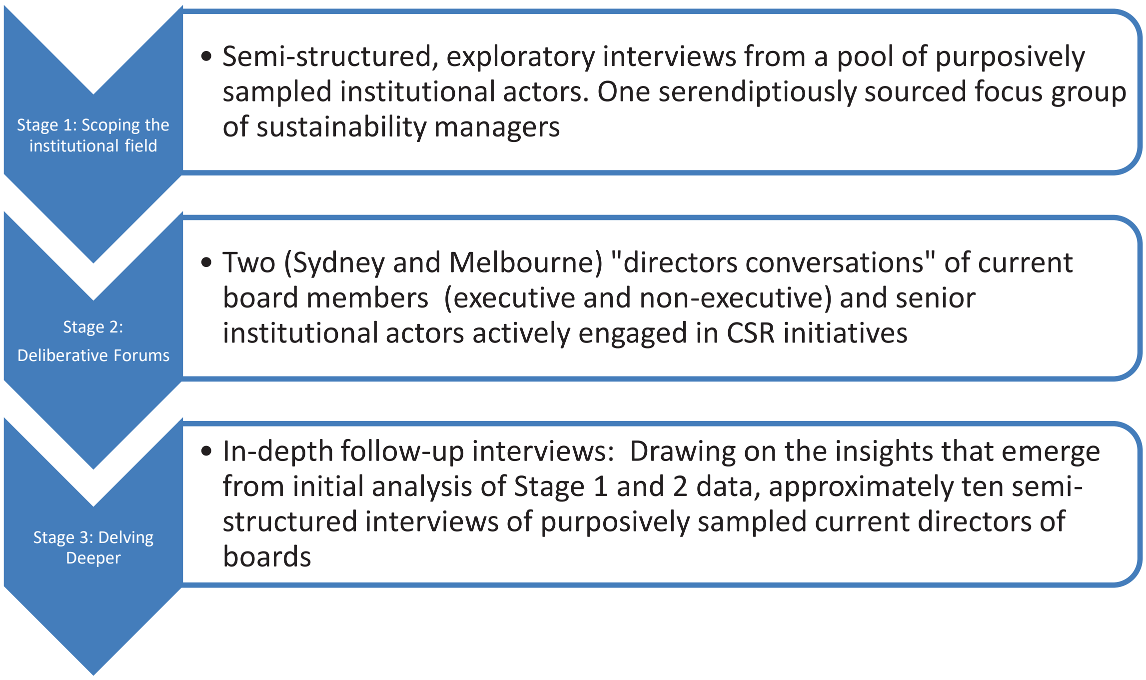

Figure 7.2 Three Stages of Research Design

7.7.2 Stage One: Scoping the institutional field

Stage One of data collection scoped the institutional field at the CG/CSR interface to consider the following research aims:

- The beliefs and practices (logics) at play at the intersection of CG and CSR amongst the relevant actors.
- Their experience of board level engagement.

These will explore the research problem of there being a lack of CSR engagement at board level.

7.7.2.1 Sampling

Participants (n = 19) were drawn from the institutional infrastructure outlined in Chapter 2 and again in Chapter 5, section 5.4, which examines the most recent collaborative activity at this interface encompassing CG, responsible investment, corporate reporting and corporate sustainability initiatives. Stage One interviews were largely conducted ahead of the Stage Two events. Figure 7.2 illustrates the progression in sampling across the three stages of research, based on theoretical sampling principles (Charmaz, 2014). At the commencement of data collection, the focus was on the interface of CG and CSR as understood in the institutional theoretical terms of coercive (regulators and standard setters), normative (CSR initiatives, professional membership and industry bodies,) and mimetic (directors of boards, senior executives and managers of corporations signed on to CSR initiatives) (Matten & Moon, 2008). As the research and literature review progressed, the development of new initiatives at the interface of CG and CSR added complexity to the studied interface with the notable growth of the investor community. For example, from the literature, Scherer and Palazzo's (2011) global governance framework of political CSR drew together "a polycentric and multilateral process to which governments, international institutions, civil society groups, and business firms contribute knowledge and resources" (2011: 900). From the field of CG, McNulty et al. (2013) called for broadening CG research to include "investors, directors, regulators, and managers" (2013: 195). These are set out in Figure 7.3.

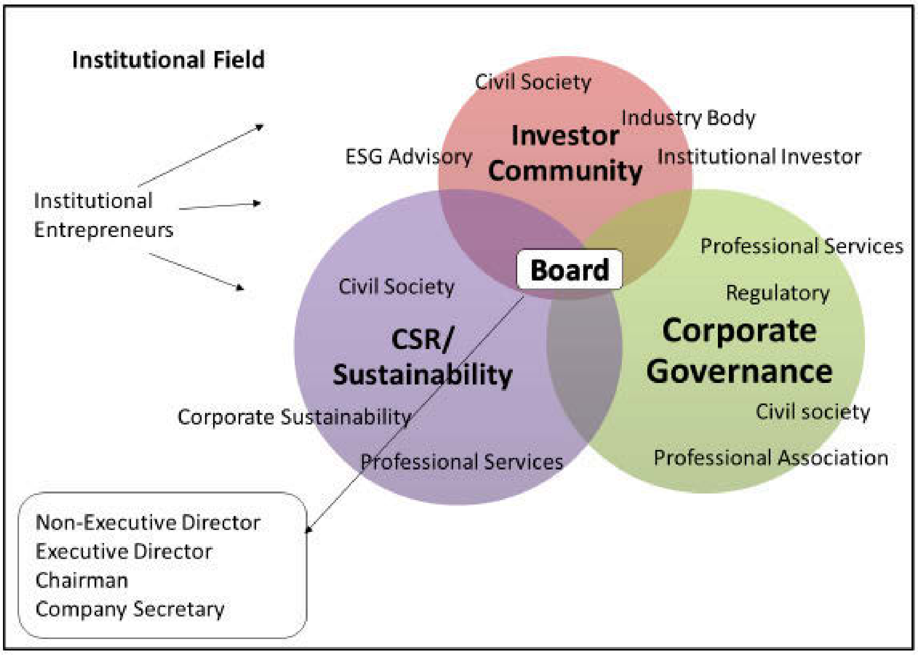

Figure 7.3 Sampling the Institutional Infrastructure at the Interface of CG and CSR

Using purposive sampling, participants were approached directly through the author's own professional networks (formed during the establishment of global CSR initiatives in Australia from 2008 to 2012). Each potential interviewee was provided with a participant information sheet and consent form to consider if they would be interested in participating. A high level of interest was generated and all potential participants that were approached agreed to be interviewed. To date, there has been very little opportunity to discuss issues of board engagement and the convergence of CG and CSR. Table 7.3 summarises the sample from Stage One interviews. Each research participant has been provided with an alias to safeguard confidentiality.

Table 7.3 Stage One - List of Interviewees

Alias	Classification	International	Position	Sector
Case\\Bryce	CG: Professional Association	No	Executive	Professional Association: Directors
Case\\Felicity	CG: Professional Association	No	National Director, Policy & Publishing	Professional Association: Governance
Case\\Harry	CG: Civil Society	Yes	Advisory Board Member	Legal Advocacy

Case\\Polly	CG: Professional Association	No	Policy Officer	Professional Association: Directors
Case\\Sally	CG: Professional Association	No	Advisory Officer	Professional Association: Directors
Case\\Tony	CG: Professional Association	Yes	Senior Technical Manager	Professional Association: Accounting
Case\\David	CSR: Professional Services	No	Principal Consultant	Professional Services: Assurance
Case\\Noni	CSR: Corporate	Yes	Director - Group Sustainability	Energy Provider
Case\\Peter	CSR: Professional Services	No	Environmental Consultant	Professional Services: Environmental
Case\\Renee	CSR: Civil Society	Yes	Senior Director, Corporate Programs	NGO
Case\\Svetlana	CSR: Civil Society	Yes	Manager	UN Multi- lateral
Cases\\Francis	Investor Community: Civil Society	No	Associate	UN Multi- lateral
Case\\Nicholas	Investor Community: Industry Body	No	Manager	Investor Industry Body: Superannuation
Case\\Oscar	Investor Community: Institutional Investor	Yes	Director, CG and Responsible Investment	Financial Services: Institutional Investor
Case\\William	Investor Community: Institutional Investor	No	Head of ESG Investment Research	Financial Services: Institutional Investor
Case\\Wilma	Investor Community: ESG Advisory	No	Managing Director	Financial Services: Advisory
Case\\Edward	Institutional Entrepreneur	Yes	Chairman, Director, Professor	Academic and NGO
Case\\Karl	Institutional Entrepreneur	Yes	Chairman, Director	NGO
Case\\Walter	Institutional Entrepreneur	Yes	Vice President & Senior Fellow	NGO

Classification of research participants at the interface of CG and CSR is drawn from a pool of purposively sampled institutional workers (Lawrence et al., 2011) and entrepreneurs (Battilana et al., 2009; Maguire et al., 2004) actively engaged in CSR initiatives. The broad classification attributes include:

- CG – including actors drawn from professional associations representing directors, company secretaries, accountants and advocacy groups.

- CSR – actors engaged in CSR activity including corporate managers, UN multilateral organisations (e.g. UNGC) and professional services.
- Investor community – including institutional investors, transnational NGOs (e.g. PRI), industry bodies and ESG advisory services
- Institutional entrepreneurs – defined as "actors who have an interest in particular institutional arrangement and who leverage resources to create new institutions or to transform existing ones" (Maguire et al., 2004: 657). Such actors engaged in CSR issues have understood that earlier efforts to drive normative change at the institutional field level (for instance, with the development of the GRI) through inclusiveness and multi-stakeholder participation brought iterative but not the transformational change that had been hoped for (Brown et al., 2009b). Three prominent institutional entrepreneurs are included in the study. They provide important insights from the interface of CG and CSR, and the challenge of engaging boards. Battilana et al. (2009) lift earlier definitions of institutional entrepreneurship to include the mobilisation of resources to bring about divergent change. That is, to break with the institutional logic or shared understanding within the institutional context and to initiate and actively participate in the implementation of the divergent change. Each of the research subjects is internationally recognised for such activities.

Significantly 'civil society' (Ochoa, 2008) activity spans the CSR, CG and investor institutional infrastructure. The term civil society is taken to mean "sectors of society, mainly individuals and organizations, who do not act on behalf of the state or the private (profit-oriented) sector … becoming increasingly engaged in the development of organizational forms designed to deal with multinational actors, such as global enterprises" (Ochoa, 2008: 2). Activity is generally collective and focussed on individual rights within political and economic determinations. Habermasian (1991) notions of a deliberative democracy come into play as civil society becomes increasingly globalised, moving beyond national boundaries to contribute to forms of global governance as discussed in Chapter 2 (Scherer & Palazzo, 2011). Reflecting this trend towards globalisation, the research sample is Australian, linked to an international environment. Professional services also span the research domains. These include accounting, legal, management and proxy voting consultancies and services.

7.7.2.2 Method

Semi-structured interviews (together with field notes) using intensive interviewing techniques (Charmaz, 2014) sought to explore the perspectives of the participants at the intersection of CG and CSR and their experience of board level engagement (see interview guide in Appendix: A1.1.1). Each interview was guided by the following sequence:

- For each participant, prior research was conducted into their professional experience and background to contextualise the questions and probing (Charmaz, 2014).
- The interview began with an introduction to the research aims.
- Open-ended questions were used to commence the exploratory interview, on the participants' views and experience of the relationship between CG and CSR. This included exploring the impact of CSR initiatives as part of the institutional infrastructure and their own beliefs and practices (logics).
- Insights on board engagement and likely influences in CSR were then explored.
- Probing and iteratively developed questioning enabled the interview to delve more deeply into these beliefs, assumptions and insights including likely coercive, normative and mimetic (DiMaggio & Powell, 1983) influences.

7.7.2.3 Serendipitous focus group

Following the completion of Stage One interviews, I was invited to address the Australian Sustainability Leaders Forum, which is a peer learning, confidential networking forum of senior corporate sustainability/CSR leaders. A number of members had learned about my research and were interested to hear more. This provided me with a serendipitous research opportunity, i.e. an unplanned and fortuitous research event (Pina e Cunha, Clegg, & Mendonça, 2010) aligned with notions of political bricolage (Denzin & Lincoln, 2011), whereby the forum agreed to participate in a focus group discussion on my research issues as part of their monthly forum. Higher degree research ethics consent forms were signed and the 'focus group' audio recorded and transcribed (Table 7.4). Questions for discussion were adapted from the semi-structured interview for a moderated interactive format. Given the homogeneity and shared interests of the participants, it was anticipated that additional data would be generated due to interaction between participants and, therefore, further insights at the interface of CG and CSR would emerge (Bazeley, 2013). As Bazeley (2013) noted, group dynamics are affected by the level of similarity and the purpose of group construction, affecting the freedom of participants to speak and patterns of influence and levels of consensus to emerge. From my perspective, I sensed a close, trusting environment—a meeting of peers in a group specifically set up to enable members to share freely and authentically. Sustainability or CSR managers are recognised in empirical research as the CSR sensemakers for their respective organisations (Angus-Leppan et al., 2010; Basu & Palazzo, 2008) and are, therefore, in a unique position to provide insights on board level engagement at the organisational level.

Table 7.4 List of Focus Group Participants

Alias	Classification	Position	Sector
Case\\Christine	CSR: Corporate	Group Manager Sustainability	Oil and Gas
Case\\Dick	CSR: Corporate	Sustainability Director	Local Government
Case\\Fran	CSR: Corporate	Group Manager - Environment and Carbon Strategy	Aviation
Case\\Freya	CSR: Corporate	Head of Corporate Affairs and Sustainability	Manufacturing
Case\\Garry	CSR: Professional Services	Convenor	Professional Services
Case\\Gemma	CSR: Corporate	Manager Sustainability Strategy	Energy Provider
Case\\Kate	CSR: Corporate	Former Head Sustainability	Manufacturing
Case\\Matt	CSR: Advocacy	Head of Corporate Social Responsibility	Financial Services
Case\\Robert	CSR: Corporate	Sustainability Manager	Retail Services
Case\\Roslyn	CSR: Corporate	Head of Sustainability and Corporate Affairs	Financial Services

In keeping with a grounded approach, emergent themes from these interviews formed the basis of open-ended questions for the next stage of research (Charmaz, 2014).

7.7.3 Stage Two: Directors' conversations – deliberative forums

Stage Two formed the centrepiece of the research design, convening deliberative forums (Cooperrider & McQuaid, 2012, Dryzek & Stevenson, 2011) with which to attract and leverage interested corporate board members and other actors at the interface of CG and CSR to extend the research aims from:

- The beliefs and practices (logics) at play at the intersection of CG and CSR amongst the relevant actors and their experience of board level engagement to

- The CSR beliefs and practices at the board level.

7.7.3.1 Overview

As noted earlier in this chapter, researchers are "typically strategic in configuring these intersections" (Kamberelis & Dimitriadis, 2011: 545), no more so than in the ongoing research challenge of gaining access to corporate boards (Leblanc & Schwartz, 2007; McNulty et al., 2013; Pettigrew, 1992) and "the need for creative empirical approaches" (Ryan et al., 2010: 687). As discussed earlier, based on principles of leverage invoked by the convening of events (Cooperrider & McQuaid, 2012), senior board members were targeted for their involvement, with a series of adapted focus groups or deliberative forums, billed as 'directors' conversations' with influential business leaders. The conversations were entitled: "Engaging Boards in Corporate Responsibility: Towards New Models of Corporate Governance". The directors' conversations initially began as the author's idea to run focus groups with a homogenous group of board members. This then broadened to consider a more deliberative multi-stakeholder setting (Dryzek & Stevenson, 2011) from which to attract key actors from the institutional field whilst engaging directors. In addition to meeting the need for more qualitative research in CG, broadening the research sample also addressed McNulty et al.'s (2013: 190) concerns that "research is most attentive to the study of boards of directors and much less of other actors, mechanisms, and aspects of corporate governance". This drove a higher level of interaction and important 'flashpoints' amongst participants during the course of the discussion, generating rich insights for data analysis. By targeting senior business leaders as mimetic influencers (DiMaggio & Powell, 1983), momentum was established, enabling access to increasing numbers of board members for a subsequent directors' conversation and ultimately one-on-one interviews of board members in the final stage of research.

The planning of focus groups and deliberative forums (Morgan, 1998) involved a resource intensive process of recruiting participants (purposive, snowball and theoretical sampling), securing a host partner to provide an appropriate venue for senior business leaders, and developing, targeting and following up on invitations to participate. Support was provided from key actors at the CG/CSR interface including

Ernst & Young as the host, ACSI and the Governance Institute of Australia. These organisations were also able to assist in targeting relevant members for the event. Two forums took place, in Sydney and Melbourne, as these are the largest business centres in Australia.

7.7.3.2 The Sydney directors' conversation – strategy, sampling and methods

The Sydney directors' conversation was held in April 2014. Grounded theorists recognise the importance of situational context in data gathering (Charmaz, 2014; Clarke, 2005). Recent 'jolts' (a phenomenon described in Meyer, Brooks, & Goes, 1990) had heightened the relevance of CSR issues at the corporate board level. These included a clothing factory collapse in the developing world highlighting human rights abuses in corporate supply chains of major Australian retailers (Donelly, 2015), and the divestment of stocks held in fossil fuels that highlighted the vulnerability of the Australian mining industry in the face of climate change adaptation and mitigation (Hewson, 2014). Significantly, the third edition of the ASX Corporate Governance Principles and Recommendations (2014) with its introduction of a principle based on ESG risk had been launched a month earlier. Further, increased international activity was being driven by institutional investor members of the PRI in the lead up to the UN Framework Convention on Climate Change in Paris[7] in December 2014, by signing on to the Montréal Carbon Pledge[8] for the de-carbonisation of investor portfolios. Targeted invitations framed these contextualising factors (Charmaz, 2014; Clarke, 2005) in combination with the role of emergent global governance initiatives at the CG/CSR interface:

> As recent events, such as the Rana Plaza factory collapse in Bangladesh demonstrate, the global operating environment for business has become increasingly complex and interconnected - an environment that Directors of Boards, those ultimately responsible for the governance of corporations, must learn to navigate.
>
> This first conversation of the series will address the engagement of Boards of Directors in social, environmental and governance issues and emergent global governance initiatives such as Integrated Reporting, the UN Principles for Responsible Investment, the UN Global Compact, and the Global Reporting Initiative. More locally the new draft ASX Corporate Governance Principles - and the integration of these into corporate governance decision making is highly topical. (Sydney Directors' Conversation Invitation) (Appendix: Figure A1.1)

[7] http://unfccc.int/paris_agreement/items/9485.php
[8] http://montrealpledge.org/

A panel of conversation leaders was convened for the Sydney event to reflect these issues, including:

- a senior non-executive director serving on the board of a top ten listed company on the ASX (ASX 10) impacted by both supply chain and divestment events and actively engaged in the CSR institutional infrastructure
- a regional director of the world's largest institutional investor, actively involved in the PRI
- an ASX executive, responsible for the third edition of the ASX Corporate Governance Principles and Recommendations (2014).

Built around this structure were invitees as represented by the sampling summary in Table 7.5 and detailed below, drawn from the author's own professional network and snowball sampling techniques. By featuring a senior member of the Australian Board community on the invitation it was hoped that this would function as an endorsement and mimetic influence with which to draw in his peer group of senior board members (Leblanc & Schwartz, 2007).

Table 7.5 Stage Two – Sydney Directors Conversation Participant Summary

Classification	Position	Sector
Conversation Leaders:		
Board - Non-Executive Director	Non-Executive Director (ASX 10)	Conglomerate
Investor Community - Institutional Investor (ESG)	Head, Asia Pacific Corporate Governance and Responsible Investment	Financial Services
Regulator	Executive Officer	Government
Conversation Contributors:		
CSR - Civil Society	Chair	NGO
Regulator	Semi- Retired	Statutory Authority
CSR - Professional Services	CEO	Professional Services - Environmental
Academic	Manager	Higher Education
Academic	Professor	Higher Education
CSR - Civil Society	Manager	NGO
CSR - Corporate	Manager	Financial Services
CSR - Professional Services	Partner	Professional Services
Attendees:		
Academic	Senior Lecturer	Higher Education
Academic	Professor	Higher Education
Academic	Lecturer	Higher Education
Academic	Senior Lecturer	Higher Education
Board - Company Secretary	Group Company Secretary	Agriculture

Board - Company Secretary	Company Secretary	Energy
Board - Executive Director	CEO (Australia & New Zealand)	Financial Services
Board - General Counsel	Deputy General Counsel	Property and Retail
Board - Non-Executive Director	Director	Professional Services
Board- Executive Director	CEO	Financial Services
Board- Chairman	Director and Chair of the Investment Committee	Local Government
CG - Professional Association	National Director, Policy & Publishing	Professional Association - Governance
CG - Professional Association	National Director, Operations	Professional Association - Governance
CG - Professional Association	Senior Policy Advisor	Professional Association - Directors
CSR - Corporate	Group Manager Corporate Sustainability (and Director, UNGC Network Australia)	Oil and Gas
CSR - Professional Services	Senior Sustainability Consultant	Professional Services
CSR- Civil Society	Coordinator	International Civil Society
CSR- Civil Society	Executive Manager	UN Multi-lateral
CSR- Civil Society	Chair	UN Multi-lateral
CSR- Corporate	Head of Corporate Responsibility Strategy	Financial Services
CSR- Professional Services	Partner	Professional Services
CSR- Professional Services	Executive Assistant	Professional Services
CSR- Professional Services	CEO	Environmental Services
Investor Community - Institutional Investor	Head of Environmental, Social and Governance (ESG) Research	Financial Services
Investor Community - Institutional Investor	Managing Director	Financial Services
Investor Community - Institutional Investor (ESG)	ESG Associate	Financial Services
Regulatory	Former Deputy Chairwoman	Government
Regulatory	Senior Policy Advisor & Legal Counsel	Government
Regulatory	Senior Executive Leader, Corporations	Government
Student	Business Ethics	Higher Education

On agreeing to participate, the conversation leaders were briefed before the event on the research purpose and the emergent themes from Stage One, the iterative nature of the research and their role on the evening. Their own perspectives on board engagement at the CG/CSR interface were discussed and this then provided contextualised material with which to frame open-ended questions and prompts for the event (Appendix: Table A1.2). An order of proceedings sheet was developed and circulated (Appendix: Table A1.1). The event began with a welcome from the host and the introduction of their recent global ESG investor report. Adapting the focus group method to the deliberative 'directors' conversations', I initially guided the conversation as moderator, commencing with introductory comments on the research purpose and findings to date. Each conversation leader was then invited to share their perspectives on the CG/CSR interface and engagement of boards. The phrasing of questions was open-ended, allowing respondents to determine the direction of the response, with probing questions to elicit additional information (Morgan et al., 1998). As the conversation gained momentum, the conversation leaders were encouraged to ask each other probing questions and the wider group of 'attendees' were invited to contribute to the discussion, broadening the insights and interactions. Those attendees who chose to contribute to the conversation are listed in Table 7.5 as 'conversation contributors'. Moderation became more flexible, encouraging dynamic, interactive dialogue with the purpose of letting tensions emerge (Morgan et al., 1998). Participants were encouraged to embrace the principles of deliberative democracy, i.e. informed and respectful communication, an exploration of multiple perspectives on complex issues and a co-existence of moments of consensus and contestation (Dryzek, 2012; Dryzek & Stevenson, 2011). My overall strategy as political bricoleur (Denzin & Lincoln, 2011) was to tie group dynamics to the purpose of the research, at the intersection of pedagogy, activism and interpretive inquiry (Kamberelis & Dimitriadis, 2013). The aim was to elicit 'communication streams' and sensemaking (Ocasio et al., 2015) with which to explore the institutional logics (beliefs and practices) at play amongst key actors at the interface of CSR and CG, with a primary research focus on boards.

For the sake of clarity amongst the different stakeholder groups, it was requested that acronyms be kept to a minimum. All conversation leaders and contributors to both the Sydney and Melbourne directors' conversations signed UTS research ethics consent forms with a group-wide agreement to hold the conversation under the Chatham House Rule (Chatham House, 2002) on non-attribution. This method is regularly used in similar events. The conversation was audio recorded, transcribed and de-identified.

7.7.3.3 The Melbourne directors' conversation – strategy, sampling and methods

The Melbourne event, held in October 2014, followed the same research strategies as Sydney with two significant developments. First, owing to the success of the Sydney event, I was able to build momentum and drive greater access into Australian boardrooms. Through my professional network, I made contact with a senior business leader, known for his strongly held beliefs on the importance of business leaders communicating with their stakeholders. Contextualising factors included a growing distrust by customers of their financial institutions. The highly regarded senior business leader agreed to participate in the Melbourne event as a conversation leader. As a chairman of one of Australia's largest financial organisations, as well as chairman of a highly-regarded government research organisation and current non-executive director of an ASX 10 firm, significant leverage was gained through his participation. Leblanc and Schwartz (2007) identify a peer or club mentality across many Anglo-American boards where the endorsement of the peer group can be used to advantage in negotiating access for qualitative research on boards. In this instance, there was a marked increase in board level interest in the Melbourne event as evidenced by the participant list in Table 7.6. The panel of conversation leaders was quickly populated with board members. Conversation participants included a regulatory commissioner and other senior board members together with civil society, corporate and professional services representatives. There was a strong showing of professional services across accounting, CSR and governance, and the financial and superannuation sectors. This reflects both the mainstreaming of CG/CSR issues into business and investor activity, and the networks of the host and supporting organisations. A detailed order of proceedings for the Melbourne event can be found in the Appendix (Table A1.3). The evening commenced with a report from a board member of the PRI (and Superannuation Fund CEO) on the signing of the Montreal Pledge launched a week earlier, adding to the situational context (Clarke, 2005).

Table 7.6 Stage Two – Melbourne Directors Conversation Participant Summary

Classification	Position	Sector
Conversation Leaders		
Board - Non-Executive Director	Non-Executive Director (ASX 50)	Manufacturing
Board - Non-Executive Director	Non-Executive Director (ASX 30)	Chemical and Mining
Board - Chairman and Non-Executive Director	Chairman and Non-Executive Director (ASX 20)	Financial Services
Board - Non-Executive Director	Non-Executive Director (ASX 200)	Integrated Services
Investor Community - Industry Body	Executive Director	Investor Industry Body

Conversation Contributors		
Board - Non-Executive Director	Non-Executive Director	Property
Board - Non-Executive Director	Non-Executive Director	Oil and Gas
CSR - Civil Society	Technical Manager	NGO
CG - Professional Services	Associate	Legal
CSR - Corporate	Sustainability Manager	Financial Services
Regulator	Commissioner	Government
Attendees		
Academic	School of Law	Higher Education
Academic	Professor	Higher Education
Board - Company Secretary	Company Secretary	Telecommunicatio n
Board - Company Secretary	Company Secretary	Mining
Board - Non-Executive Director	Non-Executive Director	Building and Construction
Board - Non-Executive Director	Director (and Non-Executive Director of Impact Investing Start-up)	Start-up
Board - Non-Executive Director	Non-Executive Director	SME
Board - Chairman	Chair	Agriculture
CG - Professional Association	President	Professional Association - Financial
CG - Professional Association	National Director, Policy & Publishing	Professional Association - Governance
CG - Professional Services	Partner	Legal
CG - Professional Services	Senior Associate	Legal
CG - Professional Services	Manager	Governance
CG - Professional Services	Partner	Accounting
CG - Professional Services	Partner	Accounting
CG - Professional Services	Associate	Legal
CSR - Civil Society	Founder	Not-for-Profit
CSR - Civil Society	Co-Founder and CEO	NGO
CSR- Corporate	Manager	Pharmaceutical
CSR- Corporate	GM, Overseas Operations / Director, CSR	Telecommunicatio n
CSR- Corporate	General Manager, Governance, Integration and Reporting	Mining
CSR- Corporate	Head of Corporate Responsibility Strategy	Chemical and Mining
CSR- Professional Services	Senior Consultant	Consultancy
CSR- Professional Services	Director, Climate Change and Sustainability	Professional Services
CSR- Professional Services	Executive Director	Professional Services
CSR- Professional Services	Chair	Professional Services
CSR- Professional Services	Director	Professional Services

Investor Community - Civil Society	CEO	NGO
Investor Community - ESG Advisory	Managing Director	Financial Services
Investor Community - Industry Body	CEO	Financial Services
Investor Community - Institutional Investor	Managing Director Asia Pacific	Financial Services
Investor Community - Institutional Investor	Senior Institutional Business Executive	Financial Services
Investor Community - Institutional Investor	Chairman	Financial Services
Investor Community - Institutional Investor	Director	Superannuation
Investor Community - Institutional Investor	Head of ESG	Superannuation
Investor Community - Institutional Investor	Head of Public Affairs	Superannuation
Investor Community - Institutional Investor	Manager Corporate Sustainability	Superannuation
Investor Community - Institutional Investor	Responsible Investment Manager	Superannuation
Investor Community - Institutional Investor	Executive Officer Risk	Superannuation
Investor Community - Institutional Investor	Executive Manager - Investments and Governance	Superannuation
Investor Community - Institutional Investor	CEO	Superannuation
Investor Community - Institutional Investor	Manager, Governance and Sustainable Investment	Superannuation
Media	Publisher	Media

Second, a briefing paper (Figure 7.4) that summarised emerging themes from the first directors' conversation in Sydney was shared with all invitees before the event, furthering the iterative, grounded research approach. A range of issues with competing tensions emerged in the first directors' conversation and have been clustered into key themes on the briefing paper. The second conversation in Melbourne aimed to build on these themes. Conversation leaders were briefed in the same way as for the Sydney event, on the research purpose and the emerging themes from the previous event. Their own perspectives on board engagement at the CG/CSR interface and themes from the Sydney conversation were discussed. These then provided contextualised material with which to frame open-ended questions and prompts for the event, addressing each of the emergent themes (Appendix: Table A1.4). At the close of the event, I was approached by a number of board members who were interested in supporting my research by making themselves available for an interview and contacting colleagues on my behalf.

Engaging Boards in Corporate Responsibility: Towards New Models of Corporate Governance

UTS
UNIVERSITY OF TECHNOLOGY, SYDNEY

Briefing Paper

Introduction

The following document summarises key themes to emerge from the first of three "Directors Conversations" on *Engaging Boards in Corporate Responsibility: Towards New Models of Corporate Governance* held in Sydney April 2014. These will provide the base for the second in the series to be held in **Melbourne, Wednesday 1st October 2014,** together with a panel of Australian business leaders.

Background

The global operating environment for business has become increasingly complex and interconnected - an environment that Directors of Boards, those ultimately responsible for the governance of corporations, must navigate.

The first conversation of the series explored the engagement of Boards of Directors in emergent social, environmental and governance issues (ESG) and their global governance initiatives such as Integrated Reporting (<IR>), the Principles for Responsible Investment (PRI), the UN Global Compact (UNGC) and more locally the 3rd edition of the ASX Corporate Governance Principles - and the integration of these into corporate governance decision-making. Panellists included a prominent non-executive director, investor, and regulator. Joining them in conversation were a diverse multi-stakeholder audience including company directors, secretaries and CEOs, regulators, investors, representatives from sustainability initiatives, practitioners, associations and industry bodies.

Purpose

The series aims to investigate the convergence of corporate responsibility and corporate governance at Board level; build momentum and mainstream discussion; and support others' working in this growing area. The series takes a qualitative, exploratory research approach: how and why do boards engage in corporate responsibility and sustainability?

Conversations are held in an intimate setting under Chatham House Rule to promote robust deliberation. Emergent themes and issues will be developed iteratively across the three events. The outcomes from the discussion will serve to inform a summary report and doctoral research being conducted by Rosemary Sainty from the UTS Business School.

A range of issues with competing tensions emerged in the first "Directors Conversations" and have been clustered in to key themes below. The second conversation will aim to build on these themes and apply a greater coherence to forces at play.

Rosemary Sainty
Centre for Corporate Governance
UTS Business School, September 2014

Emergent Themes

1. **Reframing** the role of the Board and evolving definitions of corporate governance: **Stewardship** in an increasingly complex environment.
2. **Tradeoffs** and **tensions** in managing stakeholder interests: Can social and environmental interests always be aligned with financial outcomes?
3. **Active engagement** between Investors and Boards: Tackling short and long term time horizons.
4. **Board performance**: Culture and values vs systems and processes. How important are Board sub-committees?
5. **Board capacity**: The club vs. the skills matrix. What is the right set of collective skills, diversity and independence to provide the oversight needed by shareholders, regulators and other stakeholders?
6. The dominating influence of post GFC **risk management** in corporate governance: Can this co-exist with **innovation** and transformation? Do we need new corporate forms and market systems to achieve a **sustainable global** economy?
7. Risk management and compliance vs. "the right thing to do." **Ethical decision-making** at the Board level.
8. To **regulate** or not to regulate? Soft power, nudging and the influence of **global governance** initiatives. Lip-service or global legitimacy?
9. **Integrated Reporting** – prescriptive rhetoric or beneficial framework? Why the push back on future-focussed external reporting?

Figure 7.4 Directors' Conversation – Briefing Paper

7.7.4 Stage Three: Delving deeper

The intention of the research design was to create flow, build momentum and gain increasing access to the board room. Having scoped the interface of CG and CSR (Stage One), and created deliberative forums with which to attract corporate board members (Stage Two), the final stage of the research delved more deeply into the 'black box' to engage directly with members of boards (Pettigrew, 1992). During 2015–2016, this culminated in 11 semi-structured interviews of theoretically sampled corporate board members to further explore the research aim of:

- The CSR beliefs and practices at the board level

And the sub question:

- How and by what or whom are board members' beliefs and practices of CSR influenced?

7.7.4.1 Sampling

Theoretical sampling is strategic, specific and systematic (Charmaz, 2014). Board members "frequently serve on multiple boards and are often inter-connected … inter-related directors will often know one another on a first-name basis and are members of the same social circles" (LeBlanc & Schwartz, 2007: 848). This had a significant impact on sampling participants, where the participation of peers during the directors' conversations elicited a tacit endorsement from the peer group. This was leveraged in the written invitation to participate in Stage Three of the research (Appendix: A1.3.1). Using a grounded approach, data gathering progressed towards saturation as board members were interviewed, using techniques including constant comparison (e.g. comparing new data with existing codes), creating dimensions or sub-codes, memoing and diagramming. Here, the focus was on conceptual and theoretical development of analysis as opposed to increasing the statistical generalisability of results (Charmaz, 2014). The following table (Table 7.7) summarises the Stage Three sample.

Table 7.7 Stage Three –List of Interviewees

Alias	Classification	Gender	Sector	Listing	CSR Active	Multiple Board Roles
Case\\Callum	Board - Chairman and Managing Director	M	Manufacturing	Japanese subsidiary, ASX listed	Y	N
Case\\Duncan	Board - Non-Executive Director	M	Oil and Gas	ASX 50	Y	Y
Case\\Fred	Board - Executive Director	M	Financial Services	EU subsidiary, ASX listed	Y	N
Case\\Kirsten	Board - Non-Executive Director	F	Financial Services	Superannuation Fund	Y	Y
Case\\Louise	Board - Non-Executive Director	F	Professional Services	ASX 200	Y	Y
Case\\Malcolm	Board - Non-Executive Director	M	Health Services	ASX 50	Y	Y
Case\\Mark	Board - Chairman and Non-Executive Director	M	Building and Engineering	ASX 50	Y	Y
Case\\Meredith	Board - Company Secretary and General Legal Counsel	F	Financial Services	EU subsidiary, ASX listed	Y	N
Case\\Oliver	Board - Chairman and Non-Executive Director	M	Pharmaceutical	Nasdaq Exchange (EU)	Y	Y
Case\\Simon	Board - Chairman and Non-Executive Director	M	Infrastructure, Building and Property	ASX 50	Y	Y
Case\\Warwick	Board - Company Secretary and General Legal Counsel	M	Construction and Real Estate	ASX 50	Y	N

The broad classification attributes are as follows.

- *Populating the board*: In addition to opening up the empirical data to include the broader CG/CSR interface (McNulty et al., 2013; Ryan et al., 2010), this final stage of research explored a representative sample of the full board of directors and officers including chairman, non-executive director, executive director, company secretary and company secretary/general legal counsel. This research shifted from the traditional research concentration on agency theory and a narrow focus on board relationships, structure and composition, executive remuneration and CFP (Yar Hamidi & Gabrielsson, 2014). Instead of "simple input and output models based on simplistic agency assumptions" (McNulty et al., 2013: 184), the research explored first-hand the beliefs and practices of a range of board members from within this environment (LeBlanc & Schwartz, 2007). As Filatotchev and Wright (2017) stated in their review of methodological issues in governance research, qualitative studies need to ensure that they engage with the various relevant stakeholders such as executive and non-executive directors, rather than just presenting one perspective.

- *Gender*: In keeping with diversity quotas for women on Australian boards, the sample reflected the AICD gender quotas, which is set at 30% for female board members. Although the research was not gender-focussed, the sample acknowledges gender diversity as an increasingly relevant influence in CSR performance at board level (Byron & Post, 2016).
- *Listings*: Reflecting the Australian research linked to an international context, five of the interviewees were from senior ASX 50 listed companies, with one ASX 200 company representing a mid-tier organisation. Each of these companies had significant international activity in operations and supply chains. Three other interviewees sat on boards of Australian subsidiaries of international corporations (based in Europe and Japan) with Australian listings, and one interviewee sat on the board of an international corporation listed on the New York Stock Exchange and Nasdaq (EU).
- *Sectors*: The sample represented a cross-section of industry sectors.
- *CSR active*: All interviewees sat on the boards of companies that undertook annual CSR or sustainability reporting and were signatories, members or award recipients of international CSR/ESG initiatives (Appendix: Table A1.5). This was a deliberate sampling strategy in order to pursue the research aims of engaging board members at the interface of CG and CSR, and to explore the beliefs and practices in respect of these initiatives. Originally it was my intention to identify participants via publicly available information on organisations that are corporate members of the Australian or International Networks of the key global CSR initiatives including the UNGC, GRI, PRI and Business Reporters Leaders Forum. Those directors with a disposition and interest in CSR-related issues were more likely to be interested in participating in the research. As the research progressed, it became obvious that gaining access to board members would require the more intuitive approach of a political bricoleur (Denzin & Lincoln, 2011), as outlined above (section 7.6.3).

- *Multiple board roles*: In the course of preparing the interviews for Stage Three, it became apparent that all of the sampled non-executive directors served on more than one board (LeBlanc & Schwartz, 2007), with potentially important implications for data analysis and research findings. In addition, most of the sample served on one or a combination of government, regulatory and policy committees, charity and not-for-profit boards, and professional association and industry body boards. Pettigrew (1992: 169) identified this phenomenon as "interlocking directorates and the study of institutional and societal power". Mapping of these networks reveals that although 11 board members were interviewed for this final stage of research, they collectively represented 25 corporate boards and multiple board and committee roles across government/regulatory/policy, charity/not for profit, professional association/industry body/think tank sectors, as illustrated in Figure 7.5.

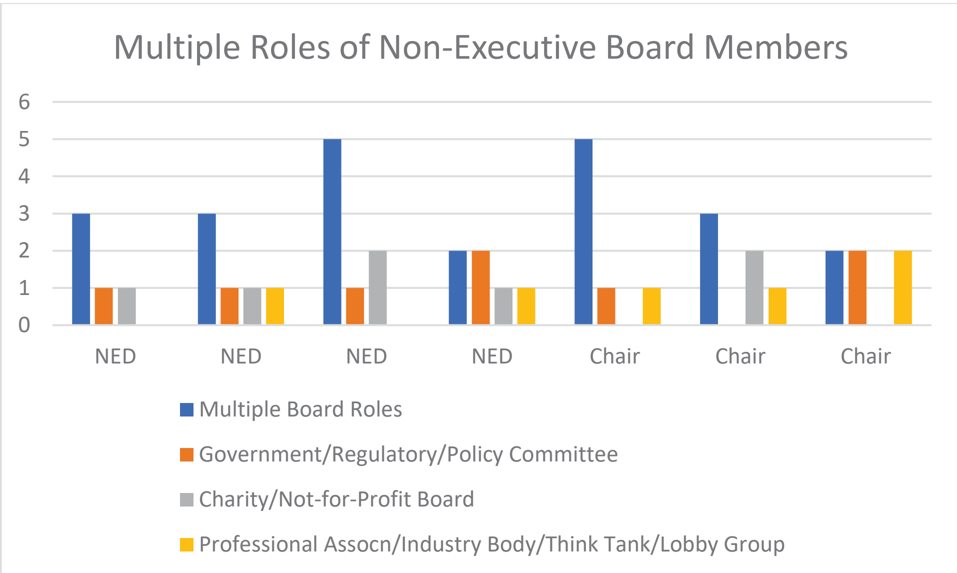

Figure 7.5 Interlocking Directorates and Networks

7.7.4.2 Method:

Iterative, in-depth interviews drew on the insights from the initial analysis of the first two stages of research. The 11 semi-structured interviews of theoretically sampled, "positively deviant" (Walls & Hoffman, 2013: 253) board members aimed to interrogate emergent themes from these previous two stages. Background research on the professional experience of each participant was undertaken prior to interview to guide the discussion in terms of relevance and language usage. This allowed the author to delve more deeply into the sensemaking processes of the individual boards members (Charmaz, 2014). Addressing the existing methodological biases (McNulty et al., 2013; Yar Hamidi and Gabrielsson, 2012) this interpretive approach provided insights into "the complex world of lived experience from the point of view of those who live it" (Andrade, 2009: 43), i.e. the active members of boards. The interpretive position took an open-ended and contextualised perspective (Creswell & Miller, 2000), assuming that reality is socially constructed. The grounded research methods of intensive interviewing with open questions followed by prompts (see Stage Three interview guide in Appendix, section A1.3.2), led to rich and compelling findings, enabling a deep exploration of the 'black box' of board room beliefs and practices. As noted by Charmaz (2014: 19), "the open-ended nature … of earlier interviews may shift into a mutual conversation about theoretical categories as the researcher seeks further data to develop these categories".

7.8 Data Analysis Methods

7.8.1 Introduction

As noted by McNulty et al. (2013: 184), CG is an "evolving, complex, global, multi-level phenomenon, ripe for and requiring of inquiry that can explore, describe, and compare governance phenomena with due sensitivity to the diversity and context in which they are embedded". As a multi-level phenomenon, it encompasses macro-national and pan-national institutions, whilst considering the micro-processes of actors and groups at firm and sub-firm levels (McNulty et al., 2013). Added to this complexity is the exploration of the interface of CG and CSR. Therefore, the research design and data analysis provide an interpretive multi-level exploration through the sensemaking of individuals at the CG/CSR interface, "linking micro-level phenomenon to institutional concepts" (Reay & Jones, 2016: 451). Theoretical framing using institutional logics provides "a meta-theoretical framework for analysing the interrelationships among institutions, individuals, and organisations" in wider social or belief systems (Friedland & Alford, 1991; Thornton et al., 2012: 2).

7.8.2 Using constructivist grounded theory

As outlined in the methodology chapter, the constructivist grounded theory approach (Charmaz, 2014) aligns with the thesis' social constructivist ontological position using an exploratory method of data analysis, alive to emergent themes at the CG/CSR interface. The research design employs multi-methods as a novel approach – answering calls to access the 'black box' of corporate boards and a lack of qualitative research in CG. An inductive process was employed in the data analysis as set out in a road map for data analysis and described in detail in the following section. The three stages of research underwent three phases of data analysis:

1. Initial coding – across Stages One, Two and Three of the research.
2. Focussed coding to categories – from the emergent issues of initial coding to focussed codes across Stages One, Two and Three of the research, then grouped into categories.
3. Categories to concepts – bringing together research Stages One, Two and Three with those most significant categories becoming theoretical concepts, leading to the development of a conceptual framework in the analysis and discussion chapter (Chapter 9).

As Figure 7.6 below depicts, initial coding occurred at the completion of each stage of research to inform the subsequent stage. Charmaz (2014) describes constructivist grounded theory as a method in progress, committed to inductive, iterative processes linking abstract concepts and relationships with which to understand emergent multiple realities and new ways of understanding the world. This is well matched to the research aims, exploring the "socially constructed sets of material practices, assumptions, values, and beliefs that shape cognition and behaviour" (Besharov & Smith, 2014: 364; Thornton et al., 2012) at the interface of CG/CSR. Research gathering progresses through a process of initial sampling and coding, through to theoretical sampling, constant comparison and saturation. Existing theoretical concepts are gradually introduced through theoretical sampling and the development of theoretical codes and categories (Gibbs, 2008). For instance, the beliefs and assumptions associated with institutional logics are coded. Memo-writing and diagramming/rich pictures inform the analysis throughout the data gathering and beyond.

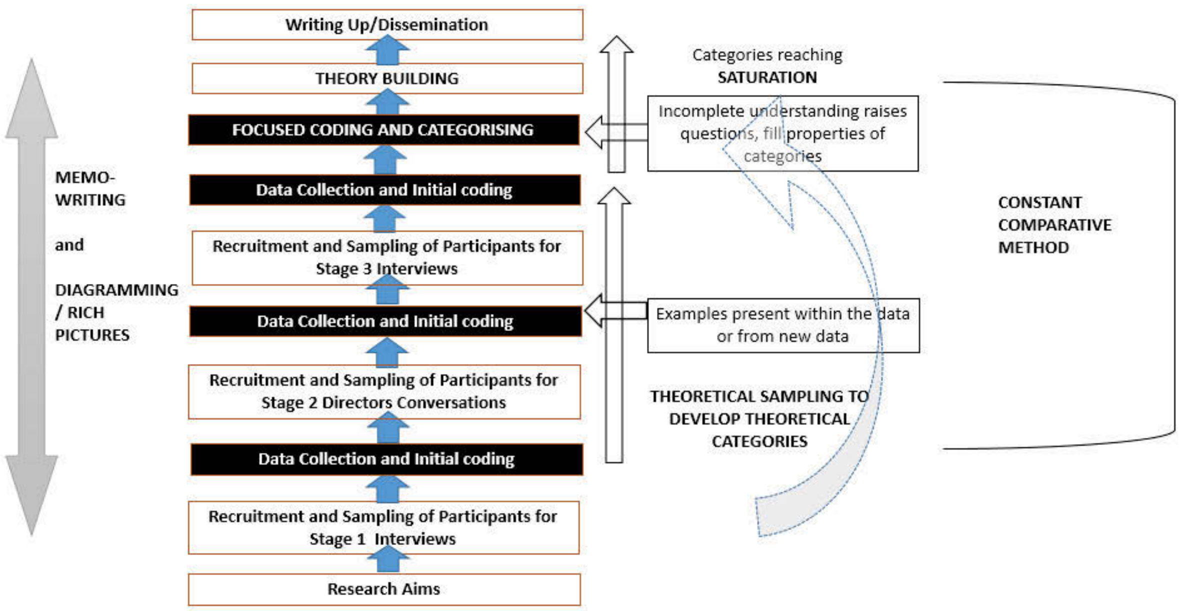

Figure 7.6 A Visual Representation of Grounded Theory (adapted from Charmaz, 2014)

7.8.3 Research tools for data analysis

The following section outlines the key research tools that aided the data analysis, based on a grounded approach.

7.8.3.1 NVivo software

The central research tool was NVivo (QRS International), which is a computer-assisted qualitative data analysis software package designed for researchers working with rich, text-based data. In their paper, Hutchison, Johnston and Breckon (2010) demonstrated how NVivo can be applied to facilitate a grounded theory approach, providing transparency in the iterative grounded approach to data analysis, without neglecting the role of human interpretation and reflection. That is, not trying to fit research to a particular software package but instead, making the software work for the project.

All interviews, focus group and directors' conversations were recorded, transcribed, de-identified and uploaded to the NVivo software for coding using the following sequence:

- text was designated initial codes (known as a 'node' in NVivo)

- data was then selectively retrieved and reviewed based on assigned codes or combinations of codes
- data was fractured and reassembled in new ways (Krueger, 1998).

Advantages in using software packages include capacity in terms of volume of data and deep levels of analysis (Silverman, 2010), particularly given the challenge of managing the complexity and volume of the data across the three stages of research. Additionally, the software allows for the mining of data that is not possible manually. Findings become more rigorous and can be backed up with evidence through the storage, retrieval and analysis functions. The use of coding queries, and in particular matrix queries, were an important aid in interrogating and comparing the data. However, disadvantages to guard against included the narrowing of a code-and-retrieve research approach towards analysis, an over-emphasis on counting and the 'coding trap', i.e. becoming bogged down in too much descriptive detail to the exclusion of reflective, interpretive thinking (Bazeley, 2013). Analysis must be verifiable (trails of evidence), timely, enlightening and open to alternative explanations (including disconfirming views or no unifying explanations). Hence, two other complementary data analysis techniques, memo writing and diagramming or rich pictures, were employed. These are now described.

7.8.3.2 Rich pictures and diagramming

Rich pictures as a research technique involves "hand-drawn pictures, to produce a model of processes and structures and their relationships" (Flood & Jackson, 1991: 43). Rich pictures were originally developed as part of a 'Soft Systems Methodology' approach (Checkland, 2000), based on social constructivist principles. They represent an organic approach to data analysis: "the status of all these artefacts is that they are working models, currently relevant now in this study, not claiming permanent ontological status" (Checkland, 2000: s19). Rather than geometric shapes and straight lines, rich pictures are non-linear, representing the complexity of multiple interacting relationships, which were well suited to the complexities of the board's ecosystem (Figure 7.7). Rich pictures are holistic rather than reductionist, depicting stakeholders engaged in the research problem and indeed can be shared with research participants as a method of engagement.

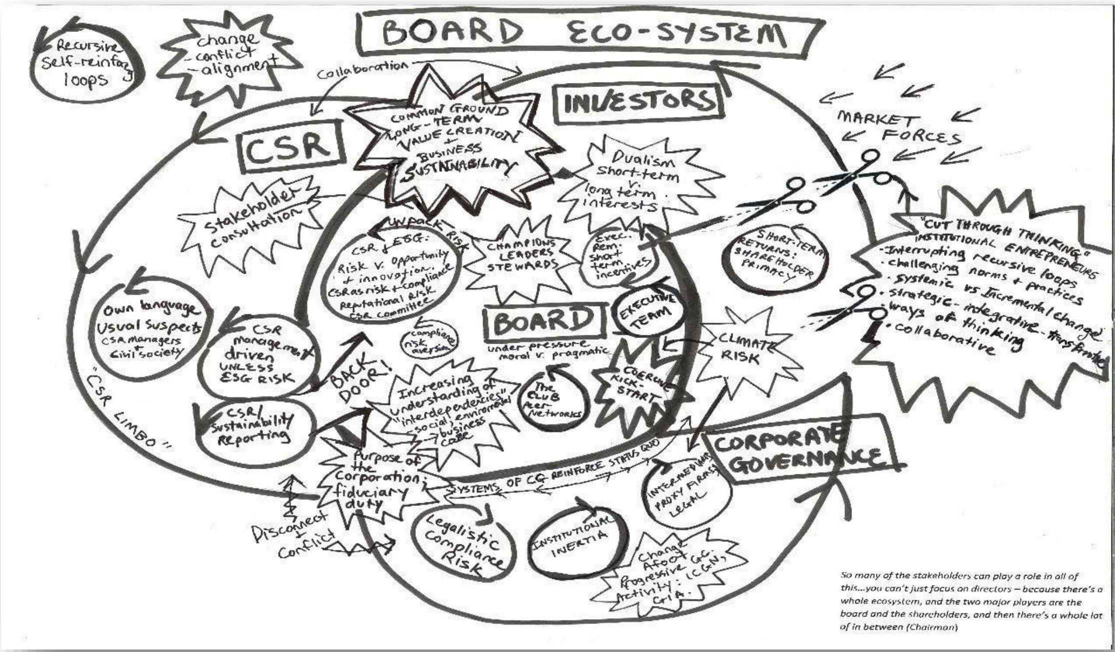

Figure 7.7 Rich Diagramming: Board Ecosystem (for full page version see Figure 8.2)

Although no formal drawing rules and conventions exist (Lewis, 1994), a key was used as an explanatory aid. Skill is required to balance the richness and complexity so that it does not become too detailed for the reader (Bakehouse, Wakefield, Doyle, Barnes, & Clinton Jones, 2007). Rich pictures involve parallel stages of drawing the problem situation and allowing pertinent issues or concepts to surface, for further interrogation. As a form of validation, research subjects were asked to comment on the developing picture, thereby allowing for multiple or pluralist perspectives incorporated into the picture. During Stage One of the research, subjects were shown an initial picture representing the convergence of CSR and CG as a Venn diagram. Culture, roles, norms and values and their interaction with the research problem surfaced through the rich picture process. These were both formal and informal, incorporating both objective and subjective elements with the value of the rich picture lying in the process rather than its product (Bakehouse et al., 2007; Lewis, 1994).

The rich picture technique complements constructivist grounded theory approaches to 'diagramming', resisting positivist impulses to 'template' the research process and allowing for the emergence of core phenomenon. "Diagrams can allow you to see the relative power, scope and direction of the categories in your analysis as well as the connections among them" (Charmaz, 2014: 218). By diagramming the research problem from early in the research process, an analytical sequence or record was formed. As research progressed, a more detailed understanding of key actors at the interface of CG and CSR emerged, in turn influencing theoretical sampling. In particular, the growing role of the investor community and its interactions with the CSR, CG and board domains became significant. Consequently, as data collection progressed, and new insights were gained, the core diagram (Figure 7.7) grew in complexity and helped clarify my insights. Diagrams or maps can be used to both inform analysis through the research process and report it. The hand-drawn diagramming helped to inform a series of NVivo generated concept maps for each research stage (Appendix, Figures A2.3, A2.4, A2.5, A2.6, A2.7, A2.8, A2.11) and identified the nature of the relationships between the codes and categories (Charmaz, 2014) as part of my analysis.

7.8.3.3 Memos and methodological journal

Core to the grounded theory approach is memo-writing. As the coding process begins, memo-writing allows for reflection and early stage exploration, progressing from an interpretive environment to an increasingly theoretical one as memos raise initial coding to focussed codes. Components of codes are fragmented, analysed, questioned and constructed into categories. Memo-writing evolves, building levels of abstraction and analysis towards the emergence of conceptual categories: "By examining the specifics, you understand the whole of your studied phenomena, often in new ways. Memos record your path of theory construction" (Charmaz, 2014: 164).

With coding as the starting point to analysis, Charmaz (2014: 164) also recommends keeping a methodological journal in which to write your "methodological dilemmas, directions and decisions". Such a process guards against assumptions and preconceptions. In my research process, I created a methodological journal external to the NVivo software project for this purpose and a second journal that chronicled my analysis within the NVivo software project containing a series of dated memos woven into the analysis. As data was coded, analytical reflections or memos were written and linked to the data through the coding process. Writing memos also enabled me to reflect on my pre-existing knowledge and its influence on my interpretations, fostering my 'reflexive awareness' (Bazeley, 2013). This connects with the symbolic interactionist logic and assumptions inherent in the origins of grounded theory where "meanings are interpreted through shared language and communication" (Charmaz, 2014: 270). Additionally, I created an NVivo code 'key insights' as I worked through the data. Often based on insights from the research participants themselves, these sections of text were usually densely coded, reflecting a fruitful intersection of issues and potential categories, connecting the data to my analysis. Additional memos were created for the three group events—the Stage One focus group and Stage Two deliberative forums (Sydney and Melbourne) —to enable further analysis.

In summary, as data gathering proceeded memos became increasingly analytic, to be later sorted and integrated into the theoretical categories. Diagrams, rich pictures and conceptual mapping in NVivo "sharpened the relationships" amongst the emerging theoretical categories (Charmaz, 2014: 224) and integrated the analysis through visualisation (Checkland, 2000).

7.8.4 Data analysis across the three research stages

The following section details the data analysis methods across the three stages of research using a constructivist grounded theory approach as depicted in Figure 7.8. The analysis commenced with initial coding of emergent issues for Stages One, Two and Three followed by focussed coding across the three research stages. Both initial and focussed coding are emergent processes. Tentative identification of analytic categories drawn from the focussed codes then led to a summary of findings (Chapter 8), development of theoretical concepts and a conceptual framework in the analysis and discussion (Chapter 9) (Charmaz, 2014). It is important once again to emphasise the iterative nature of the research stages and analysis. Each stage of coding builds on the previous one—checking back and forth, to build up a bank of codes. This recursive process is represented in the data analysis roadmap and detailed below.

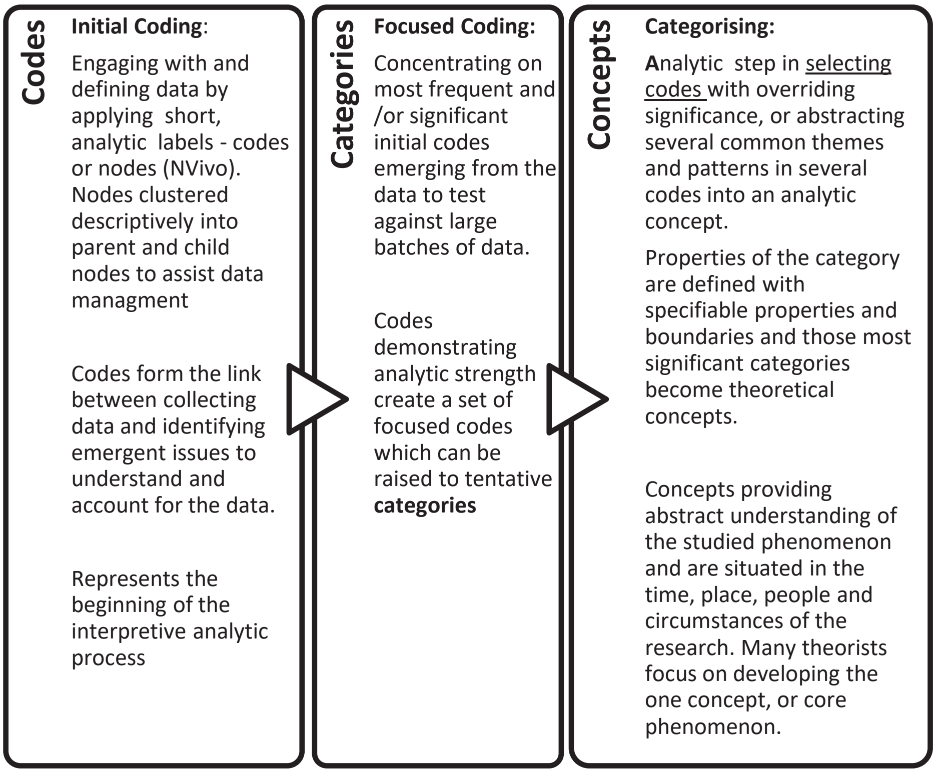

Figure 7.8 Raising Codes to Concepts in Constructivist Grounded Theory (adapted from Charmaz, 2014)

7.8.4.1 Initial coding

For grounded theorists, the first phase of initial or open coding is the foundational step of analysis. Both Charmaz (2014) and Miles et al. (2014) advise interweaving data collection and analysis from the commencement of data collection, together with memo writing and bringing data into the memos. Essentially the analysis begins as soon as coding commences. This is an inductive process that lets themes emerge, there are no 'a priori' deductive codes or templates in the constructivist grounded approach. The key is to interpret rather than merely describe the data through techniques including 'constant comparison'—comparing new data with existing codes for consistency, moving towards a point of saturation—where no new variations in data emerge. Codes become dimensionalised into hierarchies and sub-codes. Charmaz (2014) advocates working closely with the data—breaking up the data into its constituent properties—using line-by-line sampling as a heuristic device and gerunds to code subjects' emotions and explanations. *These techniques kept me, as the researcher, very much grounded in the data and the perspectives of the participants.* Grounded theory enables the researcher to define what constitutes the data and to make implicit views, actions and processes more visible. Tensions between codes helps to conceptualise what is happening in the data. Coding provides the tools for interrogating, sorting, and synthesising:

- How people enact or respond to events
- What meanings they hold, and how, and why these actions and meanings evolved.

Such variants of grounded theory are popular in the emergent institutional logics literature (Bertels & Lawrence 2016; Mair & Hehenberger 2014).

In referring to the NVivo software, Bazeley (2013: 125) cautions to be alert to the "node worthiness" of the data since not everything can or should be coded. Further advice from Charmaz (2014) in the initial coding phase includes:

- Be able to define a code and not assume the meaning of the term.
- Watch for taken for granted assumptions or implicit meanings in the language used, which is highly relevant in light of the research aims.
- Cross-reference with field notes and write memos as you code.

Charmaz (2014) endorsed Miles et al.'s (2014) comprehensive typology of codes for guidance. This is helpful in terms of capturing the beliefs and practices at play at the interface of CG/CSR and includes:

- Descriptive codes – a basic topic of the data.
- In vivo codes – using words or short phrases from the participant's own language.
- Process codes – gerunds connoting observable and conceptual action.
- Emotion codes – useful in coding interactive forums such as focus groups, e.g. frustration, passion.
- Values codes – reflecting a participant's values, attitudes and beliefs.
- Evaluative codes – judgment about the worth or significance of any phenomenon.
- Causation codes – influences such as motives, beliefs and world views.
- Theoretical codes – codes that researchers draw on from prior theories or analytic schemes and use to integrate the categories of their analyses.

Theoretical coding enabled the gradual introduction of institutional logics during data analysis, moving to and from data and theory as the complexity of embedded agency and institutional emergence and change was analysed (Thornton et al., 2012). For example, I introduced the nodes ‘beliefs and assumptions’ (Thornton et al., 2012) and ‘legitimacy’ (Suchman, 1995) early in the data collection to aid later analysis. As Charmaz (2014: 150-151) noted:

> The place of prior knowledge becomes ambiguous with theoretical codes … a tension exists between application and emergence. However, if used skilfully, theoretical codes may hone your work with a sharp analytic edge.

This helps to specify possible relationships between categories as analysis moves into focussed coding and the formation of categories. Care needs to be taken to not impose a framework on the analysis but rather let the theoretical codes “breathe through the analysis” (Charmaz, 2014: 155).

In the early stages of data gathering and analysis, an adaptation of Miles and Huberman’s (1994: 50) contact summary sheets was used, “interweaving data collection and analysis from the start”. These were in the form of hand written reflections including field note summaries and emergent themes. During Stage Two, the first directors’ conversation (Sydney) was transcribed, printed and manually sorted into emergent themes and presented at the second directors’ conversation event (Melbourne) as a briefing document (Figure 7.4) to inform the next stage of research. Stage Three interviews, in turn, drew from the preceding stages of data collection. At the completion of the three stages of research, the recordings of each interview, focus group and deliberative forum were transcribed, de-identified and uploaded into NVivo software to be formally coded. Data was classified into ‘cases’ according to research stage, method and sampling categories (Table 7.8).

Table 7.8 NVivo Classification Table

Attribute	Value
Person	Individual case
Category – Broad	Academic, Board, CG, CSR, Institutional Entrepreneur, Investor Community, Regulator
Category – Specific	• Academic • Board – Non-Executive Director, Board – Chairman and Non-Executive Director, Board – Chairman and Managing Director, Board – Executive Director, Board – Company Secretary/General Legal Counsel • CG – Professional Association, CG – Civil Society, CG – Advocacy • CSR – Corporate, CSR – Professional Services, CSR – Civil Society • Institutional Entrepreneur • Investor Community – Civil Society, Investor Community – Industry Body, Investor Community – Institutional Investor (ESG), Investor Community – ESG Advisory, Regulator
Gender	Female, Male
International	Yes/ No/ Mixed
Position	Various
Research Group	Stage 1 Focus Group, Stage 1 Interviews and Field Notes, Stage 2 Sydney, Stage 2 Melbourne, Stage 3 Interviews
Research Method	Focus Group, Directors' Conversation, Interview
Research Stage	Stage 1, Stage 2, Stage 3
Sector	Aviation, Conglomerate, Construction, Energy Provider, Engineering, Extractives, Financial Services, Health Services, Higher Education, Industry Body, Integrated Services, Legal, Local Government, Manufacturing, NGO, Oil and Gas, Pharmaceutical, Professional Services, Property, Retail Services, Statutory Authority

Initial coding was based on constructivist grounded theory principles using the NVivo functionality across all three stages of data. This formed an extensive list of initial 'nodes' or codes. Where initial coding could be dimensionalised (Charmaz, 2014), parent nodes and child nodes were created. These were descriptive rather than conceptual (Hutchison et al., 2010).

Initial coding of semi-structured interview data

Social constructivists assume that participants actively create meaning, giving rise to the concept of the "active interview" (Silverman, 2010). The process of meaning-making or sensemaking (Weick, 2005) is explored through the research process: "Constructionist interviewers seek to understand the varied contexts out of which we draw from experience to convey accounts of who and what we are" (Silverman, 2010: 229). As interviewing progresses, the dialogue evolves from an open-ended semi-structured process to a more “mutual conversation about theoretical categories” (Charmaz, 2014: 19). Notions of communicative institutionalism (Cornelissen et al., 2015, see Chapter 6, section 6.3) are relevant here. Proponents of institutional theory (Ocasio et al., 2015) recognise the central role of communication in the development, maintenance and change in institutional logics, particularly at the micro-level of agency. Communicative institutionalism involves the interactive processes between actors as they build mutual understanding to play a “constitutive role in (cognitive) institutional maintenance and change” (Cornelissen et al., 2015: 15).

Initial coding of focus groups and deliberative forums

Focus groups and deliberative forums give rise to a rich interactive setting capable of producing data based on social-interactional dynamics that is unattainable through individual interviews and observations, from which to explore a complexity of beliefs and practices (Kamberelis & Dimitriadis, 2011). Therefore, “the unique interactive element … is worthy of special analytic attention” (Bazeley, 2013: 198). Analysis of the focus group and deliberative forums required both openness to new ideas and a disciplined, systematic process (Krueger, 1998). This is due to the complexity of analysis—for instance language usage, emphasis and intensity or participants changing their position during the course of a discussion. The researcher must carefully attend to the consensus, understanding and disagreement inherent in the interaction and what this may mean for the analysis. Interaction may confirm or challenge the participants’ views. Therefore, a framework for analysis of the interactive qualities of focus groups suggested by Bazeley (2013) was adapted for the NVivo coding environment (Figure 7.9). Text was coded both in terms of its content and its interactive dimensions with overlapping codes. In addition, codes for non-verbal signs and emotions were created as they emerged, as part of the interaction.

Nodes

Name		Sources	References
z_ANALYSING GROUP INTERACTION		1	1
Aligned		19	96
Alliance		5	10
Common Experience		5	25
Conflict		19	74
Confusion		3	4
Consensus		6	19
Contested		2	9
Contradictions		17	63
Disagreements		6	9
Dominant		8	28
Estranged		8	16
Flashpoints		9	31
New insights during interaction		4	7
NON VERBAL_EMOTIONS		0	0
Angry		2	2
Antagonistic		2	7
Compromise		4	4
Disappointment		5	6
Emphatic		7	12
Frustration		16	44
Worried		2	4

Figure 7.9 Interactive Coding in NVivo

The analysis took into consideration the purpose of the focus group and deliberative forums and the level of homogeneity of the groups as these directly influenced the group dynamic and were relevant to the research aims. According to Bazeley (2013) such factors affect the freedom of participants to speak, the patterns of influence and levels of consensus. For example, the Stage One focus group was a trusted and confidential peer network of corporate CSR/sustainability managers that had invited me to discuss the research project and their own perspectives and experiences on the topic. This provided an outstanding, serendipitous opportunity to explore the differences and similarities across a homogenous group of corporate CSR practitioners with shared interests at the CG/CSR interface.

By contrast, the two deliberative forums or directors' conversations were strategically constructed to incorporate multiple stakeholder perspectives on complex issues and a co-existence of moments of consensus and contestation (Dryzek & Stevenson, 2011: 1867). Again, the communicative dimension was central in analysis, providing the grounded data to which the theoretical lens of institutional logics and its focus on complexity, multiplicity, pluralism and contestation could be tested (Besharov & Smith, 2014). As discussed in the research methods section (Chapter 7, section 7.6), the richness and complexity of group dynamics reveal unarticulated norms and normative assumptions, and "rich, complex, nuanced and even contradictory accounts of how people ascribe meaning to and interpret their lived experience" (Kamberelis & Dimitriadis, 2013: 547). Hence, additional interactive and theoretical codes (Charmaz, 2014) were included in the initial analysis derived from the institutional logics literature on logic complexity (Besharov & Smith, 2014), which included contested, dominant, estranged and aligned practices and beliefs. A further node 'flashpoints' was created to alert me to significant moments of consensus and contestation (Dryzek & Stevenson, 2011) for later analysis.

7.8.4.2 From initial coding to focussed coding and categories

Focussed coding

Having fragmented the data through initial or open coding, a second phase of 'focussed coding' commenced, as set out in the grounded data analysis road map in Figure 7.10. The process of focussed coding involves raising certain initial codes to focussed codes and potential analytical categories across the three research stages. For Charmaz (2014), most analyses involve raising those initial codes with *greater theoretical reach and centrality* to focussed codes with the purpose of making core phenomena in the data explicit. Focussed codes become "more directive, selective and conceptual" than initial codes, in order to "sift through, synthesize and explain" larger amounts of data (Charmaz, 2006: 57). Charmaz (2014) recommended interrogating initial codes during this process, to consider, for example:

- In which ways do your initial codes reveal patterns?
- Which of these best accounts for the data and can these be raised to focussed codes?

Similar to initial coding, focussed coding is emergent and non-linear in nature requiring "concentrated, active involvement in the process" (Charmaz, 2014: 142). Bazeley (2013: 237) suggested the following strategies to help refine focussed codes:

- Compare incidents or cases where a code may apply
- Compare coded data with codes – does the code fit or should it be elaborated?

Bazeley (2013) highlighted the importance of maintaining a comparative orientation towards coding, from comparison of initial codes to focussed codes and groups of codes (categories), ensuring a concurrent and iterative process throughout the analysis. As codes become raised to categories they become multi-dimensional. As the analysis progresses, ongoing memo writing supports this process: "observation of co-occurrences of or similarities between concepts is critical for generating higher order codes" (Bazeley 2013: 238).

Through a process of comparison and synthesis of fragmented data derived from the initial clusters of parent and child nodes, important patterns began to be revealed (Hutchison et al., 2010). The process of focussed coding was aided using the research tools—NVivo software, diagramming and memos:

- NVivo matrix queries – interrogating each research group (coding source) of specific categories of participants (columns) by nodes (rows).
- Exploring densely coded (overlapping) and frequently coded nodes in the data,
- Investigating the interactive nodes for both Stage One focus group and Stage Two deliberative forums.
- Interrogating theoretical and evaluative codes including 'beliefs and assumptions', 'legitimacy', 'key insights' and 'memorable quotes'.
- Creating and referencing memos, conceptual mapping and diagramming (rich picture).

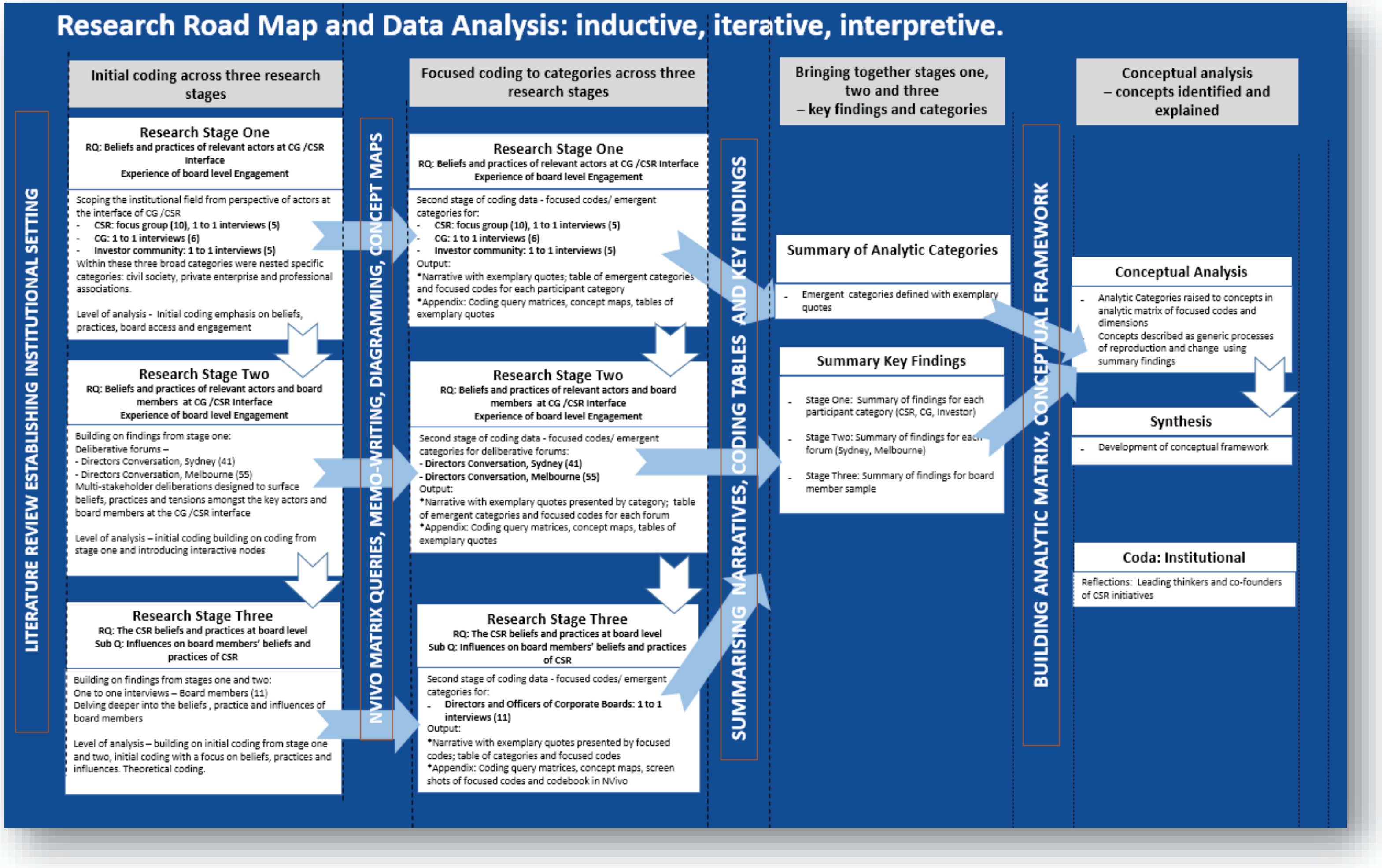

Figure 7.10 Grounded Data Analysis Road Map (see end of thesis after References section for full A3 version)

Categories

As focussed coding progressed through Stages One and Two, further patterns began to emerge in the data. As outlined in Figure 7.8, moving from focussed coding to categorising is an analytical step in selecting codes with overriding significance. Raising a code into a tentative category provides the opportunity to scrutinise and evaluate the focussed code as representative of what is happening in the data and its relationship with other possible categories. This invokes a process of "rendering through writing" (Charmaz, 2014: 314) narrative statements in linked memos that help to:

- define the category
- explicate the properties of the category
- describe the conditions and consequences of the category
- show how the category relates to other categories. (Charmaz 2014: 190)

Categories may be made up of in vivo codes (drawing directly from the voice of participants), may be a reflection of participants' perspectives or may reflect theoretical positions. Aided by my diagramming (Figure 7.7), I could see the patterns emerging in the data from early in the analysis—in the form of self-reinforcing systems navigating conflictual tensions across the CSR, CG, investor and director groups. These became represented by groups of focussed codes in tables with exemplary quotes in readiness for analysis.

Similar to initial coding, focussed coding and categories built on each of the three stages of research analysis (see Grounded Data Analysis Road Map – Figure 7.10):

- *Stage One* – with an emphasis on scoping the institutional field at the CG/CSR interface, exploring emergent multiple realities from both the semi-structured interviews and focus group in order to explore the research aims:
    - The beliefs and practices (logics) at play at the intersection of CG and CSR amongst the relevant actors
    - Their experience of board level engagement.

  In Stage One data, I worked systematically through matrices of coding queries of initial codes (with a focus on beliefs and assumptions) and memos for each participant category (CSR, investor and CG) to develop representative tables of exemplary quotes. Working from the tables of exemplary quotes, I then developed focussed codes, often raised from initial codes. I then applied categories to the focussed codes as broader patterning appeared across the data. These were based on both raising focussed codes to categories and the introduction of theoretical codes. Summary tables of focussed codes and categories, together with narrative summaries were then developed as the research output (Chapter 8).

- *Stage Two* – with an emphasis on analysing the interactive dimension of multiple stakeholder perspectives on complex issues in the two deliberative forums in order to extend the research aims from:
    - The beliefs and practices (logics) at play at the intersection of CG and CSR amongst the relevant actors and their experience of board level engagement, to
    - The CSR beliefs and practices at the board level.

  Similar to Stage One, I worked systematically through matrices of coding queries of initial codes and memos. Due to the deliberative nature of the forums, I first focussed on the data coded to interactive nodes to develop representative tables of exemplary quotes clustering the quotes by interactive codes. Working off the lists of exemplary quotes, I built on the focussed codes and categories developed in Stage One. Summary tables of focussed codes and categories, together with narrative summaries were then developed as the research output for each of the two forums.

- *Stage Three* – delving deeper into the 'black box' of the board, with a careful analysis of board member interviews to meet the primary research aims of investigating:
    - The CSR beliefs and practices at the board level
    - and as a sub question:
    - How and by what or whom are board members' beliefs and practices of CSR influenced?

  The data analysis for this final stage emphasised the iterative, inductive nature of the constructivist grounded theory approach—with each stage building on the one before both in terms of the semi-structured interview guides and the development of a bank of descriptive and analytic codes. During Stage Three, the emphasis shifted to exploring data coded to beliefs and assumptions, using matrix coding queries and segments of densely coded text (highlighted by beliefs and assumptions coding) to facilitate a deeper comparative analysis of emergent themes. This was enabled by analysing coding stripes and coding queries in NVivo and revealing relationships between emergent issues and a richly nuanced understanding of board level beliefs, practices and influences. As Hutchison et al. (2010: 292) stated, coding stripes provide a valuable exploratory tool for iterative theory building, "by helping us to address emergent questions, and in doing so, generate subsequent lines of enquiry".

To assist this process, the original groupings of codes and sub-codes in NVivo were reviewed, refined and synthesised with the emergent focussed codes and their dimensions from Stages One and Two and a code book was created. I was then able to work through the data systematically, working directly in NVivo rather than building tables of exemplary quotes. The use of theoretical codes as focussed codes, for example, 'corporate legitimacy' (Scherer et al., 2013) and 'tensions and trade-offs' (Van der Byl & Slawinski, 2015) continued to hone my work "with a sharp analytic edge" (Charmaz, 2014: 150). Stage Three data was separated from Stages One and Two in NVivo to provide a more manageable dataset during the analysis.

7.8.4.3 Categories to concepts

As noted earlier by Reay and Jones (2016: 451), a grounded "bottom-up" approach allows patterns associated with logics to emerge inductively from the data, capturing institutional logics through nuanced descriptions of localised practices with direct excerpts from text providing a rich context for the analysis. This approach led to the final step in data analysis: raising categories to concepts and synthesising the findings with the theoretical framing (Chapter 6, section 6.7) to develop a conceptual framework with which to meet the research aims, presented in Chapter 9.

As the categories are defined with specifiable properties and boundaries, those most significant categories best representing the data may become analytic concepts. Concepts provide abstract understanding of the studied phenomenon. Traditionally, grounded theorists may then focus on developing one concept as the central phenomenon of the data (Charmaz, 2014; Gibbs, 2008). During this process, grounded theory moves towards defining fundamental generic processes: "A generic process cuts across different empirical settings and problems; it can be applied to varied substantive areas" (Charmaz, 2014: 189). According to Bazeley (2013), concepts are multidimensional and ontological. They invoke fuzzy logic, allowing for some overlap. Characteristics of a core conceptual phenomenon may have central causal powers. "These causal powers and their related causal mechanisms play a role in our theories" (Goertz 2006 as cited by Bazeley 2013: 243). The following techniques were adopted from Bazeley (2013) in moving to the conceptual phase of analysis (Chapter 9):

- Building an analytic matrix to determine conceptual linkages across the data.
- Re-visiting my diagramming and rich pictures to "build a visual model that incorporates relational sequencing, causal linkages, between codes to create a holistic interdependent network of events accompanied by a discussion of the embedded linkages" (Bazeley 2013: 284).
- Building the storyline from this strategy.

7.9 Trustworthiness and Limitations

Criteria for evaluating qualitative research differ from those used in quantitative research (Bloomberg & Volpe, 2012). As discussed in section 7.5.2, the present study aspires to the criteria of quality in qualitative research proposed by Tracy (2010) including worthy topic, rich rigour, sincerity, credibility, resonance, significant contribution, ethics and meaningful coherence. Charmaz (2014) emphasises the combination of originality and credibility in driving the contribution of grounded theory research, as detailed in section 7.6.2. As identified in the literature (McNulty et al., 2013; Ryan et al., 2010), the largest limitation faced by the present study is access to the primary subjects of the research—members of corporate boards. This was addressed through the data collection methods (e.g. purposive, snowball and theoretical sampling) and multi-methods design as outlined in sections 7.6 and 7.7. The directors' conversations leveraged peer networks (LeBlanc & Schwartz, 2007; Pettigrew, 1992) to access greater number of board members for the final stage of the research. The multi-methods approach provided data from multiple sources, allowing the research findings to be compared in order to identify consistencies and inconsistencies. As the research stages progressed and as analysis followed processes of constant comparison and saturation, a bank of initial and later focussed codes ensured an orderly progression towards the identification of key concepts emerging from the data.

7.10 Ethical Considerations

This research was approved by the University of Technology Sydney, Human Research Ethics Committee in October 2013 (no. 2013000607). I affirm that there is no conflict of interest to declare in relation to this research and no funding was provided for this research.

The risk of harm to the wellbeing, interests or welfare of research participants, subjects and related groups associated with the use of the three stages of research was considered slight. Specifically, there was a risk that an individual may provide information that may impact on the reputation of themselves or their organisation. Respondents may also have inadvertently released information considered to be commercial-in-confidence by the organisation or that might impact on the reputation of the respondent or other managers in their organisations. It is relevant to note that the subject matter being researched has been widely discussed in the public domain. Given all participants from Stage One were drawn from active networks, there is a strong culture amongst Australian organisations of peer learning and sharing of information. In fact, this constructive culture has been enhanced through the hosting of events such as the directors' conversation in Stage Two of the research. With the controls outlined below, the likelihood of the risk is minimised further.

Given my substantial experience in establishing CSR activity over four years whilst based at St James Ethics Centre, I was able to minimise and manage any potentially sensitive issues before they arose. The risk was mitigated by ensuring that respondents were well informed about the research before agreeing to an interview. A verbal introduction to the research by use of telephone briefing was followed by emailing a consent form (Appendix: A1.3.3) and participant information sheet (Appendix: A1.3.4). Three tailored consent forms for the three stages of research were used. Respondents were then required to complete the countersigned consent form prior to participation. For each of the three stages data was recorded, transcribed and de-identified with aliases provided.

In the case of the data from the conversation groups (Stage Two), the analysis was written up in a way that does not refer specifically to the actions of any individual participant. Additionally, both events operated under Chatham House Rule (Chatham House, 2002), a protocol known well to the target population where participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed. This ensured a professional, intimate, trusted setting with a clear understanding of confidentiality and purpose of research. In moderating the group, my aim was to build rapport, synthesise, probe and clarify. Data was recorded with the signed consent of the panellists and any other participants that contributed to the conversation. It should be noted that the directors of boards sit on several boards and as such do not represent one discrete organisation.

7.11 Summary

This chapter has set out the methodology of the research including research approach and aims, my ontological and epistemological position as a social constructivist and the methodological premises using an interpretive, qualitative approach. The research methods have been detailed, using novel strategies. This includes multi-methods incorporating semi-structured interviews, focus groups and deliberative forums, in keeping with notions of political bricolage (Denzin & Lincoln, 2011). These aim to address the gap of qualitative research in CG and the CSR beliefs and practices at the board level. An adaptation of constructivist grounded theory methods (Charmaz, 2014) guides the data gathering and shall now be applied to the data analysis and findings in the following chapter.

Chapter 8: Findings

8.1 Introduction

The findings chapter works systematically through the three stages of research, using the data analysis methods outlined in Chapter 7, section 7.8, based on principles of constructivist grounded theory:

- *Initial coding* – draws out emergent issues across Stages One, Two and Three of the research, presented as a coding summary.
- *Focussed coding to categories* – across research Stages One, Two and Three, presented as narrative summaries with illustrative quotes and a table of categories and focussed codes.
- *Key findings and analytic categories* – the chapter then ends with a summary of key findings and table of analytic categories.

Chapter 9 will then analyse the findings, raising the analytic categories to concepts and leading to the development of a conceptual framework.

Figure 8.1 provides a detailed road map for the data analysis and research findings, linked to the research questions, and provides sign-posting throughout the rest of this chapter (see Chapter 7, section 7.8.4 for its development). Figure 8.2 displays the rich picture diagramming, which was used to guide the analysis through the three stages of research (Chapter 7, section 7.8.3.2). Figure 8.3 chronicles my data-analysis journey, based on the methodological journal I kept during the course of the research. Charmaz (2014: 165) recommends keeping a methodological journey to engage in reflexivity, noting “methodological dilemmas, directions, and decisions” as the research process progresses.

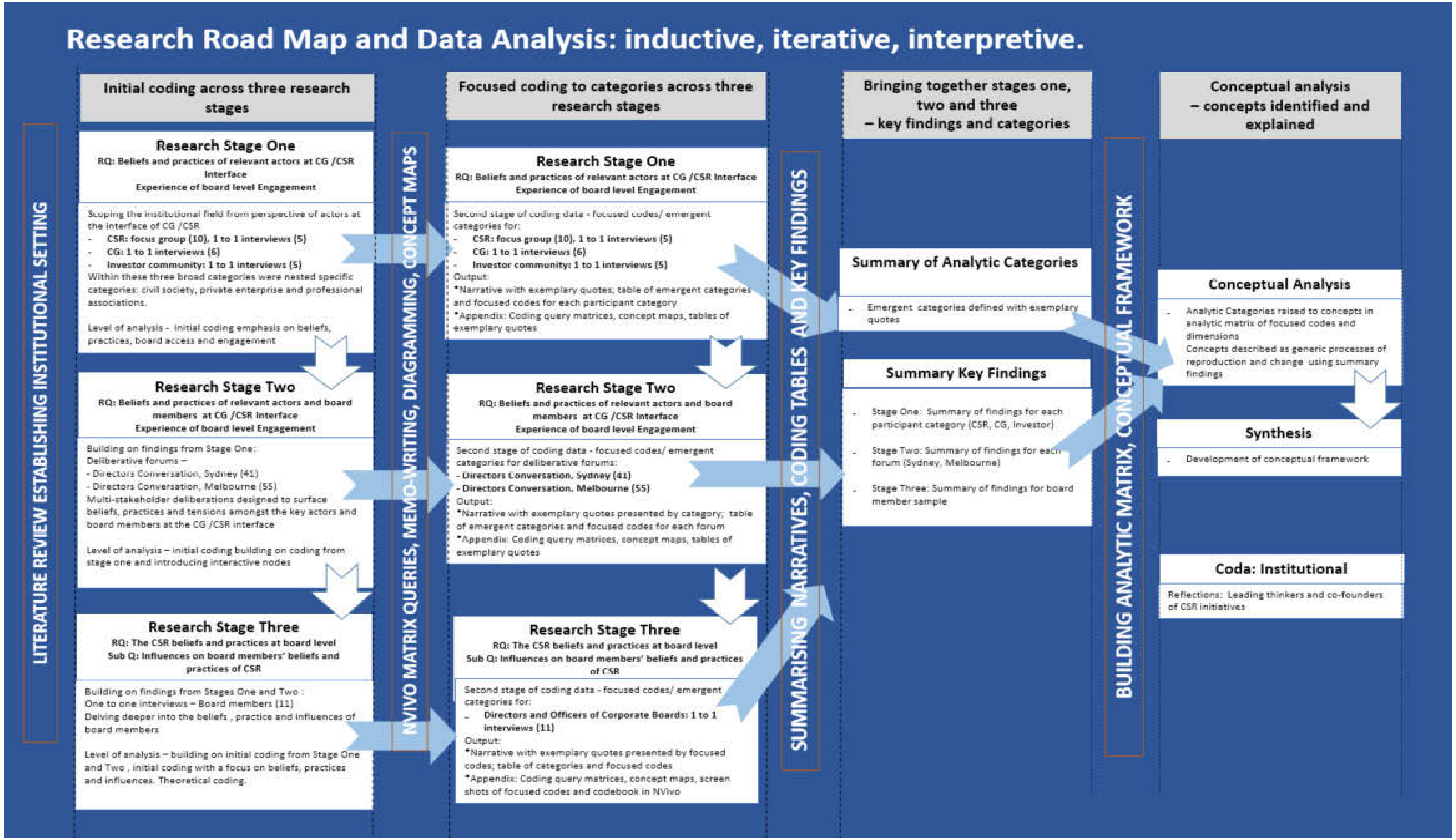

Figure 8.1 Grounded Data Analysis Road Map (see end of thesis after References section for full A3 version)

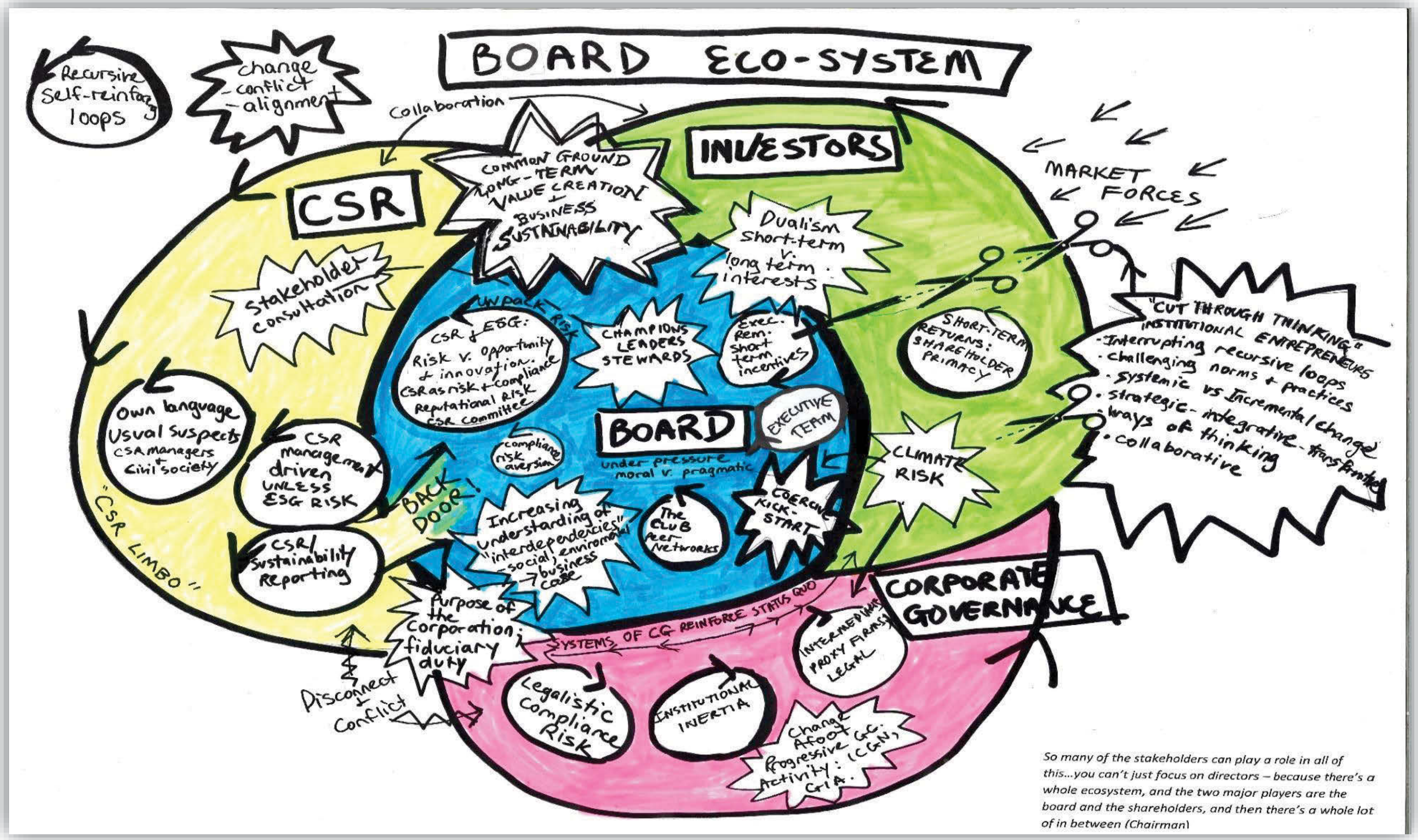

Figure 8.2 The Board Ecosystem at the CG/CSR Interface

"My grounded journey in data analysis"

I decided early in the data analysis process to code each research stage separately, so that I could draw from the grounded process of data collection—moving iteratively from one stage to the next, and gradually developing a bank of initial and later, focused codes.

Having initially coded all the data into NVivo 'parent' and 'child' nodes, I then used my analysis tools, especially the NVivo matrices, to systemically go through the most frequently coded data in stages one and two.

I created tables of exemplary quotes from the first two stages of research. An additional column was created for focused codes and dimensions, to apply to the tables of quotes. I then created a second column in the tables—to look at possible emergent categories.

The first category to emerge from the data was based on my early 'hunches' derived from my rich pictures and diagramming (see Figure 8.2), where the CG/CSR interface appeared to be made up of circular, recursive loops— 'self-reinforcing systems' reflecting a board ecosystem. These seemed to be maintained, or disrupted by 'language and framing' and 'leaders and agents'. Both 'language and framing' and 'leaders and agents' acted as important enablers of board level access and engagement and were strongly coded across all research stages. These became the next two categories.

Theoretical coding was introduced to add analytical edge, using for instance the institutional logics literature and legitimacy literature. Having moved on to analyse the stage two directors' conversations, I became very aware, through the process of creating focused codes and their dimensions, that within the dimensions of each focused code a pattern was emerging at the CG/CSR interface. In addition to the already identified 'self-reinforcing systems' that maintain the status quo, other phenomena were emerging such as the alignment of competing beliefs and practises, or alternatively, conflict and estrangement of competing beliefs and practices. Consequently, these were raised to become the final three analytic categories: navigating complexity, dissonance and estrangement and contested space.

In grappling with how to approach the coding of stage three's interview data and the 'deeper dive' on board members' beliefs and practices, I sensed that it would be repetitive to again pull out quotes to make tables for focused coding. Instead, for deeper analysis, I separated out the stage three data in NVivo. I then reviewed, refined and synthesised the coding within NVivo, with the help of matrix coding queries, to explore patterns of beliefs and practices. As I systematically worked through the data I began to see that categories developed from stages one and two (self-reinforcing systems, language frames engagement, agency and leadership, dissonance and estrangement, contested space and navigating complexity) were represented across the dimensions of the focused codes and that somehow these patterns could all fit together. This became a breakthrough for the analysis.

Drawing from recent research on institutional logics (Bertels & Lawrence, 2016) I wanted to see if I could map the dimensions of focused codes across the categories. I began this process using a pencil and paper table and found it had great merit. I was unsure of where to put the categories relating to language and agency until I reviewed the institutional logics literature—and could see that both agency and language are part of what reproduces or changes multiple logics. I sat these to the side of the analytic matrix to then be incorporated into a conceptual framework. All analytical categories were then raised to theoretical concepts to become the generic processes of logic multiplicity at the CG/CSR interface was identified (See Discussion chapter).

This journey is captured in my data analysis methods (Chapter 7, section 7.8), the following findings section and the discussion chapter (Chapter 9) and is a testament to the inductive, iterative processes of grounded theory (Charmaz, 2014) —working back and forth in the data, fragmenting, synthesising, analysing and constructing meaningful themes.

Figure 8.3 Methodological Journal Excerpt

8.2 Initial Coding – Emergent Issues in Research Stages One, Two and Three

Initial coding across the three stages of data formed an extensive list of initial "nodes" or codes. This is represented in Figure 8.4 by the highlighted areas, showing the first stage of coding and analysis.

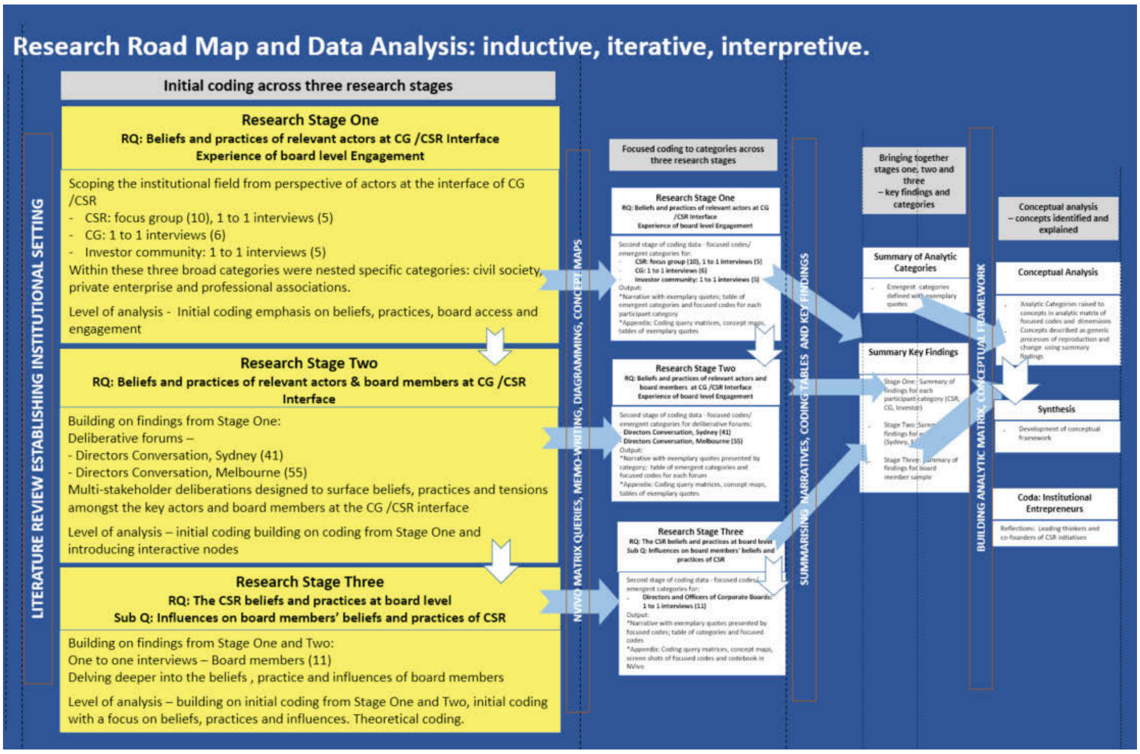

Figure 8.4 Grounded Data Analysis Road Map: Initial coding Stages One, Two and Three

Where initial coding could be dimensionalised (Charmaz 2014), parent nodes and child nodes were created. Table 8.1 displays a screen shot of the NVivo aggregated parents nodes across all three stages of initial coding of data. For a more detailed view, see the Appendix (Figure A2.2) for a sample of the expanded parent and aggregated first level (child) nodes and a hierarchy chart displaying all initial coding clustered to parent node.

An early look at the initial codes reveals a number of fruitful avenues for further exploration in pursuing the research questions. Extensive initial coding provided the base for the next stage of analysis—focussed coding. A note on CSR terminology—the acronym 'ESG' is introduced as a descriptive code to represent the investor driven concept taken to mean economic risk pertaining to environmental, social and governance elements.

Table 8.1 Initial Codes for Research Stages One, Two and Three: Aggregated Parent Nodes

Nodes

Name	Sources	References
001 MEMORABLE QUOTES	31	278
002 BELIEFS ASSUMPTIONS VALUES	33	293
003 MY KEY INSIGHTS	5	101
ACCESSING AND ENGAGING WITH BOARD	35	372
BOARD -INSIDE	36	589
DISCLOSING AND REPORTING	36	334
DOMINANCE OF RISK AND COMPLIANCE	32	199
EDUCATIONAL INSTITUTIONS FALLING SHORT- SYSTEMIC ISSUE	5	9
EXTERNALITY PRESSURES	3	4
INSTITUTIONAL INFLUENCES	16	64
INTERDEPENDENCIES AND INTERGRATING ESG	30	199
INTERNATIONAL ISSUES AND COUNTRY RELEVANCE	22	89
INVESTOR INFLUENCE	34	349
LEGITIMACY	34	256
MATERIALITY- EVOLUTION	12	44
REGULATORY PRESSURES	30	131
SELF-REFERENCING CSR SYSTEMS	23	156
SITUATIONAL CONTEXT	8	13
STEWARDSHIP	15	36
SYSTEMS OF CG	33	334
TIME FRAMES	28	151
WAYS OF THINKING	29	158
z_ANALYSING GROUP INTERACTION	30	392

8.3 From Initial Coding to Focussed Coding and Categories – Research Stages One, Two and Three

The key emergent issues from each research stage have been summarised into focussed codes and categories in the data analysis that follows using the data analysis methods detailed in Chapter 7, section 7.8. Each stage of research has the following output:

- Summary narratives with exemplary quotes.
- Summary tables of focussed codes and categories.
- Appendix – a full list of tables of focussed codes and quotations, matrix queries and concept maps created in NVivo for each research stage, with screen shots of initial codes and focussed codes.

As data analysis proceeded from initial coding, patterns emerged across the data, revealing a field in flux—with inherent tensions and sometimes deep frustrations experienced in navigating the CG/CSR interface. Patterns pointed to a range of beliefs and practices, which either maintained or sought to change the status quo from:

- a traditional, instrumental business case approach
- to varying degrees of conflict, dissonance and contestation
- through to efforts to align CG and CSR.

To represent these patterns, certain focussed codes were tentatively raised into categories (and, later, concepts) using principles of centrality and theoretical reach[9], with the purpose of making core phenomena in the data explicit (Charmaz 2014):

- self-reinforcing systems
- dissonance and estrangement
- contested space and
- navigating complexity.

Two other prominent themes emerged early in the analysis including the importance of language in framing engagement in CSR issues and the perceived importance of agency and leadership with which to drive change. These were also raised to categories and applied to focussed codes as data analysis proceeded.

8.3.1 Stage One – Scoping the institutional field

Stage One of data collection highlighted in Figure 8.5, scoped the institutional field at the CG/CSR interface, exploring emergent multiple realities (Charmaz, 2014) of key actors including:

- CSR actors – focus group (10) and interviews (5).
- CG actors – interviews (6).
- Investor community - interviews (6).

[9] The two categories ‘dissonance and estrangement’ and ‘contested space’ represent theoretical codes derived from Besharov and Smith’s (2014) types of logic multiplicity, which were originally coded as initial codes under the focussed code for ‘analysing group interaction’.

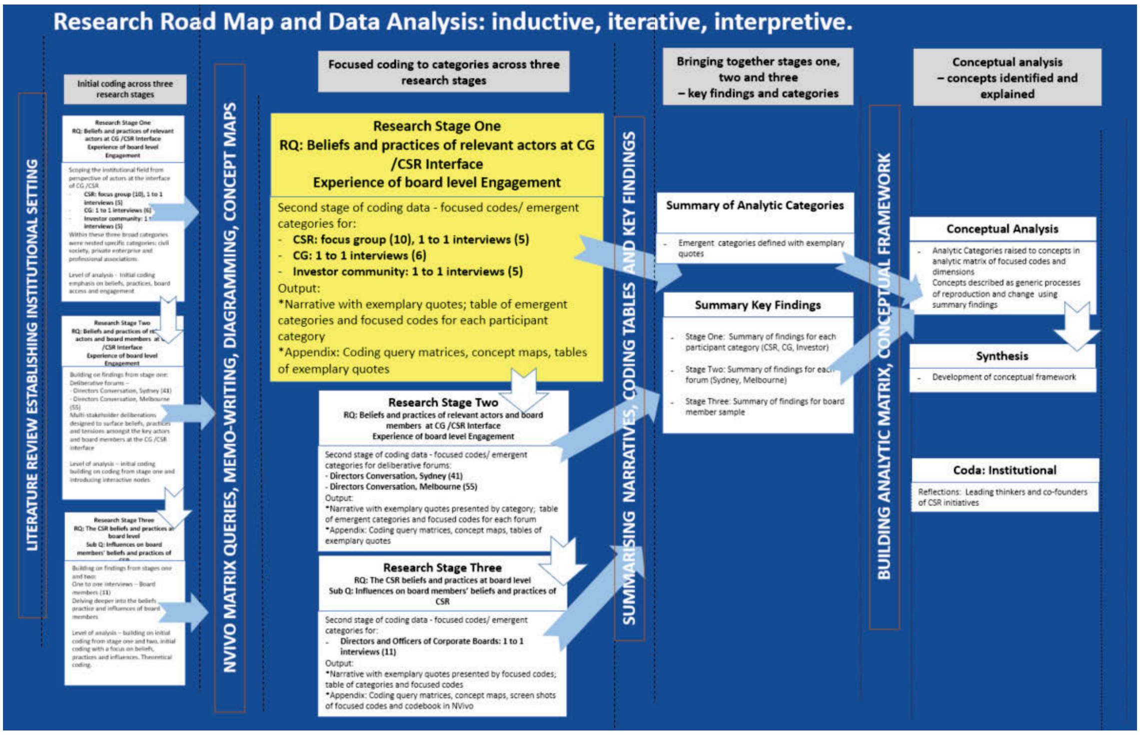

Figure 8.5 Grounded Data Analysis Road Map: Focussed coding Stage One

Within these three broad categories, specific sectors included corporate, civil society and professional associations. The following research aims were investigated:

- The beliefs and practices (logics) at play at the intersection of CG and CSR amongst the relevant actors.
- Their experience of board level engagement.

Findings are presented as narrative summaries with exemplar quotes, followed by a table of categories and focussed codes for each of the above groups. The focussed codes are clustered under six emergent categories: self-reinforcing systems, language frames engagement, agency and leadership, dissonance and estrangement, contested space and navigating complexity.

8.3.1.1 CSR actors – focus group

Second level coding of the Stage One focus group indicated a highly consensual discussion amongst a homogenous peer group of corporate CSR managers. The dominating theme of the focus group discussion was based on a common experience of frustration in accessing and engaging the board on CSR issues: “You can probably assume that if there’s a micro-metre of opportunity for any CSR manager to get to that board they're in, in it like a rat on a drainpipe!" (CSR Manager). A commonly experienced challenge for the focus group participants was being able to communicate the complexity of CSR/sustainability to senior levels of their organisations: "It's like drinking from a fire hose, is how I describe it … you hope that some goes in" (CSR Manager).

> Sustainability or whatever word you want to use for it, is just so complex and there's no way one person can be across what all the ins and outs of human rights issues are and the environment. (CSR Manager)

Linked to this was the recognition that "[CSR] requires different thought processes and different critical thinking techniques and different assessment, it's a different, not even skillset but a different way of thinking" (CSR Manager). This includes short-term versus long-term thinking: "I think whether the investors are short-term or long-term investors maybe as potentially where a lot of the challenge lies" (CSR Manager).

Framing CSR issues as risk played a central role as a trigger (or lever) to gain access and engagement to the board and senior management (for example, the threatened divestment of fossil fuel assets by a mining company's investors). However, this came at a cost, driving self-reinforcing systems:

> You frame it as being a risk piece to give it the burning platform in order for action to be taken now but then you're framing it in a way that it's a reactive type piece rather versus a pro-active. (CSR Manager)

Those managers who had a dedicated CSR-related board committee found that this gave them the necessary access and time to drive a deeper understanding and board interest in relevant CSR issues. Driving change within their organisations was seen to be very much linked to the presence of influential leaders, whether at the executive or board level: "Individual champions are crucial, crucial for doing anything outside the box … outside the traditional risk profiled areas" (CSR Manager):

> It's his personal passion which has been able to … embed into the organisation at the executive level and then has used his role as the Chairman to really solidify that position and then getting some likeminded board members who are already familiar with the issues to really make it part of their, part of the way they do business. (CSR Manager)

Conversely for many CSR managers, shifting the status quo was seen to be challenging due to self-reinforcing systems of peer networks—"the club" and a failure of institutions such as educational and professional bodies to provide an understanding on what is seen as a complex agenda. Consequently, some organisations faced organisational inconsistency in their approach towards CSR: "Our environment team … has gone from being integrated in the business to being pulled back out and moving around, and this happens everywhere of course …" (CSR Manager).

8.3.1.2 CSR actors – interviews

The individual interviews of CSR actors from corporate (1), professional services (2) and civil society (2) sectors continued many of the themes from the focus group. For example, the importance of agency and leadership continued as a factor in board engagement at both the executive and board level: "When the CEO has been very supportive … resources are allocated and their issues are prioritised, but as soon as a new CEO comes in who doesn't get it … it becomes a problem" (CSR Manager). At the board level: "The board buying into sustainability … are the effective guardians of making sure that that concept has a continuity within the company" (CSR Manager). Conversely, peer constraints at both board and executive levels stymie progressive agendas: "There are people on the board who want to speak out but they know by doing so that their shelf life as a future board member … is compromised. It comes back to the club" (CSR Professional Services). At the executive level:

> Some of the paralysis is the next level down. Not only can't you get the ball moving with some of them but the ball is so entangled with cables and chains and weights … they're almost afraid to step outside their pack. (CSR Professional Services).

Interestingly where boards demonstrated an interest to understand relevant CSR issues more deeply, management was seen to obstruct access to the board: "Companies are very, very protective about the role of directors … when you approach directors individually, they are not" (CSR civil society). The relationship between management and the board at the CG/CSR interface was characterised as often being in a state of "CSR limbo":

> Everybody feels that they're a bit in limbo - because the executives understand and prioritise but they don't feel they have the buy-in enough to do the bigger switch. And the board members feel they don't have enough knowledge to actually move on these issues because that has never been a part of their agenda and it's not so easy to see the immediate financial implications where they again are used to quick decisions. (CSR Civil Society)

Inherent tensions in balancing the economic, environmental and social elements of CSR began to emerge: "In trying to be responsible … when we look at the economic leg, how much are we willing to move it down …" (CSR Manager). A theoretical focussed code, 'corporate legitimacy', was introduced into the coding to connote moral and/or pragmatic responses to the CSR agenda. The understanding of CSR-related reporting and disclosure frameworks such as the GRI and IIRC are somewhat muddled at the board level and point to organisational inconsistencies and an estrangement from the CSR agenda: "How can you produce an integrated report that talks about what you are doing in terms of value transformation if you've got no system within the business to actually measure or even understand what those value transformations are?" (CSR Professional Services). The importance of adapting language usage to engage the board was a significant theme for all CSR actors:

> I found the best way to approach this was to change my language depending on who I spoke to … Because at the end of the day, sustainability tends to be a proxy word. Boards should not consider sustainability. Boards should consider climate change or public health or human rights or diversity. We need to consider the issue that's material to the enterprise. (CSR Civil Society)

Language frames engagement. Challenges with the elusive meaning of 'materiality' are acknowledged: "it can have so different an interpretation from person to person …" (CSR Civil Society). The CSR civil society sector has increasingly engaged business consultancies to learn how to talk "the business case", although recognises inherent tensions: "there is a risk of losing grip with what you usually would preach … like helping to make the moral case also" (CSR Civil Society).

Doubt is expressed by CSR actors (professional services, civil society) as to the effectiveness of board CSR committees, seen as lower down the hierarchy of committees and used as a way of "getting stakeholders off their back". A dissonance between systems and action was identified: "The dissonance that we found – with these systems in place and their sustainability performance … there was no correlation. We couldn't see a pattern of any kind" (CSR Civil Society).

At the same time, CSR civil society actors found that board members expressed an interest in understanding the CSR agenda further, particularly as it aligned to long-term investor interests and their concerns over their fiduciary duties to the corporation. However, shareholder primacy ultimately dominated any broader stakeholder considerations:

> There's a clear contradiction … if you talk to board members about their role—everyone agrees it should be about long-term performance but then they all talk about the pressures of the quarterly report … being enforced on them by short-term investors. (CSR Civil Society)

A broader stakeholder view is understood as a more holistic risk assessment process, "but if you're asking what's happening now, you know, any day of the week, the investors are going to trump the advocacy group" (CSR Civil Society).

In a post-GFC world, boards have become risk averse. This works against the need to innovate and ushers in "the kind of conversations that we seem to have all the time on the long-termism and the short-termism conflicts" (CSR Civil Society). New ways of thinking and an understanding of how CSR is specifically related to their company are needed to allow for transformational change at the board level. There is a call from civil society for boards to open the 'black box' and become more transparent in their decision-making: "… especially when it comes to the stakeholder conflicts and what's being valued as important, knowing what's going on and knowing that there's all these other trade-offs" (CSR Civil Society).

The following Table 8.2 summarises the focussed codes and categories for the CSR Actors.

Table 8.2 Stage One: Focussed Codes and Categories for CSR Actors

Categories	Focussed Coding
Self-Reinforcing Systems	The club: Peer influence and networks maintain the status quo Don't rock the boat Board access and engagement: Competing for time Board access and engagement: Risk as a trigger Board access and engagement: Management vs board Institutions maintain the status quo Instrumental pragmatic business case Intermediaries and investors Dominance of CEO Shareholder primacy ESG as economic risk Paralysis, entanglement, inertia Risk and compliance vs opportunity and innovation
Language frames engagement	Understanding complex agenda Reporting enables external engagement Sustainability is a proxy word Risk as a lever Aligning with the business case
Dissonance and Estrangement	Organisational inconsistency Government failure Muddled reporting Dedicated committees – tokenism Dissonance between structure and action CSR limbo: management vs board
Contested Space	Contradictions and investor pressure: Long-term performance vs short-term returns Legitimacy: moral vs pragmatic Shareholder vs stakeholder Maximizing shareholder value vs ESG Risk and compliance vs opportunity and innovation

Navigating Complexity	Board access and engagement: dedicated committees Board access and engagement: competitiveness as lever Sustainability is a proxy word Supportive CEO Reporting - mixed blessings Balancing economic, environmental, social Board more open than management New ways of thinking Elusive concept of materiality Legitimacy: Moral and pragmatic Fiduciary responsibility - long-term
Agency and Leadership	Passion and leadership drives change Influential chairman Engaging senior management Individual champions drive change CEO leadership crucial Stewardship - Board as effective guardians

8.3.1.3 CG actors

Data gathering for CG actors included one-on-one interviews of professional associations (5) and civil society (1) sectors.

The undercurrent of tensions between short-term shareholder returns and longer-term sustainability at the interface of CG/CSR continues in the interviews of CG actors: "Everything comes back to the share price because that's the way we currently measure success and who's winning the game … they've got to make a return. And how's it in their interest to change the purpose of the corporation?" (CG Civil Society). CG processes and systems help to maintain this status quo, including short-term incentives, and the framing of environmental and social issues as risk to share price:

> As per the climate risk – this would get into the board room as it would get tagged as a legal risk so it needs to be an agenda item. This is risk to the share price. If you're going to deal with sustainability, what you are really interested in is the short-term share price and if you're a bit more sophisticated the longer-term share price. And if you can see that this is going to cause a problem you need to do something about it. (CG Civil Society)

This position is reinforced by the conservative associations that represent boards, where CSR is considered relevant to the extent that it affects shareholder value but not as a moral issue: "The question for companies is whether they see it as a good thing to do, or good for business … in which case, the first one is an indulgence, a luxury. The second one has a business imperative" (CG Professional Association). With the CSR function sitting outside line management it has less power within the organisation and less opportunity to influence the board, unless framed as a risk, which serves to reinforce the status quo.

Therefore, language and framing continued as a central theme. The CSR reporting agenda did not necessarily help. Mixed beliefs about CSR reporting continued, "boards spend a lot of time reporting on this – reporting's different to engaging … some are just ticking boxes others are in there quite strongly engaging" (CG Professional Association).

Associations representing directors of boards reactively push back on the CSR agenda:

> All of this debate is overwhelming for directors – because it's an addition to existing responsibilities which are onerous, and the pressures from the market or from investors or owners or whatever it might be … I don't think that's because they disagree … They are being pushed and pulled - long-term, short-term. It's not possible for decision makers like members of boards to align all interests. (CG Professional Association)

This points to the internalisation of conflicting tensions and dissonance between the board, the executive and their perceived responsibilities—in particular, a dualism and pressure from the markets:

> Two streams of engagement - you've got the board dealing with investors on governance or ESG issues but over here you've got the CEO and the CFO dealing with the analysts on business performance which has a short-term focus. Over here the boards are talking long-term issues. We're long-term shareholders and we're interested in ESG risks, meanwhile the mandate to fund manager is short-term trade to your heart's content. We don't care, just show us the money. There's a very big conflict. (CG Professional Association)

Although there is an active discussion from the investor community on the need for long-term thinking, "if you look at how analysts and how fund managers are actually remunerated and incentivised that doesn't actually align with what they're asking" (CG Civil Society).

At the same time, CG professional associations point to a disconnect between CSR representatives and the CG field of practice: "their thinking is dogmatic … either you agree with them or you're wrong ... those organisations don't seek to engage with us up front in policy formulation as a rule":

> You've got all these groups that came out of the sustainability field, NGO land and corporate social responsibility, who didn't really understand governance and that there was that mechanism already in play and who also hadn't ever read a financial statement … and it's all about stakeholders and there's not much understanding about the relationship between boards and shareholders and they really do struggle with "well why aren't we equally important"? (CG Professional Association)

However, some collaborative initiatives such as the PRI and integrated reporting (IIRC) are recognised as beginning to build consensus with boards and CG practitioners on short- and long-term interests and directors' duties. There is an opportunity for potential alignment between CG and CSR agendas around long-termism: “What many around a board, would think long-term is not about sustainability as much as it is about making long-term investments, sustainable returns” (Director Association). Certain pension funds straddle the complexity—supporting ESG without losing focus on returns for their members’ returns. Tension is implicit here: “Satisfactory returns for shareholders is really enlightened” (CG Civil Society). Differentiating investors is important—with large institutional investors engaging boards in ways that retail investors cannot, due to their size and influence.

Legal advisors and intermediaries perpetuate a conservative approach. Conflating shareholder activism with ESG leads to a protective stance as opposed to engaging in the issues, “and that is because of their legal advisors” (CG Professional Association). The fear of legal risk drives the ‘paralysis, entanglement, inertia’ further:

> Our members say—I’m not concerned that I’ll be found to be in the wrong because I’ll have made a sound business judgement but what I’m concerned about is the five years that I’ll spend trying to defend my reputation and that’s what I’m concerned about. (CG Professional Association)

Looking to the future, “the framing of it (CSR) is hugely important and an external legal advisors and internal counsel will have a very big role to play” (CG Professional Association).

The following Table 8.3 summarises the focussed codes and categories for the CG actors.

Table 8.3 Stage One: Focussed Codes and Categories for CG Actors

Categories	Focussed Coding
Self-Reinforcing Systems	Institutions maintain the status quo Instrumental pragmatic business case Paralysis, entanglement, inertia Purpose of the corporation: MSV Investor pressure Short-term incentives – analysts and fund managers Framing ESG as risk to share price Push back on CSR CSR as indulgence CG processes and systems maintain status quo CSR self-reinforcing systems: CG/CSR disconnect Legal advisors and intermediaries maintain the status quo
Language frames engagement	Risk as a lever Long-termism frames alignment
Dissonance and Estrangement	Muddled reporting CSR outside line management CG/CSR disconnect Investor short-term incentives vs long-term discourse
Contested Space	Contradictions, duality and investor pressure: Long-term performance vs short-term returns Internalised tensions: board vs executive Contested purpose of the corporation Boards are overwhelmed
Navigating Complexity	Legitimacy: Moral and pragmatic MSV and ESG Enlightenment: satisfactory returns for shareholders Alignment between CG and CSR - Long-term thinking Convergence and collaboration – CSR/ESG Initiatives with CG and Boards
Agency and Leadership	Stewardship: Paul Polman[10]

[10] Paul Polman is included in the coding as an exemplar of stewardship (Chapter 4, section 4.3.3) and was widely recognised by the interview sample as such. Paul Polman is currently the CEO for Unilever: "Under his leadership Unilever has an ambitious vision to fully decouple its growth from overall environmental footprint and increase its positive social impact through the Unilever Sustainable Living Plan". He is also Chairman of the World Business Council for Sustainable Development, a member of the International Business Council of the World Economic Forum, a member of the B Team, member of the UN Global Compact board and the UN SDG Advocacy Group, tasked with promoting action on the 2030 Agenda.

8.3.1.4 Investor community

Data gathering for the investor community included one-on-one interviews of ESG advisory (1), industry body (1), civil society (1) and institutional investor (2).

The investor community discourse on CSR and its economic, social and environmental elements, is usually termed ESG and has historical determinants: "ESG was the negative risk, the negative screen in ethical investments and then took prominence as ESG split from SRI (socially responsible investing). The problem here is that the positive can be missed" (investor industry body). This framing has led to the dominance of an instrumental, economic, risk based approach:

> It's important, especially in the context of ESG to remember that we do not make value judgements on behalf of our clients, our work is entirely focussed on economics … it's ultimately to demonstrate that we are engaged with these issues, and an opportunity for us to reinforce our view that these can be issues of economic consequence and that's why we care about them. (Institutional Investor)

Stewardship is framed in terms of long-term thinking—and seeks to align with a corporate interest in long-term value creation: "Ultimately as a fiduciary for our clients, our objective is always to protect the value of the assets that have been entrusted to us to manage and we do take a long-term view because our clients have long-term investment horizons" (Institutional Investor).

Similarly, to other actors at the CG/CSR interface, there is a problem with language: "on board engagement, ultimately, I think we have had terminology issue, you know, ESG … that's not a separate discussion, it should be part of the fabric of the strategic discussion … so this gets back to the materiality issue" (Institutional Investor). Who decides what is 'material' and to whom, is determined by a self-reinforcing process of industry-led standards-settings initiatives.

Investor and company engagement is seen by the investor industry body as a critical issue for the sustainability agenda and in need of attention. This includes sending the right signal to the company by selecting the right investment managers that care about what companies are doing: "Corporates and superfunds need to see past their own worlds to see how it all connects up. Strategic thinking, integrating the ESG. Working together, developing shared understanding, being exploratory" (Investor Industry Body).

Management are the primary point of contact by investors, yet board members have indicated their interest in understanding more of the sustainability agenda:

> As a consequence, independent directors often don't get to hear what investors are thinking —they go to CEO and the exec. It's a challenge for independent directors in accessing managers without being there. Same as for investors. The sustainability initiatives and reporting are generally poorly understood at director level. (Institutional Investor)

Driving greater board level engagement could address this dissonance and help to address two of the main challenges facing boards: "Board capacity: the depth and mix of skills required both as individuals and collectively on the board; and a lack of understanding of the sustainability landscape at board level" (Institutional Investor). Sustainability initiatives and reporting are generally poorly understood at the director level, and appear to be more talk than action, and therefore self-reinforcing: "Disclosure is not an end in itself – what it does achieve is not clear. However rather than completely criticise the role of reporting it is a step forward. A naiveté exists on how investors might use sustainability reports" (Institutional Investor).

The type of investor and their motivations needs to be given more consideration, for example, disruptive hedge funds and diversified investors versus long-term institutional investors.

> Drivers in the investor value chain include brokers promoting the sale of shares, so it does not help their business to hold on to shares. Asset managers then must sort through noise versus the trends. Asset owners however can afford to have a longer-term approach. (Institutional Investor)

This requires a broader engagement of stakeholders across the CG/CSR interface to meet the aim of aligning the long-term value of the company with long-term interests of shareholders:

> As investors, our perspective is going to be on how can we make sure that we are engaged, both with the activist community, with the regulatory community, with companies … you must be conscious of your other stakeholders in order to protect the long-term value of the company and ultimately the long-term interests of the shareholders in the company. (Institutional Investor)

The growth of superfunds as a significant portion of the Australian economy heralds a future of universal ownership with "massive implications for stewardship and responsibility for the economy and society" (ESG Advisory). However, at this stage, with board composition dominated by "the old guard" and a dominant and highly networked and remunerated CEO ("the great man syndrome"), self-reinforcing systems dominate (ESG Advisory).

The following Table 8.4 summarises the focussed codes and categories for the actors from the investor community.

Table 8.4 Stage One: Focussed Codes and Categories for the Investor Community

Categories	Focussed Coding
Self-Reinforcing Systems	The club: Peer influence and networks maintain the status quo Dominance of CEO Short-term incentives – analysts and fund managers ESG as economic risk Industry led ESG standards
Language frames engagement	ESG vs SRI: Economic risk vs social responsibility ESG not separate from strategy
Dissonance and Estrangement	Muddled reporting Disconnect: investors and board Disconnect: non-executive directors and management
Contested Space	Contradictions, duality and investor pressure: Long-term performance vs short-term returns
Navigating Complexity	Elusive concept of materiality Importance of investor- company engagement Different drivers in the investor value chain Aligning long-term value of company with long-term interests of shareholders Shareholder and stakeholder ESG not separate from strategy
Agency and Leadership	Companies ahead of investors on reporting Investor stewardship - aligning long-term interests

8.3.2 Stage Two – Deliberative forums

8.3.2.1 Introduction

Stage Two formed the centrepiece of the research design, convening two deliberative forums in Sydney and Melbourne with which to attract and leverage interested corporate board members and other actors at the interface of CG and CSR. The area highlighted in Figure 8.6 represents this second stage of research undergoing a second level of data analysis, the focus of this section of the chapter. Stage Two extended the research aims from:

- The beliefs and practices (logics) at play at the intersection of CG and CSR amongst the relevant actors and their experience of board level engagement

to

- The CSR beliefs and practices at the board level.

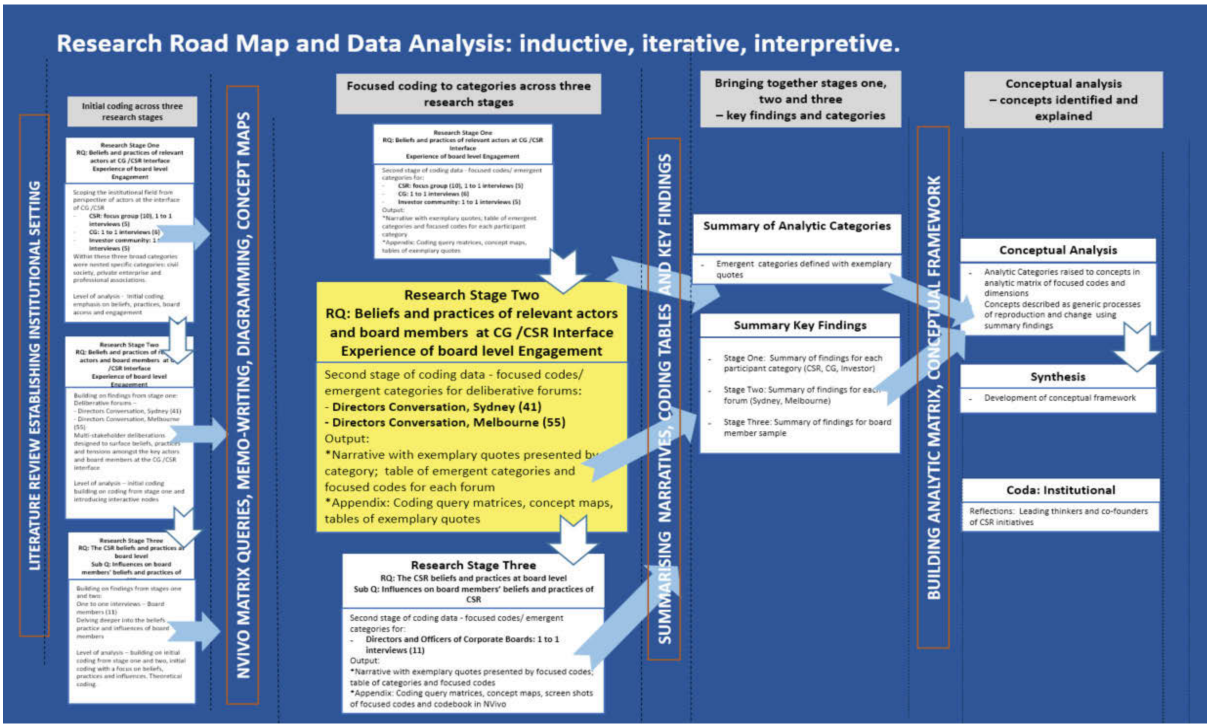

Figure 8.6 Grounded Data Analysis Road Map: Focussed coding Stage Two

Drawing from emergent issues in Stage One, the forums were strategically constructed to investigate multiple stakeholder perspectives on complex issues. Analysis focussed on the interactive dimensions of the data with interactive nodes derived from both the suggestions of Bazeley (2013) and drawing in theoretical coding from the institutional logics literature on logic complexity (Besharov & Smith, 2014). A further node "flashpoints" was created to alert me to significant moments of consensus and contestation (Dryzek & Stevenson, 2011) for later analysis.

As with Stage One, findings are presented as narrative summaries with illustrative quotes, followed by a table of categories and focussed codes for each of the above forums. For the narrative summaries, the emergent categories of self-reinforcing systems, dissonance and estrangement, contested space and navigating complexity are used as *italicised sub-headings* with cross-cutting issues of language and agency woven throughout the narrative.

8.3.2.2 Sydney directors' conversation

A total of 41 people attended the deliberative forum. For a full breakdown of participants, see Chapter 7, section 7.7.3.2.

Contested space

The 'flashpoint' of the forum revolved around language usage and a disconnect between CG and the CSR agenda and initiatives—framed as "agitation by the narrowly focussed groups" (Director). In an at-times hostile discussion, conflictual beliefs and practices were exposed:

> I was flabbergasted by the number of very bright people playing in the ESG space and I was puzzled by why collectively they were achieving very little. I concluded … that came down to the language that community often uses that doesn't resonate with people that have got a fiduciary responsibility under law, that can be held accountable for that, and secondly the time horizon. Mainstream has become shorter and shorter in terms of the way it operates … Given that your community is trying to influence corporations then you're not going to influence anybody unless you speak the same language. (Non-Executive Director)

CSR/ESG initiatives were considered part of the problem, "paying lip service" and putting form over substance, rather than providing "education and a deep embedded understanding of what you should be doing" (Non-Executive Director). For example, on integrated reporting:

> When I ask people what they think about integrated reporting I hear a lot of platitudes around what it's trying to achieve but they actually can't define what it is … it's something from someone in a business school has dreamt up I don't think it's particularly useful. (Regulator)

Perceived fiduciary duties to the corporation and investor pressures may conflict with broader stakeholder considerations:

> Ultimately, we are fiduciaries and we are entrusted with the economic assets the corporation has that have been built up through the contribution of stakeholders which is equity providers and debt providers and we have to deal with those assets in a prudent manner … there is no morality or ethics underpinning compliance. (Non-Executive Director)

There was strong reaction from the CSR actors in the room, seeking to understanding where a CSR issue might move from a risk-based issue to a moral one: that is a risk versus a moral response:

> When we articulate sustainability issues as risks then they do get on the board agenda. But obviously with risks there's a risk appetite … there are trade-offs as well. When does it move from compliance or meeting regulatory requirements or recommendations to acting because it's the right thing to do and why do we need tipping points and

> terrible tragedies like Rana Plaza collapse to force companies to start doing what is right for their stakeholders? (CSR Civil Society)

Integrated reporting was seen as a way of improving efficiency in reporting, governance of CSR issues, board level engagement and was "overwhelmingly supported by the people that we talk to including our institutional investors" (CSR Manager). In terms of language and framing, a mutual understanding was called for:

> You think that it's important for "sustainability people" to perhaps learn the language of business but do you think perhaps [your company] could have saved a couple of million dollars if you'd learnt the language of other stakeholders as well and understood some of those human rights perspectives? … maybe there's a way we can learn to talk somewhere in the middle and we can understand the perspectives of each other rather than you know, other stakeholders always speaking the business language- I guess that's one theory. (CSR Civil Society)

A dissonance in language, framing and engagement was identified as a result of "separating out the aspects of sustainability into economic – environmental – social with their own set of reporting guidelines, as a way to communicate to stakeholders" the question was then asked—is that a help or a hindrance?" (Academic).

Self-reinforcing systems

Self-reinforcing systems continue to dominate board composition, again being characterised as a club, "and like any club the people who are invited are being invited by those who are already in the club. And the two groups in the club are the existing directors and the search firms. But if there is any one dominant influence on who gets on boards it would be the chairman without a doubt" (Non- Executive Director). There is also a resistance to the board diversity agenda, "some of these "narrowly focussed groups" are part of the problem. "These days there is so much focus on gender diversity that we've missed the big issue which is a lack of diversity" (Non-Executive Director).

The conflict over language and engagement serves to stymie the transformation that CSR actors seek at the interface with CG and perpetuates self-reinforcing systems. Underlying the conflict is a purposeful narrowing of CG definitions and guidelines by regulatory and investor perspectives, which frame the CSR agenda as ESG risk to investors:

> The purpose of the [ASX] guidelines is to have a dialogue between investors and companies around the risks to investor returns and if climate change has an impact on investor returns over the long-term then that is something that should be spoken about in that dialogue. So, it's not trying to achieve a social purpose it's trying to achieve a meaningful dialogue between investees and investors … It isn't about saving the orang-

> utans. It is about the investment risk you pose to your investors if you don't think about orang-utans. (Regulator)

This position is backed up by referring to international collaborative efforts by institutional investors, notably the PRI, and "increased concern that's being expressed by investors globally around sustainability risks and the investment risks that they pose" (Regulator).

Navigating the complexity

In navigating the complexity at the CG/CSR interface, different actors sought to align the long-term value of the company with long-term interests of shareholders (corporate, investor and CSR). Although the regulatory view is narrow, it does flag a stewardship role for investors through alignment with companies on long-term issues and a broader stakeholder view: "part of our stewardship role on behalf of our clients involves extensive engagement with the companies and talking to companies about the long-term issues" (Investor). Quarterly reporting and the media are understood to contribute to a short-term focus: "we've just got all this data that comes to us from a daily basis that I think is also contributing to that short-term focus" (Investor). Institutional investors are, however, indicating a preference for half yearly-system that "works well with the overlay of continuous disclosure" (Investor).

Tensions in the investor/corporate board relationship surfaced, largely driven by dual messaging from investors: "We do have funds that do focus on short-term issues … my team is focussed on longer-term issues" (Investor). An instrumental approach to long-term ESG risks focusses on the management of economic, as opposed to social or environmental issues: "It's quite interesting the Exxon issue, because they've come and said well we have looked at the long-term risks and we do think that there is strong demand for fossil fuels for the next 40 years" (Investor).

Yet, there may be the opportunity to align interests. Members of both the investor community and corporate boards recognise the conflicts between the drive for short-term returns with high frequency trading that dominates turnover and the long-term sustainability of the company:

> One of the things that appeals to me about [my company] is that they are very long-term in their mission. So, the goal is not to maximise returns to shareholders. It's to

> produce satisfactory returns. That then gets you away from defining the period and you don't have to maximise in and indeed you can only maximise something for one group of stakeholders usually to the detriment of other stakeholders. So, you could maximise this year's profits but probably by stealing next year's profits because you damage some other part of the business.… The company recognises what I'd call a stakeholder model that the company involves numerous stakeholders and the notion of corporate responsibility … coming from … their unique corporate culture and … back to their origins. (Director)

Boards that seek to address short-termism recognise the conflict between shareholders and stakeholders and seek to 'navigate the complexity', engaging the investor community over a long-term focus and a push-back on MSV for 'reasonable returns'. Corporate culture is believed to be the driver with the chairman playing a key role: "At the end of the day when we come back to corporate governance … companies don't fail because of their systems and processes. They fail because of the actions of people … it's that culture that drives that behaviour" (Non-Executive Director).

From a director's perspective, companies are ahead of investors and their advisers in terms of their role as "good corporate citizens" and a broader social purpose: "the sustainability of the very important entity in any society, namely companies that create all of the employment, all of the tax, all of the wealth that our society depends upon" (Director). Yet at the same time, institutional investors following ESG practices speak of a disconnect with boards "who don't really understand how seriously some of the industry funds take their corporate governance and environmental and social risks" (Investor). The solution lies in "actively engaged investors that are long-term in their own focus and that understand the totality of business issues" (Director). The use of the term 'non-financial investment considerations' is erroneous: "That's a term used by investors NOT a term used by company directors. None of those considerations are non-financial. They are all long tailed risks … difficult to define … but can ultimately can affect your licence to operate" (Director).

The following Table 8.5 summarises the focussed codes and categories for the Sydney forum.

Table 8.5 Stage Two: Focussed Codes and Categories for Sydney Directors' Conversation

Categories	Focussed Coding
Self-Reinforcing Systems	The club: Peer influence and networks maintain the status quo Dominance of CEO Purpose of the corporation: MSV Framing ESG as risk to share price, investor risk Deliberately narrow legal definitions of CG CSR self-reinforcing systems – CG/CSR disconnect Risk as trigger Short-termism – quarterly reporting and the media cycle
Language frames engagement	Long-termism frames alignment CSR disconnect with CG, boards
Dissonance and Estrangement	Investor short-term Incentives vs long-term discourse Disconnect: investors and board
Contested Space	Contradictions, duality and investor pressure: Long-term performance vs short-term returns Legitimacy: moral vs pragmatic Shareholder vs stakeholder Contested purpose of the corporation CG/CSR disconnect – language and framing Integrated thinking vs old ways of thinking Moral vs pragmatic Tension and duality - pressure for returns vs ESG
Navigating Complexity	Importance of investor-company engagement Investor profile – long-term vs short-term interests Different drivers in the investor value chain Aligning long-term value of company with long-term interests of shareholders Shareholder and stakeholder Collaboration and Convergence of ESG Initiatives with CG and Boards Investor stewardship - aligning long-term interests Corporate culture vs systems and processes Purpose of the corporation: corporate citizenship Stakeholders and shareholders Investors and company engagement
Agency and Leadership	Investor stewardship - aligning long-term interests Chairman is custodian of culture and change

8.3.2.3 Melbourne directors' conversation

A total of 54 people attended the deliberative forum in Melbourne. For a full breakdown of participants, see Chapter 7, section 7.7.3.3.

There was less conflict across participants in the Melbourne forum and a greater level of consensus, due to the make-up of the conversation leaders, dominated by non-executive directors of boards. This enabled a deeper view into the 'black box' of the board regarding the challenges faced at the interface of CG and CSR. Where the questions posed to the Sydney discussants were open-ended and exploratory, the Melbourne conversation was able to drill down on emergent themes. This revealed a field in flux with inherent tensions and sometimes deep frustrations experienced in trying to navigate both the moral and pragmatic dimensions of board decision-making. Findings pointed to a range of beliefs and practices from amongst senior board members, investors, senior regulator and others that either maintain or seek to change the status quo as represented by the coding categories in the section headings below. The variation of perspectives is reflected in a point made early in the forum with emphatic agreement, that boards are not all the same: "They've all got different challenges, different personalities, different leaderships and … different stages of their evolution … so when you sit on a board, you can't just bring a template that says this is how you behave on a board" (Non-Executive Director).

Contested space

A key theme in navigating the tensions at the CG/CSR interface was a desire to address the contradictory yet interdependent relationship between a broader stakeholder model with a traditionally held 'MSV' position, balancing the interests of stakeholders and shareholders:

> Unless we really understand the market that we're in, in its broadest definition we haven't really got a hope of doing what we're required by the corporations' law to do to maximise profit … we are increasingly disengaged from the sorts of issues that are effecting the community … I am saying that I think the board, that we as the business sector, one of three great sectors is seen to be reaching out and being part of the community. I think it actually just automatically translates to what we're actually required to do. (Chairman)

This quote demonstrates an assumption of shareholder primacy, set against an understanding of the importance of stakeholder engagement and the embeddedness of business in society. Such tensions experienced at the board level built on themes that emerged from the Sydney forum.

The language and framing of the CSR/ESG agenda was again considered too narrow and not cognisant enough of the breadth of responsibilities across boards:

> One of the worries that I have too often is that definitions of responsible investing are framed too narrowly. So, they're defined either in environmental terms or social terms - a pretty narrow channel and not recognizing the breadth of the responsibility and the necessary trade-offs across boards…. Making about a thousand jobs redundant, re-financing the whole company at a time when ratios were already under severe peril, all

> those things are not done lightly, and that's part of the enormous trade-off that the board needs to get their mind around. (Non-Executive Director)

Similarly, it was felt that the definition of sustainability needed to be broadened:

> shepherding of the company through real sustainability challenges, like was it going to survive? There's no more immediate sustainability challenge than that... That's the definition of sustainability within the portfolio if you like of the individual business. Which drags in all of those environmental, financial and social objectives into the decision-making process. They're all very much explicitly on the table. (Non-Executive Director)

This brings in to focus the importance of framing the alignment of business sustainability and sustainability business practices, and the stewardship role of boards: "We really have to do more than just pay just lip-service to the combination of financial performance, social and the environment" (Non-Executive Director).

Contradictory views as to the purposefulness of establishing CSR/sustainability board committees were split between those board members that saw advantages in having greater time for engagement in CSR issues versus the necessity for whole of board accountability. In part, this reflected sectoral risks, for example, in mining or the building industry with high levels of risk and regulation across health, safety and the environment:

> I think we've seen an evolution in recent years where even the term sustainability committee applies to you know, potentially a range of issues that might cover environment, safety, health, community, even diversity in some companies and so we've seen not only a much greater breadth of scope for those committees, but also, a much more forward-looking orientation for those committees. (Non-Executive Director)

Echoing findings from Stage One on board members' interest in CSR: "every director used to come along to the subcommittee. And then we realised that there was this great interest, so then we integrated it into the board" (Non-Executive Director). Despite committees providing the time needed to thoroughly oversee sustainability related issues and conduct site visits, there were also concerns about whole-of-board accountability: "I absolutely believe that every board has to have focussed time talking about digging into risk, sustainability … those things are explicitly board agenda items" (Non-Executive Director).

Self-reinforcing systems

Discussion during the forum surfaced the growth of a dominant risk paradigm at the CG/CSR interface with the effect of maintaining the status quo. This also gave way to a level of frustration on the part of proactive board members: "The increase in focus on risk since the financial crisis, I think has been quite extraordinary … that's led to a generational shift in attitude to risk" (Director). Risk aversion stymies innovation, reflecting a conservative focus from current systems of CG:

> So often with risk, we talk about or think about people stealing from the company or a bad decision being made … I think there is a big risk in just not understanding the extraordinary payback from sensible innovation … I actually turn it round the other way, and say actually, it's a risk, it's a risk not investing sensibly. (Chairman)

Other emergent areas of risk influence board decision-making, driving a risk averse approach, such as reputational risk: "we're worried about is our brand name, you know suddenly the media loves to point the finger at a brand" (Director), and supply chain risk where morality gives ways to pragmatism:

> As a board member, you're faced with these moral dilemmas, should we go into these places, like Vietnam, like Cambodia … Should we rely upon the management that tell us that these things are okay boss, when you know that if something goes wrong, you're going to be held accountable. That's the sort of very difficult moral decision that you have to make as a board member. And the boards responsibility is to really put in place the protocols that you think and you believe will be necessary but you know deep down in your heart that they're never going to be 100%. (Director)

Reflecting earlier findings in the Stage One CSR focus group, framing CSR issues as risk provides the CSR manager with the trigger for access to boards: "The relationship between boards and leadership teams that's really quite critical.… it gives us the ability to really cut through and make changes at an opportune time" (CSR manager). However, whose risk it is, is not always made clear: the investors', the company's, the directors' or the stakeholders'?

Navigating complexity

The Melbourne forum built on the findings of research Stages One and Two to confirm a dualism in the messages from the investor community. These underpin competing issues at the CG/CSR interface, broadly represented by two key dilemmas:

- shareholder versus a broader stakeholder model—and the interdependencies and interconnections of a broader stakeholder model, and
- long-term value creation (driven by large asset owners) versus short-term profit maximisation (driven by short-term traders).

The regulatory and investor perspectives lacked an understanding of these complexities faced by board members, focusing instead on the 'win-win' business case, for example, “Rather than going down the path of pushing for begrudging compliance to concepts like sustainability, I wonder whether it’s better to focus on the economic benefits that good governance and sustainability can deliver … it’s that simple. (Regulator) and “the solution is about making CEO’s and boards really passionate about running brilliant companies and delivering outstanding returns to the shareholders and just making the bridge between those issues and that duty” (Institutional Investor Body).

By contrast, the forum heard about complex emergent issues now facing boards such as climate risk:

> If you’re not proactively managing climate change now, you are in breach of your duty of due care and due diligence. Even if you do accept the science on climate change, and you decide the profit maximising position for your company is to do nothing, then potentially you are still in breach of your duties … in this new economic, social and scientific context that we have for risk going forward. (Lawyer)

Change in the board ecosystem was flagged towards a long-term focus, driven by institutional investors, as was raised in the Sydney forum. Two key trends were identified. Increasingly dominant asset owners (such as super funds, sovereign wealth funds, insurance companies and investors) have begun taking back asset management functions from external agents in order to exercise ownership rights to engage directly with companies on issues of significance: “So that trend has been powerful and very supportive of high quality conversations between long-term investors and non-executive directors” (Institutional Investor Body). Here, a shift is emerging in some of the bigger companies towards ‘owner relations’ rather than ‘investor relations’ whereby there is “a much longer-term conversation with investors … we are your owners, we will remain your owners and it’s about making this journey that we’re on together as valuable as possible for both parties” (Institutional Investor Body). This signals an evolution: “but one that is positive for the people I represent, which are funds and ultimately a person on the street who is contributing his or her superfund” (Institutional Investor Body).

A second trend is the growth of the collaborative activity, such as through the PRI, where groups of likeminded ESG investors have begun to see the power of “speaking with one voice … the power of collaboration it’s much more effective, because you’re becoming a single block, … and this has been really strong and powerful I think in Australia” (Institutional Investor Body).

At the close of the forum there was a broad consensus and alignment on the benefits of a longer-term approach with the same question of how this could be realised:

> I think in the long-term everybody agrees the direction that we want to have, it's how do you deal with this very short time frame, those decisions that affect your quarterly, half yearly, annual cycles … and the decisions that are longer-term in nature. (CSR Manager)

The following Table 8.6 summarises the focussed codes and categories for the Melbourne forum.

Table 8.6 Stage Two: Focussed Codes and Categories for Melbourne Directors' Conversation

Categories	Focussed Coding/Dimensions
Self-Reinforcing Systems	Board access and engagement: Risk as a trigger Intermediaries and investors Framing ESG as risk to share price, investor risk Push back on CSR Investor pressure CG/CSR disconnect Short-termism – quarterly reporting and the media cycle Legitimacy: Instrumental - pragmatic - business case Post-GFC risk Risk aversion stymies innovation Tradeoffs and tensions
Language frames engagement	Risk as a lever Long-termism frames alignment Narrow framing of CSR
Contested Space	Contradictions, duality and investor pressure: Long-term performance vs short-term returns Legitimacy: moral vs pragmatic Shareholder vs stakeholder Short-term vs long-term Risk and compliance vs opportunity and innovation
Dissonance and Estrangement	Dedicated committees' vs whole of board accountability Disconnect between boards and Investors
Navigating Complexity	Importance of investor-company engagement Legitimacy: Moral and pragmatic Different drivers in the investor value chain Aligning long-term value of company with long-term interests of shareholders Shareholder and stakeholder ESG not separate from strategy Climate risk Sustainable business and business sustainability Increasing Influence of Institutional Investors
Agency and Leadership	Investor stewardship - aligning long-term interests Individual champions drive change Boards as stewards of sustainable business Collaboration of asset owners to drive long-termism

8.3.3 Stage Three – Delving deeper

Stage Three represents the culmination of the three stages of the research design, which delves more deeply into the 'black box' of the board and builds on the findings of the previous two stages. The area highlighted in Figure 8.7 represents this third stage of research undergoing a second level of data analysis, the focus of this section of the chapter. Eleven directors and officers of boards took part in one-on-one interviews, to meet the research aims of investigating:

- The CSR beliefs and practices at the board level

and as a sub question:

- How and by what or whom are board members' beliefs and practices of CSR influenced?

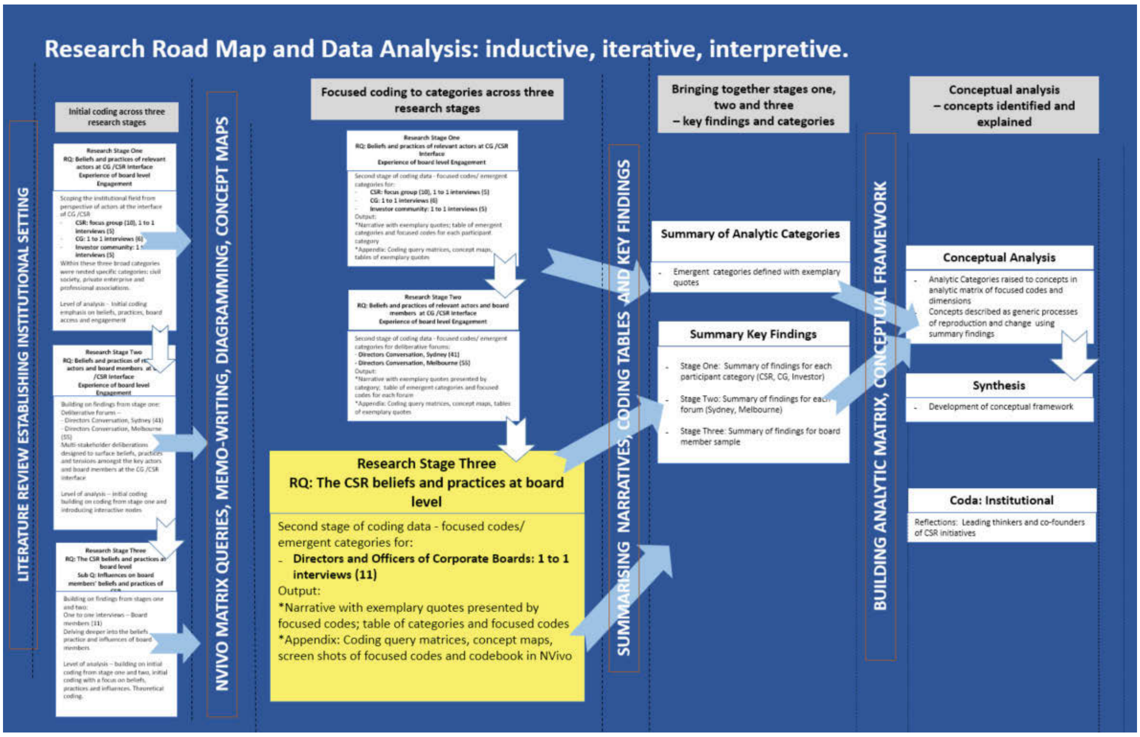

Figure 8.7 Grounded Data Analysis Road Map: Focussed coding Stage Three

The following specific categories represented are:

- Non-Executive Director (2 female, 2 male), Chairman and Non-Executive Director (3 male), Chairman and Managing Director (1 male), Executive Director (1 male) and Company Secretary/General Legal Counsel (1 female, 1 male).

As many of the participants sit on multiple corporate boards, collectively they represent 25 corporate boards. For a full breakdown of participants, see Chapter 7, section 7.7.4.1.

As with the previous sections, findings are presented as narrative summaries with illustrative quotes and a table of categories and focussed codes. In Stage Three, the narrative summary's italicised sub-headings are based on the focussed codes to allow for a systematic analysis. Dimensions of focussed codes may be denoted using 'single quotation marks'.

8.3.3.1 Board Access and Engagement

Language frames engagement

Language and framing is believed to be critical to board access and engagement at the CG/CSR interface and is a cross-cutting issue (across other focussed codes). Thus, it continued in Stage Three as a category for the analysis. For example, on the issue of CSR terminology, there is a significant push back from board members who find there is no need to 're-imagine' board duties and take exception to CSR/sustainability co-opting the terminology of ethical business practice to a narrower meaning:

> ethics which ought to be a very broadly defined concept of doing the right thing, doing business in a, straightforward, open, honest way has been redefined to mean … sustainability. That, that to my mind is, is a, that's a destruction of the word but it's also extremely dangerous because it, it fails to recognise that there are actually a whole lot of other ethical issues, some of which did get some airing. (Non-Executive Director)

CSR is believed to already be on the board agenda, "We all do social responsibility and corporate responsibility reports, and in the end, they're no more than what any good business person would do for their business, but it's all dressed up you know" (Chairman).

The CSR disconnect

There appears to be a disconnect with the language associated with the CSR agenda coupled with a lack of traction with CSR initiatives, with most board members being unaware or not interested in "working within a specific framework" (Non-Executive Director):

> We might talk about sustainability and culture and reputation and sort of the elements of it, but we won't – we don't use – we're not working within a set framework, is probably what I would say. (Non-Executive Director)

> I mean I don't think anyone really understands what it is, and if you go through it all it's just basic business practice, you know, we look after employees, we look after our

> stakeholders and we look after the environment, we look after our customers" (Chairman).

Earlier experiences of engaging the board in CSR confirm this disconnect:

> We had to … sneak it if you will on the board table by talking about the human resources and stuff like that … So, I had to convince the board that this was how we played the game. (Chairman)

CSR issues must 'compete for time' on a busy board agenda. Having control of the board meeting agendas is key and can be used to address the 'educational challenge' of boards: "Potentially if you've got an engaged CEO, or if the person who controls the agenda is sufficiently engaged, then you can push learning up to the board" (Company Secretary/General Legal Counsel). However,

> I do think it's very hard for CEOs in busy, modern Australia when you've got shareholders demanding financial performance, or regulators demanding XYZ, for them to have the mind space to think about these issues more broadly … And for most people it's not intuitive that good governance leads to good companies. (Company Secretary/General Legal Counsel)

The need for a deeper understanding and a tailored education at the CG/CSR interface was understood by several board members with one Chairman having instigated a board training budget:

> For me it was very important that I had a very well-educated board. And it's hard, hard work to convince the board of that. There was no real driving support for a 'dedicated CSR committee versus whole of board accountability' with two non-executive directors against the idea: I think they [boards] do have to have that lens at the highest level…. I look at strategy and risk and I think sustainability, CSR, all these issues, are critical to both the strategy you have in the organization and the risks you have to manage. (Chairman)

Nevertheless, there remains a level of 'CSR scepticism' around CSR reporting and initiatives: "Often those [very large companies] have got a separate sustainability report – there is lots of cases like that … they are sort of taking a slice of this … doing the GRI reporting but I'm not sure that it's integrated for want of a better term" (Non-Executive Director).

Reporting – mixed blessings

Therefore, CSR/sustainability reporting delivers mixed blessings. All board members regard CSR reporting as 'compliance-related', not strategy. However, since boards must sign-off on reporting: "Those things really get board's attention because they are putting very clear, very firm statements which will live on, on … into, into the public" (Non-Executive Director).

> You're forced to be explicit and that's helpful. And that's what boards do engage most and it's, and maybe it's for all the wrong reasons it's a compliance concern in part, but none-the-less you use, use whatever force can work for your good … So, I think reporting in itself is a good mechanism. (Non-Executive Director)
>
> At least it forces directors to think about priority and who their stakeholders are, etcetera. But I'm all for simplifying the reporting. And you know, the production of an annual report is a massive exercise, and its incredibly time consuming, and I sit there and I look at them and I think, you know, it hardly tells you anything. (Chairman)

CSR risk as a trigger

Framing CSR as a risk can be used as a lever or strategic opportunity to engage the board: "When people started seeing that not being responsible, not being sustainable, actually could be a key strategic risk they started looking at it as something their business should do" (Chairman). However, framing CSR as risk can also perpetuate an economic-risk based approach to the agenda:

> taking into account risks associated with climate change and sustainability and social impacts which may impact the value of the asset; regulatory matters – all the reporting and things like that that need to be done. I think also risk it's become much bigger and important. (Company Secretary/General Legal Counsel)
>
> Yeah well, I try and talk in business language as to why I talk about the business case, but because most don't seem to recognise that there is a business case that hasn't really worked terribly well either so look if we knew what the answer was we would have made more progress, but I think – I don't know – I think going into director's risk is quite powerful. (Non-Executive Director)
>
> We have regular papers going up on climate change, which focus on climate change as a risk issue for the company. (Company Secretary/General Legal Counsel)

8.3.3.2 Agency and leading

Similar to language, 'agency and leading' is a cross cutting issue (and analytic category) at the CG/CSR interface and is strongly believed to be a key influence by all board members in terms of access, engagement and influence. In Stage Three, stewardship becomes an emergent theme within the agency and leadership category.

Leadership is crucial

In order to drive change, leadership is considered crucial, although is not necessarily well executed:

> Well, there has to be thought leadership, and there are people who can change it all, but in the end, it's saying you've got to attack the ecosystem because its self-reinforcing, and there are people of influence, who can end up changing this, but it's not going to happen overnight. (Chairman)

> And you know what I think has to happen? I think people – I was going to say people of influence. (MD and Chairman)

Leadership needs to come not just from the board but increasingly from the investor community and, in Australia, the large superannuation funds that are seen as "enormously powerful":

> So many of the stakeholders can play a role in all of this … you can't just … focus on directors, because there's a whole ecosystem, and … the two major players are the board and the shareholders. And then there's a whole lot of in between, but in the end I think a great step forward would be to adopt the German system [of dual management and supervisory boards] so that the board actually is responsible for what it should be. And the second would be to force directors of institutional investors...you can't rely on the proxy advisors, hold them accountable. (Chairman)

Business can also play a leadership role more broadly: "I think that in most cases, the real progress has been made by visionary companies working together with civil society and enlightened governments" (Chairman). Nevertheless, in the case of CSR initiatives: "I think that the Global Compact, and other [CSR initiatives] have been incredibly important in terms of raising awareness and convening people. But I think that the great challenge … is to make certain that things really start to happen" (Chairman). In general, it was felt that leadership could be improved. For instance, in reference to the Melbourne directors' conversation discussion point on the lack of public engagement by boards: "I think the challenge is knowing … what is the right demographic or community that you need to be addressing" (Non-Executive Director). Within organisations, leadership is portrayed as:

> the power of your own example to start with. It always is. That's how [former CEO/Chairman] was he'd help everybody and he'd care – didn't matter if it was patients, employees … his leadership wasn't about here's a vision … it was I'm on this journey with you. (Non-Executive Director)

Who should lead? Both CEO and Chairman are seen to be the prime agents, with some participants emphasising the role of one over the other. For instance:

> The C suite needs to drive it for it to be taken seriously by the organisation and its board. Well if the board takes it seriously then the CEO will take it seriously … than if it's the fluffy touchy feely folk over in sustainability. (Non-Executive Director)
>
> Unless you've got a CEO who believes it, or a chairman who believes it, unfortunately the boards in this country are not as effective as they might be. (Chairman).

Recruitment and selection of the CEO by the chairman and board is critical. The relationship between the board and management is universally understood to be central, where boards play an active and supportive role.

Stewardship

'Stewardship' is introduced as a theoretical code, drawing from stewardship theory, where stewards balance competing stakeholder and shareholder objectives, bringing their own moral orientation to their role, which may include a commitment to CSR, beyond economic interests (Aguilera et al., 2007). Stewardship behaviours include "a shared sense of ongoing responsibility to multiple stakeholders, which affects a focus on collective welfare over the long-term" (Hernandez, 2012: 176) and is enacted across all levels of the organisation. Its beneficiaries may include the organisation, its owners and the broader community. Increasingly, stewardship may have global reach through CSR initiatives:

> I think stewardship is incredibly important. And in the early years before there were all these [initiatives], no one was recognised by the United Nations for stewardship. When you think of Unilever and Paul Polman (CEO), and think of … his stewardship … I think it's essential. So much of this is still driven by enlightened or responsible day to day company management … you cannot all of a sudden have your CEO spend most of his time convincing other companies that they should be acting in a responsible way unless the company backs them up … You need to have the board on board and that can be quite a task. (Chairman)

Stewardship is often framed in terms of an agent with a personal passion and moral motive in the data: "I have a particular passion for putting energy and resources both on a personal and a company level into anti-slavery and of course slavery is not mentioned once in any Director updates or presentations at all" (MD and Chairman). Similarly, "the previous CEO … was passionate about environmental issues … because it was an important issue and it's an important business issue too" (Executive Officer). There is also the sense of careful navigation through the complexity at the CG/CSR interface: "Being upfront with our employees and upfront the investment community was the right thing to do and, and enabled us … to actually do what needed to be done to restructure the company get it back on its feet" (Non-Executive Director). Stewardship is characterised by reflective decision-making, balancing of competing interests and a focus on the long-term:

> So, you manage through, you do set targets for the year … you do your best to guide the market … while you're looking long-term and I think you try not to put too much pressure on the current year result. Then, it's how do you reward your people and I think most of them now, there is a level of longer-term alignment. You've got to continue to deliver some performance over a number of years and sustain it. I don't think that's easy to do, by the way. (Non-Executive Director)

8.3.3.3 Board dynamics

Board composition and tensions

Connected to agency and leadership is board composition and the importance of 'positive competencies and mindsets' is a strongly held view across board members and framed in terms of being interested, experienced, networked, engaged and having a breadth of perspective:

> A good director is somebody who senses lots of things and is in touch with lots of things. (Non-Executive Director)
>
> I find with directors, if you add a kind of a mind that gathers all the information it possibly can and is hellishly competitive, you've got a force that's a highly informed competitive force … every board meeting you go to, every 20 minutes, ask yourself am I adding value? (Non-Executive Director)
>
> We're talking about some of these aspects about innovation and what that means in terms of complex thinking, she's a real strength on our board in terms of the way she thinks. (Chairman)
>
> Originally, I went oh God he's hopeless – doesn't understand what's going on but then you can see that there's a broader perspective actually been brought to this decision and to the way that the business has been run rather than just a pure commerce/financial return perspective, and I found that quite interesting actually to see that. (Company Secretary/General Legal Counsel)

However, a commonly identified issue in board selection is the domination of a 'self-reinforcing, self-referencing 'club'', which in turn leads to a more confined set of beliefs, practices and influences:

> There's a whole, there's an ecosystem around all of this that selection of boards is all—it's a big club, I mean they play this game of going out to—head hunters—but the head hunters are all part of the ecosystem. (Chairman)
>
> You've probably hear the expression pale male and stale, the composition of Australian boards. I'm 55 now and suddenly I'm young again because I'm in board land! (Non-Executive Director)
>
> I think the difficulty is you look at the non-execs on that board are all in their 60s or early 70s. The chairman there was just about 80 I think when he retired a year or so ago. (Company Secretary/General Legal Counsel)
>
> A lot of directors don't open themselves up to the challenge of thinking beyond their own experience and beyond their own mindset. I'd like to think they are a dying breed but there's certainly some of them … in that category. (Non-Executive Director)

And tellingly:

> They've got different networks around whether they're law or accounting firms or they're McKinseys quarterly or what—do you know what I mean? Everyone hooks into PWC and they kind of want to make sure that you're just kind of a reasonable—you're not a nutcase. (Non-Executive Director)

It was generally agreed that change in board composition was underway and was welcome: "I think diversity is really important per se because you just get better outcomes—the more varied the views and sort of ways of thinking that you get around a board table" (Non-Executive Director). However, this was not without some pushback from two of the more senior interviewees, for example, on gender diversity:

> At the moment, there's this great push to get more women on boards, and what they're doing is going younger and younger to try and find … absolutely, I mean very bright, capable people, and maybe in ten years they'll be good directors, but in that period, they have absolutely no idea, no experience and no idea what's going on in the business; so, what do you do, you focus on compliance, so I contribute. (Chairman)

Relationships within boards may give rise to tensions:

> It's like any team, any group of people in any organisation it'll work or it won't … that chairperson if they do their job properly will make the board work better. Then you've got that board's relationship with management and the CEO, and it's pretty complex. And so, sometimes as I said, sometimes it works, sometimes it doesn't, and that's the heart of it. (Chairman)

Active boards vs passive boards

Active as opposed to passive boards engage with the CSR issues and are characterised by an environment where questions can be asked and directors are motivated to make an active contribution: "I think it's just about allowing those questions to be asked. Now, if you're a board for two years and you're still asking completely off-track questions, well you've got to —or saying nothing, then you've got a problem" (Non-Executive Director). "And I'm not going to rock the boat, because if I rock the boat, people will know that I'm a trouble maker, or difficult, and I won't get appointed" (Chairman). There was strong agreement across the sample that the CEO and Chairman are seen as the two key influences and that therefore the CEO/Chair relationship is critical and potentially conflicted:

> A really strong CEO and a weak chair ... means the board won't be effective and it's very difficult as an individual board member to actually even get things on the agenda to get things discussed without being dismissed sort of almost out of hand so that's frustrating. (Non-Executive Director)

CSR active boards

A CSR active board requires the interest of the Chairman who controls the agenda to engage with CSR issues and to allow the board to support CSR efforts at management levels, "otherwise what I've seen is that you come around to your reporting and management produces your sustainability report and you go through it all, and great, and then you move on" (Chairman). One Chairman in particular emphasised the importance of management as leading the CSR agenda and the board as the supporter: "In my mind there is no doubt that CSR sustainability is in most instances driven by the daily management, in other words, in the managing director and his team" (Chairman). Therefore, "the initial fights are in the boardroom convincing the board that this is good for our business, and then take it from there. You need to have the board on board and that can be quite a task" (Chairman). Increasingly, the argument is being won at the board level by aligning the term "sustainability" with notions of business sustainability and growth over the long-term:

> There's whole education piece out there or a persuasion piece and maybe it's climate change that might help have that debate that if you want the organisations to be sustainable – out into the future then you've got to encourage longer-term decision-making and reporting. (Non-Executive Director)

This taps into many emerging challenges that boards are increasingly facing including those relating to the impact and pace of technological change, social media, supply chain risks and globalisation and, increasingly, stakeholder management.

Cultural underpinnings

A strongly held view across the sample was that culture, understood as "the way we do things around here" (Non-Executive Director) underpins board dynamics and is key in driving board strategy:

> I think culture's just vitally important and you will have heard that stuff about culture eats strategy for breakfast … if you don't have a good culture then you've got to, let's call it at the other end of the scale, a toxic culture. Does anybody seriously think that even the world's best strategy … can function and thrive and continue to produce good results in a toxic culture? It can't. Culture's like the air you breathe. If the air's poisonous everyone's going to die, and that company will die. (MD and Chairman)

Commonly mentioned was the variety of cultures across different boards:

> Boards are such individual creatures and they're all different because there's just this little organism—they vary depending on who's on the board; how long they've been there; the industry; well the culture of the organisation. Look is a fascinating subject. (Non-Executive Director).

This is expressed in different ways, for example, a 'risk-focussed culture': "Our values … as part of company—every agenda should have a chair, agenda, issues and document the decisions … that's just part of our culture … with a focus on the risk" (Executive

Director). Alternatively, board and organisational culture was described as 'strategic': "it was the culture that fostered my work in this [CSR] area … because it was very important to us also, as our strategy … to be a respected company … So, I had to convince the board that this was how we played the game" (Chairman). In the face of change some 'corporate cultures' become disrupted: "So there were a lot of people who had to make a decision … be prepared to change and operate in a normal way, or stick to their old guns, and so, yeah there was disruption" (Chairman). Several board members spoke of a 'caring culture' with focus on the employees: "It [the culture] is absolutely throughout the entire organisation … It holds staff through hard times and good times. It finds almost a therapeutic side for everybody that works there. People care, they know they're wanted" (Non-Executive Director).

For the executive directors, there was a focus on culture and employees, and for non-executive board members, a learning curve on joining a new board to understanding the culture. Culture was both management and board driven:

> Ideas can percolate up from the bottom but I think the tone has to be set from the top, bit of a cliché, but I think it does and everybody else has got to see that the senior, most senior executive or executives are absolutely authentic and live and breathe what they say they want the culture to be. So, it's, it comes down to perceptions from staff as well. (MD and Chairman)

> There's no doubt that the culture inside [our company] is almost visible. It started with the CEO. It is absolutely throughout the entire organisation. (Non-Executive Director)

Emergent challenges

The interviews provided an insight into board members' experiences of current and emerging challenges at the CG/CSR interface, which were extensive. Common across the sample was a growth in the complexity, interconnectivity and technology impacting on the business and role of the board, requiring a greater time commitment and knowledge levels. As mentioned, themes cut across social media and reputational issues, increasing stakeholder engagement, keeping pace with technology and its strategic implications, privacy and data management, possible impacts of climate change, supply chain risks, tax minimisation and community expectations. A range of responses to these challenges was described. For example, from a 'risk mitigation approach':

> Do you think if it became real public knowledge that you are minimising tax and not paying what most people would believe is a fair level of tax, do you think that that might tarnish your reputation and your image? Well yeah it probably would, well then

> from a risk mitigation point of view, not a moral or ethical point of view … do you think it would be better to wind back some of this tax minimisation strategy just in case the S-H-I-T hits the fan and your brand is tarnished forever? (MD and Chairman)

Responses to emergent challenges included the 'proactive and strategic':

> because of the pace of technological change … the pressure around strategy … and looking at ways of diversifying and having some options for your future is a real one in everything I'm involved with and I think that is a longer-term discussion. (Non-Executive Director)

Other approaches reflect a 'conflicted position' for boards, for instance with social media:

> I think what you do detect through social media are the loud voices. And, and they're often ones that you do need to pay attention to but what you don't want to do is accept that what is given as fact is fact … but then you need to have some way of being below that to find actually what's going, what, what the reality of, of the issues being debated are. (Non-Executive Director)

8.3.3.4 Systems of CG

CG systems and processes are closely associated with board dynamics, reflecting a field in flux at the interface with CSR.

Conflicting perspectives on fiduciary duties

A growing discussion on broader fiduciary obligations of boards on social and environmental impacts is underway, and was woven throughout the interviews: "I don't think that 'fiduciary duties should be the limit' of how you behave" (Non-Executive Director). For example:

> In certain circles, there's a big debate and push now to review the assumption of maximising shareholder value and that in fact there's much more of a balance to be made with shareholders and other stakeholders and of course that is really complex … and more voices have access to media in a way that, in a way that wasn't the case in the past. (Non-Executive Director)

Climate change issues are also driving a rethink:

> You can't afford to ignore the risk of climate change in terms of director liability. (Non-Executive Director)

> I think the duty is wrapped up—in a director having to exercise proper care and skill … where directors have got to be a lot more proactive … and a lot more aware of things like climate change and the impact that might have. (Company Secretary/General Legal Counsel).

This speaks to the importance of a pro-active board.

The 'investor driven' push for short-term profits pervades board decision-making and perceptions of fiduciary duties: "I think while you've got a market focussed on short-term returns it's very difficult to get this [CSR] piece taken perhaps seriously by both investors and also by the companies themselves" (Non-Executive Director), and "runs the risk of short-termism and misleading everything" (Chairman). This potentially leaves boards in an "invidious position" (Company Secretary/General Legal Counsel) where an increasing complexity and fear of litigation defines their role:

> Essentially because the law says that directors make all the decisions, and then they delegate that to the CEO, so you have a situation where directors are a hundred per cent liable for everything in the company and as the company gets bigger and bigger they actually have little knowledge of what happens in the company. It's quite a fascinating disconnect. (Chairman)

Yet other board members do not see any need to 're-imagine' board members' fiduciary duties: "I think the things that we are talking about have actually been on board agendas for a very long time" (Chairman) and "in the end they're no more than what any good business person would do for their business, but it's all dressed up as, you know, we're corporate social responsibility" (Chairman).

Defining and framing CG

Defining and framing CG is closely connected to perspectives on fiduciary duty. Views on defining and framing CG span:

- deliberately narrow legal definitions: "Governance is … quite tied in with compliance" (Company Secretary/General Legal Counsel);
- the contested terrain of 'maximising shareholder value versus good governance': "So there's always that sort of conflict—tensions. And that comes back to short-termism again—getting a … profit and that being the key driver" (Company Secretary/General Legal Counsel).
- to notions of 'responsible governance': "I believe that CSR is an essential way for the way you do business … it's not something on the side … you need to have it influence your governance systems, your management tools, to make certain that you … can set goals, track goals" (Chairman). "The board needs to be … custodians of it to make certain that it does happen and that it's not just something that you talk about" (Chairman). In the same way that responsible investment has become a mainstream concept, could responsible governance follow suit? "I think

responsible governance is a fine concept, actually … responsible doesn't mean a hundred per cent perfect in every way, it means broadly appropriate, appropriate and prudent" (Chairman).

Self-referencing board ecosystem

A recurrent theme across the interviews was the prominence of 'peer influence and networks', driving a self-referencing board ecosystem that serves to perpetuate current beliefs and practices. These are closely tied to the 'club' involved in board selection and composition and to the relevant professional associations and industry bodies that extend influence into government and policy:

> The BCA (Business Council of Australia), there isn't any doubt it's the preeminent body. You've got to be a CEO to be in it … and none of the big companies would not want to be in it. So, it is the preeminent body. It's powerful. It's heard by government. It argues sometimes with the Labor Party … (Non-Executive Director)

> He's been able to bring back to the institute (Institute of Company Directors) a much higher level of leadership. He can do that. And he's used that particularly in the diversity debate … and the other one was in business efficiency and he took the view that government had got out of control on regulation and it was a cost and it was inefficient. Now he comes from that world—John was an industrial advocate taking on unions, OH & S, penalty rates, all the stuff that big business says hurts them. So naturally his agenda was going to be the things he was interested in. (Non-Executive Director)

'Executive remuneration' is also seen as part of the self-referencing CG systems, linked to peer influence and networks. These maintain the status quo of short-term incentives:

> One of the big issues is around executive remuneration, and it's fascinating, I mean I'm just saying how this whole system works together. Everybody has a very similar executive remuneration, and because they say, oh that's what the market is, rather than looking at what incentives I should have in my company to get the best results out of my management. (Chairman)

This approach is becoming contested by superannuation funds, pushing for a longer-term approach to CG:

> So, Australian Super, they looked at it and said we don't like this, we actually want long-term sustainable returns … But when you look at the executive REM, there's this short-term incentive … And then you need to have a long-term, a longer-term incentive to stop people ripping out profits in the short-term out of companies, and they've got this three-year sort of total shareholder return as an example. And so, there are all of these things that are built into the system, and I don't know how it will break. (Chairman)

'Inadequacy of systems of CG'

One senior board member expressed a series of frustrations with the current systems of CG, providing some unique insights to the influences on beliefs and practices at the board level:

> As I said, this ecosystem is so self-reinforcing. And to me it starts with the way the law hasn't evolved and caught up with modern corporate life … So, there's an in-built and inherent conservatism built into decision making, and I actually think its holding Australia back. (Chairman)
>
> So, the director's perspective would be that they're shackled by regulatory and insolvency provisions, etc and no safe harbour—all that stuff. (Non-Executive Director)

The governance of corporations has evolved from the early owner-manager models (the Anglo-American model) to a situation today where "directors are a hundred per cent liable for everything in the company and as the company gets bigger and bigger they actually have little knowledge of what happens in the company. It's quite a fascinating disconnect" (Chairman). Tied to this is the growth of "so-called independent, outside directors, and they're there, essentially to represent the interests of the shareholders, to be a check and balance against management" (Chairman). This leads to an 'overemphasis on compliance' where independent directors: "have no idea what's going on in the business, so if I can focus on making sure that we comply with this and we comply with that, I'm protected from my liability situation" (Chairman). The German CG system of dual management and supervisory board structure is suggested as an alternative by one interviewee but rejected by another: "An interesting contrast is in Germany where they have the supervisory boards, which to me is a much more sensible division because management manages, and the supervisory board there is to do what it's supposed to do, is to supervise" (Chairman). In contrast: "I wasn't impressed with the German model in practice … I think stakeholder management is absolutely critical … I probably don't fundamentally believe in boards representing a particular faction other than being there for all stakeholders" (Non-Executive Director).

'Information flows between management and board' are critical yet may be fraught:

> You get this game where management is realising they've got to get approval, and they just put up enough to get an approval, they may not give all the information, depending—I mean, I'm generalising; some managements are better than others. But is that good corporate governance? (Chairman)
>
> I mean I was talking to a lady the other day who's on a board and she was saying how she's struggling with management and how they're not feeding her the right

> information. And … saying, look think of it from their perspective; you come on, they'd have no idea who you are, whether they can trust you, whether you've got judgement…. (Chairman)

Perceived inadequacies within systems of CG include the role of 'intermediaries and advisors' such as proxy firms:

> I mean they [proxy advisors] really are very unsophisticated in their approach to all sorts of things and really play a pretty disappointing role I would have to say … I think there's got to be a piece there around a conversation with them trying to increase the complexity of their understanding of the issues here and the opportunities that are there for—taking a longer-term view. (Non-Executive Director)
>
> I think one [proxy adviser firm] actually talks to the company. The others simply look at the annual report … and they say it ticks the box on corporate governance. (Non-Executive Director)
>
> Oh well I can tell you some horror stories about how totally irresponsible they are … I don't know, but I think those organisations are enormously—can be enormously powerful … Oh it's huge. (Chairman)

These challenges are in part tied to the superannuation funds, whereby many trustees of superfunds outsource their investment and voting decisions to proxy advisors. One view is that this is due to risk aversion: "Because they're protected; I'm not going to get sued if I take the advice of my proxy advisor" (Chairman).

8.3.3.5 Systems of CSR

Some interesting similarities exist between systems of CG and systems of CSR (taken to mean CSR initiatives, activity and community). Similar to the board ecosystem, CSR systems are seen as self-reinforcing—a 'club of usual suspects' where peer influence and networks perpetuate beliefs and practices. This points to a disconnect between CG and CSR as reflected in the revelation experienced by a board member attending a CSR event for the first time:

> It was a different world for me! You know it was sort of diving into the true believers and thinking oh my God … If you get other people there then it will go beyond that, which is what you really want. (Executive Director)

As discussed earlier, the language and framing of the CSR agenda plays a role in this disconnect, leading to a substantial 'image problem', together with a lack of traction with CSR initiatives and a significant push back from board members: "I am concerned that too much of the discussion that goes on today about ethical investment or corporate social responsibility generally is far too narrowly defined" (Non-Executive Director).

However, there are signs of greater collaboration and convergence at the CG/CSR interface, in part due to the investor community and its 'ESG' agenda, and broadly understood in terms of balancing shareholder and stakeholder concerns as covered in the interdependencies section 8.3.3.8 in this Chapter:

> I just think everyone should … work within the complexity of that stakeholder group. So, whilst directors are there representing the shareholders' interests, they can only represent their interests by having regard to all the various stakeholder groups or else you don't have customers, you don't have employees, you don't have a license to operate. You've got to manage that. (Non-Executive Director)

On CSR initiatives such as creating shared value:

> I was commenting on the work done on shared value, which I am not convinced about … The whole point to me is the necessity to be in a close contact with your stakeholders, particularly with civil society and with NGOs … who have an agenda that may be critical … but on the other hand with whom you can get a very intelligent discussion about what the issues are. And when we then develop a strategy we will discuss it with them again. I don't think you can set your social goals in a vacuum. And many companies are reluctant to take that discussion. Much of our reporting is also aimed at making certain that we report to the issues that we have discussed with civil society. (Chairman)

As an indication of greater interest at the CG/CSR interface, all board members commented on the importance of this research and its relevance and wished to stay connected with its outcomes:

> I think that the sort of research that you're doing on board attitudes and board decision making processes and so on is important. (Non-Executive Director)

> I really like the angle of your questions. I think you're addressing some of the key issues that are so fundamental, particularly … making traditional board members understand that governance is not only looking at historical data about how you did perform, but also about what role you should play. (Chairman)

8.3.3.6 Country relevance

Systems of CG link to issues of country relevance, as acknowledged by those directors and chairmen on boards of foreign owned or controlled companies. Tension exists between 'different country filters and mind sets in governance' and 'globalisation and convergence'. The US and to some extent UK companies are seen as reluctant to engage with stakeholders due to the litigiousness of their societies and "the risk of being sued for what you disclose" (Chairman). Australian investors are seen to take a shorter-term approach, impacting on boards: "it feels like it's a smaller pool here and so … if there's a ripple effect tends to be a little bit more magnified" (Chairman). Underpinning these fluctuations are processes of globalisation:

> And there is a drive for convergence, and where it comes from is really around capital raising. So, if I have a register which has got lots of different investors from different countries in there, and particularly strong from Anglo-American, then those shareholders will be, will either invest and you will sell, or pressure you to move towards things that they're comfortable with. (Chairman)

8.3.3.7 Institutional inertia

In general, there was disappointment and frustration expressed by board members over the lack of leadership by industry bodies and professional associations at the CG/CSR interface, in particular the country-relevant directors' association. "I would like to see something like the [directors' association] playing a part here but so far I've been increasingly bitterly disappointed" (Non-Executive Director) and "people still just think the [directors' association] could sort of be a little bit more ahead of the curve on some stuff" (MD and Chairman). "When is this society going to take a leadership role … how do you, as a business leader who actually does know about this stuff, move the needle on the dial? … that's what drives me" (Non-Executive Director). Professional associations link into peer networks, potentially contributing to the conservative, self-reinforcing systems:

> Directors in a sense are led by the institute of company directors, have a real impolitely one could say, mania about director liability because I think the concerns are probably overstated … There is also a concern about cost of gathering and reporting information … seen as a compliance piece and therefore potentially another layer of reporting and cost rather than thinking in terms of organisations need to … think in an integrated way. (Non-Executive Director)

Conversely, opportunities for leadership in professional associations can drive change: "We eventually persuaded the [association's] board that it was sufficiently important that we actually set up an integrated reporting working group … which is now the subject of worldwide consultation on really kind of what's happening on the space" (Non-Executive Director).

8.3.3.8 Interdependencies and interconnections

All board members in the sample recognised the interdependencies and interconnections of economic, social and environmental elements at the CG/CSR interface, and demonstrated a range of beliefs and practices: from win-win scenarios, to tensions and trade-offs, to navigating and, where possible, integrating the competing elements for business sustainability:

> What you find in business life is the interdependencies are absolutely critical. So, if you're sitting there thinking we're going to do this because there's a particular driver which is around greenhouse gas emissions … you can't make that decision without thinking about the interdependencies that go with it. That really happens in everything. (Chairman)

Coding draws in part from theoretical perspectives on the tensions, trade-offs and paradox literature (Hahn et al., 2017; Van der Byl & Slawinski, 2015), where inherent, interrelated and contradictory tensions at the interface of CG and CSR are examined.

The win-win business case

Those board members with management responsibilities, in particular the executive director and the managing director, saw these interdependencies as closely connected to employee and customer engagement, and providing an economic, instrumental 'win-win' business case for their organisations:

> As an organisation, we want to be regarded as the best global [company], as defined by customers, as defined by our shareholders, as defined by our people who work for us and as defined by the communities in which we work. So those four constituents are very important to us. (Executive Director)

To be seen as "a good corporate citizen and trumpet that" (MD and Chairman) brings economic benefits, where the business can differentiate itself from its competitors:

> Where will the consumer choose to spend their money? ... In many cases competitors sell the same thing. So, what's the differentiator? … It's happening because we're attracting better people into the company. Why are we attracting people? ... Everybody says to us, I just kept hearing that it was a culture where people get respected, they get listened to, you're doing all that great charity work, I love being associated with that, it, I found it soul destroying in my last job just to turn up and get the pay cheque and go home … *So, to me there's so many bottom line benefits. It's indisputable.* (MD and Chairman)

Tensions, trade-offs and investor pressures

Where social and/or environmental elements are contradictory to economic benefits, conflict, tensions and ultimately trade-offs in favour of market forces may occur. Such tensions may be identified as shareholder versus stakeholder conflict and reveal beliefs held about director duties towards the corporation, its role in society and the impact of investor pressures. These were commonly framed as difficult challenges by the non-executive directors, with an increasing awareness that boards need to communicate these issues with their communities:

> And a lot of those [board] meetings were agonising … Agonising over decisions to close parts of the plant … facing what was very clearly a threat to the future viability.

> And so how do you do that responsibly and you think about the employees, you think about shareholders, you think about the community. And people say, "I had no idea, I had no idea that a board would even do that thing, talk anecdotally about that thing," and that's the way to talk about it I think. (Non-Executive Director)

Another example of tensions and tread-offs in offshore manufacturing and job losses in Australia:

> If as a board member you should always act in the best interests of the company, then you may be compelled in order to compete against your competitors and ensure the sustainability and the longevity of your company and reasonable shareholder returns to go and do things like that. Now hopefully, and of course people get paid redundancy and you have to comply with the law … in the first instance you try and minimise that trauma. (MD and Chairman)

Although the importance of "societal expectations" (MD and Chairman) and stakeholder consultation is well understood across the board members, the role of shareholder primacy drives tensions and trade-offs in board decision-making:

> About the broader shareholder role morphing into a broader stakeholder issue … I think that's a real challenge, I think again everyone recognises that. However, … the very clear difference is a shareholder has actually chosen to admit and expose themselves to loss through their involvement in the company. Most other stakeholders … don't have any skin in the game … In many cases I don't think a director can be doing the right thing for shareholders unless they're managing all of the stakeholders. (Non-Executive Director)

On the challenges of stakeholder consultation:

> There are huge pockets of people who want mining, don't want mining … Now how do you, on behalf of the stakeholders in a place, pull all that together and run it in a way that you get some sort of coherent decisions made? (Non-Executive Director)

Balancing CG and CSR–stakeholders and shareholders

Finally, there are the beliefs and practices associated with balancing the competing economic, social and environmental elements, and the interests of shareholders and stakeholders, in particular, to navigate interconnected and often contradictory tensions with the goal of business sustainability. "And it comes back to this whole issue of interdependencies, that at your peril you compartmentalise. I genuinely believe in the boards that I'm involved in; we don't tend to compartmentalise financial and non-financial responsibilities" (Chairman). These views were strongly represented by the Chairmen in the research sample:

> And you can't abrogate your business processes in terms of attitudes towards safety, attitudes towards your environmental performance and meeting regulatory requirements in any shape and reform to achieve a financial outcome. So, you can't compromise, because you want a return or x level of profitability ... I don't think you can run a coherent organisation if you, the board or the executive people are trading off

> decisions at various times around how we're going to do things around here just to achieve a particular financial outcome. Inevitably that will be understood and inevitably you start to lose the confidence of your people and just that whole organisation commitment to a set of values at what you're trying to be. (Chairman)
>
> So, to me the essential thing is … the old multi-stakeholder argument. You can as a board, not rely on only the shareholders as the guiding audience for your activities. I think you run the risk of short-term and misleading everything. (Chairman)

This third approach is often equated with long-term, strategic thinking: "Have you seriously thought through all of those options, the economic consequence, the effect on the company's performance financially, what are the implications in terms of employees?" and "we're going to do this because we'll get it right for the long-term, it may have a two or three-year impact on returns, but you have to think about the interdependencies and consequences of not addressing this very well" (Chairman).

Interestingly, although beliefs may differ across the three perspectives outlined, practices may overlap, for instance, where both a win-win approach and a commitment to balancing CG and CSR leads to the same outcome. The data indicated that there was a significant overlap by board members between tensions and trade-offs and balancing competing interests.

8.3.3.9 Corporate legitimacy

Closely associated with the theme of interdependencies (Appendix: Table A2.14) is corporate legitimacy, introduced as a theoretical code in the data analysis. Corporate legitimacy is taken to mean the social acceptance of business organisations and their activities, considered an essential resource for organisations at the CG/CSR interface (Scherer et al., 2013). For the purposes of data analysis, 'corporate legitimacy' is dimensionalised into sub-codes based on Suchman's (1995) three sources of legitimacy (Chapter 2, section 2.5.3): cognitive, pragmatic and moral. Working through each of these elements, a small amount of data was coded to 'cognitive and pragmatic', based on taken for granted CG assumptions and a current shift to a more pragmatic stance at the CG/CSR interface. For instance, in the complex area of tax minimisation, legal requirements and social responsibility:

> We were having a debate about what should it [tax minimisation] be in the boardroom from here on in. He said, "Well this is just bull-shit you know. It's all about bloody maximisation of profit. And if I'm on a board I'm going to minimise my tax as much as I bloody can." And you know […] is a very respected chairman, really. And I just

> said, "You're on the wrong planet these days." And he did not like it. (Non-Executive Director)

Pragmatic, instrumental business case

Beliefs and practices associated with a pragmatic, instrumental approach were articulated by board members with a legal perspective (Company Secretary/Legal Counsel) and those with a direct management role (Executive Director and Chairman/MD). These were closely associated with win-win interdependencies:

> The interesting thing about the Freidman statement business of business is business is that he—I kind of defend his view … he was basically saying it's wrong for a profit-making corporation to give its money away ... but I think what he was really saying was it's wrong to do unless you can show a really good return on investment … You can look any shareholder in the eye at any AGM and tell them that you are spending the [company] money wisely when you invest in the community. (MD and Chairman)

Pragmatic beliefs and practices maintain the economic view of the firm where the business case for CSR or ESG is influenced by investors: "A lot of the investors these days are looking to invest in products that take a view on corporate responsibility and sustainability and therefore there is also perceived financial benefit in actually investing in those sort of products" (Company Secretary/General Legal Counsel). Rather than directors needing

> an ideological or a moral perspective on something under the current way the law is … all they have really got to do is take an active and proactive participation in company strategy … making sure that risks are properly mitigated against. (Company Secretary/General Legal Counsel).

Moral versus pragmatic

By contrast, most non-executive directors and chairmen grappled with a tension between a pragmatic and a moral legitimacy at the CG/CSR interface. For some, this was expressed as a conflict between moral versus pragmatic decision-making:

> There are other greyer areas … I'm involved with one now where we pay more than our competitors. It's in the US, so, it's not third world, but there are lower minimum wages state by state and we're just looking at our mix of employees to maybe source more from some of these lower minimum wage—that's pushing some buttons for me … So, what do you do? That's a real dilemma, where you're suddenly saying, there's absolutely nothing wrong with it, makes good business sense, … but it's got an alarm bell because … where does it sit within our ethics? (Non-Executive Director)

Other examples include a dissonance between actions and intentions, for instance: "being superficially connected to the community … but not a clue as to really how to engage and take people on a journey where there might be a positive outcome for both" (Non-Executive Director) and investor pressures:

> So, the board struggled between whether it wanted to take a sort of a humanitarian position or a financial position. And it wanted to do both, but in fact, chose to take the financial focus, given that its obligations were to generate returns. (Company Secretary/General Legal Counsel).

Moral and pragmatic

Others board members sought to align moral and pragmatic considerations: "It's not a question of what you can and can't do, it's a question of what you should and shouldn't do. And I do think that that is a proper principle of how we behave." (Non-Executive Director). An alignment was often framed in terms of strategy and business sustainability:

> It is not only the right way to do business, but it is a good way to do business. And I think that's reflected by the way that [company] now has as their overall corporate strategy—sustainability equals growth. And they have made their sustainability department part of their research and innovation organisation. (Chairman)

> A business that's got a strong culture and mind to ethics, reputation, risk, adherence to strategy—if you've got that mind set, then you are likely to make good decisions. You don't actually need loads of frameworks around you to help you do that. (Non-Executive Director)

> And I see the care for our care for our communities, which is really what we are talking about here—the fact that we are going to be good corporate citizens, make sure we have a licence—is like a balanced scorecard, an expression of what we want to do. (Executive Director)

> Because it [environmental issues] was an important issue *and* it's an important business issue too. (Executive Director)

Alignment between moral and pragmatic legitimacy is also framed in terms of good governance and a breadth of responsibilities by the Company Secretary/Legal Counsels: "For companies to be sustainable in the longer-term, they need to have good strong governance practices, and we've spent considerable time and energy trying to develop a culture around governance". Companies need to have a "foot in both camps":

> Ensuring businesses are financially viable is not just so shareholders can make lots of money, but so that the company can deliver to society that which it has been put there to deliver. (Company Secretary/General Legal Counsel)

To navigate the moral and pragmatic, most directors and chairmen understood the importance of authentic stakeholder consultation:

> To me you owe it to the people whose backyards you're going to dig up to confront the thing yourself on behalf of the board. (Non-Executive Director)

> You can't set your social goals in a vacuum. You need to talk to your worst critics who really also are the people who can help you the most, so they can see what we do, understand what our issues and problems are. (Chairman).

Importantly, articulated beliefs and practices were not always able to be contained within one type of corporate legitimacy, suggesting a continuum of cognitive, pragmatic and moral conditions that board members move between.

8.3.3.10 Investor influence

Financial markets and the investor community emerged as key influences at the board level, in a complex relationship that includes a dualism between short- and long-term investor interests: "there's a whole ecosystem, and the two major players are the board and the shareholders" (Chairman). In Australia superannuation funds can be enormously powerful: "Investors are really important, and unless you tackle them, as well—we focus everything on the board and we focus nothing on the investors. And on that score, also the proxy advisors" (Chairman).

Duality and tension–pressure for short-term returns versus ESG

This is played out by the growth of large asset owners seeking action on "ESG risk" and "longer-term value creation". At the same time, market forces led by other actors in the investor value-chain such as fund managers dominate with the traditional drivers of profit maximisation and short-term returns.

Market forces and self-reinforcing investor systems

> It's fascinating, if you go back and look at the fund managers, they are actually motivated by short-term returns they've got to publish—say my returns this year were twelve per cent and I was better than yours, which was eleven, so invest with me. And so, their motivation is just pushing up the share price of the returns. And so, they will vote accordingly with directors rather than sitting back and saying what I want is actually long-term sustainable earnings. (Chairman)

These drivers serve to maintain the status quo in the board ecosystem: "So I think while you've got a market focussed on short-term returns it's very difficult to get this [ESG] piece taken perhaps seriously by both investors and also by the companies themselves" (Non-Executive Director). Herein lies a "Catch-22", a recursive loop for boards as identified by the Company Secretaries/General Legal Counsels in the interviews:

> You're so focussed on getting your profits up for a particular year and you can do that by sacrificing long-term objectives and long-term spending … The directors are in an invidious position because they get heavily criticised at each AGM if the company profits aren't there. They are also in this position where it's only bonuses for executives but for non-executives they are there, and they are going to be heavily criticised if the company doesn't in each particular year show particular growth and show particular profits there. (Company Secretary/General Legal Counsel).

Disconnect between boards and investors

All this points to a disconnect between investors and boards: "There are some dinosaurs in the investor community" (Non-Executive Director). Similarly:

> In my years as a CEO I don't think I was ever asked the question by anyone from the investment community, "What do you do?" You know just to some extent they, they're just really driven by returns and performance." (Chairman)

Equally there is a level of scepticism:

> So you know when the Catholic investment community came in and asked me what is the percentage of senior women etc, well I remember feeling like writing back and saying, "Well you know how many women priests have you got? (Chairman)

Increasing influence of institutional investors

Simultaneously, several board members with close connections to the investor community were aware of large asset owners such as institutional investors and superannuation funds collaborating through bodies such as the UN supported PRI and ACSI to drive change from within the investor community. This is perceived in terms of increasing management of ownership rights and sustainability requirements by asset owners, a growing conversation on investor stewardship and longer-term thinking, ESG risk and new forms of socially responsible investing such as impact investing

On collaborative efforts and growing investor influence: "Well I think clearly, you've got early starters in the superannuation industry so I presume ACSI and PRI have played a part in that" (Non-Executive Director) and "I think [the investor community] is playing an increasing role. I think the PRI is an important initiative … if we follow the London development that will see increasing investment in ESG companies … (Chairman)":

> Investors want to have a bigger say in what's happening … Some of them are very focussed on corporate social responsibility and sustainability and so they're not just looking at the returns. They are looking at other things but it is the investors that are driving that. (Company Secretary/General Legal Counsel)

Investors are perceived as being more able to drive change than boards are:

> PRIs are linked with how investors will view the world and I think [change] will be investor driven. They're the ones that can work the market … who you are liable to … and if the investor purpose or objective changes then that means that boards can also change and they can look at different purposes for the company because that fits in with what an investor actually wants when he is investing into something. (Company Secretary/General Legal Counsel)

This taps into notions of investor stewardship and the drive towards long-term investing: "I think super funds have a role to play by … setting an example about their own organisations and … putting pressure on the companies in which they invest directly or indirectly through their managers to think in the longer-term" (Non-Executive Director)

> They are there for the long-term … and they need to consider things like climate change as to whether you're going to hold that asset. And that's where I really think from a board's perspective its important—it's the consideration of those risks. (Company Secretary/General Legal Counsel)

Investors should exercise their proxy votes more effectively: "You know, you hold a proxy vote as a fiduciary, so you should exercise it in the best interest of the people for whom you're holding the investments" (Non-Executive Director).

New forms of investing

New forms of investing are also in emergence and gaining credibility at the board level:

> I also am a little bit encouraged when I look at the increasing interest in impact investments, where it seems that companies are, or financial institutions, are finding a way of justifying not going after the highest possible return…. I'm not very impressed by [super funds], who are stuck in that in traditional ways of trying to achieve the highest possible return for their retirees … but I think we're making progress steadily. Would I like it to go much faster? Certainly, yes I would. (Chairman)

Similarly, in CG the emergent 'Benefit Corporations' were of interest: their implication for fiduciary responsibilities of boards and whether the broadening of responsibilities to the wider community would require legislative change.

8.3.3.11 Time frames

Time frames became a central theme through the interviews, as all board members sought to meet often competing demands including perceived duties for the long-term wellbeing of the corporation, shareholder expectations and broader societal responsibilities.

Long-termism: Aligning long-term interests in board ecosystem

There was a high level of awareness across the board members of the importance of thinking long-term for the corporation's sustainability: "it's up to boards to be looking at longer-term success factors and getting off that bandwagon … the short-term markets thinking—and therefore the shareholders wanting quick returns" (Non-Executive Director). As discussed earlier, aligning long-term interests with the ESG interests of investors invokes notions of stewardship. For example, aligning with climate change concerns: "and maybe it's climate change that might help have that debate that if you want the organisations to be sustainable in the future—out into the future then you've got to encourage longer-term decision-making and reporting" (Non-Executive Director). The double-play on the word 'sustainability' is pertinent when aligning corporate, stakeholder and investor interests as are notions of long-term value creation: "business decisions are made from the point of view of what is going to create value for shareholders over the long-term and what's going to sustain this business, and very mindful of reputation" (Non-Executive Director).

> I think it [sustainability] is the right word. I think it is the right word because it is about, is this business actually here for the next 20, 30 years? Now, there's many dimensions to that sustainability. Which countries are you in? Who are your employees? What's your technology? Are you polluting? There's so many dimensions but it is, will you survive, basically. (Non-Executive Director)

> The sustainability movement, in common with, say, boards, both have a concern for the long-term. In the case of the sustainability interest, it's a kind of sustainable development approach, and in the case of boards it's the long-term health of sustainability of their organisations. (Company Secretary/General Legal Counsel)

Short-term versus long-term tensions

As covered earlier, there are significant tensions for boards in terms of short-term versus long-term decision-making. Time horizons play an important role in the management of conflicts, particularly those generated from short-term pressure for profit maximisation: "So there's always that sort of conflict—tensions. And that comes back to short-termism again —getting a profit and that being the key driver" (Company Secretary/General Legal Counsel). Spelt out in practical terms:

> But the trouble is if my share register has got eighty per cent local fund managers and they are hell-bent on squeezing annual performance so they get more money, you know, if I slow my rate of growth its—let me give you some very interesting examples of it … Australians are obsessed with yield. Now we, as a dividend pay-out ratio. Our ratio's about sixty per cent on average. So, sixty per cent of profits are paid out as dividends. So, what it tells you is there's a huge pressure on our companies to pay out their profits,

> because what that does is increase the returns for the fund managers. So, put it another way, we invest half as much in the company as they do in America. (Chairman)

> People get more spooked about the [share market] results and so if things aren't tracking well, they'll start to cut costs and you have to go … should we really be cutting costs there because are we actually damaging the business for the long-term by trying to hit some short-term performance measure? (Non-Executive Director)

A third pressure comes from the broader social and environmental elements of CSR:

> I mean that's a brutal way of putting it but if you haven't got a sustainable business model then continuing to do it without fundamentally making some change, which may include … employees being employed in another country, for us to think that they are trade-offs that you can make and continue to sustain the business, it kind of doesn't work that way. (Chairman)

Short-termism: incentives and remuneration

As discussed in systems of CG (Chapter 4), a self-reinforcing short-termism is built into the board ecosystem, often via short-term incentives structured into executive compensation packages. "What generally happens with these contracts is they negotiate their termination provisions first, because they know that I'm going to—in three years I'm gone, and I'm going to get a pay-out" (Chairman), as opposed to negotiating a package to give an incentive to deliver a plan over ten years and develop a long-term sustainable business.

> I think so many corporates have a short-term profit view rather than a long-term ten-year view … driven by the way compensation packages are dealt with … You've got CEOs that are there for five years and they want to maximise their compensation unfortunately and that's drives I think a real short-term view of how the company performs, and … doesn't fit comfortably with the corporate socially responsible type view as well where you are looking at other stakeholders other than shareholders. (Company Secretary/General Legal Counsel).

8.3.3.12 Unpacking regulation and risk

For all board members, key influences at the CG/CSR interface include a dominant post-GFC risk paradigm and, to a lesser extent, coercive regulatory influences.

Unpacking regulation

Regulation is seen to drive a 'compliance mindset', particularly for those board members in finance-related organisations subject to further regulatory requirements: "the weight of regulation is driving huge levels of conservatism" (Company Secretary/General Legal Counsel). "So, there's an in-built and inherent conservatism built into decision-making, and I actually think its holding Australia back" (Chairman). Similarly, regulatory requirements on CSR-related reporting and disclosure, "will be seen as a compliance piece and therefore it has to be done but without enthusiasm" (Non-Executive Director). Several interviewees' board members believe many boards see their role as "a compliance, governance, straight risk thing" (Non-Executive Director):

> In fact, if you ask directors how much time do they spend on compliance; you'll find it dominates board meetings. Very little is spent on strategy, and not much time is spent on business … in my opinion of one factor that causes it, is "I don't know the business, and so, therefore I focus on something that I do know" and secondly there's fear of being sued for regulatory issues. (Chairman)

On the positive side, taken from the perspective of the general legal counsels, regulation may provide 'a coercive kickstart' at the CG/CSR interface: "I honestly think it's, unless you've got a really new age, switched on director, the initial impetus to change your mindset will typically come from some external coercive force … it has been the coercion that's kicked started us" (Company Secretary/General Legal Counsel). "The only way you can stop people just purely acting [in their own self-interest] is by the regulation and law to make sure that people's community interest perspective is actually enforced" (Company Secretary/General Legal Counsel).

Those board members with management responsibilities see acting 'beyond compliance' can be of strategic advantage: "You should absolutely comply with the legislation, and you should get ahead of the curve" (MD and Chairman).

Reactions to a 'lack of government leadership' at the CG/CSR interface have led to a combination of disappointment and frustration for many of the board members: "Fifteen years ago … I was arguing for an emissions trading scheme and other things. And I'm disappointed with some of the recent Government actions in that regard" (Non-Executive Director). On the role of government in driving renewable investment incentives for business: "Absolutely terrible. Because that's not having a long-term view" (Chairman). Other frustrations include lack of accountability in the mining industry, a lack of action on tax minimisation and the disbanding of a key government body to look at progressive reform of CG.

Unpacking risk

A dominant “post-GFC” risk paradigm emerged during the course of Stage Two data collection. Interestingly, as the Stage Three interviews progressed, the complexity of the risk paradigm unfolded—from a conservative status quo at the CG/CSR interface to a driver of strategic opportunity: “Over the eleven to twelve years … risk has grown into this mammoth sort of beast that sort of controls everything” (Company Secretary/General Legal Counsel). For this reason, the concept of risk needed to be ‘unpacked’.

‘Risk aversion’–is closely associated with a compliance mindset and concerns of director liability:

> Risk dampens down so many different things, including taking risks to innovate or do new things. You can’t … business is all about risk, and that’s one of the by-products of this focus around compliance and liability, because if I’m liable and I have no idea how to assess a business transaction, what do I do? It’s easier for me to say no or to narrow it down, or whatever, because I don’t want to be responsible. (Chairman).

Similarly, for other businesses from an Anglo-American model of CG:

> I am convinced that the litigiousness of society is a huge reason why US companies, and, to some extent, UK companies, are reluctant to go into discussions with stakeholders. The risk of being sued for what you disclose is very much holding back US companies … The main fear is that … civil society would uncover things that … for human rights violations, that were gender discrimination, that would lead to either court action or a public uproar demonstration. (Chairman)

‘Risk and compliance versus sustainability strategy and innovation’ – beyond traditional financial and liability risks lie broader risks associated with the environmental and social impacts of CSR such as reputational risk. These may act as a trigger to engage the board although framing CSR as risk can also perpetuate a compliance-based approach to the agenda. Risk and compliance may be pitted against sustainability strategy and innovation as boards confront an at times conflictual landscape, for instance, in the growing area of climate risk where large organisations have sought legal advice. However:

> You can’t afford to ignore the risk of climate change in terms of director liability. So, in a sense that’s a nice wakeup call … Now of course climate change is a slice and it’s coming from a risk approach but that’s really still a step along a bigger journey about some holistic reporting strategically or actually managing organisations strategically and risk based so I think it’s a positive thing rather than a negative from this background. (Non-Executive Director)
>
> What I’m trying to seek is more of a forward-looking view of risk—it’s alongside strategy. (Non-Executive Director).

'ESG risk as strategic opportunity' – takes this positive angle, aided by increasing influence from institutional investors seeking long-term approaches to investing. 'ESG risk', sometimes framed as "shareholder risk" (Company Secretary/General Legal Counsel) can be embraced as a strategic opportunity and a driver of innovation:

> Not all risks are going to lose money. Entrepreneurs are in the job of taking risk, business are in the job of taking risks. As a business, I need to be thinking about positive risk. What are the things that are going to go really well in the Australian economy? Often in the risk conversation you talk about things going wrong … you need to minimise the risk that's going to go wrong and maximise the ones that are going to go right … You know water insurance is actually an opportunity. If you're in the business of the water salination industry, what an opportunity. (Executive Director)

This plays to a pragmatic, win-win business case, which can then be aligned with moral considerations: "I look at strategy and risk and I think sustainability, CSR, all these issues, are critical to both the strategy you have in the organisation and the risks you have to manage" (Non-Executive Director).

> It can be very difficult to get it [CSR] on the agenda. But the one approach that I found was the most successful was … when people started seeing that not being responsible, not being sustainable, actually could be a key strategic risk they started looking at it as something their business should do. In my experience, making it part of your risk management not only with reputational risk, but risk as—I cannot hire the best people, I will not give my approval on time, I cannot get my energy at the prices etc, etc. (Chairman)

8.3.3.13 Ways of thinking – maintenance and change

Closely associated to the risk-related responses is sensemaking or 'ways of thinking' of the board members. These may serve to either reproduce or change beliefs and practices (Ocasio et al., 2015) at the CG/CSR interface. Originally coded under two different focussed codes during data analysis it became clear that 'ways of thinking' and 'driving change' were closely related and able to be synthesised through coding. The majority of board members recognised that in order to drive change, new ways of thinking, beyond a short-term market-focussed approach were required. Current beliefs and practices are in a state of flux, from self-reinforcing systems, through disconnected or conflicting agendas, to strategic and finally transformative change. *State of flux is taken to mean a state of uncertainty about what should be done (usually following some important event) preceding the establishment of a new direction of action).*

Maintenance

Corresponding to the 'compliance, governance, straight risk' mindset described in the previous section, are ways of thinking associated with a 'circular and self-reinforcing' maintenance of beliefs and practices at the CG/CSR interface:

> I'd have to agree, agree with the premise that a lot of directors don't open themselves up to the challenge of thinking beyond their own experience and beyond their own mind set. I'd like to think they are a dying breed but there's certainly some of them and who I could name but won't, who duly fall into that, that category. (Non-Executive Director)

> It's going to be outside the sort of parameters of what a board would normally look at. I don't think they are suddenly going to say hey we should be looking at more socially responsible agenda for outside of the company or shareholders. (Company Secretary/General Legal Counsel)

A lack of connection between CSR and CG may lead to 'disconnected thinking' on boards:

> I think it's done in bits. I don't think that many organisations are probably looking at this in a strategic and connected way or not adequately and I think if this is … not driven by the C suite it's not taken seriously enough and it therefore is just out to the side not really core to the strategy or reporting about strategy or whatever it might be. (Non-Executive Director)

Conflict

The complexity of challenges at the CG/CSR interface can be highly difficult for boards to think through and may lead to 'conflicted thinking':

> it's pretty hard to even to talk about it frankly but it's also hard for people to understand. … we had had more than thirty [board] meetings in, in a year because we were dealing with complex issues. And a lot of those meetings were agonising. (Non-Executive Director)

> So, how on earth can a board member understand the complexity that is environmental, social, governance? (Non-Executive Director)

Change

The majority of board members recognised the role diversity and board composition could play in broadening ways of thinking: "How we ended up with such an engaged board ... we've brought in directors with the right mindset" (Company Secretary/General Legal Counsel).

> I can think of one of my boards which is more conventional, more traditional … the businesses and the board, and that has got far more male executives…. in my view, it needs some new people … it needs a new energy. (Non-Executive Director)

> When we're talking about some of these aspects about innovation and what that means in terms of complex thinking, she's a real strength on our board in terms of the way she

> thinks … I think that's also really important part of the interconnectedness of diversity of thinking. (Non-Executive Director)

Two non-executive directors with an awareness of the integrated reporting movement spoke of the importance of 'integrated thinking' versus compliance:

> My natural reaction is to integrate because I think—to me, I look at strategy and risk and I think sustainability, CSR, all these issues, are critical to both the strategy you have in the organisation and the risks you have to manage. I think they're one and—they're kind of flip side of the same things. (Non-Executive Director)

> [Integrated reporting is] seen as a compliance piece and therefore potentially another layer of reporting and cost rather than thinking in terms of organisations need to break down those silos; need to think in an integrated way and that this sort of thinking actually has a business case and can be of value to the organisation … So, I think there is pockets of this without it being yet a really sort of really mainstream way of thinking. (Non-Executive Director)

Over half of the board members described 'strategic and interconnected thinking' in navigating the inherent tensions at the CG/CSR interface, taking into account shareholder and stakeholder interests with an emphasis on business sustainability, value creation and strategic thinking for the long-term:

> What we're more interested in is what actually drives the value in the business, what will sustain the value of the business, and when you think of it from that way and that way strategically, then you've got to look at where you think markets are going. You've got to absolutely be mindful to what is an appropriate business practice and how you want to treat your employees and the environment. (Non-Executive Director)

In reference to a range of environmental and social issues:

> I'm a big fan of structured thinking …You can't make that decision without thinking about the interdependencies that go with it … and you might decide look we don't have any choice here, we're going to do this because we'll get it right for the long-term, it may have a two or three year impact in terms of returns or impacts, but you have to think about the interdependencies of all of those and the consequences of not addressing this very well. (Chairman)

> If the sustainability issues matter, they should be in exactly the same world … all those decisions are very strategic and I think key to sustainability issues. I think they should be together. (Non-Executive Director)

One chairman described moving towards 'transformational thinking', that is, moving from incremental to transformational change as defined by Allen White (2015) in terms of corporate purpose, directors' duties and shareholder primacy (Waddock, 2008b). This was achieved via structural change to the CG systems that perpetuate shareholder primacy and short-term thinking, at the expense of a broader stakeholder model:

> In 2004, the shareholders of [my company] accepted an addition, at a shareholders meeting, to the charter paragraph of the by-laws. To me the essential thing is … the multi-stakeholder argument basically … you can't as the board only rely on the shareholders as the guiding audience for your activities. I think you run the risk of short-termism and misleading everything. [After the change to the charter] I came back

> to my successor and I said to him, "aren't you glad that I made this change?" because my reasoning for it going into this area was I thought it was the right way to do business. And my colleague said "Yes, you were right, it was not only the *right* way to do business, but it is a *good* way to do business." (Chairman)

This then shifted the focus to business sustainability and sustainable, strategic business practices:

> And I think that's reflected by the way that [the company] now has as their overall corporate strategy 'sustainability equals growth'. And they have made their sustainability department part of their research and innovation organisation. And they will grow by identifying throughout the world other people who are working with sustainable issues and where [the company] can develop technology that will further that purpose. So … the shareholders perspective will not get you there. (Chairman)

The following Table 8.7 summarises the focussed codes and categories for the Stage Three interviews.

Table 8.7 Stage Three: Focussed Codes and Categories for Board Members

Categories	Focussed Coding / Dimensions
Language frames engagement	Accessing and engaging the board: Language frames engagement Accessing and engaging the board: Reporting reinforces compliance Accessing and engaging the board: Competing for time Accessing and engaging the board: CSR Risk as a trigger Accessing and engaging the board: Dedicated committees vs whole of board accountability Board dynamics: Peer influence and networks Systems of CG/Defining and Framing CG: Deliberately narrow legal definition of CG/ MSV vs good governance/ Responsible governance Systems of CSR: Image problem Investor influences: ESG risk as lever and driver
Agency and Leadership	Agency and leadership: Leadership is crucial Agency and leadership: Stewardship Board dynamics/Cultural underpinnings: Leadership drives culture Board dynamics: Board composition/Positive competencies and mindsets Board dynamics/Active boards: Strong chairman and agenda control Board dynamics/Active boards/culture and tone from the top Increasing Influence of Institutional Investors: Collaboration of asset owners, management of ownership rights Investor Influences: Investor stewardship and longer-term thinking Systems of CG/Self-referencing board ecosystem: Peer influence and networks (so these can drive change or stymie change). CSR Systems and stewardship: Paul Polman, CEO Unpacking Regulation: lack of government leadership
Self-Reinforcing Systems	Accessing and engaging the board: Reporting reinforces compliance Accessing and engaging the board: CSR Risk as a trigger Board dynamics/Passive board: Don't rock the boat Board dynamics/Passive board: Strong CEO and a weak chair

	Board dynamics/Board composition (and selection): The club - self-reinforcing, self-referencing Board dynamics/Cultural underpinnings: Focus on risk Board dynamics/ Emergent challenges: risk mitigation Interdependencies and interconnections: Win-win business case Institutional inertia: Professional associations, peer networks and self-reinforcing systems Corporate legitimacy: Pragmatic, instrumental business case Investor influences: Market forces and self-reinforcing investor systems Systems of CG/Conflicting perspectives on fiduciary duties: Investor driven view/ No need to re-imagine duties Systems of CG/Defining and Framing CG: Deliberately narrow legalistic definitions of CG Systems of CG/Self-referencing board ecosystem: Peer influence and networks Systems of CG/Self-referencing board ecosystem: Executive remuneration maintains short-termism Systems of CG/Self-referencing board ecosystem: Extended influence of associations Systems of CSR/ Self-reinforcing CSR systems: CSR disconnect with CG and board, Usual suspects - a club, lack of traction with CSR initiatives Time frames: Short-term incentives and exec remuneration Unpacking regulation: Compliance mindset Unpacking risk: Risk aversion Ways of thinking: Circular and self-reinforcing Maintenance: compliance, governance, straight risk mindset Systems of CG/Self-referencing board ecosystem: Role of intermediaries
Contested Space	Accessing and engaging the board: CSR scepticism Accessing and engaging the board: Competing for time Board dynamics/board composition: Diversity vs experience Board dynamics/Cultural underpinnings: Disrupted Board dynamics/ Emergent challenges: Conflicted approach Interdependencies and interconnections: Tensions and trade-offs, stakeholders vs shareholders Corporate legitimacy: Moral vs pragmatic Investor influences/Duality and tension - pressure for short-term returns vs ESG Systems of CG/Conflicting perspectives on fiduciary duties: Invidious position for directors, long-term directors' duties and fear of liability vs short-term MSV Systems of CG/Defining and Framing CG: MSV vs good governance Systems of CG/Self-referencing board ecosystem: Executive remuneration maintains short-termism vs superfunds push for long-term thinking Systems of CSR: Push back on CSR framing and terminology Time frames: Long-term vs short-term tensions Unpacking Risk: Risk and compliance vs strategy and innovation Ways of thinking: Conflicted
Dissonance and Estrangement	Accessing and engaging the board: Reporting-mixed blessings Board Dynamics: Tensions on the board Corporate legitimacy: Moral vs cognitive and pragmatic Investor Influence: Disconnect between boards and Investors

	Corporate legitimacy: cognitive vs pragmatic Systems of CG/ Conflicting perspectives on fiduciary duty: no need to re-imagine duties CSR self-reinforcing systems – CG/CSR disconnect Systems of CG/Self-referencing board ecosystem: Inadequacy of systems of CG Ways of thinking: Disconnected
Navigating Complexity	Accessing and engaging the board: Dedicated committees vs whole of board accountability Board Dynamics/Active board: Engaged board asks questions Board Dynamics/Active boards: Strong chairman and agenda control Board Dynamics/CSR Proactive board: Sustainable business and business sustainability Board Dynamics/CSR Proactive board: CSR board supported Board Dynamics/Cultural underpinnings: Focus on strategy Board dynamics /Cultural underpinnings: Caring culture Board dynamics: Emergent challenges: strategic approach Country relevance: Country filters vs globalisation and convergence Institutional inertia: Opportunities for leadership Interdependencies and interconnections: Balancing CG and CSR-stakeholders and shareholders, inherent tensions Corporate legitimacy: Moral and pragmatic – god business sense Investor Influences/Increasing Influence of Institutional Investors: Collaboration of asset owners, Increasing sustainability requirements, Investor stewardship for the long-term, lever and driver - ESG as economic risk Investor Influences: New forms of investing - Impact Systems of CG/Conflicting perspectives on fiduciary duties: Going beyond fiduciary duty, emerging legal discussions – climate change Systems of CG/Defining and Framing CG: Narrow CG definitions have not kept pace, Responsible governance Systems of CG/Inadequacy of Systems of CG: Overemphasis on compliance, Fraught information flows from management to board. Problems with intermediaries and advisors Systems of CSR: Convergence and collaboration of CSR with CG Time Frames: Aligning long-term interests in board ecosystem
	Unpacking regulation: Beyond compliance Unpacking regulation: Coercive kickstart Unpacking Risk: ESG Risk as strategic opportunity Ways of thinking: Strategic and connected Ways of thinking: Integrated Ways of thinking: Transformative Ways of thinking: Sustainable business and business sustainability

8.4 Chapter Summary

The following section presents a chapter summary of the findings, set out as a summary table (Table 8.8) of the emergent analytic categories aligned to research aims with supporting quotations and brief descriptions. This is followed by a summary of the detailed findings across the three stages of research. Figure 8.8 highlights the focus of this section.

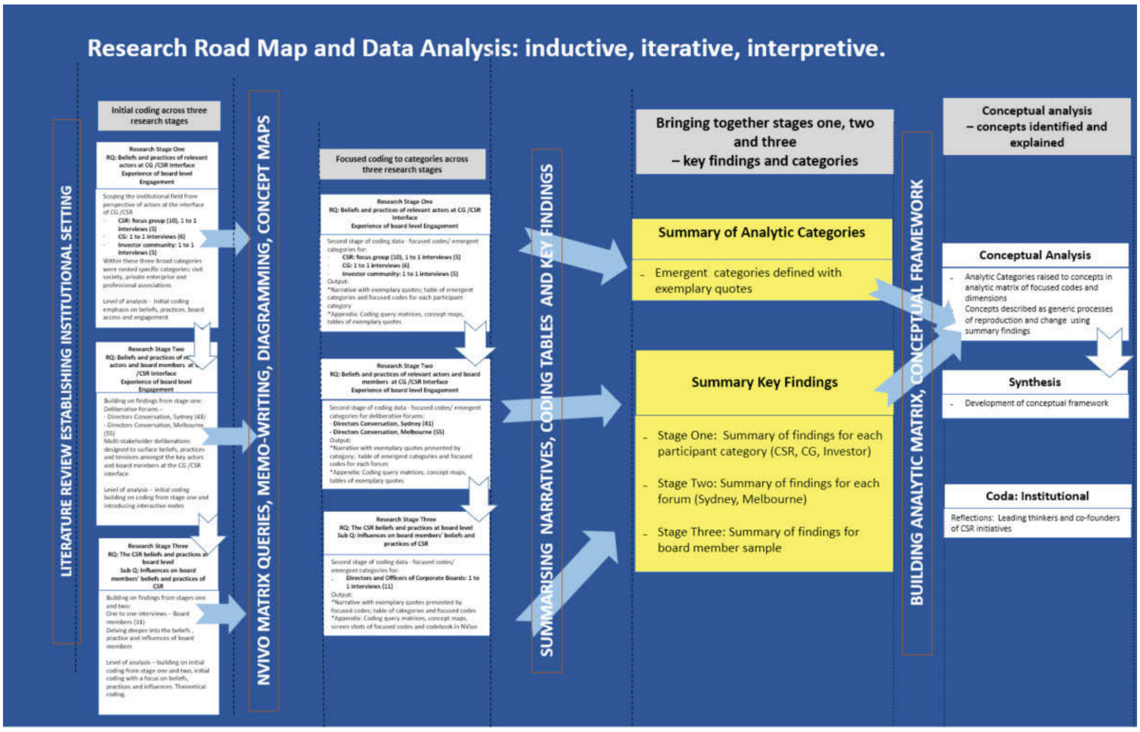

Figure 8.8 Grounded Data Analysis Road Map: Summary findings

Table 8.8 Summary Table: Analytic Categories

Analytic Category	Description	Illustrative Quote
Research Aims • **Experience of board level engagement – actors at the CG/CSR interface** • **Influencers of board members' beliefs and practices of CSR**		
Agency and Leadership	Focussed codes relate to the importance of agency in driving change at the CG/CSR interface whether this be investor stewardship or passionate CSR champions from the board or management.	"It's his personal passion which has been able to … embed into the organisation at the executive level and then has used his role as the Chairman to really solidify that position and then getting some likeminded board members who are already familiar with the issues to really make it part of their, part of the way they do business" (CSR Manager)
Language Frames Engagement	Language is critical in framing the CSR agenda. It can enable or prevent change at the CG/CSR interface, and has emerged as a key issue for access and engagement with the board, for example, framing CSR issues as 'risk' to gain access to the board	"I was flabbergasted by the number of very bright people playing in the ESG space and I was puzzled by why collectively they were achieving very little. I concluded … that came down to the language that community often uses that doesn't resonate with people that have got a fiduciary responsibility under law, that can be held accountable for that" (Non-Executive Director)
Research Aims • **The beliefs and practices (logics) at play at the intersection of CG and CSR amongst the relevant actors** • **The CSR beliefs and practices at the board level**		
Self-Reinforcing Systems:	Focussed codes reveal the maintenance of the status quo at the interface of CG/CSR. This may include conservative systems of CG, a lack of board access and engagement by CSR managers, investor pressures for returns and shareholder primacy, the influence of peer networks or the dominance of risk and compliance in board decision-making.	"As I said, this ecosystem is so self-reinforcing. And to me it starts with the way the law hasn't evolved and caught up with modern corporate life … So, there's an in-built and inherent conservatism built into decision making" (Chairman) "There's a whole, there's an ecosystem around all of this that selection of boards is all—it's a big club, I mean they play this game of going out to—head hunters—but the head hunters are all part of the ecosystem. (Chairman)
Navigating Complexity	Focussed codes reflect efforts to align or balance financial, social and/or environmental issues at the CG/CSR interface e.g. the business case and the moral case. Alignment is often sought around taking a long-term approach to returns and business sustainability or by acknowledging	"And it comes back to this whole issue of interdependencies, that at your peril you compartmentalise. I genuinely believe in the boards that I'm involved in; we don't tend to compartmentalise financial and non-financial responsibilities" (Chairman). "So, to me the essential thing is … the old multi-stakeholder argument. You can't as a board, rely on only the shareholders as the guiding audience for your activities. I

	interdependencies with multiple stakeholders.	think you run the risk of short-term and misleading everything" (Chairman)
Dissonance and Estrangement	Focussed codes point to organisational inconsistency at the CG/CSR interface, e.g. where CSR issues may be acknowledged but not resourced or acted upon or where CSR reporting is undertaken but not understood beyond being a compliance issue at board level.	"The dissonance that we found—with these systems [CSR Board Committee] in place and their sustainability performance … there was no correlation. We couldn't see a pattern of any kind" (CSR Civil Society) "How can you produce an integrated report that talks about what you are doing in terms of value transformation if you've got no system within the business to actually measure or even understand what those value transformations are?" (CSR Professional Services).
Contested Space	Focussed codes point to inherent and unresolved tensions at the CG/CSR interface, for example, maximising short-term shareholder returns versus broader corporate or stakeholder concerns.	"Two streams of engagement—you've got the board dealing with investors on governance or ESG issues but over here you've got the CEO and the CFO dealing with the analysts on business performance which has a short-term focus. Over here the boards are talking long-term issues. We're long-term shareholders and we're interested in ESG risks, meanwhile the mandate to fund manager is short-term trade to your heart's content. There's a very big conflict" (CG Professional Association)

8.5 Summary Findings Across the Three Stages of Research

8.5.1 Stage One: CSR actors' interviews and focus group

- A broader conversation is underway within CSR managers' organisations, although the impact of shareholder primacy and regulatory constraints is still dominant.
- Framing of CSR as a risk to trigger engagement with board can have negative consequences of a reactive, risk and compliance agenda, serving to maintain the status quo.
- CSR limbo – tension between board and executive. Management needing board buy-in, boards desire for deeper understanding.
- Crucial need for agency and leadership – CSR champions vs the club and peer constraints.
- Mixed views of sustainability committees – genuine opportunity to engage vs tokenistic efforts.

8.5.2 Stage One: CG actors' interviews

- Perspectives from the CG actors demonstrate a field in flux.
- There is a disconnect between CSR actors who do not understand governance and the CG field of practice.
- Boards experience conflicting messages and pressures from the investor community – short-term vs long-term, internalised and conflictual, board vs executive.
- The institutional bodies' response at the CG/CSR interface: conservative, legalistic, risk averse approach to CG.

8.5.3 Stage One: Investor community

- The ESG advisory perspective sees boards as self-reinforcing circular systems of club recruitment, board composition, competencies and short-term incentives. These maintain the status quo at the CG/CSR interface.
- "ESG" framing has led to the dominance of an instrumental, economic, risk-based approach at the CG/CSR interface.
- An institutional investor led movement towards stewardship and long-term thinking is aligning with the social and environmental elements of CSR. However, tension and duality are at play, as pressure for MSV and short-term returns compete with a long-term perspective on value creation and business sustainability.
- Companies are ahead of investors on their CSR performance, although many non-executive directors remain out of the loop and are not engaged by investors or informed by management. Sustainability initiatives and reporting are generally poorly understood.
- The type of investor and their motivations needs to be better understood in seeking alignment over long-term value creation.

8.5.4 Stage Two: Sydney forum

- Reinforcing earlier findings from Stage One data and building on focussed coding, the deliberative nature of the forum surfaced key themes and began to provide a greater insight into the beliefs and practices at the board level.

- Language and framing and a lack of understanding of 'fiduciary responsibilities' by CSR actors were seen as key reasons for the disconnection between CSR actors and boards.
- Self-reinforcing systems of the board as a peer-networked club maintained the status quo.
- Language and framing – a narrowing of CG definitions and guidelines by regulatory and investor perspectives framed the CSR agenda as economic-ESG risk to investors and estranged the moral elements of business practice.
- A stewardship role for institutional investors aligned the long-term value of the company with long-term interests of shareholders.
- Tensions in the investor – corporate board relationships were driven by dual messaging from investors over short-term returns and long-term value creation.
- There was some push-back by boards on MSV for 'reasonable returns' and a 'stakeholder model'.
- Corporate culture drove behaviour, not systems and processes.
- Boards need actively engaged investors that are long-term in their focus, understand the totality of business issues and recognise that stakeholder issues are more than non-financial.
- Conversely, investors need boards to understand how seriously some of the industry funds take their governance and environmental and social risks.

8.5.5 Stage Two: Melbourne forum

- Narrow framing of CSR did not acknowledge complex board responsibilities that were keenly felt.
- Board members navigated complexity, seeking in varying degrees to balance stakeholder and shareholder interests, e.g. maximising profit and engaging with their communities.
- Board members as stewards sought to ensure business sustainability and aligned environmental, financial and social objectives into the decision-making process.
- Views on CSR/sustainability board committees were evenly split: whole of board accountability versus opportunity for enough time for learning and board engagement with CSR issues.

- A dominant post-GFC risk paradigm stymied innovation and drove a risk perspective of CSR, including reputational and supply-chain related risks.
- Two key dilemmas sit at the interface of CG and CSR: the interdependencies and interconnections of a broader stakeholder model (stakeholder versus shareholder) and managing time frames (long-term value creation versus short-term profit)
- Institutional investors focused on ESG as risk to shareholders but found alignment with boards as engaged long-term asset owners.
- A powerful collaboration of institutional investors was underway at the interface of CG/CSR, driving a longer-term conversation with boards on CG and environmental and social risks.

8.5.6 Stage Three: Board member interviews

8.5.6.1 Board access and engagement

- Language and framing was believed to be critical to board access and engagement at the CG/CSR interface. There was significant disconnect with CSR terminology and scepticism of CSR initiatives by the board members. Most board members believed they were already engaged in CSR-related issues as basic business practice.
- CSR-related issues competed for time on the board agenda.
- There were mixed views on the value of CSR/sustainability reporting. Most board members viewed reporting as compliance related, but that there was some value in disclosure for a range of stakeholders.
- Framing CSR as risk could be used as a lever or strategic opportunity to engage the board. However, this could perpetuate an economic-risk based approach to CSR.
- Several board members understand the need for deeper understanding and a tailored education at the CG/CSR interface

8.5.6.2 Agency and leading

- All board members believed leadership was crucial in driving change at the CG/CSR interface, although it had not necessarily been well executed to date.
- Leadership needed to come from people of influence including the chairman or CEO, with the relationship between the CEO and board being central in terms of CEO recruitment and board support.

- For several board members, stewardship at the CG/CSR interface was seen as a personal passion with a moral motive.

8.5.6.3 Board dynamics

- Connected to agency and leadership was board composition and the strongly held view across board members of the importance of 'positive competencies and mind sets' framed in terms of being experienced, engaged, networked and having a breadth of perspective.
- However, the overwhelming majority of interviewees viewed board membership as a self-referencing club in need of greater diversity in mindsets and skills.
- Board members needed to be empowered to ask questions and not fear 'rocking the boat' if they were to move from passive to active at the CG/CSR interface. Those actors who controlled or influenced the board agenda, i.e. the Chair, CEO and Company Secretary played critical roles here.
- Increasingly, the CSR agenda was being framed at the board level by aligning the term "sustainability" with notions of business sustainability, value creation and growth over the long-term.
- All board members believed culture was more important than any systems or processes for driving change, both from the 'bottom-up' to the 'tone from the top'. Culture was seen as both management and board driven, with employee engagement an important dimension for executive directors.
- All board members experienced significant emergent challenges that related to the CSR agenda including the impacts and pace of technological change, social media and reputational issues, supply chain risks and climate change impact.

8.5.6.4 Systems of CG

- Conflicting perspectives on fiduciary duties exposed a field in flux, with many of the board members describing an invidious position of concern for the long-term well-being of the corporation and potential social and environmental impacts, versus shareholder primacy, pressure for short-term returns and a fear of liability.
- This, in turn, exposed inherent tensions in CG systems where some board members believed that narrow, legally framed responsibilities for board members have not kept pace with an increasingly interconnected world.

- Most board members believed that ‘peer influence and networks’ drove a self-referencing, board ecosystem that perpetuated current beliefs and practices. This was closely tied to the “club” involved in board selection and composition and to the relevant professional associations and industry bodies that extend influence into government and policy.
- Executive remuneration was also seen as part of the self-referencing CG systems, linked to peer influence and networks. These maintain the status quo of short-term incentives.
- A growth in independent and non-executive directors might lead to an overemphasis on compliance due to a lack of working knowledge of the company and self-preservation from liability according to one Chairman.
- Perceived inadequacies within systems of CG included the role of ‘intermediaries and advisors’ such as proxy firms.

8.5.6.5 Systems of CSR

- Similar to the board ecosystem, CSR systems (taken to mean CSR initiatives, activity and networks)were seen as self-reinforcing—a ‘club of usual suspects’ where peer influence and networks perpetuated beliefs and practices, pointing to a disconnect between CG and CSR.
- Signs of greater collaboration and convergence at the CG/CSR interface were noted by several board members connected to the financial services sector, related to ‘ESG’ activity and the PRI.

8.5.6.6 Country relevance

- Systems of CG and CSR were linked to issues of country relevance, as acknowledged by those directors and chairmen on boards of foreign owned or controlled companies. Tension existed between ‘different country filters and mind sets in governance’ and ‘globalisation and convergence’.

8.5.6.7 Institutional inertia

- In general, there was disappointment and frustration expressed by board members over the lack of leadership by industry bodies and professional associations at the CG/CSR interface, although some examples of leadership were cited.

8.5.6.8 Interdependencies and interconnections

- All board members in the sample recognised the interdependencies and interconnections of economic, social and environmental elements at the CG/CSR interface, and demonstrated a range of beliefs and practices: from win-win scenarios, to tensions and trade-offs, to navigating and where possible integrating the competing elements for business sustainability.
- In particular, the executive director and the managing director, saw CG/CSR interdependencies as closely connected to employee and customer engagement, providing an economic, instrumental win-win business case.
- Most board members had experienced tensions and ultimately trade-offs between shareholder versus stakeholder in favour of market forces.
- All board members experienced competing interests at the CG/CSR interface between stakeholders and shareholders, and most sought to balance these to varying degrees, employing long-term, strategic thinking to navigate interconnected and often contradictory tensions with the goal of business sustainability. This appeared to be driven by a primary belief in their role in the long-term viability of their corporation, sometimes pitted against market forces and broader stakeholder concerns.
- Although beliefs may differ across these three positions, practices may overlap. For instance, where both a win-win approach and a commitment to balancing CG and CSR leads to the same outcome.

8.5.6.9 Corporate legitimacy

- Closely linked to the interdependencies and interconnections findings, corporate legitimacy was taken to mean the social acceptance of business organisations and their activities.
- Beliefs and practices associated with a pragmatic corporate legitimacy were expressed by board members with a legal perspective (Company Secretary/Legal Counsel) and direct management role (Executive Director and Chairman/MD). These maintain the economic view of the firm where the business case for CSR or ESG is influenced by investors.
- By contrast, most non-executive directors and chairmen grappled with a conflict between pragmatic versus moral corporate legitimacy at the CG/CSR interface or

conversely sought to align pragmatic and moral considerations, often framed in terms of strategy, business sustainability, good governance and a breadth of responsibilities.

8.5.6.10 Investor influence

- Financial markets and the investor community emerged as key influences at the board level, in a complex relationship that included a dualism between short- and long-term investor interests.
- This was played out by the growth of large asset owners seeking action on "ESG risk" and "longer-term value creation". Several board members with close connections to the investor community were aware of institutional investors and superannuation funds collaborating through bodies such as the PRI to drive change from within the investor community. This included increasing management of ownership rights, sustainability requirements by asset owners, investor stewardship and longer-term thinking, ESG risk and new forms of socially responsible investing such as impact investing.
- At the same time, market forces led by other actors in the investor value-chain such as fund managers continued to dominate with the traditional drivers of profit maximisation and short-term returns, thus serving to maintain the status quo in the board ecosystem.

8.5.6.11 Time Frames - Aligning long-term interests in the board ecosystem

- Managing time horizons was a central concern for all board members—seeking to meet often conflicting demands between perceived duties for the long-term wellbeing of the corporation and shareholder expectations for short-term returns, as well as long-term environmental and societal expectations.
- Aligning long-term interests in the board ecosystem was often framed as a double-play on the word 'sustainability' – 'sustainable business and business sustainability' for long-term value creation.
- A third of the board members believed short-term incentives structured into executive compensation packages worked against a long-term approach to business sustainability and should be changed to align to long-term sustainable returns rather than a short-term profit objective.

8.5.6.12 Unpacking risk and regulation

- For all board members, key influences at the CG/CSR interface included a dominant post-GFC risk paradigm and, to a lesser extent, coercive regulatory influences.
- Regulation is seen to drive a 'compliance mindset', particularly for those board members in finance-related organisations. On the flip side, regulation could provide 'a coercive kick start' at the CG/CSR interface with more than half of the board members expressing disappointment at the lack of government leadership on a range of issues at the CG/CSR interface
- The influence of risk on board level decision-making was complex and ranged from:
    - risk aversion – closely associated with a compliance mindset and concerns of director liability
    - risk stymies innovation – where risk and compliance may be pitted against sustainability strategy and innovation
    - ESG risk as strategic opportunity – taking a positive angle, where risk becomes a lever for board engagement, aided by increasing influence from institutional investors seeking long-term approaches, e.g. over climate risk

8.5.6.13 Ways of thinking – maintenance and change

- Sensemaking or 'ways of thinking' of the board members may serve to either reproduce or change beliefs and practices at the CG/CSR interface. The majority of board members recognised that in order to drive change, new ways of thinking, beyond a short-term market-focussed approach are required. Current beliefs and practices are in a state of flux, from circular, self-reinforcing systems, through disconnected or conflicting agendas, to strategic and interconnected thinking and finally to transformative change.
- Over half of the board members described 'strategic and interconnected thinking' in navigating the inherent tensions at the CG/CSR interface, taking into account shareholder and stakeholder interests with an emphasis on business sustainability, value creation and strategic thinking for the long-term.

Having summarised key findings and their categories across the three stages of research, the following chapter (Chapter 9) transitions to the final stage of analysis, as depicted in the final iteration of the research road map in Figure 8.9, below.

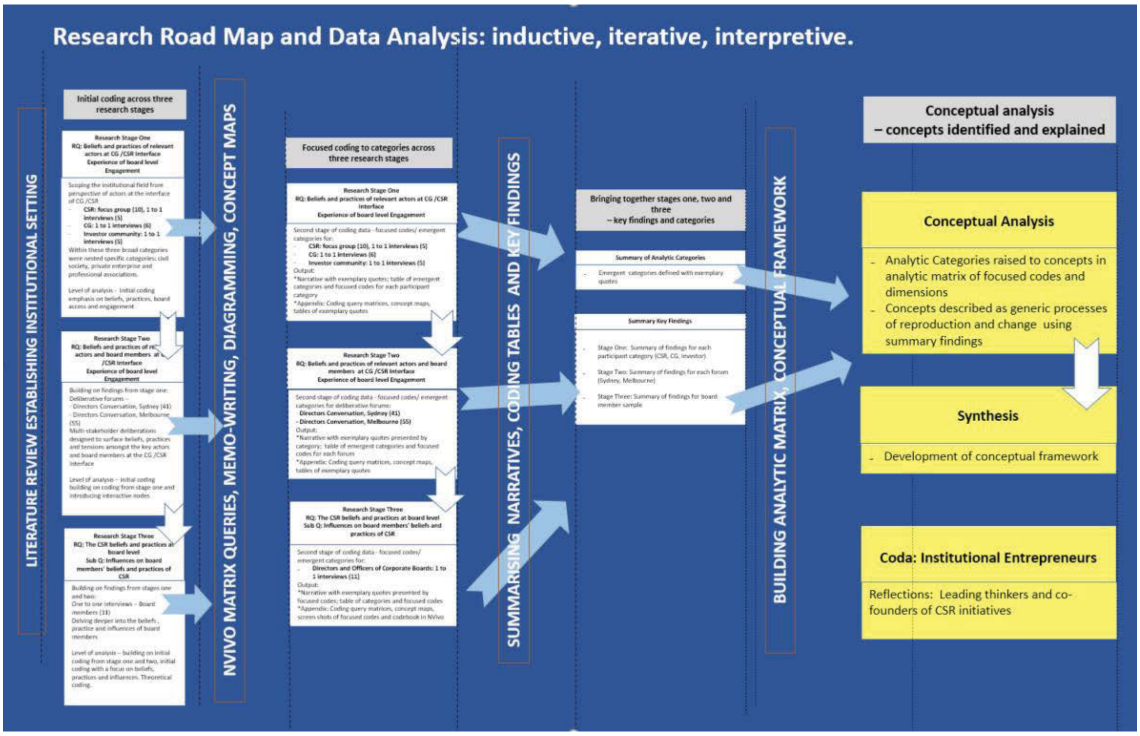

Figure 8.9 Grounded Data Analysis Road Map: Conceptual analysis

Analytic categories will be raised to concepts using a matrix analysis of categories and focussed codes (Charmaz, 2014). As the categories are defined with specifiable properties and boundaries, those most significant categories best representing the data become analytic concepts. Concepts provide abstract understanding of the studied phenomenon. Core phenomena will be identified and explained with the application of the theoretical framework based on institutional logics and the development of a conceptual framework to meet the research aims.

Chapter 9: Analysis and Discussion

9.1 Introduction

The final chapter brings together the research findings and theoretical framing to meet the research aims. These will now be reviewed briefly.

The research aims to address a gap in theory and practice at the interface of CG and CSR. This involves an exploration of the institutional logics (beliefs and practices) at play amongst key actors at the interface of CSR and CG, with a primary research focus on the board. Taken as a multi-level investigation, the research topics explored are:

- The beliefs and practices (logics) at play at the intersection of CG and CSR amongst the relevant actors.
- Their experience of board level engagement.
- The CSR beliefs and practices at the board level.

And as a sub question:

- How and by what or whom are board members' beliefs and practices of CSR influenced? (e.g. investors, risk—positive and negative aspects, institutions—status quo, stewards, leaders, champions vs peer influence and the club).

The constructivist grounded research approach seeks to understand emergent multiple realities: "What do people assume is real? How do they construct and act on their view of reality?" (Charmaz, 2014: 231). Such "what" and "how" orientations are well suited to the research questions and an exploration of the beliefs and practices at the CG/CSR interface, and to the field of institutional logics:

> The institutional logics perspective is a metatheoretical framework for analysing the interrelationships among institutions, individuals, and organisations in social systems. It aids researchers interested in questions of how individual and organisational actors are influenced by their situation in multiple social locations in an interinstitutional system. (Thornton et al., 2012: 2)

For example, individuals situated in the board ecosystem encompassing institutional orders of the market, corporation, professions and a broader stakeholder logic.

The chapter is structured as follows.

The first section of the chapter transitions the research findings to a conceptual analysis. An analytic matrix is developed to determine conceptual linkages across the data. Based on the summary of findings from Chapter 8, the matrix represents the beliefs and practices of board members (Table 9.1) and relevant actors (Table 9.2) at the CG/CSR interface. These are presented as concepts or generic processes (Charmaz, 2014) together with their co-related dimensions and are followed by narrative summaries.

I next apply the theoretical lens of institutional logics, its interinstitutional systems and categorical elements, to the conceptual systems of beliefs and practices at the CG/CSR interface. Institutional logics are defined as "socially constructed, historical patterns of cultural symbols and material practices, including assumptions, values and beliefs by which individuals and organisations provide meaning to their daily activity, organise time and space, and reproduce their lives and experiences" (Thornton et al., 2012: 2). The conceptual framework is developed, mapping logic multiplicity at the CG/CSR interface —across dominant, aligned, contested and estranged typologies. This culminates in the development of an integrative framework of the board ecosystem[11] and its types of logic multiplicity at the CG/CSR interface.

The second section of the chapter brings together a discussion of each of the four typologies of logic multiplicity, their categorical elements and their multi-level influences follows. The chapter concludes with a statement of my research insights; my key contributions across theoretical, methodological, and professional practice domains; and a consideration of research limitations and recommendations. Finally, I end the thesis with a coda—reflections from leading thinkers from the CG/CSR interface.

9.2 The Transition to Conceptual Analysis

In the findings (Chapter 8, section 8.4), a two-stage process of initial and focussed coding, with the purpose of making core phenomena in the data explicit (Charmaz 2014), raised six analytic categories using principles of centrality and theoretical reach:

- self-reinforcing systems
- navigating complexity

[11] The 'board ecosystem' is a term derived from the board member interviews and is a multi-level construct taken to mean the field, organisational/board and individual levels that boards inhabit at the interface of CG/CSR. This includes the CG, CSR and investor domains included in the research and literature review. Besharov and Smith's (2014) framework is adapted to this ecosystem.

- contested space
- dissonance and estrangement
- agency and leadership
- language and framing.

In the following analysis, four of the analytic categories—self-reinforcing systems, dissonance and estrangement, contested space and navigating complexity—are raised to concepts by mapping the dimensions of each of the focussed codes to the categories as demonstrated in Tables 9.1 and 9.2. The remaining analytic categories—language and framing, and agency and leadership—represent key drivers in the process of maintenance and change in beliefs and practices (or institutional logics) at the interface of CG and CSR (Thornton et al., 2012). These are described below and are synthesised into the overall conceptual framework.

Concepts provide abstract understanding of the studied phenomenon. Traditionally, grounded theorists focused on developing axial coding around the one concept as the central phenomenon of the data (Charmaz, 2014; Gibbs, 2008). However, as a constructivist grounded theorist, Charmaz (2014) criticised axial coding as being too prescriptive, preferring instead to define fundamental generic processes: “A generic process cuts across different empirical settings and problems; it can be applied to varied substantive areas” (Charmaz, 2014: 189). For grounded theorists, concepts are relational, ontological, theoretical constructions (Bazeley, 2013). Characteristics of core conceptual phenomena may have central causal powers. “These causal powers and their related causal mechanisms play a role in our theories” (Goertz, 2006 as cited by Bazeley, 2013: 243). In theorising concepts, the dimensions of the second level coding became the structural components of concepts as set out in Tables 9.1 and 9.2 (Bazeley, 2013):

> Ultimately it is this iterative analytical method of constantly comparing and collecting or generating data that results in high level conceptually abstract categories rich with meaning, possessive of properties and providing an explanation of variance through categorical dimensionalisation. (Birks & Mills, 2011: 94)

Importantly, given natural language concepts have fuzzy boundaries, not all examples from within the data must adhere to a single set of conceptual properties. Rather, a ‘family resemblance model’ as described by Bazeley (2013) provides for a continuum along which examples from the data may demonstrate a degree of fit with the concept.

Therefore, invoking the mathematics of fuzzy logic allows for an overlapping range of values across the boundaries between concepts (Bazeley, 2013). Nonetheless, dimensions assist in distinguishing between concepts and dimensions that are *co-related* or that regularly appear together assist in *structuring the concept*. These are identified in the matrices and narrative summaries.

The following analysis matrices incorporate the coding summaries from all three stages of the research (Chapter 8, section 8.4), detailing the dimensions of the four concepts—generic processes associated with the beliefs and practices at the CG/CSR interface: self-reinforcing systems, dissonance and estrangement, contested space and navigating complexity. The first matrix (Table 9.1) sets out board level beliefs and practices as the primary research focus, followed by matrices representing relevant actors at the CG/CSR interface from CSR, CG and the investor community (Table 9.2). The four concepts represent four different systems of beliefs and practices (logics) at the CG/CSR interface. The matrices are followed by narrative summaries.

Table 9.1 Analysis Matrix – Board Members Beliefs and Practices at the CG/CSR Interface

		Systems of Beliefs and Practices at the CG/CSR Interface *(Stage Two findings in italics)*			
		SELF-REINFORCING SYSTEMS	**NAVIGATING COMPLEXITY**	**CONTESTED SPACE**	**DISSONANCE AND ESTRANGEMENT**
Drivers	**Board Access and Engagement** - **Language frames engagement**	There is a problem with language! *Narrow framing of CSR* Reporting reinforces compliance *Paying lip service* *CSR risk as a trigger*	CSR risk as a trigger and lever *Long-termism frames alignment (all Stages)*	CSR scepticism, Reporting–mixed blessings *CG/CSR disconnect – language and framing (Non-Executive Director vs CSR)* *Integrated thinking vs old ways of thinking (Non-Executive Director vs CSR)*	CSR disconnect
Drivers	- **Agency and leadership**	Lack of leadership Educational challenge	Leadership is crucial Stewardship Dedicated committees vs whole of board accountability *Individual champions drive change (Chairman)* *Boards as stewards of sustainable business (Non-Executive Director)*	CSR competing for board agenda time	*Dedicated committees vs whole of board accountability*
Influences	**Systems of CSR** - **CSR self-reinforcing systems**	CSR disconnect with CG and board Lack of traction with CSR initiatives *Push back on CSR (Non-Executive Director)* Usual suspects – a club	Convergence and collaboration of CSR/ESG with CG	Push back on CSR framing and terminology	CSR disconnect with CG and board
Influences	**Institutional Inertia**	Professional associations, peer networks and self-reinforcing systems	Opportunities for leadership		
Influences	**Board dynamics** - **Board Composition**	Self-reinforcing club Self-referencing peers and networks Diversity vs experience	Positive competencies and mindsets Diversity	Diversity vs experience	
Influences	- **Passive boards vs active boards**	Don't rock the boat Strong CEO and weak chair *Dominance of CEO*	Engaged board asks questions Strong chairman and agenda control CSR is board supported	Conflicted	Unresolved tensions

	- **CSR proactive boards**		Sustainable business and business sustainability		
	- **Cultural underpinnings**	Focus on risk Caring culture (the two execs)	Focus on strategy *Chairman is custodian of culture and change (Non-Executive Director)*	Disruption *Corporate culture vs systems and processes (Non-Executive Director)*	
	- **Emergent challenges**	Risk mitigation approach	Strategic approach	Conflicted approach	
	Systems of CG - **Conflicting perspectives on fiduciary duties**	Investor driven No need to re-imagine duties	Going beyond fiduciary duty Emerging legal discussions – climate change	Invidious position for directors, long-term directors' duties and fear of liability vs short-term MSV	No need to re-imagine duties
	- **Defining and Framing CG**	Deliberately narrow legalistic definitions of CG	Narrow CG definitions have not kept pace Responsible governance	MSV vs good governance *Contested purpose of the corporation (Non-Executive Director)* *Purpose of the corporation: corporate citizenship vs MSV (Non-Executive Director vs CSR vs Regulator)*	MSV
	- **Self-referencing board ecosystem**	Peer influence and networks Executive remuneration maintains short-termism Extended influence of associations		Executive remuneration maintains short-termism vs super funds push for long-term thinking	
	- **Inadequacy of CG systems**		Overemphasis on compliance Fraught information flows from management to board Problems with intermediaries and advisors		
	Investor Influence	Market forces and self-reinforcing investor systems *Intermediaries and investors* *Investor pressure*	Increasing Influence of Institutional Investors: Collaboration of asset owners Increasing sustainability requirements Investor stewardship for the long-term Lever and driver - ESG as economic risk New forms of investing – Impact *Aligning long-term value of company with long-term interests of shareholders*	Duality and tension *contradictions* - pressure for short-term returns vs long-term *value creation* and ESG *Sceptic: Collaboration and Convergence of ESG*	Disconnect between boards and Investors

				Initiatives with CG and Boards	
	Country Relevance		Country filters vs globalisation and convergence		
	Unpacking Risk	Risk aversion *Post-GFC risk* *Risk aversion stymies innovation (Chairman)*	ESG Risk as strategic opportunity (positive risk) *Climate risk*	Risk and compliance vs strategy, opportunity and innovation	
	Unpacking Regulation	Compliance mindset	Beyond compliance Coercive kickstart		
Co-Related Dimensions	**Corporate Legitimacy**	**Pragmatic and instrumental -business case**	**Moral and pragmatic - good business sense**	**Moral vs pragmatic**	**Cognitive, Pragmatic and instrumental business case**
	Interdependencies and Interconnections	The win-win business case Shareholder primacy *Tradeoffs and tensions (Non-Executive Director)*	Balancing CG and CSR Stakeholders AND shareholders Inherent tensions	Tensions, trade-offs and investor pressures, Shareholders vs stakeholders	
	Time Frames	Short-termism: incentives and executive remuneration *Short-termism – quarterly reporting and the media cycle (Non-Executive Director*)	Aligning long-term interests in board ecosystem *Aligning long-term value of company with long-term interests of shareholders (Non-Executive Director)*	Long-term vs short-term tensions	*Investor short-term Incentives vs long-term discourse (Non-Executive Director*)
	Ways of Thinking	Circular and self-reinforcing Maintenance: compliance, governance, straight risk mindset	Change; integrated thinking, strategic and interconnected thinking, transformational thinking *ESG not separate from strategy* Sustainable business and business sustainability	Conflicted thinking	Disconnected thinking

Table 9.2 Analysis Matrix – Relevant actors' beliefs and practices at the CG/CSR Interface

		Systems of Beliefs and Practices at the CG/CSR Interface			
		SELF-REINFORCING SYSTEMS	**NAVIGATING COMPLEXITY**	**CONTESTED SPACE**	**DISSONANCE AND ESTRANGEMENT**
	CSR Actors				
Drivers	**Board Access and Engagement (RQ!)** - **Language Frames Engagement**	Risk as a lever Aligning with the business case	Risk as lever and opportunity Sustainability is a proxy word Understanding complex agenda	*Integrated thinking vs old ways of thinking (Non-Executive Director and Investor vs CSR)*	CG/CSR disconnect – language and framing (CSR and *Non-Executive Director*)
	- **Agency and Leadership**		Passion and leadership drives change Influential chairman Engaging senior management Individual champions drive change CEO leadership crucial Stewardship - Board as effective guardians		
	- **Other**	Competing for time Risk as a trigger	Dedicated committees Competitiveness as lever Supportive CEO Reporting - mixed blessings		Dedicated committees – tokenism Muddled reporting
Influences	**Board Dynamics**	The club: Peer influence and networks maintain the status quo Don't rock the boat Management vs board Dominance of CEO	Board more open than management		CSR limbo: management vs board
	Systems of CG	Paralysis, entanglement, inertia	Fiduciary responsibility - long-term		Organisational inconsistency Dissonance between structure and action
	Unpacking Risk and (influences) Regulation	Dominant risk paradigm		Risk and compliance vs opportunity and innovation	Government failure
	Institutional Inertia	Institutions maintain the status quo Failure of educational system			
	Investor Influence	Intermediaries and investors ESG as economic risk Shareholder primacy		Contradictions and investor pressure: Long-term performance vs short-term returns Maximizing shareholder value vs ESG	

Co-related Dimensions	**Corporate Legitimacy**	Instrumental pragmatic business case	Moral and pragmatic	Moral vs pragmatic	
	Interdependencies and Interconnections	Elusive concept of materiality	Balancing economic, environmental, social	Shareholder vs stakeholder	
	CG Actors				
Drivers	**Language Frames Engagement**	Risk as a lever	Long-termism frames alignment		Muddled reporting
	Agency and Leadership		Stewardship: Paul Polman		
Influences	**Systems of CSR**	Push back on CSR CSR as indulgence CSR self-reinforcing systems: CG/CSR disconnect	Convergence and collaboration - CSR/ESG Initiatives with CG		CSR outside line management CG/CSR disconnect
	Institutional Inertia	Institutions maintain the status quo			
	Board Dynamics			Internalised tensions: board vs executive	
	Systems of CG	CG processes and systems maintain status quo Paralysis, entanglement, inertia Purpose of the corporation: MSV Legal advisors and intermediaries maintain the status quo *Deliberately narrow legal definitions of CG (Regulator)*	MSV and ESG Reviewing the purpose of the corporation	Contested purpose of the corporation *Purpose of the corporation: MSV (Regulator)* Boards are overwhelmed	
	Unpacking Risk and Regulation	Framing ESG as risk to share price			
Co-related dimensions	**Corporate Legitimacy**	Instrumental pragmatic business case	Moral and pragmatic		
	Time Frames	Short-term incentives – analysts and fund managers	Alignment between CG and CSR - Long-term thinking		
	Investor Influence	Investor pressure	Enlightenment: satisfactory returns for shareholders *Collaboration and Convergence of ESG Initiatives with CG and Boards (Regulator)*	Contradictions, duality and investor pressure: Long-term performance vs short-term returns	Investor short-term Incentives vs long-term discourse
	Investor Community				
Dri ver	**Language Frames Engagement**	ESG vs SRI: Economic risk vs social responsibility	ESG not separate from strategy	ESG terminology issue	Muddled reporting

	Agency and Leadership		Companies ahead of investors on reporting Investor stewardship - aligning long-term interests Importance of investor-company engagement (Investors) *Collaboration of asset owners to drive long-termism*		
Influences	**Board Dynamics**	The club: Peer influence and networks maintain the status quo Dominance of CEO			Disconnect: non-executive directors and management
	Investor Influence	Industry led ESG standards *Framing ESG as risk to share price, investor risk (Investor)*	Importance of investor- company engagement Different drivers in the investor value chain Aligning long-term value of company with long-term interests of shareholders Shareholder and stakeholder *Increasing Influence of Institutional Investors*	*Investor profile – long-term vs short-term interests (Investor)* *Different drivers in the investor value chain (Investor)*	Disconnect: investors and board
	Unpacking Risk and Regulation	ESG as economic risk			
Co-related Dimensions	**Corporate Legitimacy**	Instrumental pragmatic business case			
	Interdependencies and Interconnections		Elusive concept of materiality		
	Time Frames	Short-term incentives – analysts and fund managers	Long-term	Long-term vs short-term	
	Ways of Thinking		ESG not separate from strategy		

9.3 Conceptual Analysis – Narrative Summaries

Based on the analysis matrices, the following profiles characterise the four concepts to emerge from the data and are followed by the two key drivers, 'agency and leadership' and 'language frames engagement'. In the early stages of data collection, it appeared that self-reinforcing systems were to be the core phenomenon (Charmaz, 2014), as represented in the rich diagramming where each of the CSR, CG, board and investor domains exhibited self-reinforcing systems. However, as data collection and coding proceeded, greater complexity surfaced (Figure 8.2). The analysis matrices capture the dimensions of the concepts. These have been organised into drivers, influences and co-related dimensions with which to structure the concepts. The co-related dimensions, i.e. those dimensions that regularly appear together and assist in structuring and distinguishing between the concepts, *are highlighted in italics,* headed by the theoretical coding of corporate legitimacy (Chapter 6, section 6.5.2)—for board level beliefs and practices.

9.3.1 Self-reinforcing systems: the 'ouroboros equation'

The systems of logic multiplicity at the interface of CG and CSR are dominated by self-reinforcing and self-referring beliefs and practices. Taken metaphorically, this dynamic can be understood by the 'ouroboros' —the ancient symbol of the snake eating its own tail. The contemporary meaning represents self-reference and circularity. In mathematics, it may be referred to as the 'ouroboros equation', the ultimate self-referential equation (Soto-Andrade, Jaramillo, Gutiérrez, & Letelier, 2011). Originating in Ancient Egypt, the symbol entered Renaissance magic and modern symbolism via medieval alchemical tradition. Today, it is taken to symbolise introspection, the eternal return or cyclicality, especially in the sense of something constantly re-creating itself.

9.3.1.1 Board level beliefs and practices

At the board level, self-reinforcing systems are characterised by a low level of engagement in CSR. Of significance is a perceived narrow framing of the CSR agenda and a lack of 'speaking the same language' as business. There is a lack of traction with CSR initiatives and a significant and sometimes hostile 'push-back' by some board members who see CSR actors as a 'club' that does not understand business issues. Where CSR issues do gain board attention this is due to perceived risks to the company or through the signing off of CSR/sustainability reports, both of which help to frame CSR as a risk and compliance issue. All this serves to maintain an economic focus over broader social or environmental considerations. A lack of leadership and inertia from relevant institutions such as professional associations, industry bodies and ultimately peer networks also serve to maintain the status quo. In terms of board dynamics, processes of self-referencing peer networks ensure board composition remains a relatively closed 'club'. Board dynamics are more passive, with non-executive directors less likely to ask difficult questions. Boards may potentially be dominated by a stronger CEO and weaker chair. The board culture is likely to be focussed on risk with an increasing emphasis on risk mitigation due to emergent challenges such as climate or supply chain risk. In a post-GFC world, risk aversion stymies innovation. Narrow, legalistic interpretations of directors' fiduciary duties maintain a focus on maximising shareholder returns and executive remuneration continues to drive short-term incentives.

Corporate legitimacy lies in the pragmatic and instrumental business case. This encompasses co-related dimensions of interdependencies and interconnections, time-frames and ways of thinking. Here, the CG/CSR interface is understood in terms of win-win opportunities or tensions and trade-offs, in favour of shareholder primacy. Short-term time frames dominate, reinforced by reporting cycles (especially quarterly reporting where relevant), media cycles and the drive for short-term returns.

Such circular and self-reinforcing systems maintain a 'compliance, governance, straight risk mindset'. Market forces, investors and their intermediaries are a strong influence on such beliefs and practices.

9.3.1.2 CSR actors' beliefs and practices

CSR actors' beliefs and practices include both the CSR actors' experience of board level engagement, and their own beliefs and practices within the self-reinforcing board ecosystem. CSR actors from corporate, civil society and professional services sectors alike experienced frustration at a lack of board access and engagement, competing for time on the board agenda and being seen as relevant. Risk-based issues that connect with CSR are seen as a lever or opportunity with which to access the board. However, this frames CSR as a reactive, risk and compliance issue, aligning with the business case and contributing to a self-reinforcing system. In terms of board dynamics, CSR actors recognise that peer influence and networks maintain the status quo. They are disappointed by the failure of professional bodies and educational institutions to move beyond the status quo and engage with the CSR agenda. The relationship between management and board may also serve to maintain a self-reinforcing system depending, for example, on information flows and the dominance of the CEO. A state of 'CSR limbo' may exist between board and management. Systems of CG are seen to drive levels of paralysis, entanglement and inertia. All this leads to CSR actors working within a self-reinforcing ecosystem where corporate legitimacy is framed in terms of a pragmatic business case and is strongly influenced by investors and their intermediaries, ESG framed as economic risk, shareholder primacy and a dominant risk paradigm.

9.3.1.3 CG actors' beliefs and practices

CG actors from professional associations and statutory regulators see the lack of access and engagement with CSR by the board from a different perspective. These CG actors see CSR initiatives as having failed to understand and address the CG systems that underpin board member's perceived responsibilities. This has resulted in a lack of traction and a CSR disconnect. CG beliefs and practices have in general maintained the status quo whereby the purpose of the corporation is understood in terms of an instrumental pragmatic business case, framing ESG as a risk to share price and supported by short-term executive incentives. Legal advisors and intermediaries maintain the status quo, with deliberately narrow legal definitions of CG and a fear of director liabilities.

9.3.1.4 Investor beliefs and practices

Unlike the earlier socially responsible investor movement (SRI), the growing ESG movement ascribes to a more instrumental, economic, risk-based approach by the investor community at the CG/CSR interface. Here, ESG risk is perceived in terms of shareholder risk. However, also from the investor community and the ESG advisory perspective, boards are believed to be self-reinforcing circular systems of club recruitment, board composition, competencies and short-term incentives. These maintain the status quo at the CG/CSR interface.

9.3.2 Navigating complexity

Across the research sample, disruption to self-reinforcing systems is taking place, reflecting efforts to align with an increasing complex operating environment of financial, social and environmental issues at the CG/CSR interface.

9.3.2.1 Board level beliefs and practices

Although access and engagement of boards continues to be dominated by a risk and compliance view of CSR, CSR-related risk may become a trigger and lever for strategic opportunity and board engagement. Consequently, a significant number of board members recognise the growing importance of engaging in CSR at the board level, particularly when framed in terms of long-term value creation. Agency and leadership at the board level are considered crucial in driving this agenda forward and may be described as a form of stewardship for business sustainability. Dedicated board committees may provide a greater opportunity for engagement with CSR issues and connecting with internal actors. Some professional associations are also beginning to recognise the opportunities for leadership. Board composition is more diverse and open to positive competencies and mindsets. Board dynamics are characterised by engaged members, a strong and CSR supportive chair and a strategic approach to emergent challenges. Systems of CG go beyond the narrow interpretations of fiduciary duty and CG and recognise an overemphasis on compliance and the role of intermediaries and advisors, as well as the challenges of information flows from management to board.

Corporate legitimacy is considered in both moral and pragmatic terms, encompassing co-related dimensions of interdependencies and interconnections, time-frames and ways of thinking. These are understood in terms of considering the interests of both shareholders and stakeholders and the inherent tensions therein, aligning long-term interests in the board ecosystem, for example, between the corporation, investors and other stakeholders, and new ways of thinking, for example, integrated thinking, strategic and interconnected thinking and potentially transformational thinking: sustainable business and business sustainability.

Institutional investors are a major influence on board decision-making, with a growing trend towards aligning the long-term value of the company with long-term interests of shareholders. Globalisation and collaboration of the ESG investor community amplify this trend.

9.3.2.2 CSR actors' beliefs and practices

There is a growing awareness from CSR actors that framing the CSR agenda as risk-related can in fact become a lever for genuine board engagement and change. The challenge is to frame a complex agenda and this is assisted by recognising that sustainability/CSR terminology needs to be translated into equivalent business language and communicated as material issues—sensemaking and sensegiving. The reporting agenda remains mixed in terms of its effectiveness at board engagement beyond a compliance response, although its external leverage with stakeholders is increasingly understood. Also recognised by all CSR actors—leadership is essential. This is framed in terms of passion, champions and influence at both senior management and board level. Dedicated board committees assist in gaining greater engagement in the CSR agenda. Board dynamics are seen as more open and proactive towards CSR issues. Corporate legitimacy is understood as both moral and pragmatic, with co-related dimensions of balancing economic, environmental and social elements together with new, longer-term ways of thinking.

9.3.2.3 CG actors' beliefs and practices

CG actors, particularly those involved in policy and advocacy, are participating in a growing conversation on the purpose of the corporation where shareholder primacy is increasingly being challenged. Corporate legitimacy is framed as both moral and pragmatic, giving rise to co-related dimensions on aligning long-term thinking at the CG/CSR interface between investor returns and corporate responsibilities, where MSV and ESG can find common ground as long-term satisfactory returns for shareholders. There is an increasing convergence and collaboration by CG actors with ESG initiatives in support of investor-company engagement.

9.3.2.4 Investor beliefs and practices

An increasingly active institutional investor community is seeking to engage with the boards of corporations in which they invest, aligning the long-term interests of their shareholders with long-term value of the company. These investors would prefer that

ESG not be a separate discussion, but rather be part of a strategic discussion with the board. Leadership, framed as 'investor stewardship' is required to drive this engagement. Thus, a powerful collaboration of institutional investors is underway at the interface of CG/CSR, driving a longer-term conversation with boards regarding CG and environmental and social risks.

9.3.3 Contested space

Despite the CSR gains made across the board ecosystem, significant contested space exists at the interface of CG and CSR.

9.3.3.1 Board level beliefs and practices

The beliefs and practices expressed by a number of board members point to unresolved tensions at the CG/CSR interface. Board engagement is hindered by CSR scepticism due to a disconnect between the language and framing of CSR issues and CG responsibilities, and from a lack of leadership at senior levels. CSR reporting again has mixed blessings—gaining board attention, but as reporting and disclosure related, not strategic. CSR issues continue to compete for time on the board agenda. Board dynamics may be conflictual where the CEO and chairman share different views on the role and importance of CSR (Davis et al., 1997) or where board composition reflects a lack of diversity despite recognising the value of a broader skill base. Emergent CSR challenges may cause conflictual responses between being open to new challenges versus a risk mitigation approach. In terms of CG systems, there may be a contested purpose of the corporation: corporate citizenship versus maximising shareholder value across different levels of the organisation.

Corporate legitimacy is contested between moral and pragmatic orientations, as demonstrated in the co-related dimensions of interdependencies and interconnections, time-frames and ways of thinking. These are understood in terms of tensions, trade-offs and investor pressures; shareholders versus stakeholders; short-term versus long-term thinking; and risk and compliance versus strategy, opportunity and innovation.

Board members may find themselves in an invidious position where a belief in the business benefits of broader stakeholder responsibilities and long-term value creation conflicts with a fear of liability and short-term profit maximisation. Significant conflict exists due to a dualism in the investor community itself, whereby contradictory messages from investors with an interest in short-term returns and MSV versus the increasing interest in long-term ESG value creation by large asset owners. This may drive conflictual dynamics at board level where the executive is targeted by short-term, profit-driven fund managers whilst large asset owners such as superannuation funds interested in longer-term investment seek greater board engagement. Woven in to this contested space are executive remuneration packages with short-term incentives. The investor-led ESG collaborative initiatives (such as the PRI) are regarded with scepticism by some board members.

9.3.3.2 CSR actors' beliefs and practices

Most CSR actors grapple with divergent agendas, whether CSR managers within their organisations or CSR civil society and professional services across their fields of practice. Significant struggles exist for CSR managers as they seek to address existing beliefs and practices, and drive a deeper and more integrated understanding of CSR within their organisations, for example, by embracing integrated reporting and the integrated thinking and interpretation of materiality. Despite many of the CSR actors making gains either in their organisation or the field, for instance, in sustainability reporting, a persistent belief in shareholder primacy pits these gains against a dominant market logic. Tensions and trade-offs between shareholders and the broader stakeholder group, long-term performance versus short-term returns, and risk and compliance versus sustainability-related opportunity and innovation characterise this contested space.

9.3.3.3 CG actors' beliefs and practices

CG actors at the CG/CSR interface reflect a field in flux. Traditional CG professional associations recognise the pressure their members who hold board positions are under. Concerns are focussed on director duties and liabilities where they take a conservative, legalistic, risk averse approach. This conflicts with increasing requirements on boards to consider broader stakeholder responsibilities and leads to a contested purpose of the corporation. There is push back on CSR reporting requirements on boards both in terms of regulatory burdens (e.g. climate risk related) and criticism of tick-box approaches. The CG bodies recognise that boards are being pushed and pulled in different directions at the

CG/CSR interface—not just by CSR proponents, but by investors, which is largely due to market pressures. More recently, there are growing contradictory pressures from investors of MSV versus long-term ESG value creation. Board members deal with investors on governance or ESG issues whilst the CEO and the CFO deal with analysts on business performance, which has a short-term focus. Investor analysts and fund managers are also remunerated with short-term incentives. All this may lead to internal tensions between boards and executives where conflicting beliefs on CSR and CG remain unresolved.

9.3.3.4 Investor beliefs and practices

As discussed above, a significant divergence exists between investors with long-term versus short-term interests. Different actors in the investor value chain cause these *conflictual* positions, for example, disruptive hedge funds and diversified investors seeking short-term returns versus large asset owners seeking long-term value creation. The investor community continues to be dominated by a market-based instrumental legitimacy. This is contrasted with long-term strategic thinking and board engagement. Materiality in terms of interdependencies and interconnections (such as shareholder versus stakeholder) remain instrumental with ESG interpreted through the lens of shareholder risk. However, a more socially orientated impact investment movement is on the rise.

9.3.4 Dissonance and estrangement

Dissonance and estrangement refers to organisational inconsistency at the CG/CSR interface, where CSR issues may be acknowledged but not resourced or acted upon or where CSR reporting is undertaken but not understood beyond being a compliance issue at the board level.

9.3.4.1 Board level beliefs and practices

In moving from a 'contested space' to 'dissonance and estrangement', the emphasis in board beliefs and practices shifts from conflict to dissonance whereby CSR is seen as peripheral to CG. This represents a CSR disconnect and points to organisational inconsistencies at the CG/CSR interface, where CSR issues may be acknowledged but not resourced or acted upon, or where CSR reporting is undertaken but not understood beyond being a compliance issue at the board level. However, very few board members in the research sample spoke in these terms, recognising the centrality of a range of CSR issues. This makes sense as the board members invited to be interviewed were in some way connected to the CSR/ESG initiatives and reporting and consented to be part of the research due to a degree of interest in the research. Where beliefs and practise at the CG/CSR interface are estranged:

Corporate legitimacy is likely to be viewed in cognitive, or taken for granted, instrumental terms, with interdependencies and interconnections, time-frames and ways of thinking understood in terms of short-termism, disconnected thinking and lack of acknowledgement of interdependencies and interconnections.

9.3.4.2 CSR actors' beliefs and practices

CSR actors were the most likely of all the research sample to experience dissonance and estrangement, where a dissonance between CSR structures and action was identified. For example, CSR dedicated committees were seen as having no correlation with CSR performance by CSR civil society but were rather a 'PR exercise'. Although board members might express their interest in understanding the CSR agenda further, shareholder primacy ultimately 'trumps' any broader stakeholder considerations. For CSR managers, the challenge of bringing CSR in from more peripheral considerations at the board level is due to a combination of factors including closed peer networks and a failure of institutions such as educational and professional bodies to provide an understanding on what is seen as a complex agenda. Consequently, organisational inconsistency in CSR exists. The relationship between management and the board at the CG/CSR interface was characterised as often being in a state of 'CSR limbo' where executives need greater board buy-in and boards need greater understanding to provide the necessary support. The understanding of CSR-related reporting and disclosure frameworks such as the GRI and IIRC are somewhat muddled at the board level and point to organisational inconsistencies and an estrangement from the CSR agenda: "How can you produce an integrated report that talks about what you are doing in terms of value transformation if you've got no system within the business to actually measure or even understand what those value transformations are?" (CSR Professional Services). The importance of adapting language usage to engage the board was a significant theme for all CSR actors.

9.3.4.3 CG actors' beliefs and practices

CG professional associations point to a disconnect at the CG/CSR interface driven by a lack of engagement in CG issues on the part of CSR actors and their initiatives. This has led, in turn, to a dissonance between the two agendas and the perception that CSR practitioners are dogmatic and ignorant on relevant matters of CG. Legal advisors and intermediaries help to perpetuate an estrangement between CG and CSR—conflating shareholder activism with CSR/ESG and taking a protective stance as opposed to engaging in the issues. The fear of legal risk serves to maintain the 'paralysis, entanglement, inertia'.

9.3.4.4 Investor beliefs and practices

Estrangement of investor beliefs and practices is characterised by disconnects between investors and boards, and internal disconnects between the board and management. Institutional investors believe that board engagement is a critical issue for the ESG agenda and in need of greater attention. This includes sending the right signal to the company by selecting investment managers that can "see past their own worlds to see how it all connects up" (Investor Industry Body). There is some evidence in the data that although non-executive or independent directors are interested in CSR issues, they do not always hear what investors are thinking or know what is happening in the company. Sustainability and reporting initiatives that the company may have signed on to are generally poorly understood at the director level. In summary, the transition for investors across the four systems of beliefs and practices is as follows:

- Self-reinforcing – ESG as economic or shareholder risk, subsuming the CSR agenda.
- Navigating complexity – aligning with long-term thinking and the board (noting primacy of ESG as economic risk).
- Contested space – dual messaging from investors—short versus long-term
- Estrangement – ESG as risk, CSR disconnect.

9.3.5 Drivers at the CG/CSR interface

The two most strongly coded categories across the research stages related to 'agency and leadership', and 'language framing engagement'. These emerged early in Stage One and continued throughout the study, to play a major role as drivers of the CSR agenda at the CG/CSR interface. These are included as cross-cutting issues, across the four conceptual systems of beliefs and practices detailed in Table 9.1, and help in meeting the research aims of exploring how and by what or whom are board members' beliefs and practices of CSR influenced, and tracing the passion, frustration, struggle and contestation at the CG/CSR interface.

9.3.5.1 Agency and leadership

CSR actors describe the role of agents and leaders in terms of champions with a personal passion. They may exist within senior management or at the board level. It is this passion and leadership they rely on and regard as crucial to drive CSR-related change in their organisations. Boards themselves act as important guardians, given their role in CEO recruitment and CEO turnover. For CG actors, agency and leadership appear to be less relevant. For the investor community, leadership and agency are framed in terms of investor stewardship, where investors engage with boards and seek to align interests over the long-term sustainability of the organisation in which they have invested interests. As a form of leadership, increasing investor collaboration (for example, through the PRI) is also driving change and influencing policy. At the board level, notions of stewardship are invoked, where boards are the stewards of sustainable business and the chairman is the custodian of culture and change. Boards that actively engage in CSR-related issues require leadership from the chairman, and 'tone from the top'. Conversely, self-reinforcing board ecosystems with their systems of peer influence and networks can stymie change as can a lack of government leadership.

9.3.5.2 Language frames engagement

The analytic category of 'language frames engagement' demonstrated significant theoretical reach during coding to become a core driver in accessing the board, and in the maintenance and change in beliefs and practices at the CG/CSR interface. There was an emphasis on frustration felt by both board members and CSR actors in relation to the framing of the CSR agenda. For the CSR actors, there was frustration in trying to move board engagement with the CSR agenda beyond reporting and disclosure or risk-related events, where CSR is perpetually framed as a compliance issue. There was a growing awareness on the part of the CSR civil society actors that CSR needs to be framed in terms of relevant 'material' business issues if boards are to become engaged. Conversely, there was a real resentment on the part of many board members around what was experienced as narrow CSR terminology that did not seem to acknowledge the complex business context in which they operate or an understanding of fiduciary risks and responsibilities. This has led to a disconnect at the CG/CSR interface, and scepticism of CSR initiatives by board members. A similar disconnect exists between CG actors and the CSR agenda. A narrowing of CG definitions and guidelines by regulatory and investor perspectives frame the CSR agenda as economic-ESG risk to investors and estranges the moral elements of business practice. For institutional investors, CSR is framed as 'ESG as economic risk', which serves to perpetuate shareholder primacy but opens the possibility of a shared view on long-term sustainable business agenda with CSR actors and boards.

9.4 The CG/CSR Interface and the Interinstitutional System

In this section, I apply the theoretical lens of institutional logics and the interinstitutional systems to the four conceptual systems of beliefs and practices at the CG/CSR interface. I first review institutional logics as set out in Chapter 6 and its ontological symmetry with constructivist grounded theory, identifying relevant logics from the findings.

Institutional logics are "socially constructed sets of material practices, assumptions, values, and beliefs that shape cognition and behaviour" (Thornton & Ocasio, 1999: 804). As such, they share the same ontological roots as constructivist grounded theory—in social constructivism. Institutional logics provide the theoretical framing for the next step of analysis and synthesis. As previously discussed (Chapter 6), institutional logics extend the institutional focus from stabilisation and homogeneity of organisational form to change, complexity, heterogeneity and the role of agency (Lounsbury & Hirsch, 2015; Thornton et al., 2012; Thornton & Ocasio, 2008). As institutionalisation takes place, a set of shared meanings or a central logic is established at the core of the institution, acting as a set of beliefs and practices (Thornton & Ocasio, 1999; 2008). Where competing logics or logic plurality exist, the momentum for institutional change is created.

Therefore, institutional logics provide a synergistic framework for the four conceptual systems of beliefs and practices at the CG/CSR interface, and their structural components derived from the grounded theory methods:

- From constructivist grounded theory – an interpretive multi-level exploration through the sensemaking of individuals at the CG/CSR interface, "linking micro-level phenomenon to institutional concepts" (Reay & Jones, 2016: 451).
- From institutional logics – "a meta-theoretical framework for analysing the interrelationships among institutions, individuals, and organisations" in wider social or belief systems (Thornton et al., 2012: 2).

As introduced in Chapter 6, section 6.2, developments in institutional logics have given rise to an interinstitutional system of cornerstone or societal level logics. Thornton et al. (2012) de-coupled logics from 'institutional orders' to allow for a co-existence and interplay of different logics within organisations—at an 'interinstitutional' level. This allowed for the exploration of the beliefs and practices of those actors that sit at the CG/CSR interface—members of corporate boards and the interinstitutional logics that may influence them. This provided a framework to further sensitise the grounded findings: "Grounded theory refines, extends, challenges or supersedes extant concepts" (Charmaz, 2014: 310).

As described in Chapter 6, section 6.2.1, the interinstitutional system identifies seven cornerstone logics or ideal types, each with elemental categories (Thornton et al., 2012). Ideal types of interinstitutional systems have a central logic "that guides its organising principles and provides social actors with vocabularies of motive and a sense of identity" (Thornton & Ocasio, 2008: 101). Three of these logics are identified in the research data: market, profession and corporation, as well as a fourth emergent logic identified more recently by theorists: a stakeholder logic. These are set out in Table 9.3. Interestingly, the state and community logics were largely absent from the data, except for the occasional reference to the failure of government as regards to energy and climate responses.

Table 9.3 Interinstitutional System of Ideal Types at the CG/CSR Interface (adapted from Thornton et al., 2012)

	Institutional Orders			
Categorical Elements	**Market**	**Profession**	**Corporation**	**Stakeholder**
Sources of legitimacy	Share price	Personal expertise	Market position of firm.	Multi-stakeholder dialogue
Basis of norms	Self-interest	Membership in guild and association	Employment/ board membership	Interdependencies and interconnections
Basis of Strategy	Increase efficiency, profit	Increase personal reputation	Increase size and diversification of firm	Increase long-term, sustainable value creation
Related terms	Shareholder value logic, economic logic, agency logic		Business logic, commercial logic	Social logic, social welfare logic
Literature	Bondy et al. (2012); Ioannou and Serafeim (2015); Joseph et al. (2014); Hirsch and Lounsbury (2015); Smith and Rönnegard (2016):	Di Maggio and Powell (1983); Matten and Moon (2008); Thornton et al. (2012)	Fligstein (1993); Kang and Moon (2012); Pache and Santos (2013b); Thornton (2004); Thornton et al. (2012)	Ioannou and Serafeim (2015); Pache and Santos (2013b), Thornton et al. (2012)

Market logic refers to beliefs and practices associated with shareholder primacy, a drive for short-term returns and MSV. They are associated with a prevalent neoliberalism ideology: “to the extent market logics associated with neoliberalism have become so profoundly dominant in recent history … many of us may indeed feel imprisoned by a hegemonic system of domination. (Hirsch & Lounsbury, 2015: 97). For *corporation logic*, the source of authority is the board of directors and top management. The corporation is both an institution and a governance system (Thornton et al., 2012). In addition to the corporation being advantaged as a legal institution, the corporation is also an enabler of social and economic transformation (Fligstein, 1993). The board’s duty is to act in the best interests of the ‘company’ (Blair, 2012), using their powers for a proper purpose, avoiding conflicts of interest and acting with care, skill and diligence (Corporations Act, 2001), and taking into account shareholders and other significant audiences as it sees fit. In Australia, these duties are supported by ASX Corporate

Governance Principles and Recommendations (2014) including a principle based on ESG risk. There is, however, a widely held and erroneous belief by board members and the lawyers who advise them that directors have a fiduciary duty to put shareholders' interests first (Stout, 2012) (see Chapter 5, section 5.4.1.1). As newer understandings of CG gain traction by emphasising both "financial and non-financial performance of firms" (Jain & Jamali, 2016: 267), Thornton et al.'s (2012) categorical elements will require further revision. The logic of *profession* is closely associated with a corporate logic at the board level, with all board members in the research sample belonging to a small number of influential director and business leadership associations, as well as other sectoral professional bodies. These are considered important normative influences in the institutional field (Matten & Moon, 2008). Finally, I introduce an emergent *stakeholder logic* to the interinstitutional system to represent the social and environmental elements of responsible business practices as emergent in my findings and in the literature. Ioannou and Serafeim (2015) identified the emergence of a new "stakeholder logic" that appeared to be weakening the dominant market logic in financial markets: "under a stakeholder logic, CSR is conceptualized as a set of corporate policies essential to corporate standing that does not penalise a firm's financial performance and may even generate financial value in the long run" (Ioannou & Serafeim, 2015: 1071). My additions to Thornton et al.'s (2012) interinstitutional system of ideal types are set out in Table 9.3.

9.5 Conceptual Framework - Logic Multiplicity at the CG/CSR Interface

The next section further develops the conceptual framework introduced in Chapter 6 to map logic multiplicity at the CG/CSR interface—across dominant, aligned, contested and estranged quadrants.

9.5.1 Revisiting logic plurality, multiplicity and complexity

As outlined in Chapter 6, section 6.6, developments in institutional logics encompassing logic multiplicity, evolution and change provide a helpful framework with which to examine the complex interplay of beliefs and practices across the emergent CG/CSR institutional infrastructure. Organisations and individuals are seen to inhabit pluralistic institutional environments (Meyer & Rowan, 1977; Pache & Santos, 2010) where they are “subject to multiple regulatory regimes, embedded within multiple normative orders, and/or constituted by more than one cultural logic” (Kraatz & Block, 2008: 2). It therefore follows that organisations become participants in multiple discourses and members of more than one institutionally derived identity (Kraatz & Block, 2008). Institutional complexity may confront organisations with “incompatible prescriptions from multiple institutional logics” (Greenwood et al., 2011: 317) leading to organisational paralysis and breakup (Pache & Santos, 2010) or, alternatively, opportunity for institutional agency, innovation and strategic choice (Mair et al., 2015). Ultimately “institutional logics shape organisational action through their roles in conferring legitimacy and controlling critical resources” (Bertels & Lawrence, 2016: 4). As such, an institutional logics perspective provides a powerful critical lens on the issues central to the CG/CSR interface, such as the purpose of the corporation and the role of business in society (Hirsch & Lounsbury, 2015), where “market logics associated with neoliberalism have become so profoundly dominant in recent history” (Hirsch & Lounsbury, 2015: 98). The beliefs and practices associated with institutional logics “foreground issues of contestation and struggle” (Hirsch & Lounsbury, 2015: 97) where “actors not only compete for control over institutional structures and processes, but are also constrained by existing arrangements” (Bondy et al., 2012: 284).

9.5.2 Reviewing the conceptual framework

Besharov and Smith’s (2014) types of logic multiplicity within organisations were introduced in Chapter 6, section 6.6.4. The model is adapted and extended into a conceptual framework with which to map the complex interplay of the beliefs and practices of multiple institutional logics across the emergent CG/CSR institutional infrastructure. Four types of logic multiplicity within organisations are identified (contested, aligned, estranged and dominant), depending on their position in relation to two critical dimensions:

- compatibility – the degree of consistency (from contradictory to interrelated) multiple logics provide to the goals of organisational actions, where goals reflect values and beliefs
- centrality – the degree to which one or more logic is equally relevant, validated and core to the functioning of the organisation.

Both dimensions are multi-level continuums, operating across individual, organisational and field levels (Besharov & Smith, 2014), from the fragmentation of multiple logics in the contested and estranged quadrants, through to the dominance of a single logic, and finally to the cooperative alignment of multiple logics (see Figure 9.1). Dotted lines between the framework's quadrants indicate a dynamism whereby organisations or individuals may move or "oscillate" (Jay et al., 2017: 364) between the four ideal types, given the dimensions of centrality and compatibility are continuous. The framework is thus explained:

- The left-hand side of the quadrant represents organisational conflict due to contradictory or incompatible logics. Where the contradictory logics are understood to be material to organisational functioning, extensive conflict may be present—represented by the 'contested' domain.
- Where contradictory logics are not seen as central or material to organisational functioning, one logic will exert greatest influence while the other logics will remain 'estranged'.
- Conversely, on the right-hand side of the quadrant, multiple logics provide more compatible prescriptions for action. Where these logics are seen as core to organisational functioning, 'alignment' may occur.
- Where only one logic is seen as core to organisational functioning, a 'dominant' logic prevails and others may become subsumed.

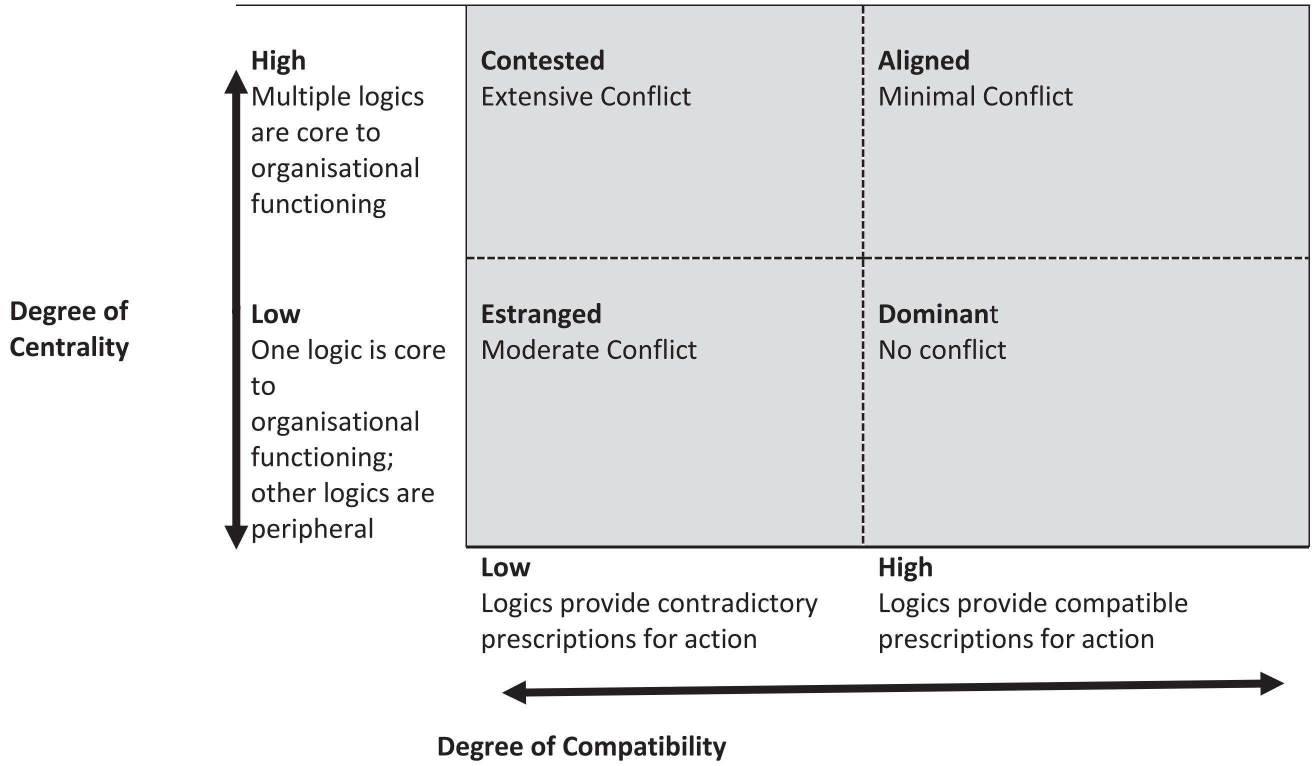

Figure 9.1 Types of Logic Multiplicity Within Organisations (adapted from Besharov & Smith, 2014)

9.5.3 Putting it all together

- The four conceptual systems of beliefs and practices at the CG/CSR interface are mapped to the framework (Table 9.4, Figure 9.2) based on the interplay of market, corporate, profession and stakeholder logics *located* in the dimensions of the four concepts (Tables 9.1 and 9.2). Therefore, 'self-reinforcing systems' are dominated by a market logic; 'navigating complexity' aligns market, corporation, profession and stakeholder logics; and 'contested space' represents a conflict between market, corporation, profession and stakeholder logics. Finally, 'dissonance and estrangement' points to a core market logic, co-opted corporation and professional logics and estranged stakeholder logics.
- As discussed (section 9.2), those dimensions that are *co*-related or that regularly appear together, assist in differentiating and structuring the concepts. The co-related dimensions that make up the core structural components of the four conceptual systems of beliefs and practices are identified in the narrative

summaries (section 9.3) led by the theoretical coding of corporate legitimacy (Chapter 6, section 6.5.2) as corporate legitimacy, interdependencies and interconnections, time-frames and ways of thinking. These dimensions, as structural components of the four concepts, can function as 'categorical elements' (Thornton et al., 2012) for the types of institutional multiplicity at the CG/CSR interface, to assist a deeper analysis of the logics at play. These are mapped to the conceptual framework together with exemplar quotations that capture the logics within the raw data (Reay & Jones, 2016). This, in part, answers a call from the founding theorists of institutional logics (Lounsbury et al., 2017; Thornton et al., 2012) to construct new elemental categories that comprise, in this case, types of multiple logics.

- Noting Charmaz (2014: 311): "in a grounded theory study, you can put your sensitising concepts and theoretical codes to work in the theoretical framework. Sensitising concepts account for your starting point. Theoretical codes can help you conceptualise the arrangement of key ideas". The theoretical code, 'corporate legitimacy' introduced early in the coding process has continued to provide an analytic edge to the analysis, together with its co-related dimensions.
- As discussed in Chapter 2, section 2.2, the ongoing ambiguity around *CSR terminology* reflects tensions in conceptual interpretation and an underlying contest of logics in theory, beliefs and practices (Baden & Harwood, 2013). Addressing these terminology issues, CSR approaches are mapped to the logic typologies and correlate with the characteristics of instrumental and political CSR approaches identified by Scherer and Palazzo (2011)
- Lastly, influencing factors at the CG/CSR interface are identified and presented in Table 9.5 below, in a model adapted from Besharov and Smith (2014: 367), incorporating findings from the analysis matrix (Tables 9.1 and 9.2). The table provides a multi-level picture of field, organisational and individual influences grounded in the sensemaking of board members and relevant actors at the CG/CSR interface, as they meet multiple institutional demands. This is followed by a brief discussion and graph (Figure 9.3) on the influence of interlocking directorates (LeBlanc & Schwartz, 2007).

Table 9.4 Mapping Conceptual Systems and Types of Logic Multiplicity at the CG/CSR Interface

	Types of Logic Multiplicity at the CG/CSR Interface			
	Dominant	**Alignment**	**Contested**	**Estranged**
Conceptual Systems of Beliefs and Practices	Self-Reinforcing Systems	Navigating Complexity	Contested Space	Dissonance and Estrangement
Logics	Core: Market Subsidiary: Profession Subsumed: Corporation, Stakeholder	Corporation and Market and Stakeholder	Corporation vs Market vs Stakeholder	Core: Market Peripheral: Corporation and Stakeholder
Categorical Elements				
- **Corporate legitimacy**	Pragmatic/Instrumental	Moral and pragmatic	Moral vs pragmatic	Cognitive/ Pragmatic/ instrumental
- **Interdepend-encies and interconnections**	Shareholder primacy	Stakeholder and shareholder	Stakeholder vs shareholder	Shareholder primacy
- **Time-frames**	Short-term incentives	Aligning long-term interests in board ecosystem	Short vs long-term tensions	Short-term incentives
- **Ways of thinking**	Maintenance: Risk aversion and compliance mindset	Change: Strategic ESG, integrative, transform-ative	Conflicted: Risk vs innovation	Maintenance: Risk aversion, CSR dissonance
CSR Approaches	Instrumental CSR Approach	Political CSR Incorporating normative and instrumental CSR elements	Unresolved tensions between instrumental and normative CSR	Dissonant instrumental CSR Approach
Exemplar Quotations	This ecosystem is so self-reinforcing … there's an in-built and inherent conservatism built into decision making, and I	So, whilst directors are there representing the shareholders' interests, they can only represent their interests by having	So, there's always that sort of conflict - tensions. And that comes back to short-termism again – getting a profit and that being the key driver	The dissonance that we found – with these systems in place and their sustainability performance … there was no correlation. We couldn't see a

	actually think its holding Australia back (Chairman)	regard to all the various stakeholder groups or else you don't have customers, you don't have employees, you don't have a license to operate. You've got to manage that. (Non-Executive Director)	(Company Secretary/General Legal Counsel)	pattern of any kind (CSR Civil Society)

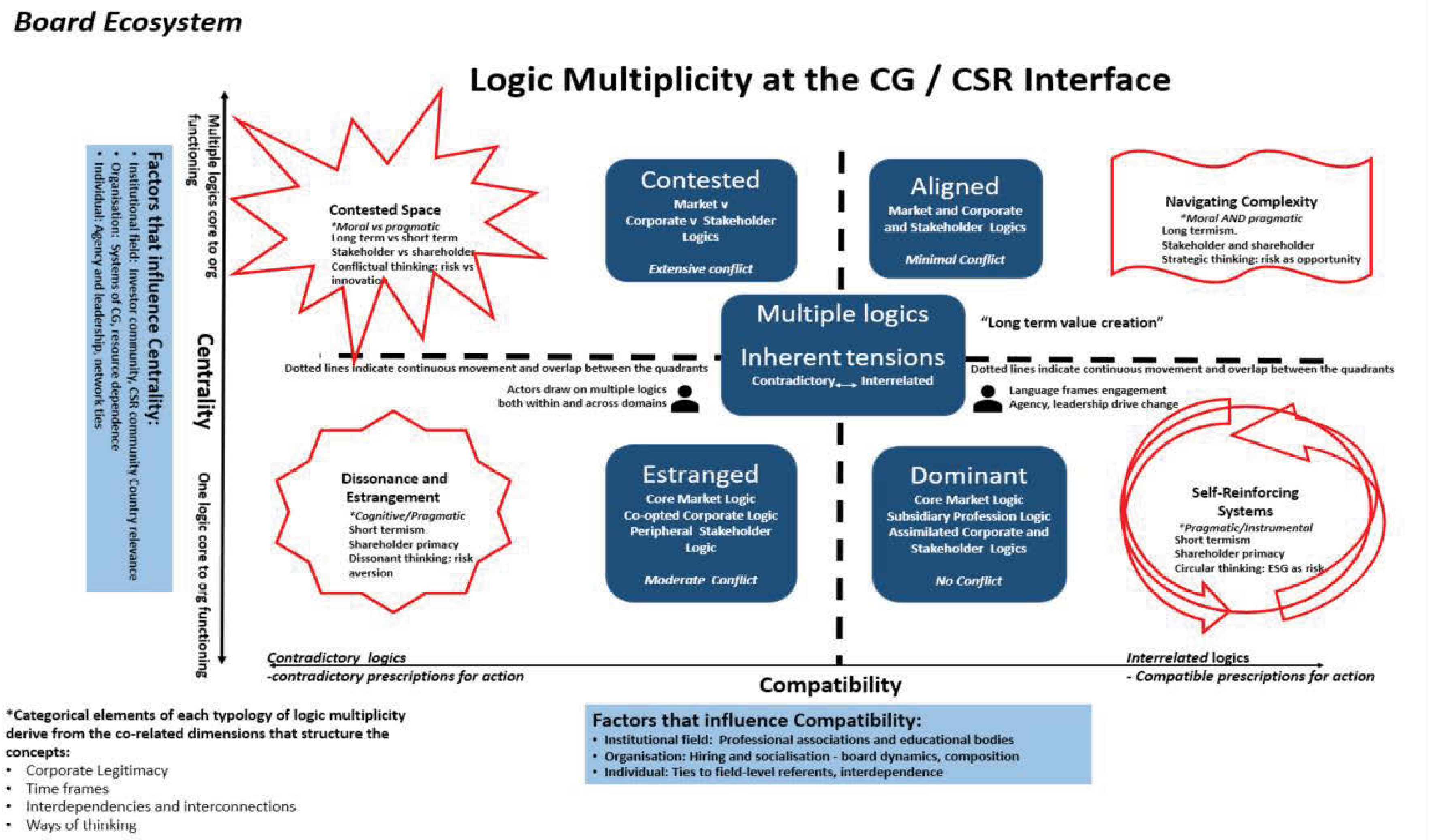

Figure 9.2 A Typology of Logic Multiplicity at the CG/CSR Interface

Table 9.5 Influences on Logic Multiplicity at the CG/CSR Interface

	Influences on Logic Multiplicity at the CG/CSR Interface	
Level of Analysis	**Factors that Influence Compatibility**	**Factors That Influence Centrality**
Institutional field level	***Professional associations and educational bodies*:** Institutional inertia vs opportunities for change	***Power and structure of field actors*:** Investor community – dualism; CSR community – disconnect; Country relevance
Organisation / Board level	***Hiring and socialization*:** Board composition – the club and peer networks vs diversity; Board culture; CEO selection	***Mission and strategy*:** Fiduciary duties and CG systems; Risk and regulation ***Resource dependence*:** Market position, access to capital.
Individual level	***Interdependence vs external field level connections*:** The club vs diversity Board dynamics: Passive vs CSR-active boards	***Individual adherence to logics:*** agency and leadership; network ties; ***Relative power:*** Board position

9.5.3.1 Interlocking directorates and institutional power

As discussed in the methodology chapter (Chapter 7), the majority of board members involved in the research (all the non-executive directors and chairs) serve on more than one board and a combination of government, regulatory and policy committees; charity and not-for-profit boards; and professional association boards. Board members "will often know one another on a first-name basis and are members of the same social circles" (LeBlanc & Schwartz 2007: 848), pointing to the significant influence of peer networks. Pettigrew (1992: 169) identified this phenomenon as "interlocking directorates and the study of institutional and societal power". These networks are embedded in the CG/CSR interface and have political and economic reach (Barley, 2010). For instance, one board member has served on a government climate body, another on a CG committee and yet another on a regulatory adviser panel. Simultaneously, all non-executive directors and chairs are associated with the key directors' and business leaders' associations, which have largely served to maintain the status quo—a dominant market logic and a risk averse approach to corporate strategy. In total, 39 boards are represented by the 12 Stage Two and Stage Three executive board members. (Figure 9.3). Together they cover the coercive, normative and mimetic influences of the institutional field, to play an important role in the **maintenance and change of** "socially constructed sets of material practices, assumptions, values, and beliefs that shape cognition and behaviour" (Thornton & Ocasio, 1999: 804) at the CG/CSR interface.

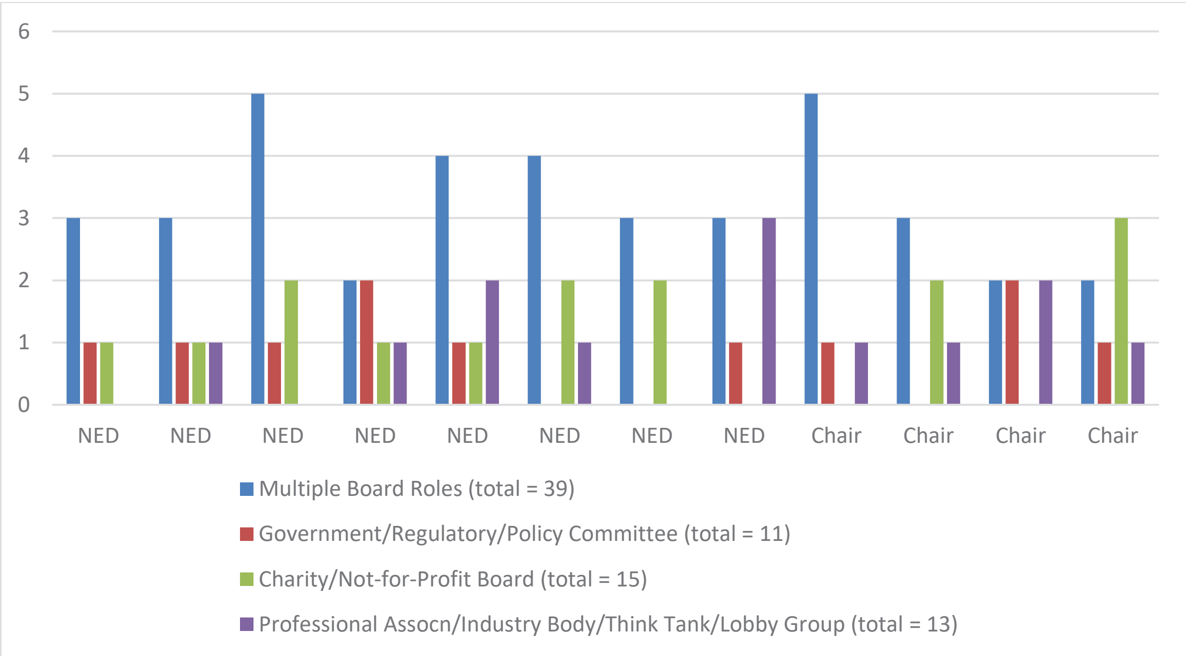

Figure 9.3 Multiple Roles of Non-Executive Board Members (Stages Two and Three data)

9.6 Discussion – Honouring the Tensions

9.6.1 Introduction

I began my research with the purpose of understanding the beliefs, practices and influences of boards and board level engagement at the CG/CSR interface. Initially, a strong, circular, self-reinforcing board ecosystem emerged, to the point that I believed this would likely become the core phenomenon (Charmaz, 2104) and confirm my literature review of the prevalence of a dominant market logic (Banerjee, 2008; Bondy et al., 2012; Devinney, 2009; Joseph et al., 2014; Mazutis & Slawinski, 2015) and a CSR institutional infrastructure lacking traction at the board level ((Black Sun, 2012; Escudero et al., 2010; IIRC, 2013; Kiron et al., 2015, 2017; Ramani, 2015; UNGC, 2012; White, 2006). This is reflected in my rich pictures and diagramming (see Figure 8.2). However, as data gathering and analysis progressed, a more complex reality of 'inherent tensions' emerged, reflecting a field of practice in flux and a convergence of CSR, CG and investor interests. The board ecosystem was replete with paradoxes to be navigated. For example, since the GFC, risk has permeated the entire board ecosystem. An inherent tension existed within the concept of 'risk' itself: a "logic of opportunity", and a "logic of precaution", manifest across the board ecosystem (Palermo et al., 2017: 155) and taken up in the beliefs and practices of board members.

Concurrently, academics have been exploring institutional plurality, complexity and change (Chapter 6, section 6.6) (Besharov & Smith, 2014; Greenwood et al., 2011; Kraatz and Bloch, 2008; Pache & Santos, 2010). I drew from these theoretical developments to develop a conceptual framework with which to map a complex institutional field and a resultant typology of logic multiplicity at the CG/CSR interface, incorporating categorical elements, drivers and influences from the data analysis. This meets my research aims and frames my research contribution:

- Addressing the gap in literature on the beliefs and practices of boards at the interface of CG/CSR, as depicted in Figure 9.2, and the beliefs, practices and experience of board level engagement of relevant actors.
- Addressing the research sub-question, "how, and by what or whom are board member's CSR beliefs and practices influenced?" as set out in Table 9.5.

What now follows is a “wrap-up” of each of the four typologies of logics multiplicity, their categorical elements, their influences and their drivers as presented in Figure 9.2. These are based on the fuller descriptive accounts of the underlying conceptual systems in section 9.3, the theoretical framing (Chapter 6) and the subsequent application of the conceptual framework (Table 9.4, Figure 9.2). The section concludes with a discussion on the role of agency and leadership in driving change at the CG/CSR interface, through an institutional lens.

9.6.2 Unpacking logic multiplicity at the CG/CSR interface

Logics manifest at multiple levels. The instantiations of logics within fields, organisations and individuals draw from and are nested within societal-level logics, introduced as an interinstitutional system of ideal types in Chapter 6, section 6.2.1 and represented here by market, corporation, profession and emergent stakeholder logics. “Logics often overlap such that actors confront and draw on multiple logics within, not just across, social domains” (Besharov & Smith, 2014: 366) in a series of cross-level effects as described in Chapter 6, section 6.2.2. This broadens the historical antecedents of Meyer and Rowan’s (1977: 356) “decoupling” to consider the degree to which multiple logics are treated as equally valid and relevant to organisational functioning (centrality), and the inherent tensions of multiple interrelated and contradictory values and beliefs (compatibility).

A paradox lies within the conceptual framework I have developed (Figure 9.2). The purpose of the framework is to explore the heterogeneity in how multiple logics (beliefs and practices) manifest in boards at the interface of CG/CSR. This is achieved by mapping findings to four ideal types (dominant, estranged, aligned and contested) with defined categorical elements. Yet, the framework itself is based on two continuous dimensions (compatibility and centrality) in a board ecosystem that is in a state of flux, represented by the dashed lines dividing the types (Figure 9.1). Therefore, boards can exist between the ideal types at any point in time. This presented a challenge in writing the following summaries of the board typologies, which therefore must be read with the caveat—to be understood as ideal types at the CG/CSR interface that boards and board members inhabit and move around in. In this way, the interinstitutional system of multiple logics allows the researcher to “honour the dispute and explore the tension” (Margolis & Walsh, 2003: 296).

9.6.3 One core logic

Looking first at the two typologies associated with low centrality (*dominant* and *estranged*), the one logic is primary and core to organisational functioning—a market logic, where other logics may be assimilated, estranged or peripheral depending on their level of compatibility.

9.6.3.1 Dominant

In the case of the ‘dominant’ typology, a self-reinforcing system (described earlier as the ouroboros equation, Chapter 9, section 9.3.1) is maintained recursively through ongoing communication, practices and vocabularies (Ocasio et al., 2015) where beliefs and practices associated with neo-liberal ideologies (Hirsch & Lounsbury, 2015) dominate all other logics. Legitimacy is based on a pragmatic, instrumental approach involving shareholder primacy, short-term incentives and a board mindset of risk aversion and compliance. Board members regard CSR/sustainability reporting as a compliance-based activity. A win-win (business case) approach to CSR takes an instrumental view towards what are seen as interrelated economic, social and environmental goals (Chapter 6, section 6.5). This is emphasised in initiatives that claim a ‘value proposition’ for business, for example, ‘creating shared value’ (Porter & Kramer 2011; Van der Byl & Slawinski, 2015). Organisations conforming to a single dominant logic reflect only symbolic rather than substantive motives (Mair et al., 2015). They use ‘strategic manipulation strategies’ (Jay et al., 2017), pragmatic legitimacy processes whereby corporations actively influence social expectations in their economic interest by influencing the perceptions of key actors in their environment through decoupling and impression management (Chapter 6, section 6.5). Such recursive, self-reinforcing systems are maintained through causal feedback loops: “Feedback denotes interdependence and circular causality” (Tsoukas & Pina e Cuna, 2017: 393). Reinforcing loops can give rise to either vicious circles—or virtuous circles (where organisations are built on commonly shared and institutionally valued norms, circles can be virtuous). When built on values that undermine organisational effectiveness, vicious circles emerge (Tsoukas & Pina e Cuna, 2017). This links to the debate on purpose of the corporation, where concerns are being raised about a focus on profit margins, shareholder returns and market position to the detriment of the long-term wellbeing of the firm (Chapter 4, section 4.2.6).

Influences at the field level – The investor community is highly influential in driving the dominant market logic and is taken up in the beliefs and practices of board members (Chapter 5, section 5.3.8). Also present in the field are the CSR community; however, they lack the power and traction to influence logic centrality at the board and executive levels (Chapter 2, section 2.5). The dominant market logic is reinforced by a subsidiary logic, notably, professional logics. As reported by both board members and relevant actors, there is an “institutional inertia” at the CG/CSR interface of key professional associations and educational institutions. This serves to maintain the status quo—a risk averse mindset focussed on director liability (Chapter 4, section 4.2.7). Professional associations also play a political, advocacy or lobbying role on behalf of their members and this leads to a further reinforcing of the dominant market logic (Barley, 2010; InfluenceMap, 2015) (Chapter 2, section 2.5.3).

Influences at the board/organisational level – hiring and socialisation practices influence the logics at play, where board composition and CEO selection is dominated by a ‘club’ of self-referencing peers and networks and extensive interlocking directorates (Chapter 9. Section 9.5.3.1). These maintain the culture and status quo in terms of beliefs and practices at the board level. The market position of the firm, access to capital and regulation influence board mission and strategy. As a consequence, beliefs and practices may become narrow, legalistic and risk based. This may also include a risk-based view of the ESG agenda. Strategy, in turn, is influenced by short-termism from the market logics and compounded by the global competition for skilled CEOs and short-term incentives. In sum, risk aversion and fear of director liability has led to board decision-making focussed on conformance versus performance. This stymies innovation and change (Chapter 4, section 4.2.7).

Influences at the individual level – members’ relationships with each other and their degree of interdependence is counterbalanced with influences on their beliefs and values from external ties in the field, including from the interlocking directorates revealed in the sample (Chapter 9, section 9.5.3.1). Thus, there is a level of CSR engagement; however, CSR goals are subsumed into those of the market logic. In the 'dominant' field, where one core logic is central to organisational functioning and board members are more interdependent., this lead to a passive board—a 'don't rock the boat' culture where dominant logics are perpetuated and where a strong CEO may dominate board decision-making over a weaker chair. There is an absence of leadership and a need for education.

9.6.3.2 Estranged

Similar to the dominant typology, the estranged typology of multiple logics operates with the one core market logic exerting primary influence over organisational functioning (Besharov & Smith, 2014). This is manifest in beliefs and practices associated with shareholder primacy, short-term incentives and a mindset of risk aversion and compliance (Chapter 4, section 4.2.7). Here, a cognitive approach to legitimacy is based on maintaining the status quo, taken for granted assumptions derived from established and socially accepted legal rules of the economic game (Chapter 6, section 6.5.2). Legitimacy concerns are raised where there is a mismatch between the corporation's status quo and societal expectations. This may precipitate an 'isomorphic adaptation' response (Chapter 6, section 6.5.2), i.e. changing practices to meet the interests and legitimacy concerns of the corporation's most powerful stakeholder groups, for example, engaging in climate-related strategies due to pressure from ESG investors. In estranged organisations, compatibility of multiple logics is low and contradictory. Other logics, especially those associated with CSR are peripheral and estranged. CSR managers in the sample report this as a form of dissonance within their organisations, and external CSR actors as a 'disconnect' or 'CSR limbo' within the board. The CSR managers' experiences represent a form of "compartmentalisation" (Jay et al., 2017: 362), where CSR/sustainability departments are decoupled within the organisation and are isolated from having any real impact (Chapter 6, section 6.5.1). This points to underlying contradictions in the purpose of the corporation (Chapter 4, section 4.2.6) such as economic versus broader social and environmental goals. Where CSR issues are engaged, an instrumental trade-off approach in favour of financial outcomes is used to deal with any contradictory tensions (Chapter 6, section 6.5).

Influences at field, board/organisational and individual levels – The influences acting on board members from the field, board/organisational and individual levels are similar to the dominant typology. At the field level, an influential investor community drives the dominant market logic and there is a disconnect both with the external CSR community and internal CSR function. At the board/organisational level, a dominant risk paradigm (Chapter 4, section 4.2.7) drives a compliance-based culture and self-referencing peers and networks maintain the status quo in terms of beliefs and practices at the board level. At the individual level[12], a lack of external field level connections entrenches the CSR estrangement and logic incompatibility.

Interestingly, the same dynamics of recursive self-reinforcing systems were found in the CSR community where a similar low centrality representing one core logic, in this case a stakeholder logic, dominates. There is a lack of connection and compatibility with other systems of beliefs and practices, and peer networks maintaining the status quo—a community of 'usual suspects'. This also leads to an estrangement of other logics, in particular a corporation logic. However, there was an awareness of this entrenchment and a move towards growing partnerships with the ESG investor community to drive change, as detailed in Chapter 5, section 5.4.

9.6.4 Multiple logics: contested and aligned

Board members involved in the research, by and large, recognise multiple institutional demands that impact organisational functioning and the pragmatic and moral dimensions of their responsibilities. These have begun to extend into social and environmental domains, represented by a broader stakeholder logic. However, in practice they must contend with the inherent tensions of contradictory and interrelated logics and resist the centrifugal pull of self-reinforcing systems and a dominant market logic.

The *corporation logic* takes centre-stage as board members navigate the complexity of multiple institutional demands and a continual state of flux to which they must respond.

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[12] Given the sample of board members all had some level of engagement or interest in CSR as part of the sampling process, most comments relating to an estrangement of logics and the CSR agenda came from other actors in the field, in particular those from the CSR corporate, consultancy and civil society sectors.

Traditionally, CSR literature has focussed on the role of market logics rather than a corporation logic—highlighting again the CG/CSR gap. What has been clearly missing from the literature is a qualitative investigation of the beliefs and practices associated with a corporation logic (Chapter 5, section 5.3.7): How do those responsible for the corporation perceive their roles at the CG/CSR interface? What are their beliefs and practices and how are they influenced?

9.6.4.1 Aligned

As data coding progressed, it became obvious that an 'either/or' approach to normative and instrumental CSR approaches at the CG/CSR interface lacked the complexity to analyse what was actually happening in the field. I found the need to develop a code entitled 'moral and pragmatic' to account for beliefs and practices being articulated by many of the board sample. This is what drew me to Besharov and Smith's (2014) model and the possibility of charting the complexity of board beliefs and practices. For those board members operating in the 'aligned' quadrant (high centrality, high compatibility) corporate legitimacy is considered in both moral *and* pragmatic terms.

Co-related dimensions of 'interdependencies and interconnections', 'time-frames' and 'ways of thinking' were understood in terms of shareholders and stakeholders, aligning long-term interests in the board ecosystem (corporations, investors and other stakeholders) and new ways of thinking. For example, integrated, strategic and potentially transformational thinking: aligning interests in sustainable development with the corporate interests of business sustainability. Remembering pragmatic legitimacy is based on an economic logic of self-interest, moral legitimacy is based on normative approval and a pro-social logic that requires explicit moral discourse (Suchman, 1995). Yet, as discussed in Chapter 6, section 6.5.2 and borne out in the data, moral reasoning alone is not enough to operate in a competitive environment and navigate the complexities at the CG/CSR interface. The board's role is to steer a strategic course through the multiple institutional demands. Tensions may be further amplified at the board level due to inherent paradoxes within the structures and processes of CG and the board roles, for example, the dual role of board members to both monitor and advise management, to be both agent and steward (Pye, 2013; Sundaramurthy & Lewis, 2003).

Therefore, corporations and their boards need multiple legitimacy strategies—pragmatic and moral, as they "navigate an increasingly fragmented and dynamic global environment facing multiple, heterogeneous, and conflicting sustainability related challenges" (Scherer et al., 2013: 278). A number of board members in the sample responded to contradictory legitimacy demands by employing contradictory strategies in parallel, which implies a 'both/and perspective' instead of an 'either/or choice' (Scherer et al., 2013; Smith & Lewis, 2011), for example, stakeholder consultation and public relations or lobbying activity. Again, a paradox approach allows the researcher to "honour the dispute and explore the tension" (Margolis & Walsh, 2003: 296). For example, in addition to the 'isomorphic adaptation strategy' and 'strategic manipulation strategy' already discussed, boards navigating complexity also adopt 'moral reasoning' as a third strategy. For a number of 'aligned' board members in the sample, this builds on a process of deliberative democracy—an open discourse with key stakeholder groups to find a consensual solution or an "informed compromise" (Scherer et al., 2013: 264) that reflects a pro-social logic versus narrow self-interest (see Chapter 4, section 4.3.3).

The findings associated with those board members located in the 'aligned' typology reflect the evolving CSR institutional infrastructure described in Chapter 5, section 5.4. Here a long-term strategic approach to 'value creation' was articulated, building common ground with ESG investors' interests toward long-term responsible investing (Friede et al., 2015). Board members sought to align the multiple logics of corporation, market and stakeholder at the CG/CSR interface, towards a "mutually beneficial coexistence" of plural logics (Mair & Hehenberger, 2014: 1175). A significant challenge for board members was to balance the 'intertemporal preferences' of the long-term dedicated institutional investors versus short-term transient investors (Connelly et. al., 2010).

Organisations capable of engaging in and strategically managing plural logics were more likely to adapt, innovate and sustain themselves over the long-term in the face of emerging challenges (Kraatz & Block, 2008; Pache & Santos, 2010). This resonates with the sustainability paradox approach (Jay et al., 2017) of navigating the "contradictory yet interrelated" (Van der Byl & Slawinski, 2015: 59) tensions at the CG/CSR interface. Active strategies include "temporal splitting" (Poole & Van der Ven, 1989: 562), i.e. using transition points instead of polarised short-term versus long-term action (Chapter 6, section 6.5.1). Taken further, the energy generated from these inherent tensions can be used as “fuel for innovation and flourishing” (Jay et al., 2017: 365) where corporate sustainability leads to a sustainable business.

As shown in the findings, there may be opportunity for institutional agency and innovation in the midst of institutional complexity (Chapter 6, section 6.6). Kraatz and Block (2008) suggested that where organisations may serve a number of diverse purposes, or “incompatible prescriptions from multiple institutional logics” (Greenwood et al., 2011: 317), a “stable ‘coalition of identities’ may emerge as identity groups learn to co-exist and recognize their symbiosis” (Kraatz & Block, 2008: 39). Examples from the findings include authentic stakeholder engagement, CSR-related board committees and improved investor engagement. Theorising on such integrative processes allows a shift in CG thinking away from the dominant focus of control, understood through agency theory (Jensen & Meckling, 1976) and neoliberal ideologies (Hirsch & Lounsbury, 2015), to the possibility of cooperation—'power with’ rather than ‘power over’ (Follett, 1942). This in part reflects Freeman et al.’s (2004: 366) call for “managerial common-sense”, encouraging a “pragmatic and pluralistic approach” when meeting the challenge of prioritising stakeholder values and conflicting interests. Unlike agency theory that focuses on the one purpose for all corporations, stakeholder theory allows for a diversity of purpose across corporations with “many possible normative cores” (Freeman et al., 2004: 368), tapping into feminist ethicist principles of ‘many moral voices’ (Gilligan, 1982) (Chapter 4, section 4.3.4).

Influences at the field level – There are signs of change in the institutional field, in particular from the ESG investor community with a growing collaboration of institutional investors driving the sustainability agenda (particularly relating to climate change) associated with long-term value creation—aligning long-term value of the corporation with long-term interests of shareholders (Table 5.2). Globalisation and international collaboration of the ESG investor community amplify this trend (Chapter 5, section 5.4). However, as both investors and regulators in the research sample emphasised, ‘ESG’ is an economic, not a moral issue. This harks back to the “separation thesis” (Chapter 4, section 4.3.1), demonstrating that neo-liberalism is alive and well, but more able to recognise the interdependencies of the environmental, social and economic elements of CSR—logic compatibility. Yet, board members must also meet institutional demands associated with corporation and stakeholder logics. From the findings, board members identify the need for stewardship to navigate this complexity (Chapter 4, section 4.3.3) and CSR managers look for passionate champions in both senior management and the board level.

Influences at the board/organisational level – Board members in the aligned quadrant recognise the benefits of embracing diversity in board composition and in its hiring practices. The hiring of the CEO is critical in terms of leadership and 'tone from the top', which influences logic compatibility both at the board level and into the management of the organisation. The high centrality and compatibility of multiple logics drives an active board with a focus on strategy, where CSR is board supported and is led by a strong chairman. Board members go beyond a legal understanding of fiduciary duty to a moral responsibility. Risk can be interpreted as positive—such as ESG as an opportunity for innovation.

Influences at the individual level – At the individual level, centrality is higher where multiple logics exert influence over individual board members due to factors such as network ties and relative power—board position. Where board members maintain strong ties to the external field with actors associated with the broader stakeholder logic, this can reinforce the influence these logics have over behaviour into the board room. The multiple roles of the non-executive board members revealed in the sample (Chapter 9, section 9.5.3.1) demonstrate diversity of external connections, which may serve to assist in navigating the complexities.

9.6.4.2 Contested

Where multiple logics are equally valid and relevant to organisational functioning, but are highly contradictory, the level of conflict is extensive. Corporate legitimacy is contested between moral versus pragmatic orientations, as demonstrated in the co-related dimensions of 'interdependencies and interconnections', 'time-frames' and 'ways of thinking'. These are understood in terms of tensions, trade-offs and investor pressures; shareholders versus stakeholders; short-term versus long-term thinking; and risk and compliance versus strategy, opportunity and innovation. Board members may find themselves in an invidious position where a belief in the business benefits of broader stakeholder engagement and long-term value creation conflicts with a fear of directors' liability and short-term profit maximisation. Here, board members engage in struggle and contestation as described by Hirsch and Lounsbury (2015) and evidenced in the directors' forums, in particular the pressure for short-term returns for investors versus the legal duty and moral responsibility towards the long-term well-being of the corporation and potentially its key stakeholders. Since a high level of tension exists between the logics, an instrumental trade-off response is likely to resolve CSR dilemmas (Chapter 6, section 6.5). There was an amount of articulated resentment on behalf of the most senior board members about the lack of awareness in the CSR community of the extent of tensions and responsibilities that had to be managed. The very sustainability of the organisation itself meant that often the market logic would take preference over all others. For these members, organisational survival was the true meaning of sustainability.

Why the conflict? Like the aligned quadrant, the contested typology of logics shares high centrality where multiple logics are core to organisational functioning, but contradictory (low compatibility) leading to "incompatible prescriptions from multiple institutional logics" (Greenwood et al., 2011: 317). The task for the board is to find points of alignment between the logics—to navigate the complexity, for example,- 'long-term value creation'. As the findings show, this takes stewardship at either board or executive levels together with board support. Without this, oscillation (Jay et al., 2017), organisational paralysis and breakup may ensue (Pache & Santos 2010) (Chapter 6, section 6.6).

Influences at the field level – Field influences are particularly important where distinct and uncoordinated clusters of institutional actors on whom the board depends hold power in the field and create pressure on boards to conform to their own logics, in their core operations (Besharov & Smith, 2014). The paradoxical dualism in investor pressure with the push for short-term returns and profit maximisation (market logic) whilst promulgating a long-term ESG approach leaves boards in a conflictual situation. For instance, where the executive and management may engage with short-term investors, the board may be approached by long-term investors. This requires open communication flows and trust to operate between board and management.

Influences at the board/organisational level – Conflict exists at the board level and between board and management as multiple logics with high centrality but low compatibility vie for dominance. At the board level, there are competing expectations about appropriate organisational goals but these lack a clear strategy as to which of these should prevail (Besharov & Smith, 2014). Perceptions about fiduciary duties and obligations to shareholder drives risk aversion, whilst beliefs and practices associated with a broader stakeholder logic look to innovative interdependent and strategic approaches. The contested market, corporation and stakeholder logics are amplified by investor pressure and risk associated with financial performance and market expectations. An inherent tension exists within the concept of 'risk', which is played out at the board level in terms of opportunity versus harm avoidance (Palermo et al., 2017).

Influences at the individual level – At the individual level, conflict may be driven by differences in understanding of fiduciary duties and the purpose of the corporation, where an adherence to maximising shareholder primacy may, for instance, conflict with notions of good governance. Board dynamics may be disruptive or conflictual, preventing deliberative discussion. Board member relationships with each other and their degree of interdependence is counterbalanced with the influences from external ties in the field.

9.6.5 Drivers at the CG/CSR interface

As discussed in section 9.3.5, the two most strongly coded categories across the research stages related to 'agency and leadership', and 'language frames engagement', representing key drivers across the board ecosystem and its multiple logics. This final section applies a theoretical lens to these key findings.

9.6.5.1 Stewards, champions and entrepreneurs at the CG/CSR interface

A consistent finding in the data was the importance of 'agency and leadership' at senior management and board levels, framed in terms of champions with passion by CSR actors, and stewardship or leadership by board members (Chapter 9, section 9.3.5.1).

Understood through a theoretical lens (Chapter 6, section 6.2), "institutional logics provide a link between individual agency and cognition and socially constructed institutional practices and rule structures" (Thornton & Ocasio, 2008: 101). As discussed in Chapter 6, section 6.6.4.1, an important assumption pertaining to Besharov and Smith's (2014: 366) framework is that "actors' practices and ways of being can both reinforce and challenge the assumptions, values, beliefs, and rules considered appropriate" in a "mutually constitutive relationship between logics and action". According to Smets and Jarzabkowski (2013: 1304) "most individuals are not grand entrepreneurs, but practical people doing practical work to get a job done". They achieve this by exercising "practical-evaluative judgement" even as they encounter contradictory and complex institutional practices (Smets & Jarzabkowski, 2013: 1304). In contrast, institutional entrepreneurs go further to "initiate changes that contribute to transforming existing, or creating new, institutions" (Battilana et al., 2009: 66). They institutionalise new practices "by aligning them with the values of diverse stakeholders and, in so doing, they create new field-level norms (Maguire et al., 2004: 674). One corporate CEO enacting these practices is consistently described in both the data and field of practice as a steward and a "stand-out-leader" (Kiron et al., 2017: 4): Paul Polman, CEO of Unilever (Chapter 8, section 8.3.1.3).

> I don't think our fiduciary duty is to put shareholders first. I say the opposite. What we firmly believe is that if we focus our company on improving the lives of the world's citizens and come up with genuine sustainable solutions, we are more in synch with consumers and society and ultimately this will result in good shareholder returns. (Paul Polman as cited by Confino, 2012)

Stewardship of the CSR agenda requires board-level support and may be manifest at board or management levels of the organisation (Chapter 9, section 9.3.5). Similarly, there are increasing levels of investor stewardship of the ESG agenda (Chapter 5, section 5.4) with both normative and regulatory influences. As discussed in Chapter 4, section 4.3.3, stewardship theory is an important lens both in terms of theory and practice at the interface of CG/CSR and exemplifies a pro-social logic:

> These distinctive elements of the stewardship construct foreshadow the unique dynamics that arise in the creation of stewardship behaviours—namely, a shared sense of ongoing responsibility to multiple stakeholders, which affects a focus on collective welfare over the long-term. (Hernandez, 2012: 176)

This is a perfect fit for the alignment of multiple logics and its long-term, stakeholder orientated approach, with strategic, integrated and potentially transformational thinking (Chapter 9, section 9.3.5). As discussed, a paradox and potential tensions may emerge at the board level as board members attempt to navigate the dual role of monitor and adviser. However, the monitoring and support roles do not have to be mutually exclusive, "active and effective boards engage concurrently in both roles" (Galbreath, 2016: 283).

9.6.5.2 Language frames engagement at the CG/CSR interface

As discussed in Chapter 6, section 6.3, an institutional logics lens recognises the central role of communication in the development, maintenance and change in institutions, particularly at the micro level of agency. Communicative institutionalism describes the generic processes whereby a recursive system of communication streams may reproduce and change institutional logics through communicative processes (e.g. coordinating, sensemaking and sensegiving, translating and theorising) and cognition (e.g. schema, underlying principles) (Ocasio et al., 2015). Linking with agency, communication streams offer institutional entrepreneurs the opportunity to influence the development of the CG/CSR interface by 'framing' arguments in different ways to appeal to the interests of a diverse group of stakeholders (Maguire et al., 2004). For example, the framing of "long-term value creation" aligns market, corporate and stakeholder logics. These language shifts are instructive of underlying beliefs and practices at the CG/CSR interface (Figure 9.2). The take-up of CSR by boards has been limited due to the lack of appropriate framing to a corporate logic by CSR proponents.

Having summarised the four typologies of logic multiplicity, their categorical elements, their influences and their drivers, I now turn to the conclusion of the thesis and my research journey.

Chapter 10: Conclusion

The following conclusion reviews the thesis, setting out my research insights, key contributions, limitations and suggestions for further research.

10.1 Research Insights

As described in Chapter 9, section 9.3, I began my research journey with an expectation of confirming a dominant market logic in the beliefs and practices of corporate board members. This was in part based on my own experiences of working in CSR and from the literature. During the early stages of data collection, it appeared that a dominant market logic was the core phenomenon (Charmaz, 2014). However, as the constructivist, grounded research approach proceeded, a greater complexity emerged in the sensemaking of the board members and relevant actors.

Two of the strongest research insights to emerge were the complexity challenging boards, understood as multiple institutional demands, and the extent of the disconnection between the 'CSR institutional infrastructure' and systems of CG, including boards. *Board level dynamics were not about a separation of ethics and economics (Freeman et al., 2004) so much as inherent tensions and institutional complexity (Greenwood et al., 2011; Jay et al. 2017; Margolis & Walsh, 2003).*

Interestingly, as my research progressed, so did activity in the CG/CSR field of practice, along several parallel tracks including a mutual interest in board level engagement, an increasing influence from ESG investors and a growing voice questioning taken for granted assumptions both about directors' duties and the purpose of the corporation. I documented these in Chapter 5, section 5.4. and noted in the findings (Chapter 8, section 8.4) a convergence of interests in the concept of 'long-term value creation' and its alignment with principles of sustainable development and CSR—by boards, investors and the CG and CSR communities. Importantly, the perspective of the relevant actors at the CG/CSR interface provided, at times, a critical view on board level beliefs and practices. For example, CG actors calling-out the conflict between investor driven short- and long-term pressures; the sense of estrangement and dissonance felt by CSR managers within their organisations; and the highly instrumental, economic risk-based approach to ESG by institutional investors and their associations.

In moving from the analysis of the deliberative directors' forums (Stage Two) to the in-depth board member interviews (Stage Three), I became very aware of the patterning of issues associated with corporate legitimacy emerging in the sensemaking of board members, along pragmatic and moral lines. The interactive coding from the deliberative settings revealed tensions and trade-offs amongst senior board members, regulators, and the investor, CSR and CG communities. The one-on-one board member interviews enabled me to build on hunches and patterns gained from the interactive setting and delve further into the 'black box' of the board. I identified four different approaches to corporate legitimacy:

- Moral and pragmatic: more than a 'business case' approach to CSR, board members seemed to be navigating multiple logics: market, corporation and broader stakeholder logics, with the aim of aligning economic, social and environmental considerations as far as pragmatically possible.
- Moral versus pragmatic: whereby the tensions and trade-offs board members were verbalising conflicting logics, for example, sacrificing stakeholder interests for the survival of the corporation by yielding to market pressures.
- Instrumental/pragmatic: where a dominant market logic prevailed and the value of CSR was framed in terms of its 'business case'
- Cognitive/pragmatic: where there was very little engagement in CSR and moral legitimacy due to a taken for granted dominant market logic

Strongly co-related dimensions emerged connecting stakeholders and interdependencies, time frames (short and long) and ways of thinking—including the inherent tensions associated with a post-GFC dominant risk paradigm driving risk aversion and compliance versus a strategic approach to innovation and opportunity. Institutional logics, and in particular Besharov and Smith's (2014) model of types of institutional logic multiplicity, provided me with a dynamic theoretical framework with which to plot these tensions. Since institutional logics are "socially constructed sets of material practices, assumptions, values, and beliefs that shape cognition and behaviour" (Thornton & Ocasio, 1999: 804), they share the same ontological roots as constructivist grounded theory, driving a real synchronicity between data analysis and theorising.

Underpinning Besharov and Smith's (2014) theoretical framework were inherent tensions: contradictory yet interrelated logics including market, corporation, profession and stakeholder logics as identified in the data. These were easily augmented with the latest thinking on paradox and legitimacy theories associated with CSR/sustainability, in order to adapt and extend Besharov and Smith's (2014) model to develop my own conceptual framework and theoretical contribution.

10.2 Key Contributions

My thesis set out to investigate the interface of CSR and CG, with a primary research focus on boards, in particular to explore:

- The beliefs and practices amongst the relevant actors at the CG/CSR interface and their experience of board level engagement
- The CSR beliefs and practices of board members themselves
- The macro, meso and micro levels of CSR influence on board members

To achieve this, I developed a research approach (qualitative, constructivist, grounded), methods of data collection (novel, multi-methods), data analysis (constructivist grounded) and theoretical framing (drawing from recent theorising on logic multiplicity and adapting and extending a conceptual framework) to meet the research aims. The thesis has encompassed both theoretical and field of practice considerations to make contributions in both of these domains. Outputs included:

- A table and narrative reviewing recent convergent activity at the CG/CSR interface—a rapidly evolving, collaborative institutional infrastructure encompassing CG, responsible investment, corporate reporting and corporate sustainability initiatives.
- A table of logic multiplicity at the CG/CSR interface incorporating conceptual systems, logics and categorical elements, and a table of influences on logic multiplicity.
- An integrative framework of the board ecosystem and types of logic multiplicity at the CG/CSR interface.
- Discussion of each of the four typologies of logic multiplicity, their categorical elements and their multi-level influences.

In so doing, my research addresses a significant gap in the academic literature: to undertake a closer, more qualitative examination of members of corporate boards and their beliefs, practices and influences to capture the institutional complexity and inherent tensions at the CG/CSR interface. In this way, the findings have yielded deep insights that enhance an understanding of the CG/CSR interface and the 'black box' of the board (Jain & Jamali, 2016; Margolis & Walsh, 2003; McNulty et al., 2013; Ryan et al., 2010). The following key contributions across theoretical, methodological and professional practice domains derive from this central contribution to the academic literature.

10.2.1 Theoretical contributions

A theoretical contribution is primarily taken to mean "theoretical relevance to practice" (Corley & Gioia, 2011: 29).

1. *The research findings: The findings reveal institutional complexity, 'inherent tensions' and a board ecosystem in a state of flux at the CG/CSR interface, where board members manage competing institutional demands (Figure 9.2).*

The main research contribution reveals the beliefs, practices and influences of board members at the CG/CSR interface. Based on constructivist grounded theory, four analytic categories derived from the three stages of data collection and analysis were raised to concepts. These represented generic processes associated with board members' beliefs and practices at the CG/CSR interface: self-reinforcing systems, navigating complexity, contested space and dissonance and estrangement. Co-related dimensions of the focussed coding became the structural components of the concepts as demonstrated in Tables 9.1 and 9.2. Institutional logics then provided the theoretical framing for the analysis and located four cornerstone logics in the data: market, profession, corporation and an emergent stakeholder logic. The interplay of these logics produced four 'ideal types' of logic multiplicity at the CG/CSR interface: dominant, aligned, contested and estranged, depending on their position in relation to two critical dimensions: compatibility and centrality of logics (Besharov & Smith, 2014). Both dimensions are multi-level continuums, operating across individual, organisational and field levels, from the contradictions of multiple logics in the contested and estranged quadrants, through the dominance of a single logic, to the cooperative alignment of multiple logics (Chapter 9, section 9.5.2). The co-related dimensions of the four analytical concepts became categorical elements with which to define the four types of logic multiplicity. *Taken together, these represent a typology of board members' beliefs, practices and influences at the CG/CSR interface.*

2. *Development of conceptual framework: 'Typology of Logic Multiplicity at the CG/CSR Interface' – linking multiple theoretical lenses*

My second theoretical contribution, therefore, extends the framework of Besharov and Smith's (2014) 'types of logic multiplicity' to produce a conceptual framework with which to map board members' beliefs and practices according to typologies of multiple logics (Figure 9.2) at the CG/CSR interface. Besharov & Smith (2014: 378) invite the adaptation of their model: "our framework provides a basis for linking institutional approaches to multiplicity in organisations with other theoretical traditions that address issues of multiple goals, values, and identities". This includes paradox theory and its emphasis on the inherent nature of multiple contradictory yet interrelated elements in organisations (Besharov & Smith, 2014). Similarly, in their review of research at the CG/CSR interface, Jain and Jamali (2016) believe that a nuanced understanding is needed to capture the complexity at the CG/CSR interface. This can be gained by drawing on "multiple theoretical lenses to explain CSR behaviours", including stewardship theory as the board's role as "mediating entities that balance the divergent claims of different stakeholder groups, expands" (Jain & Jamali, 2016: 267). My conceptual framework incorporates paradox and legitimacy theories, taken up in the categorical elements ascribed to each 'ideal type' of logic multiplicity in the framework, with legitimacy theory having been included early in the grounded analysis, to add theoretical edge to the findings (Charmaz, 2014). In this way the inherent tensions at the CG/CSR interface can be fully explored and the interplay of multiple logics understood. Stewardship theory is also incorporated into the theoretical grounded analysis and provides an important lens on the 'agency and leadership' driver (Chapter 9, section 9.6.5.1).

3. *Contributions to institutional logics theory*

The first contribution to institutional logics is the incorporation in the conceptual framework of an emergent 'stakeholder logic' (Table 9.3), which in turn could be considered as an addition to the seven ‘cornerstone’ logics of Thornton et al.’s (2012) interinstitutional system (Ioannou & Serafeim, 2015). According to the authors, interinstitutional systems are not static and may evolve over time.

The second contribution to institutional logics is the evolution of the ‘corporation logic’ from Thornton et al.’s (2012) interinstitutional system. Given the activity underway in addressing the purpose of the corporation (Chapter 5, section 5.4.1) and a growing conversation on the “financial and non-financial performance of firms” (Jain & Jamali, 2016: 267), it would be timely to review the categorical elements associated with the corporation logic, in particular the categorical element: “basis of strategy” (Table 9.3). This is currently identified as ‘increase size and diversification of the firm’ but given the growing societal imperative of sustainable development and increasing investor ESG pressures, could be updated to reflect ‘long-term value creation’. This is taken up as an elemental category in my conceptual framework. Similarly, the categorical element associated with ‘sources of legitimacy’ could be extended from ‘market position of the firm’ (Table 9.3), to incorporate broader interconnections and interdependencies and thereby recognise both the pragmatic legitimacy of corporate duties and the moral, deliberative aspects. This is also taken up in the elemental categories of my conceptual framework (Figure 9.2). These propositions address the call from the authors Thornton et al. (2012): “In understanding the definition of a “good organization”, we seek papers that focus on the sources of values and valuation, and the construction of elemental categories that comprise an institutional logic” (Lounsbury et al., 2017: para 3).

4. *A multi-level analysis of the board ecosystem and the CG/CSR interface*

Calls for multi-level analysis have been made from both CG and neo-institutional scholars (Aguinis & Glavas, 2012; Lawrence et al., 2011; LeBlanc & Schwartz, 2007; McNulty et al., 2013). CG, as a multi-level phenomenon, encompasses macro-national and pan-national institutions, whilst considering the micro-processes of actors and groups at firm and sub-firm levels (Chapter 7, section 7.8.1) and is in need of further exploration (McNulty et al., 2013). Similarly, institutional theory applied to the study of CSR has been overwhelming focussed on only one level of analysis, neglecting the micro-macro divide (Aguinis & Glavas, 2012) (Chapter 3, section 3.3.5). The research design and data analysis provide an interpretive multi-level exploration through the sensemaking of individuals at the CG/CSR interface, "linking micro-level phenomenon to institutional concepts" (Reay & Jones, 2016: 451). The theoretical framing using institutional logics provides "a meta-theoretical framework for analysing the interrelationships among institutions, individuals, and organisations" to answer these calls (Friedland & Alford, 1991; Thornton et al., 2012: 2). Influences on the CG/CSR interface are explicitly considered (Chapter 9, section 9.5.3) across field, organisational/board and individual levels. The role of agency and leadership across micro, meso and macro levels is highlighted in the research (Chapter 9, section 9.3.5.1). The framework adapted from Besharov and Smith (2014: 365), "accounts for the institutional constraints on organisations and their leaders while also pointing to practices through which leaders can exert agency to influence logic multiplicity".

10.2.2 Methodological contributions

Two key methodological contributions are made to the CG academic literature: a qualitative research approach using constructivist grounded theory and novel research methods (Chapter 7). In conceptualising my research approach, I was specifically motivated to understand the sensemaking at the board level to answer my research questions. Concurrently, the CG academic community were calling for qualitative research using novel approaches to address the ongoing challenge of studying the 'black box' of boards beyond limited quantitative research approaches (Brammer & Pavelin, 2013; LeBlanc & Schwartz, 2007; McNulty et al., 2013; Nielsen, 2012; Ryan et al., 2010; Yar Hamidi & Gabrielsson, 2012).

1. Addressing the lack of qualitative research in CG and CSR

My research contributes a qualitative grounded study on boards, in order to delve more deeply into the beliefs and practices of board members and relevant actors at the CG/CSR interface. According to McNulty et al. (2013), less than 1% of published articles on CG have a qualitative research approach, with even less from the CG/CSR interface (Jain & Jamali, 2016). Coming from a traditional disciplinary base of law, management and finance, "research into boards of directors needs new theoretical perspectives and new ways of examining what boards actually do" (Ryan et al., 2010: 678). As early as 1992, Pettigrew urged researchers to engage directly with actors and settings of governance. More recently, CG and CSR scholars have been calling for a *grounded* approach to research, where the social constructivist position of grounded theory seeks to understand emergent multiple realities (Charmaz, 2014; McNulty et al., 2012; Van der Byl & Slawinski, 2015). Therefore, to gain a better understanding of the dynamics of board functioning and processes, qualitative methods and a constructivist grounded theory approach were deployed to gain deeper insights into the research gap concerning how boards perceive the CG/CSR interface (Jain & Jamali, 2016; Pye, 2002b; Walls & Hoffman, 2013).

2. Innovative approaches open the black box of the board.

Using novel multi-methods, my research has made an innovative contribution to the CG academic literature, answering calls for approaches that can access 'the confidential realm' of corporate boards. "Surmounting that obstacle will require innovative and even bold research designs … together with a broader range of theoretical perspectives" (Ryan et al., 2010: 678). The research did not set out to observe board meetings. Rather, the multi-methods built an iterative, grounded, rich picture of board members' beliefs and practices at the CG/CSR interface, based on their individual experiences and perspectives, as evidenced in the data. This ensured a diversity of findings, free from any 'group-think' associated with board practices (Nicholson, Kiel, & Tunny, 2012; Sealy & Vinnicombe, 2012). Board processes and dynamics were explored through the sensemaking of board members, linking micro-level phenomenon to institutional concepts (Reay & Jones, 2016).

I initially scoped the field of relevant actors (CSR, CG and investor) through purposive sampling during Stage One of the research to understand their insights of board access and engagement in CSR. This provided a 360-degree view of boards at the CG/CSR interface and informed the discussion points for the subsequent deliberative directors' conversations.

Invoking my inner 'political bricoleur' (Denzin & Lincoln, 2011), I drew on my experience as the Australian representative to the UNGC—both in terms of my contacts and those techniques I had learnt in order to engage senior business leaders, for Stage Two of the research. This involved convening deliberative forums framed as 'directors' conversations' referring to recent issues of CSR-related concerns to business (e.g. the Rana Plaza clothing factory collapse; divestment of fossil fuel stocks), whilst ensuring the explicit support from several "stewards"—well regarded business leaders. As noted by Kamberelis and Dimitriadis (2011: 545), researchers are "typically strategic in configuring these intersections". By structuring the forums to be led by prominent business leaders with senior board positions, the forums received the "endorsement of their peer group" (Leblanc & Schwartz, 2007: 848), opening the door to the close-knit networks of boards. "Access to elites is best effected by fellow elite members" (Pettigrew & McNulty, 1995: 851). Endorsement came initially through my own professional networks and evolved into a growing interest in the research and attendance at the forums. This in turn built credibility, trust and ultimately introductions to potential board member interviewees for the Stage Three interviews, thereby addressing those impediments traditionally faced by CG researchers: gaining access to the 'black box' of boards and board concerns over confidentiality (Leblanc & Schwartz, 2007; Leighton & Thain, 1997). Additionally, the forums operated under the Chatham House Rule (Chatham House 2002) to maximise the potential for an open exploration of individual experiences in a trusted setting with a clear understanding of confidentiality and purpose of research.

As described in Chapter 7, section 7.6.5, the forums were performative: the richness and complexity of group dynamics revealed previously unarticulated norms and taken for granted assumptions, an exploration of multiple perspectives on complex issues, and a co-existence of moments of consensus and contestation (Dryzek & Stevenson, 2011; Kamberelis & Dimitriadis, 2011). The forums brought together board members and other relevant actors from the CG/CSR interface, often for the first time. Here tensions were able to be surfaced across the range of perspectives in the room—board, investor, civil society, regulator, to then be explored more deeply in the follow-up Stage Three interviews of board members. In this way, the forums offered unique insights into the possibilities of critical inquiry as "deliberative, dialogic, democratic practice" (Kamberelis & Dimitriadis, 2011: 547). Such research settings are capable of producing data based on social-interactional dynamics that is unattainable through individual interviews and observations. As discussed in Chapter 7, section 7.6.5 this method of research is multi-functional and exists at the intersection of pedagogy, activism and research to achieve more insightful and complex levels of understanding (Kamberelis & Dimitriadis, 2011).

Using the constructivist grounded research approach, emergent themes from the forums were incorporated into the semi-structured interview guides, to be delved into more deeply during the Stage Three interviews of board members. This final stage of the research revealed personal insights of the internal workings of the boardroom processes, dynamics and composition and the inherent tensions and multiple institutional demands experienced by board members at the CG/CSR interface. Intensive interviewing (Charmaz, 2014) with careful preparation for each interview, including researching the interviewee's background and relevant contextual information helped to elicit the interviewee's perspective.

The interviews generated a deep understanding into the personal frustrations and moral challenges of life on the board and boardroom decision-making, as evidenced in the data. Such insights would be difficult to gain from observing a board in action, particularly where 'group-think' associated with self-reinforcing systems and homogeneity among directors may predominate (Roberts, 2012; Sealy & Vinnicombe, 2012). Similar to the experiences of Leblanc and Schwartz (2007), during interviews, board members would ask how I knew other directors involved in the forums. Such questions reveal "a regard on the part of boards and individual directors that they participate in an enterprise that has received the endorsement of their peer group" (Leblanc & Schwartz, 2007: 848). Peer endorsement was used to leverage greater access to board members, while maintaining confidences. The multiple board positions held by the interviewees broadened the experience base and, by extension, the data.

In summary, the multi-methods employed in the research and the iterative nature of constructivist grounded theory contributes a new approach with which to access a nuanced, layered view of beliefs and practices from inside the 'black box' of the board, and "proof that data can be gathered from difficult sources, with the right method" (Leblanc & Schwartz, 2007: 850).

10.2.3 Professional practice contributions

Aligning interests in CSR and sustainable development with the corporate interests of business sustainability.

Several contributions are made to the field. The conceptual framework (Figure 9.2) provides a practical tool with which to map and explore board level beliefs, practices and influences. In understanding the inherent tensions at the CG/CSR interface as typologies of multiple logics, the framework provides many potential contributions to the field of practice for all actors at the CG/CSR interface including board members, and the CSR, CG and investor communities. For instance:

1. Members of Boards

Directors of boards are able to consider the inherent tensions and multiple institutional demands understood as institutional logics, in which they operate as mapped to the integrative framework. Legitimacy pressures arise where key organisational actors may seek to appeal to different bases of legitimacy in different situations or where access to resources is necessary for their successful performance. The integrative framework provides a typology of logic multiplicity found within organisations to tease out this complexity.

2. Addressing CSR limbo

I created the term 'CSR limbo' (Table 9.2) due to the overwhelming disconnect between the efforts and aspirations of the CSR community (corporate, civil society and professional services), and the lack of traction across the CG/CSR interface, particularly at the board level. The CSR community, to a large extent, is caught up in its own self-reinforcing systems (Table 9.2). My specific contribution to the CSR community is to shed light on the complexity of multiple institutional demands faced by boards and to consider new approaches to board engagement. By addressing the key drivers identified in the analysis—'language frames engagement' and 'agency and leadership' (Chapter 9, section 9.3.5), as well as field, organisational and individual influences (Table 9.5), levels of board engagement could be greatly enhanced. Revisiting Chapter 2, section 2.6.1, the following table (Table 9.6) of board responsibilities as relates to the CSR agenda (Escudero et al., 2010) provides a preliminary understanding of the challenges in navigating logic multiplicity—based on research findings, which could be addressed in the planning of board engagement and board training programs. Mapping a board's position on the conceptual framework reveals the inherent tensions being navigated by the board. These could assist in driving more nuanced, targeted board engagement and capacity building (Chapter 5, section 5.4) to drive greater alignment at the CG/CSR interface.

Table 10.1 Board Responsibilities and Logic Multiplicity at the CG/CSR Interface

Board Responsibilities – CSR Agenda	Navigating Logic Multiplicity
Guidance and oversight of business strategy	Risk aversion vs strategic thinking and innovation
Risk management and legal compliance	Compliance mindset stymies innovation Fear of director liability
Performance assessment and external reporting	Risk management and reporting as compliance related
Consideration of investor relations	Dual messaging from investors – short and long-term messages split between management and board respectively.
Recruitment and compensation of the chief executive and other senior executives	Perceived resource dependency - Short-term incentives
Engaging with stakeholders	Interest by board members, management may be protective over board engagement

3. *Mapping the CG CSR institutional infrastructure*

In a further contribution to the field, I mapped the emergent CG/CSR institutional infrastructure (Table 5.5). A new generation of institutional infrastructure is rapidly evolving at the CG/CSR interface, encompassing CG, responsible investment, corporate reporting and corporate sustainability initiatives. Coalitions of actors from the UN and other transnational agencies, business, industry bodies, civil society, the investment community, regulators and academia are seeking to drive greater integration between CSR/ESG and CG through board engagement, broadening interpretations of directors' fiduciary duties and stakeholder engagement, and a longer-term approach to value creation—financially, socially and environmentally. Chapter 5, section 5.4 details these developments.

10.3 Limitations and Suggestions for Further Research

The research has certain limitations. Reay and Jones (2016) outline the challenges of a qualitative, grounded approach in studying institutional logics. As an interpretivist methodology, explanations are relevant to the context of the study; however, it is not known whether findings are generalisable beyond the specific context. As indicated in the thesis, the research setting is Australia, linked to an international context through field level activities at the CG/CSR interface. There is a strong preference for an instrumental form of CSR in Anglo-American liberal market-economies where a shareholder-focussed approach to governance dominates the institutional landscape. Therefore, it is not known if the results are generalisable to coordinated market economies or state-based economies. However, the liberal market economy dominates global trading (Chapter 5, section 5.3.3).

There may be some difficulty in comparing across studies, since grounded methods require a close connection between raw data and the context. However, with two deliberative forums, a focus group and multiple interviews, and a constant comparative method of data analysis, it is anticipated that the findings will be relevant to other board ecosystems. There may be difficulty in persuading reviewers that the selections of quotes and examples are representative. Providing detailed findings in Chapter 8 and the Appendix goes some way to addressing this issue.

The actual sample of board members all have some connection to the CSR institutional infrastructure, as part of the sampling process (Chapter 7, section 7.6.7). This influenced results. For instance, there were more comments relevant to the contested and aligned types of multiple logics—where there is high centrality of multiple logics, than estranged or dominant—where centrality is low. Purposive, theoretical and snow-ball sampling was used to gain access to board members for Stage Three of the research. However, according to LeBlanc and Schwartz (2007: 849), concerns regarding such non-random sampling techniques “are not critical, particularly when one is engaged in qualitative, grounded research. Clearly, compared to the possible alternative of non-access to boards, snowballing might be considered justified under such circumstances”.

S*trengths of a qualitative, grounded approach in studying institutional logics* (*Reay & Jones, 2016) can assist in drawing recommendations for future research.* The social constructivist methodology (grounded) and theory (institutional logics) captured actors’ explanations of values and beliefs by thick, rich description and explanation (Andrade, 2009). This approach is well suited to the study of the interface of CG/CSR—where both conflicting and complementary logics appear to be at play amongst the members of corporate boards and those institutional actors that may influence the CG/CSR interface. The deliberative forums are recommended as a research method for the qualitative study of boards, both in terms of gaining board access and the depth of insights from interactive nature of the forums—surfacing inherent tensions and contradictions and providing rich interactive data from a deliberative research setting.

The conceptual framework is recommended as a model to further explore the beliefs and practices of board members at the CG/CSR interface. Categorical elements developed for the framework could be tested against different research samples including those board members with no connection to the CSR agenda, gender-based samples or boards from coordinated market economies or state-based economies to determine the types of logic multiplicity or beliefs and practices at the board level. A further building of the convergence and complementarities between the CG and CSR literature could be undertaken, for example, on the strategic roles of boards and board dynamics, composition, culture and evaluation.

Looking to the future, globalisation will continue to drive new collective governance arrangements in CSR and ESG (Beckmann, 2015; Scherer & Palazzo, 2011). Recent international developments including the launch of the UN Sustainable Development Goals (2015), the Paris Agreement under the United Nations Framework Convention on Climate Change (2015) and a growing number of free trade agreements will ensure continued momentum. *However, given the research findings of a CSR disconnect, the moral legitimacy of these arrangements will depend on a commitment to discursive, deliberative engagement from the executive and board level, and across stakeholder groups (Dryzek, 2013; Scherer & Palazzo, 2011). The deliberative forums developed as part of the in the research design could provide a useful model—at the interface of CG/CSR.*

Given the importance of stewardship in driving change, board members could be viewed as "mediating entities that balance the divergent claims of different interest groups by evoking trust, instead of solely safeguarding the interest of shareholders" (Jain & Jamali 2016: 267). Future research and practice could draw from stewardship theories in considering an “expanding role of boards toward representing multiple stakeholder groups and positively influencing firm CSR behaviours” (Jain & Jamali, 2016: 267). The gap in the literature in terms of understanding the connection between moral legitimacy (Suchman, 1995) and moral reasoning (Kohlberg, 1969; Murphy & Schlegelmilch, 2013) may need to be addressed. Further application of institutional theory and institutional logics could then help to analyse “a world undergoing construction” (Czarniawska, 2008: 777). As noted by Preston in 1975, the social contract between business and society remains a continuous work in process.

Finally, Silverman (2010) argued for a broadly-based set of criteria for evaluating qualitative research that goes beyond purely methodological assessment to include theoretical and practical issues: how can research contribute to practice and policy by revealing something new to those in the field of practice? Thus, it is also hoped that the research findings and contributions can assist both the relevant actors at the CG/CSR interface and those with ultimate responsibility for CG —the board, as they “grapple with how to address challenging sustainability issues and tensions … and navigate ambiguity” (Van der Byl & Slawinski, 2015: 72). There is no single solution to the question of how boards should oversee CSR. Environmental and social issues pose significant risks and opportunities for long-term value creation across all industry sectors. The combination of capacity building, practical guidance and explicit moral discourse together with collaborative efforts that challenge the norm of shareholder primacy, signal a shift in the governance of corporations globally, making it incumbent upon today’s corporate boards to engage in, and contribute to, these deliberations.

Coda: Reflections of Leading Thinkers from the CG/CSR Interface

During the course of my research, I had the opportunity to meet in one-on-one interviews with three leading thinkers responsible for founding key initiatives in the international CSR institutional infrastructure. Their collective wisdom assisted my own research journey and has been incorporated into my rich picture (Figure 8.2). I have included a selection of quotes from each of these 'institutional entrepreneurs' and 'difference makers' below.

> I could see very clearly that for all the work I was trying to do and others were trying to do with the birth of the CSR movement in the late seventies, early eighties depending on where you want to put your finger on the calendar, it was all good work, but it was making a flawed system better not making a systemic impact. So then later … I decided that I would continue some of this incrementalism through better information, now this new ratings system project, and things like that. But I also would spend half my—at least half my time on more systemic issues.

> The question is growth at what cost, and what kind of growth is desirable?—you could say, "I'm growing my long-term prospects," okay, that's what I'm growing, I'm not growing my near term quarterly earnings, okay. Well that takes you down different pathways. Famously … Paul Polman, one of my heroes, he said—which is a publicly traded company, like many other—but what goes on, on the Unilever board, thanks to Paul, is really different than what goes on in a major competitor like Proctor and Gamble. The conversation is different. Polman said famously, "If you're here with short-term investment goals—return goals—investment return goals," he said very quietly, "I respect you, but please take your money elsewhere"

> Okay. So that's a backdoor approach. Not a bad approach, it's just the backdoor approach.… as we reach the point where risk becomes a truly integrated, long-term understanding of risk, then yes, risk … on the board logically would pick up the thread and attend to the … stuff more aggressively, more regularly, okay.

> CSR is—the mirror title is almost a recipe for dead on arrival—DOA … (Laughing). It's just the worst possible choice…. The average board member meets three or four times a year, he's got a briefing with enough financial issues to choke a horse. "Why are they asking me to read this stuff? CSR, like that's tree hugging," all this stuff. But when Blackrock—signs of life there - tells you—the analyst calls and the officer and board members sitting next to them has to answer questions about human rights violations in Nigeria and what it's going to do to torpedo—the half billion-dollar portfolio allocation Nigerian oil companies, or whatever it is, okay yeah, that's money.

Can I interrupt there. These factors accepted but I would add one—market forces. Every entity and I don't care where it is in the world, is a member of a globalised world today and the world has become flat borderless and electronic. While you are asleep at night money with a click of a mouse will come in to Australia and leave Australia.

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The measurement of risk. The allocators of capital have found they can measure risk from a more informed basis from an Integrated Reporting than from any other kind of report, simply because the collective mind of the board has been applied to how the co makes its money and how that impacts financially socially and environmentally. How the positive impacts are being enhanced, the negative impacts are being eradicated or ameliorated and ditto for the environment and natural assets. And they can then assess risk on a more informed basis. Banks are starting to lend to companies because of greater information on measuring risk. I'm just saying those to those three factors should be added market forces.

You've got to look at value creation differently. You've got to look at value creation through a multi-faceted lens. You look at how the company makes its money and how that impacts financially, socially and environmentally and how its product impacts financially, socially and environmentally and you've got to embed these things into your strategic thinking.

Paul Polman of Unilever some years ago said I am going to in the next 5 years, I'm going to double them but with a more positive impact on society and the environment. This is a tall order. But we have to achieve it otherwise we will not survive. And he's done it! Using less products, he's reengineered their products and he's got people in the supply chain reengineered their products so they are using less water and energy and he is able to raise capital very easily.

Q: What's happening on his board?

Supported by his board. But boards today, unfortunately we have the mindset of shareholder primacy. We were bought up on the Anglo-American principle of shareholder primacy—that the shareholder is the owner of the company. If I said to you I was your owner you would laugh at me. Yet we have been saying for years shareholders own the company. You can't own a person. Shareholders have an important conglomeration of rights to appoint the director, to remove directors, to receive a dividend if the board declares a dividend. Very important rights. But they don't own the company, the company is a person, its sovereign, has its own assets and liabilities. But its incapacitated. It's totally dependent on its directors. The society licenses the company to carry on business. Society expects the company to operate as a good corporate citizen with a positive impact on society and the environment. To create jobs and to create wealth. Hence you can't have risk aversion. So, all those factors are operating, and start to change the collective mind.

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I mean the board will ultimately decide the purpose of the corporation and they can but they aren't because everybody's got this ideology that they have to put shareholders first

I said you're wasting your time, right. It's like what's the point. The business isn't going to give a shit if some CSR person or Chief Sustainability Officer comes in until they really believe it right, and the CEO's talking about it including on the quarterly conference calls. I mean publish a little framework but what you should do is that you should tell all your members in this little CSR group they've got of 30 supposedly leading companies and CSR's that they should go to the CEO and say do you mean it or not and what are the critical material things? … and I said how many of your members do you think would have the guts to do that, to go and get the meeting with the CEO. She said maybe a third. I said that's interesting right. So, what you've got is this kind of truce right.

CEO's aren't bad mouthing sustainability, they're kind of saying nice things about it, they're not putting a lot of resources to it, they let the company publish a sustainability report. The CSR people are low on the food chain, we pretend like we care about them, they don't have a budget that's worth a shit, the financial organisation, the marketing people, the IT people have big budgets and it's all kind of the CSR stuff is all mixed up with Sustainability stuff and philanthropy. Right now, there's no honest conversation. Everybody's paying lip service and the CSR people don't have the guts to rock the boat and then the CEO says enough to kind of look pleasant but isn't taking it all that seriously. So, you need to call the bluff right

The Board represents the corporation and they, and it's the Board that should determine who the significant audiences are and they tell management. Now the problem is that most Boards are supine. Basically, they're kind of managed by the CEO rather than the other way around.

And you say oh I want to talk about sustainability, their eyes glaze over and they go it's not my job. If you sit down and I say I want to talk about the material issues that affect your ability to create value over the long-term and how effective you are on reporting on them, you immediately have their attention. If you say materiality, just that word standing alone it's like okay, what is that philosophical thing. If you say material issues, people instinctively think they know what you're talking about then you say they're SASB and its sector specific and there's probably seven things that really matter from a value creation point of view and those go into your integrated report and there's other things that are important and you have to engage with stakeholders and they're in your sustainability report. They say I get it.

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Certification

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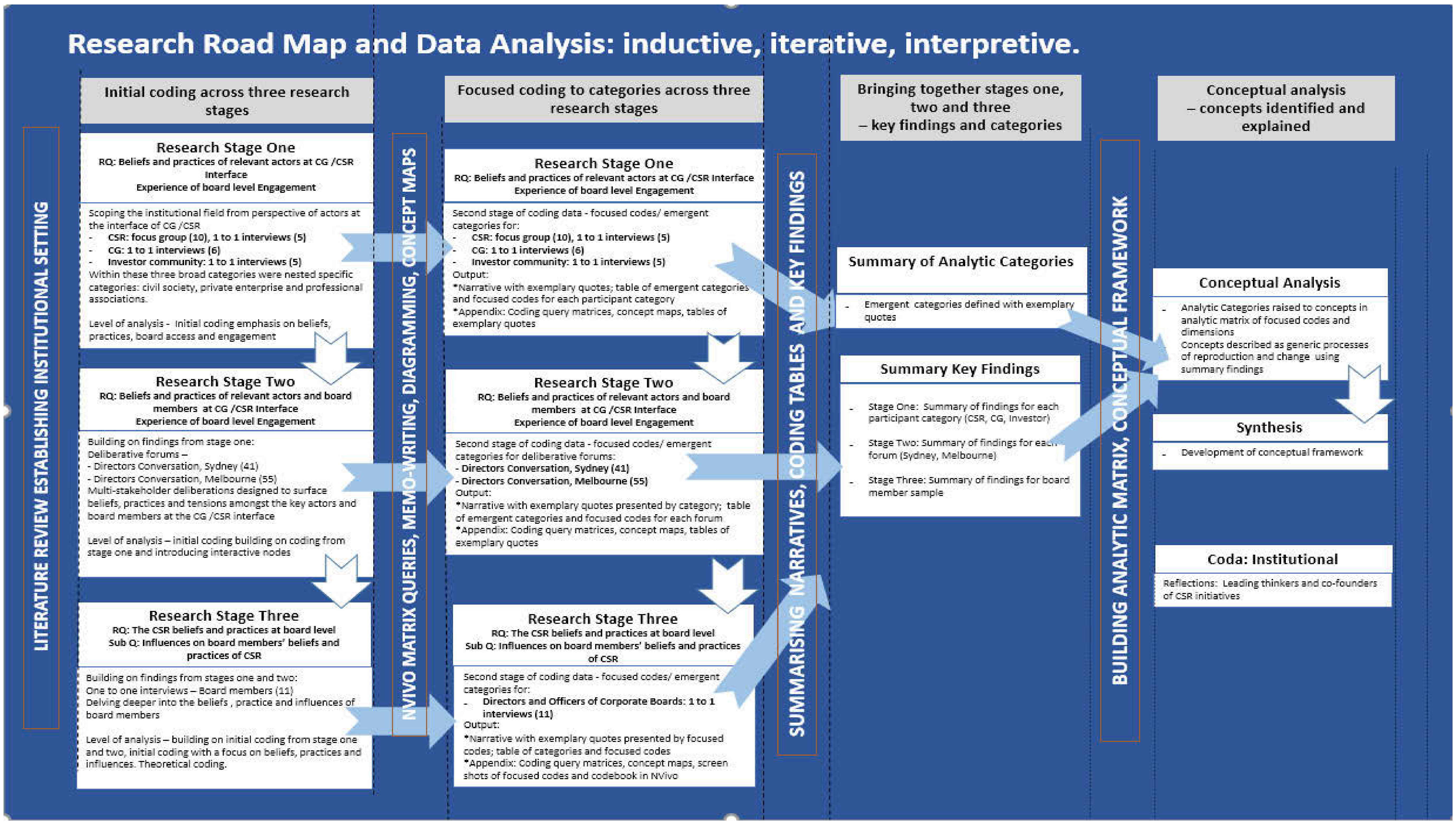

A3 Version of Figure 8.1 and Figure 7.10 - Grounded Data Analysis Road Map

Appendix

Table of Contents

List of Figures

List of Tables

A1.1 Stage One Documents

A1.1.1 Stage One: Interview guide

For each participant, I conducted prior research into their professional experience and affiliations, in order to contextualise the questions. The research interview began with an introduction to the research questions and purpose of the study.

How would you describe the relationship between CG/CSR in your experience?

- Do you have any views on how directors of boards become engaged in CSR and sustainability? What are these based on?
- How/who/what influences them? How/who/what influences you?
- What role if any do the global CSR and sustainability initiatives play in this engagement? Or sector initiatives? What has your experience been here?
- What development have you seen in this area over the time you have been working at [organisation]?
- In terms of influencers, in your experience what role have the following played in terms of both board engagement in CSR and sustainability?

Prompts:

  - Regulation /certification played? (Coercive)
  - Professional bodies, education providers, initiatives played? (Normative)
  - Peers, competitors, leaders (Mimetic)?
  - Particular individuals either in the field or within your own organisation?
  - Institutional entrepreneurs/actors)? Other?

A1.2 Stage Two Documents

Join the conversation with prominent panellists including -

Board Director:

Charles Macek

Non-executive Director, Wesfarmers; Vice-Chairman of the IFRS Advisory Council and Member, AICD Corporate Governance Committee

Investor:

Pru Bennett

Director - Head of Asia Pacific, Corporate Governance and Responsible Investment, BLACKROCK

Regulator:

Kevin Lewis

ASX Chief Compliance Officer, ASX representative on the ASX Corporate Governance Council.

Facilitator:

Rosemary Sainty, UTS Centre for Corporate Governance, founding Australian Representative to the UN Global Compact.

The UTS Centre for Corporate Governance invites you to the first in a series of important business conversations to be held in 2014:

Engaging Boards in Corporate Responsibility:
Towards New Models of Corporate Governance

Hosted by Ernst & Young
In consultation with Governance Institute of Australia

Date – Monday April 14
Time – 5.30pm for 6.00pm|- 7.30pm drinks, 8pm close
Venue – Level 32, Ernst & Young, 680 George St, Sydney
RSVP: By April 10th 2014 – rosemary.sainty@uts.edu.au
Parking at EY offices, by request.

As recent events such as the Rana Plaza factory collapse in Bangladesh demonstrate, the global operating environment for business has become increasingly complex and interconnected - an environment that Directors of Boards, those ultimately responsible for the governance of corporations, must learn to navigate.

This first conversation of the series will address the engagement of Boards of Directors in social, environmental and governance issues and emergent global governance initiatives such as Integrated Reporting, the UN Principles for Responsible Investment, the UN Global Compact, and the Global Reporting Initiative. More locally the new draft ASX Corporate Governance Principles - and the integration of these into corporate governance decision making is highly topical.

Ernst & Young's global thought leadership research on how investors are using non-financial information (environment, social, and governance) will be presented at the commencement of the conversation.

The event will be held in an intimate setting under Chatham House Rule to promote a robust deliberation amongst active directors and key institutional and regulatory stakeholders. Key issues facing Australian Boards of Directors will be addressed and challenges explored. The outcomes from the discussion will serve to inform doctoral research at the UTS Centre for Corporate Governance in an unattributed format.

Figure A1.1 Sydney Directors' Conversation – Invitation

Table A1.1 Sydney Directors' Conversation – Order of Proceedings

Time	Activity
5.30-6.00pm Arrival	Arrivals, greeting by Rosemary Sainty and EY representatives. Registration table and Handouts- EY and ASX Water and juice served. Speakers greeted (30 minutes)
6.00pm Welcome from the Host	Welcome by Host – EY Thank attendees. EY's support of discussion and research in this field Presentation of EY Global Investors Report-´Tomorrow's Investment Rules´ Intro Rosemary Sainty, UTS Centre for Corporate Governance (v brief bio) (10 minutes)
6.10pm Framing the conversation – Facilitator	Facilitator - Rosemary Sainty Cover off the purpose of the event- welcome, thank, Recording …and Chatham house. UTS School of Business external affairs – writing notes – won't be attributed comments but may approach you if interested to make a comment. Frame the discussion –CSR and CG (5 minutes)
6.15pm Commence the Conversation - Panellists (Need roving mics?)	Intro each panellist with a brief bio Regulatory perspective: ASX Chief Compliance Officer, ASX representative on the ASX Corporate Governance Council. Investor perspective: Director - Head of Asia Pacific, Corporate Governance and Responsible Investment, BLACKROCK Board Perspective- Non-executive Director, Wesfarmers; Vice-Chairman of the IFRS Advisory Council and Member, AICD Corporate Governance Committee Invite each to reflect on their perspective on the issues, using the pre-interview questions as prompts. Open up panel wide discussion. ** need power point and access to YouTube (up to 45 minutes)
7pm Open up to the floor	Targeted questions for the audience members (e.g. GIA consultation) Open questions from the floor (30 mins)
7.25 Close – Wrap up and Vote of thanks	Vote of thanks - Director of the Centre for Corporate Governance UTS. Thanks to special guest speakers and host EY. Invitation to stay on for drinks and networking. Notice - next event – drawing on emerging themes from tonight. 5 mins
7.30 - 8.00 Drinks, networking	(30 mins) – Room booked until 8.30pm

Table A1.2 Sydney Directors' Conversation – Conversation Prompts

Panellist	Questions

Case/Luke	**Exploring the perspective from the regulatory environment**
	• From the ASX power point slides:
	  o Background - ASX Corporate Governance Council and revised Corporate Governance Principles - the process of consultation, where they sit in the regulatory landscape.
	  o The Corporate Governance Principles themselves, with a focus on Recommendation 7.4 on ESG risk.
	• The evolution of the principles – are they reflecting the emergence of global governance initiatives e.g. UN PRI, Integrated Reporting, GRI and other Stock Exchange initiatives internationally?
	• ASX defines governance fairly narrowly. Environmental and social issues (in 7.4) are not considered a governance matter unless they become a risk to a company. Up until this time "E and S" are considered management issues. Can you explain a little more this perspective?
	• How effective is the "if not why not" approach? Is "the system" working? Does a coercive principles-based approach work in influencing corporate governance decision making, behaviour and disclosure to create the governance environment to enable the "necessary transition to a sustainable global economy"? Do you see differences across organisations e.g. large listed companies vs smaller entities?

Case/ Bronwyn	**Exploring the investor perspective** • Could we start with a description of your role at BLACKROCK which is an interesting one? (E.g. don't outsource proxy voting, extensive engagement with Boards) • Recently you had the experience of interviewing a group of directors, drawing out their experiences and perspectives (including "gate-keeping" the time spent discussing executive remuneration). You found it a highly valuable experience – could you tell us why? • Do you see interesting regional variations in e.g. approaches to corporate governance, or investor behaviour? How is Australia faring by comparison? • From your experience, what have you seen are the biggest challenges facing directors today? (Understanding and engaging with stakeholders? The pressure of quarterly reporting and short-term trading?) • What do you see as the challenges and conundrums for "responsible investment"? Is it about greater disclosure and information, or something more? (e.g. challenges of indexed funds, quarterly reporting, short term trading that is not necessarily in the interests of the company i.e. structural problem with the system – where asset managers are measured by their clients in terms of performance, such as big industry super funds who will remove mandate if they underperform.)
Case/ Martin	**Exploring the director perspective** • By law Directors have a duty of care to the company on behalf of its shareholders. Reflecting this, Wesfarmers Corporate Governance Statement states: "The Board is committed to providing a <u>satisfactory return</u> to its shareholders and fulfilling its corporate governance obligations and responsibilities in the <u>best interests of the Company and its stakeholders</u>." • There is a lot in this statement to unpack, demonstrating your view that Boards exists in a complex ecosystem and that understanding this complexity is of critical importance in order to understand good governance. Can you explain this further e.g. The company and its stakeholders - who are they, why is it important?

	Which shareholders? Short term traders Vs long term interest of the company Challenges of providing “satisfactory” returns and quarterly reports, whilst governing in the best interests of the company and its stakeholders? What is a corporation- a legal construct, existing in perpetuity • Back to the eco-systems. How can sensemaking occur at Board level on these issues? How does this take place? E.g. board structures - committees established to consider ESG issues, responsibilities allocated? Participating in global initiatives (e.g. CDP, PRI, GRI, DJSI)? The role of board diversity here – not just gender but interdisciplinary? Risk aversion (legal, accounting) vs innovation? • There has been some frustration for those working on ESG over the past decade, but there have been some recent developments e.g. at the recent ASIC conference – a discussion that considered the need to regulate for “real people” by examining ideas like behavioural economics and investor decisions with the recognition that people and their behaviour need to be factored into considerations such as regulation and governance i.e. people don’t necessarily behave in the way that academics or regulators might perceive i.e. people are emotional, suffer from information overload, are not always rational and have limited knowledge. Decisions are often based on approximate rules of thumb and not strict logic. Can you talk more about this? (ref- Behavioural Insights Team, UK Gov’t)

JOIN THE CONVERSATION WITH BUSINESS LEADERS AND PROMINENT PANELLISTS

Facilitator:

Rosemary Sainty

Centre For Corporate Governance UTS, Founding Australian Representative To The UN Global Compact.

Chairman:

Simon McKeon AO

Chairman AMP Limited Board; Macquarie Group Executive Chairman (Melbourne Office); Chairman of CSIRO.

Former Minister and Director:

Nick Sherry

Former Assistant Treasurer and Minister for Superannuation and Corporate Law; Chairman FNZ (Aust.); Independent Director of Spotless.

Director:

Rebecca McGrath

Non Executive Director at OZ Minerals Ltd, CSR Ltd, Incitec Pivot Ltd and Goodman Group.

Director:

James King

Non-Executive Director at JB Hi-Fi Ltd, Navitas Ltd and Pacific Brands.

Investor Representative:

Gordon Hagart

Chief Executive Officer, Australian Council of Superannuation Investors (ACSI).

UTS UNIVERSITY OF TECHNOLOGY, SYDNEY

CCG Centre For Corporate Governance

EY Building a better working world

The UTS Centre for Corporate Governance invites you to the second in a series of important business conversations to be held in 2014:

Engaging Boards in Corporate Responsibility:
Towards New Models of Corporate Governance

Hosted by Ernst & Young
Supported by the UTS Management Discipline Group
In consultation with Governance Institute of Australia and
Australian Council of Superannuation Investors (ACSI)

Date: Wednesday 1st October 2014
Time: 5.30pm for 6.00pm - 7.30pm drinks, 8pm close
Venue: Ernst & Young, 8 Exhibition St, Melbourne
RSVP: Friday September 26th 2014 – rosemary.sainty@uts.edu.au

As recent events such as the Rana Plaza factory collapse in Bangladesh demonstrate, the global business environment has become increasingly complex, challenging Directors of Boards, those ultimately responsible for the governance of corporations, with new contexts for decision-making.

This second event in our series of conversations around governance builds on the first event held on April 2014, focussing on the engagement of Boards of Directors in social, environmental and governance issues and emergent global and local governance initiatives, and the integration of these into corporate governance decision making. Questions to be explored in this next conversation include the emergent tensions between board values, culture and capacity, and board processes including risk and compliance, regulations and global ESG/CSR initiatives. How do boards balance fiduciary responsibilities and competing stakeholder interests? A background paper will be sent closer to the event.

David Atkin, CEO of CBUS and Board member of the Principles for Responsible Investment (PRI) will provide an introduction to the evening with a briefing on the PRI annual global conference held in Montreal a week earlier.

The event will be held in an intimate setting under Chatham House Rule to promote a robust deliberation amongst active directors, institutional and regulatory stakeholders. Key issues facing Australian Boards of Directors will be addressed and challenges explored. The outcomes from the discussion will serve to inform doctoral research at the UTS Centre for Corporate Governance in an unattributed format.

acsi

Governance Institute of Australia

Figure A1.2 Melbourne Directors' Conversation – Invitation

Table A1.3 Melbourne Directors' Conversation – Order of Proceedings

Time	Activity
5.30-6.00pm Arrival	Arrivals, greeting by Rosemary Sainty and EY representatives. Registration table and Handouts- EY and UTS Water and juice served. Speakers greeted (30 minutes)
6.00pm Welcome from the Host	Welcome by Host – Managing Partner – Asia Pacific Climate Change and Sustainability Services Thank attendees; EYs support of discussion and research in this field etc. Intro Rosemary Sainty, UTS Centre for Corporate Governance (v brief bio) (up to 5 minutes)
6.05pm Framing the conversation – Facilitator	Facilitator - Rosemary Sainty Cover off the purpose of the event- welcome, thank. Refer to background brief on April 14 event Recording, note taking …and Chatham house. Introduce PRI board member (bio) (up to 5 minutes)
6.10pm Introductory Briefing	CEO of CBUS and Board member of the Principles for Responsible Investment (PRI) David will provide a brief on the PRI and outcomes from the PRI international annual conference last week in Montreal. (up to 10 minutes)
6.20pm Commence the Conversation - Panellists (Need roving mics?)	Facilitator Introduces each panellist with a brief bio Facilitator - Rosemary Sainty Chairman: Chairman AMP Limited Board; Macquarie Group Executive Chairman (Melbourne Office); Chairman of CSIRO. Former Minister and Director: Former Assistant Treasurer and Minister for Superannuation and Corporate Law; Chairman FNZ (Aust.); Independent Director of Spotless. Director: Non-Executive Director at OZ Minerals Ltd, CSR Ltd, Incitec Pivot Ltd and Goodman Group. Director: Non-Executive Director at JB Hi-Fi Ltd, Navitas Ltd and Pacific Brands. Investor Representative: Chief Executive Officer, Australian Council of Superannuation Investors (ACSI). Invite each to reflect on their perspective on the issues, using the pre-interview questions as prompts. Open up panel wide discussion.
7.25 Close – Wrap up and Vote of thanks	Vote of thanks. Thanks to special guest speakers and host EY. Invitation to stay on for drinks and networking. Notice - next event – drawing on emerging themes from tonight. (5 mins)
7.30 - 9.00 Drinks and networking	(60 mins) – Room booked until 9pm

Table A1.4 Melbourne Directors' Conversation – Conversation Prompts

Panellist	Questions
Mathew	First Question: Looking at 1st theme of reframing role of the board and CG – stewardship Exploring the Chairman perspective Interesting to hear your insights and perspective chairing a large financial services group and the governmental scientific research body. amongst many other achievements and experiences in medical research, community orgs Talk to the importance of public engagement by business leaders – their voice heard. To run better companies, need to better understanding their community, closer aligned to the environment in which the business operates –not retreating to corners or asking for better tax deals. Why isn't there more of this in Australia? Why this handicap? Cultural? Uni, business schools. Where are the associations that represent business? (vs privately lobbying by business associations). Eg Catherine Livingstone, now chair of BCA speaking publicly about her concerns on the support of scientific education and research. Overarching theme – WHAT IS GOOD GOVERNANCE IN 2014? - what would you like to suggest are key elements of. Under-investing in innovation- Low number of PhDs on Boards – diversity, compared to the US. Innovation and positive risk.
Margaret	First Question: Looking at the 4th theme - board performance – culture and values vs structure and process With more than 20 years as an executive in the oil industry now sits on 4 four ASX listed companies' boards as a NED, and chairs 2 sustainability board sub-committees - for CSR and Incitec Pivot. Q: – How important is it to have a dedicated board committee on sustainability related issues- does it inform the board? Where does sense-making happen on such a complexity of issues? Board capacity, board skills? There has been an evolution - from checking past performance to forward looking strategic view. Can you describe this a bit more — how or why has this evolved? In response to what? (Coercive normative or mimetic, sensemakers?)
Jack	First Question: 2nd theme - Tradeoffs and tensions in managing stakeholder and shareholder interests and 7th theme ethical decision making vs compliance 25 years' experience in MNEs in Australia and internationally. Including Foster's Group MD, and in Hong Kong as President of Kraft Foods (Asia Pacific). He is currently a non-executive director of JB Hi-Fi Limited (since 2003) and Navitas Ltd (since 2004). and Board of Pacific Brands Limited in September 2009 Interesting to hear about what changes have you seen in corporate governance, and board practices and the emergent challenges and how best met? Take a practical Focus on supply chain challenges and the role of the Board - How are these issues taken up at Board level- As an example – How did you make the transition at Pacific Brands as an early adopter on ethical trading - Ethical Trading Initiative ('ETI')– compliance and beyond? Can companies balance their economic- social and environmental- considerations simultaneously? Is it naive to think that there can always be win win alignment? Or are Trade- offs and tensions more the rule rather than the exception? - - eg off-shoring manufacturing and loss of jobs in Australia (2009)? How can/does the board deal with this –

	dev'p mgt and strategic tools- maturing understanding of the complexity of corporate sustainability.
Shawn	Your Unique perspective: Role of policy, corp law regulation & CSR, the use of soft and hard law levers (letter to trustees about taking into account the ESG) Growing influence of superannuation funds. And now role as a company director Looking at the 7th theme- regulation vs soft power Q: (Me); Now that you are a company director and chair- thinking back to the PJC Inquiry into directors' duties of disclosure in 2006 – to regulate or not to regulate reporting on 'non financials' vs voluntary approach. Do you think the voluntary approach and relevant global governance initiatives have been enough e.g. sustainability reporting, PRI? What is the role of governance / leadership here – (this could tap into my point about lack of leadership leaves us fighting for turf). Notions of "soft power" levers e.g. writing a letter to APRA re super trustees. Has this helped boards and CG keep up with the challenges?
Hugh	Further exploring the super fund representative perspective. What's happening, and what does this mean for corporate governance and directors of boards- both corporate and investors? First question- 3rd Theme- Active engagement between investor community, (asset owners) and boards – long term short term issues. We talked about when engaging with Non-executive directors- Now evolving- 2 different conversations: - asset managers with a shorter-term focus and - asset owners (eg super funds- institutional investors) – with a longer-term focus and interest in the corporation. Other evolution – the touch point for Boards and asset owners in the past was mainly reactive. Now- its 2 way- a conversation as things unfold- we are in this together, you run the ship and we are passengers – avoid the icebergs- learning by doing together. They help the investors.

A1.3 Stage Three Documents

Table A1.5 Stage Three Sample and Connection to CSR Institutional Infrastructure

Alias	Classification	CSR Evidence
Cases\\Callum	Board - Chairman and Managing Director	Annual CSR or Sustainability Report to GRI, IIRC, UNGC, CDP, FTSE4Good, DJSI.
Cases\\Duncan	Board - Non-Executive Director	Annual Sustainability Report, GRI
Cases\\Fred	Board - Executive Director	Annual CSR Report, UNGC, DJSI, CDP, PRI, FTSE4Good
Cases\\Kirsten	Board - Non-Executive Director	Annual CSR Report, IIRC, CDP, PRI, UNEP FI
Cases\\Louise	Board - Non-Executive Director	Annual CSR Reporting. Professional Association role involves GRI and IIRC.
Cases\\Malcolm	Board - Non-Executive Director	Annual CSR Reporting, FTSE4Good
Cases\\Mark	Board - Chairman and Non-Executive Director	Annual CSR Reporting, FTSE4Good
Cases\\Meredith	Board - Company Secretary and General Legal Counsel	Annual CSR Report, UNGC, DJSI, CDP, PRI, FTSE4Good
Cases\\Oliver	Board - Chairman and Non-Executive Director	Annual Sustainability Report, UNGC, UN Sustainable Development Goals (SDGs), DJSI, CDP,
Cases\\Simon	Board - Chairman and Non-Executive Director	Sustainability performance reporting, Carbon Disclosure Project, Dow Jones Sustainability Indices, FTSE 4 Good Index
Cases\\Warwick	Board - Company Secretary and General Legal Counsel	Annual CSR reporting, GRI, UNGC, PRI, DJSI, GRESB

Table A1.6 Abbreviations – CSR Institutional Infrastructure

CDP	Carbon Disclosure Project - climate change action
DJSI	Dow Jones Sustainability Indices - scores companies on three dimensions: economic, environmental and social
FTSE4Good	FTSE4Good Index Series - companies demonstrating strong Environmental, Social and Governance (ESG) practices
GRESB	Global Real Estate Sustainability Benchmark
GRI	Global Reporting Initiative
IIRC	International Integrated Reporting Council
PRI	Principles of Responsible Investment
SDGs	Sustainable Development Goals
UNGC	UN Global Compact- signatory to the ten principles of corporate citizenship

A1.3.1 Invitation to Participate Sample Letter

Dear […]

I am following up on [……] kind gesture to introduce me and my doctoral research to you - and a request for a possible interview.

I am based at the Centre for Corporate Governance, UTS Business School where I am conducting doctoral research on the "interface" of corporate responsibility/ sustainability and corporate governance. The research focuses on board members and their decision- making in the context of the corporate responsibilities of their companies, in an increasingly complex operating environment.

By way of background - working from St James Ethics Centre and funded by federal Treasury I established the "National Responsible Business Practice Project" including the UN Global Compact and the Global Reporting Initiative networks in Australia, from 2007- 2011. The federal funding was made available following two government inquiries into corporate social responsibility (by the Parliamentary Joint Committee on Corporations and Financial Services, and the Corporations and Markets Advisory Committee (CAMAC)).

With the support of Ernst & Young, Governance Institute of Australia and the Australian Council of Superannuation Investors (ACSI) I have held two of a planned three deliberative "Directors Conversations" as part of my research. The latest of these was held in Melbourne with a panel led by Simon McKeon, Chairman of AMP and CSIRO (see https://www.uts.edu.au/research-and-teaching/our-research/centre-corporate-governance/news-0/directors-conversations-why). I am also conducting one-to-one interviews. I am now close to completing my data gathering (interviews) and am keen to ensure I have a breadth of perspectives, particularly from senior members of the business community. It would be excellent to interview you in this final stage of research, given your depth of experience. This would be for up to 45 minutes and the interview would remain confidential as per University research ethics requirements. Ideally, I would audio record our conversation which would be de-identified. Please find attached the Participant Information Sheet and the UTS Research Ethics Consent From.

I am flexible with my times (other than Fridays) and am happy to come to you in the next few weeks following Easter.

I look forward to your response.

Best wishes

Rosemary

A1.3.2 Stage Three: Interview Guide

The interview begins with an introduction to the research and its aims, followed by exploratory open-ended questions.

1. **As a board member, what is your perspective on and experience of 'CSR'?**

   Prompting questions**:**
   - What or who has influenced your thinking? And practice?
   - Do you think things have shifted? Iterative versus transformational change? What are the drivers?
   - Competing beliefs and practices e.g. shareholder primacy and short termism versus broader shareholder view? Tensions and trade-offs at play?
   - What are the barriers? For example: short term incentives, perceived director's duties, the 'business judgement rule', future focused statements and fear of personal liability?
   - How would you as a board member, resource yourself to make some of these challenging decisions?
   - Based on your experience - do corporates/ boards influence policy and government decision-making (influence flows)?

2. **What impact do you think the CSR/ESG movement and its initiatives has had?**

   Prompting questions**:**
   - Reporting – Sustainability (e.g. GRI), integrated reporting, value creation, 'materiality'?
   - Movements such as Purpose of the Corporation, UNEP FI Fiduciary Duty Report, Eccles Statement Campaign? UNGC Board Training? Sustainable Stock Exchange Initiative?
   - And from the investor community – PRI/investor coalitions on climate change action?

3. **Exploring the institutional field - in your experience what role have the following played in terms of board engagement in CSR/ sustainability?**

   - Regulation /certification played? (Coercive)
   - Professional bodies, education providers, initiatives played? (Normative)
   - Peers, competitors, leaders (Mimetic)?
   - Particular individuals either in the field or within your own organisation (Institutional entrepreneurs/actors, stewardship)? Other?

4. **Iterative questions from Stage 1 and 2 of data collection**

   - How much does the perception of risk play a role? Focus on compliance? Impact on strategy and innovation?
   - Role of intermediaries e.g. Advisers- proxy, legal, management etc.
   - Role of language - sustainability vs. mainstream business - is there a cultural divide?
   - Composition of board - diversity, experience, personalities, disciplinary backgrounds
   - Importance of recruitment practices for board positions?
   - Importance of Chairman, enlightened CEO /management/ team as prime influencer within the organisation?
   - How different are different boards? Culture of the board versus structure of board? Where does the culture come from? How effective are CSR sub- committees?
   - Are boards merely creatures of the corporation - can't really champion change?
   - Is there a country by county difference or are the global capital markets dominant?

A1.3.3 Sample Ethics Consent Form

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CONSENT FORM

THE ACTIVE ENGAGEMENT OF BOARDS OF DIRECTORS IN CORPORATE RESPONSIBILITY AND SUSTAINABILITY: TOWARDS NEW MODELS OF CORPORATE GOVERNANCE

I ______________________ agree to participate in the research project "The Active Engagement of Boards of Directors in Corporate Responsibility and Sustainability: Towards New Models of Corporate Governance (UTS HREC REF NO. 2013000607*)* being conducted by Rosemary Sainty (UTS Business School, University of Technology, Sydney City Campus, PO Box 123 Broadway, NSW 2007; mobile 0417961036) of the University of Technology, Sydney for her PhD in Management Studies.

I understand that the purpose of this study is to investigate how and why Directors of Boards become actively engaged in corporate responsibility and sustainability, in order to better understand board- level change in this growing area of corporate governance.

I understand that I have been asked to participate in this research because I have significant experience and am actively engaged in corporate responsibility and sustainability (CSR) activity both within my organisation and in CSR networks or initiatives within Australian or internationally. My participation in this research will involve an audio recorded face-to-face or phone interview and should take no more than 45 to 60 minutes of my time. I understand that what I have said in the interview will be completely confidential, and the results of the study will be reported in a way that I as an individual participant, or the organisation in which I am employed, cannot be identified.

I am aware that I can contact Rosemary Sainty or her supervisor Professor Suzanne Benn if I have any concerns about the research. I also understand that I am free to withdraw my participation from this research project at any time I wish, without consequences, and without giving a reason.

I agree that Rosemary Sainty has answered all my questions fully and clearly.

I agree that the research data gathered from this project may be published in a form that does not identify me in any way.

________________________________ ____/____/____
Signature (participant)

________________________________ ____/____/____
Signature (researcher or delegate)

Professor Suzanne Benn (Supervisor)
Professor of Sustainable Enterprise
UTS BUSINESS SCHOOL
e: suzanne.benn@uts.edu.au
ph: +61 2 9514 3060
m: +61 (0) 411 953 000

NOTE:
This study has been approved by the University of Technology, Sydney Human Research Ethics Committee. If you have any complaints or reservations about any aspect of your participation in this research which you cannot resolve with the researcher, you may contact the Ethics Committee through the Research Ethics Officer (ph: +61 2 9514 9772 Research.Ethics@uts.edu.au) and quote the UTS HREC reference number. Any complaint you make will be treated in confidence and investigated fully and you will be informed of the outcome.

A1.3.4 Sample Participant Information Sheet

UTS
UNIVERSITY OF TECHNOLOGY, SYDNEY

INFORMATION SHEET

THE ACTIVE ENGAGEMENT OF BOARDS OF DIRECTORS IN CORPORATE RESPONSIBILITY AND SUSTAINABILITY: TOWARDS NEW MODELS OF CORPORATE GOVERNANCE **(Stage 2)**
(UTS HREC REF NO. 2013000607**)**

WHO IS DOING THE RESEARCH?
My name is Rosemary Sainty and I am a student at UTS. (My supervisor is Professor Suzanne Benn)

WHAT IS THIS RESEARCH ABOUT?
This research is to find out about how and why Directors of Boards become actively engaged in corporate responsibility and sustainability, in order to better understand board- level change in this growing area of corporate governance.

IF I SAY YES, WHAT WILL IT INVOLVE?
Your participation in this research will involve participation in an audio recorded conversation group where you will be one of a small number of directors of boards or persons with relevant experience on a facilitated panel. This commitment will take up to 3 hours of your time on an early weekday evening.

ARE THERE ANY RISKS/INCONVENIENCE?
The session will operate under the "Chatham House Rule" protocol where "participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed". Data will be recorded and all identifiers removed. You will be given the opportunity to verify the transcript for accuracy or completeness before analysis is complete. What you have said in the interview will be completely confidential, and the results of the study will be reported in a way that neither you as an individual participant, nor the board/boards on which you sit can be identified.

WHY HAVE I BEEN ASKED?
You have been asked to participate because you are actively engaged in corporate responsibility and sustainability (CSR) as a Director of a Board or have significant experience and are actively engaged in corporate responsibility and sustainability (CSR) activity both within your organisation and in CSR networks or initiatives within Australian or internationally.

DO I HAVE TO SAY YES?
You don't have to say yes.

WHAT WILL HAPPEN IF I SAY NO?
Nothing. I will thank you for your time so far and won't contact you about this research again.

IF I SAY YES, CAN I CHANGE MY MIND LATER?
You can change your mind at any time and you don't have to say why. I will thank you for your time so far and won't contact you about this research again.

WHAT IF I HAVE CONCERNS OR A COMPLAINT?
If you have concerns about the research that you think I can help you with, please feel free to contact me on 0417 961036

If you would like to talk to someone who is not connected with the research, you may contact the Research Ethics Officer on 02 9514 9772, and quote this number *(UTS HREC REF NO. 2013000607)*

Professor Suzanne Benn (Supervisor)
Professor of Sustainable Enterprise
UTS BUSINESS SCHOOL
e: suzanne.benn@uts.edu.au
ph: +61 2 9514 3060
m: +

A2 Data Analysis

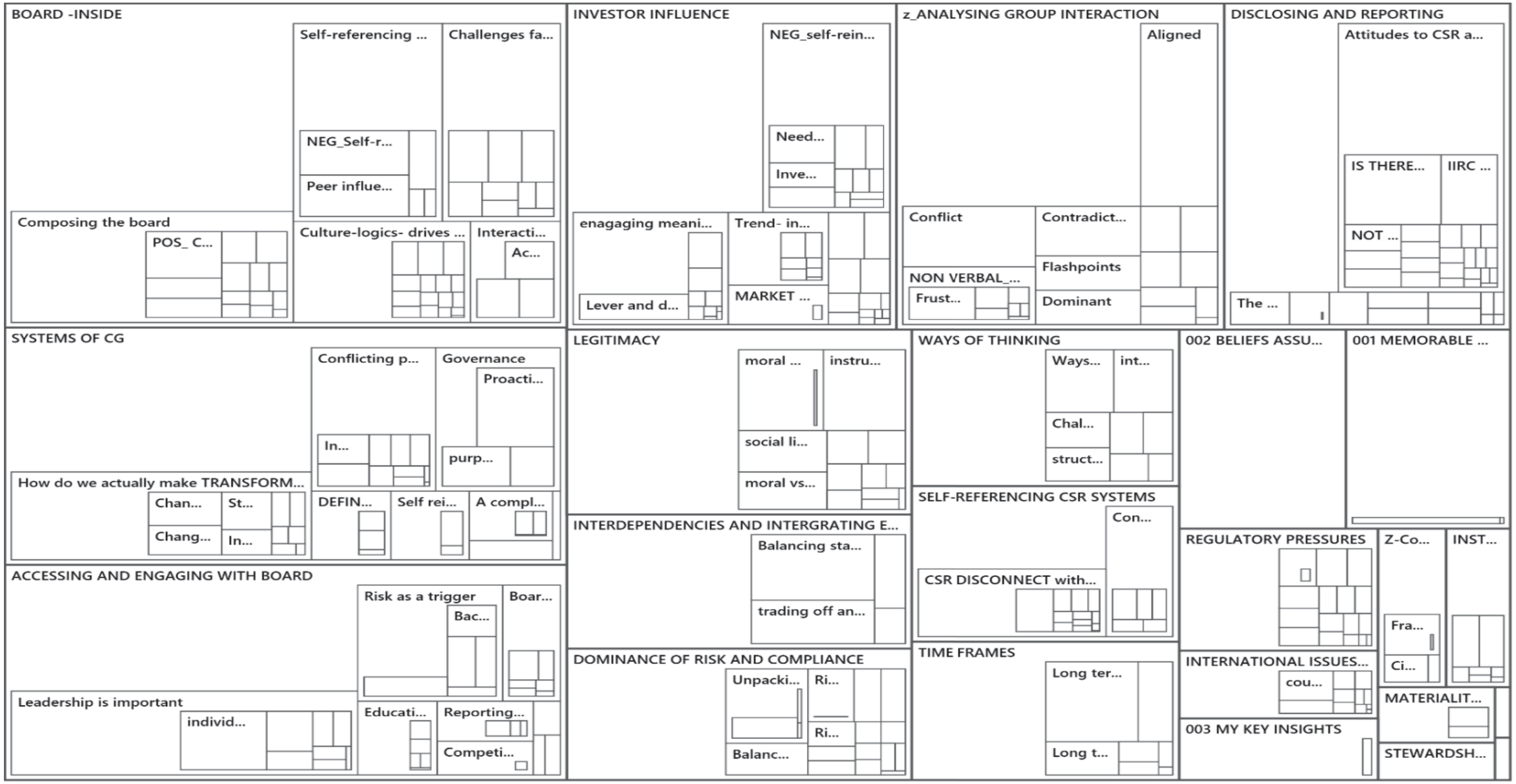

Figure A2.1 NVivo Hierarchy Chart

Nodes

Name		Sources	References
LEGITIMACY		0	0
cognitive and pragmatic		5	15
ideology of shareholder primacy		3	6
instrumental - pragmatic - business case		19	67
moral and pragmatic- common business sense		22	67
moral judgement vs compliance		1	3
moral vs pragmatic thing to do		14	33
normative - value frameworks		4	6
personal morality and principles		2	4
role of private actors		2	5
self-interest vs community interest		3	5
social license to operate - emergent social logic		6	28
superficially connected to the community		2	5
sustaining value creation		5	12
MATERIALITY- EVOLUTION		11	31
How you frame it matters		2	8
Prioritising is challenging		4	5
REGULATORY PRESSURES		4	10
as a minimum - comply with regulation		2	2
Beyond regulation and compliance risks		4	5
BJR vs MSV		2	2
Climate change- a new horizon with regulatory and le		1	2
Coercive kickstart		3	10
Fear of regulatory response to forward looking disclos		3	5
Financial services greater expectations for engagemen		4	13
global regulatory vacuum - reverse reg pressures		6	13
IIRC vs legal frameworks		4	5
license to operate		2	3
NEG_ government policy at the CSR CG interface		5	15
Political influence of business		7	14
Push back on reporting		3	4
Reg action needed in the absence of normative		5	8
regulation and policy influenced by CSR-ESG initiativ		5	7
regulation leading to compliance mindset		8	11
regulatory is the driver		2	2

Nodes

Name	Sources	References
SELF-REFERENCING CSR SYSTEMS	0	0
Convergence of CSR with CG and Boards	11	70
CSR DISCONNECT with CG, BOARD	19	86
SITUATIONAL CONTEXT	8	13
STEWARDSHIP	15	36
SYSTEMS OF CG	0	0
A complexity of systems, interests and influences exist	8	30
Conflicting perpectives on Fiduciary duties	17	83
DEFINING AND FRAMING CG	11	28
Governance	10	27
How do we actually make TRANSFORMATIVE CHANG	20	105
Need for education and deep understanding of CG-CS	8	16
New forms of CG	3	5
POS - I think Aust from a global perspective is one of t	3	3
Self reinforcing systems of CG	12	37
TIME FRAMES	0	0
Aligning long term interests in the board ecosystem	11	26
Investor challenges - short termism	3	7
Long term sustainable value creation	8	27
Long term vs short term tensions	24	76
Push back on investor pressure for short term returns	4	4
Short term incentives	3	4
Stakeholder pressure for short term responses	4	7
WAYS OF THINKING	0	0
Challenge current thinking	9	20
complexity of subject matter	5	11
Entrenched thinking	6	11
forwards thinking	7	9
integrated thinking	14	32
structured and strategic thinking	9	22
Ways of thinking - new	16	40
ways of thinking-old	8	13

Figure A2.2 Sample of Initial Codes for Research Stages One, Two, Three: Expanded parent and aggregated first level (child) nodes

(Reflects number of coding references arranged by parent and child nodes)

A2.1 Stage One Data

Table A2.1 Coding Matrix – Stage One Focus Group

All Nodes (Sorted) by Interactive Nodes by Focus Group Source

(Numbers in left hand column refer to alphabetical order in NVivo)

	A : Stage 1 Focus Group	C : Aligned	D : Alliance	E : Common Experience	F : Conflict	H : Consensus	J : Contradictions	K : Disagreements	N : Flashpoints	V : Frustration
17 : Educating boards in CSR	16	0	2	5	0	0	0	0	0	0
121 : Peer influence and networks -learning from ea other	15	0	0	2	1	3	0	0	1	1
30 : individual champions, passion and courage in leadership roles are crucial	9	0	0	0	0	0	0	0	0	0
40 : Being opportunistic- turning risk to leadership opportunity	7	0	1	1	0	1	0	0	0	1
413 : Ways of thinking - new	7	0	0	1	0	1	0	0	1	0
15 : Competing for time on board	6	0	1	2	0	0	0	0	1	0
206 : Balancing stakeholders and shareholders	6	0	0	0	0	0	0	0	1	0
411 : integrated thinking	6	0	0	0	0	0	0	0	0	0
5 : ACCESSING AND ENGAGING WITH BOARD	5	0	1	2	0	0	0	0	0	0
32 : Leveraging the competitive spirit	5	0	0	1	0	2	0	0	0	0
69 : POS_ Competencies on the board	5	0	0	1	0	0	0	0	0	0
120 : NEG_Self-reinforcing board ecosystem	5	0	0	2	0	1	0	0	0	1
194 : Educational institutions falling short- systemic issue	5	0	0	2	0	0	0	0	0	0
402 : Long term vs short term tensions	5	0	0	1	0	0	0	0	1	0
408 : complexity of subject matter	5	0	0	1	0	0	0	0	0	0
8 : board structures, committees - mixed blessings	4	0	0	0	0	0	0	0	0	0
42 : NEG -Framing CSR as risk to get boards engagement - catch 22	4	0	0	1	0	0	0	0	1	1
157 : TO BE ACCOUNTABLE YOU HAVE TO BE UNDERSTANDABLE	4	0	0	0	0	0	0	0	1	0
205 : INTERDEPENDENCIES AND INTERGRATING ESG	4	0	0	0	0	0	0	0	0	0
209 : trading off and tensions	4	0	0	2	0	0	0	0	1	0
276 : moral and pragmatic- common business sense	4	0	0	0	0	0	0	0	0	0
11 : POS_dedicated sust board ctee	3	0	0	0	0	0	0	0	0	0
21 : intellectual humility	3	0	0	0	0	0	0	0	0	0
43 : Risk as a trigger for board engagementand understanding	3	0	1	1	0	0	0	0	0	0
59 : Generational change on the board	3	0	0	1	0	0	0	0	0	0
97 : dominance of chairman	3	0	0	0	0	0	0	0	0	0
144 : IS THERE A PROBLEM WITH LANGUAGE	3	0	0	0	0	0	0	0	0	0
171 : pressure from CSR initiatives	3	0	0	2	1	1	0	1	2	1
198 : Conservative approach of some Professional bodies	3	0	0	1	0	1	0	0	0	0

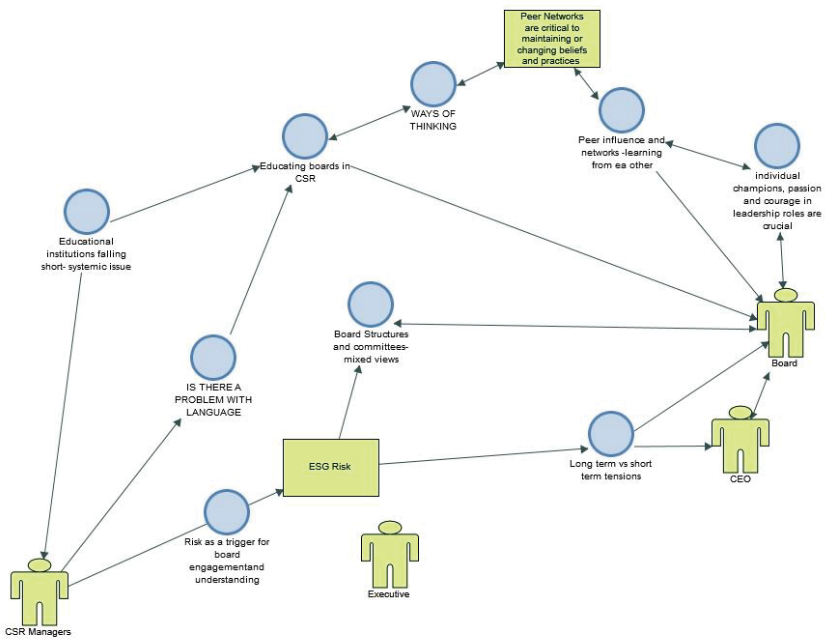

Figure A2.3 Concept Map: Stage One Focus Group

Table A2.2 Stage One Focus Group Focused Codes, Categories and Exemplary Quotes

Stage One Focus Group Category: CSR: Corporate (n=10)		
Categories	**Focused Coding**	**Key quotes derived from initial coding**
Self-Reinforcing Systems	The club: Peer influence and networks maintain the status quo	It is a bit of a club. And so, when you're in a club new member are like you Everyone's looking at each other, well who's going to move first? That social norming is just so vital to getting the movement in any particular industry.
	Board access and engagement Competing for time	You get one line at a board meeting… … it doesn't get traction, it doesn't get placed on the agenda You can probably assume that if there's a micro-metre of opportunity for any CSR manager to get to that board they're in, in it like a rat on a drainpipe
	Institutions maintain the status quo	I do think one of the biggest barriers is around education capacity building for boards and … it needs to be done through the 'club' … I did the Directors course …they've rushed over environment in about a 20, 20 minutes… MBA structures of, of all the major universities here they're very traditional in their focus
Self-Reinforcing Systems / Language frames engagement	Board access and engagement Risk as a trigger	So, there is no way in for a strategic discussion of ESG unless it's a risk So, you frame it as being a risk piece to give it the burning platform in order for action to be taken now but then you're framing it in a way that it's a reactive type piece rather versus a pro-active.
Language frames engagement	Understanding complex agenda	Sustainability or whatever word you want to use for it, is just so complex and there's no way one person can be across what all the ins and outs of human rights issues are and the environment … It's like drinking from a fire hose … You hope that some goes in It touches every function whether you're an accountant, whether you're in corporate strategy or marketing…
	Reporting enables external engagement	So, our annual report is, we make sure that it's very clear how sustainability is integrated So, we do a formal sustainability report but it's really for the investors, the analysts …
Estrangement	Organisational inconsistency	Our environment team … has gone from being integrated in the business to being pulled back out and moving around, and this happens everywhere of course…it's a cyclical thing with our business
Contested Space	Time Frames: Long term vs Short term tensions	…Whether the investors are short-term or long-term investors maybe as potentially where a lot of the challenge lies.
Navigating Complexity	Board access and engagement: dedicated committees	Part of my role for into that committee is to report on emerging issues and emerging risk. So that gives me an opening to do broader education …
	Board access and engagement: Competitiveness as lever	They want to understand who else is out there and what are they rating us on … it'll be one of my opportunities through stealth …
	Board more open than management	… So, I'll be maximizing every last shred of that, to get the issues I've been struggling with up to the board. So, our board is probably more open than our management team.
	New ways of thinking	"[CSR] … not even skillset but a different way of thinking".
Agency and Leadership	Engaging senior management	Needs to be as much importance placed on that group that the CEO sits with the… because they're the people who hold the purse strings and are able to make as much change.

	Leadership drives change Dominance of Chairman Individual champions drive change	It's his personal passion which has been able to… embed into the organization at the executive level and then has used his role then as the Chairman to really solidify that position and then getting some like-minded board members who are already familiar with the issues to really make it part of their, part of the way they do business. Individual champions are crucial, crucial for doing anything outside the box… outside the traditional risk profiled areas.

Table A2.3 Coding Matrix: Aggregated Parent Nodes by Stage One Interview Specific Categories

(Numbers in left hand column refer to alphabetical order in NVivo)

	CG - Civil Society	CG - Prof'l Assocn	Institutional Entrepreneur	Investor - ESG Advisory	Investor - Industry Body	Institutional Investor (ESG)	CSR - Corporate	CSR - Civil Society	CSR - Prof'l Services
1 : 001 MEMORABLE QUOTES	2	7	28	1	0	6	8	12	2
2 : 002 BELIEFS ASSUMPTIONS VALUES	2	13	29	2	0	4	9	11	3
3 : 003 MY KEY INSIGHTS	0	1	1	0	0	0	0	0	0
4 : ACCESSING AND ENGAGING WITH BOARD	5	10	22	0	1	3	10	15	4
5 : INSIDE THE BOARD	0	16	10	14	2	3	9	13	10
6 : DISCLOSING AND REPORTING	3	30	36	0	1	3	1	12	13
7 : DOMINANCE OF RISK AND COMPLIANCE	4	9	4	2	1	0	4	8	2
8 : EDUCATIONAL INSTITUTIONS FALLING SHORT	0	0	0	0	0	0	0	1	0
9 : EXTERNALITY PRESSURES	0	0	0	0	0	0	2	0	0
10 : INSTITUTIONAL INFLUENCES	0	14	4	4	1	2	0	2	0
11 : INTERDEPENDENCIES AND INTERGRATING ESG	0	5	1	0	0	4	7	6	2
12 : INTERNATIONAL ISSUES & COUNTRY RELEVANCE	0	4	22	2	0	3	4	1	0
13 : INVESTOR INFLUENCE	5	13	12	1	9	29	1	6	1
14 : LEGITIMACY	1	11	12	0	0	4	7	9	3
15 : MATERIALITY- EVOLUTION	1	1	10	0	0	4	1	6	5
16 : REGULATORY PRESSURES	1	8	4	0	1	0	8	2	1
17 : SELF-REFERENCING CSR SYSTEMS	0	5	39	0	0	0	0	7	0
18 : SITUATIONAL CONTEXT	0	0	1	0	0	0	0	0	0
19 : STEWARDSHIP	0	0	2	1	0	0	0	0	0
20 : SYSTEMS OF CG	3	21	33	0	0	0	4	16	6
21 : TIME FRAMES	2	13	5	0	0	3	1	8	0
22 : WAYS OF THINKING	2	11	7	4	3	0	0	4	6
23 : z_ANALYSING GROUP INTERACTION	1	16	11	0	1	0	0	12	0

Table A2.4 Coding Matrices: Disaggregated Nodes by Corporate Governance Categories

C : Person:Category - Specific = Corporate Governance - Civil Society	No. of references
43 : Risk as a trigger for board engagementand understanding	3
371 : How do we actually make TRANSFORMATIVE CHANGE - what's the overarching objecti	3
255 : MSV, short term returns, and the share price and the dominant drivers for ALL investors	3
181 : Evolution of ESG as risk, negative screen.	2
407 : Challenge current thinking	2
186 : Risk, compliance, liability and fear of litigation	2
402 : Long term vs short term tensions	1
399 : Aligning long term interests in the board ecosystem	1
33 : Need resources, in line mgt etc.	1
275 : instrumental - pragmatic - business case	1
30 : individual champions, passion and courage in leadership roles are crucial	1
165 : NEG_Platitudes and reporting	1

D : Person:Category - Specific = Corporate Governance - Professional Association	No. of References
419 : Conflict	13
198 : Conservative approach of some Professional bodies	11
402 : Long term vs short term tensions	10
144 : IS THERE A PROBLEM WITH LANGUAGE	9
347 : Investor driven view	6
131 : IIRC trajectory	6
181 : Evolution of ESG as risk, negative screen.	5
337 : intermediaries and investors	5
172 : sectoral relevance to reporting	5
167 : Obligation to report	5
121 : Peer influence and networks -learning from ea other	5
399 : Aligning long term interests in the board ecosystem	4
33 : Need resources, in line mgt etc.	4
275 : instrumental - pragmatic - business case	4
276 : moral and pragmatic- common business sense	4
206 : Balancing stakeholders and shareholders	4
130 : confusion and competition between the different initiatives	4

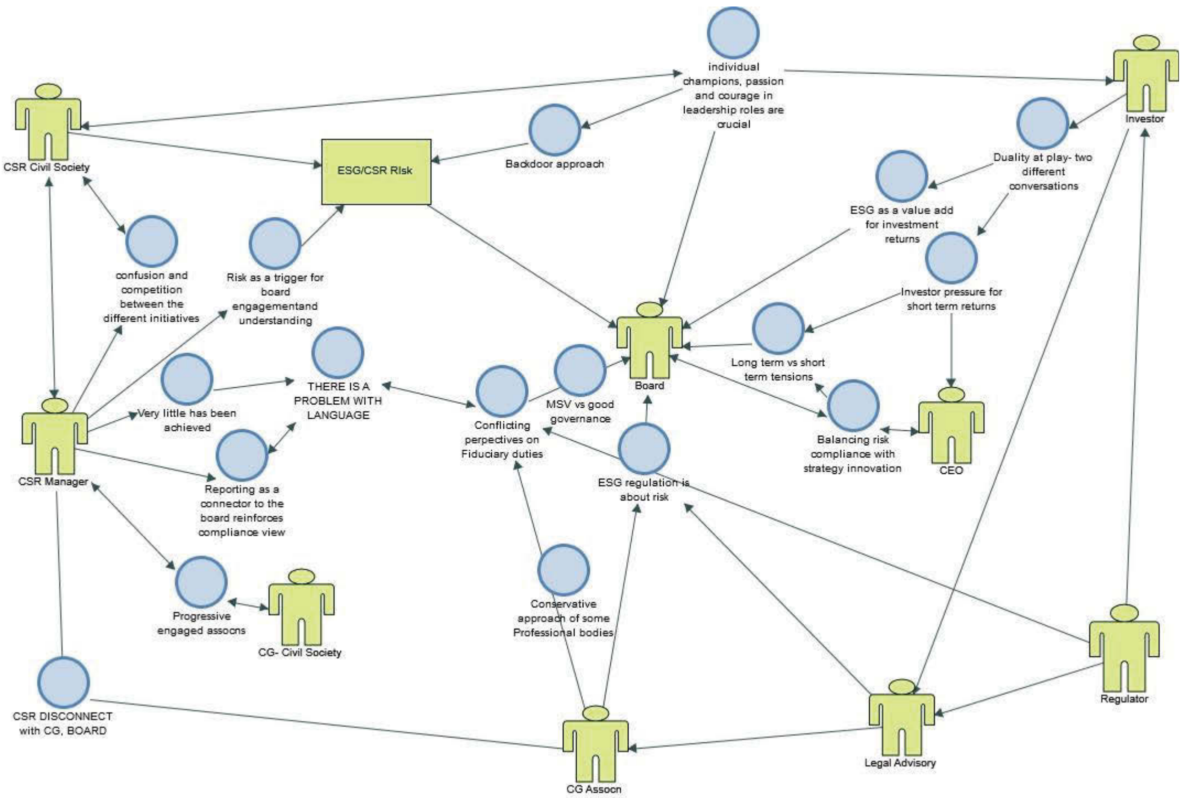

Figure A2.4 Concept Map: Stage One Interviews – Corporate Governance

Table A2.5 Stage One CG Interviews: Focused Codes, Categories and Exemplary Quotes

Stage One Interviews Category: Corporate Governance (n= 6) Specific Categories: Civil Society (1), Professional Association (5)		
Categories	Focused Coding	Key quotes derived from initial coding
	Corporate Governance - Civil Society	
Self-Reinforcing Systems	Purpose of the corporation: MSV	Everything comes back to the share price because that's the way we currently measure success and who's winning the game… is … they've got to make a return. And how's it in their interest to change the purpose of the corporation? At the end of the day these guys have still got to make a return and what we're talking about to them is challenging the whole system.
Navigating Complexity	Moral and Pragmatic	A pre-eminent US pension fund ... divests fossil fuels but maximizes shareholder value because … they've got those ongoing commitments.
	Short term incentives contribute to the thinking	I think in the short term, you know you look at these sustainability issues- if we don't do something about these resources in 50 years' time – well I don't really care about it because my tenure on this board or as CEO is 3 years- a relatively short-term horizon.
Self-Reinforcing Systems	Risk as a trigger	As per the climate risk – this would get into the board room as it would get tagged as a legal risk so it needs to be an agenda item. This is risk to the share price. If you're going to deal with sustainability, what you are really interested in is the short-term share price and if you're a bit more sophisticated the longer-term share price. And if you can see that this is going to cause a problem you need to do something about it.
Navigating Complexity	CEO leadership crucial	Paul Polman (Unilever) is a champion- so long as share price is behaving. What happens when the share price starts to slide and he comes under pressure?
Estrangement	CSR disconnect with CG, board	CSR very much sits outside line management. They have less power in the organisation so I would think logically they would have less influence on the board.
Navigating Complexity	Moral and pragmatic	I think that satisfactory returns for shareholders is really enlightened. We were toying with the term reasonable returns. But dismissed because we couldn't work out what is reasonable, satisfactory.
	Corporate Governance – Professional Association (Director Assocn)	
Navigating Complexity	Reporting- mixed blessings	Boards spend a lot of time reporting on this – reporting's different to engaging … some are just ticking boxes others are in there quite strongly engaging.
Self-Reinforcing Systems	Language frames engagement CSR disconnect with CG, Board	I think the challenge is that what is the definition of sustainability? What is the definition of environmental, social, and governance risk? How do you ensure that what you're talking about is entity specific? They are thinking about these things – but I think some of the language scares them. What many around a board, would think long term is not about sustainability as much as it is about making long term investments, sustainable returns.
Navigating Complexity	Boards are overwhelmed	All of this debate is overwhelming for directors– because it's an addition to existing responsibilities which are onerous, and the pressures from the market or from investors or owners or whatever it might be … I don't think that's because they disagree …They are being pushed and pulled - long term, short term. It's not possible for decision makers like members of boards to align all interests
Self-Reinforcing Systems	Instrumental pragmatic business case CSR as indulgence	I think boards do consider CSR relevant to the extent that it affects shareholder value… not as a moral issue … there is pressure on companies to consider CSR issues from a value perspective … the question for

		companies is whether they see it as a good thing to do, or good for business. I think it's a really fundamental difference when – in which case, the first one is an indulgence, a luxury. The second one has a business imperative.
Self-Reinforcing Systems	Institutional inertia; CSR disconnect with CG, Board	I would say that we are influenced by the fact that we react rather than reacting to these trends … thinking is dogmatic… either you agree with them or you're wrong...those organizations don't seek to engage with us up front in policy formulation as a rule.
	Corporate Governance – Professional Association	
Contested Space	Investor influence - Tension and duality - pressure for returns vs ESG	Two streams of engagement - You've got the board dealing with investors on Governance or ESG issues but over here you've got the CEO and the CFO dealing with the analysts on business performance which has a short-term focus. Over here the boards are talking long term issues. We're long term shareholders and we're interested in ESG risks meanwhile the mandate to fund manager is short term trade to your heart's content. We don't care, just show us the money. There's a very big conflict.
Contested Space	Investor influence Short term incentives	The challenge is that there's a lot of discussion around the need for long term thinking, but if you look at how analysts and how fund managers are actually remunerated and incentivised that doesn't actually align with what they're asking from companies, and I think that often our (CG) members would probably say that no one ever talks to me about that stuff.
Navigating Complexity	Increasing Influence of Institutional Investors	There's a very big difference between the institutional investors and the retail investors simply because of the amount of stock that they own ... so, they have, they have one on one meetings with board, with the Chair …. in a way that retail investors simply cannot and never will do.
Navigating Complexity	Growing Convergence of CSR /ESG Initiatives with CG and Boards	The UNPRI is getting in, I think good on them getting in there early to talk about some of these interesting questions… Institution Investors will…really start having to grapple more with this notion of short term versus long term interests and what their role is in that.
Self-Reinforcing Systems	Intermediaries and investors	They still conflate shareholder activism with interest in ESG issue and they're not the same thing at all… something they have to protect themselves against as opposed to engage with … and that is because of their legal advisors… very conservative … So, their view is we're trying to ensure that the business is going well here and … it's still seen to some degree as noise.
Language frames engagement	Emerging legal discussions	The framing of it (CSR) is hugely important and an external legal advisors and internal counsel will have a very big role to play
Language frames engagement	CSR disconnect with CG, Board	You've got all these groups that came out of the sustainability field, NGO land and corporate social responsibility, who didn't really understand governance and that there was that mechanism already in play and who also hadn't ever read a financial statement … and it's all about stakeholders and there's not much understanding about the relationship between boards and shareholders and they really do struggle with well why aren't we equally important? But it's a different relationship … for stakeholder's interests to be taken into account. But you can't just assume that shareholders are just one amongst many.
Navigating Complexity	Growing Convergence of CSR with CG and Boards	I mean for me in the Governance space the most interesting work is when people seek to actually link up with others and get some form of consensus … For example, on integrated reporting - there is an absolute genuine concern for directors … on forward looking statements … and about how our innovation is being stifled… whereas the [Director's Association} saw it as part of that overarching director liability.
Self-Reinforcing Systems	Paralysis, entanglement, inertia	… I'm not concerned that I'll be found to be in the wrong because I'll have made a sound business judgement but what I'm concerned about is the 5 years that I'll spend trying to defend my reputation and that's what I'm concerned about.

Self-Reinforcing Systems	Institutional inertia	So, I think the willingness to take risks inside board rooms is different from what [Directors' Associations say it is]. They would be the more conservative face. So, I think that the canny ones will know this stuff's out there.
	Corporate Governance – Professional Association (international)	
Navigating Complexity	Aligning long term interests in board ecosystem	I think good governance is taking that long-term perspective… I don't see the trade-off between shareholders and other stakeholders because frankly I believe that ultimately what's good for stakeholders is also good for shareholders.

Table A2.6 Coding Matrices: Disaggregated Nodes by CSR Category

(Numbers in left hand column refer to alphabetical order in NVivo)

	A	B
1	L : Person:Category - Specific = CSR - Professional Services	No.of references
2	131 : IIRC trajectory	6
3	287 : MATERIALITY- EVOLUTION	5
4	130 : confusion and competition between the different initiatives	5
5	116 : Management protective of Directors	4
6	2 : 002 BELIEFS ASSUMPTIONS VALUES	3
7	370 : purpose of the corporation	3
8	276 : moral and pragmatic- common business sense	3
9	413 : Ways of thinking - new	3
10	120 : NEG_Self-reinforcing board ecosystem	3
11	73 : The club - self-reinforcing, self-referencing	3
12	59 : Generational change on the board	3
13	392 : Need for education and deep understanding of CG-CSR interface	3
14	156 : Shared value as next generation of sustainability	3
15	206 : Balancing stakeholders and shareholders	2
16	8 : board structures, committees - mixed blessings	2

1	Person:Category - Specific = CSR - Corporate	No. of References
2	275 : instrumental - pragmatic - business case	5
3	209 : trading off and tensions	5
4	29 : Exec and CEO for leadership and support	5
5	379 : Sustainability Units are here to stay	5
6	306 : NEG_ government policy at the CSR CG interface	5
7	213 : country differences in boards, governance and ownership	4
8	189 : Strategic innovation beyond compliance and reporting	4
9	100 : importance of board asking Qs	4
10	206 : Balancing stakeholders and shareholders	3
11	373 : Change afoot	3
12	81 : driven by the boards, companies values and mission	3
13	75 : Culture-logics- drives the board and business	3
14	303 : global regulatory vacuum - reverse reg pressures	3
15	18 : board members want to learn more	3
16	95 : between board meeting discussion is important	2
17	280 : normative - value frameworks	2
18	195 : Externality pressures	2

1	K : Person:Category - Specific = CSR - Civil Society	No. of references
2	175 : Balancing risk compliance with strategy innovation	7
3	402 : Long term vs short term tensions	6
4	144 : IS THERE A PROBLEM WITH LANGUAGE	6
5	287 : MATERIALITY- EVOLUTION	5
6	116 : Management protective of Directors	5
7	209 : trading off and tensions	5
8	275 : instrumental - pragmatic - business case	5
9	331 : Usual suspects - a Club	5
10	276 : moral and pragmatic- common business sense	4
11	392 : Need for education and deep understanding of CG-CSR interface	4
12	15 : Competing for time on board	4
13	416 : Aligned	4
14	426 : Estranged	4
15	121 : Peer influence and networks -learning from ea other	3
16	30 : individual champions, passion and courage in leadership roles are crucial	3
17	377 : Incrementalism	3
18	371 : How do we actually make TRANSFORMATIVE CHANGE - what's the overarching	3

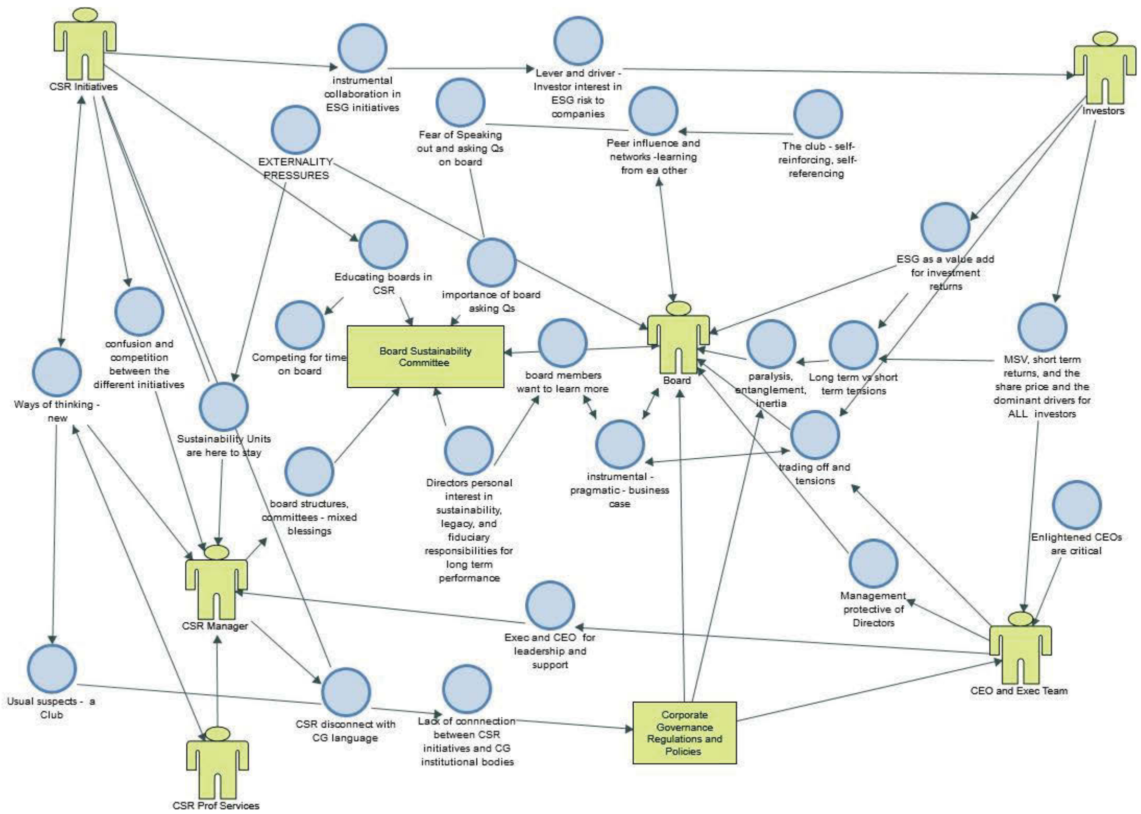

Figure A2.5 Concept Map: Stage One Interviews – CSR

Table A2.7 Stage One CSR Interviews: Focused Codes, Categories and Exemplary Quotes

Stage One Interviews Category: CSR (n= 5) Specific Categories: Corporate (1), Professional Services (2), Civil Society (2)		
Categories	**Focused Coding**	**Key quotes derived from initial coding**
	CSR- Corporate	
Navigating Complexity	Sustainability function is here to stay	There's now enough of external pressures that companies need to respond to that you have enough work to justify one or a few people just to deal with that.
Agency and leadership	CEO leadership crucial	… when the CEO has been very supportive it moved and resources are allocated and their issues are prioritised, but as soon as a new CEO comes in who doesn't get it… it becomes a problem
	Stewardship	Board buying into sustainability … the effective guardians of making sure that that concept has a continuity within the company.
Contested Space	Moral vs pragmatic	In trying to be responsible … when we look at the economic leg, how much are we willing to move it down so that we can comply to what we have committed on the environmental side… it's commercially very difficult. … we will have to build maybe two or three more coal plants, but … continue moving on our renewable energy
Estrangement	Government failure	… we're between a rock and a hard place because the structure of the market …if you've got a government that changes every three years it really doesn't help with long term investments… Australia's a basket case
Navigating Complexity	Board access and engagement: dedicated committees	Boards want to learn more and a sustainability committee is a place for building their capacity re. education and understanding - and more time We have a sustainability committee ... they're totally bought in… they've expressed the desire to learn more...
	CSR- Professional Services	
Agency and leadership	Passion and leadership drives change	Just this whole idea that companies could do something else other than make money … "**did you know companies can relate to society this way, and can be accountable in this way, beyond shareholder value?"** You have to be a little bit cynical about some of the things you see but I've never let that wipe out the passion, and I don't think I'll ever lose that til I drop dead.
Navigating Complexity	Reporting mixed blessings	The system is so skewed to financial disclosures ... that unless integrated reporting can break all that down and say we are the legitimate successor … it's the only way

		that integrated reporting is going to get forced on to companies, rather than the majority saying we are going to do this because it's a great thing to do.
Navigating Complexity	Muddled reporting: - Integrated vs sustainability reporting	Sustainability reporting is designed to … disclose around impacts and accountabilities. Integrated reporting is value creation and transitions. You cannot produce one report that will simultaneously talk about all my impacts in terms of a value conversation, or talk about all the value I deliver in an impact conversation… **you'll end up with a muddled ill focused stakeholder irrelevant report –all singing and all dancing but fails to deliver on both.**
Estrangement	Muddled reporting	How can you produce an integrated report that talks about what you are doing in terms of value **transformation if you've got no system within the business** to actually measure or even understand what those value transformations are? The shared value proposition of Porter and Kramer … stopped short of saying anything about how you account for that.
Self-Reinforcing Systems	The club: peer influence and networks On the board	There are people on the board who want to speak out but they know by doing so that their shelf life as a future board member … **is compromised.** It comes back to that clubby - I don't want to rattle board A because I know board A is my entrée to boards B, C and D and if board A don't like me then my life as a director is going to be short. And it's not just around CSR but a bunch of things that are for many companies are a bit edgy.
	The club: peer influence and networks paralysis	Some of the paralysis is the next level down. Not only you can't get the ball moving with some of them but the ball is so entangled with cables and chains and weights and nails and everything that there's almost no hope of the ball getting moving … a lot of them are highly conscious of what their peers are doing and they're almost afraid to step outside their pack.
	Executive sets the tone for the board	When was the last time that you saw a board sack a CEO because they weren't doing enough in sustainability? As opposed to shareholder value of the company … stymied sometimes by how much the CEO or the exec leadership team sets the tone for the board
	Committee vs board accountability: tokenism	Tokenism at board level- a sustainability committee with no fixed agenda and largely feeds reports to us from the embattled sustainability managers - 3 levels down who's underfunded, isolated, really struggling to get heard at the exec leadership team.
	CSR- Civil Society (International)	
Estrangement	Committee vs board accountability: tokenism	There is a dissonance between systems and action… companies have become sophisticated in understanding what stakeholders are looking for and they realise if people have a committee in place, a policy in place, it gets stakeholders off their

		back… it gets them a lot of kudos in terms of the sustainability community. Dissonance that we found – with these systems in place and their sustainability performance … there was no correlation. We couldn't see a pattern of any kind. I think there are definitely hierarchies within corporate boards themselves … committee chair… Regulatory required committees like audit committees, nominating committees and governance committees tend to be higher up on the hierarchy list than non-required committees.
Navigating Complexity	Board access and engagement Legacy and fiduciary responsibility to long term	Where we approached directors about their personal interest in sustainability we got a surprising amount of traction… at that stage in their lives where they're starting to think about legacy and there's a framing of the role of the corporate director …is in terms of their fiduciary responsibilities on long term performance… amount of access that I got from board members to their peers was tremendous.
Navigating Complexity	Investor duality and tension long term vs short term	This constituency is responsible for corporate performance and they care about what investors think. I don't necessarily think it's a contradiction in terms. I feel that where you're thinking about investors who think about long term performance, the perspective is automatically about stakeholder rather than shareholder right? … I think stakeholder vs shareholder becomes relevant in terms of risk, I think a truly holistic risk assessment process will automatically look beyond the investors. But if you're asking what's happening now, you know, any day of the week, the investors going to trump the advocacy group.
Contested (Market vs Corporate logics)	Long term vs short term	If you're talking about materiality in the next 3 months the answer is different vs materiality over the next 10 years. It's our perspective that we need to be thinking about these issues from a long-term perspective. Boards …have a clear mandate to manage the enterprise for long term performance. There's a clear contradiction. I think if you talk to board members about their role everyone agrees it should be about long-term performance but then they all talk about the pressures of the quarterly report and pressures being enforced on them by short term investors.
Navigating Complexity	Elusive concept of materiality	Materiality … it can have so different interpretation from person to person. …helps you define what's important for your business at that particular space but also in the future what are really the emerging also social issues that are coming up. And most of our companies at least seem to have, when we look at the companies that have done

		materiality assessments they still seem to have these popping up everywhere because there's issues that you still don't know how to deal with right?
Self-Reinforcing Systems	Access and engagement Aligning with the business case	But to have that [Management Consultancy] strategic business view to help us in a lot of our board work and then we say we work with [Law Firm] for the legal and regulatory views. And [large global asset manager] has been quite helpful – just explaining very simply how they usually engage [with boards] and … build your expectations, how she feels they talk about sustainability even though they use a different language, and all of these issues that we always have with investors.
Self-Reinforcing Systems	Board access and engagement Management v Board	When we try to … access the board members through our relationship with companies in question, we got so much push back it was incredible. Companies are very protective about the role of directors in the way that when you approach directors individually, they are not.
Self-Reinforcing Systems	Board access and engagement Business case as trigger	As board members, … the only ones that have in your job description that you are the overall governing body and you can think as long term as you want. But they rarely have the time or space to do that. But to find those languages and those kinds of triggers that make it sound we're still talking business and we're still talking about the issues that are so crucial for your own business
Contested Space/Estrangement	CSR Limbo Management v Board	Everybody feels that they're a bit in limbo - because *the executives understand and prioritize but they don't feel they have the buy-in enough* to do the bigger switch. And the *board members feel they don't have enough knowledge to* actually move on these issues because that has never been a part of their agenda and it's not so easy to see the immediate financial implications where they again are used to quick decisions.
Self-Reinforcing Systems	Systems of CG Legal paralysis	The corporate governance field … It's very legal… the very traditional way of looking at things …and oh brother.
Contested Space	Risk and compliance vs opportunity and innovation Short vs long term tensions	If boards are risk averse, post global financial crisis, then how are they going to have the space to allow for innovation? Because innovation carries risk. Sometimes it works, sometimes it doesn't. And the systems within the organizations, that's a kind of transformational thing. You need to have resources signed off for that. But yeah there's that – there's a lot of those tensions. The whole opportunity space too and the kind of conversations that we seem to have all the time on the long-termism and the short-termism conflicts.
Navigating Complexity	New ways of thinking	But then when you got under the surface you realize they still don't see how it (CSR) affects them or their job and unless it's very specific related to it already. And then how

		the board could then be willing ...to allow the management to think in new ways that – how much room do you have to innovate?
Language Frames Engagement	Sustainability is a proxy word	Unless the people are already in the sustainability space, issues like CR, The GRI and IIRC are the next level. I found the best way to approach this was to change my language depending on who I spoke to… Because at the end of the day, **sustainability tends to be a proxy word.** Boards should not consider sustainability. Boards should consider climate change or public health or human rights or diversity. We need to consider the issue that's material to the enterprise.
Navigating Complexity	Stakeholder vs shareholder need for transparency in board decision making	The black box pretty … transparency issue, actually have the boards and the executive management open about decision making and discussion. Especially when it comes to the stakeholder conflicts and what's being valued as important, knowing *what's going on and knowing that* there's all these *other trade-offs …* at least you can start seeing what the company is actually looking for and the trajectory they're going for.
Language Frames Engagement	Risk of losing grip	Also to the business case conversation … there is a risk of losing grip with what you usually, you would preach from before, kind of like helping to make the moral case also.

Table A2.8 Coding Matrix: Disaggregated Nodes by Investor Category

(Numbers in left hand column refer to alphabetical order in NVivo)

1	H : Person:Category - Specific = Investor Community - Institutional Investor (ESG)	No. of References
2	228 : enagaging meaningful dialogue between investors and companies	6
3	251 : ESG as GOOD GOV is FIDUCIARY DUTY OF INVESTORS IF ECONOMIC CONSEQUENCE	5
4	105 : Inadequacy and challenges for NEDs	5
5	242 : instrumental collaboration in ESG initiatives	4
6	232 : Disconnect between Boards and Investors	4
7	275 : instrumental - pragmatic - business case	3
8	213 : country differences in boards, governance and ownership	3
9	399 : Aligning long term interests in the board ecosystem	3
10	261 : stewardship of the companies that we're invested in	3
11	230 : country differences- in the US	3
12	208 : separating vs integrating the aspects of sustainability	3
13	287 : MATERIALITY- EVOLUTION	2
14	207 : Common sense attitude to ESG integration	2

	A	B
1	**F : Person:Category - Specific = Investor Community - ESG Advisory**	**No. of References**
2	120 : NEG_Self-reinforcing board ecosystem	5
3	198 : Conservative approach of some Professional bodies	4
4	413 : Ways of thinking - new	4
5	435 : Frustration	3
6	119 : NEG_Executive remuneration and incentive	3
7	58 : Disciplinary mix	2
8	69 : POS_ Competencies on the board	2
9	73 : The club - self-reinforcing, self-referencing	2
10	67 : old world old economy	2
11	60 : massive CEO egos- and playing to this	2
12	75 : Culture-logics- drives the board and business	1

1	G : Person:Category - Specific = Investor Community - Industry Body and Civil Society	No. of References
2	413 : Ways of thinking - new	3
3	234 : Lever and driver - Investor interest in ESG risk to companies	3
4	310 : regulation and policy influenced by CSR-ESG initiatives	3
5	228 : enagaging meaningful dialogue between investors and companies	2
6	263 : Trend- increasing power of asset owners	2
7	256 : Need to understand the difft actors and interests in the investor value chain- pressu	2
8	30 : individual champions, passion and courage in leadership roles are crucial	1
9	72 : POS_diversity	1
10	198 : Conservative approach of some Professional bodies	1
11	423 : Contradictions	1
12	73 : The club - self-reinforcing, self-referencing	1

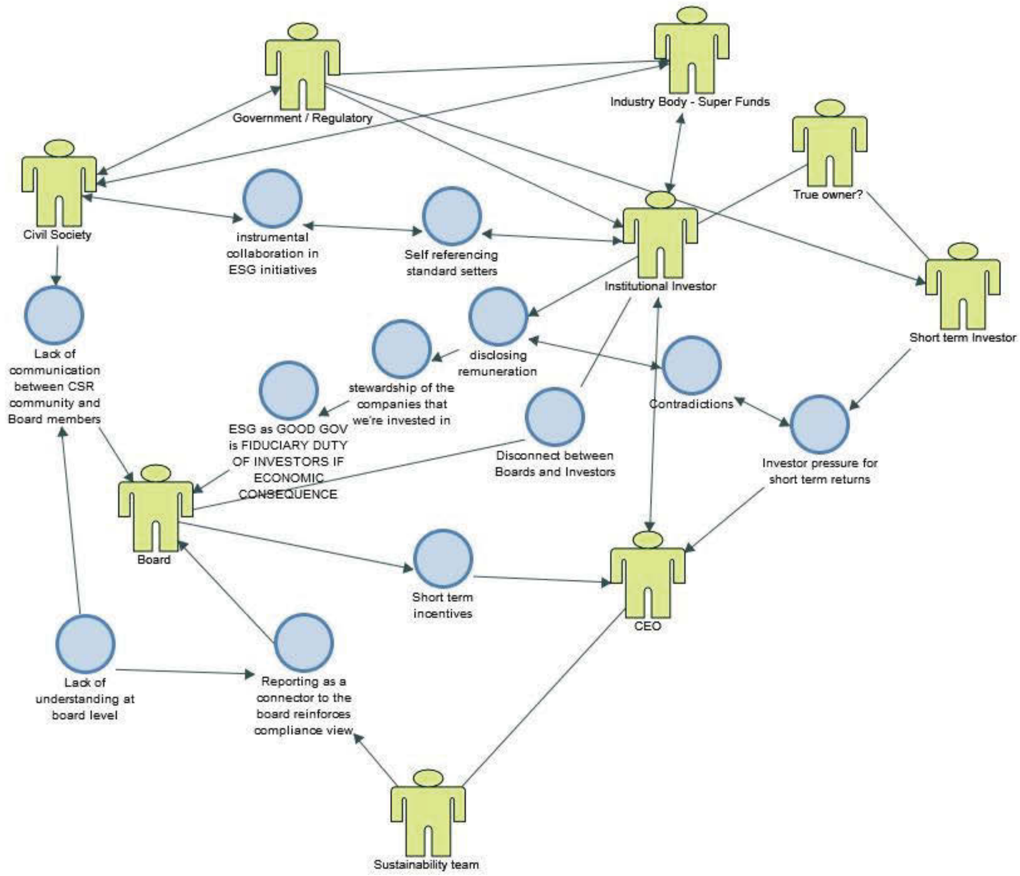

Figure A2.6 Concept Map: Stage One Interviews – Investor

Table A2.9 Stage One Investor Interviews: Focused Codes, Categories and Exemplary Quotes

Stage One Interviews **Category: Investor Community (n=5)** **Specific Categories: ESG Advisory (1), Industry Body (1), Civil Society (1) and Institutional Investor (ESG) (2)**		
Categories	**Focused Coding**	**Key quotes derived from initial coding**
	Investor- ESG Advisory	
Self-Reinforcing Systems	Board composition The club - self-reinforcing, self-referencing	We think that the way boards configure - accounting and finance and an ex CEO, it's very old economy …, they're the old guard.
Navigating Complexity	Stewardship	We're going to a world of fiduciary capitalism, … of universal ownership, particularly in Australia, where …our super fund … is bigger than our GDP. That has massive implications for stewardship and responsibility for the economy and society.
Self-Reinforcing Systems	Self-reinforcing board ecosystem - Exec rem and short termism	A chairman of a big financial institution wants a big pay packet to motivate his executives to do this, that and the other, and … we're already paying them millions anyway… It's the fact that the boards, they would not entertain thinking about that in a different way … is to me really worrying…What's driven it, this incentive culture where – and where the disclosure of it, I don't think that's helped either.
Self-Reinforcing Systems	Institutional inertia	So much of what comes out in their (directors' association) weekly emails … it's defensive…I don't see them saying how can we as directors act as stewards of the economy? … **defensiveness** around **compliance**, around the impost of new reporting requirements.
Self-Reinforcing Systems	Dominance of CEO Peer influence and networks	… the great man syndrome – the idea that a CEO is there … son, king, God, creature, and we tend to talk about them like that, when in fact they're so networked. I mean, everything they do, the board advisers, and they've got a team that's been in place for years.
	Investor- Industry Body and Civil Society	
Self-Reinforcing Systems	Disconnect between companies and investors on ESG	Whether a company thinks investors are interested in their ESG performance matters, and which investors matters. How in reality are you sending a signal to a company that you are interested? This include selecting the right investment managers. Otherwise there is a disconnect between companies saying what they are doing and hearing investors caring.

Navigating Complexity	Investors and company engagement	Corporates and superfunds need to see past their own worlds to see how it all connects up. Strategic thinking, integrate the ESG. Working together, developing shared understanding, being exploratory
Contested Space	Are short term investors owners?	Hedge funds are disruptive even though a small percent. We need to evaluate markets as well as companies … Is it possible for a diversified investor to be a true 'owner'? Is the concept of investment diversification actually at odds with concepts with what it means to be an owner? What are limits of partial ownership rights through proxy voting for instance?
Self-Reinforcing Systems	Lever and driver - ESG as economic risk	ESG was the negative risk, the negative screen in ethical investments and then took prominence in ESG split from SRI. Problem here that the positive can be missed.
	Investor- Institutional (ESG)	
Self-Reinforcing Systems	Lever and driver - ESG as economic risk	It's important, especially in the context of ESG to remember that we do not make value judgements on behalf of our clients, our *work is entirely focused on economics.* In terms of us sponsoring something like this, I think it's ultimately to demonstrate that we are engaged with these issues, and an ***opportunity for us to reinforce our view that these can be issues of economic consequence and that's why we care about them.*** It's a very important issue to understand how companies … are planning to transition to a low-carbon economy … but it's not going to happen because somebody says it must, it's going to happen because it makes economic sense
Agency and leadership	Investor stewardship - Aligning long term interests in the board ecosystem	Ultimately as a fiduciary for our clients, our objective is always to *protect the value of the assets that have been entrusted to us* to manage and we do *take a long-term view because our clients have long term investment horizons*
Language Frames Engagement	Board engagement - ESG issues should not be a separate discussion from strategy	… on the board engagement, ultimately, I think we have had terminology issue, you know, ESG, SRI, this whole idea that there's this separate entity I think is really problematic … I don't expect anybody in the boardroom to be calling this (fracking problem) our "ESG discussion". … that's not a separate discussion, it should be part of the fabric of the strategic discussion … so this gets back to the *materiality* issue that I'm talking about. But it also gets to the fact that it's just, there shouldn't be a separate kind of ESG discussion ultimately.
	Board engagement on ESG - sustainability people unless critical to their strategy	When we meet with boards, we're typically talking with them about corporate governance stuff. When we talk about sustainability, we usually get their sustainability people … that come to meet with us.

		But back to my original example, it might be kind ***of very critical to the company's strategy*** *and then it's not a separate discussion.*
	More engagement with boards – prioritizing a busy agenda	I think that I mentioned the increased trend towards engagement between boards and shareholders, as one that I think will continue. I should make clear that we don't engage to tell companies what to do. So, our way of working is to ask questions, to help companies understand the issues of interest to us, to *seek to understand the company's perspective*, because we do acknowledge that we're outsiders and we don't have the perspective that the board and the insiders do have. And one of the challenges is, I mentioned prioritisation, so think of all the things you can talk to as an investor, that you could potentially care about, that could potentially be material around governance and ESG So we'll set aside the more traditional financial statement analysis, but bigger picture strategy and how the company seeks to achieve value and … *value over time* I *think is very much in scope* … and so there's a lot on the agenda, I guess is the best way to describe it.
	Engaging with **stakeholders** for instrumental reasons Shareholders and stakeholders *Aligning* long term value of company with long term interests of shareholders (Densely coded!!)	I guess … as investors, our perspective is going to be on how can we make sure that we are engaged, both with the activist community, with the regulatory community, with companies, to ensure that we have predictable, the most predictable framework in place over time to oversee that particular transition, right? My view and the way we approach things is that there's not, you can have a shareholder-centric approach without harming, in fact, you must be conscious of your other *stakeholders in order to protect the long-term value of the company and ultimately the long-term interests of the shareholders in the company.*
	Problems with sustainability reporting and initiatives	The sustainability initiatives and reporting are generally poorly understood at director level, and appear to be more talk than action, and therefore self-reinforcing. Disclosure is not an end in itself – what does it achieve is not clear. However rather than completely criticise the role of reporting it is a step forward. A naiveté exists on how investors might use sustainability reports.
	Companies are ahead of investors on sustainability metrics. Investors want to know about the quality governance	I think that they (eg PRI) have some influence and I think that companies are in many ways ahead of the investors in terms of ESG or sustainability metrics reporting … we don't prescribe to companies that they must report to … any of the myriad of other reporting initiatives. We do ask, which do you report to and if they don't report, especially if a company is in a carbon-intensive industry and chooses not to report to CDP, I mean that would raise red flags to us, we would want to understand why...

		Ultimately getting at the quality of leadership and management, I mean is this an issue that's been given sufficient attention at senior levels? If it's worth reporting, it should very well be worth using and making management decisions. Where I think companies are ahead of investors is I don't think most investors are well positioned yet to use this data to make investment decisions.
	Different motivations in the investor value chain	A gap here with the short term thinking of asset managers. Drivers in the investor value chain include brokers – promoting the sale of shares so it does not help their business to hold on to shares. Asset managers then must sort through noise vs the trends. Asset owners however can afford to have a longer-term approach.
	Collaborative role of investors – stewards on behalf of investors – ESG relevant if economic consequence	For us, again as an agent and a long-term asset manager, we focus on these issues because we're trying to be the best stewards and the best investors that we can be on behalf of our clients. Because there are many different ways to approach ESG, I think that's in part the value of this kind of collaborative document you can hear from different investors with different perspectives, whether it's asset managers who take a more socially responsible approach or whether it's the asset owner such as the labour funds or the public funds, and why they believe ESG is important for their beneficiaries. But in terms of us sponsoring something like this, I think it's ultimately to demonstrate that we are engaged with these issues, and an opportunity for us to reinforce our view that these can be issues of economic consequence and that's why we care about them.
	Self-referencing standard setting - materiality	So, materiality is really important to our work. We're engaged with the SASB here in the US, and we both contribute to their ongoing industry standard settings initiatives, and also use the output to help us think about materiality issues.
	Proxy voting is a method of engagement. Exec pay is the main driver.	We vote proxies, that's one of our primary methods of engagement with companies. And we meet with companies on governance. In the past year as I mentioned, we talked about 700 companies. Still mainly about proxy voting issues, as much as we are as investors seeking to expand the agenda with companies. I think that the primary driver of this engagement is actually that shareholders have a say **on executive pay, that's really the main driver**. Another driver is the significant increase in hedge fund activism and the 'threat', and I kind of use that word in quotes, but the threat that that poses to boards of management. Now that's a whole other topic.
	In the US – disconnect: **board and shareholder engagement**	The US has I think a particularly conservative approach on corporate governance … there's this combination of state law and federal securities law that ultimately helps determine, and listing standards, that help determine legally what the governance

		structure is and how boards of management interact and how boards might interact with their shareholders, and similar in management and their shareholders. There's historically a very strong view that management are the primary point of contact for shareholder, so there's not a strong tradition in this **market of board shareholder engagement**, it's quite nascent but it is actually an issue, or I guess a dynamic that's picking up some steam. There are a lot of companies that just don't have the infrastructure and the experience yet to engage at the board level with their shareholders. And so when you talk about shareholder engagement on ESG, that's something that we're still learning because we're still getting to know directors, generally speaking. Of the 700 meetings that we have with companies in the US last year, I think around 20% involved an independent board member, so most were with management only.
	In Australia - Disconnect between investors and the board (Estranged) Disconnect – board and management Lack of Capacity	Non-executive directors showed a complete lack of understanding of the changes heralded by the ASX Principles and recommendations 4th edition – specifically the new ESG risk- principle 7.4. Independent directors don't get to hear what investors are thinking (they go to CEO and the exec). It's a challenge for independent directors in accessing managers without being there. Same as for investors. The sustainability initiatives and reporting are generally poorly understood at director level. So, there are two main challenges facing boards: Board capacity: the depth and mix of skills required both as individuals and collectively on the board; and a lack of understanding of the sustainability landscape at board level. There's a complexity of skills needed by board members: a strong business sense, and understanding about environmental and social issues, and how people make money. Often generalists don't have a business skill set. In explaining that up to 75% of their company value is intangible was a real light bulb moment for directors.
	Influence of pension funds is systemic – long term concerns Policy influence	In the US the Council of Institutional Investors, CII, it's based in Washington DC, and they represent public funds, labour funds and corporate pension funds. And so, they do seek to influence the discussion on governance with the view towards long term … and my sense is given that a lot of this is in public fund space and there's a significant political component too, to the issues that are of interest. So, for the asset manager like us, we will engage with these funds to learn their perspectives and certainly take them under

		consideration. And the other thing is they are our clients in many instances, these are funds that are also our clients, some of whom we may be actually doing proxy voting for, doing this work for others that are clients in maybe other asset classes where the stewardship component, what we do is different.

A2.2 Stage Two Data

Table A2.10 Coding Matrix: Stage Two Deliberative Forums – Sydney

Aggregated Nodes by Interactive Nodes

(Numbers in left hand column refer to alphabetical order in NVivo)

	A	B	C	D	E	F	G	H	I	J
1	Initial Codes	Summary Interactive	Aligned	Alliance	Conflict	Consensu	ntradictio	Flashpoints	Antagonistic	appointme
2	127 : Attitudes to CSR and ESG terminology and in	8	2	0	3	0	2	3	3	2
3	206 : INTERDEPENDENCIES AND INTERGRATING ESG	7	0	0	4	0	2	2	1	1
4	273 : LEGITIMACY	7	1	0	2	0	4	1	0	0
5	159 : THERE IS A PROBLEM WITH LANGUAGE	6	1	0	3	0	1	3	2	2
6	225 : INVESTOR INFLUENCE	6	3	0	1	0	2	1	2	0
7	176 : DOMINANCE OF RISK AND COMPLIANCE	5	1	0	2	0	2	1	1	0
8	47 : BOARD -INSIDE	5	0	1	0	0	4	0	0	1
9	207 : Balancing stakeholders and shareholders	4	0	0	3	0	1	1	1	0
10	229 : enagaging meaningful dialogue between inve	4	2	0	1	0	1	1	2	0
11	279 : moral judgement vs compliance	3	0	0	1	0	2	1	0	0
12	314 : SELF-REFERENCING CSR SYSTEMS	3	2	0	1	0	0	1	0	1
13	321 : CSR DISCONNECT with CG, BOARD	3	2	0	1	0	0	1	0	1
14	58 : Composing the board	3	0	1	0	0	2	0	0	1
15	142 : scepticsm	3	0	0	3	0	0	0	0	0
16	210 : trading off and tensions	3	0	0	1	0	2	0	0	0
17	280 : moral vs pragmatic thing to do	3	0	0	1	0	2	0	0	0
18	335 : STEWARDSHIP	3	0	0	0	0	3	0	0	0
19	336 : SYSTEMS OF CG	3	0	2	0	2	1	0	0	2
20	399 : TIME FRAMES	3	1	0	2	0	0	0	0	1
21	403 : Long term vs short term tensions	3	1	0	2	0	0	0	0	1
22	407 : WAYS OF THINKING	3	0	0	1	0	2	0	0	1
23	182 : ESG regulation is about risk	2	1	0	1	0	0	1	1	0
24	244 : investor concerns for sustainability risks	2	1	0	1	0	0	1	1	0
25	295 : REGULATORY PRESSURES	2	0	0	0	1	1	1	0	0
26	48 : Challenges faced by boards - emergent	2	0	0	0	0	2	0	0	0
27	55 : managing supply chain risks	2	0	0	0	0	2	0	0	0
28	67 : NEG Diversity	2	0	1	0	0	1	0	0	0
29	68 : I would much prefer to talk about diversity tha	2	0	1	0	0	1	0	0	0
30	184 : Risk as the Driver	2	1	0	0	0	1	0	0	0
31	323 : CSR disconnect with CG language	2	2	0	0	0	0	0	0	0

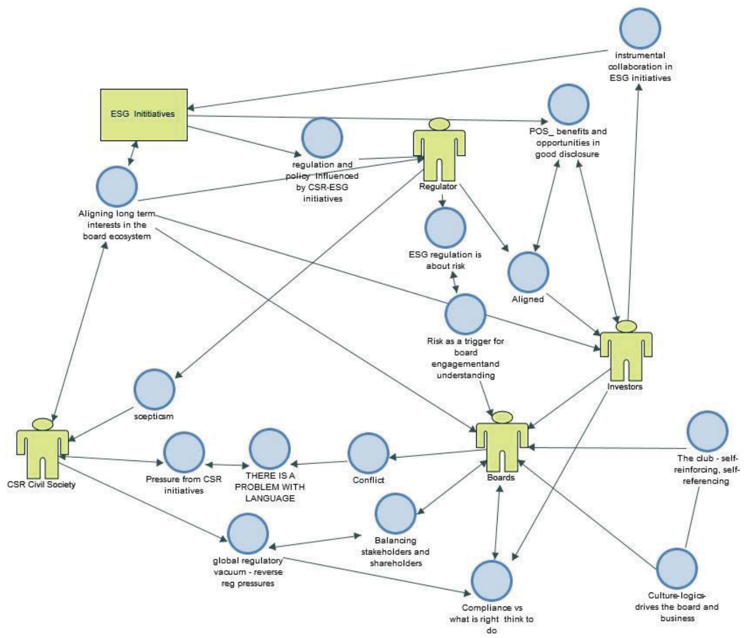

Figure A2.7 Concept Map: Stage Two Sydney Forum

Table A2.11 Stage Two Sydney Directors' Conversation: Focused Codes, Categories and Exemplary Quotes

Stage Two Sydney Directors Conversation Categories: Board members and company executives, the investor community, civil society, regulatory, professional associations, and academia (41)		
Categories to Concepts	**Focused Coding to Categories**	**Key quotes derived from initial coding**
	Flashpoints	
Contested Space	CSR disconnect with CG, Board	We don't need all this agitation by the "narrowly focused groups" (Director)
Language frames engagement	Language and short termism are the causes of disconnect with CSR/ESG and business (corporate vs stakeholder logics)	**** I was flabbergasted by the number of very bright people playing in the ESG space and I was puzzled by why collectively they were achieving very little. Why is this so? I concluded fairly quickly and hold the view even more strongly today that came down to the language that community often uses that doesn't **resonate with people that have got a fiduciary responsibility under law**, that can be held accountable for that, and secondly the time horizon. Mainstream has become shorter and shorter in terms of the way it operates (Director)
Language frames engagement	Self-reinforcing CSR systems: CSR disconnect with CG, Board	I think there is an important role for a whole range of different stakeholder bodies and organisations to better inform corps on these issues because in their absence the nature of capitalism is that people will just focus on looking after shareholders because they are ultimately are the people that appoint directors and buy and sell shares and people are interested in making money- that grubby word but in terms of language I think it really does ,given that your community if I can use that phrase is trying to influence corps then you're not going to influence anybody **unless you speak the same language**. (Director)
Contested Space-	CSR/ESG initiatives- lip service	I think the PRI could be a force for enormous good when in fact I think its achieved very little other than convincing a lot of people to sign up so they can put that seal of approval on their organisation or product. And that's it. They pay lip service I think fundamentally to the principles. (Director)
Contested Space	CSR initiatives – put form over substance. Need education.	I actually think to some extent those initiatives almost part of the problem because they put form over substance ... At the end of the day it's education and a deep embedded understanding of what you should be doing and what's right that is more powerful than saying well we've signed up to this or that, or we rank wherever in this, because there are ways in which we can ensure almost that you get a good outcome in that sort of thing. (Director)

Contested Space-	Ways of thinking: integrated vs: old Language frames engagement	Integrated Reporting is a very underdeveloped at this point in time and until it actually comes out with some standards and people can actually identify with what it is I think it's going to struggle to gain any traction. When I ask people what they think Integrated Reporting is I hear a lot of platitudes around what it's trying to achieve but they actually can't define what it is… I don't think you need an Integrated Reporting framework doc to achieve what you've achieved for non-financial reporting. I absolutely agree with Martin that the 6 capitals framework for Integrated Reporting – it's something from someone in a business school has dreamt up I don't think it's particularly useful (Regulator)
Language frames engagement/ Contested Space	CSR disconnect with CG, Board (push back)	Do you think that it's important for **"sustainability people"** to perhaps learn the language of business but do you think perhaps [your company] could have saved a couple of million dollars if you'd learned **the language of other stakeholders** as well and understood some of those human rights perspectives as well and maybe there's a way we can learn to talk somewhere in the middle and we can understand the perspectives of each other rather than you know other stakeholders always speaking the business language- I guess that's one theory. (CSR Civil society)
Contested Space – CSR disconnect	Access and Engagement Ways of thinking: integrated vs: old	The pilot of Integrated Reporting … we have found it extremely beneficial and we've had now 4 years of Integrated Reporting and it's been fantastic in engaging our board on integrated thinking and integrated reporting – but it's been very interesting to see it play out from a G100 and AICD perspective - that they've abstained from agreeing to the final framework. (CSR Manager)
Navigating Complexity	Language and engagement: integrated vs separated approach to CSR Integrated thinking	I think the key benefits for us – and we talk to all of our Institutional Investors around whether they support it (<IR>) and it has been overwhelmingly supported by the people that we talk to including AMP, I think the thing (<IR>) for us is that we have really improved the efficiency about the way we do reporting … and we've also found that the governance from the board has improved. So we're now getting a much more detailed and considered questions around non-financial performance because it's part of the story not separate in a CR report. (CSR Manager)
Language Frames Engagement /Estrangement?	Language frames engagement: integrated vs separated approach to CSR	I'm really interested in the topic of **language**, you know trying to teach in this area it's such a challenge. Trying to communicate to the students what we mean about corporate sustainability, corporate governance. It really is a challenge … we are supposed to have an integrated perspective, do you find <u>separating out the</u> aspects of sustainability into economic – environmental - social with their own set of reporting guidelines, do you find that a way to communicate to your various stakeholders – is that a help or a hindrance? I

		… we are trying to get an integrated perspective, we've got a language problem so what does it all mean so let's try and break it all down. (Academic)
Self-reinforcing Systems CG systems and narrowing agenda	Systems of CG: Deliberately narrow definition of corporate governance – self-reinforcing Circularity!!	It is a deliberately narrow definition of corporate governance (in the ASX guidance) – there's a whole variety of reasons for that … if you define governance to include environment and social issues then you would have seen from the makeup of the council you would have a very different body determining the very principles and recommendations than the one that we currently have. The one we currently have is around direct stakeholders within that narrow definition. Direct **stakeholders** in governance within that narrow definition. If you broaden your definition of governance you need a much broader membership and that then throws up a council that could be hundreds of members which is completely unworkable. Within our definition of corporate governance it constitutes the makeup of the council is entirely appropriate (laughter). (Regulator)
Self-reinforcing Systems	Lever and driver - ESG as economic risk - Regulator Narrowing of agenda	To reiterate, the purpose of the guidelines isn't to address climate change. The purpose of the Guidelines is to have a dialogue between investors and companies around the risks to investor returns and if climate change has an impact on investor returns over the long term then that is something that should be spoken about in that dialogue. *So, it's not trying to achieve* ***a social purpose*** *it's trying to achieve a meaningful dialogue between investees and investors (Regulator)*
Self-reinforcing Systems	Framing ESG as risk investor risk Risk and compliance vs ethical thing to do CSR/ESG	The point I made around the country when I showed this video is that Principle 7.4 isn't about saving the orangutans. P 7.4 is about **the investment risk** you pose to your investors if you don't think about orangutans. (Regulator)
	Aligned/ Alliance /Consensus	
Self-reinforcing Systems	Lever and driver- ESG as economic risk - Investor, regulator align	Well I guess as an investor I'm looking at it from a risk perspective and so that's why I welcome the rewriting of the section 7 [ASX Guidance] on risk (Investor)
Navigating Complexity	Convergence and collaboration at CSR/ESG CG interface	Well it's (new ASX CG guidelines) responding to the increased concern that's being expressed by investors globally around sustainability risks and the investment risks that they pose. … key amongst them is Principles of Responsible Investment - there you have an organisation that represents something like – 1200+ asset owners, investment managers and professional services partners responsible for approximately 15% of total

		global investable assets – that is a very large amount of money – that have ascribed themselves or signed themselves on to the PRI -and it's a recognition that this is an area of investment risk and it's an area that goes to the investment decisions of those investors. (Regulator)
Navigating Complexity	Time frames: Aligning long term interests in board ecosystem	I absolutely agree with you- the more that these issues get raised and I keep arguing that mainstream in the Wall St if you like, does not analyse companies in a holistic way because it does not pay enough attention to these so called "non-financial considerations" and part of the reason they do that is their time frame is too short. These things are not going to play out in the next quarter. They're obsessed with what is the next quarterly earnings number (Director)
Self-reinforcing Systems of shareholder value (Market logic)	Alignment: Lever and driver -ESG as economic risk	From an investment perspective, it shows that these risks are managed, so to see a board or the co has identified that those risks exist, and what is the firm doing about managing it. (Investor)
Navigating Complexity	Convergence and collaboration of CSR with CG, Boards (PCSR))	To some extent we are creating the western retailers are imposing standards on Bangladesh that are non-existent. There are no standards there. There is no enforcement mechanism. They don't have that infrastructure… So, a good **corp citizen** from a developed economy where we do have standards actually is the best way for those countries to see their standards improve. But we believe and were getting advice from other areas of the NFP sector that the very worst thing to do was to get out of Bangladesh because the garment industry employs some 4 or 5 million people.(Director)
Navigating Complexity	Regulator and Investor alliance on policy	I'd just like to make a comment. I think this latest edition is terrific and I really wanted to commend the corporate governance Council for getting so many different organisations that are members to come up with a document that's so effective and so well written. I think its sets a standard globally. (Investor)
Navigating Complexity	Investor stewardship and Time frames: Aligning long term interests in board ecosystem	Well what I'm talking about is part of our stewardship role on behalf of our clients and that involves extensive engagement with the companies and talking to companies about the long-term issues. (Investor)

	Conflict	
Contested Space	Tensions in board Composition: Diversity vs experience	"You'll be really happy because the next appt to the board is going to be a female" ... But that's not what we want to hear – we want to hear a discussion around the skills matrix. (Investor and director).
Navigating Complexity - Inherent tensions	moral vs pragmatic thing to do	I think one of the challenges is that the *board has in contemplating that scenario is ultimately we are fiduciaries and we are entrusted with the economic assets the corporation has that have been built up through the contribution of stakeholders which is equity providers and debt providers and we have to deal with those assets in a prudent manner.* So let's say you've got some coal interest … its not an asset you'd want to still be holding at that point of time. So what do you do in the short term? Are you going to see it at below market value just to eliminate that risk? ***If you took a purely environmental view as some people in this space would sa****y…* shut down tomorrow, all of that coal that is no longer produced in Australia would be produced somewhere else. In fact it might actually harm the environment because I think in Australia companies are responsible in the way in which they deal with a lot of those industries and that replaced production might take place in countries that had lower standards in terms of safety…. So it is a very complex issue and I think [investor] has hit the nail on the head.
Contested Space	moral vs pragmatic thing to do Risk as a trigger and lever – leads to compliance mindset	Compliance and what is right I think are in conflict with each other because compliance by its very nature is a check list tick the box approach. There is no morality or ethics and underpinning compliance whereas the moral judgement that you're talking about is something that is a subjective judgement. For example retailing operations have significant direct sourcing out of varying parts of Asia and 3rd world companies (Director) Sorry its sounds like there's this compliance issue there and that's you've absolutely married that to the corporate culture and values where you say that this is the absolute minimum we will accept so that its sort of a marrying of those, people complying to those values and principles and standards that form part of the culture of the organization (CSR Civil society) When we articulate sustainability issues as risks then they do get on the board agenda. But obviously with risks there's a risk appetite in any organisation and you touch on the fact that there are tradeoffs as well. When does it move from compliance or meeting regulatory requirements or recommendations to acting because it's the right thing to do

	Negative risk	and why do we need tipping points and terrible tragedies like Rana Plaza collapse to force companies to start doing what is right for their stakeholders (CSR Civil society
	Contradictions	
Self-reinforcing Systems	Board composition tensions: The club - self-reinforcing, self-referencing... Dominance of Chairman	Now much more professional than 30 years ago … and we look at what skills we need on the board... but… *To some extent it still remains a club and like any club the people who are invited are being invited by those who are already in the club. And the 2 groups in the club are the existing directors and the search firms.* But if there is any one dominant influence on who gets on boards it would be the chairman without a doubt. They drive the board succession board renewal framework. (Director)
Contested Space	Board composition tensions: Diversity vs experience	You mentioned board diversity and I'll use that as an illustration of an observation- that to some extent some of these "narrowly focused groups" are part of the problem. These days there is so much focus on gender diversity that we've missed the big issue which is a lack of diversity. (Director)
Self-reinforcing Systems Contested	instrumental - pragmatic - business case ESG as economic risk	And I guess from an investment perspective it shows that these risks are managed, so to see a board or the co has identified that those risks exist, and what is the firm doing about managing it… It's quite interesting the Exxon issue because they've come and said well we have looked at the long-term risks and we do think that there is strong demand for fossil fuels for the next 40 yrs. And I think that the other stakeholders that are strong believers in the stranded asset theory are very disappointed about that but Exxon has done what they've asked of them so I think Exxon's done the right thing … they are also taking into account interest rate risks, currency risks.
Dissonance/Estrangement	Duality and tension and duality - pressure for returns vs ESG Short term vs long term	We do have funds that do focus on short terms issues being so large it doesn't matter what investment strategy you're talking about there'll be a XXXX fund that has that strategy (that) my team is focused on longer term issues. (investor)
	S**hort term vs long term** - navigating complexity/Alignment	
	Short termism – quarterly reporting and the media cycle	In terms of quarterly reporting from my perspective that's a problem so I'm glad you don't have it in this country except for mining companies. I think the half yearly system works well with the overlay of continuous disclosure. I think Quarterly reporting in the US is a real problem. I was with a group of investors not so long ago at the IGCN conference in Tokyo and the question was asked does anyone support quarterly reporting and no one in that room- and there were some big investors in that room, none of them supported

		quarterly reporting and I think that is a problem with short termism. The other issue with short-termism is just the media and every day you see the stock market went up or down half a percent so we've just got all this data that comes to us from a daily basis that I think is also contributing to that short-term focus. (investor)
	Short term pressure to MSV vs longer term stakeholder approach – corporate culture	Mainstream has become shorter and shorter in terms of the way it operates – at one extreme we've got high free trading that dominates turnover and that's a whole topic in itself. One of the things that appeals to me about [company] is that they are very long term in their mission. So, the goal is not to maximize returns to shareholders. It's to produce satisfactory returns. That then gets you away from defining the period and you don't have to maximize in and indeed you can only maximize something for one group of stakeholders usually to the detriment of other stakeholders. So, you could maximize this year's profits but probably by stealing next year's profits because you damage some other part of the business. So, the company recognizes what I'd call a stakeholder model that the company involves numerous stakeholders and the notion of corporate responsibility. I think actually comes out of … their unique corporate culture and I think it goes back to their origins. (Director)
	Other Emergent Issues by Specific Category	
Navigating Complexity	Materiality -value creation over short medium and long term.	"Material exposure" is a real possibility that the risk in question could substantively impact the listed entity's ability **to create or preserve value** for security holders over the <u>short</u>, <u>medium</u> or <u>long term – (Regulator)</u>
Language frames engagement	Understanding complex agenda	I have set out the key definitions here – I have to tell you it was not easy – I could not find what I thought was a sensible definition of economic, environmental and social sustainability even though I trawled through the internet. (Regulator)
Navigating Complexity	**Beyond compliance**	Most companies feel a great deal of moral suasion (ethics again!) - 1st interview with Luke he talked about 'no compunction') to follow the Ps and RS so the top end of our market you see very few if not why not explanations. The bottom end of our market is quite different (Regulator)
Self-reinforcing Systems	ESG as risk not business integrity	**We're talking about simple common sense, aren't we**? And that's why the sustainability recommendations sit within the risk part of the framework and not the part of the framework dealing with business integrity. Because It's about investment risk and when you focus on your investment risk and you apply not your fiduciary duty – I have to take exception to that point –because that's a very legalistic term, it's your duty of care,

		you apply your duty of care you take account of those risks and you adjust your business practices accordingly. (Regulator)
Navigating Complexity	Emerging challenges	The consequence of the rise of social media and the rise of education is short termism in every respect be it how you run a country, a company, how you do everything. . (Regulator)
Self-reinforcing Systems	Importance of engaging with risk	Key changes in the 3rd edn (ASX guidance) – are in the area of **risk** – a particular focus area of the council in the light of some significant risks that occurred- eg GFC and a view that these exacerbated by company's **failure to engage with risk properly** so council looked closely at this. Last rec- 7.4-ESG risk... (Regulator)
	China – CG risks – oversight	Yes, I spent a week in China meeting companies. The listed subsidiaries of the SEOs and regulators and also spending a lot of time talking to people to get an understanding of the risks in China. And quite frankly they are profound. While there is regulation there it sometimes is very ineffective because there's a lack of oversight. If you look at the listed SEOs they have in chain a two-tiered board structure and though we asked lots of questions about it I'm not quite sure anybody really understands how it works but on the supervisory board is a party committee member so you've got the politics of the country involved in business. (Investor)
	Diverse skills on board (beyond legal and accounting)- better long-term performance.	The metric that did outperform for a 10 year period was board skills of independent directors and what we did was make sure there was a score for independent directors with core industry skills so for a resources company someone on the board had a background in resources and I'm only talking about the independent directors here. For the other directors, we were looking for a mix of skills, not defining what that is, just as long as they weren't all lawyers, all accountants or all mining engineers – you don't want a resources company with just mining engineers on the board. And that outperformed for a period of 10 years… I personally have the belief that if you get the board right with a good collective set of skills, a diversity of skills with the right leadership, your E S risk will be well understood by that board amongst other economic risks as well, and I believe that in the longer term those companies will perform better. (investor)
Dissonance/Estrangement	Corporations are ahead of investor community on ESG	I still think the weakness in the capital market structure is not at the end of the pipeline- namely companies and boards of directors. It's further up the chain with investors and some of their advisers...and to this day I believe that there are good corporate citizens that are well ahead of the investment community. (Director)

CG encompasses CSR	**Purpose of the corporation: Corporate citizenship**	And then in that definition of corporate governance and I view corporate governance as a means to an end not an objective in itself, it's not a worthwhile objective unless it serves some greater purpose and to me that greater purpose is that it contributes to the sustainability of the very important entity in any society, namely companies that create all of the employment, all of the tax, all of the wealth that our society depends upon. … the non-financial components … have not been properly integrated into mainstream investment thinking. (Director)
	CEO tenure and Investor pressure for short term	The CEO is only the 7th CEO… in 100 years and yet these days the institutional investors start to agitate if you've been there for 4 or 5 years your times up – short termism. (Director)
	Corporate culture vs systems and processes	The Chairman … sees his role as custodian of the corporate culture. At the end of the day when we come back to corporate governance… companies don't fail because of their systems and processes. They fail because of the actions of people… it's that culture that drives that behaviour. (Director)
	Corporate long tailed risks vs non-financial investment considerations for investors – differing perspectives.	To me it's actively engaged investors that are long term in their own focus and that understand the totally of business issues so for example the reference to non-financial investment considerations. That's a term used by investors NOT a term used by co. directors. None of those considerations are non-financial. They are risks, they are all long tailed risks that are difficult to define in terms of the probability of occurrence or the potential impact. You have a go at it in some sort of risk matrix and you have your internal processes for monitoring them but you monitor them because you know that if you don't and one of them goes off the rails it could have a very very significant financial impact. Ultimately can affect your licence to operate. (Director)
Navigating Complexity	Disconnect: investors and board	I felt that there was a bit of a ***disconnect between our clients*** *who* didn't really understand the role of the Non-Exec Directors and the Directors that I speak to who don't really understand how s**eriously some of the industry funds take their** corporate governance and also Environmental and Social risks seriously… We also spoke *about* ***stakeholder management-*** one of the directors were on the board of a coal mining co and there are a few protests and issues going on - *it's really important for the Board to understand that there are other interested parties in the company* who aren't shareholders but managing the expectations' of these other stakeholders is part of managing the company on behalf of shareholders as well because mismanagement of that such as in the CSG space is having real impact on the value of firms. (investor)

	Boards manage risk – whole of board accountability not sub ctee	For most companies, I believe the role of the board is to manage **risk**. The role of management is to manage the business and try and grow the business and the board oversight has to form a view on whether the risks that management are wanting to take or proposing are appropriate. Interesting there is often a debate about whether companies should have a separate risk committee…To me risk management is a **whole of board accountability**, not for a subcommittee. (Director)
Moral vs pragmatic	Self-interest of super fund members vs stewardship role of superfunds	"you can invest in the SRI fund – it's a good thing to do, but at the end of the day the thing that matters is investment returns"- (Director)
Risk as a lever	Framing human rights issues as supply chain risk – how ESG investors should engage with corporates	I think how you describe the risks is important … we were approached by some very large global investment funds … their concern was that there were human rights abuses occurring ... Had those Investors come to us and said "look we're concerned about one of the risks that you're running, namely in terms of your supply chain …from a region that's potentially susceptible to social and political instability. The lights would have gone on like that! "No you're right it's not good risk mgt. (Director)
	Investors should understand core - value creation and risk mgt	If [IR] develops further then I think that's the ideal place for companies to tell their story which includes helping people **understand how they create value and how they manage risk**. At the end of the day, if as an investor you understand those two elements then you're a long way advanced compared to where people are today. (Director)
	Short term investor pressures on corporation	If that's the way the market operates how can I operate effectively as a long-term investor in that market?

Table A2.12 Coding Matrix: Stage Two Deliberative Forums Melbourne

Aggregated Nodes by Interactive Nodes – Melbourne Forum

(Numbers in left hand column refer to alphabetical order in NVivo)

1	Initial Codes	NALYSING GROUP INTERA	B : Aligned	: Common Experienc	E : Conflict	G : Consensus	I : Contradictions	J : Disagreements	K : Dominant	M : Flashpoints
2	273 : LEGITIMACY	8	4	0	0	0	1	0	3	1
3	8 : ACCESSING AND ENGAGING WITH BOARD	6	4	0	0	0	0	2	0	0
4	47 : BOARD -INSIDE	5	0	2	0	3	1	1	1	1
5	206 : INTERDEPENDENCIES AND INTERGRATI	5	3	0	1	1	0	0	1	1
6	336 : SYSTEMS OF CG	5	2	0	0	0	1	1	1	0
7	26 : Leadership is important	4	4	0	0	0	0	0	0	0
8	207 : Balancing stakeholders and shareholders	4	2	0	1	0	0	0	1	1
9	276 : instrumental - pragmatic - business case	4	0	0	0	0	1	0	3	1
10	277 : moral and pragmatic- common business	4	4	0	0	0	0	0	0	0
11	28 : business leaders need to talk with their co	3	3	0	0	0	0	0	0	0
12	33 : individual champions, passion and courage	3	3	0	0	0	0	0	0	0
13	210 : trading off and tensions	3	1	0	1	1	0	0	1	1
14	341 : Conflicting perpectives on Fiduciary dutie	3	2	0	0	0	0	1	0	0
15	10 : Board Structures and committees- mixed	2	0	0	0	0	0	2	0	0
16	11 : board structures, committees - mixed bles	2	0	0	0	0	0	2	0	0
17	48 : Challenges faced by boards - emergent	2	0	0	0	0	0	1	1	1
18	78 : Culture-logics- drives the board and busine	2	0	2	0	2	0	0	0	0
19	80 : BOARDS ARE NOT ALL THE SAME	2	0	2	0	2	0	0	0	0
20	126 : DISCLOSING AND REPORTING	2	1	0	1	0	0	0	0	0
21	211 : INTERNATIONAL ISSUES AND COUNTRY	2	0	0	0	1	2	1	0	0
22	223 : US- CEOs may talk to their communities b	2	0	0	0	1	2	1	0	0
23	407 : WAYS OF THINKING	2	1	0	0	0	1	0	0	0
24	414 : Ways of thinking - new	2	1	0	0	0	1	0	0	0
25	12 : everyone needs to be accountable (at boa	1	0	0	0	0	0	1	0	0
26	13 : Evolution of sustainablity ctee	1	0	0	0	0	0	1	0	0
27	50 : Climate Change	1	0	0	0	0	0	1	0	0
28	51 : Globalisation	1	0	0	0	0	0	0	1	1
29	96 : Interaction Between Board and Mgt	1	0	0	0	1	1	0	0	0
30	113 : Passive Board	1	0	0	0	1	1	0	0	0
31	116 : Dominance of CEO	1	0	0	0	1	1	0	0	0
32	127 : Attitudes to CSR and ESG terminology an	1	0	0	1	0	0	0	0	0
33	159 : THERE IS A PROBLEM WITH LANGUAGE	1	0	0	1	0	0	0	0	0

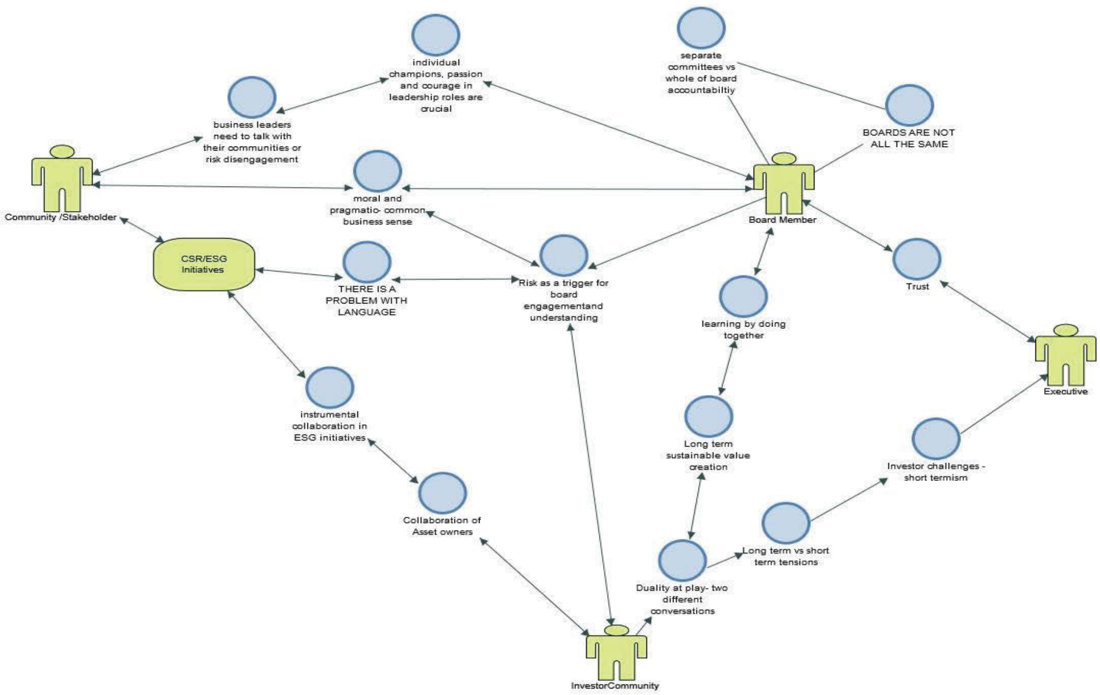

Figure A2.8 Concept Map: Stage Two Melbourne Forum

Table A2.13 Stage Two Melbourne Directors Conversation: Focused Codes, Categories and Exemplary Quotes

Melbourne Directors Conversation		
Categories to Concepts	**Focused Coding to Categories**	**Key quotes derived from initial coding**
	Flashpoints	
Navigating complexity	Globalisation / Stewardship *tensions* and tradeoffs	Our CEO was … the most hated woman in Australia. She was really pilloried… but if she hadn't of made that bold decision umm with the dollar where it is we wouldn't be where we are, so we've been on a journey to firstly move all of our source and supply to China (Director)
	Conflict	
Conflict: Language frames engagement	CSR/ESG disconnect with CG, Board	Definitions of responsible investing **are framed too narrowly**… either in environmental terms or social terms or pretty narrow channel and not recognizing the breadth of the responsibility and the **necessary tradeoffs across boards**(Director)
	Common Experience	
Navigating Complexity	Peering into the black box – boards vary! Cultural underpinnings?	I've been on about 6 boards and a number of not-for-profits. And the first thing I'd say to you: they're not all the same, so when you look at a board, you just don't think of boards as being the same**, they've all got different challenges, they've got different personalities, they've got different leaderships and there are often times in different stages of their evolution, some of them are in growth stages some of them are in decline, some have got major challenges, some have got terrific opportunities. And so, when you sit on a board, you can't just bring a template that says this is how you behave on a board**, you really gotta sort of say, well, what are the issues that confront us, what are the issues where I can bring, you know, my experience, where I can add some value. (Director)
	Board dynamic – Mgt vs board	That kind of chain of command where the CEO works for the board and the board works for the owner is very well enshrined in Australia and less well so in other economies where you'd expect to see similar interpretation. (Director)

	Contradictions – or plurality?	
Navigating complexity	Negative risk – post GFC risk social licence to operate - emergent social logic– INTERDEPENDENCIES AND INTERCONNECTIONS	The big thing that's changed **since the global financial crisis is … the focus on risk an**d people say boards are too focused on risked, they're not focused on growth. Well it's very hard to be focused on growth if growth is not there in the environment. (Director) So that's the first thing and the other point that I think is relevant is that the golden age where we can just think as Mathew mentioned at the start about boards being focused on financial performance we really have **to do more than just pay more than just lip service to the combination of financial performance, social and the environment**. And I thought I'd just give you a couple of examples of that very briefly. (Director)
	Disagreement (amongst the discussants)	
Navigating complexity	Risk and responsibilities- Committee vs whole of board accountability - the case for.	There is no requirement for a company to have a sustainability committee, but the evolution is really as I see it is that sort of **checking against: are we conforming with regulation,** where have we have not? Where might we be facing some sort of prosecution for that and how we've performed against our indicators. … So, I think we've seen an evolution in recent years where even the term sustainability committee applies to you know, potentially a range of issues that might cover environment, safety, health, community, even diversity in some companies and so we've seen not only a **much greater breadth of scope** for those committees, but also, a much more **forward-looking** orientation for those committees. I wouldn't join the board of a company, let alone a committee that didn't visit and inspect and view and ask questions about the operation of that company. Because it's just a desktop exercise which with the sort of **risks** that industrial companies have is naïve at the least. Umm, and so in terms of that orientation the breadth and the sort of forward looking nature of it. **I think probably from a stance of necessity with the amount that boards need to cover for limited time, and I'm talking about the listed environment here.** **A sustainability committee that covers all of those items or those areas that I mentioned gives the rest of the board the opportunity for**

		some what I call deep diving: visiting operations, understanding both the lagging and the leading indicators and doing as necessary some more in-depth review of past high potential incidents, be they safety or environmental or indeed community. (Director)
Navigating complexity	Committees vs whole of board accountability the case against	Interestingly at [organisation**] we've actually integrated our sustainability committee into the board now. We did have a separate sustainability subcommittee, but we felt that, well everybody was very interested and I think it's the nature of the business, because we're actually focusing on thinking communities, sustainability for us is absolutely crucial.** And it's not only around the environmental issues of our built environment, but it's also around the social issues of how do you create healthy communities in a sustainable way... every director used to come along to the subcommittee. And then we realized that there was this great interest, so then we integrated it into the board. (Director)
Navigating complexity	Committees vs whole of board accountability – the case against	Yeah it is, **in fact I think it's an interesting question, whether you have a dedicated committee for things like sustainability and. MY preference is not, on a different page to Margaret there. I absolutely believe that every board has to have focused time talking about digging into risk, sustainability and a whole lot of other things, the danger of having a subcommittee is people thinking that somebody else is dealing with the problem. And that happens too easily. If you have subcommittees dealing with some of these things, they may have to come back accountability wise to the whole of the boards because the director can't delegate interest and responsibility for any of those issues to a subset of the board**. So, I actually serve on boards, two of which do have dedicated committees to some of those things, and others don't. So, I can operate in both environments, but my preference is to say that those things are explicitly board agenda items. So, you might spend half a day, … on sustainability issues. But it's with the full board engaged, and necessarily so.
Navigating complexity	Climate Risk as fiduciary duty – risk as lever Emerging legal discussions - climate	**We can't just look at this as a non-financial environment with externality anymore and ignore the economic impacts and material financial risks that come with climate change. At the same time, the legal context has change around directors' duties and trustees' duties. Where regulators and courts are demanding we must be**

		professional we can't just be sleeping governance, we have a job, we have duties of due care and diligence and we're expected to discharge those proactively. We're excepted to know about what our business does, the industry operates in and also the broader economic context the impacts on it, and if you look at those changes in context and apply them to the current regime of directors' duties…For trustees, the duties regime applies even more so in relation to trustees, that if you're not proactively managing climate change now, you are in breach of your duty of due care and due diligence. If you're a denialist director, you're in breach of your due diligence, if you're honest that you're ignorant, you're in breach of your duty, if you rely on the fact oh that it's all too uncertain, **kick the can down the road, think about it in 10 minutes when everything is clearer???** You're in breach of duties. If all you do is bench mark to what everyone else is doing in your industry then you're in breach of your duties because you're not considering what is profit maximizing for your firm, it's risk …. **Similarly, if all you do is comply with your legal obligations, again, in breach of your duties, it's necessary but not sufficient, and even if you actively think about the issue.** My last point. Even if you do actively think about the issue, you accept the science on climate change, you turn your mind to it and you decide the profit maximizing position for your company is to do nothing, then potentially still in breach of your duties if you're applying outdated methodologies that aren't fit for purpose**, in this new economic, social and scientific context that we have for risk going forward**. So, I'd be more than happy to talk to anyone about the litigation frontiers…. (some heads were shaking at this- so some disagreement). (Lawyer)
Navigating complexity	Country relevance - Chain of Command Sub Cat- Execs block access to NEDs Investors and company engagement	He (Matthew) held up the US example in a favorable light... I believe that Australian boards in the way that they deal with corporate governance, the way they interact with their (long term) shareholders are pretty much second to none in the world and I think **that Australian investors come to the party as well in that they take up their rights and they see the value in those rights and they make it a very constructive and collaborative conversation between the non-executive and the long-term owners. That is in stark contrast with conversation that I've had in the US with**

		executives not with non-executives because you can't get to the non-executives the CEO will say that "I'd love for you to talk to the chairman of rem co or the nom co but they don't really understand the company so you're better off talking to me". Which, you know if you are in the business and you believe in a parliamentary system where the non-execs represent you as the owner then that could be interpreted as a problem. (Investor body) (lots of agreement in the whole room).
	Dominance	
Self-reinforcing systems - regulator driven and lacks an understanding of the complexities and tradeoffs - same with the ACSI comments	instrumental -pragmatic – business case: win-win	Rather than going down the path of pushing for **begrudging compliance** to concepts like sustainability, **I** wonder whether it's better to **focus on the economic benefits** that good governance and sustainability can deliver (Regulator) From the point of view of trying to encourage certain forms of behaviour for corporate Australia, one of the best things is to deliver some of the value, **financial value** for things like good governance and sustainability concepts can deliver. **It's that simple**. (Regulator)
	Alignment	
Looking for change - Navigating Complexity	Economic benefits of ESG: Primacy of shareholder value AND importance of **engaging** with community: Moral and pragmatic Interdependencies and Interconnection: Shareholder and stakeholder **Broadest defn of market** Agency and leadership Engaging with the community is a duty	Whilst unashamedly business has a primary responsibility to maximize return on investment; non-negotiable, the issue is; And I'm often criticized you know, when I spend time in the non-profit sector for starting out there… I actually just start from a very very simple premise; that **unless we really understand the market that we're in, In its broadest definition we haven't really got a hope of doing what we're required by the corporations law to do to maximize profit** …many of us in business are reticent, I know for all the obvious reasons, **but reticent to be involved in community debate, and I think there are a couple of problems with that.…**The reality is that if it's a reticence that goes further we are **increasingly disengaged from the sorts of issues that are effecting the community and most importantly I think unfortunately, the community looks at business and says: 'Look they're just over in their little corner there, thinking about narrow matters that are affect business, such as I've mentioned before; tax or IR**.' (Director)

		…he spent time talking about not so much the science, but the laggard effect of a community that's worried about it... And I was so impressed that he went straight for the jugular: He said: "This is an issue that affects me as an individual, this is adversely affects GE, we're investing in this area… I was struck with what a good speech it was, **it was going to places that so often our own business leaders are reluctant, for all the obvious reasons to do so**. … I am saying that **I think the board that we as the business sector, one of three great sectors is seen to be reaching out and being part of the community.** I think it actually just automatically translates to what we're actually required to do. (Director)
Self- reinforcing systems	Cultural deficiency on board	We have a very small number relative to other parts of the world of PHDs on boards. Why is that so? Well I just think it's part of our **cultural deficiency**, and it would be just wonderful to become cleverer (Director)
Alignment	Bridging the issues Broadening understanding -complexity Aligning economic social and environmental Moral and pragmatic- common business sense – broader view Enlightened discharge of duties	You Rosemary, your introduction mentioned your frustration & & umm with seeing company or seeing the CEO was really engaged with environmental issues or social issues and then your frustration him or her departing the company and that passion departing as well. And that clearly is a factor and I think to my mind the solution to that problem which is a very real problem is: about making CEOs and boards of our world really passionate about running brilliant companies and delivering outstanding returns to the shareholders and just **making the bridge between those issues** and that duty. So, **it doesn't require those individuals to reimagine their purpose or duty to the shareholde**r, umm it just requires them to acknowledge that the world is a bit of a complicated place and that things have moved on. **T**o Shaun's point about superannuation trustees and their the onus that is placed on them as company directors and then additional duties under the act and I think exactly is… true, it's not about having them imagine that they have a duty to anything other than delivering great returns to their members

		it's just again that um that <u>the way that those risks and returns are going to be constituted is a little different to the rather simple interpretation that the economy has had previously</u>. I don't believe so much in new duties for existing directors I just believe in a more and if you like **enlightened discharge** of existing duties (Investor Body)
Navigating Complexity	Time frames, trade-offs and tensions	…about time horizons, and it goes back to your point about tradeoffs**, because I think in the long term I think everybody agrees the direction that we want to have,** it's how do you make this very short time, those decisions that affect your quarterly, half yearly, annual cycles. Um and the decisions that are longer term in nature. (CSR Manager)
Language and framing for engagement	Evolving role of reporting -seeking alignment on value creation (IR).	Well, it's sort of often characterized as a mix between financial reporting, sustainability reporting, but more than that it's about long-term focus on long as well as medium short-term value creation and what are the drivers of value creation. So, it's getting that into a concise report. Some organizations that will be sustainability characteristics, others will be a strong emphasis on strategy and business model. Hopefully in time those converge, but that's what it's about: a concise report on value creation (Prof Assocn)
	Unpacking risk	
Recursive systems	Dominance of risk and compliance	The increase in focus on risk since the financial crisis, I think has been quite extraordinary … that's led to a generational shift in attitude to risk, I'm not sure how long it's going to last, people tend to forget but it'll take a long time to forget what happened in the period 2007 to 2009.
Navigating Complexity Agency and Leadership	Risk as lever to board access Agency and leadership Individual champions, passion and courage in leadership roles are crucial	Obviously, it is important for boards to be supportive of broader corporate responsibility sustainability issues. The **relationship between boards and leadership teams and broader roles that's really quite critical.** I mean we have an issue at the moment, where it really helps when a member of a board is on top of an **NGO** campaign activity that's happening at the moment, and is on top of what is our response, what are we doing. And that's brilliant for us because it gives us the ability to really cut through and

		make changes at an opportune time when we otherwise wouldn't, it would take a lot longer to do. (CSR manager)
Self-reinforcing systems	Risk aversion stymies innovation	So often with risk, we talk about or think about people stealing from the company or a bad decision being made which you know, reflects poorly on the governance or whatever it is, except I think there is a big risk on just not understanding the extraordinary payback from sensible innovation…That's often in this country put into the **category of conservatism**, oh look, we don't understand it, therefore let's not invest in it. **I actually turn it round the other way,** and say actually, it's a risk, it's a risk not investing sensibly. (Director)
Navigating Complexity Inherent Tension	Reputational risk – **supply chain** **Invidious position of Boards** **Moral decision making**	Wages are becoming higher, people are looking for better jobs than factory workers. So, we've had to go on a further journey of going to places like Cambodia, places like Bangladesh, and so what does a board do in that? So, you mentioned Margaret, … **we've had to become much more involved and much more aware of the risks involved as a board member, the risks involved in being in these places, you can get burnt by having been producing products in a factory that a fire or a building collapsed and suddenly you're producing your pilloried...** **What we're worried about is our brand name, you know suddenly the media loves to point the finger at a brand, they can't point it at an individual, they point it at a brand, and that's the thing we have to manage; the brand reputation. So as a board member, you faced with these moral dilemmas, should we go into these places, like Vietnam, like Cambodia, like Bangladesh and should we go to factories that we haven't seen? Should we rely upon the management that tell us that these things are okay boss, when you know that if something goes wrong, you're going to be held accountable. That's the sort of very difficult moral decision that you have to make as a board member. And that's where trust comes** in.(Director).
Navigating Complexity Inherent Tensions	Tensions and trade=offs – globalization and market related	…**It's a difficult journey (offshoring - labour costs), … it's a journey as a manufacturer. And the board's responsibility is to really put in place the protocols that you think and you believe will be necessary but you know deep down in your heart that they're never going to be 100% right, so you've gotta judge the success of these things by asking the**

		right questions, evaluating the management and, as we have done and we force ourselves to do is go look at the business facilities. So interesting journeys challenging times but umm, very enjoyable. (Director)
Navigating Complexity	ESG and Business sustainability – pragmatic and moral	The other element that is more specific, or quite specific to CSR is a blue-collar aging workforce … and I mention that because it's a long way from setting targets for reducing waste, but it's all about sustainability of the company in in an environment where you have a particular aging workforce.
Change on horizon- not yet navigated…	Institutional investors – members and SRI Stakeholders...critical mass Emergent issues	But Australia stands out because of the sheer size of its [superannuation] system and the unique characteristic of using trustee law and company law to oversight the governance of that system… **The world today is very different as a superannuation trustee director, because you are** representing in a mandatory system, …hundreds of thousands of members, whose attitude has changed in the last 30 years… And the trustee company directors of a superannuation fund will take and are taking a much more active level of interest and, to varying degrees, engagement in the companies that they invest in and will increasingly, **even if the law doesn't,** direct law on company directors' superannuation trustees will increasingly require the companies they invest in, which is the **entirety of the Australian economy;** accountability and responsibility on a whole range of SRI issues. That's my prediction, it's starting to happen. And that is unique to Australia, it is unique to Australia because of the sheer size of the system and the Governance of the system.
Change - long termism	Growing long term investor influence Growing long term investor influence	**Two kind of trends**, one on the i**nvestors' side and one on corporate side**, the investors' story is really one of increasing growth of asset owners so super funds, sovereign wealth funds, insurance companies, investors and private wealth to a certain extent as well… and professionalizing along the way… an internalization of some or all of the asset management function and a **disintermediation o**f some of the traditional agents that large funds will use guiding them … have really taken internal control again internally of the key decisions around, risk budgeting and asset allocation so that professionalism story is very strong in Australia. Another key part of that is about internalization of the **management of ownership rights,** … Australian funds and other large investors around the

	Power of Collaboration Investor duality Shared long term journey Agency and Leadership	world **have clawed back ownerships rights** that accrue to them and chosen to exercise those rights themselves… the engagement directly of those companies either in AGM issues or indeed on any issue. …we believe that will serve us better in the **long term as asset owners**. So that trend has been powerful and very supportive of high quality conversations between long term investors and non-executive directors. **The other trend that is showing important on the investors side is that investors is really seeing the power of collaboration …you see a group of 30 or 40 other likeminded investors, who basically think the same things as you about; corporate governance about companies being enlightened about long term environmental and social risks, then it's obviously really attractive to say: "Well why don't I give you my 1% and you guys give me your 12% and we'll all speak with one voice".** That's kind of the model that **1:08:50 ACSI** adopts and also **Regnan** who is here tonight very much in the power of collaboration it's much more effective, because you're becoming a single block, and it's very efficient as well, it's more cost efficient, because you're spreading what is quite an onerous and analytical task across a big number of investors. So that collaboration model has been really strong and powerful I think in Australia, and again i think we should be very proud of that. [**There are now evolving 2 different conversations - Asset managers with a shorter-term focus and Asset owners such as super funds with a longer-term focus and interest in the corporation who want to be able to speak to the non-executive directors.]** The final trend is … I see a really interesting application in board rooms in Australia, whereby non-executives are thinking that clearly the traditional investor relations function serves a good purpose… the executive speaking to the sell side and some of the buy side about you know, why they might want to buy or retain the stock. … however, there is a trend that is emerging in some of the bigger companies …as owner relations rather than **investor**

		relations and that is a much longer-term conversation with an investor … essentially, it's a perennial owner of the stock… "we are your owners, we will remain your owners" and it's about making this journey that we're on together as valuable as possible for both parties is the lesson of that conversation. And that I think has been a relatively new evolution but one that is really positive for the people I represent, which are funds and ultimately a person on the street who is contributing his or her superfund. (Investor Assocn)
Navigating Complexity	There is a problem with language Stewardship Business sustainability Tensions and trade-offs	QUOTE OF THE NIGHT One of the worries that I have to often is that definitions of responsible investing are framed too narrowly. So they're defined either in environmental terms or social terms or pretty narrow channel and **not recognizing the breadth of the responsibility and the necessary tradeoffs across boards**. …In, the case of [company] in our 2012 annual report. That was the **shepherding** of that company through real sustainability challenges, like was it going to survive? There's **no more immediate sustainability challenge** to particular organization than that particular one. And reported in the annual report of 2012 we had … an enormous number of meetings… there were really really difficult decisions to be taken, about closing down parts of the business, which, once you've done you can't really start again. Making about a thousand jobs redundant, re-financing the whole company at a time when ratios were already under severe peril, **all those things are not done lightly**, and that's part of **the <u>enormous tradeoff that</u> the** board needs to get their mind around, and in that case, give in order to reframe the company with a view for the future, and **a sustainable view for the future.** That's the definition of sustainability within the portfolio if you like of the individual business. Which drags in all of those environmental, financial and social objectives into the decision-making process. **They're all very much explicitly on the table**.

A2.3 Stage Three Data

ACCESSING AND ENGAGING THE BOARD	0	0
A CSR Disconnect	0	0
Competing for time	5	9
CSR Sceptiscm	8	21
Dedicated committees vs whole of board accountabili	2	6
Educational challenge	4	7
LANGUAGE FRAMES ENGAGEMENT	9	15
Reporting- mixed blessings	10	37
Reporting reinforces compliance	5	12
Risk as a trigger	5	10
AGENCY AND LEADING	0	0
Leadership is crucial	13	59
Stewardship	8	20
BOARD DYNAMICS	0	0
Active board	0	0
Agenda control	4	12
Choosing the CEO	2	2
Engaged board asks questions	4	10
Strong chairman	2	8
Board composition tensions	0	0
Diversity vs experience	8	30
Positive competencies and mindsets	9	39
The club - self-reinforcing, self-referencing	10	21
CSR Proactive board	0	0
NOT BOARD DRIVEN BUT SUPPORTED	3	7
Responsible governance	2	4
strong governance equals sustainable business	1	4
SUSTAINABLE BUSINESS AND BUSINESS SUSTAINABIL	8	21

Cultural underpinnings	0	0
Board culture varies	4	11
Culture eats strategy for breakfast	9	38
Employee engagement and caring culture	4	12
Leadership drives culture	7	19
Toxic Culture	1	1
Emerging challenges	13	39
Passive Board	0	0
Board should support mgt	2	4
Dominance of CEO	2	5
Dont rock the boat	2	2
Tensions on the Board	0	0
Board support for CSR	2	3
Tensions in the system	3	10
CORPORATE LEGITIMACY	0	0
cognitive and pragmatic	4	5
moral and pragmatic	10	38
moral vs pragmatic	9	17
pragmatic instrumental business case	7	28
COUNTRY RELEVANCE	0	0
Different country filters and mindsets in governance	9	16
Globalisation and convergence	3	4
INSTITUTIONAL INERTIA	6	19
INTERDEPENDENCIES AND INTERCONNECTIONS	5	12
Balancing CG and CSR- stakeholders and shareholders	11	33
Tensions trade-offs and investor pressures	8	16
Win-win business case	2	9

INVESTOR INFLUENCES	0	0
Disconnect between boards and Investors	5	8
Duality and tension - pressure for short term returns vs E	4	5
Market forces and self-reinforcing investor systems	7	15
Increasing Influence of Institutional Investors	0	0
Collaboration of asset owners	2	3
Increasing sustainability requirements by asset owner	3	7
Investor stewardship for the long term	3	5
Lever and driver - ESG as economic risk	3	13
Management of ownership rights	2	3
New forms of investing - Impact	2	3
SYSTEMS OF CG	0	0
Conflicting perpectives on Fiduciary duties	1	3
Emerging legal discussions - climate	2	5
Investor driven view	4	8
INVIDIOUS POSITION FOR DIRECTORS	2	2
No need to re-imagine duties	5	6
Defining and Framing CG	0	0
Deliberately narrow legal definion of CG	1	1
MSV vs good governance	2	2
purpose of the corporation	3	11
Responsible governance	4	6
Self-referencing board ecosystem	0	0
A self reinforcing complexity of systems and influence	0	0
Inadequacy of systems of CG	2	20
intermediaries and investors	2	4
paralysis, entanglement, inertia	3	3

Peer influence and networks	7	22
Role of intermediaries	1	4
Self-reinforcing board ecosystem	6	27
SYSTEMS OF CSR	0	0
Convergence and collaboration of CSR with CG Boards	8	22
SELF-REINFORCING CSR SYSTEMS	0	0
CSR disconnect with CG, Board	4	11
Usual suspects - a Club	4	7
TIME HORIZONS	0	0
Aligning long term interests in board ecosystem	5	25
Exec rem and short term incentives	4	12
Long term vs short term tensions	7	21
UNPACKING RISK and REGULATION	0	0
Regulation	0	0
Beyond compliance	3	4
Coercive kickstart	6	21
Compliance mindset	4	9
Government failure	7	16
Risk	0	0
Climate risk	4	8
ESG Risk as strategic opportunity	6	18
Risk and compliance vs strategy and innovation	7	17
Risk aversion	7	11
Sectoral risk	3	9

WAYS OF THINKING	0	0
Change	8	10
Integrated thinking	5	9
Strategic and interconnected thinking	6	31
Transformational thinking	0	0
Changing mindsets	5	15
Conflicted thinking	2	4
Maintenance	0	0
Circular and self-reinforcing	7	7
Disconnected thinking	1	1
z_ANALYSING GROUP INTERACTION	0	0
Aligned	7	23
Conflict	6	14
Contradictions	4	5
Dominant	5	10
Estranged	3	3
Flashpoints	3	4
New insights during interaction	1	1
NON VERBAL_EMOTIONS	0	0
Emphatic	4	8
Frustration	6	14
Z-Core Phenomena	0	0
Circularity and self reinforcing systems	1	1
Framing	3	6
Influences in the Board Ecosystem	1	2
Weighing-up, balancing in decision-making	1	3
Z- Subsidiary Executive focus	5	8

Figure A2.9 Stage Three Screen Shots: Synthesised Focused Codes and Their Dimensions

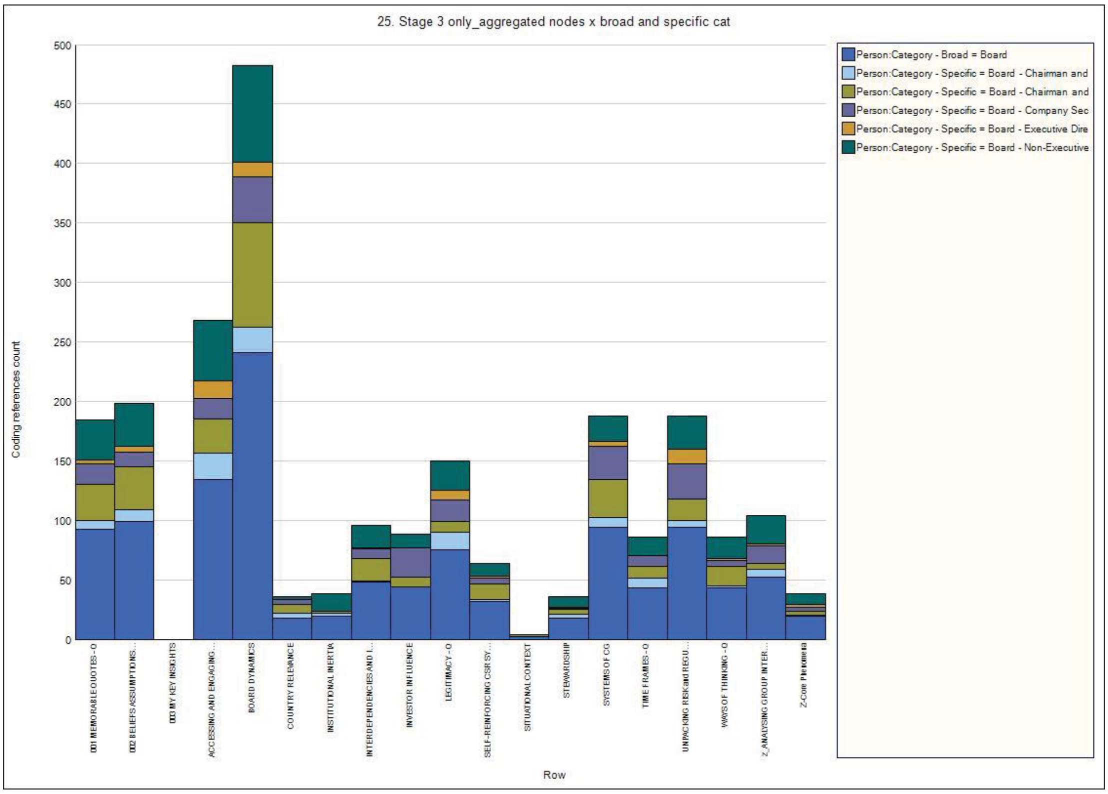

Figure A2.10 Aggregated Parent Nodes by Stage Three Interviews: Broad and Specific Categories

Table A2.14 Coding Matrices: Stage Three Interviews

Disaggregated nodes by Stage Three Interviews – Broad and Specific Categories
20/8/17

(Numbers in left hand column refer to alphabetical order in NVivo)

1		Broad	Chairman /MD	Chairman/NED	Co Sec /General Counsel	ED	NED
2	2 : 002 BELIEFS ASSUMPTIONS VALUES - Q	99	10	36	12	5	36
3	1 : 001 MEMORABLE QUOTES - Q	84	8	28	15	2	31
4	8 : Leadership is crucial	53	16	5	6	2	24
5	15 : Positive competencies and mindsets	38	0	11	8	0	19
6	17 : Culture eats strategy for breakfast	37	1	24	2	5	5
7	59 : moral and pragmatic	37	6	6	2	5	18
8	12 : Emerging challenges	36	7	2	4	4	19
9	36 : Reporting- mixed blessings	36	1	16	1	1	17
10	40 : Balancing CG and CSR- stakeholders and shareholders	31	1	11	5	0	14
11	97 : Strategic and interconnected thinking	31	1	21	2	0	7
12	14 : Diversity vs experience	29	0	18	3	0	8
13	58 : pragmatic instrumental business case	28	9	3	12	3	1
14	32 : Self-reinforcing board ecosystem	26	0	19	2	0	5
15	91 : Aligning long term interests in board ecosystem	25	8	0	6	0	11
16	101 : Aligned	23	3	2	7	1	10
17	62 : Coercive kickstart	21	1	0	16	2	2
18	86 : SUSTAINABLE BUSINESS AND BUSINESS SUSTAINABILITY	21	1	13	0	1	6
19	33 : Peer influence and networks	20	1	5	0	1	13
20	35 : CSR Sceptiscm	20	2	2	4	7	5
21	66 : Convergence and collaboration of CSR with CG Boards	20	0	9	5	0	6
22	20 : Leadership drives culture	19	3	2	10	0	4
23	38 : INSTITUTIONAL INERTIA	19	3	1	0	0	15
24	69 : Stewardship	19	3	5	1	1	9
25	89 : Inadequacy of systems of CG	19	0	19	0	0	0
26	16 : The club - self-reinforcing, self-referencing	18	2	7	3	0	6
27	92 : Long term vs short term tensions	18	0	10	3	0	5
28	41 : Tensions trade-offs and investor pressures	16	1	5	3	0	7
29	63 : Government failure	16	0	7	2	0	7
30	43 : Different country filters and mindsets in governance	15	4	6	2	0	3
31	49 : Market forces and self-reinforcing investor systems	15	0	5	6	0	4
32	88 : Changing mindsets	15	0	5	9	1	0
33	37 : LANGUAGE FRAMES ENGAGEMENT	14	0	5	2	3	4
34	60 : moral vs pragmatic	14	2	2	4	0	6
35	102 : Conflict	14	0	1	4	1	8
36	47 : Lever and driver - ESG as economic risk	13	0	1	11	0	1
37	110 : Frustration	13	0	2	1	0	10
38	9 : Reporting reinforces compliance	12	0	1	1	0	10
39	19 : Employee engagement and caring culture	12	5	0	0	2	5
40	39 : INTERDEPENDENCIES AND INTERCONNECTIONS	12	0	8	0	0	4
41	18 : Board culture varies	11	0	1	0	0	10
42	31 : Exec rem and short termism	11	0	6	2	0	3
43	87 : purpose of the corporation	11	4	0	4	3	0
44	10 : Risk as a trigger	10	3	2	2	0	3
45	23 : Engaged board asks questions	10	1	0	0	0	9
46	67 : CSR disconnect with CG, Board	10	0	3	0	2	5
47	98 : Change	10	1	1	3	1	4
48	104 : Dominant	10	2	1	5	0	2
49	64 : Compliance mindset	9	0	5	1	0	3
50	96 : Integrated thinking	9	0	2	1	0	6
51	6 : Competing for time	8	0	2	4	2	0
52	13 : Z- Subsidiary Executive focus	8	1	0	2	2	3
53	77 : Investor driven view	8	0	0	4	0	4
54	109 : Emphatic	8	0	3	0	0	5
55	7 : Educational challenge	7	0	2	3	0	2
56	22 : Strong chairman	7	0	7	0	0	0
57	46 : Disconnect between boards and Investors	7	0	2	2	0	3
58	54 : Increasing sustainability requirements by asset owners	7	0	1	5	0	1
59	99 : Circular and self-reinforcing	7	1	1	1	1	3
60	68 : Usual suspects - a Club	6	1	3	0	2	0

Disaggregated nodes by Stage Three Interviews by Beliefs and Assumptions – Broad and Specific Categories 20/8/17

(Numbers in left hand column refer to alphabetical order in NVivo)

1		Broad	Chairman /MD	Chairman/NED	Co Sec /General	ED	NED
2	5 : 002 BELIEFS ASSUMPTIONS VALUES - Q	100	10	36	12	5	37
3	1 : 001 MEMORABLE QUOTES - Q	63	8	20	11	0	24
4	62 : moral and pragmatic	18	2	3	1	2	10
5	11 : Leadership is crucial	16	2	5	1	1	7
6	100 : Strategic and interconnected thinking	16	0	10	1	0	5
7	43 : Balancing CG and CSR- stakeholders and share	13	1	8	0	0	4
8	18 : Positive competencies and mindsets	11	0	2	2	0	7
9	104 : Aligned	11	2	1	1	1	6
10	61 : pragmatic instrumental business case	10	5	0	3	1	1
11	39 : Reporting- mixed blessings	9	0	5	0	0	4
12	15 : Emerging challenges	8	1	1	0	0	6
13	20 : Culture eats strategy for breakfast	8	0	3	1	2	2
14	42 : INTERDEPENDENCIES AND INTERCONNECTIONS	8	0	6	0	0	2
15	69 : Convergence and collaboration of CSR with CG	8	0	5	2	0	1
16	17 : Diversity vs experience	7	0	3	2	0	2
17	72 : Stewardship	7	1	2	0	1	3
18	13 : Risk as a trigger	6	2	1	0	0	3
19	44 : Tensions trade-offs and investor pressures	6	1	2	0	0	3
20	50 : Lever and driver - ESG as economic risk	6	0	0	5	0	1
21	89 : SUSTAINABLE BUSINESS AND BUSINESS SUSTAINA	6	1	2	0	0	3
22	91 : Changing mindsets	6	0	2	3	1	0
23	101 : Change	6	1	1	1	0	3
24	19 : The club - self-reinforcing, self-referencing	5	0	3	0	0	2
25	26 : Engaged board asks questions	5	0	0	0	0	5
26	36 : Peer influence and networks	5	0	2	0	0	3
27	70 : CSR disconnect with CG, Board	5	0	2	0	0	3
28	12 : Reporting reinforces compliance	4	0	0	0	0	4
29	22 : Employee engagement and caring culture	4	2	0	0	0	2
30	38 : CSR Sceptiscm	4	1	1	0	1	1
31	41 : INSTITUTIONAL INERTIA	4	1	0	0	0	3
32	65 : Coercive kickstart	4	0	0	3	1	0
33	78 : No need to re-imagine duties	4	0	1	1	0	2
34	90 : purpose of the corporation	4	1	0	2	1	0
35	94 : Aligning long term interests in board ecosysten	4	0	0	1	0	3
36	99 : Integrated thinking	4	0	2	0	0	2
37	102 : Circular and self-reinforcing	4	1	0	0	1	2
38	105 : Conflict	4	0	0	0	0	4
39	107 : Dominant	4	2	0	0	0	2
40	113 : Frustration	4	0	0	0	0	4
41	23 : Leadership drives culture	3	0	2	0	0	1
42	35 : Self-reinforcing board ecosystem	3	0	3	0	0	0
43	40 : LANGUAGE FRAMES ENGAGEMENT	3	0	2	0	0	1
44	53 : Investor stewardship for the long term	3	0	1	0	0	2
45	57 : Increasing sustainability requirements by asse	3	0	0	3	0	0
46	63 : moral vs pragmatic	3	1	0	1	0	1
47	80 : Investor driven view	3	0	0	1	0	2
48	112 : Emphatic	3	0	1	0	0	2
49	116 : Framing	3	0	1	1	0	1
50	9 : Competing for time	2	0	2	0	0	0
51	16 : Z- Subsidiary Executive focus	2	0	0	0	0	2
52	21 : Board culture varies	2	0	0	0	0	2
53	52 : Market forces and self-reinforcing investor sys	2	0	1	0	0	1
54	55 : Collaboration of asset owners	2	0	0	2	0	0
55	60 : cognitive and pragmatic	2	0	0	0	0	2
56	67 : Compliance mindset	2	0	0	1	0	1
57	79 : Emerging legal discussions - climate	2	0	0	1	0	1
58	84 : Responsible governance	2	0	0	1	0	1
59	87 : Responsible governance	2	0	1	1	0	0
60	95 : Long term vs short term tensions	2	0	1	0	0	1

Aggregated nodes by Aggregated nodes - Stage Three Interviews

		A : ACCESSING AND ENGAGING THE	B : BOARD DYNAMICS	C : COUNTRY RELEVANCE	D : INSTITUTIONAL INERTIA	PENDENCIES AND INTERCO	F : INVESTOR INFLUENCE	G : LEGITIMACY - Q	H : SITUATIONAL CONTEXT	I : STEWARDSHIP	J : SYSTEMS OF CG	K : SYSTEMS OF CSR	L : TIME FRAMES - Q	PACKING RISK and REGULAT	N : WAYS OF THINKING - Q
2	1 : ACCESSING AND ENGAGING THE	134	38	1	8	7	10	25	0	7	6	6	9	21	13
3	2 : BOARD DYNAMICS	38	234	4	3	16	7	32	0	11	29	8	19	31	25
4	3 : COUNTRY RELEVANCE	1	4	18	0	0	0	0	0	1	1	3	1	3	1
5	4 : INSTITUTIONAL INERTIA	8	3	0	19	0	1	4	0	0	0	1	0	2	2
6	5 : INTERDEPENDENCIES AND INTER	7	16	0	0	48	3	17	0	3	8	4	8	5	15
7	6 : INVESTOR INFLUENCE	10	7	0	1	3	44	11	0	1	10	2	12	9	2
8	7 : LEGITIMACY	25	32	0	4	17	11	75	0	9	13	5	7	21	8
9	9 : STEWARDSHIP	7	11	1	0	3	1	9	0	18	1	2	1	2	3
10	10 : SYSTEMS OF CG	6	29	1	0	8	10	13	0	1	60	3	9	13	8
11	11 : SYSTEMS OF CSR	6	8	3	1	4	2	5	0	2	3	32	0	4	2
12	12 : TIME HORIZONS	9	19	1	0	8	12	7	0	1	9	0	50	7	3
13	13 : UNPACKING RISK and REGULAT	21	31	3	2	5	9	21	0	2	13	4	7	94	8
14	14 : WAYS OF THINKING - Q	13	25	1	2	15	2	8	0	3	8	2	3	8	43

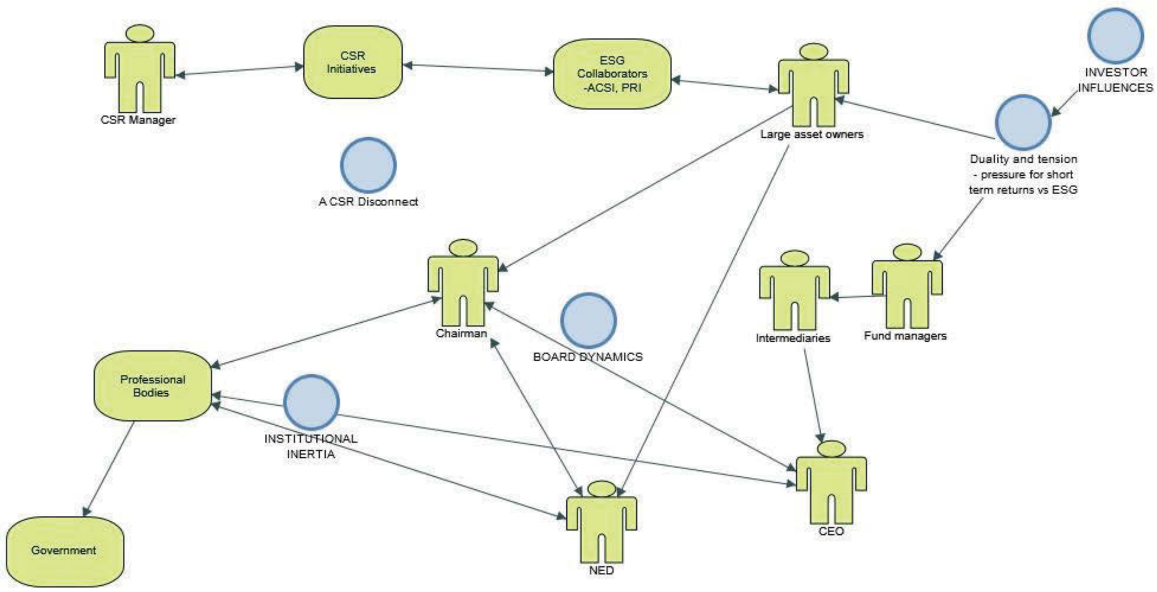

Figure A2.11 Concept Map: Stage Three Interviews