EDAMBA JOURNAL

13th Thesis Competition 2015

Thesis Competition 2015 Summaries

Editor
Jaan Grunberg

Foreword from the President

EDAMBA, the **European Doctoral programmes Association in Management and Business Administration** has the mission to support and facilitate cooperation by providing and managing a network to exchange information, disseminate best practices and raise the quality of doctoral education among its members in Europe and beyond. For the past quarter century, **EDAMBA** has helped the participating schools to increase the quality of their Doctoral programmes, as well as to create an environment of excellence with a European perspective, all the while pursuing diversity. In many ways it has proved to be an unparalleled forum of discussion to schools that have a long established tradition of doctoral education and also to those who have recently started this new practice. The ultimate goal is to have the **EDAMBA** network reach as far and wide as possible, while at the same time maintaining the integrity of the various programmes within the network.

Currently EDAMBA has 60 doctoral programmes as members of the Association coming from 24 countries. It is governed by the General Assembly, which elects each year an Executive Committee. The main current activities of the Association are the Annual Meetings, the Research Summer Academy, the Consortium on Doctoral Supervision, the Thesis Competition.

The Annual meetings have become during the years the main platform for discussing common problems and issues, discussing impressive changes in the doctoral landscape and promoting best practices among the Directors of Doctoral programmes in the association. The Summer Academy operating since1992 with its international dimension has been the privileged forum for dialogue on research paradigms and methodologies while building a strong scholarly network among doctoral students coming from a broad range of programmes and disciplines.

The Winter Academy launched in 2008 aims at improving the quality of doctoral supervision by fostering a dialogue among senior and junior faculty and developing competent supervisors for addressing the shortage of qualified faculty in Business and Management studies in the European Universities and Business Schools. In the steps of the Winter Academy, as a joint initiative between the EIASM and EDAMBA in shaping the new landscape of global doctoral education, EDAMBA runs a Consortium on the importance of supervision in doctoral education. A European Code of Practice for Doctoral Studies in Management and Business has just been published for consultation with our membership and wider community.

The Thesis Competition was first launched in 2003. It aims at distinguishing high-quality doctoral dissertations which have significantly contributed to new knowledge in all areas of business studies and management. The top-3 peer reviewed abstracts are given prizes and the short-list of selected abstracts is published in this EDAMBA journal. With this publication, we hope to contribute to the dissemination of distinguished doctoral dissertations from throughout our network in Europe and worldwide.

Dimitris ASSIMAKOPOULOS
EDAMBA President

List of reviewers

EDAMBA acknowledges the expertise, time and effort in the important review process of the 2015 EDAMBA Thesis Competition

Assimakopoulos, Dimitris	EMLYON
Barner-Rasmussen, Wilhelm	HANKEN School of Economics
Batteau, Pierre	Aix Marseille University
Bonet, Eduard	ESADE Business School
Dellestrand, Henrik	Uppsala University
Gimenez, Cristina	ESADE Business School
Grünberg, Jaan	Uppsala University
Lampou, Konstantin	Uppsala University
Linstead, Stephen	ESADE Business School
Pahor, Marko	University Of Ljubljana
Rita, Paulo	ISCTE – IUL
Sallis, James	Uppsala University
Teigland, Robin	Stockholm School Of Economics
Ulhoi, John Parm	Aarhus University
Whitfield, Keith	Cardiff University Business School
Wright, Gillian H.	Manchester Metropolitan University
Zsoka, Agnes	Corvinus University of Budapest

Contents

<div style="border:1px solid">

FIRST AWARD

</div>

**Development of Socially Responsible Investment
Through Different Investment Strategies**

Ivanisevic Hernaus Ana
University of Zagreb

Abstract

This research contributes to the understanding of the financial phenomenon of socially responsible investment (SRI), which has recently been attracting increasing interest from both researchers and practitioners. The thesis exposes the essence of socially responsible investment in theory and practice, putting an emphasis on specific strategies of such investment as its basic distinctive feature compared to conventional approach. The thesis consists of three studies: 1) Testing socially responsible investment as an alternative financial practice, 2) Exploring strategic heterogeneity of socially responsible investment, and 3) Introducing socially responsible investment in South East European financial market.

Keywords: *socially responsible investment*, *SRI strategies*, *SRI funds*, *cluster analysis*.

Although socially responsible investment (SRI) accounts as yet for only a limited share of the total financial investment, it now enjoys great visibility (*Amenc*, *Le Sourd*, 2010) accompanied by an increasing research interest. One of the most common understandings of SRI is that it is a type of investment that aims at generating both long-term competitive financial returns and positive societal impact (e.g. *Eurosif*, 2012; *US SIF*, 2012). What makes SRI different from conventional investment is the application of specific strategies of investment (SRI strategies) based on non-financial issues: social, environmental, corporate governance and ethical. Their purpose is to select or exclude certain assets from investment portfolio because of their positive or negative impact on stakeholders. As different researchers present the importance and relations among particular SRI strategies in different ways, a need for a development of an adequate typology of SRI strategies is recognised.

The recent growth and development of SRI is expressed by an increasing number of financial institutions applying SRI, by emergence of the SRI market indices (e.g. *Dow Jones Sustainability Group*, *FTSE4Good Group*, *CEE Responsible Investment Universe* index etc.) and finally, by an increasing value of SRI assets under management (e.g. *Eurosif*, 2012; *US SIF*, 2012; *Vigeo*, 2012). Globally, at least US$ 13.6 trillion worth of professionally managed assets incorporate non-financial concerns into their investment selection and management, what represents 21.8% of the total assets managed professionally (*GSIA,* 2013).

Positive trends in the SRI industry have been followed by the emergence of recent academic interest. Most of the SRI literature has focused on its financial performance compared to the financial performance of conventional investment (*Bauer et al*., 2005; *Collison et al*., 2008; *Managi et al*., 2012; etc.), and SRI funds have often been used to represent such investment. Only a few research papers analyse the concept of SRI (e.g. *Irvine*, 1987), while some, but also significantly less work, has been undertaken regarding, for example, the characteristics of SRI investors and their behaviour (e.g., *Bollen*, 2007; *Nilsson* 2009). Recently, several studies have proposed to compare not only SRI with conventional investment, but to consider relative performance *within* SRI (e.g. *Renneboog et al*., 2008b; *Laurel*, 2011), moving the research focus from the well-examined question of restricted investment opportunities in *SRI versus non-SRI* to the sole phenomenon of SRI. The role of strategies specific to SRI has been moved to the fore, suggesting that their selection may affect investment performance. However, our understanding of such investment decisions is still blurred. Obviously, there are significant opportunities for future research on SRI. It seems highly relevant and practically useful to investigate different SRI strategies, in order to determine what exactly enables investors to generate both competitive financial returns and positive societal impact.

Moreover, the current progress in SRI theory and practice refers only to developed countries. When putting SRI in a context of a South East European country, this financial practice has hardly been recognised. SRI in Croatia exists only in rare and isolated tailor-made investments

without a systematic development of the SRI market. Academic literature in South East Europe lacks research on SRI. Therefore, it seems relevant to investigate potential of development of such an investment in Croatia.

RESEARCH PURPOSE AND OBJECTIVES

Given the abovementioned views, this doctoral thesis sought to accomplish the following **research purpose**: *to expose the essence of socially responsible investment in theory and practice, and to encourage its wider application through identifying available SRI strategies.*

The main objective was decomposed into several scientific and practical objectives which the thesis attempted to achieve. **Scientific objectives** of the research were the following:

A1: to explain the concept and basic terms and to systematise terminology in the SRI field;
A2: to indicate similarities and differences between conventional investment and SRI;
A3: to comprehensively and systematically demonstrate the issues of SRI;
A4: to develop a theoretical and conceptual framework of SRI;
A5: to demonstrate the importance of SRI;
A6: to recognize the best practice of SRI;
A7: to develop a typology of different SRI strategies;
A8: to determine the relationship of different SRI strategies with characteristics of financial investment;
A9: to identify preconditions for a SRI development and to investigate potential of different SRI strategies in Croatia.

Besides the emphasis on theory and science development, the research also attempted to bring practical value. **Practical** research **objectives** were:

B1: to raise awareness of SRI among various stakeholders;
B2: to present potential results of the application of different SRI strategies;
B3: to propose a suitable SRI strategy for Croatian financial market.

THREE-STUDY RESEARCH ON SOCIALLY RESPONSIBLE INVESTMENT

The doctoral thesis is structured around three studies on SRI. The conducted studies differ in their focus and level of analysis, as well as in applied research methodology. Together they provide a better understanding of the multilayer phenomenon of SRI. See *Table 1* for more details about studies' design.

Study 1: ***Testing socially responsible investment as an alternative financial practice***

SRI is a process and approach that deserves academic, professional and general attention. However, a consensus on the role of SRI has still not been reached; what is more, some authors diminish its importance and significance (e.g. *Schwartz*, 2003; *Entine*, 2005). In Study 1, we investigate development trends of SRI in Europe, the USA and globally in the last decade and the positioning of SRI in conventional financial industry. We test whether SRI has been more, less or equally successful than conventional investment in maintaining the value of financial assets, to see whether it is economically as acceptable as conventional approach.

We use data triangulation, so we collect multiple sources of evidence on this issue in order to gain systematic knowledge, and to increase credibility and validity of the results to the greatest possible extent. In particular, we compare data on SRI and conventional investment by conducting three partial analyses on the following data: (1) the value of SRI and conventional assets under management, (2) the number and assets of SRI and conventional investment funds, and (3) the SRI and traditional market indices.

Growth rates for SRI are generally higher than for conventional assets under management. For example, SRI in the USA in crisis years from 2007 to 2010 recorded a growth rate of 13%, compared to 1% in conventional assets under management. Biannual growth rates of SRI in Europe amounted to 87% (in 2009) and 26% (in 2011), compared to conventional assets under management of -6% and 8%, respectively. We find similar evidence for the investment funds, where SRI funds are characterised by relatively stronger growth both in their assets and number. Our findings, for example, show that the assets of SRI funds recorded a growth of 25% compared to 3% for conventional funds in the period of 2006 to 2011. The growth rate of 483% in assets of European SRI funds in the last decade was impressive. Finally, the analysed SRI market indices outperformed their comparable conventional counterparts. Average annual return in the last decade for *Dow Jones Sustainability World Index* was higher (1.50%) than for its conventional counterpart (1.08%). *MSCI KLD 400 Social Index* lost less (-0.25%) than comparable *S&P 500* (-0.44%). Thus, we conclude that SRI has been more successful in managing and maintaining the value of financial assets. In particular, it has proven to be a more stable investment during the period of the global economic crisis. Our findings indicate that SRI is economically as acceptable as conventional investment.

Study 2: *Exploring strategic heterogeneity of socially responsible investment*

After showing that SRI is an emerging and relevant financial practice, we decided to further demystify such investments. We theoretically and empirically investigate different SRI strategies. First, we develop a new, two-level typology of general and specific SRI strategies (see *Table 2*). By analysing the nature of particular SRI strategies, we offer a typology which, in a simple and clear manner presents the complex field of SRI and at the same time comprehensively presents its width and depth. As hypothesised, we confirm that the number and diversity of available SRI strategies reflect great heterogeneity of SRI.

Second, we empirically test the application of the recognised SRI strategies, by conducting a two-step cluster analysis on 147 European SRI funds from Avanzi/Vigeo/Morningstar database. The central hypothesis in Study 2 is that SRI funds use specific combinations of different investment strategies. We find strong support for a combined application of SRI strategies. Correlation analysis reveals notable associations among SRI strategies. By conducting cluster analysis, we identify three basic clusters of SRI funds dependent on the SRI strategies applied (see *Figure 1*). The largest number of SRI funds (82, i.e. 55.8% of the research sample), represented by the first cluster, dominantly applies ESG integration and thematic investment. The smallest group of funds (made up of 28 funds, 19.1% of the total sample), belonging to the second cluster, applies the most diverse spectrum of SRI strategies, including specific strategies of ESG incorporation in the investment process and responsible investment. Finally, a relatively smaller number of funds (37, 25.2% of the sample) represented by the third cluster, is to a larger extent characterised by the application of the ESG incorporation in the investment process than the strategy of responsible ownership.

Furthermore, we search for more in-depth insights into the relation of SRI strategies to different characteristics of investment (investment style, dominant investment sector, SRI specialisation, transparency in doing business, financial performance etc.), focusing primarily on the financial performance of the examined SRI funds. We investigate whether the number of strategies a SRI fund uses is related to a fund's financial performance, i.e. does the heterogeneity of SRI strategies within a fund contribute to its financial performance. We do the same for the variable of the intensity of SRI strategies. Consistent with similar research studies (e.g., *Barnett*, *Salomon*, 2006), the intensity of a SRI strategy is proxied by a number of SRI criteria applied. A positive relationship was identified between the number of SRI strategies applied and the financial performance of SRI funds. Somewhat different evidence was found for the intensity of SRI strategies applied, where the pattern of the relationship with financial performance appeared to be curvilinear.

Study 3: *Introducing socially responsible investment in South East European financial market*

We investigate potential of SRI development in Croatia, by using our findings about SRI strategies from Study 2 and by taking into consideration specific social, political, regulatory and business environment in this South East European country.

First, we examine financial performance of SRI in Croatia, by comparing it with conventional investment. We create hypothetical SRI portfolios by using different SRI strategies. We use the Zagreb Stock Exchange official market index (CROBEX) to present conventional investment. We compare hypothetical returns of SRI portfolios with returns on conventional investment in a 5-year period. We find that SRI underperforms conventional investment, no matter of the type of the SRI strategy used. Then we take a closer look *within* SRI portfolios. The SRI portfolio with a

larger number of SRI strategies performs better than the one with a single strategy, what is in accordance with findings from Study 2.

Additionally, in Study 3, we identify and discuss basic preconditions for development of SRI in Croatia. We start from a necessary political support and active role of the state in fostering such investment, which we find crucial. As the concept of social responsibility needs to be accepted at every social level, following the state, we emphasise the importance of changes in business practice as well as in behaviour of individuals. We find that a stronger capacity of non-governmental institutions, due to their specific and important role in fostering corporate social responsibility, is also needed. Other necessary preconditions are identified, such as the active role of financial institutions and the establishment of a specialised institution for SRI issues. A higher inclusion of academia in a discussion on SRI is also preferable, because scientific research may contribute to better understanding of SRI and its implications. What is also recognised as being of a great importance in a specific South East European environment is a co-operation among different stakeholders.

Finally, existing policy instruments used for fostering socially responsible business practices in Croatia are investigated, evaluated and compared to the best European practice. We conduct a large-scale in-depth content analysis of relevant legal (laws, decrees), economic (loans, grants, subsidies, tax incentives), partnering (networks, partnerships, dialogues, multi-stakeholder fora), informational (awareness raising campaigns, guidelines, trainings) and hybrid (strategies, action plans, platforms, specialized institutions) policy instruments. We find that Croatia significantly lags behind European countries with developed SRI markets regarding the number and variety of available policy instruments. We conclude that systematic and strong development of SRI in Croatia will be possible only with an introduction of the lacking policy instruments, primarily those of legal and economic nature. Moreover, we suggest a combined implementation of several different policy instruments, what may result in stronger effects, as evidenced by the European practice.

THEORETICAL AND EMPIRICAL CONTRIBUTIONS

This doctoral thesis attempted to offer multiple scientific contributions, both theoretical and empirical.

Contribution 1: Developing a theoretical and conceptual framework of SRI. SRI is characterised by great heterogeneity at four levels: definitional, terminological, strategic and practical (*Sandberg et al.*, 2009). Approaching the heterogeneity problem has been emphasised as a necessary precondition for understanding of SRI. Many authors have commented on this issue, however, few have actually tried to understand and explain it (*Sandberg et al*., 2009).

We approached SRI heterogeneity at definitional and terminological level, by offering a comprehensive and clear definition of such investment, by defining of semantics and systematising of terminology, what altogether enables a better understanding of the analysed issues. Furthermore, our desk research resulted in a development of the theoretical and conceptual framework of SRI. Offering theoretical ground for SRI was the necessary first step in research because the SRI field is characterized by a strong development in practice which is not followed by an equally strong development of the theory. Thus, we believe the proposed framework is a precondition for future research on SRI, as well as for its correct practical application.

Contribution 2: Proposing a typology of SRI strategies. SRI literature lacks consensus on the typology of SRI strategies, and even on qualification of specific strategies for SRI. We find that previous typologies are either incomplete (e.g. *Deutsche Bank Research*, 2010), unnecessarily complex (e.g. *Eurosif*, 2010) or use different, excluding criteria to group strategies (*Renneboog et al*., 2008a; *Eurosif*, 2010; *Schaefer et al*., 2006). The added value of this research is given in a development of a comprehensive and complete typology of all available SRI strategies. We offered a new, two-level typology of SRI strategies, in which we emphasised a distinction between the general (first-level) SRI strategies, representing a basic approach to financial investment and management, and the specific (second-level) SRI strategies, representing an operating way of SRI implementation under the related general strategy. Moreover, as some SRI strategies are implemented only in particular countries or regions, in our study we discussed the new typology in light of geographical differences in SRI practice.

Contribution 3: Investigating the heterogeneity of SRI at strategic and practical level. After identification of possible typological forms of SRI strategies, we investigated the application of SRI strategies and their role in financial investment. By conducting empirical research on a large sample of European SRI funds, we recognised dominant strategies in SRI practice, as well as their representative combinations, which clarified their strategic heterogeneity. To the best of our knowledge, it was the first empirical attempt to examine the way in which SRI strategies are used in combination. We addressed this research gap and provided useful insights into dominant bundles of investment strategies in SRI practice, whose combinations were thoroughly analysed, by their type, number and intensity.

In addition, our analysis adds value to the existing research by addressing the issue of the number of SRI strategies applied integratively and its potential relationship with characteristics of investment. We related our findings about the application of SRI strategies to diverse characteristics of investment. The determined relationships between different SRI strategies and the characteristics of financial investment pointed to a need for considering heterogeneity in SRI. This segmentation matters for future research on SRI because it offers a more fine-grained approach in investigating this financial phenomenon.

Contribution 4: Conducting a pioneering research on SRI in Croatia. We offered results of potential SRI financial performance in a specific, South East European financial market. First, in analysing performance of SRI versus conventional investment, we identified a difference in comparison to global SRI practice (analysed in Study 1) and we discussed the underlying reasons. The available SRI investment pool in Croatia is very limited in terms of a number of firms that are eligible for SRI, what had a negative impact on SRI portfolio returns. The recognised difference may had also come out of the fact that Croatian financial market is small, relatively illiquid and underdeveloped compared to global financial markets, therefore offering fewer possibilities for SRI investors. Second, our results showing different financial performance *within* SRI portfolios indicated the important role of the selection of the SRI strategies. The analysis confirmed that SRI financial performance is positively related to a number of SRI strategies applied. These findings are in accordance with our findings from the research of the European practice (in Study 2). We also found what combination of SRI strategies is financially acceptable in Croatian financial market and offered useful advice for future investments.

Contribution 5: Determining preconditions and proposing policy instruments for development of SRI in Croatia. Improving current humble practice of SRI in Croatia primarily requires a detailed consideration of assumptions of SRI development in a specific social, political and business context. We determined and discussed preconditions for such a development, among which we found the active role of the state to be crucial. Furthermore, suitable policy instruments for fostering SRI in Croatia were recognised and proposed, following the best European practice and taking into consideration Croatian national specificities. We pointed out that, in a country characterised by low social awareness, a more emphasized regulatory character of policy instruments is desirable. Finally, we also proposed a mindful selection of SRI strategies (ESG incorporation in investment process and thematic investment) which would be perspective in the Croatian financial market.

MANAGERIAL IMPLICATIONS

By linking theory and practice of SRI, this doctoral thesis attempted to offer practical value. We captured and presented the essence of SRI by defining it, analysing its specificities and putting it into a context of conventional investment. We offered a broader and more thorough understanding of this financial phenomenon, what may increase awareness of this type of investment and related available opportunities among practitioners.

Furthermore, we offered a detailed insight into a diversity of possibilities in SRI, from the aspect of SRI strategies. In particular, we have provided an overview of specificities in the application of available SRI strategies, with important practical implications. The research findings demonstrate the usual combinations of SRI strategies in investment funds which have been formed by multiyear SRI practice, and how they relate to different characteristics of investment.

Practitioners may be interested to see how different SRI strategies are used and combined. Moreover, the research findings may serve as a basis for fund managers making decisions on the selection and the application of SRI strategies, depending on actual and desirable investment characteristics. In other words, they may serve as a basis for deciding the strategies on which they should focus, and which they should avoid, in terms of their type, combination and intensity, based on current characteristics of SRI funds and related performance goals. This study may therefore be of use to fund managers seeking to either implement or improve SRI strategies already in use, because the paper offers a better practical understanding of how investment characteristics relate to different SRI strategies. Finally, by recognising differences in the application of SRI strategies, the research findings may be useful also to investors themselves, in choosing a financial institution to which they want to entrust their funds. We believe that the study of the world's largest SRI market can present a useful reference point, not only for researchers, but also for practitioners in their understanding of SRI strategies, serving as a model for a more fine-grained SRI practice. As far as it regards the local research, we also believe that our pioneering research on SRI issues in Croatia will provoke a discussion among practitioners and policy makers on possible systematic development of SRI and its suitable strategies in Croatian financial market.

LIMITATIONS OF THE DOCTORAL THESIS AND FUTURE RESEARCH

The contributions discussed above should be interpreted and generalized in light of the following study limitations. In the empirical research of SRI strategies on European investment funds, we recognized the criteria of different SRI strategies in the Avanzi/Vigeo/Morningstar database, which were later theoretically tested and eventually used for forming the measurement scales for intensity of the SRI strategies. Due to a different range of measurement scales for particular strategies, we standardized their variables. The values of several measured variables refer to a particular point in time, what makes conclusions aligned with their possible changes over time impossible. Additionally, this point in time belongs to the period of the crisis, what poses a question of possible different results in other circumstances. Future studies should therefore include attempts to address the temporal aspects of SRI. A study conducted on the data exclusively about European SRI funds may make the results biased towards European financial practice, therefore bringing into question their generalization at the global level. However, the research offers new findings with a focus on one important, diverse, specific and increasing SRI market, and it is aligned with recent calls for such an approach.

In the empirical research on SRI in Croatia, as a consequence of a poorly developed corporate social responsibility practices in Croatian business environment, the available SRI investment universe is significantly limited. This has to be taken into account when using and interpreting

the research results. Furthermore, the data used for a development of portfolios also refer to the crisis period, posing the same question as in the research at the European level.

Very few studies, including ours, have started to reveal the important question of strategic heterogeneity within SRI and its relationship to different characteristics of investment, which has been a line of thought in this doctoral thesis. More future research needs to be done to examine the role of different SRI strategies. Specifically, the viability of different patterns of the social-financial link within SRI funds should be investigated. In order to further validate the study findings, there is a need for confirmatory research, possibly also including SRI funds in regions and countries other than Europe, to test whether the findings hold in different regional contexts. A longitudinal research design is recommended in order to check on possible changes in variables in different time periods. We suggest future research attempts investigate and clarify the causal relationship between the SRI strategies, especially those related to responsible ownership, and different characteristics of investment, which has largely been neglected in previous studies. Future studies also need to examine whether some funds are more likely to apply particular SRI strategies depending on fund-level characteristics, and in what way. Finally, our research may serve as a guideline to investigate other SRI vehicles besides investment funds (i.e. mandates) in order to stimulate more theory building. Eventually, undertaking such research efforts will result in better understanding of the SRI universe, potentially leading to a broader consideration of the societal impact of financial investment.

References

Amenc, N., Le Sourd, V. (2010) *The Performance of Socially Responsible Investment and Sustainable Development in France: An Update after the Financial Crisis*. EDHEC-Risk Institute, Nice.

Barnett, M., Salomon, M. (2006) The curvilinear relationship between social responsibility and financial performance. *Strategic Management Journal*, 27(11), 1101-1122.

Bauer, R., Koedijk, K., Otten, R. (2005) International evidence on ethical mutual funds performance and investment style. *Journal of Banking and Finance*, 29(7), 1751-1767.

Bollen, N. P. B. (2007) Mutual Fund Attributes and Investor Behavior. *Journal of Financial and Quantitative Analysis*, 42(3), 683-708.

Collison, D. J., Cobb, G., Power, D. M., Stevenson, L. A. (2008) The financial performance of the FTSE4Good indices. *Corporate Social Responsibility and Environmental Management*, 15(1), 14-28.

Entine, J. (2005) *Pension Fund Politics: The Dangers of Socially Responsible Investing*. American Enterprise Institute, Washington.

European Sustainable Investment Forum – Eurosif (2010, 2012) *European SRI Study 2010, 2012*. Eurosif, Brussels.

European Sustainable Investment Forum – Eurosif (2011) *Official data* (online). <http://www.eurosif.org/> (February 2011).

Global Sustainable Investment Alliance – GSIA (2013) *Global Sustainable Investment Review 2012*. < http://www.gsi-alliance.org/resources/> (January 2013).

Irvine, W. B. (1987) The Ethics of Investing. *Journal of Business Ethics*, 6(3), 233-242.

Laurel, D. (2011) Socially responsible investments in Europe: The effects of screening on risk and the clusters in the fund space, *Finance Working Paper Series* 07/2011, *European Corporate Governance Institute (ECGI)*, Brussels.

Managi, S., Okimoto, T., Matsuda, A. (2012) Do Socially Responsible Investment Indexes Outperform Conventional Indexes? *Applied Financial Economics*, 22(18), 1511-1527.

Nilsson, J. (2009) Segmenting socially responsible mutual fund investors: The influence of financial return and social responsibility. *International Journal of Bank Marketing*, 27(1), 5-31.

Renneboog, L., Ter Horst, J., Zhang, C. (2008a) Socially Responsible Investments: Institutional aspects, performance, and investor behaviour. *Journal of Banking and Finance*, 32(9), 1723-1742.

Renneboog, L., Ter Horst, J., Zhang, C. (2008b) The price of ethics and stakeholder governance: The performance of socially responsible mutual funds. *Journal of Corporate Finance*, 14(3), 302-322.

Sandberg, J., Juravle, C., Hedesstroem, T. M., Hamilton, I. (2009) The Heterogeneity of Socially Responsible Investment. *Journal of Business Ethics*, 87(4), 519-533.

Schaefer, H., Beer, J., Zenker, J., Fernandes, F. (2006) *Who is Who in Corporate Social Responsibility Rating?* Institute of Business Administration, Stuttgart.

Scholtens, B. (2007) Financial and social performance of socially responsible investments in the Netherlands. *Corporate governance*, 15(6), 1090-1105.

Schwartz, M.S. (2003) The "Ethics" of Ethical Investing. *Journal of Business Ethics*, 43(3), 195-213.

Social Investment Forum (2010) *2010 Report on Socially Responsible Investing Trends in the United States*. SIF Foundation, Washington.

Tippet, J. (2001) Performance of Australia's Ethical Funds. *Australian Economic Review*, 34(2), 170-178.

US SIF – Forum for Sustainable and Responsible Investment (2012) *Report on Sustainable and Responsible Investing Trends in the United States 2012*. US SIF Foundation, Washington.

Vigeo (2012) *Green, Social and Ethical Funds in Europe: The Retail Market, 2012 Review*. <http://www.vigeo.com/> (September 2013).

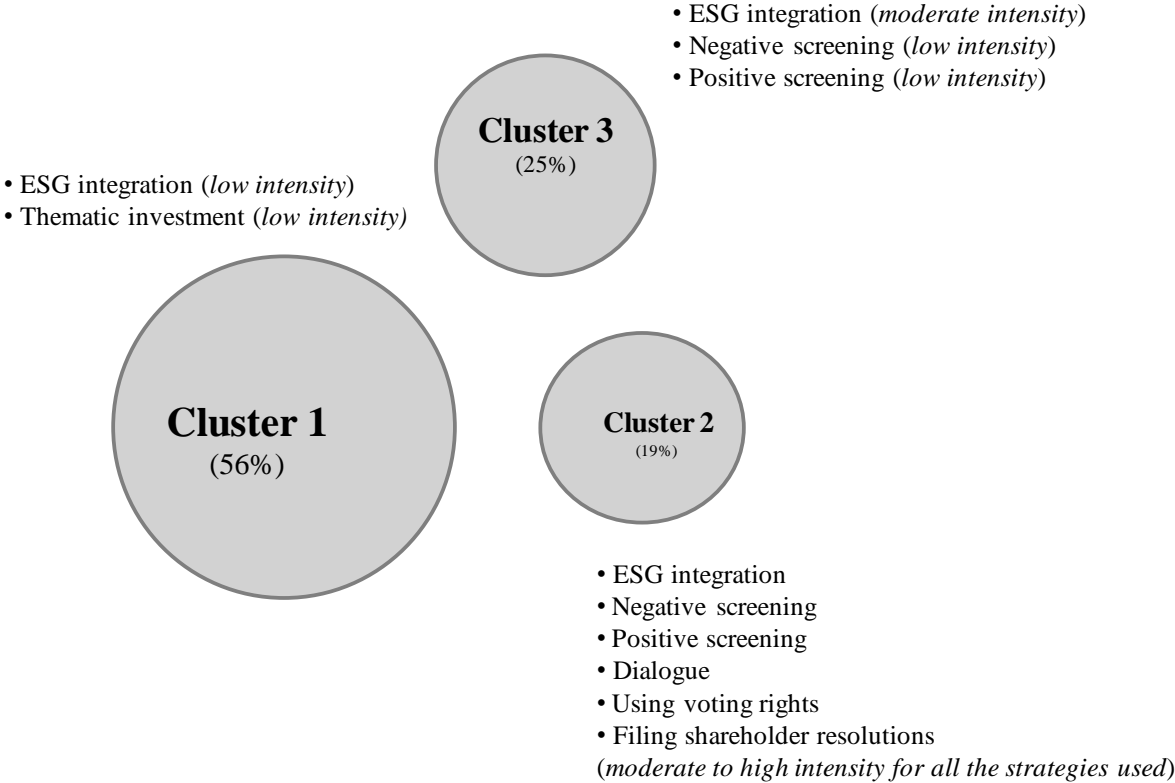**Table 1:** *The three studies on socially responsible investment*

	Study 1	Study 2	Study 3
Topic	Testing socially responsible investment as an alternative financial practice	Exploring strategic heterogeneity of socially responsible investment	Introducing socially responsible investment in a South East European financial market
Unit of analysis	Assets under management, SRI funds and market indices	SRI fund	Financial portfolio
Focus	Economic rationale of SRI	Selection of the type, number and intensity of SRI strategies	Financial performance (portfolio return)
Data type	(1) SRI and conventional assets under management, (2) number and assets of SRI and conventional investment funds, and (3) SRI and traditional market indices (2001 – 2011)	Financial and non-financial data of 147 SRI funds (2008 – 2011)	Value of securities of Croatian CSR companies (selection based on Croatian CSR Index); Zagreb Stock Exchange market index (2008 – 2012)
Data collection method	Data triangulation of secondary data (*Bloomberg, European Fund and Asset Management Association-EFAMA, European Sustainable Investment Forum-Eurosif, US Social Investment Forum-US SIF* and *Investment Company Institute-ICI*)	Secondary data (Avanzi / Vigeo / Morningstar database: *SRI Funds Service Tool*)	Secondary data (Zagreb Stock Exchange)
Data analysis	Descriptive statistics and time series analysis	Multivariate analysis (cluster analysis) and correlation analysis	Portfolio construction and comparative portfolio analysis

Table 2: *The two-level typology of SRI strategies*

General SRI strategy	Specific SRI strategy	Definition
ESG[*] incorporation in investment process	Negative screening	An approach that excludes specific investments or classes of investment from the investible universe such as companies, sectors or countries, based on ESG issues.
	Positive screening	An approach that includes specific investments or classes of investment from the investible universe such as companies, sectors or countries, based on ESG issues.
	"Best-in-class"	Approach where leading or best-performing investments within a universe, category, or class are selected or weighted based on ESG criteria.
	ESG integration	The explicit inclusion of ESG risks and opportunities into traditional financial analysis, in which the ESG issues form an integral part of the investment analysis and decision-making from the very beginning to the end of the investment process.
Responsible ownership	Using voting rights	Engagement activities and active ownership through voting of shares on ESG matters. Supporting or rejecting company's decisions with positive or negative impact on social community or natural environment.
	Filing shareholder resolutions	Engagement activities and active ownership through filing shareholder resolutions on ESG matters. Raising attention to important ESG issues and encouraging corporate social responsibility of the company.
	Dialogue	Direct cooperation between the investor and the investee in their investment portfolio, typically an informal request to management as a more pacific way of communication.
	Public engagement	A continuation of responsible ownership, which is not limited to companies in the investors' portfolio, but represents engagement that aims to bring changes at the regulatory level.
Thematic approach	Thematic investment	Investment in themes or assets linked to the development of sustainability. An approach focusing on specific or multiple issues related to ESG, typically on environmental issues.

[*]Note: ESG stands for Environmental, Social and Governance issues.

Figure 1: *Clusters of SRI funds according to SRI strategies*

• ESG integration (*moderate intensity*)
• Negative screening (*low intensity*)
• Positive screening (*low intensity*)

Cluster 3
(25%)

• ESG integration (*low intensity*)
• Thematic investment (*low intensity)*

Cluster 1
(56%)

Cluster 2
(19%)

• ESG integration
• Negative screening
• Positive screening
• Dialogue
• Using voting rights
• Filing shareholder resolutions
(*moderate to high intensity for all the strategies used*)

SECOND AWARD

From Global Formulation to Local Legitimation:

The Trajectory of Urban Sustainability

Bothello Joel
ESSEC Business School

Abstract: This dissertation focuses on the development of a powerful idea in transnational space – i.e. a "world myth" – demonstrating its effects on organizational structures and discourses. I focus on the environmental movement in the twentieth century, using urban governance as an organizational context. I demonstrate how institutionalized governance practices are not static, uncontested outcomes, but rather discursively malleable products subject to ongoing negotiation. I highlight the impact of such myths upon local organizational sensemaking, also identifying how a myth can be used as a strategic resource to build legitimacy. Finally, I illustrate how local adaptations feed back into transnational level discourses.

"That ideas should freely spread from one to another over the globe, for the moral and mutual instruction of man, and improvement of his condition, seems to have been peculiarly and benevolently designed by nature."

- Thomas Jefferson

Summary

Of the myriad ways to conceptualize the phenomenon of globalization, one of the most powerful is to conceive it as a process of mass diffusion of ideas and normative "myths" (Meyer & Rowan, 1977). Global theorization has spurred the proliferation of concepts such as education, religion, individualism, or democracy; in the organizational sphere, we similarly witness the spread of, for example, competition, financialization, and transparency. These ideas are transformed in the process into values, norms, and taken-for-granted myths of contemporary world society (Djelic, 2011; Meyer & Rowan, 1977; Strang & Meyer, 1993).

In contrast to previous epochs where such myths were crafted by state actors, contemporary world myths are now increasingly being constructed – and having an impact – beyond national boundaries. The onus of governance is visibly shifting towards a dense and powerful constellation of transnational apparatuses, constructed to diffuse normative agendas utilizing both coercive and soft-power mechanisms. A normative world myth becomes a standardized "world model" through the construction of a variety of novel regimes and tools: Directives, standards, compacts, codes, agreements, audits, ratings and certifications are all employed to varying extents to further the diffusion of particular ideologies through a process of operationalization (Meyer, Boli, Thomas, & Ramirez, 1997; Strang & Meyer, 1993). The population of organizations and associations producing such regimes and tools is astoundingly diverse, despite the fact that the most visible actors remain large international and supranational entities. However, the transnational sphere is also increasingly becoming characterized by multi-stakeholder arenas, with private actors exercising a notable influence in rule-making, rule-taking and rule-mediation (Djelic & Quack, 2003; Levi-Faur & Starobin, 2014). The diffusion of myths and models is no longer a direct transmission from sender to receiver, but rather a set of ongoing negotiations between local and the transnational actors.

Diffusion of world myths – and their constituent principles - becomes particularly consequential to governance of local organizations. Although the principles and practices that comprise organizational life are largely treated as outcomes of internal dynamics or rational responses to environmental contingency (e.g. Barney, 1991; Woodward, 1958), they are also the result of successful diffusion and institutionalization processes that are potentially neither efficient nor optimal (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). The theorization and isomorphism of standards and so-called best practices proves especially illustrative: for-profit firms establish

business philosophies such as The Matrix organizational form, Six Sigma, and Employment Equity, while New Public Management, AACSB accreditation, and ISO 9001 are similarly spread in urban planning, higher education and healthcare respectively (Guler, Guillén, & Macpherson, 2002; Hood, 1991; Kodeih & Greenwood, 2013). These agendas have substantive effects on organization and organizing; they are not simply incorporated into existing strategy and structure but ultimately "define and legitimate agendas for local action" (Meyer et al., 1997). With world myths producing such substantive effects on governance, following the development of one particular myth has the potential to generate rich insight, particularly with respect to the mechanisms of institutionalization. A "trajectory" of institutionalization can be identified with an evolution akin to path dependence: Through a process of negotiation, seemingly disparate ideas are progressively coalesced into one world myth through the actions of their respective proponents (Sydow, Schreyogg, & Koch, 2009). This trajectory of myth institutionalization would generally be comprised of three major phases: 1) The conditions and negotiations leading to the emergence of the world myth (and models) at the transnational level, 2) the channels of diffusion that lead to incorporation with organizational level agendas, and 3) the subsequent sense-making and legitimation processes of the local recipient actors.

Throughout this process of diffusion, the meaning of the myth does not remain static. Despite temporary periods of stability, a particular dominant meaning is still subject to renegotiation at the transnational level. Such a shift in interpretation may result from the introduction of new actors with differing interests, a reconfiguration of coalitions promoting the myth, or simply the emergence of new issues that are perceived as salient. Furthermore, given that world models are typically translated, edited, and otherwise adapted for the requirements of the local context (Czarniawska-Joerges & Sevon, 1996; Sahlin & Wedlin, 2008), the developmental path of a trajectory can potentially be modified based when an effective local variant is re-transmitted to the transnational level. Thus, examining the phases of a trajectory and, in parallel, following the changes in meaning over time not only provides a more complete comprehension of how world myths diffuse; it also highlights how meaning re-interpretation can be a key explanatory variable for the speed and extent of diffusion. With respect to organizations, following a trajectory allows an examination of how world myths become an institutionalized component of transnational and organizational governance.

This dissertation uses the development of "sustainability" as an exemplar of how a world myth is transnationally constructed into a world model – replete with principles, standards, and other soft-power instruments –, subsequently diffused to local environments and finally interpreted by local actors. I have sought to elucidate the mechanisms behind these three interlinked processes, identifying the groups of actors that were champions of the sustainability movement and the critical events that catalyzed its institutionalization. However, I also outline reinterpretations over time regarding what sustainability means, resulting from both transnational negotiations and local adaptations. In doing so, I demonstrate in this dissertation that the concept of sustainability followed – and continues to follow - a clear trajectory that is progressively subject to renegotiation and contestation over time. Moreover, at the organizational level, this world model has tangible effects upon organizational governance, leading to visible impacts on structure, discourse and practice.

The Phenomenon of Interest: The Sustainability Myth

Unlike other political principles that have required considerably long gestation periods in order to reach a taken-for-granted status, sustainability has been, and continues to be, institutionalized at an astounding pace. Although the term "sustainability" – and more consequentially the predecessor term "sustainable development" – only entered the mainstream lexicon following the UN Brundtland Report of 1987, the concept has impacted a number of policy-related domains, from industrial growth to energy production, information technology, transportation, healthcare, space exploration and even national security (WCED, 1987). The most well-known – albeit vague - definition of the concept is the ability to "meet the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987). The concept has since expanded into a global phenomenon, migrating past the initial political objectives set by the Brundtland Commission and appearing, for example, as a key facet of corporate and financial sector agendas (GRI, 2011). In the past decade, the growth rate of sustainable practice has only accelerated, leading some to label the current era as the period of the "Sustainability Revolution" (Edwards, 2005).

An appropriate domain to study this phenomenon, and one that has been particularly affected by the institutionalization of sustainability, is urban governance. This setting remains relatively underrepresented in organizational theory studies, despite the fact that the structure and practice

of urban governance has pervasively been affected by significant transformations since the 1970s, stemming as much from ideological shifts as technical challenges (Sassen, 2001). In this sense, it represents an ideal context for the study of myth diffusion, as the impacts of world models in this domain are substantive and far-reaching. With respect to the sustainability myth, urban settlements were specifically identified in the Brundtland Report as being major contributors to environmental and social problems, but also as potential incubators for solutions to these issues. Since then, the topic of sustainability has been frequently observed in urban academic discourse, becoming increasingly prominent with each passing year. This has been matched by a parallel diffusion of urban sustainability models into the technical, social and political practice of urban planners, to the point where most municipalities now feature sustainability initiatives as a major component of their urban agendas.

Thematic Orientation – Tracing a transnational trajectory

This thesis is comprised of three empirical chapters tracing the transnational development of sustainability, in addition to discerning the strategic and organizational implications of this myth. The first chapter traces the actors and events involved in the transnational development of sustainability, which includes a more general history of environmentalism since the nineteenth century. This is followed by a chapter that looks more specifically at the diffusion of sustainability in the domain of urban governance since 1987. The third and final chapter is a qualitative comparative case study based on my field work in two large-scale urban sustainability projects in the U.A.E. and Sweden.

i)   *Transformative Change through Transnational Path Generation: The Development of Modern Environmentalism*

The first empirical chapter of my dissertation is an overview of modern environmentalism as a transnational phenomenon. It specifically investigates how the modern sustainability movement has emerged to become such a prominent issue in a number of domains. Using the theory of "path generation" (Djelic & Quack, 2007) as a framing, I first investigate the roots of contemporary environmentalism from the late nineteenth century until the current era, tracing how it has aggregated from a variety of piecemeal, national movements into a largely cohesive transnational path. I then propose how changes in the discourse surrounding modern

environmentalism have been shaped through incremental yet consequential interactions with other contemporary transnational trajectories, particularly the Audit Society (Power, 1997) and the Risk Society (Beck, 1992). The shifts in discourse from "sustainable development" in the 1980s to "sustainability" and more recently towards "resilience" are proposed as markers of this evolution. Although this is generally a structuralist account, I highlight the strategic efforts of certain actors to institutionalize new conceptualizations of environmentalism at certain, opportune moments in the twentieth century.

ii)   Mediation Strategies for Legitimacy: The Case of ICLEI

Building upon the foundation established by the previous chapter, this chapter traces the diffusion of sustainability from standard-setters to the context of urban governance. Beginning with the Brundtland Report in 1987, I look at the strategy of one key intermediary in shaping definitions of urban sustainability, and investigate the mechanisms through which the organization diffused such conceptualizations to the urban governance domain. In tandem, I outline the evolution of urban governance itself, from the mid-twentieth century until the present period. I demonstrate how the intermediary was able to diffuse sustainability by leveraging ambiguity surrounding the term, crafting a precise and targeted understanding of what sustainability meant in order to legitimate the term for external stakeholders. This framing of sustainability reflected not only the values of sponsor organizations, but also appealed to the values of newly empowered cities. Such a framing was also negotiated over time to legitimate the existence of the intermediary. In this manner, sustainability was packaged and diffused as a political issue for urban empowerment.

iii)   Tales in Two Cities: A Case Comparison of Narrative Creation in Sustainability

The third paper is focused on the organizational level and examines the constitutive effects of sustainability, particularly with respect to discourse. This paper uses a qualitative "contrast of contexts" approach (Geertz, 1968; Skocpol & Somers, 1980), highlighting the development processes of two major urban sustainability initiatives, one located in Abu Dhabi named Masdar City and the other located in Stockholm named Hammarby Sjostad. Using fieldwork conducted between 2011 and 2012, I compare and contrast the process of narrative creation as it occurred in both cases. I explore how the narratives were constructed as the result of transnational pressures

and local constraints. Based on this, I characterize the narratives as being a combination of discourse from a transnational "metanarrative" of sustainability combined with discourse from the local history and socio-political context of each place. I reveal that this combination of discourse from the transnational and the local was strategically influenced; in this manner, legitimacy was created for these two organizations, mobilizing the actors involved in development towards a common goal. The significant differences in institutional context between the two cases, and the interplay with the transnational development of sustainability, are then used to highlight two very different processes of narrative construction.

Thematic Alignment

With these chapters, I aim to uncover the mechanisms of three inter-related processes: First is the emergence of a path in transnational space, including the gradual formulation of a generally agreed upon – though still provisory – meaning by a variety of actors. The second process is the diffusion of the concept within a particular domain, including the mechanisms required for "repackaging" the concept in order for it to be accepted by stakeholders within that domain. The third process is related to the constitutive effects of the concept, particularly with respect to organizational discourse and narratives: Not only does sustainability have a visible effect upon the existing structures of urban governance, it also results in the creation of new organizational forms. These three chapters thus provide a complete trace of a myth, demonstrating how it is formulated globally, diffused across and within domains, and legitimated and operationalized locally as an integral component of good organizational governance. In parallel, it also illustrates how the whole diffusion and institutionalization process is shaped as the meaning of the myth is modified and negotiated over time.

In doing so, this dissertation seeks not only to explain the similarities stemming from a successful diffusion process, but also account for differences in operationalization in different locales. Resemblance across contexts speaks to robust qualities of a world model when it is applied. Variation, conversely, sheds light on its more malleable properties. Furthermore, the variance in how a myth is legitimated provides a commentary regarding the influence of institutions within a particular context. In the case of sustainability, the economic, political, cultural and social constraints that exist with a location are demonstrated as having a strong impact upon how the myth is subsequently legitimated. This approach permits an explanation for

the existence of the sustainability paradox highlighted earlier: intergenerational equity is ostensibly maintained as a desired end-state regardless of the context, however the means for achieving this goal is largely shaped by local socio-political and economic systems.

Finally, the three chapters are linked in their focus on individual action: in all three phases, the sense-making of individual actors is identified as being a key mechanism in the process of institutionalization. The formulation, transformation and diffusion of sustainability are facilitated through the actions and agendas of individual proponents. However, such actions are also at the root of institutional change: Shifting interpretations of sustainability reflect ongoing mobilization, contestation and re-negotiation of meaning among myriad actors. These individuals are illustrated as not only central to the field of environmentalism but also as influential in other domains (e.g. finance, urban planning, auditing, insurance) incorporating external discourses that shape the trajectory of sustainability in a very particular manner. As such, a striking feature of the sustainability discourse is how much it draws upon other transnational myths through the process of diffusion and legitimation, as a result of boundary-spanning activities.

Methodological Orientation – A "process thinking" approach

Investigating the trajectory from myth to implementation required three different qualitative methods founded upon a "process thinking" orientation (Langley, 2007), each suitable for examining the dynamics within a particular phase of the trajectory. First, studying the development and transformation of sustainability as a global myth necessitated the usage of a conceptual history method (Koselleck, 2002) to account for the conditions leading to the institutionalization of sustainability and its dynamics through time. In the next phase, a historiographic case study (Ventresca & Mohr, 2002) was deemed most appropriate for understanding how one organization packaged and diffused the sustainability myth to the domain of urban governance. Finally, a contrast of contexts method (Skocpol & Somers, 1980) was used to examine the sense-making processes of local actors in two very different institutional environments as they translated sustainability for their particular context. Combined together, these three methods provide a complete demonstration of how a myth moves from global formulation to local legitimation. Each of the three methodologies underlying the dissertation is detailed below:

i)   Conceptual History

Taking a concept as the object of study, Chapter 2 of this dissertation employs a "conceptual history" method (Koselleck, 2002) to trace the emergence of the world myth of sustainability. Mainly employed as a tool for studying political terms, the conceptual history method offers a counterpoint to the traditional assumption that such terms are depoliticized and a-historical. Meanings – in addition to the concepts and ideologies from which they are derived – are not reified and timeless once established, but rather are subject to ongoing contestation, negotiation and reinterpretation. Furthermore, such situated definitions have strong performative effects: Shifts in the understanding of a term can mobilize action by one group of proponents while potentially disenfranchising other groups (Djelic & Bothello, 2013; Djelic, 2013).

The conceptual history method uses both primary texts (e.g. reports, declarations, legal documents, charters, technical manuals) to identify critical junctures where meaning changes, as well as secondary sources to understand the extent of diffusion regarding the new meaning. Conceptual history thus proposes that particular historical circumstances and meanings of terms follow a path of co-evolution. Meanings not only change based on historical events, but also shape the course of events themselves. In this sense, investigating negotiations around a concept offers a considerable degree of leverage in terms of predictive power; a shift in the cultural understanding of a concept is not only indicative of a change in cognition, but is also a strong signal of a pending shift in practice and policy. In this sense, the conceptual history method is a decidedly constructivist perspective to the social sciences, offering the opportunity to examine how contextualized meanings and action are co-constructed over time.

ii)   Historiographic case study

Chapter two builds upon the conceptual foundation set in the previous chapter. It uses a historiographic case study method (Ventresca & Mohr, 2002) to look at how a focal organization in an epistemic community was able to diffuse the "regime" of sustainability to the domain of urban governance (Adler & Haas, 1992; Haas, 1989, 1992). Despite the archival approach generally being reserved for examination of historical discourse, the method is proving increasingly useful for studying discourse produced by contemporary organizations (Djelic & Ainamo, 1999; Jones, 2001). The method complements the conceptual history by focusing on "organizational talk" (Czarniawska-Joerges & Joerges, 1988). Organizational discourse and

attendant interpretations undergird contemporary organizations; these are investigated to better comprehend their power to structure governance.

With respect to material, a historiography focuses mainly on organizational reports and texts produced by the core "intermediary" organization. Departing from a nomothetic approach that treats archives as datasets, an in-depth focus on one particular case necessitates an idiographic archival analysis of organizational material (Ventresca & Mohr, 2002). In this manner, the myriad unstandardized texts produced by the organization can be methodically studied to develop a "thicker" comprehension of the particular object of study (Geertz, 1983). This approach is particularly apt at capturing the organizational dynamics of negotiation in shaping meaning; the histories and interactions of organizational members are seen as key to developing an adequate explanation for particular organizational outcomes. Here, the foundation established by the conceptual history approach becomes evident: A "descending model of analysis" (Foucault, 1980) connects the macro patterns of social life – in particular the world myth of sustainability - to explain the micro processes evident in the archival material.

iii)   Case Comparison – A "Contrast of Contexts" Approach

While the second chapter uses a case study to investigate an organization diffusing sustainability, the third examines the same process from the perspective of the recipient actors. This chapter is based on an exploratory, "contrast of contexts" case comparison (Skocpol & Somers, 1980) of two of the most prominent urban sustainability projects in the world. The first is a sustainable district of Stockholm, Sweden named Hammarby Sjöstad, while the second is a comparably sized eco-city named Masdar City being constructed outside Abu Dhabi. The two cases are suitable for comparison along three primary dimensions: 1) both projects are rare examples of greenfield urban sustainability projects constructed from the ground-up, 2) both are the largest projects in the world in terms of financial, material and human capital investment 3) Unlike other urban sustainability projects, both Masdar City and Hammarby Sjöstad have progressed significantly with respect to construction. Despite similarities in size, scope and progression of the two projects, the institutional contexts of Stockholm and Abu Dhabi were naturally highly dissimilar. In selecting two divergent cases, "the issue of comparability… is not standardizing in order to compare. It is, rather, tracking a given system or dynamic" (Sassen, 2001, p. 348). Such an approach has a proven aptitude for explaining the dynamics of world myths and models in

local spaces; such myths range from religion (Geertz, 1968) to technology (Garud & Karnøe, 2003). Comparing and contrasting how these two regions interpreted sustainability and rationalized such large-scale projects thus held the potential for significant analytical payoff.

Semi-structured interviews with key actors and stakeholders comprised the majority of the empirical data, with each interview lasting an hour on average. In total, 56 interviews were collected from both sites between 2011 and 2012 from architects, developers, consultants, engineers, municipal politicians/managers, and academics involved in the development process. These individuals also supplied secondary documentation including business development reports, technical literature, sustainability evaluations, graduate dissertations, marketing releases, and in the case of Stockholm, minutes from monthly meetings. Thirdly, given the importance of setting in this case comparison method, historical documents were necessary to generate "thick descriptions" (Geertz, 1983) of the institutional context of each location. Finally, press and media releases were used as supplementary information. This data was treated using a narrative analysis approach (Manning & Cullum-Swan, 1994; Riessman, 2002) sorting informant stories into chronologies that could then be subsequently analyzed (Langley, 1999). This discourse was then compared to the historical and secondary documentation, to identify what elements of the context were being emphasized or excluded during the interviews.

Methodological Alignment

Despite their apparent disparity, all three methods are linked thematically through the focus on discourse. Given that sustainability began as an amorphous, umbrella term with little practical implication, the mobilization of certain operational interpretations was critical for diffusion of the concept to local organizational governance. It therefore became necessary to focus on the discursive aspects of this evolution; such discourse would capture the sense-making processes of actors involved in institutionalizing, transforming, diffusing and locally legitimating this myth. Historical texts – primary comprised of declarations and organizational reports – thus form the main source of data for the first two chapters delineating the trajectory of sustainability. Although the last chapter employs interviews to illustrate the sense-making of actors currently involved in sustainability, discourse (through the use of narratives) is retained as the object of interest.

In a related vein, the three chapters are also methodologically linked through the continuous inclusion of transnational level texts. The processes of negotiation and evolution outlined in chapter two illustrate a constantly shifting conceptualization of sustainability, with strong performative effects on organizational governance. As such, the discourses of the focal organizations in later chapters are shown to be strongly influenced by the developments at the transnational level. This required parallel exploration of relevant discourse by transnational actors, as well as how this discourse linked to organizational-level discourse. In this fashion, the three methods serve to "clarify sequences across levels of analysis [and] suggest causal linkages between levels"(Pettigrew, 1990, p. 280).

Contributions

i)   Conceptual Path Generation

In exploring the transnational development of environmentalism in the twentieth century, this chapter first contributes to the growing literature on path generation. Existing studies have focused on the impact of a transnational path over the long run on a particular national or societal trajectory – or vice versa (e.g. Antikainen, 2010; Bassens, Engelen, Derudder, & Witlox, 2012; Dixon & Sorsa, 2009; Djelic & Quack, 2007; Ju & Tang, 2010). Here, path generation occurs within the transnational sphere, and is illustrated to occur through discourse. The novel contribution is identifying turning points in definitions as points of "crookedness", where the direction of a trajectory is altered. The second contribution is empirical in nature. It provides a clarification of the ambiguous vocabulary surrounding environmentalism, namely Sustainable Development, Sustainability and Resilience. Although these terms have been used interchangeably in existing literature, I demonstrate in this chapter that these are actually emblematic of different ideas, and are reflective of long periods of negotiation around meaning.

ii)   Intermediary Legitimation in Emergent Fields

The contribution of this chapter is two-fold: First, it contributes to a growing literature in governance regarding the role of intermediary organizations in diffusing regimes and structuring an epistemic community (Abbott, Genschel, Snidal, & Zangl, 2012; Levi-Faur & Starobin, 2014; Suchman, 2000). However, it also offers the novel contribution of highlighting how a new intermediary in an emergent field can legitimate its own position – and indeed, its very existence

- despite the lack of resources attributed to more established intermediaries. The ambiguity of nascent regime principles is underlined as a critical explanatory variable for this process.

iii)   Organizational Legitimation through Narratives

The fourth chapter contributes to the literature on organizational narratives, providing insight into how narratives legitimate new organizations to their stakeholders. It provides empirical validation for theorization regarding how the use of narratives can legitimate new organizations (Lounsbury & Glynn, 2001). However, it also extends theory: Given the heterogeneity of the concept of legitimacy, this paper offers a more fine-grained investigation regarding what *kinds* of legitimacy can be produced by different narratives. Mobilization of local and transnational level metanarratives in different configurations is identified as producing unique combinations of legitimacy for the existence of a new organization, both for internal and external audiences.

References

Abbott, K. W., Genschel, P., Snidal, D., & Zangl, B. (2012). *Orchestration: Global Governance Through Intermediaries* (pp. 1–33).

Adler, E., & Haas, P. M. (1992). Conclusion: epistemic communities, world order, and the creation of a reflective research program. *International Organization*, *46*(01), 367–390.

Antikainen, A. (2010). The Capitalist State and Education: The Case of Restructuring the Nordic Model. *Current Sociology*, *58*(4), 530–550.

Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, *17*(1), 99–120.

Bassens, D., Engelen, E., Derudder, B., & Witlox, F. (2012). Securitization across borders: organizational mimicry in Islamic finance. *Journal of Economic Geography*, *13*(1), 85–106.

Beck, U. (1992). *Risk Society: Towards a New Modernity* (p. 260). London, UK: SAGE Publications.

Czarniawska-Joerges, B., & Joerges, B. (1988). How to Control Things with Words: Organizational Talk and Control. *Management Communication Quarterly*, *2*(2), 170–193. doi:10.1177/0893318988002002003

Czarniawska-Joerges, B., & Sevon, G. (1996). *Translating Organizational Change* (Vol. 1996, p. 284). Berlin, Germany: Walter de Gruyter.

DiMaggio, P. J., & Powell, W. W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review*, *48*(2), 147–160.

Dixon, A. D., & Sorsa, V.-P. (2009). Institutional Change and the Financialisation of Pensions in Europe. *Competition & Change*, *13*(4), 347–367.

Djelic, M.-L. (2011). International Competition Network. In T. Hale & D. Held (Eds.), *Handbook of Transnational Governance - Institutions and Innovations* (pp. 80–88). Cambridge, UK: Polity Press.

Djelic, M.-L. (2013). When Limited Liability was (Still) an Issue: Mobilization and Politics of Signification in 19th-Century England. *Organization Studies*, *34*(5-6), 595–621.

Djelic, M.-L., & Ainamo, A. (1999). The Coevolution the Fashion of New Industry : Study United Organizational Forms of in Historical and and. *Organization Science*, *10*(5), 622–637.

Djelic, M.-L., & Bothello, J. (2013). Limited liability and its moral hazard implications: the systemic inscription of instability in contemporary capitalism. *Theory and Society*, *42*(6), 589–615.

Djelic, M.-L., & Quack, S. (2003). Conclusion. In M. Djelic & S. Quack (Eds.), *Globalization and Institutions: Redefining the Rules of the Economic Game* (pp. 302–333). Cheltenham, UK: Edward Elgar Publishing.

Djelic, M.-L., & Quack, S. (2007). Overcoming path dependency: path generation in open systems. *Theory and Society*, *36*(2), 161–186.

Garud, R., & Karnøe, P. (2003). Bricolage versus breakthrough: distributed and embedded agency in technology entrepreneurship. *Research Policy*, *32*(2), 277–300.

Geertz, C. (1968). *Islam Observed: Religious Development in Morocco and Indonesia*. Chicago, IL: University of Chicago Press.

Geertz, C. (1983). *Thick Description: Toward an Interpretive Theory of Culture*. New York, NY: Basic Books.

Guler, I., Guillén, M. F., & Macpherson, J. M. (2002). Global Competition, Institutions, and the Diffusion of Organizational Practices: The International Spread of ISO 9000 Quality Certificates. *Administrative Science Quarterly*, *47*(2), 207.

Haas, P. M. (1989). Do regimes matter ? Epistemic communities and Mediterranean pollution control. *International Organization*, *43*(3), 377–403.

Haas, P. M. (1992). Banning chlorofluorocarbons: epistemic community efforts to protect stratospheric ozone. *International Organization*, *46*(01), 187.

Hood, C. (1991). A Public Management for All Seasons? *Public Administration*, *69*(1), 3–19.

Jones, C. (2001). Co-evolution of Entrepreneurial Careers, Institutional Rules and Competitive Dynamics in American Film, 1895-1920. *Organization Studies*, *22*(6), 911–944.

Ju, C. B., & Tang, S.-Y. (2010). Path Dependence, Critical Junctures, and Political Contestation: The Developmental Trajectories of Environmental NGOs in South Korea. *Nonprofit and Voluntary Sector Quarterly*, *40*(6), 1048–1072.

Kodeih, F., & Greenwood, R. (2013). Responding to Institutional Complexity: The Role of Identity. *Organization Studies*, *35*(1), 7–39.

Koselleck, R. (2002). *The Practice of Conceptual History: Timing History, Spacing Concepts* (p. 363). Stanford, CA: Stanford University Press.

Langley, A. (2007). Process thinking in strategic organization. *Strategic Organization*, *5*(3), 271–282.

Levi-Faur, D., & Starobin, S. M. (2014). *Transnational Politics and Policy : From Two-Way to Three-Way Interactions* (No. 62). Jerusalem.

Lounsbury, M., & Glynn, M. A. (2001). Cultural entrepreneurship: stories, legitimacy, and the acquisition of resources. *Strategic Management Journal*, *22*(6-7), 545–564. doi:10.1002/smj.188

Manning, P. K., & Cullum-Swan, P. (1994). Narrative, Content and Semiotic Analysis. In S. Titscher & B. Jenner (Eds.), *Handbook of Qualitative Research* (pp. 463–477). London, UK: SAGE Publicatios.

Meyer, J. W., Boli, J., Thomas, G. M., & Ramirez, F. O. (1997). World Society and the Nation-State. *American Journal of Sociology*, *103*(1), 144–181.

Meyer, J. W., & Rowan, B. (1977). Institutionalized Organizations : Formal Structure as Myth and Ceremonyl. *American Journal of Sociology*, *83*(2), 340–363.

Pettigrew, A. M. (1990). Longitudinal Field Research on Change: Theory and Practice. *Organization Science*, *1*(3), 267–292.

Power, M. (1997). *The Audit Society: Rituals of Verification*. Oxford: Oxford University Press.

Riessman, C. K. (2002). Narrative Analysis. In M. Huberman & M. B. Miles (Eds.), *The Qualitative Researcher's Companion* (pp. 217–270). Thousand Oaks, CA: SAGE.

Sahlin, K., & Wedlin, L. (2008). Circulating Ideas: Imitation, Translation and Editing. In R. Greenwood, C. Oliver, R. Suddaby, & K. Sahlin (Eds.), *The SAGE Handbook of Organizational Institutionalism* (pp. 218–242). New York, NY: SAGE Publications.

Sassen, S. (2001). *The Global City: New York, London, Tokyo*. Princeton, NJ: Princeton University Press.

Skocpol, T., & Somers, M. (1980). The Uses of Comparative History in Macrosocial Inquiry. *Comparative Studies in Society and History*, *22*(2), 174–197.

Strang, D., & Meyer, J. W. (1993). Institutional conditions for diffusion. *Theory and Society*, *22*(4), 487–511.

Suchman, M. C. (2000). Dealmakers and counselors: Law Firms as Intermediaries in the Development of Silicon Valley. In M. Kenney (Ed.), *Understanding Silicon Valley: The Anatomy of an Entrepreneurial Region* (pp. 71–97). Stanford, CA: Stanford University Press.

Sydow, J., Schreyogg, G., & Koch, J. (2009). Organizational Path Dependence: Opening the Black Box. *Academy of Management Review*, *34*(4), 689–709.

Ventresca, M. J., & Mohr, J. W. (2002). Archival Research Methods. In J. A. C. Baum (Ed.), *The Blackwell Companion to Organizations* (pp. 805–828). Hoboken, NJ: Wiley-Blackwell.

Woodward, J. (1958). *Management and technology* (p. 40). London, UK: Her Majesty's Stationery Office.

The Double Edged Sword of Corporate Social Responsibility: Mechanisms to Sustain Shareholders' Wealth and Avoid Social Overinvestment

Benlemlih Mohammed
University of Grenoble

1. General context and main motivations

Corporate social responsibility (CSR), corporate social performance (CSP), corporate environmental responsibility and firm sustainability are only some examples of terms commonly used to assign a name to a very popular concept with blurred, but high stakes. Since the new classic view of CSR expressed first by Friedman (1970), the concept of CSR continues to be at the heart of financial, economic and political debates. Figures show that individual and institutional investors have become more interested in this market that provides them with high legitimacy in the financial landscape. In the United States, more than one out of every nine dollars under management is invested according to the principles of sustainable and responsible investment. The assets engaged in sustainable and responsible investing in 2012 represent 11.3% of the $33.3 trillion assets under management tracked by Thomson Reuters Nelson. In Canada, total asset under management has grown by 9% between 2010 and 2012 and total SRI assets has grown by 16% during the same period. At the end of 2011, total Canadian assets invested according to socially responsible guidelines is established at $600.9 billion (CAD) representing 20% of the overall assets under management. In Europe, assets integrating ESG criteria have increased from €639.15 billion in 2005 to more than €3,204 billion at the end of 2011 with an increase rate of more than 400%.

In this general context, where CSR does not cease to evolve, academic research in relation with the subject has also evolved and covered a wide variety of topics including financial decisions, consumer behavior and business ethics. On the one hand, one of the most debated questions in this field is the relationship between corporate social performance (CSP) and corporate financial performance (CFP). For almost forty years, academics have been trying to establish the empirical link between CSP and CFP. There may not be an easy yes-or-no answer to the question of whether CSP leads to high financial performance. Since the relationship between CSP and CFP is inconclusive, it is thereby no accident that academic research continues to investigate more subtle questions about the topic. Individuals, managers and institutions, anxious by the CSR aspects of their investments, would like to know whether CSP can increase returns, but also, whether it can decrease financial risk. Indeed, another way to study the CSP-CFP relationship may be the investigation of the impact of CSP on financial risk: there appears to be ample space for academic contributions in this particular research area.

On the other hand, the focus on the CSP-CFP link in the literature has not prevented the emergence and development of other avenues of research in relation to CSR. Nowadays, CSR is playing an important role in the overall corporate strategy and has recorded a dramatic growth in the industry. It is also considered as a part of firms' daily management. Managers would like to learn more about the ways they can efficiently include the principles of good sustainability in their practices in order to gain and sustain better strategic relationships with all stakeholders. Managers would also like to have better information about the financial implications of adopting a socially responsible approach. These arguments motivate an important body of the literature on CSR that includes the impact of CSR on earnings management (e.g., Kim et al., 2012), information asymmetry (Dhaliwal et al., 2011), audit quality and audit fees (Chen et al., 2012), cost of capital (El Ghoul et al., 2011), cost of debt, (Goss and Roberts, 2011) and capital structure (Girerd-Potin et al., 2011). This growing literature on the financial implications of CSR, as well as the increasing need of managers to understand the main repercussions of their CSR activities motivate the second part of this dissertation. Thus, we investigate two relevant questions that add to the literature on CSR and might have some important managerial implications: the impact of CSR on debt maturity and dividend payout policy.

2. Summary of the findings

The purpose of this dissertation is to contribute to the debate regarding the financial implications of adopting a CSR strategy. First, by studying an international context, the first study of our dissertation tries to get around limits faced in the literature and provides a more accurate picture on the impact of overall CSR as well as individual dimensions of CSR on firm financial risk. Second, by pushing forward into questions that have been rarely explored in the literature, and by using appropriate methodologies to confirm the validity of our results, the second and third studies of this dissertation provide new evidence regarding the impact of CSR on some firms' financial decisions (debt maturity and dividend policy). Beyond their contribution to the CSR literature, these two studies also question the agency problems that may be due to managers' tendency to overinvest in CSR in order to be identified as socially responsible at the expense of shareholders.

2.1. Literature review

In **Chapter 1**, we describe some of the empirical investigations that have been performed with respect to the CSP-CFP association. We focus on famous meta-analyses in the field since they are more likely to provide a global view on the studied relationship. We also discuss conflicting arguments as well as interesting theoretical frameworks that have been previously developed to justify the association between CSR and financial performance. This allows for the introduction of the first empirical study of this dissertation stating that CSR is more likely to affect a firm's financial risk. We continue this chapter by discussing prior literature regarding other financial implications of CSR practices. This literature includes the impact of CSR on information asymmetry, cost of equity, cost of debt, and capital structure. The chapter concludes by introducing the last two empirical studies of the dissertation.

2.2. Does CSR affect firm financial risk? Evidence from international data

Chapter 2 aims to investigate whether the negative link between CSR and financial risk demonstrated in previous literature continues to hold when using different measures of CSR, different financial risk metrics and different methodologies. Thus, using a longitudinal dataset provided by the Vigeo rating agency and comprised of 5,716 firm-year observations in 26

countries between 1999 and 2011, we perform three main analyses: a portfolios approach, a univariate analysis and a regression estimate. Taken together, results in this chapter show that overall CSR score as well as some individual components of CSR are negatively and significantly associated with the different metrics of firm financial risk. Looking at portfolios analysis, we find it clear that high CSR portfolios are less risky than low CSR portfolios. This result is true when measuring financial risk by both conventional and downside risk metrics. However, these portfolio findings should be interpreted with caution since the difference between the risk levels is only significant for specific risk and the beta of Bawa and Lindenberg, while it is statistically insignificant for other risk metrics.

When comparing conventional risk metrics (stock volatility, systematic and specific risks based on Fama-French three factors model) between high and low CSR firms, we find evidence that high CSR firms are less volatile with less systematic and specific risks. All the differences are statistically significant at the 5% level or better. Once again, these results should be interpreted with caution since they are comparing firm financial risk without taking into account firms' characteristics.

Using a regression approach that allows for the control of firms' characteristics, we document interesting findings regarding the link between CSR and financial risk. The overall CSR score significantly reduces systematic and specific risks. The economic magnitude of these results is not negligible: an increase in the overall CSR score from the first to the third quartile reduces firm systematic risk by approximately 2% and firm specific risk by 1.36%. Furthermore, regarding individual components of CSR, it appears that some of them are more relevant than others in reducing firm financial risk. On one hand, employee well-being dimensions remain the most important; results show that, by treating their employees fairly and offering them better working conditions, companies may attract high quality employees and benefit from high loyalty, which, undoubtedly, reduces their risk. On the other hand, community involvement is the only score that significantly increases firm risk (stock volatility and specific risk). The market considers that philanthropic activities may lead to low financial gain because it does not have any internal benefits. The results coming from the rest of individual dimensions show that corporate governance and business behavior significantly reduce firm specific risk, while human rights and environment scores are not priced by the market and do not affect firm financial risk.

In an additional set of tests, we investigate the issue of causality between financial risk and CSR. Indeed, one of the reasons that may explain the conflicting results in the CSP-CFP relationship is the non-consideration of causality. In order to study whether good CSP reduces financial risk or because firms are less risky and more stable they can afford to increase their CSP, we use a Granger causality approach. We provide evidence that high CSP measured by the overall CSR score Granger causes a reduction in financial risk measured by the three conventional risk metrics. We also find that results from individual components of CSR go with what has been found in the main analysis and confirm that the causality goes from CSP to financial risk.

We finally conduct our study by focusing on periods of financial distress. In these periods, it appears that the impact of CSR on firm financial risk (stock price volatility, systematic and specific risks) is more pronounced. The overall CSR score significantly reduces the three metrics of financial risk. Furthermore, the corporate governance score plays a major role in reducing shocks that companies face in time of high volatility. Additionally, some dimensions that do not have any impact on risk metrics in the whole sample periods are also associated with a low level of risk in time of financial instability. The analysis of the relationship between CSR and financial risk in time of crisis reveals that the market tends to reward companies that "do good" in periods of low volatility and to penalize transgressing firms in high volatility periods.

This second chapter provides several contributions to the existent literature and has practical and managerial implications. First, regarding the study's methodology, we mobilize several approaches (a portfolio analysis, a univariate approach and a regression estimate) as well as several risk metrics including conventional measures of financial risk (stock volatility, systematic and specific risks) and downside measures (beta of Bawa and Lindenberg, beta of Harlow and Rao, VaR and CVaR), which undoubtedly provide a more accurate picture of the relationship between CSR and firm's risk. Second, regarding the study's data, our work differs from previous literature investigating the CSR-risk link in limited geographical areas. We use, for the first time, a worldwide dataset based on the Vigeo rating to study this relationship. Our choice helps to validate and confirm what has been shown in studies conducted in the American context with the KLD data. Third, when the majority of previous studies have tried to identify the value-enhancing effects that superior CSP may have, our empirical work adds to the very small number of studies that have attempted to reveal the value-protective character of CSR manifested in reducing financial risk. Fourth, from a managerial and practical perspective, results

in this chapter provide strong support that socially responsible investments may be an effective risk management opportunity that minimizes or eliminates disruption, loss or damage to business operations and serves as a countermeasure for social risk (Kytle and Ruggie, 2005). The chapter's results also suggest, for individual and institutional investors, that including ESG criteria helps minimize portfolios risk. Finally, corporate managers are highly encouraged to improve their human resources practices, the relation with their suppliers and customers, and their corporate governance policy. Such actions help also to reflect a better image of the company and to decrease its financial risk, particularly in time of financial instability.

2.3. Corporate social responsibility and firm debt maturity

In **Chapter 3**, we examine whether CSR has an impact on firm debt maturity choices and, subsequently, on firm capital structure. The few studies that have so far established the relationship between CSR and firm capital structure have not addressed the problem of debt maturity: a crucial question when looking for a clear view on the role that CSR may play in determining firm optimal capital structure. Based on several theories on debt maturity and previous literature on CSR, we argue that high CSR firms may have a tendency to issue more short-term debt to signal their high quality to the market and to control for managers' tendency to overinvest in CSR. To validate our hypothesis, we use a longitudinal dataset comprising of 14,815 U.S. firm-year observations between 1991 and 2009, and we run univariate and multivariate analyses. It is clear from the univariate approach that, during the whole study period, high CSR firms have more short-term debt in their capital structure than low CSR firms. Additionally, when running a regression analysis to take into consideration firm characteristics as well as time and industry fixed effects, the empirical results show that high CSR firms reduce the maturity of their debt in an economically and statistically significant way. For example, an increase in the overall CSR score from the first to the third quartile reduces the percentage of long-term debt in capital structure by more than 1.6%. Among the individual components of CSR taken into account in the analysis, it appears that the community involvement and the diversity are dimensions that matter the most in reducing firm debt maturity. High community involvement may be due, inter alia, to high charitable giving practices. Such a strategy may be a source of conflicts between insiders and shareholders. By reducing their debt maturity, companies decrease the cash in place and create a monitoring mechanism for charitable giving.

This is more likely to explain the negative association between community involvement and firms' debt maturity. Diversity score, as measured by KLD, reflects some firms' governance practices. Companies with high governance mechanisms are more likely to use their debt maturity to discipline managers. This explains the negative link between diversity score and debt maturity. A series of complementary tests are conducted in order to confirm the study's main finding. These tests include alternative measures of debt maturity, alternative models and econometric specifications, additional control to check for omitted variables, and several analyses to correct for endogeneity: all of which have confirmed the negative impact of CSR on debt maturity.

Through this chapter, we further enlarge the framework of the link between CSR and firm debt maturity by studying the relationship conditional by firms' characteristics. On one hand, large firms with high growth opportunities and high return on assets volatility are more regularly followed by analysts and, may use their social performance to issue more short-term debt to signal their high quality and their access to the market of debt. On the other hand, financial theory argues that companies tend to match their asset's maturity with their debt's maturity. Firms with short asset maturity issue more short-term debt; CSR involvement may play a role in achieving this objective. Furthermore, high abnormal results lead to more cash in place, which, in turn, may lead to high CSR commitment and, subsequently, reduces debt maturity. Thus, when analyzing the link between CSR and debt maturity conditional to these firm characteristics, we provide evidence for these expectations: the negative impact of CSR on debt maturity is stronger for big firms, firms with high market-to-book ratio, high return on asset volatility, high abnormal results and, finally, firms with low asset maturity.

To deepen the analysis, we go beyond the framework of the link between CSR and debt maturity by including the part of shareholders' equity to total assets into analysis. We then investigate how CSR affects the combination of short-term debt, long-term debt and shareholders' equity. First, additional empirical results go with previous studies (e.g., Verwijmeren and Derwall, 2010) and suggest that CSR increases the part of shareholder's equity to total assets. An increase in the overall CSR score from the first to the third quartile causes an increase in the part of shareholder's equity to total asset by 1.65%. This preliminary result is confirmed when using individual components of CSR: four of the six individual CSR scores are also associated with a significant increase in the part of shareholders' equity to total asset. Finally, using a seemingly

unrelated regression approach, we provide evidence that the extent to which investments are financed by long term debt decreases with CSR, while the extent to which investments are financed by short-term debt and shareholders' equity increases with CSR.

Even though previous literature on CSR provides some earlier findings on the effect that may have a high CSR level on firms' capital structure, the novelty of the empirical work provided in Chapter 3 is to introduce the maturity of debt into this debate. Overall, there are some important lessons that can be learned from the findings of this study. First, it is clearly shown that companies decide, to some extent, their capital structure according to their level of CSR. High CSR firms are highly aware that their cost of equity reflects their social involvement. They prefer to issue equity more frequently than low CSR firms do when financing new investments. Second, the study's results highlight that firms with better CSR performance are better positioned to obtain financing in the capital markets and have easier access to the debt market than low CSR firms. When financing new investments, high CSR firms use this accessibility to the debt market to signal their high quality by issuing more short-term debt than do low CSR firms. Third, low CSR firms' managers must better understand the implications and the financial consequences that may have their social and environmental policies on their financing decisions. They should be aware that by improving their CSR practices, they may facilitate their access to the debt market and reduce the dependence to the equity market conditions by decreasing their cost of equity. Finally, despite these positive implications of CSR on a firm's capital structure, investors and practitioners should be aware that CSR may also be a source of conflict of interests between shareholders and managers and that the choice of short-term maturity is more likely to play a role in controlling these problems.

2.4. Why do socially responsible firms pay more dividends?

Chapter 4 presents the first attempt to examine dividend payout policy of high CSR firms. Indeed, in this chapter, we continue to adopt the idea provided by previous literature, such as Bartkus et al. (2002), Godfrey (2005) and Barnea and Rubin (2010), which suggests that CSR may be a source of conflict between managers and shareholders. The agency theory of dividend argues that high dividend payout policy could help solve this conflict by reducing resources under managers' control. In line with this first argument, previous literature has also suggested

that CSR firms are generally in their mature stage of their life cycle, which, in turn, supports high dividend payout for high CSR firms according to the life cycle theory of dividend. To check for the validity of these expectations, we use a sample of 22,839 firm-year observations representing more than 3,000 unique U.S. firms between 1991 and 2012, and we run several analyses. We provide strong and consistent evidence that high CSR firms pay more dividends than low CSR firms do. The economic magnitude of these results is very important: an increase in the overall CSR score from the first to the third quartile increases the ratio of dividend to net sales by more than 13%, and dividend to total assets by more than 40%. Furthermore, five of the six individual dimensions of CSR are also associated with high dividend payout, which provides strong support for our earlier finding.

Two additional sets of test are conducted to provide a larger picture of the link between CSR and dividend policy. The first is based on an extension of the Lintner model and aims to investigate whether CSR affects the stability of dividend payout. Results from these tests show that low CSR firms adjust dividends quicker than do high CSR firms. In other words, high CSR firms are associated with high dividend payout stability. The second set of tests aims to uncover whether companies involved in controversial business areas have a particular dividend policy. Results indicate that companies involved in two controversial business areas, namely, military and alcohol industries prefer to reduce their dividend payout to finance their activities internally because of the high cost of external funding for those firms (Goss and Roberts, 2011).

The results of this study go beyond the framework of wealth enhancing effects of CSR by investigating how this wealth is distributed. It represents the first overview of the relationship between CSR and dividend policy. As in the previous chapter, one of our main motivations to empirically investigate how CSR affects dividend policy is the agency theory. We argue that the increase in dividend payout may be due, inter alia, to the need of shareholders to deal with problems of overinvestment in CSR caused by managers' wishes to entrench themselves and to be identified as socially responsible. This idea finds its origins in previous literature such as Bartkus et al. (2002), Godfrey (2005), Barnea and Rubin (2010), and Ye and Zhang (2011). A firm's social involvement should not exceed an optimal level. If so, the additional social and environmental involvement is more likely to generate additional costs for the firm without generating any corresponding additional benefits. For example, Ye and Zhang (2011) find that improved CSR reduces debt-financing costs when firms' CSR investments are lower than an

optimal level; however, the authors show that this relationship is reversed after the CSR investment exceeds the optimal level. Harjoto and Jo (2014) disaggregate CSR into legal (mainly to fulfill regulatory requirements) and normative CSR (not required by laws and regulations and depends on managers' will) and study their respective impacts on analysts' earnings forecast dispersions, stock return volatility, cost of equity capital and firm value. Harjoto and Jo (2014) demonstrate empirically that legal CSR decreases analysts' dispersions, stock return volatility and the cost of equity, and increases firm value; however, normative CSR increases stock return volatility and decreases firm value. Empirical findings of Chapters 3 and 4 show that shareholders are aware of these agency conflicts and are more likely to use debt maturity and dividend policy to handle managers' self-interests in investing in CSR. By reducing the maturity of debt and increasing dividend payout policy, shareholders create an implicit control mechanism. This control mechanism leaves managers with low free cash to be invested in negative NPV projects and leads banks and debt holders to play a monitoring role when managers use external funding.

3. Conclusion

Several researchers (e.g., Ye and Zhang, 2011; Brown, 2006) agree on the existence of an optimal level of CSR that should not be exceeded by companies. Until this level, high CSR firms enjoy several benefits when acting responsibly. The first empirical study of this dissertation shows that one of the main benefits of adopting a socially responsible approach is reducing firm financial risk. When social involvement goes beyond the optimal level, CSR may be a source of conflicts between managers and shareholders. In this case, CSR may lead to a negative impact on firm financial performance: an increase in financial risk, information asymmetry and the cost of equity, and a decrease in firm's value (Harjoto and Jo, 2014). Shareholders are aware of the agency problems that may result from a strategy of overinvestment in CSR. They may mobilize control mechanisms to ensure that managers do not go beyond the optimal CSR level. The last two empirical studies of this dissertation point out that shareholders are more likely to use two fundamental monitoring mechanisms: debt maturity and dividend payout. Indeed, by reducing a company's debt maturity and adopting an optimal dividend payout policy, shareholders create an implicit control mechanism that helps to not exceed the optimal level of CSR and, subsequently, ensure that social involvement continues to positively affect firm value.

Future research may extend our results by studying the relationship between CSR and financial risk in other contexts: does the market reward social initiatives of commercial banks? Do such initiatives lead to a reduction in banks' risk? Another interesting question for future research is the investigation of other monitoring mechanisms that avoid social overinvestment. For example, do multiple large shareholders play the same corporate governance role as debt maturity and dividend payout policy?

4. References

- Barnea, A., Rubin. A., 2010. Corporate social responsibility as a conflict between shareholders. Journal of Business Ethics, 97, 71-86.

- Bartkus, B. R., Morris, S. A., Seifert, B., 2002. Governance and corporate philanthropy: Restraining Robin Hood? Business and Society, 41(3), 319-344.

- Berglund Kang, T., 2013. Does social trust matter in financial reporting? Evidence from audit pricing. Working paper, Oklahoma State University.

- Bouslah, K., Kryzanowski, L., M'Zali, B., 2013.The impact of the dimensions of social performance on firm risk. Journal of Banking and Finance, 37, 1258-1273.

- Boutin-Dufresne, F., Savaria, P., 2004. Corporate social responsibility and financial risk. Journal of Investing, 13(1), 57-67.

- Brammer, S., Brooks, C., Pavelin, S., 2006. Corporate social performance and stock returns: UK evidence from disaggregate measures. Financial Management, 35(3), 97-116.

- Brown, W. O., Helland, E., Smith, J.K., 2006. Corporate philanthropic practices. Journal of Corporate Finance, 12(5), 855-877.

- Chen, L., Srinidhi, B., Tsang, A., Yu, W., 2012. Corporate social responsibility, audit fees, and audit opinions. Working paper, George Mason University.

- Cho, S. Y., Lee, C., Pfeiffer, R. J. Jr., 2013. Corporate social responsibility performance and information asymmetry. Journal of Accounting and Public Policy 32, 71-83.

- Dhaliwal, D., Li, O., Tsang, A., Yang, G., 2011. Voluntary nonfinancial disclosure and the cost of equity capital: The initiation of corporate social responsibility reporting. The Accounting Review, 86 (1), 59-100.

- El Ghoul, S., Guedhami, O., Kwok, C., Mishra, D., 2011. Does corporate social responsibility affect the cost of capital? Journal of Banking and Finance 35, 2388-2406.

- Friedman, M., 1970. The social responsibility of the firm is to increase its profits. Time Magazine, (09/13/1970), 11.

- Gatchev, V. A., Spindt, P. A., Tarhan, V., 2009. How do firms finance their investments? The relative importance of equity issuance and debt contracting costs. Journal of Corporate Finance 65, 725-763.

- Girerd-Potin, I., Jimenez-Garces, S., Louvet, P., 2011. The link between social rating and financial capital structure. Finance 32, 9-52.

- Girerd-Potin, I., Jimenez-Garces, S., Louvet, P., 2013.Which dimensions of social responsibility concern financial investors? Journal of Business Ethics, doi:10.1007/s10551-013-1731-1.

- Godfrey, P. C., 2005. The relationship between corporate philanthropy and shareholder wealth: A risk management perspective. Academy of Management Review, 30(4), 777-798.

- Godfrey, P.C., Merrill, C.B., Hansen., J.M., 2009. The relationship between corporate social responsibility and shareholder value: An empirical test of the risk management hypothesis. Strategic Management Journal, 30, 425-445.

- Goss, A., Roberts, G. S., 2011. The impact of corporate social responsibility on the cost of bank loans. Journal of Banking and Finance,35, 1794-1810.

- Harjoto, M. A., Jo, H., 2014. Legal vs. normative CSR: Differential impact on analyst dispersion, stock return volatility, cost of capital, and firm value. Journal of Business Ethics,doi: 10.1007/s10551-014-2082-2.

- Hong, H., Kacperczyk, M., 2009. The price of sin: The effects of social norms on markets. Journal of Financial Economics, 93, 15-36.

- Kim, Y., Park, M.,Wier, B., 2012. Is earnings quality associated with corporate social responsibility? Accounting Review, 87(3), 761-796.

- Kytle, B., Ruggie, J.G., 2005. Goss, A., Roberts, G. S., 2011. Corporate social responsibility as risk management: A model for multinationals. Working paper, Harvard University.

- Sharfman, M.P., Fernando, C.S., 2008. Environmental risk management and the cost of capital. Strategic Management Journal 29, 569-592.
- Verwijmeren, P., Derwall, J., 2010. Employee well-being, firm leverage, and bankruptcy risk. Journal of Banking and Finance, 34, 956-964.
- Ye, K., Zhang, R., 2011. Do lenders value corporate social responsibility? Evidence from China. Journal of Business Ethics 104, 197-206.

Distinguished Papers

Realizing reticulation: A comparative study of capability dynamics in two international professional service firms over 10 years

Breunig KJ
BI Norwegian Business School

ABSTRACT
This study addresses the role of individuals when organizations balance flexibility and stability to achieve evolutionary fitness. Evolutionary fitness is suggested as the performance outcome of dynamic capabilities. A longitudinal cross-case comparison - of two similar firms that differ significantly in performance - identifies social networks as a possible explanation for their performance differences. A natural experiment confirms this. The study contributes with the two concepts of articulation (facilitating knowledge explication) and reticulation (facilitating social network formation); four propositions explicates the effect of these two on evolutionary fitness and offers a potential solution to the intentional management of dynamic capabilities.

See paper in separate section

Understanding the Experience of Job Engagement within Everyday Working Life: A Mixed Methods Study Across Six Organizational Settings

Fletcher Luke

University of Kent

Abstract

This thesis examined how employees experience the psychological state of engagement in everyday working life. A mixed methods study was conducted with 124 employees across six organizations. Occupational and HRM features of context were related to an employee's level of general engagement via the psychological conditions of meaningfulness, availability and, to some degree, safety. Moreover, meaningfulness and availability, but not safety, were important for boosts and drops in situational engagement, and that job design, job fit and resources played a critical role. Overall, meaningfulness and availability were core processes through which organizational and situational factors were associated with engagement.

Keywords: engagement, organizational context, situational fluctuations, work environment, psychological processes

Introduction

'Engagement' refers to a positive, fulfilling work-related psychological state; it is "the harnessing of organization members' selves to their work roles" (Kahn, 1990, p.694). Engagement allows individuals to express an authentic sense of self that is aligned with their job role (Rich, LePine and Crawford, 2010). Although research on engagement has flourished (Crawford, Rich, Buckman and Bergeron, 2013), much research has neglected to consider the phenomenological and contextualised experience of engagement. This has led to calls for studies that investigate engagement in a deeper way so that its antecedents can be better understood (Jenkins and Delbridge, 2013).

In particular, little research has fully considered the nature of engagement as a fluctuating psychological experience. Kahn (1990) argued that employees do not want to feel isolated nor overwhelmed by their job roles and so they 'adjust' their investment into their work role accordingly across time. These calibrations have been found to operate at two levels: 'general engagement' operates as a more stable psychological state that fluctuates over time (months) according to changes in contextual factors and long-term work conditions, whereas 'situational engagement' operates as a more transient psychological state that fluctuates over time (hours) according to changes in situational factors and short-term work conditions (Schaufeli and Salanova, 2011). Therefore, this PhD thesis aims to develop a contextually richer understanding of engagement by focusing on two levels of analysis: firstly it will focus on the antecedents of 'general engagement' and will seek to clarify how contextual features of the organization shape general experiences of engagement; secondly, it will focus on the antecedents of 'situational engagement' by identifying work contextual factors that impact on engagement within the day.

Kahn's (1990) Psychological Conditions Framework

Kahn (1990, p.695) argued that engagement's antecedents are the "psychological experiences of rational and unconscious elements of work conditions". More specifically, an individual will assess whether they would engage based on the following questions: a) are they in a psychologically *safe* environment? b) do they have the *availability* to employ their preferred self? and c) would they find it personally *meaningful* to employ their preferred self?

Psychological safety.

Psychological safety involves the perception that one can take interpersonal risks, such as bringing up problems and asking for help, within the social work environment (Edmondson, 2004). Since engagement can be regarded as an important psychological state that underpins positive wellbeing (Bakker and Demerouti, 2008), it is likely that individuals will behave in ways that protect their engagement against loss by withdrawing themselves during situations that they perceive as psychologically unsafe, and investing more of themselves (i.e. engaging) during situations they perceive as non-threatening (Kahn, 1990).

Psychological availability.

Psychological availability signifies is concerned with assessing an individual's confidence or readiness to be engaged in their work role, given other work and non-work roles (May et al., 2004). Individuals not only try to protect themselves against threats to their engagement, but also act in ways aimed at fostering higher levels of wellbeing (Hobfoll, 2011). Therefore, when psychological availability is high, engagement will also be heightened since the individual will feel comfortable that they can invest themselves in their work roles without the fear of being over-depleted and in anticipation of a higher sense of wellbeing.

Psychological meaningfulness.

Psychological meaningfulness implies that the individual must feel that their work role is "worthwhile, useful and valuable" (Kahn, 1990, p.703-4). Meaningfulness is a component of Fredrickson's (2001) broaden-and-build process (BandB) because it generates interest in the wider work context which 'broadens' the potential expressions of engagement and 'builds' cognitive resources needed for sustained engagement (Soane et al., 2013). Therefore, work tasks viewed as personally meaningful will generate higher levels of engagement, whereas a lack of meaningfulness will be associated with feeling that an insignificant amount is expected of one's self (Kahn, 1990).

In summary, Kahn (1990) proposed that engagement is primarily influenced by the psychological conditions of meaningfulness, availability and safety; and that organizational and work contextual factors would indirectly influence engagement through these three psychological conditions. Therefore, this PhD study seeks to investigate this framework in detail by focusing firstly on the organizational context, and secondly on the work context.

Research Questions

Contextual factors influencing general engagement

Kahn (1990) acknowledged that engagement occurs within the complex social system of an organization, and so features of the organizational context are likely to shape how engagement is

Page | 54

experienced at a general level. Simply put, organizational context can change the salience, strength, and/or meaning of a particular phenomenon, and can alter the phenomenon's relationship with important antecedents (Johns, 2006). However, there has been scant previous research that has examined the role of organizational context in shaping general experiences of engagement (Jenkins and Delbridge, 2013). As there has been little research linking contextual factors with engagement, I applied a modified version of Johns's (2006) omnibus context framework. This modified framework specifies five dimensions of context: a) occupational factors, b) industrial sector and external market factors, c) timeframe factors, d) managerial and HRM factors, and e) structural and cultural factors. The first research question (RQ1) identifies which of these contextual features are related to an individual's general level of engagement, and whether Kahn's (1990) three psychological conditions of meaningfulness, safety and availability are the core processes that link such features with general engagement.

Contextual factors influencing situational engagement

A central proposition of personal role engagement theory is that engagement will fluctuate within the day in accordance with situational changes in the work environment. Drawing on the job characteristics model (Hackman and Oldham, 1976), Kahn (1990) proposed that an array of work conditions are important for engagement due to their relationships with psychological precursors of engagement. Although May et al (2004) and Rich et al (2010) examined the work conditions that Kahn (1990) proposed, they utilised between-persons, quantitative designs. Thus the depth of insight into the work conditions that impact on engagement within daily working life is currently limited, and so the second research question (RQ2) aims to develop a richer understanding of the work contextual antecedents of situational engagement by testing hypotheses related to four key categories of work factors: a) job design and job fit, b) resources, c) social support, and d) self-consciousness.

Job design and job fit.

 Perceptions of the design and characteristics of one's job are particularly important to engagement because the characteristics of one's job act as motivational resources that help one to achieve work goals and foster personal growth (Bakker and Demerouti, 2008). Given that it is likely that perceptions of these factors will change during the day depending on the nature, scope and range of tasks being conducted at any moment in time (Amabile and Kramer, 2011), it is also likely that engagement will vary as a result. Therefore, it could be argued that engagement will be boosted when perceived levels of job design characteristics are high and reduced when such perceptions are low.

Related to this is the perceived degree of 'fit' between what the job role offers to, and demands from, the employee. Situations that strengthen positive perceptions of fit send cognitive signals that personal investment of the self would likely yield a beneficial return, such as increased performance, and so the individual would be more willing to engage (Crawford et al., 2013). In contrast, situations that weaken perceptions of fit signify that such beneficial returns would be less likely and so the individual would be less willing to engage.

I predict that meaningfulness will mediate the relationships between job design/fit factors and engagement because such factors broaden the scope to find meaning in one's work, as personal growth and mastery are facilitated (Crawford et al., 2013) which, in turn, enables a greater range of opportunities to engage in one's work role (Kahn, 1990).

Resources.

As psychological availability concerns the readiness to invest one's resources to engage fully in one's work role (Kahn, 1990), it follows that the degree of personal and organizational resources that one has at one's disposal will be key antecedents. Personal resources have been conceptualized a specific aspect of emotional wellbeing and personal agency (May et al., 2004), and organizational resources refer to having adequate access to the right equipment, information and tools to be able to perform one's job effectively (Crawford et al, 2013). Therefore, situations which strengthen personal and organizational resources will be associated with higher levels of engagement, whereas situations that deplete these resources will be associated with lower levels of engagement. I also propose, based on COR theory (Hobfoll, 2011), that psychological availability acts as a mediator between organizational/personal resources and engagement because it signals to the employee whether investing resources into activities that facilitate engagement is likely to be beneficial.

Social support.

Kahn's (1990) theorizing highlights how the experience of engagement stems largely from the social context. According to social exchange theory (SET - Blau, 1964) , employees participate with other parties in an ongoing exchange of resources that occurs within a framework of rules and norms of reciprocity, such that when an employee receives resources from the other party they will feel obliged to repay in kind. Thus, if the employee receives socio-emotional resources from co-workers or line managers, such as receiving help and advice, they may feel obliged to repay the person by engaging more with their work (Saks, 2006). I predict that social support is related to engagement indirectly via psychological safety. Receiving social support is likely to signal to the individual that they are able to express their true self in that situation, which in turn enables them to engage (Kahn, 1990).

Self-consciousness.

Another potential influence of engagement is one's sense of work role security and status (Kahn, 1990). An aspect of such perceptions is self-consciousness (Fenigstein et al, 1975), which refers to the degree to which the individual is concerned about how others perceive and judge them. If the individual is highly self-conscious then they are more likely to anticipate and feel fearful of negative consequences occurring if they were to express their selves fully at work (Kahn, 1990). May et al (2004) found that general levels of self-consciousness were negatively related to general levels of engagement via safety. Thus I predict that these relationships will be found for situational engagement as it may be that in certain situations self-consciousness becomes particularly heightened, for example if forced to give your opinion that you feel negatively about, or reduced, for instance if asked to help a colleague train a new employee on a system you know a lot about.

In sum, I propose that a) the psychological conditions of meaningfulness, availability and safety will be positively related to situational engagement; b) work contextual factors in the form of job design, job fit, resources, and social support will be positively associated with situational engagement; and c) the psychological conditions will mediate the relationships between the work contextual factors and situational engagement.

Methodology

A mixed methods research design was utilised whereby quantitative work diary as well as qualitative interview data was gathered from 124 employees across six UK organizations.

Principles of case study methodology (Yin, 1994) were applied to identify suitable organizations. Firstly, three types of organization that differ in terms of occupational composition and industry sector were examined: a) private-sector manufacturing organizations, b) private-sector professional services organizations, and c) public-sector local government organizations. In order to have a reasonable comparative design, all organizations were based in England and employed between 100 and 500 employees. Secondly, two organizations represented each of the three sectors, with both having similar services/products, ownership structures, and organizational practices. This acted as a form of 'matched-pairing' so that the potential effects of context could be more accurately identified.

The quantitative diary focused on the immediate perceptions of engagement-related events by asking participants to reflect on the most and the least engaging situations in the day (Rich et al's 2010 job engagement scale used as a guide). A series of statements were rated (on 7pt Likert scales) that refer to work conditions (i.e. job design, job fit, resources, support, self-consciousness) and psychological conditions (i.e. meaningfulness, safety, availability) hypothesised to be related to engagement. Multilevel analysis (Snijders and Bosker, 2012) was chosen to establish the degree to which these antecedents are associated with fluctuating levels of engagement within the working day (RQ2).

The employee interviews elicited rich and detailed responses from participants regarding their experiences of engagement at the general and situational level. Interviewees described the factors that influenced their general levels of engagement (RQ1), and discussed specific instances where engagement was heightened and where it was reduced during the workday (RQ2). Template analysis (King, 2004) of this data would ascertain how salient and relevant the hypothesised work and psychological conditions are to fluctuating levels of engagement within the day (RQ2).

Lastly, the HR management interviews gained insight into the organizational and HR features that may be relevant to how employees engage within each organizational setting. In order to identify how features of the organizational context shape experiences of engagement (RQ1), matrix analysis (Miles and Huberman, 1994) was chosen as it allows the integration of the qualitative data from the employee and HR interviews.

Results

Contextual factors influencing general engagement

Overall, the findings from the matrix analysis support the proposition that engagement can operate at a 'general' level. The occupational role is likely to influence the degree to which meaningfulness is fulfilled, which in turn creates engagement due to its interaction with work design and occupational identity factors. HR practices, particularly training/development and performance management, facilitate or prevent engagement through simultaneously influencing the psychological conditions of meaningfulness, safety and availability. Moreover, these effects may be strengthened or weakened by salient occupational identities, perceived relative deprivation, and social exchange processes. Flexible work practices may foster engagement when they allow the individual to regulate their psychological availability. External market

factors may be more distally related to engagement and may be filtered down to the employee via the organizational approach to managing the employment relationship. Timeframe and structural factors may only exert influence on general engagement when the organization is undergoing change or has internal inconsistencies.

Contextual factors influencing situational engagement

Collectively, the findings the multilevel analyses and template analyses support the proposition that engagement can operate at a 'situational' level. As predicted, both job design and job fit factors facilitated meaningfulness that in turn heightened engagement. However, demand-ability fit may boost engagement whereas a lack of needs-supply fit may decrease engagement. Having opportunities to see the positive impact of one's work on beneficiaries helps strengthen meaningfulness and so boosts engagement. Receiving feedback and recognition from supervisors/co-workers increases engagement, whereas negative workgroup climates and uncivil interactions threatens psychological safety, and so decreases engagement. Personal and organizational resources as well as work demands may be involved in an interconnected relationship with engagement via availability. Self-consciousness, and the mediating role of safety, may not be important to the experience of situational engagement.

Discussion

From integrating the findings, one can begin to develop a 'full' model of engagement. As figure 1 shows, engagement can be viewed at a situational or at a general level, and is primarily influenced by psychological meaningfulness and availability, and less so by safety. These psychological conditions mediate the relations between work conditions and engagement, as well as between the organizational context and engagement. The following sections will outline and justify the key relationships and factors outlined in figure 1.
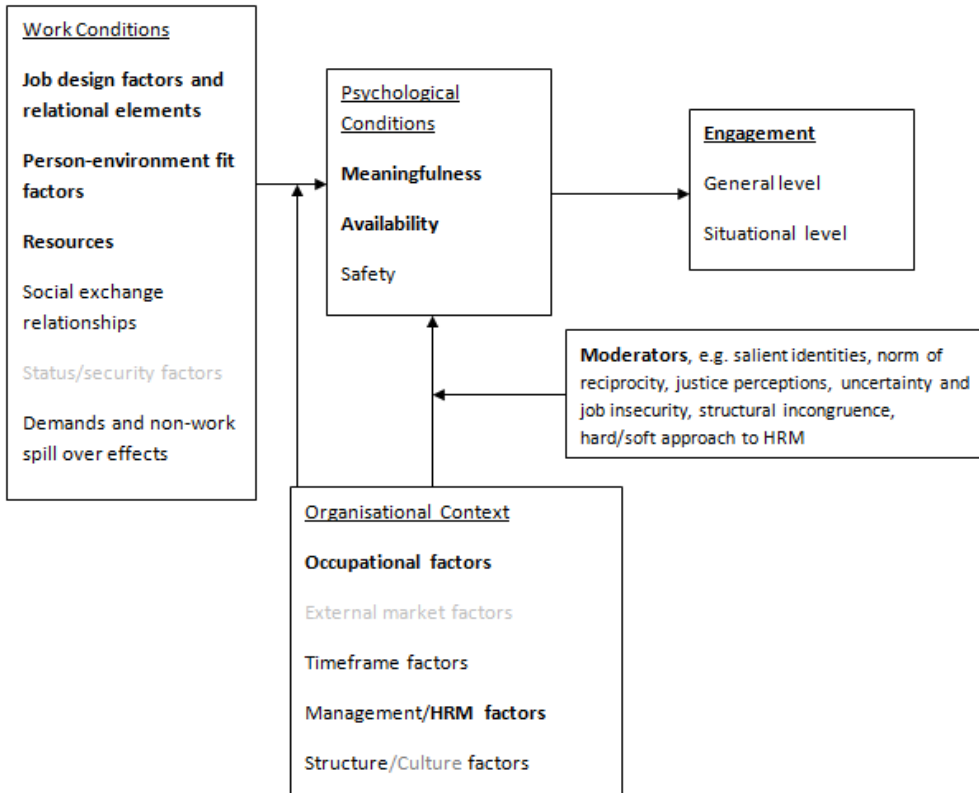
Work Conditions

Job design factors and relational elements

Person-environment fit factors

Resources

Social exchange relationships

Status/security factors

Demands and non-work spill over effects

Psychological Conditions

Meaningfulness

Availability

Safety

Engagement

General level

Situational level

Moderators, e.g. salient identities, norm of reciprocity, justice perceptions, uncertainty and job insecurity, structural incongruence, hard/soft approach to HRM

Organisational Context

Occupational factors

External market factors

Timeframe factors

Management/HRM factors

Structure/Culture factors

Figure 1. Towards a full model of engagement

NB. Factors in grey are likely not to be significant; those in bold are likely to be the most influential

Organizational Context

Occupational and HRM factors indirectly influence the experience of engagement at a general level. The range and type of occupational groups within the organization, the occupational role of the individual, and the range and form of HR practices utilised by the organization were found to influence how generally engaged employees felt. The HR practices found to be most related to engagement were training and career development, performance management, and flexible work practices; all of which are key components of Gruman and Saks's (2011) engagement management model.

Structural factors were only relevant within the manufacturing organizations, whereas organizational change factors were only relevant within the public sector organizations. It may be that the effect of these factors are only felt when certain conditions are present. Therefore, it is proposed that the relationships between features of organizational context and the psychological conditions may be moderated by other factors. For example, it may be that if employees perceive incongruence between the structural system of the organization and its work practices then the influence of structure on the psychological conditions (and subsequently on engagement) becomes significant.

In addition, other aspects such as justice perceptions (Greenberg and Colquitt, 2005), norms of reciprocity (Blau, 1964) and salient occupational identities (Wrzeniewski et al, 1997) may also strengthen or weaken associations between HRM/occupational factors and the psychological conditions. Furthermore, these features of organizational context may moderate

some of the relationships between work conditions and psychological conditions. For example, it was found that the occupational role may promote or constrain the emergence of various elements of job design (Hackman and Oldham, 1976).

In sum, the findings indicate that future research should develop Johns's (2006) framework by examining the content of the contextual 'dimensions', as well as the boundaries between them. In particular future work should expand on those dimensions that are most relevant to engagement, which this study suggest are occupational and HRM dimensions.

Work Conditions

Job design features were associated with situational engagement levels, thus supporting the application of work design theories, particularly Hackman and Oldham's (1976) job characteristics model. Some evidence was found for the engaging potential of seeing an impact of one's work on others, and so Grant's (2007) relational job design theory would also be useful to apply to engagement. Moreover, job fit perceptions were associated with situational engagement levels within the day, which supports the application of person-environment fit theory (Jansen and Kristof-Brown, 2006) to engagement.

Personal and organizational resources were found to be involved in an interconnected relationship with engagement. When the individual was able to regulate their personal resources by being able to utilise organizational resources in a structured and purposeful way then engagement was boosted within the day. However, when the individual experienced excessive work demands, were distracted by environmental 'irritations', and experienced negative spill over effects from their non-work roles, then engagement was reduced within the day. The application of workday design (e.g. Elsbach and Hargadon, 2006) as well as COR theory (Hobfoll, 2011) may be useful to untangle some of these relationships.

Supervisory and co-worker support were found to be less important to situational engagement than the other factors. This suggests that SET (Blau, 1964) may not be the most useful theoretical lens in which to view engagement, and indicates that engagement may not operate on the principles of mutual reciprocity and exchanges of socio-emotional resources.

Psychological Conditions

Engagement at work is primarily influenced by the psychological conditions of meaningfulness and availability, at both general and situational levels of analysis, and that these mediate the relations between work conditions and engagement as well as between features of the organizational context and engagement.

At the general level, meaningfulness was fostered by positive occupational identities that reflected important values and aspirations of the individual (Wrzeniewski et al, 1997), and elicited work design features that emphasised the purpose and benefits of one's role to the wider social context (Grant, 2007). In addition, HR practices, particularly training/career development and performance management, were also found to facilitate general levels of engagement via meaningfulness. This supports Gruman and Saks's (2011) engagement management model, which place these HR practices as central to managing engagement within an organization. However, if the organization was undergoing radical changes, such as restructuring, then this could threaten employees' sense of worth, value and significance to the organization due, in part, to increased job insecurity (Eiliam and Shamir, 2005). At the situational level, meaningfulness within the day was fostered by perceiving that one's work tasks were varied and challenging as

well as clear and purposeful (Hackman and Oldham, 1976), and a good fit with one's needs and desires from a job as well as with one's skills and abilities (Jansen and Kristof-Brown, 2006).

At the general level, availability was enhanced when flexible work arrangements enabled the individual to manage their work-life interface, and when training and development enabled the employee to feel that their knowledge, skills and abilities would be utilised by the organization in the long-term (Gruman and Saks, 2011). However, if the organization was undergoing radical changes, such as restructuring, then this depleted energies needed for engagement (Rafferty and Griffin, 2006). In addition, availability was thwarted in organizations (i.e. manufacturing) where employees perceived a high degree of incongruence between the highly interdependent structure of the organization and the ways in which the organization enacted its work practices (Hobfoll, 2011). At the situational level, availability was heightened when the individual had high levels of personal resources and when the individual could utilise organizational resources to maintain their engagement (Crawford et al, 2013). Availability was less associated with reductions in engagement, but was a crucial part of an impairment process involving excessive workloads, distractions, systemic breakdowns and inefficiencies (Crawford et al, 2010).

In contrast, there was limited evidence to demonstrate a strong association between safety and engagement, thus only weakly supporting Kahn's (1990) propositions regarding the role safety on engagement. However, negative effects on engagement, particularly at the general level, were more apparent when perceptions of safety were threatened; suggesting that safety may be a necessary but not sufficient condition for engagement. One possible explanation may be that perceptions of psychological safety change more gradually over time due to the formation and evolution of other pervasive features of the employee-employer relationship, thus psychological safety would not have an influence on engagement within the working day, but would have at a general level.

Practical Implications

This PhD study provides useful insight into how organizations can foster the engagement of their employees. It highlights that organizations should examine the way in which job roles are designed at the day-level, and how the individuals who occupy those roles perceive their daily tasks and responsibilities (Elsbach and Hargadon, 2006). Moreover, those who oversee the personal development of an employee should regularly discuss the tasks and responsibilities they feel most align with their needs and abilities as well as their occupational identities (Gruman and Saks, 2011). Line managers also play a crucial role in ensuring that individuals feel a sense of meaning in their daily activities as well as autonomy with regards to structuring their workdays and utilising flexible work arrangements. Therefore, the HR function should train line managers on how they provide such resources to their direct reports on a day-to-day basis. Given that many employees tried to regulate their engagement during the day by deciding when to utilise organizational resources, the organization could enable these activities by ensuring that employees have access to a range of resources, and by encouraging the development of these through training, mentoring and socialisation initiatives (Hobfoll, 2011).

Conclusion

This study was the first to test Kahn's (1990) personal role engagement theory from a multilevel perspective, and utilised a mixed methods research design that enabled a phenomenological and contextualised understanding to develop. Collectively, the findings of this study indicate that meaningfulness and availability are core psychological processes through which the work and organizational context influences engagement, at general and situational levels. These are significant theoretical contributions because they affirm the role of two of Kahn's (1990) psychological conditions as important to the development of engagement theory, yet suggest that the role of psychological safety may need to be reconsidered. They also suggest that Gruman and Sak's (2011) engagement management model could be integrated with Kahn's framework to further understand the antecedents of engagement, and indicates that focusing on the application of BandB (Fredrickson, 2001) and COR (Hobfoll, 2011) theories would be particularly beneficial for understanding how engagement functions as a psychological state. Overall, this PhD thesis has significantly contributed to the engagement domain by focusing on previously neglected, yet important features of personal role engagement theory (Kahn, 1990); namely how employees experience engagement within their everyday working life.

Outputs arising from this PhD thesis

Journal Papers

Fletcher, L. The relationship between organizational context and engagement. To be submitted to *Journal of Management Studies* Spring/Summer 2015
Fletcher, L.; Bailey, C. and Gilman, M. Fluctuating levels of personal role engagement within the working day. (under review at the *Journal of Applied Psychology*)

Fletcher, L.; Bailey, C. and Gilman, M. The experience of personal role engagement within everyday working life from the employee perspective. (under review at *Human Relations)*

Conference Presentations

Fletcher, L. Fluctuating levels of personal role engagement within the working day. Submitted to the 75th Annual Academy of Management Meeting, 2015.
Fletcher, L. (2012). Exploring the psychological state of engagement at work within the context of the working day. Presented at Doctoral Symposium, British Academy of Management Annual Conference.
Fletcher, L. (2012). The experience of job engagement within everyday working life: A mixed methods study. Doctoral Symposium, ESRC Seminar Series 'Employee Engagement, Organizational Performance and Individual Wellbeing.
Fletcher, L. (2012). The experience of job engagement within everyday working life: A mixed methods study, Doctoral Research Symposium, British Psychological Society.
Fletcher, L.; Truss, C. and Gilman, M. (2013). *The experience of engagement within the working day : A mixed methods study*. Presented at the 16th Congress of the European Association of Work and Organizational Psychology, Münster Germany

References

Amabile, T.M. and Kramer, S.J. (2011). The power of small wins: Want to truly engage your workers? Help them see their own progress. *Harvard Business Review*, 89(5), 72-80.

Bakker, A. B. and Demerouti, E. (2008). Towards a model of work engagement. *Career Development International*, 13(3), 209-223.

Blau, P. M. (1964). *Exchange and Power in Social Life*. New York, USA: Wiley.

Crawford, E. R., LePine, J. A. and Rich, B. L. (2010). Linking job demands and resources to employee engagement and burnout: A theoretical extension and meta-analytic test. *Journal of Applied Psychology*, 95(5), 834-848.

Crawford, E.R., Rich, B.L., Buckman, B. and Bergeron, J. (2013). The antecedents and drivers of employee engagement. In C. Truss et al (Eds.), *Employee Engagement in Theory and Practice* (pp. 57-81). London, UK: Routledge.

Edmondson, A. C. (2004). Psychological safety, trust, and learning in organizations: A group level lens. In R. Kramer and K. Cook (Eds.), *Trust and Distrust in Organizations: Dilemmas and Approaches* (pp. 239-272). New York: Russell Sage.

Eilam, G. and Shamir, B. (2005). Organizational change and self-concept threats: A theoretical perspective and a case study. *Journal of Applied Behavioral Science*, 41(4), 399-421.

Elsbach, K. D. and Hargadon, A. B. (2006). Enhancing creativity through "mindless" work: A framework of workday design. *Organization Science*, 17(4), 470-483.

Fenigstein, A., Scheier, M. F. and Buss, A. H. (1975). Public and private self-consciousness: Assessment and theory. *Journal of Consulting and Clinical Psychology*, *43*(4), 522 527.

Fredrickson, B. L. (2001). The role of positive emotions in positive psychology: The broaden-and-build theory of positive emotions. *American Psychologist*, *56*, 218-226.

Grant, A. M. (2007). Relational job design and the motivation to make a prosocial difference. *Academy of Management Review*, *32*(2), 393-417.

Greenberg, J. and Colquitt, J. A. (2005). *Handbook of Organizational Justice*. Mahwah, NJ: Erlbaum.

Gruman, J. A. and Saks, A. M. (2011). Performance Management and Employee Engagement. *Human Resource Development Review*, 21, 123-136.

Hackman, J. R. and Oldham, G. (1976). Motivation through the design of work: Test of a theory. *Organizational Behavior and Human Performance*, 16, 109-120.

Hobfoll, S. E. (2011). Conservation of resource caravans and engaged settings. *Journal of Occupational and Organizational Psychology*, 84(1), 116-122.

Jansen, K. J. and Kristof-Brown, A. (2006). Toward a multidimensional theory of person-environment fit. *Journal of Managerial Issues*, 18, 193-212.

Jenkins, S. and Delbridge, R. (2013). Context matters: Examining 'soft' and 'hard' approaches to employee engagement in two workplaces. *The International Journal of Human Resource Management*, 24(14), 2670-2691.

Johns, G. (2006). The essential impact of context on organizational behavior. *Academy of Management Review*, 31(2), 386-408.

Kahn, W. A. (1990). Psychological conditions of personal engagement and disengagement at work. *Academy of Management Journal*, 33(4), 692-724.

King, N. (2004). Using templates in the thematic analysis of text. In C. Cassell and G.   Symon (Eds.), *Essential Guide to Qualitative Methods in Organizational Research*   (pp. 256- 269). London, UK: Sage Publications.

May, D.R., Gilson, R.L. and Harter, L.M. (2004). The psychological conditions of meaningfulness, safety and availability and the engagement of the human spirit at work. *Journal of Occupational and Organizational Psychology*, 77(1), 11-37.

Miles, M. B. and Huberman, A. M. (1994). *Qualitative Data Analysis: An Expanded Sourcebook* (2nd ed). London, UK: Sage Publications.

Rafferty, A. E. and Griffin, M. A. (2006). Perceptions of organizational change: a stress and coping perspective. *Journal of Applied Psychology*, *91*(5), 1154-1162.

Rich, B. L., Lepine, J. A. and Crawford, E. R. (2010). Job engagement: Antecedents and effects on job performance. *Academy of Management Journal*, 53(3), 617-635.

Saks, A. M. (2006). Antecedents and consequences of employee engagement. *Journal of Managerial Psychology*, 21(7), 600-619.

Schaufeli, W. B. and Salanova, M. (2011). Work Engagement: On how to better catch a slippery concept. *European Journal of Work and Organizational Psychology*, 20(1), 39-46.

Snijders, T.A.B. and Bosker, R.J. (2012). *Multilevel Analysis: An Introduction to Basic and Advanced Multilevel Modelling* (2nd ed). London, UK: Sage Publications.

Soane, E., Shantz, A., Alfes, K., Truss, C., Rees, C. and Gatenby, M. (2013). The association of meaningfulness, well-being, and engagement with absenteeism: A moderated mediation model. *Human Resource Management*, 52 (3), 441-456.

Wrzesniewski, A., McCauley, C., Rozin, P., and Schwartz, B. (1997). Jobs, careers, and callings: People's relations to their work. *Journal of Research in Personality*, *31*(1), 21-33.

Yin, R.K. (1994). *Case Study Research, Design and Methods* (2nd ed). Newbury Park: Sage Publications.

Proclivity for Open Innovation:
Construct Development, Determinants and Outcomes

Rangus Kaja

University of Ljubljana

The aim of the dissertation was to contribute to the better understanding of the concept of open innovation by (1) providing a reliable and validated measure of proclivity for open innovation; (2) showing how proclivity for open innovation influences other correlates in the nomological network; and (3) providing broad overview of open innovation activities, the benefits of each of them, their influence on firm's innovation performance, and guidelines for a successful implementation of open innovation that acknowledges human centredness in the process.

Research problem and purpose

The dissertation explores three main research problems. First, while the existing body of literature on open innovation has assisted in better understanding of the role of open innovation in organisations, the question regarding which organisational activities are at the heart of open innovation remains unaddressed. In particular, the multidimensional construct of open innovation has not yet been conceptualised or empirically validated in a coherent manner. Second, although several prior studies have suggested the positive influence of open innovation on firms' innovation performance, there is no evidence concerning mechanisms that explain such relationships. Hence, integrating the construct of open innovation in a structural model with other firms' capabilities and outcomes may reveal how open innovation influences other correlates in the nomological network. Third, open innovation has been rarely explored in its whole, since existing research mostly has focused on one of its dimensions at a time. This piecemeal approach hinders the understanding of the complexity of open innovation phenomenon and its activities. In particular, existing studies of open innovation have not provided theoretical and empirical grounds for addressing the questions related to practical implications of open innovation, such as which dimension of open innovation may be more important in facilitating innovation performance of organisations. Additionally, existing studies do not include suggestions for how different open innovation activities could be implemented, considering the fundamental element of successful implementation of open innovation (i.e., human centredness). Combination of different statistical analyses, such as in-depth literature review, regression analysis, cluster analysis, and structured interviews, may provide the evidence on these aspects.

In the dissertation, identified research problems are addressed with three main purposes: (1) to define, operationalise, and validate the scale for measuring firm's intention to perform different open innovation activities, labelled proclivity for open innovation, taking into consideration the multidimensional nature of open innovation; (2) to set a newly developed measure of proclivity for open innovation into a nomological network with other organisational correlates and show how organisational capabilities mutually influence firm's innovation performance; and (3) to provide a comprehensive overview of open innovation activities, the benefits of each of them, and their influence on a firm's innovation performance and to provide guidelines for successful implementation of open innovation that acknowledges human centredness of open innovation process. These three issues are in more detail discussed in the next paragraphs.

The first chapter of the doctoral dissertation describes the development of the measure of proclivity for open innovation. The first step is to provide a literature review on open innovation that presents the basis for, first, conceptualising the proclivity for open innovation and, second, developing a valid and reliable measurement instrument. The next step is the purification and revision of the potential proclivity for open innovation items (identified in the literature) by personal interviews with several experts in the field from different professions (such as professors, researchers, and CEOs). We perform a pilot study among 30 companies in manufacturing and service industries. We continue with validation of the measurement scale on two large cross-cultural samples.

In the second chapter we use the proclivity for open innovation concept as a formal construct and empirically test its impact on a firm's performance. The purpose of the second part is to explore the organisational capabilities with which proclivity for open innovation mutually influence a firm's innovation performance. We hypothesise that absorptive capacity mediates the relationship between proclivity for open innovation and a firm's innovation performance. We validate the proposed hypothesis of direct and mediated effects of proclivity for open innovation and absorptive capacity on a firm's innovation performance on a sample of 421 companies from service and manufacturing industries.

The third chapter of the doctoral dissertation provides a comprehensive overview of open innovation activities, including the benefits of each of them, different ways to implement them, and their influence on a firm's innovation performance. By executing cluster analysis on a large sample of companies from three countries, we identify different modes of open innovation (i.e. different combinations of open innovation activities). Based on the structured interviews with the CEOs of the representative company for each cluster, we describe ways and reasons why they implement specific open innovation dimension. Moreover, with additional analysis comparing the best 25% of the companies with the worst 25% according to their score on innovation performance, we try to provide an answer as to whether implementation of more open innovation

dimensions leads to superior innovation performance. Finally, we provide some steps to be followed when implementing open innovation, considering the human centredness of open innovation process.

Summary of main findings

The aim of the dissertation was to contribute to the better understanding of the concept of open innovation by (1) providing a reliable and validated measure of proclivity for open innovation; (2) showing how proclivity for open innovation influences other correlates in the nomological network; and (3) providing broad overview of open innovation activities, the benefits of each of them, their influence on firm's innovation performance, and guidelines for a successful implementation of open innovation that acknowledges human centredness in the process.

The main findings are presented in the forthcoming paragraphs.

To generate items for the proclivity for open innovation scale, we started with an in-depth literature review of open innovation. Drawing from this evidence, we identified eight potential open innovation proclivity dimensions with 121 potential corresponding items. The next step in our scale development process was the revision of the initial item pool by 10 experts in the field. Different groups of experts were selected, with the aim of capturing different perspectives of the proclivity for open innovation. This step was further elaborated with a personal discussion of the list of items with 16 experts from nine different countries (and different professions such as professors, researchers, CEOs, etc.). We pilot tested the initial inventory of 55 open innovation proclivity items on a sample of 30 Slovenian companies in manufacturing and service industries. To gather the data for statistical evaluation of the proposed construct, we conducted an online survey in Slovenia and Italy. Questionnaires were mailed to top executives in 2000 Slovenian manufacturing and service firms in different industries in September 2012 (randomly selected from the PIRS) and 1250 Italian companies (randomly selected from Amadeus database) in October 2012. We received 340 Slovenian responses (17% response rate), and 101 Italian responses (8% response rate). Since our Slovenian sample was sufficiently large, we randomly split it into two subsamples: the first one served as the developmental sample, and the second one was used for the cross-validation of the results. Therefore, EFA was evaluated on a sample of 169 companies. To confirm our model, we conducted CFA on the second half of the sample and on Italian sample. The described steps in the development and evaluation of the proclivity for open innovation scale are presented in Figure 1.

Figure 1. Steps in development and evaluation of proclivity for open innovation scale
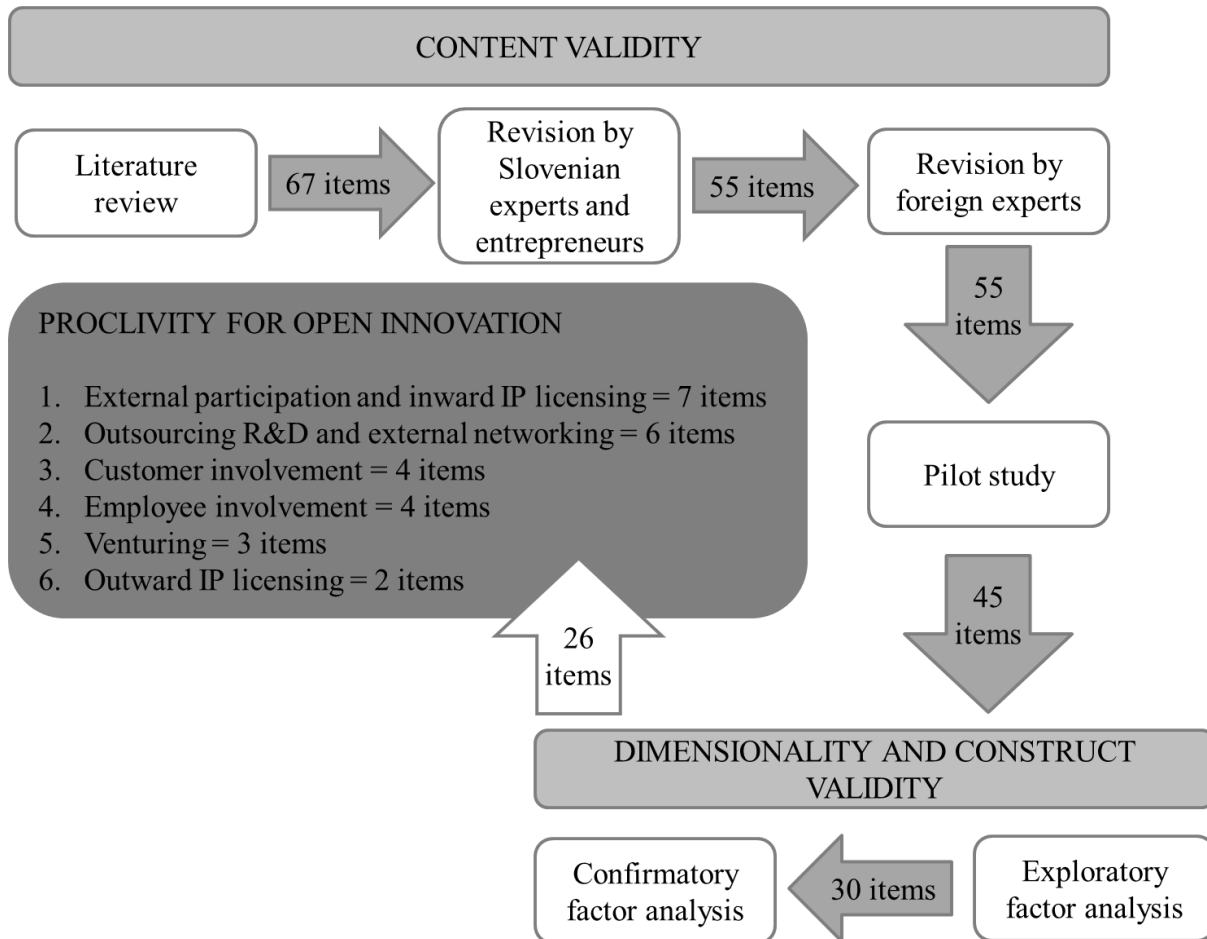
The path diagram in Figure 2 depicts the proposed relationships and co-efficients of the first-order and second-order constructs.

The six-factor solution of proclivity for open innovation scale was supported in the Slovenian sample and exhibited the following psychometric results: reliability (Cronbach's alphas ranged from 0.783 to 0.882), construct validity (CR ranged between 0.786 to 0.886) convergent validity (AVE ranged between 0.424 and 0.689) and discriminant validity (generally the AVE of the factor is larger than the shared variance between the factors, and the chi-square difference test is statistically significant). The construct of proclivity for open innovation was further tested in the Italian sample which supported the five-factor solution, with Cronbach's alphas between 0.761 to 0.877, CR 0.808 to 0.880, and convergent and discriminant validity similar as for the Slovenian sample.

Figure 1. The proposed relationships and co-efficients of the first-order and second-order constructs
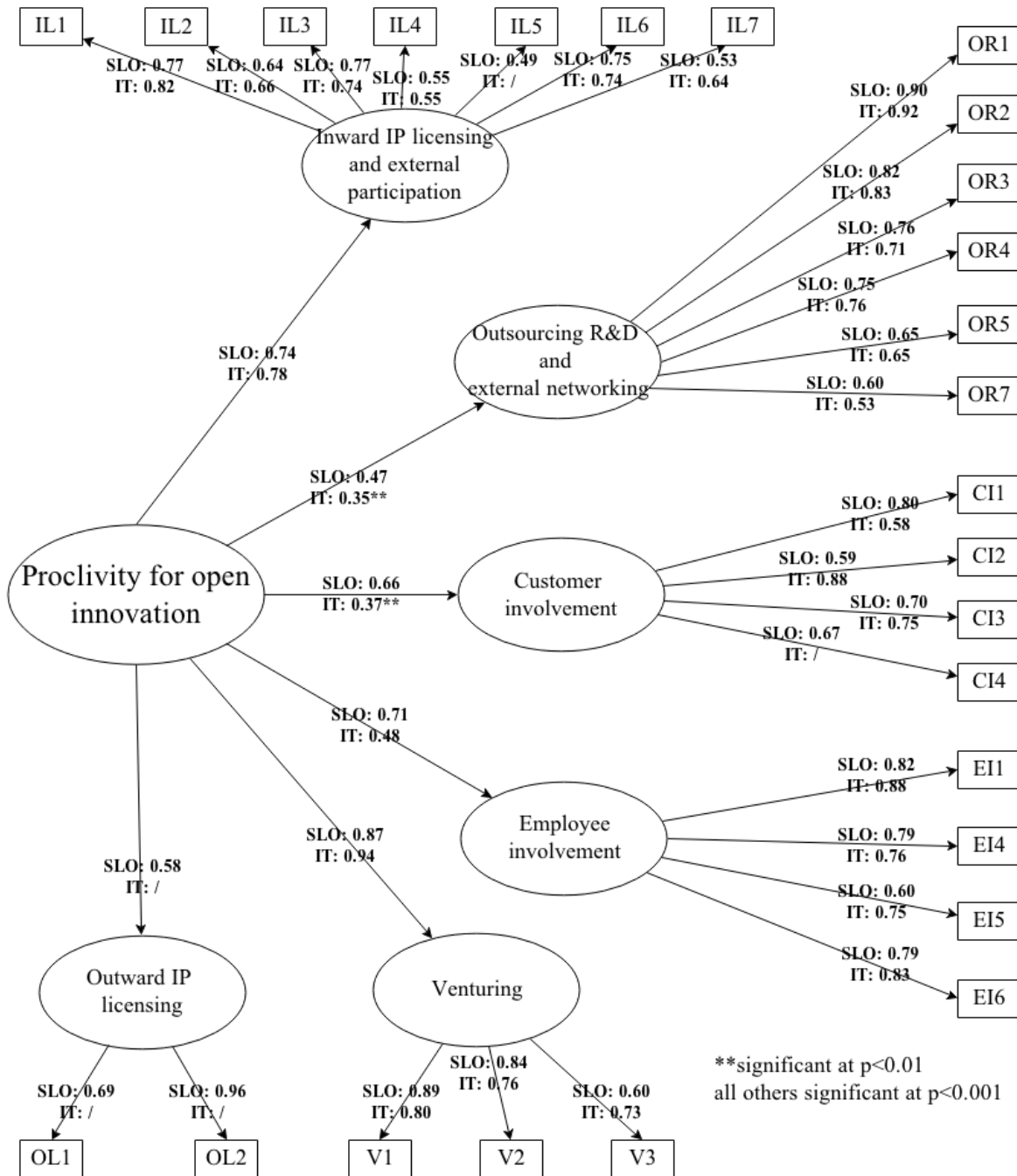
To gather data for empirical analysis of the proposed conceptual model exploring the mediating effect of absorptive capacity on the relationship between proclivity for open innovation and firm's innovation performance, we randomly selected 2000 Slovenian manufacturing and service firms from the PIRS and emailed the survey instrument to the top executives of the firms in May

2013. We received 421 responses (21.1% response rate). We performed three tests for checking for the mediation effect of absorptive capacity. We first employed step-by-step inclusion of the paths to assess the best fitting model. Second we tested for the Sobel, Aronian and Goodman tests, and finally we followed the steps recommended by Baron and Kenny (1986). Results supported all three tests, as indicated in Table 1, Table 2 and Figure 3.

Table 1. Goodness of fit statistics for step by step analyses

	Model 0	Model 1	Model 2
χ^2	1180.68	834.60	848.30
DF	252	242	244
RMSEA	0.10	0.08	0.08
NFI	0.92	0.95	0.95
NNFI	0.93	0.96	0.96
CFI	0.94	0.96	0.96
IFI	0.94	0.96	0.96
SRMR	0.22	0.06	0.06
GFI	0.79	0.85	0.85
AGFI	0.76	0.81	0.81

Table 2. Decomposition of effects among variables

|	Total	Direct	Indirect
No mediation			
Proclivity for open innovation → Innovation	0.47***	0.47***	-
Technological turbulence → Innovation	0.15**	0.15**	
Firm size → Innovation	-0.03	-0.03	
Mediation			
Proclivity for open innovation → Absorptive capacity	0.63***	0.63***	-
Absorptive capacity → Innovation	0.17**	0.17**	-
Proclivity for open innovation → Innovation	0.50***	0.40***	0.11**
Technological turbulence → Innovation	0.12*	0.12*	
Firm size → Innovation	0.01	0.01	

Note. *significant at $p<0.05$; **significant at $p<0.01$; ***significant at $p<0.001$

Figure 3. Results for the structural model (direct and indirect effects)
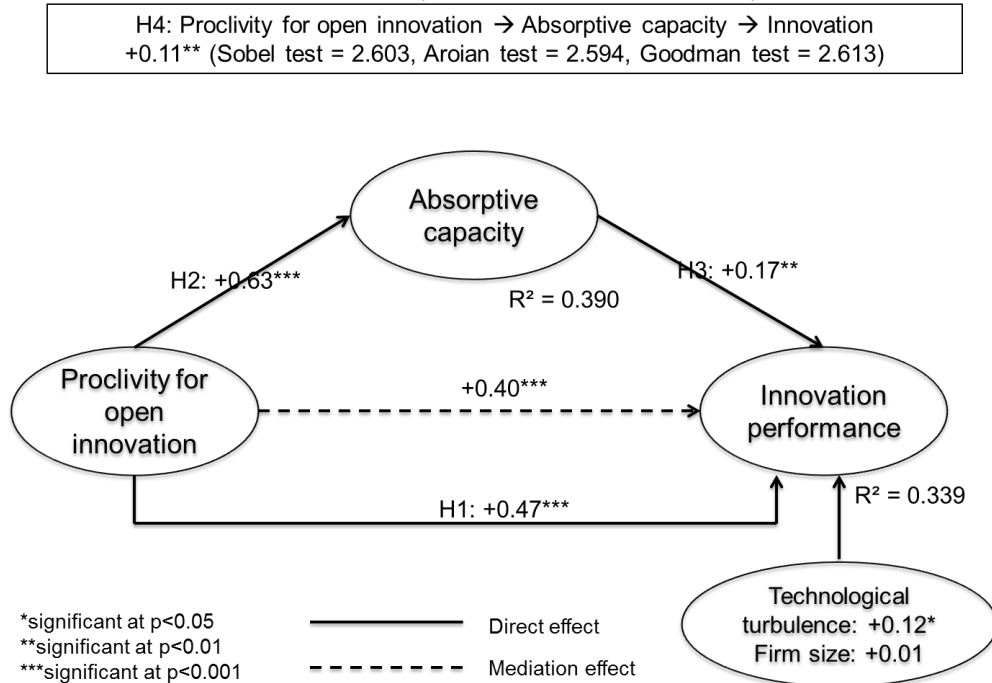
For the third research we joined the Italian sample from the first research with the Slovenian sample from the second research and added a sample of companies from Belgium. The survey instrument was in June 2013 sent to 1500 Belgian companies randomly selected from the BELFirst database, and we received 173 valid responses (11.5% response rate). The total sample was thus comprised of 693 companies. Using regression analysis (Figure 4), we evaluated the impact of the individual dimension of open innovation on a firm's innovation performance.

Figure 4. Results of the hypothesised relations
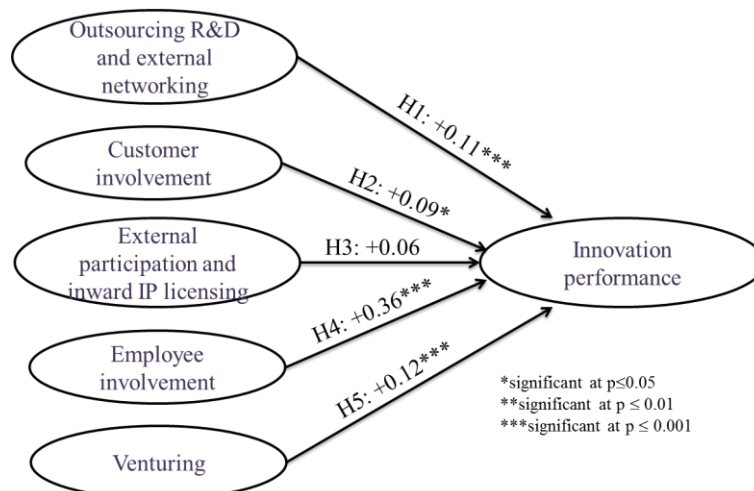
The next step of our research in the third chapter was a cluster analysis of the large sample of companies from the three countries based on their performance of specific dimension of open innovation. In this way we presented different modes of open innovation (i.e. different combinations of open innovation activities), presented in Figure 5. The first mode labelled open innovators denoted that firms in this group are inclined to perform all open innovation activities. Companies in this group were in general larger. The second group of companies mostly involved in B2B market presented the second mode, named systems engineering companies. These companies are strongly involved in all open innovation activities except outsourcing of R&D. We labelled the third open innovation mode outsourcers of R&D. Companies in this group frequently collaborate with knowledge institutions. The fourth group, mostly composed of smaller companies, focused on consumer goods present the fourth mode (i.e. customer oriented). These companies actively involve their customers in the open innovation process but are rarely involved in other open innovation activities.

The overall guidelines on how to successfully implement open innovation processes are provided at the end of this research, where we discuss the lessons learned through the interviews with CEOs. We identified four fundamental steps required for successful implementation of open innovation. The first step relates to the identification of potential ideas for new or improved products/services inside and outside organisation; the second step is connected to the evaluation of these ideas based on the three criteria (consumer opportunity, business opportunity, alliance viability); the third step is a creation of networks with different partners, which may help to develop the idea into innovation; and the fourth step is the stimulation of the open mind-sets internally and externally.

Although the general goal of open innovation is increased innovation outcome, the successful implementation of open innovation processes is strongly related to the human aspects. This was emphasised in our third research among the suggestions for successful implementation of open innovation. Based on the interviews with CEOs, we learned that the fundamental step in open innovation implementation is the open mind-set of internal and external participants. Therefore, companies need to invest into activities that nurture open mind-sets (e.g. through different workshops and trainings, motivating employees to overcome the NIH syndrome and constraints related to the IP paradigm). Moreover, the results of the regression analysis indicated the strong influence of employee involvement on a firm's innovation performance. Thus managers have to stimulate and enable all employees to raise their ideas and dedicate special attention to the development and personal growth of employees. Based on the literature review and structured interviews we provide some practical ways of how to stimulate employee involvement in firm's innovation processes.

Figure 5. Graphical demonstration of the clusters and their performance of the individual dimension
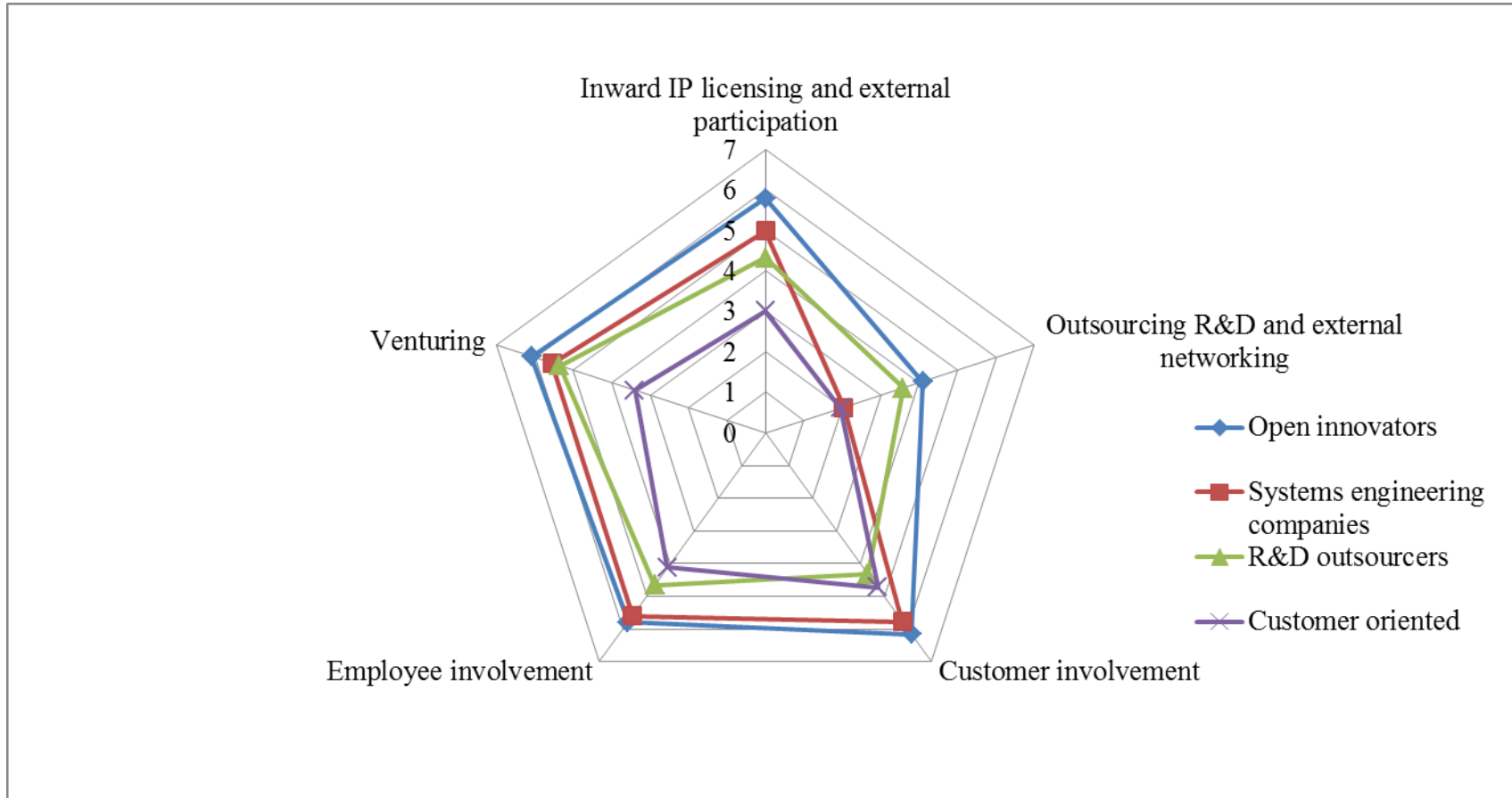
Summary of main implications

The doctoral dissertation contributes to the theoretical and empirical work on open innovation as well as to business practice as follows.

Theoretical implications

The first theoretical implication relates to the conceptualisation and empirical validation of the proclivity for open innovation measure. Although research related to the concept of open innovation has been growing rapidly, the construct that would incorporate the multidimensional nature of open innovation had not yet been conceptualised nor empirically validated. Therefore, by identifying and integrating the dimensions of open innovation from the existing literature into a coherent construct of proclivity for open innovation and by empirically validating the construct on four cross-cultural samples, we have provided the basis for future programmatic research on open innovation. Moreover, we contribute to the body of theoretical and empirical work by showing how different dimensions of open innovation are interrelated. Based on the results we revealed that external participation dimension and inward IP licensing dimension build one facet of open innovation. Similarly the activities of outsourcing R&D and external networking joined into one dimension. In addition, in line with the existing empirical work, we found that technology exploration and technology exploitation are different facets of one open innovation activity with the shared goal of improved organisational performance. In so doing we expand the existing literature on open innovation, first by showing which organisational activities are at the heart of open innovation, second by developing and empirically validating the measure of proclivity for open innovation, and third by revealing how different dimensions of open innovation are interrelated. These findings significantly contribute to the work on open innovation because they provide understanding of mechanisms and their interconnectedness that inform the concept of open innovation. Moreover, by providing the empirically validated measure of proclivity for open innovation that can be used in different geographical settings, organisational environments, and industries, we facilitate better foundations for future quantitative research on open innovation.

The second theoretical implication relates to the theoretically derived contingency model of proclivity for open innovation, absorptive capacity, and the firm's innovation performance. By setting the concept of proclivity for open innovation into a nomological network with other organisational correlates, we show their interplay in influencing a firm's innovation performance. Our study differentiates from others by taking into consideration the multidimensionality of the constructs of proclivity for open innovation and absorptive capacity. Ours is one of the few studies related to open innovation that is based on a large empirical dataset and uses multivariate data analysis techniques. Existing studies have not yet well defined or researched the mechanisms that explain the relationship between open innovation and other important organisational correlates (Huizingh, 2011). Thus, we contribute to the work on open innovation by showing how proclivity

for open innovation operates with other organisational correlates in impacting a firm's innovation performance. We contribute to the theory of absorptive capacity by providing evidence on the antecedents of this capability, which in existing research is poorly represented (Jansen, Van Den Bosch, & Volberda, 2005). Moreover, we contribute to a resource-based view by supporting the importance attached to internal resources in achieving superior innovation performance, especially in the form of employee involvement. Our research revealed that involving the employees in the innovation process (e.g. leveraging the knowledge of employees who are not involved in R&D activities and their collaboration across divisions) positively influences innovation performance. Moreover, in line with the proposition of the extended resource-based view, our results supported the importance of network resources in achieving and maintaining a firm's competitive position. We showed that proclivity for open innovation – which assumes firms to be embedded in different networks, collaborate with different partners and, in this way, leverage their knowledge and technology – positively influences a firm's innovation performance. Finally, by setting different dynamic capabilities in a nomological network and showing how they jointly influence a firm's innovation performance, we contribute to the dynamic capabilities framework. Most prior studies on dynamic capabilities used longitudinal and qualitative research with an aim of theory building (Wang & Ahmed, 2007), an approach that did not reveal how distinct dynamic capabilities function in combination with each other (Ambrosini & Bowman, 2009). Thus, by showing how firms should direct their capabilities to benefit from them, we complement existing literature on dynamic capabilities. Our study emphasises the significance of the interactions of organisational capabilities in achieving superior innovation performance.

The third theoretical implication relates to our integrative perspective of open innovation and provision of a comprehensive overview of open innovation activities. We provide a systematic description of the multidimensional construct of open innovation and its activities, which were fragmented and dispersed across several studies. We show how different dimensions of open innovation influence a firm's innovation performance, how different modes of open innovation are related to firm's innovation performance and provide suggestions for steps to be followed when implementing open innovation processes by taking into account the human centredness of open innovation. These empirical evidences contribute to the existing literature on open innovation, which lacks the examination of the multidimensional construct of open innovation in its whole and misses the explanation how separate open innovation dimensions and modes of open innovation are associated with a firm's innovation performance. Moreover, the majority of existing studies of open innovation disregard the human side of the open innovation processes, which was explicitly discussed in our third research.

Methodological implications

The dissertation provides several methodological implications. The first one relates to the development and the use of reliable and validated measure of proclivity for open innovation.

Evolving theories require development and operationalisations of the constructs of interest which enable theory testing (Netemeyer, Bearden, & Sharma, 2003). Only valid and reliable measures contribute to a field's continued development (Crook, Shook, Madden, & Morris, 2010). To our knowledge this is the first study that conceptualised, operationalised and empirically tested open innovation related construct taking into consideration the multidimensional nature of the concept.

Second, by providing a quantitative analysis based on the large empirical dataset we provide methodological implications for work on open innovation and dynamic capabilities, which was previously mostly related to conceptual papers and case study representations with an aim of theory building. By performing structural equation modelling we addressed the call from Huizingh (2011) for research on open innovation based on more complex models (including mediators and/or moderators) which would help to understand larger chain of effects.

Third, we performed the research in three different national settings. The development and empirical validation of the proclivity for open innovation measure was carried out in Slovenia and validated in Italy, the structural equation modelling based on the results from another sample of companies from Slovenia and the third analysis incorporated the results from a sample of companies from Slovenia, Italy and Belgium. Testing the measure on several samples in different geographical and time contexts contributes to the generalisability of the newly developed scale (Netemeyer et al., 2003). Despite the fact that we were very careful in the conceptualisation and scale development process and the measure of proclivity for open innovation was tested on four samples, additional testing of the scale on distinct samples and geographical settings should be carried out in order to support, reject or complement the dimensions and elements of proclivity for open innovation identified in our study.

Fourth, in the three studies we incorporated and joined qualitative and quantitative research methods. Qualitative methods were used in the first steps of scale development, researching the basis of open innovation in form of in-depth literature review. We searched online bibliographic databases, such as Science Direct, Proquest, EBSCOhost, Emerald Fulltext, and others. Furthermore, all the latest issues of the most important journals in the field of innovation, management and entrepreneurship, such as Technovation, Research Policy, R&D Management, Academy of Management Journal, and others were reviewed. We continued with interviews with several experts in the field of open innovation with an aim of purification of the scale. We carried out interview with several executives of Slovenian companies with the goal of testing the measurement instrument. We incorporated interviews also in the third study with the purpose to clarify and better understand the activities behind the individual open innovation dimension and their benefits. We used quantitative research techniques for testing and validating the measure of proclivity for open innovation, investigating its influence in the nomological network, for identifying the influence of specific open innovation dimension on firm's innovation performance

and for clustering the companies according to their performance of different open innovation activities. We employed descriptive statistics, correlations analyses, ANOVA, reliability tests, exploratory factor analysis, confirmatory factor analysis, structural equation modelling, regression analysis and cluster analysis.

Practical implications

Besides theoretical and methodological implications, the dissertation provides also several implications for business practice.

First, by identifying and defining main dimensions and elements of proclivity for open innovation we help managers to identify the possibilities they have for exploitation of internal resources and exploration of the knowledge and technology from the outside. We also describe different ways of implementing distinct open innovation activities; therefore, managers can assess and decide which activities are best for their business. Our study stresses the importance of developing several open innovation dimensions and not focusing just on one. We demonstrate that mixture of all open innovation dimensions positively influences firm's innovation performance. The notion that combining several open innovation dimensions brings success is evident also from the business practice. For example, the multinational company Deutsche Telekom successfully boosted its innovation capability by incorporating several open innovation activities, such as networking, customer involvement and external participation (Rohrbeck, Holzle, & Gemunden, 2009). Hence, managers should strive to develop all open innovation activities, since greater openness provides more opportunities for new product/service development and entrance to new markets.

Second, our study shows the importance of networks, which facilitates access to the resources of others. We demonstrate that relationships with different partners (in association with other open innovation dimensions) positively influence firm's innovation performance. The importance of collaboration with different partners is for example evident in the bio-pharmaceutical industry where firms establish relationships with different types of partners, from large pharmaceutical companies, to product biotech firms and universities depending on the goal they are pursuing; to acquire or to commercially exploit knowledge and technology (Bianchi, Cavaliere, Chiaroni, Frattini, & Chiesa, 2011). Third, the dissertation emphasises the role of interconnectedness of firm's capabilities. The study shows that the proclivity for open innovation has superior influence on firm's innovation performance when also other organisational capabilities are triggered. In specifics, the positive effects of the opening up of innovation process is enhanced when firm possess the absorptive capacity, i.e. the capability to modify and connect newly acquired knowledge with existing one. Therefore, managers should take into consideration which capability to stimulate, since it can consequently positively or negatively influences the others.

Fourth, the comprehensive overview of the open innovation and its dimensions may help managers

to realise the fertility and abundant opportunities that this phenomenon offers. By indicating the influence of a particular open innovation dimension on a firm's innovation performance and by showing different modes of open innovation we may help managers at the decision which open innovation dimension should be stimulated the most. However, the results suggested that the more open innovation activities firm performs, the higher the chance of superior innovation performance. Therefore, managers should try to encourage as much open innovation activities as possible. Moreover, by providing steps for successful implementation of open innovation we help managers to understand how to effectively implement open innovation processes within their organisations. Finally, our research emphasised the importance of the human centredness and employee involvement; managers should pay greater attention to the development of open mind-sets inside and outside organisation and to the personal development and active involvement of employees. Employee involvement may be stimulated by forming rotational assignments through which different interactions internally and externally enhance the sharing and borrowing of ideas (O'Connor, 2005) or by establishing and stimulating R&D structures that support effective communications among unrelated groups in the company (Dodgson, Gann, & Salter, 2006). Moreover, companies should educate researchers about the business side of innovation as well as reward them for identifying patentable ideas within and outside the firm (Chesbrough, 2003). Companies should strive to foster a relaxed atmosphere (e.g. giving employees a certain amount of responsibility, decision-making, and liberty), which may facilitate new and fresh ideas.

Summary of limitations and future research opportunities

As with any study, also this dissertation has several limitations, which can in turn open avenues for future research.

The first set of limitations and future research avenues relates to the development of the proclivity for open innovation construct. The scale was conceptualised and developed with precision, and the research included all the steps recommended for the scale development process. However, future analysis should further test the proposed list of proclivity for open innovation items and refine the measure. The next limitation concerns the data collection process, since the data were collected based on the questionnaire filled in by single respondent per company which can present the problem of common method variance. Though, we minimised this problem already in the process of research design with the interviews and pre-tests of the measure. Moreover, the measure was tested on four samples from different countries. Since there were some differences in the validation of the measure among the samples, future research should test the measure in other organisational and ecological settings. The analysis provided the cross-sectional data on firms' proclivity for open innovation. However, some organisational features may change on the long run; therefore, forthcoming research should deliver the data incorporating greater time period. The study also misses the nomological validity that would show how the construct behaves in a network of relationships exposed by theory. This in turn presented opportunity for our second research that

investigated the relations between proclivity for open innovation, absorptive capacity and firm's innovation performance.

The second research supported the nomological validity of the proclivity for open innovation and showed that absorptive capacity mediates the relationship between proclivity for open innovation and firm's innovation performance. However, the research based on a single sample from Slovenia, therefore the model should also be tested in other national contexts. Again the data were cross-sectional, so future research grounded on longitudinal data can provide additional insights about the causalities in hypothesised relationships. Forthcoming research should test other mediating and moderating effects on the relation between proclivity for open innovation and firm's innovation performance, such as organisational culture and structure which according to the theory strongly relates to all of the constructs set in our nomological network. On the other hand, firm's pro-activeness may have a potential moderating role. Finally, the successful implementation of open innovation strongly depends also on the individuals (top management as well as employees) of the firm. Consequently, an interesting avenue for future research would be examination of the influence of employees' readiness for change on firm's proclivity for open innovation. In addition, empirical evidence (e.g. Di Minin, Frattini, & Piccaluga, 2010; Huston & Sakkab, 2006) showed how important the visionary leaders are for the implementation of open innovation. Therefore, the multilevel approach with cross-level interactions, such as relation between management style and open innovation could show which managerial characteristics play a vital role at implementing and integrating distinct open innovation activities.

The limitations of the third research are again related to the use of the cross-sectional data. Longitudinal data may provide additional evidences on the development and implementation of open innovation over time. The second limitation of the third study relates to the uniting the samples from three countries into one. Incorporating broader set of countries and distinguishing among nations may provide some additional insights of the international evolution of open innovation. This may also enable the comparison and examination of the differences among the countries. The research indicated the importance of the human centredness of open innovation process; nevertheless more evidence is needed on this aspect. Therefore, an interesting opportunity for future studies is to provide evidence on the competences needed for managers to successful implement and lead the open innovation processes on one side, and the abilities that are needed on the employees' side to understand the comprehension and complexities behind these processes. The results showed that an important part of the open innovation implementation is the stimulation of the open mind-sets of employees and external partners. Therefore, future studies may examine the ways how to train and motivate employees and partners to feel safe and trusted in an open innovation environment.

References

Ambrosini, V., & Bowman, C. (2009). What are dynamic capabilities and are they a useful construct in strategic management? *International Journal of Management Reviews, 11*(1), 29–49.

Baron, R. M., & Kenny, D. A. (1986). The moderator–mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology, 51*(6), 1173–1182.

Bianchi, M., Cavaliere, A., Chiaroni, D., Frattini, F., & Chiesa, V. (2011). Organisational modes for open innovation in the bio-pharmaceutical industry: An exploratory analysis. *Technovation, 31*(1), 22–33.

Chesbrough, H. W. (2003). *Open Innovation: The New Imperative for Creating and Profiting from Technology*. Boston: Harvard Business Press.

Crook, T. R., Shook, C. L., Madden, T. M., & Morris, M. L. (2010). A review of current construct measurement in entrepreneurship. *International Entrepreneurship and Management Journal, 6*(4), 387–398.

Di Minin, A., Frattini, F., & Piccaluga, A. (2010). Fiat: Open innovation in a downturn (1993-2003). *California Management Review, 52*(3), 132–159.

Dodgson, M., Gann, D., & Salter, A. (2006). The role of technology in the shift towards open innovation: The case of Procter & Gamble. *R&D Management, 36*(1), 333–346.

Huizingh, E. K. R. E. (2011). Open innovation: State of the art and future perspectives. *Technovation, 31*(1), 2–9.

Huston, L., & Sakkab, N. (2006). Connect and Develop: Inside Procter & Gamble's new model for innovation. *Harvard business review, 84*(3), 58–66.

Jansen, J. J. P., Van Den Bosch, F. A. J., & Volberda, H. W. (2005). Managing potential and realized absorptive capacity: How do organizational antecedents matter? *Academy of Management Journal, 48*(6), 999–1015.

Netemeyer, R. G., Bearden, W. O., & Sharma, S. (2003). *Scaling procedures: Issues and applications*. Thousand Oaks, CA: Sage.

O'Connor, G. C. (2005). Open, radical innovation: Toward an integrated model in large established firms. In H. W. Chesbrough, W. Vanhaverbeke & J. West (Eds.), *Open innovation: researching a new paradigm* (pp. 62–81). Oxford: Oxford University Press.

Rohrbeck, R., Holzle, K., & Gemunden, H. G. (2009). Opening up for competitive advantage - How Deutsche Telekom creates an open innovation ecosystem. *R&D Management, 39*(4), 420–430.

Wang, C. L., & Ahmed, P. K. (2007). Dynamic capabilities: A review and research agenda. *International Journal of Management Reviews, 9*(1), 31–51.

Understanding Dimensionality in Health Care

Hyde Margaret

Manchester Metropolitan University

ABSTRACT

This thesis is concerned with delivering healthcare in a way that effectively engages users as stakeholders, building on the theoretical context of service quality. Effective healthcare is a core public management challenge in world-wide economies and thus this research has far-reaching implications.
The study comprises three phases: critical incident interviews with service users to understand healthcare successes/failings; staff interviews/ focus groups with the public for insight into stakeholder perceptions of quality; a survey that facilitated factor analysis to identify key components of service delivery. The dimensions of quality in this context emerged as trust, access, caring approach and professionalism.

Key words: quality, health, service, dimensionality

1. INTRODUCTION

Recent years have seen extensive debate over the quality of non-clinical elements of health care.. Unfortunately, care often falls short of what it should be a fact evidenced by recent reports (Francis, 2013; Keogh, 2013),

Patients are clients who are often at their most vulnerable, and dimensions such as the environment, communications, reliability, and access have all been shown to contribute to making patients feel more at ease during this time. Hospital audits have criticised all of these elements of service in the UK, which is the location of this thesis. Health care is a major influencer in modern society contributing not only to quality of life but also to the growth of economies. It is something that every individual has an interest in. Nevertheless, the notion of quality of service provision within the sector remains elusive. Although medical science continues to see huge developments there is little evidence to suggest similar advances in the 'caring' elements of the sector.

This study sets out to conceptualise the nature of service quality contextualised within the health care sector.

1.1. Aim

To develop a construct of service quality in health care.

1.2. Research Objectives

1. Review extant models and measures of service quality.

2. Identify and evaluate existing service quality approaches in health care.

3. Understand the meaning of quality to health care users and managers.

4. Propose a construct of service quality relevant to health care in the UK.

1.3. Structure of the Study

A review of extent literature considered the nature of services and the evaluation of quality, particularly in the health sector, before discussing the relevance of SERVQUAL in this sector. This underpinned the primary research which comprised three phases:

Phase 1   Critical incident interviews - to identify incidents themes in positive and negative experiences

Phase 2   Focus groups with service users and interviews with service providers - to identify respective gaps in prioritisation of service elements

Phase 3   A questionnaire was designed from data from phases 1 and 2 - to generalise the findings

1.4. Drivers for Research

1.4.2. Existing Literature Relating to Service Quality in Health Care

A trawl of contemporary academic theory found no conclusive understanding about what quality means to service users or how it might be measured. Not since 1985, when the SERVQUAL model (Parasuraman et al., 1985) was developed has there been any notable advance in this area of study

1.4.2. Current Practice

A review of current practices adopted within the National Health Service (NHS) suggests little coherence of approach in the assessment of services.

1.4.3. Government Policy

As choice has become a key part of the Government agenda, service providers are facing up to the reality of competition with the increased use of private-sector businesses to provide health care on behalf of the NHS. In 2012 more than 200,000 patients were opting to access services provided by the independent sector on behalf of the NHS, with significant numbers exercising their right to choice of NHS providers (Department of Health, 2012).

The Health and Social Care Act 2012 has reinforced this shift in direction, requiring NHS trusts to respond to the concept of competition. While there remains an emphasis on outcomes, the Act has pushed service quality to the fore regarding contracts including a requirement that the construct and its evaluation are key priorities.

1.4.4. A Recognised Need for Improvement

Even at international level a need exists for improvement in service quality. "Even where health systems are well developed and resourced, there is clear evidence that quality remains a serious concern" (Bengoa and Kawar, 2006, pg. 3). In the UK, the Francis Inquiry into Mid Stafford NHS Foundation Trust highlighted extremes of poor service and the serious consequences that can occur. This was not restricted to isolated trusts (Francis, 2013).

2. CONTEXT

UK health care has for several years experienced rapid changes

The UK National Health Service (NHS) is one of the largest employers in the world employing 1.3 million people. The complexity of the service is highlighted by a workforce which comprises employees across a myriad of disciplines, including doctors, nurses, allied health professionals (e.g. occupational therapists, physiotherapists, dieticians, etc.), dentists, pharmacists, managers, clerical staff, psychologists and informatics experts, to name a few. All may be working across a variety of departments, specialties or even organisations.

Services can be provided from home, the community (general practice, district nursing, walk-in centres, support groups), local general hospitals and, for more specialist care, tertiary hospitals such as heart centres, children's hospitals and cancer units. Figures show that more than 1 million people access NHS services every 36 hours (NHS Choices, 2012).

3. THE NATURE OF SERVICE QUALITY

Problematic to endeavours to measure service quality is the difficulty in defining what the term means and until this is more readily understood the gap will not be filled. Attempts to define service quality have included: "'the degree to which customers' specifications are satisfied', 'a fair exchange of price and value', 'fitness for use', and 'doing it right the first time'" (Pitt and Jeantrout, 1994, pg. 170); and, in reference to public services, "Meeting the requirements and expectations of service users and other stakeholders while keeping costs to a minimum" (Moulin, 2002, pg. 15).

The diverse nature of human characteristics can result in individual moments of truth (when the service delivery takes place) varying in quality. The interaction between the consumer and professional is also vulnerable to variances in effectiveness. Service organisations depend on the integrity and competence of their employees in delivering high levels of service quality, and the co-operation between the firm and its staff remains one of the main antecedents of the service performance gap (Chenet et al., 2000).

As consumers become more educated and knowledgeable their expectations have increased, as has their ability to create or destroy reputations (Douglas and Connor, 2003).

3.1. Dimensionality

The evaluation of extant literature underpins the work of this study to identify dimensions for use in the evaluation of quality in health care. Theorists have come up with numerous variations of these core dimensions and, while similarities do exist, there is no overall consensus about them, or about whether they can be generalised across sector (Brady and Cronin, 2001).

Drawing on literature suggests a basic hierarchy of constructs (Figure 2.1). Although they may vary according to context they firmly rely on relationships

Fig 2.1

Hierarchy of Constructs
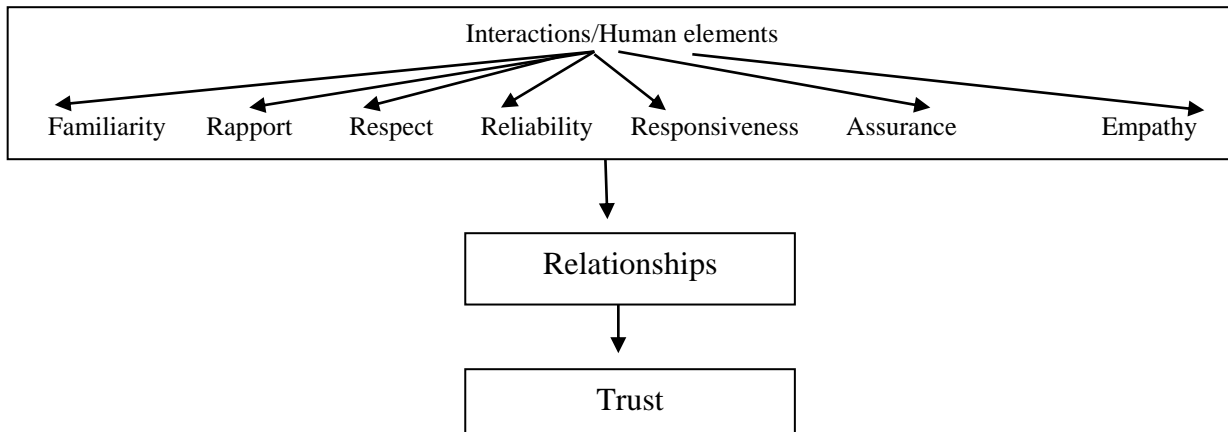
Compiled by the author

Even the seminal SERVQUAL model (Parasuraman et al., 1985), fails to address relationships in any depth. While the original model, comprising, ten dimensions held some credibility, the simplified model with just five dimensions (tangibles, reliability, responsiveness, empathy and assurance) failed to take into account the unique nature of the sector. The model is far too simplistic for services as complex and high contact as health care. The original research on which the model was based on four sectors which were not at all representative of the wide spectrum that the service industry covers.

While it does include empathy, which comprises understanding the needs of the customer; having the customer's best interests at heart; and giving personal and individual attention as well as convenient opening hours, these are quite nebulous in their application when contextualised in health care.

Literature endorses the view that, while the use of performance measurement tools such as dashboards, balanced scorecards, lean, etc. has a place in ensuring quality, these alone are insufficient in the context of services where human elements play a pivotal role. Such measures may be applicable to 'technical' or process elements but are insufficient to effectively evaluate the softer 'functional' elements referred to in the Nordic school of thought (Gronroos, 1984). They fail to acknowledge the traditional characteristics of services and complexities of human interaction

where delivery is based on interaction between two parties to create value. Their importance, especially in professional and high-contact services, is clear (Lehtinen, 1991; Sureshchandar et al., 2002) since interactions help build professional relationships ultimately leading to trust. This has been conceptualised as co-creation where the service user is fundamental to the delivery (Vargo and Lusch, 2004).

From the literature, two key asumptions can be made in relation to dimensionality:

- dimensions being evaluated must be relevant to the service user;
- more emphasis should be placed on the human elements of services, especially in professional services.

3.2 Attitude

Scholars agree that quality is an attitude. Attitude has been defined as forming an opinion or predisposition about something or someone from information we have acquired (Fishbein and Ajzen, 1975). It is a learnt and constant phenomenon which evaluates a service over a period of time and is experienced at multiple levels; core service, human elements of service, non-human elements (processes), the tangibles of the service or servicescape and social responsibility (Sureshchandar et al., 2002). It results in favourable or unfavourable responses, beliefs or feelings about something (Randhani et al., 2012; Lee et al., 2007).

While attitude based sales such as Likert-type questionnaires are routinely used, they are insufficient to draw a complete picture of service quality (Rust et al., 1999). To overcome this means exploiting a range of measurement tools: questionnaires, talking/listening to customers during the course of transactions, data from other sources (Sharp et al., 2000), complaints, general feedback, focus groups and interviews can be included as examples in this context.

Since one of the features of services (particularly the case in health care) is heterogeneity, implying individuality and flexibility, it is suggested that the use of a generic instrument to measure such a complex concept is inappropriate. The objective of this study is to design an effective sector-specific conceptual framework with input from health care managers, clinicians and service users. This can then be used to develop bespoke questionnaires and utilised to develop qualitative streams of work through interviews and focus .

3.3 Expectation

There is general acceptance among commentators that expectations are the major influencers in evaluating customer satisfaction, although some question their effectiveness. Expectations are defined as the beliefs an individual has about a product or service pre-purchase (Higgs et al., 2005; Oliver, 1980), or as preferences or desires and beliefs/predictions (Poister and Thomas, 2011). The theory is very much based on gap models (Swartz and Brown, 1989; Parasuraman et al., 1985), where satisfaction results from how closely products or service processes and outcomes match expectations (Ojasalo, 2001).

While the concept of expectations may be easy to define, the characteristics which surround it are far more complex to understand particularly around:

- The standards on which expectations are based.
- When expectations are formed.
- Expectations of consumer versus those of provider.

Often customers do not have a clear picture of what they are expecting, particularly in the case of professional services. They know they need a problem solving, but are not sure in what way, (Ojasalo, 2001), or no expectations at all (Spreng and Olshavsky, 1993). This lack of understanding potentially means that they are unable to accurately convey what they want and create a situation where these 'fuzzy' expectations are difficult to meet (Ojasalo, 2001). They can, however, be made clearer through the provider and consumer working together to understand what problem needs solving and focusing on the solution (Ojasalo, 2001). If what the consumer is being asked to evaluate makes little sense to them, the results will be meaningless.

4. METHOD

The study used multiple methods sequentially as set out in table 4.1.

Table 4.1. The Three Phases of Research

OBJECTIVE	PHASE	METHOD	TYPE OF KNOWLEDGE
3	1	Interviews with patients, carers or family members	Identifying themes around negative and positive critical incidents in experience
3	2	Qualitative research – staff interviews and focus groups with members of the public/patient groups, thematic analysis	Priorities placed by service users and external agencies on elements of service quality Management perceptions of priorities
4	3	Quantitative research – questionnaire, factor analysis	Generalisation of priorities Generation of themes How do socioeconomic factors and age affect priorities?

4.1. Phase 1 Critical Incident - Objective 3

Participants were asked to reflect on their own experiences of health care episodes or the experiences of family. The interviews were unstructured which allowed them to express their own ideas of what were either negative or positive critical incidents which they felt were significant (Cohen and Mallon, 2001), in a hospital setting. The interviews which were sensitive (several participants were reflecting on the experiences of loved ones who had died), were held informally in participants' homes. Eighteen patients or carers took part.

Data Analysis

After transcription, coding was undertaken against a priori codes from both the original and the adapted SERVQUAL models and by open coding. This was done manually. Relevant quotes or passages were taken from the transcripts to illustrate themes where appropriate.

4.2. Phase 2 Focus Groups/Interviews - Objective 3

Phase 2 of the study involved in-depth qualitative research in the form of interviews with health care staff and external agencies, along with focus groups comprising members of the public. The aim was to gain an understanding of what quality in health care means to different stakeholders.

Participants were given the opportunity to express their own beliefs in a similar manner to Phase 1 although the interviews and focus groups were semi-structured rather than using the more unstructured approach of the previous tranche of research. This was to explore the construct of service quality in detail (Rowley, 2012; Cohen and Mallon, 2001).

Eight focus groups were held representing the elderly, young mothers, people with complex needs, a GP patient user group and the general public. Partipants were asked what could make them feel more at ease and comfortable with their experience.

Those interviewed represented board level, clinicians and senior management at NHS regional level, the Care Quality Commission and a local MP. Service providers were asked what they believed was important to patients and their family/carers. Representatives of external stakeholders were asked about their general perception of service quality.

Data Analysis

The interviews and group discussions were digitally recorded. and participants were invited to see the transcripts to check for accuracy.

Data was coded against the two SERVQUAL models and open-coded to identify themes.

4.3. Phase 3 Quantitative Research - Objective 4

The questionnaire was designed using the data extrapolated from the focus groups and interviews in Phase 2 of the study. A total of 104 questions were formulated, and placed into seven themes: environment, caring, communications/involvement, responsiveness, trust, access/reliability,and food. A Likert scale was used with each pole being labelled 'Not so important' to 'Very important' respectively. The questionnaire was then piloted twice before final distribution. Six and a half thousand questionnaires were sent out to the general public with almost 1,200 being returned (a response rate of 18.5%). A letter explaining the work was attached.

As health care is relevant to everyone it was important that the sample for distribution comprised a wide demographic. Anyone over the age of 18 was deemed relevant. This age was chosen as a cut-off, as approaching a younger sample would create ethical issues.

SPSS was used for data management. Factor analysis using SPSS was applied to the results to reduce the service quality items and group them in the most optimum number of factors. Other items that received high scoring as priorities were added to the final iteration of the model.

5. RESULTS

Phase 1

The dimensions that experienced most negative episodes were communications, reliability and attitude.

Positive experiences were encountered mostly around tangibles and, paradoxically, reliability.

Communications

The findings deconstructed communications into a multitude of elements:

- Staff and patient/carer
- Colleague and colleague

- Department and department

- Organisation and organisation.

The feedback suggested the dimension comprised a number of elements:
- Listening to the patient/carer

- Understanding the patient

- Accent of foreign members of staff

- Use of plain English

- Breakdown in communications

- Contradictory messages from different staff members or organisations

- Incorrect information

- Lack of information

There were 129 instances recorded where communications in one form or other fell down.

Reliability

129 negative instances were recorded for reliability which included items such as staff carrying out activities when they say they will, appointments not running late with explanations being given if they do. However, at 57, this dimension was also the highest scoring for positive incidents.

Attitude

According to the literature, respect and empathy are antecedents to trust and as such should be intrinsic to health care. The attitude of one person to another often reflects levels of respect between the two parties.

While attitude featured in open coding with 95 negative incidents, 82 positive events were also recorded. It was not possible to draw out their profile within the original SERVQUAL model since none of them featured in their own right but they were implicit within credibility and courtesy. Empathy, however, was notable within the adapted SERVQUAL model, where there were 170 occasions when the dimension was seen to be lacking, compared to just 65 experiences of merit.

Tangibles

The definition of tangibles was the same for all coding purposes and included the physical environment, equipment, appearance of staff, cleanliness, noise, light and food. Cleanliness featured across two dimensions in the SERVQUAL models: tangibles and security in the original model, and tangibles and assurance in the adapted version.

Despite the stream of negative press over recent years about MRSA, tangibles was not an issue with the cleanliness of wards being seen as good.

Phase 2

The second phase highlighted a gap between the priorities members of the public placed on elements and those of staff as set out below:

Public	*Providers*
attitude	attitude
trust	tangibles
communications	staff

Noticeably each of the public priorities focuses on human elements of service. While there was a synergy with attitude, providers failed to recognise the significance of communications, both in terms of its importance and risk of failure. One explanation for the focus on staff is that leadership, training and support given to staff are all management qualities. Patients are not in a position to judge these

Phase 3

Data from completed questionnaires was entered into SPSS - 603 (51.5%) were valid with all questions being answered.

Principal componants factoring was used to reduce the items and determine factors.

Theory recommends that for a sample of more than 250 a scree plot can be used to determine the number of factors extracted (Field, 2011). The point of inflection in the scree plot suggested four factors. For confirmatory reasons, the factor analysis was also carried out for three, five and six factors. Coefficients of less than .3 were surprised and communalites of less than .6 were removed to provide the final output.

From this a model with four dimensions: trust, access, a caring approach and professionalism was developed. However the results suggest that a questionnaire is not strong enough to stand alone and is more likely to be of use when used alongside qualitative work. The results also suggest more work is required to develop individual tools specific to inpatient care and local services. The findings do, however, offer sufficient evidence on which to base a proposed conceptual model for health care (Figure 5.1).

Further research is needed to refine this further.

Table 5.1. Factor Analysis: Variables Evolved from Factor Analysis – Oblique Rotation

		1	**2**	**3**	**4**
Communication	*Cronbach's Alpha .948*				
Having trust in the clinical ability of the professional		.726			
Information is passed to other departments/agencies if necessary		.716			
Professional takes time to conduct examination, treatment/tests		.712			
Calls for assistance are answered in a timely manner		.666			
My full medical history is used when necessary in making a diagnosis		.695			
Not to feel a nuisance when asking for help in hospital		.685			
Professionals have all relevant information about me to hand		.659			
Information given by different staff/departments is consistent		.644			
Appropriate information is given to me at all		.629			

Item				
times				
Professionals have all relevant information about me to hand	.611			
Needs are assessed and appropriate action taken if there is a problem	.607			
Feeling the professional listens to what I say	.593			
Staff show a willingness to help	.559			
To feel the doctor trusts me	.541			
Staff do what they say when they say	.537			
Staff are aware of my fears	.518			
Complaints are addressed in a timely manner	.517			
I know who to speak to if I have concerns	.506			
Access	***Cronbach's Alpha = .819***			
Not to spend lengthy periods in waiting rooms		.734		
Appointments not to run late		.655		
Explanations to be given if appointments run late		.651		
Plenty of notice given for cancelled appointments		.611		
Caring Approach	***Cronbach's Alpha = .839***			
Professional helps me to relax			.661	
Professional to be friendly and informal			.606	
Local clinics/surgeries to be visually pleasing			.554	
Hospital wards to be bright and welcoming			.532	
To be shown respect			.521	
Staff to have 'people skills'			.505	
Trust	***Cronbach's Alpha = .755***			
The professional knows me and understands my needs				.542
Records on cleanliness/MRSA/CDiff/ are available				.535
To know my doctor				.530
The hospital has a good reputation				.508

From this a conceptual model was developed (Fig 5.1.)

Fig 5.1.

Conceptual Model For Health Care
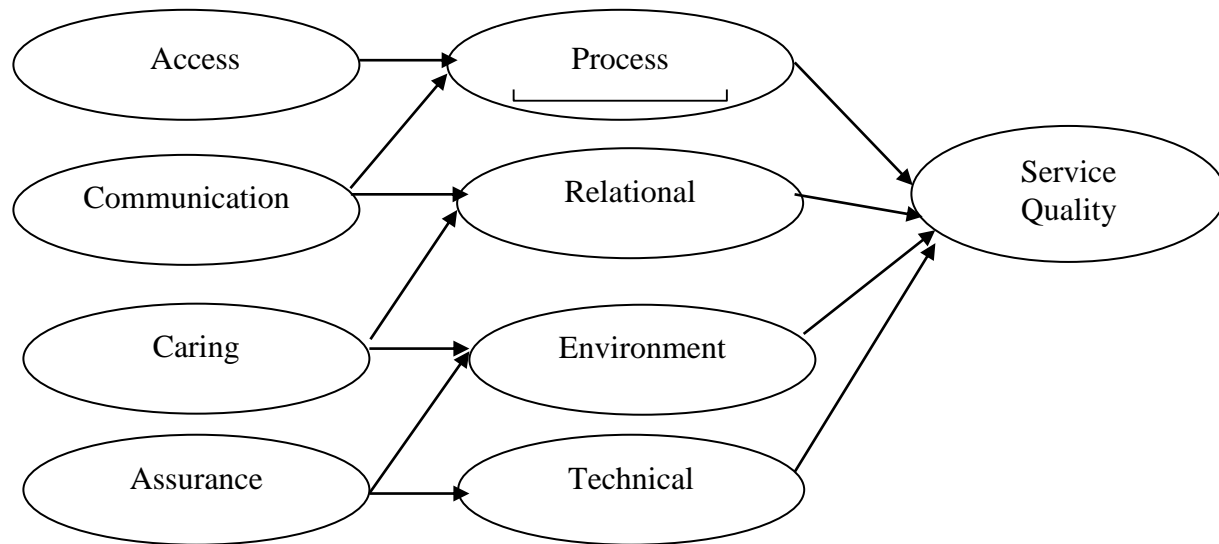
Compiled by the author

6. CONTRIBUTIONS

A number of contributions have arisen from this study:

- This study supports the argument that performance targets are not always the best measure of quality. Interrelational factors must be focused upon (Keogh, 2013). Management must adopt greater understanding of what the patient (or family) wants, as well as an appreciation of how staff perceive service quality. If staff believe certain service elements to be of importance while patients prioritise others, there will inevitably be a gap in the monitoring process.

- The critical incident interviews identified concerns that service quality was poorer where the elderly were concerned

- Studies should be longitudinal and qualitative work used to support surveys. As well as ensuring the questionnaire remains relevant over time, this also helps in getting a better understanding of patient perceptions to inform the strategic planning process. It must also should include clinician, managers and support staff as well as representatives across all stakeholders including patients, family/carers and members of the general public.

- Regular monitoring will highlight trends in patient priorities which may fluctuate over time and will help management address issues before they become a problem.

- While questionnaires are commonly used in service evaluation, having the advantage of being relatively inexpensive and simple to use, findings suggest that, while useful, they are insufficient as a stand-alone tool. The findings of phases 1 and 2 showed the wide range of items which health care comprise and data from the questionnaire confirmed that the public find it difficult to prioritise these, most of them scoring almost all as being highly important.

- In evaluating quality, consideration must be given to who will be using the results. Professionals are often suspicious of data from questionnaires. (Dougall et al., 1999)**.**

- Although dimensionality has been mentioned in relation to SERVQUAL, as a key component of this study it deserves more discussion. Extant theory suggests that a hierarchy exists which leads to trust. Since recipients of professional services often find it difficult to evaluate professional competency and look for other prompts. Fig 2.1. identifies a hierarchy of constructs which service users are likely to assess in their evaluation of quality.

- Policy on service quality should reflect the service-dominant logic, where every individual member of staff, must understand their contribution to service delivery. This extends to external agencies, especially in health care where a range of bodiescan be part of the service provision. Difficulties arise when clinicians do not understand the nature of the service construct from the patient's perspective (Brown and Swartz, 1989). For them, technical outcomes outweigh the functional elements. Meanwhile, often back-office and support staff do not appreciate their own contribution in the service encounter.

The involvement of patients in the encounter is crucial as professional relationships are antecedents to trust. Evidence suggests that if the patient feels listened to and part of the process, they are more likely to follow the advice of the professional (Pajinkihar, 2008) and policy should take account of this fact.

7. LIMITATIONS

The scope of this study meant that it was almost impossible to obtain a representative sample, as every member of society is relevant since we are all potential patients. Efforts were made to include as diverse a population as possible, with Phase 1 of the study covering an age group from 21 to 89 and a cross section of respondents from socioeconomic groups B, C1 and C2.

Participants representing service users of phases 1 and 2 were restricted to the Greater Manchester area; service providers represented a slightly wider geodemographic covering the North West of England, but still relatively restrictive.

Although one of the recipient mailing lists comprised community groups representing a large number of ethnic groups, most of the questionnaires returned were from white British people. A second mailing list was far wider, based on the electoral register. While this provided a more extensive geodemographic than the qualitative work, it also failed to attract responses range of ethnic backgrounds.

The research did not reach people with learning difficulties due to access difficulties, and, for ethical reasons, no children were included.

The objectives of the study were quite general and not sufficiently wide to take account of the potential differences in responses between diverse groups, something which could be achieved through further research.

8. FURTHER RESEARCH

The findings of this study offer a foundation for the development of an evaluation tool but at the same time point the way for further research into what is an emotive sector.

The construct that has been developed is a useful starting point for use in health care, albeit with some adaptation for different settings. However, the findings do imply that more qualitative work would help in understanding it in greater detail and in different situations

BENGOA, R. & KAWAR, R. 2006. Quality of Care - A policy for making strategic choices in health systems. Geneva: World Health Organisation.

BRADY, M. K. & CRONIN, J. J. 2001. Some new thoughts on conceputalizing perceived service quality: a hierarchical approach. *Journal of Marketing,* 65**,** 34-49.

BROWN, S. W. & SWARTZ, T. A. 1989. A Gap Analysis of Professional Service Quality. *Journal of Marketing,* 53**,** 92-98.

CHENET, P., TYNAN, C. & MONEY, A. 2000. The service performance gap: testing the redeveloped causal model. *European Journal of Marketing,* 34**,** 472-497.

COHEN, L. & MALLON, M. 2001. My Brilliant Career? Using Stories as a Methodological Tool in Careers Research. *International Studies of Management and Organisation,* 31**,** 48-68.

DEPARTMENT OF HEALTH. 2012. *The Mandate - a mandate from the Government to the NHS Commissioning Board* [Online]. London: Department of Health. Available: www.mandate.dh.gov.uk [Accessed 13/04/2013].

DOUGALL, A., RUSSELL, A., RUBIN, G. & LING, J. 1999. Rethinking patient satisfaction: patient experiences of an open access flexible sigmoidoscopy service. 19 November 2009 ed.: ScienceDirect.

DOUGLAS, L. & CONNOR, R. 2003. Attitudes to service quality - the expectation gap. *Nutrition and Food Science,* 33**,** 165-172.

ELWOOD, S. A. & MARTIN, D. G. 2010. "Placing" Interviews: Location and Scales of Power in Qualitative Research. *Professional Geographer,* 52**,** 649-657.

FIELD, A. 2011. *Discovering Statistics Using SPSS,* London, Sage.

FISHBEIN, M. & AJZEN, I. (eds.) 1975. *Belief, Attitude, Intention and Behaviour. An Introduction to Theory and Research,* Massachusetts: Addison-Wesley Publishing Company.

FRANCIS, R. 2013. Report of the Mid Staffordshire NHS Foundation Trust Public Inquiry. London.

GRONROOS, C. 1984. A Service Quality Model and its Marketing Implications. *European Journal of Marketing,* 18**,** 36-44.

HIGGS, B., POLONSKY, M. J. & HOLLICK, M. 2005. Measuring expectations: forecast vs ideal expectations. Does it really matter? *Journal of Retail and Consumer Services,* 12**,** 49-64.

KEOGH, B. 2013. Review into the quality of care and treatment provided by 14 hospital trusts in England: overview report. London: NHS.

LEE, H. V., QU, H. & KIM, Y. S. 2007. A study of the impact of personal innovativeness of online travel shopping behaviour - a case study of Korean travellers. *Tourism Management,* 28**,** 856-897.

LEHTINEN, U., LEHTINEN, J. R. 1991. Two Approaches to Service Quality Dimensions. *The Service Industries Journal,* 11**,** 287-303.

MOULIN, M. 2002. *Delivering Excellence in Health and Social Care,* Buckingham, Open University Press.

OJASALO, J. 2001. Managing customer expectations in professional services. *Managing Service Quality,* 11**,** 200-212.

OLIVER, R. L. 1980. A Cognitive Model of the Antecedents and Consequences of Satisfaction Decisions. *Journal of Marketing Research,* 17**,** 460-469.

PAJINKIHAR, M. 2008. Nurses' (Un)Partner-Like Relationships With Clients. *Nursing Ethics,* 16**,** 43-56.

PARASURAMAN, A., ZEITHAML, V. A. & BERRY, L. L. 1985. A Conceptual Model of Service Quality and its Implications for Future Research. *Journal of Marketing,* 49**,** 41-50.

PITT, L. F. & JEANTROUT, B. 1994. Management of Customer Expectations in Service Firms: A Study and a Checklist. *The Service Industries Journal,* 14**,** 170-189.

RANDHANI, A., ALAMANDA, D. T. & SUDRAJAT, H. 2012. Analysis of Consumer Attitude Using Fishbein Multi-Attributes Approach. *International Journal of Basic and Applied Science,* 1**,** 33-39.

ROWLEY, J. 2005. Making sense of the quality maze: perspectives for public and academic libraries. *Library Management,* 26**,** 508-518.

SHARP, B., PAGE, N. & DAWES, J. 2000. A New Approach to Customer Satisfaction, Service Quality and Relationship Quality Research. *ANZMAC 2000 Visionary Marketing for the 21st Century: Facing the Challenge.* Australia.

SPRENG, R. A. & OLSHAVSKY, R. W. 1993. A Desires Congruency Model of Consumer Satisfaction. *Journal of the Academy of Marketing Science,* 21**,** 169-177.

SURESHCHANDAR, G. S., RAJENDRAN, C. & ANANTHARAMAN, R. N. 2002. The relationship between service quality and customer satisfaction - a factor specific approach. *Journal of Services Marketing,* 16**,** 363-379.

SWARTZ, T. A. & BROWN, S. W. 1989. Consumer and Provider Expectations and Experiences in Evaluating Professional Service Qualtiy. *Journal of the Academy of Marketing Sciences,* 17**,** 189-194.

VARGO, S. L. & LUSCH, R. F. 2004. Evolving to a New Dominant Logic for Marketing. *Journal of Marketing,* 68, 1-17.

A Study of the US GAAP – IFRS Convergence Process: Institutions And Institutionalization In Global Accounting Change

Karasiewicz Baudot Lisa
ESSEC Business School

Abstract

This dissertation explores the efforts of accounting standard-setters to produce a common set of standards accepted for worldwide market regulation. In doing so, it examines how a process of convergence has evolved within the accounting standard-setting space. More specifically, this work investigates the role that institutions and politics play in the convergence process as well as the processes by which standard setters go about collective policy-making on one highly contested standard. The primary contribution of this work is to shed light, at multiple levels of analysis, on how activities aimed at producing a common set of accounting standards evolve in consideration of actors, institutions, and context.

Keywords: GAAP-IFRS convergence, accounting standard setting, convergence, institutional processes

General Introduction

1   Structure and Significance of Dissertation

"The transnationalizing of our world, sometimes hastily labeled 'globalization', is not only about goods, capital or people. Nor is transnationalization simply a discourse even though it does have discursive dimensions. Together with others, we suggest that our transnationalizing world is also defined by powerful dynamics of reordering. …All in all, what we witness is a profound redefinition of structuring frames for action and of normative and cognitive reference sets. Our transnationalizing world is a world where institutional rules of the game are in serious transition." (Djelic & Sahlin, 2009: p175)

One of the most prevalent examples of the redefinition of frames and reference sets can be seen in the transition from accounting as a national phenomenon falling under state rule to accounting as a transnational phenomenon with increasingly global scope and reach (Tamm Hallstrom, 2004; Botzem & Quack, 2006; Loft et al., 2006; Humphrey et al., 2009; Samsonova & Humphrey, 2012). The development of national-level accounting took place at a time when prepares and users of financial information rested largely within the same jurisdiction (Nobes, 1983). By the late 20th century, the economic landscape had altered dramatically with investors seeking investment and growth opportunities across the globe. As the landscape altered, some argued that national-level accounting no longer made sense and pushed for more standardized and

harmonized practices (Nobes, 1985; Thorell & Whittington, 1994). Yet accounting as a phenomenon extends well beyond the practice of accounting and the actors who practice accounting and into the elaboration of accounting (institutional) rules and standards, including processes of making and monitoring them (Cooper & Robson, 2006).

The elaboration of accounting standards with a broader scope and reach has been underway in some significant fashion since the 1970s when the vision of a common set of accounting standards was born, to some extent, out of the European endeavor to create a single market (Hopwood, 1994; Thorell & Whittington, 1994; Tamm-Hallstrom, 2004). Since then, the reordering of a common set of accounting standards has remained in flux as efforts have progressed from consolidating standards at the European-level to supplanting standards around the globe with a set of internationally recognized accounting principles (Botzem & Quack, 2006; Street, 2006; Camfferman & Zeff, 2007). In its contemporary form, we are witnessing a common set of accounting standards reach towards an even higher level of aggregation in bringing together the world's two dominant and competing sets of accounting standards (Tweedie & Seidenstein, 2005; Arnold, 2012).

Given a number of recent divergent decisions taken on standard-setting projects which had the goal of further leveling the playing field across borders, it may appear that the contemporary notion of a common set of accounting standards "is dead" (WAR, April 2014). At the same time, with negotiations of a comprehensive Trans-Atlantic Trade and Investment Partnership (TTIP) between the U.S. and the E.U. underway (CRS, July 2013), the question of common standards, including those regulating the financial markets, continues to (re) assert itself as central to questions of transnational governance. In this sense, the aggregation of accounting standards may be both critical and inevitable over the long term as the globalization of markets presses on. Therefore, now more than ever, our knowledge of how accounting (institutional) rules are reordered and (re) produced can be expanded.

This dissertation aims to expand that knowledge in exploring more than a decade of efforts by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) to produce a common set of accounting standards accepted for worldwide market regulation. In doing so, it examines how a process of accounting (institutional) change – often referred to as a convergence process - evolved within the accounting standard-setting space. This research investigates the role that institutions and politics play in the FASB-IASB convergence

process, more broadly, as well as their role in the processes by which standard setters go about collective policy-making on one highly contested standard.

In investigating these topics, this dissertation commences with a general introduction, continues with three chapters representing stand-alone papers and closes with a general conclusion. The general introduction discusses the significance of transnational regulation and accounting convergence, addresses the broad theoretical dimensions of this study, outlines the overall research strategy, and highlights the key findings and observations. The three separate, but linked, papers which present the main theoretical and empirical contributions of this dissertation are presented in Chapter I through Chapter III.

A first empirical study follows the evolution of the overall process of converging accounting standards during the period from 2002 to 2011. A second empirical study explores specific aspects of the process of converging one particular accounting standard, the standard on revenue recognition, between 2002 and 2008. Based on these two studies, I propose three research papers that address a range of related questions. The papers are entitled:

I. GAAP convergence or Convergence GAP: Unfolding ten years of accounting change
II. On the construction of transnational accounting policy: Dynamics of negotiating order between "space cadets" and "dinosaurs"
III. The rhetoric of justification: The process of constructing what's "just" in global accounting standards

Ultimately, this dissertation closes with a final chapter presenting the theoretical and empirical contributions of this research, recognized limitations and avenues for future research. The general introduction and conclusion are designed to provide the reader with a comprehensive synopsis of all three papers.

1.1   Transnational Regulation and the Accounting Space

The last decade witnessed an emerging debate over the blurred boundaries of regulatory activities with the concept of transnational regulation at the core of the debate. Activities occurring in the "accounting regulatory space" (Young, 1994) are no exception. Here, the contemporary activities of the global accounting profession (i.e. the "Big 4") as well as accounting bodies such as the International Federation of Accountants (IFAC) and the International Accounting Standards Board (IASB) are indicative of transnational regulatory processes (Botzem & Quack, 2006; Loft et al., 2006; Humphrey et al., 2009). The notion of a transnational regulatory process refers to a complex compound of activities bridging the global and the local and acting to structure and

control social interactions beyond, across and within national boundaries (Djelic & S.-Andersson, 2006). Such a process is designed to facilitate the pursuit of a common interest between many distinct actors, both public and private, from a multiplicity of nations (Djelic & S.-Andersson, 2006). As such, transnational processes presumably aim to resolve controversial issues and level the playing field, yet proposed solutions face challenge by a variety of actors confronting uncertainty in an institutionally and politically fragmented world society.

In today's complex world, transnational regulatory processes take place under a combination of three routes to policy-making – expert, statist and community - as in the contemporary story of transnational accounting regulation (Djelic & Kleiner, 2006). Such hybridizations produce what Djelic and S.-Andersson (2006) refer to as a "patchwork" regulatory space wherein constellations of actors seek to shape policy-making debates and outcomes (Djelic & Sahlin, 2010). Scholars have honed in on one such outcome in the form of standards as important elements of our contemporary transnational regulatory architecture (Brunsson & Jacobsson, 2000; Djelic & den Hond, 2014). We now understand more about transnational standards – what they are, which actors are involved in transnational standard setting and how transnational standard-setting processes function (Tamm-Hallstrom, 2004; Botzem & Quack, 2006; Timmermans & Epstein, 2010; Botzem, 2012; Botzem & Dobusch, 2012). In addition, the ways in which different actors manage to work together and move toward regulatory agreement in the transnational space are more and more clear (Tamm-Hallstrom, 2004; Djelic & Quack, 2010; Timmermans & Epstein, 2010; Djelic & den Hond, 2014). Yet we still have much to learn.

It is in understanding the work (ings) of actors within the transnational space that the notion of a community becomes salient. Cohen et al. (1985; p16) distinguish a community as social formations whose "members make, or believe they make, a similar sense of things either generally or with respect to specific and significant interests and, further, that they think that sense may differ from one made elsewhere". Extended to the transnational environment, *transnational* communities consist of social actors located in multiple national settings who recognize a shared set of interests in policy issues cutting across borders which are distinct from nationally based interests (Morgan, 2001). Membership in a transnational community is only one possible form of involvement and affiliation that may be combined with other community affiliations, derived from nationality, profession, shared practices, ideologies or knowledge base (Morgan 2001; Djelic & Quack, 2010b). As members of transnational communities retain multiple community affiliations, transnational communities are likely to exhibit a certain amount of internal complexity as well as a fair degree of

within-community heterogeneity and conflict (Djelic & Quack, 2010b). Being a space where contrasting and conflicting perspectives can be discussed, deliberated and negotiated, these communities structure public arenas from which broadly acceptable solutions to complex policy issues can emerge.

Following Djelic & Quack (2010b), this research asserts the value of the transnational community concept to understanding governance and policy-making arrangements. This value lies in the potential of community building mechanisms to (re) align the cognitive and normative orientations of its members over time through processes that lead in the direction of broadly acceptable (global) solutions. As such, transnational communities play an important role in fostering preference transformation for some or all of their members (Djelic & Quack, 2010b). Therefore, such communities develop policy in an environment in which collaboration combines with competition, elevating the importance of negotiation and agreement (Djelic & S.-Andersson, 2006; Djelic & Sahlin, 2010). However, as Djelic and Quack (2010a) highlight, we have much more to learn about the ways in which negotiating and reaching, not to mention legitimizing, agreement on collective policy decisions combine and interact with power and resources. This dissertation proposes to contribute to our knowledge of transnational policy-making through a focus on the processes by which two dominant and competing accounting standard setting bodies construct accounting policy in the form of a common set of accounting standards forming, in the process, a transnational community.

1.2   *Global Accounting Change: Convergence of US GAAP-IFRS*

Linked to societal development, modernization and globalization, the development of a common set of global accounting standards is often promoted as a prominent feature of a strong worldwide financial architecture. The idea is that a common set of standards will level the playing field among firms and provide investors access to the same quality, level and type of information (Hail et al., 2010). A level playing field may produce more cost-effective financial reporting for preparers, auditors and investors alike as divergent practices and systems are consolidated (Hail et al., 2010). In addition, access to more, and comparable, information may improve firm-level decision-making through greater monitoring by the market (Bushman & Smith, 2001). Further, investors, being better informed and able to estimate future cash flows across firms, industries, markets and countries, will more willing to trade across-borders facilitating investment in and integration of markets (Verrecchia, 2001; Bushman & Smith, 2001; Lambert et al., 2007, Leuz et al., 2008; Hail et al., 2010). However, the implications of a common set of accounting standards

may vary significantly for different reporting environments depending on the nature of global accounting change taking place.

Within this dissertation, global accounting change refers to changes taking place in the accounting regulatory space related to the development of a common set of accounting standards by the FASB and the IASB. Since 2002, the FASB and the IASB are committed to employ a coordinated effort in what is often referred to as the convergence of their respective standards, U.S. Generally Accepted Accounting Standards (GAAP) and International Financial Reporting Standards (IFRS).[1] This commitment has as its objective the production of a common set of accounting standards for worldwide market regulation (FASB & IASB, 2002; 2006; 2008). However, a clear understanding of what is taking place in this process has yet to be established from either a theoretical or empirical perspective.

On the surface, the FASB and the IASB appear to be positioned as competing for the responsibility to develop future accounting standards while at the same time cooperating during their coordinated standard-setting effort. In addition to competitive-cooperative tensions between the FASB and the IASB, achievement of the convergence objective would seemingly be complicated by a lack of congruency between the environments in which accounting standards are developed, applied and utilized (Nobes, 1983; 1988; 1998). Given that accounting in any given environment evolved through a series of compromises relevant to that particular setting, one can expect accounting systems in that environment to be complementary to institutional-cultural elements (Gray, 1988; Nobes,1998 Ding et al., 2005; Hail et al., 2010). Therefore, convergence could be complicated in that countries having different and historically determined cultural-institutional infrastructures may prefer accounting standards aligned with those particular infrastructures (Hail et al., 2010).

While such differences would seem to pose a challenge to the creation of any form of common accounting standards, the standardization of accounting principles followed by their harmonization across national environments is evidenced as possible by the development of international accounting standards (Nobes, 1985; Thorell & Whittington, 1994). It is this development as well as a number of related factors on which the discussion of GAAP-IFRS convergence, in hindsight, appears contingent.[2] These factors include the creation of the IASB as

---

[1] International Financial Reporting Standards (IFRS) or International Accounting Standards (IASs). IAS is used to denote standards set prior to 2001 while IFRSs is used to describe the cumulative set of IASs and IFRSs.

[2] Appendix I offers a retelling of historical events leading up global accounting convergence.

the body responsible for developing IFRS, the overhaul of IASB's conceptual framework, governance structure and procedural model, and the elevation of international accounting standards to their position rivaling U.S. GAAP (Tamm-Hallstrom, 2004; Botzem & Quack, 2006; Camfferman & Zeff, 2007; Botzem, 2012).

Studies of these factors, however, focus more on standard setting structures and interactions between interested organizations within the standard-setting space and less on and how processes of standard setting function, specifically in the context of GAAP-IFRS convergence. This presents a significant opportunity to extend the study of structures and interactions to the FASB-IASB convergence effort and to integrate this together with processes and meaning systems (Djelic & Sahlin, 2009). More specifically, this research looks to the relationship between transnational accounting standards and (1) the broader role of institutions and political economy in how convergence has evolved; (2) the actors and meaning systems that influence how the accounting change process unfolds. Ultimately, this dissertation studies these relationships in a context which involves accounting change across multiple institutional-cultural environments embedded within a much larger global trajectory.

1.3   Overview of Research Strategy

This overall question and the relationships of interest are addressed within three papers presented in Chapter I through Chapter III. These papers provides insight into how the production of a common set of global standards has evolved conceptually and how certain aspects of the FASB and the IASBs joint standard-setting activities have unfolded in the construction of one particular standard. Asking "*how*" questions suggest a structured, longitudinal approach employing qualitative, case study methods (Morgan & Smircich, 1980; Yin, 1994; Cooper & Morgan, 2008). The initial sections below discuss the case study method blended with historical perspectives and highlight the various data sources referenced.

Case Study Approach

Case study is a method of intensively studying a phenomenon over time within its natural, historical or contemporary setting and within one or multiple sites (Yin, 1994). The case study method implies attention to history which provides insight as to the past rationales for and circumstances surrounding present events and decisions (Langley, 1999). In this dissertation,

history helps us in understanding not only the linkage between the contemporary effort to converge GAAP and IFRS accounting standards and past efforts but also how the contemporary effort has evolved over time. In addition, history helps us to appreciate how the past experiences of accounting policy-makers are incorporated into the field of accounting standard-setting in the convergence setting.

Yet a simple collection of events and knowledge will not do. Rather, history itself is viewed as an interpretive enterprise (Ahrens et al., 2008). As such, the researcher attempts to construct his or her own narrative from a multiplicity of existing narratives – both primary and secondary – and these readings in context become key (Djelic, 2008). The case method allows for such a reading in its view of bounded and particular organizations, events or phenomena (such as phenomenon of accounting change), and its scrutiny of the activities and experiences of those involved as connected to the context in which these phenomena and experiences occur (Stake, 2000). In other words, this dissertation subscribes to the notion that contexts – whether social, economic, institutional, cultural, political, legal (and others) – matter and aims to endogenize them into explanations (Ahrens et al., 2008).

Case-based explanations are produced out of in-depth, contextually and conceptually informed examinations of specific phenomenon that explicitly address theory and inform practice (Eisenhardt, 1989; Yin, 1994). Such an approach is particularly useful in investigating accounting change. Accounting change represents complex and dynamic phenomenon with many elements; refers to actual practices that may be extraordinary, unusual or infrequent; and relies crucially on context which affects the phenomenon being studied (Cooper & Morgan, 2008). Single-cases, selected due to their unusual relevance and exemplary substance, provide the opportunity to exploit significant phenomenon producing a rich description of the phenomenon and its underlying mechanisms (Eisenhardt & Graebner, 2007; Sigglekow, 2007).

While this dissertation looks to the "single" case of accounting convergence, that case has aspects of comparative case study. For example, in Chapter I on conceptualizing convergence, the overall unit of analysis is the FASB-IASB convergence effort underway since 2001; however, the change process related to this effort is analyzed over a period of 10 years in terms of comparative phases of that effort and of individual convergence projects. Likewise, in Chapter II and III on the standard-setting process, the overall unit of analysis is one particular case of accounting change-the long-term project to develop a single revenue recognition standard. However, the process of

change is comprehensively analyzed throughout the project's lifetime in terms of comparative phases within the revenue standard-setting process.

Such a strategy, which can be equated with "structuration" (Giddens, 1984) or "temporal bracketing" (Langley, 1999), decomposes the primary unit of analysis into successive periods not necessarily having theoretical significance but rather having a certain continuity in the activities within each period (Langley & Truax, 1994). The decomposition of data into periods allows for structuring the description of events, permits comparative analysis for the exploration of theoretical ideas and enables the examination of how events of one period may relate to changes in the context that affect events in subsequent periods (Langley, 1999). The application of this strategy to the study of convergence allowed for a comparative assessment of changes in the global accounting-standard setting space relative to significant events and activities, the actors involved in these events and activities, and the concepts, values and ideas understood by and employed by these actors (Van de Ven & Huber, 1990; Van de Ven, 1992).

Data Sources

Therefore, in studying the overall convergence effort and the revenue project in detail a variety of data sources were utilized. These sources include archival documents, inquiry of key informants through a semi-structured interview protocol, and "indirect" observation of joint board meetings in which revenue issues were deliberated. Extensive documentary records encompassing several types of information were referenced both historically and, given the contemporary nature of the project under study, almost in real time. These include (1) articles published in the press and press releases/publications by key actors on the topic of convergence and of revenue recognition, (2) standard-setting documents issued by FASB-IASB relative to the 23-projects encompassing the convergence effort (including the revenue project), and (3) publicly available information on websites of standard setters, professional organizations and social media sites.

Access to informal discussions occurring between board members outside of public meetings or to their private correspondence via letters, email and/or telephone which may have eventually been influential in constructing a single standard was not obtained. However, attempts to open up the "black-box" of standard setting were made by going beyond publicly available data by consulting the detailed proceedings of board meetings (Table 7). These proceedings consist of both separate and joint board deliberations of the FASB and the IASB. FASB, IASB and joint board minutes were compiled by the respective staffs of each board. In addition, I consulted proceedings of meetings prepared by IFRS Monitor, a subscriber-based service which reports on

international accounting standard setting.[3] I consider these proceedings of board meetings a form of "indirect" observation of the standard setters in action.

To supplement the archival documents and indirect observation of key meetings, a sample of standard-setting actors was identified and 18 semi-structured interviews were conducted. The primary focus of obtaining interview data is on confirming the role of various actors in the process of developing a common set of accounting standards more generally and converging GAAP-IFRS revenue standards, more specifically. As such, the sample of interviewees was selected from two different populations with two different interview instruments developed. All interviews except one (i.e. 17 interviews) were recorded after obtaining permission from the interviewee. Transcriptions of these recordings, which averaged 56 minutes in length, were submitted to the interviewee for review. For the interview which was not recorded, as well as for the two informal discussions mentioned previously, detailed notes were taken during the interview. The semi-structured nature of the interviews allowed for critical information to be offered outside the protocol and for the researcher to follow the lead of the interviewee. In addition, interviews with a range of key people involved at different points in time, offering differing views and having different experience helps ensure completeness and objectivity is maintained in the analysis.

1.4   Overview of Three Research Papers

Chapter I is entitled "GAAP convergence or convergence GAP: Unfolding ten years of accounting change. This work unpacks the historical progression of the FASB and IASB convergence program over the period 2002 – 2011 as a means to understand the conditions for and characteristics of different conceptualizations of accounting change. More specifically, the paper considers how events, actors and institutional rules in the accounting standard-setting field shape the nature, form, and process of change. I find that the nature and form of convergence evolved over several stages from the direct emulation of one set of standards by the other, to the reduction of differences between the standards to the progressive redesign of both sets of standards. I consider these forms analogous to the diffusionist mechanisms of imitation (DiMaggio & Powell, 1983; Galaskiewicz & Wasserman, 1989), editing/translation (Sahlin-Andersson, 1996; Czarniawska & Joerges, 1996) and institutional co-construction (Djelic, 2008), respectively. I

---

[3] IFRS Monitor is compiled by technical reporters who attend the meetings of the IASB as observers and provide subscribers with detailed account of the proceedings. Peter Walton, Professor & Co-Chair Financial Reporting KPMG, is Managing Editor of this service and has provided monthly reports dating back to 2001.

analyze the conditions for and characteristics of each stage and set these in context by considering macro-economic events and powerful actors surrounding the phenomenon of accounting convergence. This paper contributes to our understanding of the notion of accounting convergence and what that means in the process of constructing a common set of standards.

Chapter I thus forms the foundation of my dissertation which then allows for an exploration of how actors and meaning systems affect the convergence process in Chapter II and III. For example, in Chapter II, titled "On the construction of transnational accounting policy: Dynamics of negotiating order between "Space Cadets" and "Dinosaurs", analysis is undertaken of one particular FASB and IASB project and a decision on how to measure revenue within that project. That decision involved seven years of debate over two models that essentially reflect competing meaning systems (i.e. historical cost and fair value). The paper focuses on the competing systems that accounting standard setters adhere to and how standard setters reach accounting policy decisions on the basis of those systems. I employ negotiated order framework (Strauss et al., 1963, Strauss, 1978; 1982) to analyze how order is negotiated within and between the FASB and IASB on the revenue project. I unravel the relationship between meaning systems and shifts in resources, rationales, and the dynamics of power (through use of voice) and how this impacts the collective action of the boards. In the process of constructing a common standard, the added value in this story lays in the way it reveals a transnational community taking shape.

Chapter III, labeled "The rhetoric of justification: The process of constructing what's "just" in accounting standard setting", studies the process by which accounting standard setters persuade their public audience (and themselves) of the merits of their policy decisions. I study this as a process of justification, in which standard setters convince their audience that their decisions are "just", through reference to different 'orders of worth' (Boltanski & Thevenot, 1991; 2006). As a follow-on to Chapter II, I analyze the standard setters' process of justifying the choice between two conventions for the measurement of revenue. I show how the standard setters draw on different 'orders of worth' in the construction of concepts which reinforce measurement under a particular convention in a way that ensures the legitimacy of the standard-setters' decision and the perception of that decision as "just".

These papers shed light on how transnational regulatory phenomena emerge and evolve in consideration of actors, meaning systems and context. Thus, this dissertation has implications for informing the transnational governance and accounting standard-setting community, which includes actors at multiple-levels and across multiple environments, as to the factors impacting the trajectory of

Page | 110

global (accounting) standards and the role that a number of factors play in the construction of such standards.

First, this work contributes to a richer understanding of policy-making processes, in this case, the process by which a common set of accounting standards is developed and articulated as the solution to global accounting issues. It does so by highlighting different theoretical visions of convergence as accounts of imitation, editing or translation and, ultimately, co-construction (Djelic, 2008). Second, this research touches on the notion of transnational community in revealing how two standard setters, working together to negotiate order in accounting convergence, build a broader sense of community in the process. As opposed to focusing on the standard-setting organization as a whole, this work sheds light on the force of the members of the standard-setting organization which we know much less about. Third, I draw on institutional and political perspectives to examine the complex interplay between institutional structures and influential actors with potentially competing meaning systems and how these are enacted in transnational policy-making processes. In these ways, I see this research as contributing broadly, from both an empirical and theoretical standpoint, to the literature on transnational governance and accounting standard setting with more explicit theoretical contributions to the literature on accounting institutions and politics of standard setting.

Summary of the Dissertation Research
"Strategic Change under Construction: Role of Strategy Narratives"

Logemann Minna
AALTO University, School of Business

Abstract

This dissertation research explores how strategic change emerges in and through organizational communication. It maintains that strategic change materializes through two discursive processes, sensemaking and identity construction. These processes are both triggered by the change and take place in organizational narratives. The research takes a language-centered approach and explores how language with its devices effects sensemaking and identity construction in these narratives. The main contributions are the novel theoretical reconceptualization of strategic change as communicative organizing, and in providing a cyclical, dynamic communication model for management practice as opposed to linear models suggested in previous literature.

The dissertation adopts a genuinely multidisciplinary approach and brings together conceptual constructs from the following distinct yet complementary theoretical traditions: *strategic change research* (e.g. Balogun and Johnson, 2005, 2004; Cornelissen et al., 2011), Gioia and Chittipeddi, 1991; Mantere et al., 2012; Sonenshein, 2010), *discursive strategy practices* (e.g. Jarzabkowski, 2003, 2004, 2005; Knights and Morgan, 1991; Mantere and Vaara, 2008), *identity research* (e.g.

Alvesson, 2010; Alvesson and Willmott, 2002; Brown, 2006; Derrida, 1976; Corley, 2004; Corley and Gioia, 2004; Fiol, 2002; Hall, 2004; Hall, 2000); and *narrative views of strategy* (e.g. Barry and Elmes, 1997; Fenton and Langley, 2011; Küpers et al., 2013). It innovatively incorporates a set of new ideas into the construct of sensemaking (Weick, 1995) and uses it as a broad interpretive framework. Bridging of strategy and change with the construct of sensemaking and combining them with identity construction and identifying, which are closely related streams of research, constitute the core elements of the theoretical framework (See Figure 1).

The research puts forward an argument that an understanding of meaning-making and identity construction as communicative processes for enacting organizational realities provides a new, ontologically and epistemologically coherent communication perspective on strategic change and organization development.

Figure 1: Theoretical core concepts and literature in this research
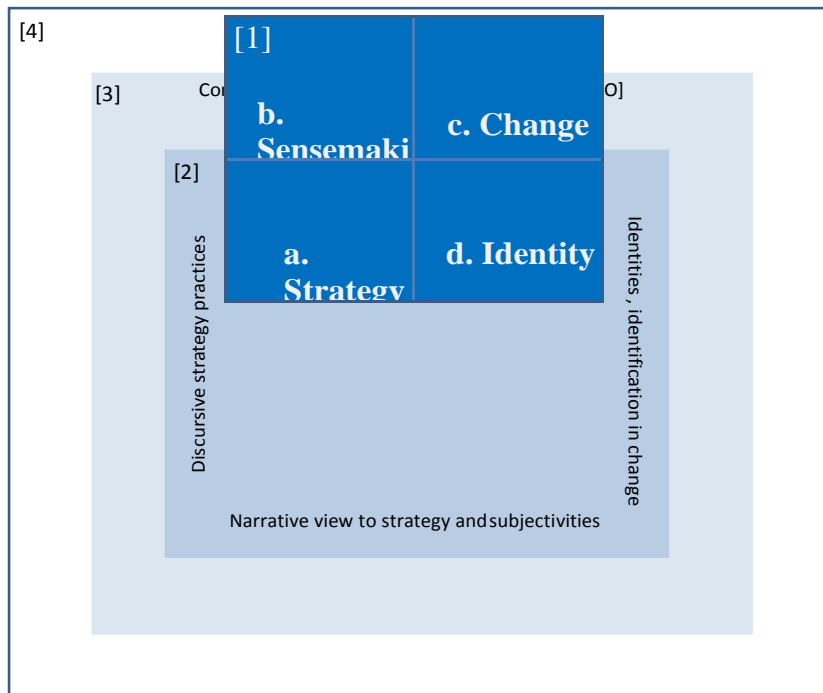
Index:
[1] Core concepts related to a strategic change [a.–d.]
[2] Literature streams drawing on the core concepts and impacting on the research foci
[3] Research approach of communication as constitutive of organizing theories
and literature [4] Multinational corporation (MNC) as a multilingual
community

A cross-disciplinary literature review leads to the theoretical framing of the single case study, which produces a research narrative of the focal strategic change using various perspectives, time lines, and units of analysis to provide a rich description of the phenomenon in its context. A linguistically informed analysis technique was used for identifying discursive tactics and linguistic devices in shaping meanings and constituting identities. Thus, the research puts language into the research focus both as a space to construct meanings and identities as well as a means for communicating. Language perspective is still largely overlooked in management research but is attracting more research interest. The research also investigated how the strategy texts became an authority and hence started directing collective actions through abstraction and reification in the organizational narratives. Finally, the research elaborated on the role of language as a source of intra-organizational power in the multilingual context of a multinational organization.

The results of this dissertation research provide potential for both academic contributions to the strategy and change research and new insights for the management practice. The theoretical contributions relate to the reconceptualization of a strategic change as communicative organizing and to challenging the monolingual understanding of sensemaking and change dominating the existing literature. Through an empirical case study I demonstrated how the strategic change is interlinked with dynamic, discursive processes of meaning-making and identity construction. The focus on the language combined with novel linguistic methods created new insights into examining strategic changes particularly in the multilingual operating environment of a multinational corporation. The research also complements existing research on intraorganizational power by including language in the discussion of power sources in the multilingual community of an MNC.

In light of the findings, I also conceptualized the top management strategy communication into a new dynamic, cyclical model as opposed to the linear models suggested in previous literature.

The model provides an example for leadership communication in a successful strategic change. The results will moreover direct the attention of leaders to language-related issues that are often ignored or at least overlooked as merely technical issues in management research.

Research design and methodology

The social constructivist paradigm and the centrality of language in meaning-making processes together with the research questions underlie the methodological choices taken in this research

project. The paradigmatic assumptions together with the research problem and the purpose of the research project impacted the research design chosen for the empirical study. The aim of the research, which was to achieve a better understanding of how communication contributed to strategic change, called for both qualitative and interpretive methods. In conclusion, the research used a qualitative single case study strategy.

The empirical research selected for this project was carried out in a European multinational corporation (MNC) at the time of a major transformation. The MNC provided an interesting research site for examining the communicative constitution of a strategic change since it was the

first time in the entire company's history that a new strategy was communicated throughout the organization, which comprised more than 30,000 people in 50 countries.

The central overall research question was: How does a strategic change come about in organizational narratives? The empirical research comprises four studies, each of which produced an essay that examines a specific aspect of the main research question. (See Table 1: Summary of the essays). The first essay was written by the author of this dissertation alone, and the other three essays entailed an outside researcher as the second/third author. The second essay was co-authored with Rebecca Piekkari and Mirjaliisa Charles, the third with Pekka Pälli, and the fourth with Rebecca Piekkari. All four essays together contribute to a greater understanding of the strategic change, which will be discussed in detail in the chapter 'Discussion' of this summary.

Table 1: Summary of the essays in this dissertation research project

Essay	How does a strategic change come about in the organizational strategy narratives?			
	Title	**RQ the essay aims to answer**	**Data sources for the essay**	**Authors**
1	Making sense of strategy: constituting strategic change in a managerial narrative	How does the managerial strategy narrative construct the strategic change?	Documentary data: 41 CEO's letters written in 2005-2009	Minna Logemann
2	Identification as a Communicative Construct and Textual Agency in a Change Process	How do the strategic texts construct identification and start to direct collective actions?	Documentary data: 16 CEO's letters written in 2008-2009; 7 upper and lower middle management interviews; 3 focus group discussions	Minna Logemann, Rebecca Piekkari and Mirjaliisa Charles
3	"I was anxious for the change to happen fast" - Making sense of one's self while retrospectively narrating a company's strategic change	How does the strategic change unfold in retrospective organizational identity narratives?	Seven retrospective interviews with middle managers 2009-2010	Minna Logemann and Pekka Pälli
4	Language and translation as power sources in the MNC	How do language and translation play out in intra-organizational power in an MNC?	Documentary data: 2 letters by the president written in 2005, and their translations; 12 management interviews; three focus group discussions; field notes	Minna Logemann and Rebecca Piekkari

Data

According to its single case study strategy, the purpose of my dissertation research was to provide a rich description of a particular phenomenon and to understand that phenomenon in its context by constructing emic meanings during the data creation process (see e.g. Andersen and Skaates, 2004). While adopting this kind of subjectivist ontology and aiming at interpretive sensemaking in a single case study, my intention was not to produce causal explanations, to replicate the study in other contexts, or to generalize its findings. My excellent access to the case company as a former employee enabled constructing data on different levels of the organization – top management, upper middle management, lower middle management – and from different kinds of sources related to various periods of the focal strategic change. It was important that the data set reflected the phenomenon of interest and that the research project accomplished its purpose by delivering valuable new insights from the perspective of both theory and practical management. *Retrospective interviews and focus group discussions* produced data on the subjective experiences of the change actors in the case company (Johnson and Duberley, 2000; Stake, 1995), whereas *internal documentary data contributed to a better understanding of the phenomenon over the entire five-year research period.* Table 2 provides an overview of the complete data set and demonstrates the contributions of different data sources into the four essays.

Table 2: Complete Data and data contributions to the essays

Table 3: Complete list of data with their contributions

Source	Organization			Language	Time	Contribution to essays			
	HQ	Global function	Subsidiary			I	II	III	IV
Narrative interviews									
Top management, code TM1–5	5			Parent company language	August–November 2009				X
Middle management, code MM1–3		2	1	Parent company language	August and October 2009		X	X	X
Middle management, code MM4–5		1	1	Corporate language	March and April 2010		X	X	X
Middle management, code MM6–7			2	Corporate language	September 2005		X	X	X
Focus group discussions									
Focus group participants, code FG1-1–4		1	3	Corporate language	September 2009		X		X
Focus group participants, code FG2-1–4		4		Parent company language	October 2009		X		X
Focus group participants, code FG3-1–4		4		Parent company language	October 2009		X		X
Company documents									
President's letters/original (41/2005-2009)	X			Corporate language	September and November 2005	X			X
President's letters/translations (2/2005)			X	Subsidiary language	September and November 2005				X
Internal emails (9) associated with the translation acts	X		X	Corporate language	September and November 2005				X
Observational data									
Field notes	X			Corporate and parent company language	2004-2008	X	X	X	X

Corporate language = English; Parent company language = different from English; Subsidiary language = different from English and parent country language

The contribution of the documentary data was crucial for the research because it represented a set of real-time data over the five-year period of change. It allowed examination of the developments of the leadership strategy narrative (Barry and Elmes, 1997), which demonstrated the legitimate new strategic direction of the company. In addition to the above, field notes and archival records including employee magazine articles about the change, press releases, and support materials for sharing the strategy like Power Point presentations and DVDs were used to contextualize and provide additional understanding of the strategic change process in the case company.

My role not only as the researcher as part of the socially constructive data production but also as personally involved in the strategic change from 2004 through 2008 called for careful reflection of my role as part of the assessment of my qualitative case research. I left the organization in 2009 and negotiated access to the data for research purposes at that time. The documentary data were collected from the entire research period 2005-2009, although the interview data were constructed in 2009 and 2010 after my exit, when I was no longer an employee. The impact of my role is discussed in excessive detail in the assessment of the quality of the research in my dissertation research.

In assessing the quality of my research I focused on three dimensions of that emerge from the analysis of Symon and Cassell (2012, p. 214) - output, process, and presentation - as the framework for assessing quality in my research project. With respect to output, the critical factors are the contribution made by my research and its interest to readers. A quality process is achieved through a number of factors ranging from the research rigor provided by a theoretically informed research framework to data production of a high technical standard and verification of interpretations with the company. Finally, a quality presentation embraces the ability to maintain ontological and epistemological coherence and provide a 'compelling research story' (Symon and Cassell, 2012,

p. 216) including self-reflection in my role as a researcher in a social constructionist research project.

Results

The first essay focuses on the following question: How does the managerial strategy narrative construct the strategic change? The main result of this essay was a conceptual model of managerial communication in strategic change. In contrast to most previous strategic change models, which

describe meaning-making and -giving as a stage-wise process (e.g. Gioia and Chittipeddi, 1991; Mantere et al., 2012), this communication model suggests that meaning-making and -giving take place in cycles, simultaneously and constantly. This case study therefore suggests an alternative to the existing linear models of continuous change. The change narrative should be seen as a cycle of meaning processes that impel continuous change instead of a line from the beginning to the end of the change. The end of one cycle provides the launch pad for the next one.

The second essay focuses on how strategic texts construct collective identification and start to direct collective actions at the middle level of the organization. The main result of this essay was to provide empirical support for the textual agency of a strategy concept, the 'must-win battle.' 'Must-win battles' were used in this MNC as a mechanism for enacting change in the organization. In light of the findings, the concept of must-win battles had - by the second year of its existence - displaced the original textual authority and context given to it by the president of the company and had become an authority of its own in the narratives of middle managers. Collective identification with the new direction, however, did not proceed at an even pace on all levels of the organization. The findings revealed differences in the process of abstraction and reification between the levels of upper and middle management in the organization and among members of the same organizational level.

The third essay shifts attention from the collective to the individual level of identities on the middle level of the organization. It examines how the strategic change unfolded in the retrospective organizational identity narratives of middle managers. The data were drawn from retrospective interviews with seven middle managers. The essay shows the linguistic device of displaying oneself and one's identity discursively was used as a means for understanding and making sense of oneself in strategic change. This essay created new understanding of the sensemaking processes evoked by a change, leading to discursively constructed identity alterations. In light of the data sensemaking progressed from the individual to the group level. The narrative accounts

demonstrated this as progress from (1) 'it changed me' (an effect on personal identity) through (2) 'it changed people, whether they were part of in-groups or out-groups (an effect on social identity), to (3) 'it changed the company.'

The fourth essay directs the research interest from language as space for constructing meanings to the role of language as a means of communicating strategy in the multilingual community of an MNC. The essay examines language as a source of power in the focal relationship within the MNC between headquarters and a subsidiary. Thus the fourth essay added the local sub-unit level to the study of the strategic change in a multinational corporation. The results suggest that language and translations can provide windows into power (re)definitions between headquarters and a subsidiary in an MNC. The case study reveal shifts in power positions between the headquarters and the focal subsidiary over time, and these shifts can be attributed to language use and translation. The study demonstrates how representatives of both the MNC headquarters and the subsidiary employed language and translation – consciously or unconsciously – as power sources in the multilingual case company.

Discussion and contributions

Reconceptualization of strategic change as communicative organizing
Strategic changes have been frequently revisited by strategy researchers (Balogun and Johnsen, 2005, 2004; Mantere et al., 2012; Sonenshein, 2010), whereas communication researchers have until now been largely absent from the examination of strategic changes. This research project set out to find a new theoretical conceptualization based on a coherent epistemological foundation for examining strategic change as it is constituted in communication. Thus, the main theoretical contribution of the dissertation research lies in its reconceptualization of strategic change as a communicative organizing that emerges in organizational narratives. It elaborates on how strategic change comes about in strategy narratives on different levels of the organization and demonstrates how the strategic change is interlinked with the dynamic, discursive processes of meaning-making and identity construction (Gioia and Chittipeddi, 1991; Sonenshein, 2010; Weick, 1995).

While strategic change is firmly situated at the intersection of strategy and organizational change research, the construct that bridges the two streams is sensemaking (Floyd et al., 2011, p. 942; Weick, 1995) (see Figure 1: Quadrant 1). Previous research has documented the emergence of strategic changes in sequences and as interplay between sensemaking and sensegiving. They are by nature narrative processes (Gioa and Chittipeddi, 1991; Sonenshein, 2010. Strategy and organization researchers have documented the details of these narrative processes, which are

present in the dynamics of a strategic change. They include framing (Cornelissen et al., 2011) and metaphors (Cornelissen et al., 2011; Cornelissen, 2012; Vaara et al., 2004) or sensemaking and sensegiving narratives (Sonenshein, 2010; Vuori and Virtaharju, 2012). This research project complements these studies by entirely reconceptualizing strategic change as a communicative product.

A multidisciplinary approach

Reconceptualizing a strategic change as a communicative product called for bringing together conceptual constructs from the following distinct yet complementary theoretical traditions: strategic change research, discursive strategy practices, identity research, and narrative views of strategy. Drawing on these streams of literature, the present research incorporated a set of new ideas into the construct of sensemaking, thereby bridging strategy and change (see p. 943 in Floyd et. al., 2011, p. 943). It furthermore used sensemaking as a broad interpretive framework. Hence, sensemaking was also viewed as an umbrella construct of this research project (Hirsch and Leving, 1999, p. 199). Bridging strategy and change with the construct of sensemaking and the closely related identity construction and identifying research streams that impacted the theoretical framework make the literature review holistic rather than narrow and focused on one certain area. This holistic literature background and a multidisciplinary approach to the theoretical framing of the research was necessary for a single case study aimed at producing a research narrative of the focal strategic change which embraces different perspectives, time lines, and units of analysis in order to provide a rich description of the phenomenon.

While using sensemaking as a broad interpretive framework in integrating theories from strategy, strategic change, identity, and organizational communication research, this case study contributes to the empirical research in the interface of strategy-as-practice research and communication as constitutive of organizing (CCO; see e.g. Cooren, 2012; Cooren et al., 2011; Taylor and van Every, 2000) scholarship by producing new empirical research establishing on rich data from a business context of a strategic change.

A linguistic-based protocol for the analysis of meaning and identification processes

While adopting a meaning-centered approach, existing research on strategic changes (see e.g. Balogun and Johnson, 2004, 2005; Mantere et al., 2012; Sonenshein, 2010) largely overlooks the micro-processes of language that organizational actors use when constructing the meanings in

sequences of sensemaking and sensegiving. Individuals use discursive and symbolic tactics to shape meaning and the specific language forms that are the very foundation of these behaviors have not been adequately explored (Sonenshein, 2006, p. 1168). Studying sensemaking essentially involves analyzing language and thus calls for qualitative methods and linguistic-based protocol of analysis (Cornelissen, 2012, p. 120).

This present research addresses this gap by introducing linguistically informed analysis techniques for identifying the discursive tactics and linguistic devices employed in shaping the meanings and constituting the identities in the organizational strategy narratives. In its first essay, my dissertation explains how the president - as the authoritative narrator of the strategy text - used linguistic devices to attribute meanings to his strategy narrative and how at the level of language this narrative performed various communicative functions. The second and third essays use a linguistic analysis protocol to address the close relationship between sensemaking and identity construction (Weick, 1995, p. 18). The second essay is a qualitative study on the textual agency of a strategic concept. Here the analysis distinguishes the linguistic devices used to identify with this concept such as recurring lexical associations with the company-wide strategy discourse or pronouns and the positioning of oneself and others (Benwell and Stokoe, 2006; Fairclough, 2005; Poncini, 2007; Tajfel and Turner, 1986; Wodak and Meyer, 2009). In the third essay, moreover, the analysis focuses on the linguistic device used as a means to understand oneself and one's identity and to make sense of them in the strategic change.

Identity literature suggests that the construction of identity should be viewed as a process of reflexivity (see e.g. Hall, 2004; Hall, 2000). This process comprises the detailed workings of language on the micro-level and the use of linguistic devices such as lexico-grammatical items. Here the subject, unlike that of Foucault, is empowered rather than passive (Foucault, 1972). This perspective entails a view of the plausible construction of identities based on an active choice of linguistic device. This present research complements existing research on identity alterations triggered by change by demonstrating how the actors in the data employed discursive tactics and linguistic devices to produce multiple and sometimes conflicting constructions of identities rather than coherent representations of identification with the new strategic direction. It hopes to provide new ideas for using more linguistic protocols in analysing the dynamic relationship between identity construction and identification processes in strategic change.

Language as means of power in communicating strategy

Most organizational and management research treats language as a purely technical or pragmatic issue to be solved with the help of translators or by choosing and introducing a common corporate language (Reeves and Wright, 1996). Moreover, the Anglo-Saxon tradition of English-language strategy research also assumes a unilingual context for strategizing. The topic of language has been virtually ignored by strategy researchers apart from the rare exception of research connecting language with the strategic agility of an enterprise (Doz and Kosonen, 2008). The stage for the focal strategic change in the present research, however, was a multilingual MNC. Hence, language as a means of communicating the strategy became a key topic. The fourth essay adopted a critical perspective towards the dominant unilingual research context of strategy in organizations. The essay is about how the intersection of languages in the multilingual community of an MNC may create opportunities to (re)define power positions since power and politics are inherently present in organizations (Alvesson and Deetz, 2000). The essay showed that not only the actual 'translation events' but also the decisions related to language(s) in the multilingual community can be used – consciously or unconsciously – as power sources. 'Language standardization' (Marschan-Piekkari et al., 1999, p. 379) introduced in the context of the new strategy was aimed at supporting the strategic aim of global alignment, but it was also expected to provide the headquarter functions with the means to monitor and control translations and communication exchanges (SanAntonio, 1987). The actors engaged in the focal translation events of the strategic texts gained, lost, and reclaimed power due to language-based decisions and acts. Drawing on the literature on the power of meanings (Ferner et al., 2012), the essay explored the ambiguity of translations, maintaining that the boundary between extensive localization, i.e. adaptation of a message to meet the requirements of local conditions and producing distorted messages is like a line drawn in the water – fuzzy and fluid.

The fourth essay seeks to participate in the discussion on the role of middle managers as interpreters of corporate strategies acknowledged in the previous literature (Balogun and Johnson, 2004; Rouleau and Balogun, 2011; Suominen and Mantere, 2010). However, this research draws on the intra-organizational power literature of international business studies to provide new insights on this discussion. It draws attention to the nodal position of middle managers in the network, which is based on an in-depth understanding of the local market and business environment and on their sensitivity to local realities, which provides them with power in the MNC. The present study therefore suggests that middle managers not only play a crucial role in

translating strategic intents in the organization but also offer a window into how the power of meanings (Ferner et al., 2012) is exercised when corporate strategies are translated from one language to another.

Implications for the practice of managing strategic changes
This empirical case study of a successful strategic transformation sheds also more light on managing such change particularly from the perspective of communication, which is often seen as the source of failures in implementing strategic changes.

First, the present research contributes to management practice by providing a managerial communication model for strategic change. Unlike earlier models, this research suggests that it is as important to conserve certain values and ways of working as it is to break down existing meanings in order to move on to new ways. This finding seems to suggest a way of helping employees to embrace rather than resist change, since it is emotionally comforting to know that there are also things that 'we did right in the past – not everything needs to change.' Furthermore, the research suggests a cyclical model for communication, where sharing of achievements forms a platform for a new, rising level of ambition in the organization. Hence the model also suggests how to drive continuous change in an organization through a process of cyclical, dynamic, and continuous communication based on meaning-making and -giving processes.

Second, this research directs the attention of managers to language-related issues that are often ignored or at least overlooked as merely technical or practical. On the one hand, the research demonstrated the plausibility of the linguistic construction of both meanings and identities while portraying the inconsistencies between the linguistic devices used and the intended meanings of the discourse level in the managerial narrative. Furthermore, it revealed discrepancies in identification on various levels of organization at the same point of time, based on the use of linguistic devices by the actors in their identity narratives. Hence, the present research prompts managers of practice to 'listen' carefully to the organization and its use of language during change. On the other hand, it clearly demonstrates the complexities of language-based decisions prevailing in a multilingual organization, which can lead to opportunities for using power and even for engaging in deception at the intersection between languages. The findings also suggested that although the introduction of a common language and terminology creates better opportunities for

knowledge sharing, it is not an entirely unproblematic and neutral process, but instead entails shifts of power in business practice between headquarters and subsidiaries that are often overlooked.

Reference list for the summary:

Alvesson, M. and Deetz, S. 2000. *Doing critical management research.* Sage Publications Ltd.

Alvesson, M. 2010. Self-doubters, strugglers, storytellers, surfers and others: Images of self-identities in organization studies. *Human Relations*, 63, 193-217.

Alvesson, M. and Willmott, H. 2002. Producing the appropriate individual: identity regulation as organizational control. *Journal of Management Studies*, 39, 5: 619-44.

Andersen, H.U, and Skaates M.A. 2004. Ensuring Validity in Qualitative International Business Research. In (eds.) Marschan-Piekkari, R. and Welch, C. *Handbook of Qualitative Research Methods in International Business,* 464- 485.

Balogun, J. and Johnson, G. 2004. Organizational Restructuring and Middle Manager Sensemaking. *Academy of Management Journal,* 17 (4), 523-549.

Balogun, J. and Johnson, G. 2005. From Intended Strategies to Unintended Outcomes: The Impact of change Recipient Sensermaking. *Organization Studies*, 26(11), 1573-1601.

Barry D. and Elmes M. 1997. Strategy Retold: Towards a Narrative View of Strategic Discourse. *Academy of Management Review*, 22 (2), 429-452.

Benwell B. and Stokoe, E. 2006. *Discourse and identity*. Edinburgh: Edinburgh University Press.

Brown, A. D. 2006. A Narrative Approach to Collective Identities, Journal of Management Studies, 43, (4), 731-753.

Cooren, F. 2012. Communication Theory at the Center: Ventriloquism and the Communicative Constitution of Reality, *Journal of Communication*, 62, 1-20.

Cooren, F., Kuhn T., Cornelissen, J.P. and Clark, T. 2011. Communication, organizing and organization: An overview and introduction to the special issue. *Organization Studies*, 32 (9), 1149-1170.

Corley, K. G. and Gioia, D.A. 2004. Identity ambiquity and change in the wake of a corporate spin-off.
Administrative Science Quarterly, 49, 173-208.

Corley, K.G. 2004. Defined by our strategy or our culture? Hierarchical differences in perceptions of organizational identity and change, *Human Relations,* 57 (9), 1145–1177.

Cornelissen, J. 2012. Sensemaking Under Pressure: The Influence of Professional Roles and Social Accountability on the Creation of Sense, *Organization Science*, 23 (1), 118-137.

Cornelissen, J.P., Holt, R. and Zundel, M. 2011. The Role of Analogy and Metaphor in the Framing and Legitimization of Strategic Change, *Organization Studies*, 32 (12), 1701-1716.

Derrida J. 1976. *Of Grammatology*. Baltimore, MD: John's Hopkins University Press.

Doz Y. and Kosonen M. 2008. *Fast Strategy: how strategic agility will help you stay ahead of the game*. Pearson Education Limited, Harlow, UK.

Fairclough, N. 2005. *Analyzing Discourse. Textual analysis for social research.* Routledge, London and New York.

Fenton, C. and Langley, A. 2011. Strategy as Practice and the Narrative Turn. *Organization Studies*, 32 (9), 1171- 1196.

Ferner, A. Edwards, T. and Tempel, A. 2012. Power, institutions and the cross-national transfer of employment practices in multinationals. *Human Relations*, 65 (2) 163–187.

Fiol, C. M. 2002. Capitalizing on Paradox: The Role of Language in Transforming Organizational Identities.
Organization Science 13 (6), 653-666.

Floyd, S.W., Cornelissen, J., Wright, M. and Delios, Andrew 2011. Processes and Practices of Strategizing and Organizing: Review, Development, and the Role of Bridging and Umbrella Constructs, *Journal of Management Studies, 48 (5) 933-952.*

Foucault, M. 1972. *The Archeology of Knowledge*. New York: Pantheon.

Gioia, D.A. and Chittipeddi, K. 1991. Sensemaking and sensegiving in Strategic Change Initiation. *Strategic Management Journal,* 12 (6), 433-448.

Hall, D.E. 2004. *Subjectivity*. London: Routledge.

Hall, S. 2000. Who needs identity? In P. du Gay, J. Evans and P. Redman (Eds.) *Identity: A Reader*. London: Sage.

Jarzabkowski, P. 2003. Strategic practices: An activity theory perspective on continuity and change. *Journal of Management Studies*, 40, 23-55.

Jarzabkowski, P. 2004. *Strategy as Practice.Recursiveness, adaptation and practices in use. Organization Studies,*
2, 529-60.

Jarzabkowski, P. 2005. *Strategy as Practice. An activity-based approach.* London, California, New Delhi: Sage Publications.

Johnson, P. and Duberley, J. 2000. *Understanding Management Research*.

Küpers, W., Mantere, S. and Matt Statler, M. 2013. Strategy as Storytelling: A Phenomenological Collaboration. Journal of Management Inquiry, 22 (1), 83–100.

Mantere S., Schildt, H.A. and Sillince, John, A.A. 2012. Reversal of Strategic Change*, Academy of Management Journal*, 55, 1, 172–196.

Mantere, S. and Vaara, E. 2008. On the problem of participation in strategy: A critical discursive perspective,
Organization Science, 19, 341-358.

Marschan-Piekkari, R, Welch, D, and Welch, L. 1999b. Adopting a common corporate language: IHRM implications. *The international Journal of Human Resource Management,* 10 (3), 377-90.

Poncini, G. (2007). *Discursive Strategies in Multicultural Business Meetings* (2nd printing), pp. 85-97 Germany: Peter Lang.

Sonenshein, S. 2006. Crafting social issues at work. *Academic Management Journal*, 49 (6), 1158-1172.

Sonenshein, S. 2010. We're Changing or Are We? Untangling the Role of Progressive, Regressive and Stability Narratives during Strategic Change Implementation. *Academy of Management Journal,* 53 (3), 477-512.

Suominen, K. and Mantere, S. 2010. Consuming Strategy: The Art and Practice of Managers' Everyday Strategy Usage. *Advances in Strategic Management,* 27, 211–245.

Stake, R.E. 1994. Case studies, in N.K. Denzin and Y.S. Lincoln (eds), *Handbook of Qualitative Research*, Sage: Thousand Oaks, CA, pp. 236-247

Symon, G. and C. Cassell (2012), Assessing Qualitative Research, in G. Symon and C. Cassell (eds), *Qualitative Organizational Research: Core Methods and Current Challenges*, London: Sage, 204-223.

Tajfel, H. and Turner, J.C. 1986. The social identity theory of intergroup behavior. In S.Wochel and W.G. Austain (Eds) *Psychology of Intergroup Relations.* Chicago: Nelson.

Taylor, J. R. and van Every, E.J. 2000. *The emergent organization: Communication as its site and surface*. New York, London: Psychology Press.

Taylor, J.R. and Van Every, E. 2011. *The situated organization: Case studies in the pragmatics of communication research.* New York, NY: Taylor and Francis.

Taylor, J.R., Cooren, F., Grioux, N., and Robichaud, D. 1996. The communicational basis of organization: Between the conversation and the text. *Communication Theory, 6, 1-39.*

Vaara E., Kleymann B., and Seristö, H. 2004. Strategies as discursive constructions: The case of airline alliances.
Journal of Management Studies, 41, 1-35.

Vuori, T. and Virtaharju, J. 2012. On the role of emotional arousal in sensegiving, *Journal of Organizational Change Management*, 25 (1), 48-66.

Weick, K.E. 1995. *Sensemaking in Organizations.* London: Sage.

Wodak, R. and Meyer, M. 2009. *Methods of Critical Discourse Analysis*. Sage: London, Los Angeles, New Delhi, Singapore, Washington DC (2nd edition)

EDAMBA

European Doctoral Programmes Association in Management and Business Administration