

ADAPTIVE CHANGE FOR STRATEGIC CORPORATE SOCIAL RESPONSIBILITY

The purpose of this research was to understand how companies embed strategic Corporate Social Responsibility (CSR) - CSR in which a company incorporates CSR into the core business, creating social value as well as shareholder value. An in-depth literature review gave insight into the implications of sustainable development for an organisation's approach to CSR and highlighted elements that need to be taken into account when changing an organisation to become more adaptive in the field of CSR. The fieldwork, consisting of interviews with 24 representatives of business and consulting, supported the hypothesis that an adaptive approach is used for embedding strategic CSR. It also resulted in illustrations of how elements of complexity theory and adaptive change are applied in practice. The analysis revealed that the more strategic the CSR strategy, the more an organisation used a mix of symbolic, political, structural and development oriented perspectives to enhance adaptive change for CSR.

Executive Summary

Research project for Consulting and Coaching for Change

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Introduction

The masters programme Consulting and Coaching for Change (CCC) of HEC Paris Executive Education and Oxford Saïd Business School focuses on the nature of change in organisations, human dynamics and change interventions. It seeks to equip leaders, consultants, coaches and facilitators with the theoretical frameworks and skills to work as effective change-agents in a wide

range of evolving professional environments. To enhance learning and reflection, a research study in the field of change is part of this programme.

The first research question for the underlying study was:

How do organisations embed strategic Corporate Social Responsibility?

Underlying the research questions was one hypothesis that was tested during the study: *"The*

more strategic the CSR strategy, the more an organisation will use elements of adaptive change to embed the CSR strategy."

If the hypothesis turned out to be true, the research question was further specified:

How can companies use (elements of) adaptive change to embed strategic Corporate Social Responsibility?

The study consisted of a literature review and field research.

Review of literature

Context of corporate social responsibility - sustainable development

Business is part of a larger system that is impacted by the actions of the business sector. Sustainable development relates to “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987). Sustainable development thus poses challenges to organisations in the areas of poverty, environment, population and globalisation, which are all impacting business to some extent.

Many actors are involved in sustainable development and they all seem to influence each other to some extent, either in a positive or in a negative way. These are public organisations, on a multinational or national level; civil society, represented by NGOs and media; business organisations and social entrepreneurs; those setting guidelines and certification, as well as shareholders and the public, all influence the role and actions of business and force it to change.

Due to the rise of sustainability businesses will change. Several scenario projects have looked at how the world might evolve in future and they all share the conclusion that on the longer term an unsustainable future, with little regard for social and environmental issues, is unattractive to all, including business.

WBCSD (2000) defined different scenarios for the future, which have been translated into three future scenarios for the world, which also indicate what the impact for business will be. What becomes clear from these scenarios is that no matter how the future will evolve, business will have to deal with sustainable development in some way or the other.

Change can take different forms; in terms of change sustainable development can be defined as a wicked problem, having five characteristics. First is that the problem involves many stakeholders with different values and priorities. Second is that the issue’s roots are complex and tangled, such as increasing population, globalisation and short term focus of shareholders. Third is that the problem is difficult to come to grips with and that it changes with every attempt to address it. Fourth characteristic is that the challenge has no precedent and fifth is that there’s nothing to indicate the right answer to the problem.

Key complexity concepts	Implications for sustainable development
Interconnected and interdependent elements and dimensions	<ul style="list-style-type: none"> • <i>Get the system in the room, by engaging with stakeholders, to understand the context.</i>
Feedback processes promote and inhibit change within systems	<ul style="list-style-type: none"> • <i>Benefit from reinforcing processes and mitigate adverse processes within the system.</i>
System characteristics and behaviours emerge from simple rules of interaction	<ul style="list-style-type: none"> • <i>Let go of all-inclusive strategies and focus on action by improvising and piloting</i>
Non-linearity	<ul style="list-style-type: none"> • <i>Challenge assumptions of cause-and-effect relations.</i>
Sensitivity to initial conditions	<ul style="list-style-type: none"> • <i>Let go of best practices and focus on improvisation by using scenario planning</i>
Possibility space - boundaries within which the system can change	<ul style="list-style-type: none"> • <i>Understand the boundaries for action related to corporate identity, values and business.</i>
Strange attractors can move the system to the ‘edge of chaos’ and eventually switch to a new context with a new space of possibility	<ul style="list-style-type: none"> • <i>Be open to unexpected changes and build capacity to operate at the edge of chaos.</i>
Adaptive agents within the system are able to respond to changes	<ul style="list-style-type: none"> • <i>Act politically to build awareness of the different actors in the system.</i>
Self-organisation: new patterns of behaviour emerge out of the interactions of agents	<ul style="list-style-type: none"> • <i>Empower organisations, teams and individuals to self-organise in response to the context.</i>
Co-evolution: adaptive agents influence other adaptive agents, so that they co-evolve	<ul style="list-style-type: none"> • <i>Create alliances with other actors in the system to work with the effects of co-evolution.</i>

Table 1 Key concepts of complex adaptive systems, based on Ramalingam et al. (2008)

Literature (Camillus, 2008) has defined four techniques to deal with wicked problems: involve stakeholders; define the corporate identity; focus on action; adopt a feed-forward orientation. Roberts (2000) mentions that one of the risks of dealing with wicked problems is trying to tame them, reducing them to much simpler proportions and ignoring the complexity of the issue. In dealing with wicked problems such as sustainable development, it might therefore be useful to apply the complexity lens to take the understanding of the wicked problem one step further (see table 1).

Business' response to sustainable development - Corporate Social Responsibility

Corporate social responsibility (CSR) is the term most used for corporate responses to the challenges and demands of sustainable development. The dimensions of CSR include environmental as well as social issues and actions. CSR can be categorised into four levels, the first two being more operational and defensive, the latter much more strategic and competitive.

- **Initiate.** Basic level, with practically no CSR activities, focussing on compliance and reporting.
- **Improve.** CSR actions in current operations that are cost-effective and to mitigate harm from current operations.
- **Integrate.** CSR issues are integrated into the existing business and strategy; some authors also mention stakeholder involvement.
- **Innovate.** CSR related strategic vision, with new initiatives and CSR embedded values and beliefs.

Besides external drivers to engage in CSR activities, companies need internal, business-related drivers for CSR. And that's good - business drivers will make CSR sustainable, a matter of good business sense instead of merely management's latest frill. These internal drivers are either defensive, positive or altruistic. To support the internal positive drivers for CSR some research has explored the benefits of CSR, mainly in the field of licence to operate, risk management and brand protection (for defensive CSR), efficiency, attracting and motivating employees, attracting new customer and access to capital (for CSR in current business), market advantage (for CSR across the chain) and new business, innovation and shareholder value (for innovative CSR).

For strategic CSR (integrate/innovate) there is no one-size fits all approach, but successful companies will adopt an approach that fits within stakeholders' views and expectations, is consistent with the core aspects of the business and is in line with the company values.

Best practices do not apply; instead it requires an adaptive and transformational approach, for which Heifetz (2002) has described some general principles.

- **Get on the dance floor and onto the balcony.** The leader has to be part of the process of dealing with the adaptive challenge, while also observing this process and thinking politically.
- **Identify the adaptive challenge,** the challenge for which there is no ready made technical answer and which requires a change in values, beliefs and behaviour.
- **Create the holding environment,** the physical space, relationship or social space in which the adaptive work can be brought about. This might be a pilot setting, to test some ideas before challenging the whole organisation to change.
- **Orchestrate conflict:** create distress to make people feel the need for change, while also sequencing and pacing the work to enable people to deal with the changes and providing direction.
- **Maintain disciplined attention:** keep people focussed on the challenge and addressing the hard questions, recognising work avoidance and using conflict in a constructive way.
- **Give the work back to the people,** so they will take responsibility and use their knowledge; management has to learn to support these efforts, hold people accountable and build collective self-confidence and at the same time it has to resist to the challenges and demands to take top-down action.
- **Protect the voices of leadership from below,** making sure that everyone's voice is heard and enabling people to point to internal contradictions in the organisations, to 'speak the unspeakable'.

These principles can be detailed by applying specific frames to look at organisations (see table 2). For strategic CSR the symbolic (comparing organisations to theatres) and the political frame (comparing to jungles) from Bolman & Deal (2008), supported by elements from the human resource frame (as families), are most likely to be effective.

The symbolic frame relates to shared values, how people make sense out of events and how they are inspired. For CSR the organisational identity might need to change, though it's important to also point out what part of the new identity already existed within the organisation. The organisational values have to be congruent with the CSR strategy, while personal values can be a very important factor as a catalyst for CSR.

The political frame relates to interests and power. For CSR the role of the board and top management is very important, as well as political skills to build alliances and for stakeholder dialogue.

Adaptive change	Get on the balcony	Frame the adaptive challenge	Create the holding environment			Protect voices from below
			Orchestrate conflict	Maintain attention	Give back the work	
Frames						
Symbolic	<i>Understand identity, values, culture Make sense of CSR</i>	<i>Define CSR vision Create new corporate identity and values</i>	<i>Create transition rituals Apply appreciative inquiry to show what stays</i>	<i>Introduce new rituals and ceremonies Create new stories by starting pilots</i>	<i>Mobilise people Celebrate heroes and heroines in the organisation</i>	<i>Adopt values that encourage speaking the unspeakable Support social entrepreneurs publicly</i>
Political	<i>Diagnose the internal and external political landscape</i>	<i>Advocate importance of CSR</i>	<i>Assign resources to CSR Conduct scenario analysis Interact with stakeholders</i>	<i>Focus on action for CSR Create CSR executive board Role model Set the CSR agenda</i>	<i>Build coalitions for CSR across the organisation Invite people to engage with stakeholders</i>	<i>Invite volunteers to be committed to CSR Publicly support stakeholder engagement</i>
Human resource	<i>Identify skill gap for CSR</i>	<i>Create an inspiring vision</i>	<i>Promote diversity Train people on CSR dilemmas</i>	<i>Structure for empowerment Include CSR in appraisal dialogue</i>	<i>Empower people Coach people to take responsibility</i>	<i>Support and reinforce actions Openly test assumptions and beliefs</i>
Structural	<i>Audit CSR performance</i>	<i>Define CSR goals and timeframe Appoint CSR officer</i>	<i>Place CSR in the higher levels of the organisation Put CSR in company targets and appraisal</i>	<i>Organise audit and reporting cycle Set up vertical and horizontal co-ordination for CSR</i>	<i>Adapt job descriptions to include CSR Have people develop CSR handbook</i>	<i>Assign CSR officer and representatives with adequate authority</i>

Table 2 Key learnings for adaptive change towards CSR, by applying different lenses, based on the adaptive principles of Heifetz (2002, 2009)

The human resource frame relates to training, coaching, involvement and empowerment. Though empowerment is important for CSR, one has to be aware of paradoxes related to it. The structural frame relates to goals, policies and responsibilities. Even though it is less critical for strategic CSR, the structural choices do have a symbolic impact - where CSR is placed in the organisation does give a signal about its importance.

Businesses respond to the wicked challenge of sustainable development either by applying an operational CSR strategy, trying to ignore or tame the wicked problem by adhering to global or industry wide regulation or by improving current practices; the alternative is to deal with the wicked problem in a strategic manner, by integrating CSR into the core business and experimenting with new ways of doing business. Literature therefore supports the hypothesis that the more strategic the CSR strategy, the more an organisation will use elements of adaptive change to develop and adopt the CSR strategy.

Methodology of the study

Next to testing the hypothesis, the field research was intended to uncover approaches to embed CSR in an organisation, most specifically in the case of strategic CSR and of adaptive change. The research was qualitative, descriptive research, to study what tools and tactics organisations use for their journey to CSR.

Data have been collected by using interviews, mostly face-to-face, one-on-one. The interviews were semi-structured, using mostly open questions. In total 16 representatives of business and 8 consultants participated in the research.

First step in the analysis was to use the interview findings to categorise the participating companies into operational / strategic CSR and into technical / adaptive approach, as a way to test the hypothesis (though the number of participants was not sufficient to validate the hypothesis). Second step was to analyse the huge amount of data generated by the interviews in a semi-structured way, looking for common themes and using tables to find trends in the responses.

Results of the study

CSR levels and change approach

Using the assessment of the CSR levels and the change approach, it became clear that the more strategic the CSR level, the more adaptive the change approach is, though this relation is not a straight line - based on the limited set of respondents it seems to be that for each level of CSR some elements of adaptive approach are applied and that the adaptive nature of the approach increases when the CSR levels become more strategic. As such, this supports the hypothesis of the study.

Main findings

Setting for CSR

Most of the interviewees are personally committed to CSR or have been involved in the field a long time. The companies with the most strategic commitment to CSR have multiple drivers: a personal commitment at the top, a drive to create business with CSR and pressure from stakeholders. Some of the interviewees mentioned that the driver for CSR comes from the organisation's identity. All companies have a link with society, either through sponsoring (financial), providing expertise or capacity to NGOs, or in more strategic philanthropy, linked to the company's core business. Some of the companies in the survey go one step further, by trying to influence society and the sector they're in.

CSR strategy

In general it seems that a lot of the organisations that participated in the study consider CSR to present opportunities, instead of just reducing risks. For those companies that are committed to strategic CSR the CSR strategy includes:

- measuring CSR performance,
- improving CSR,
- taking it one step further, either by inventing sustainable value propositions, by influencing and engaging employees on a personal level or by influencing public opinion.

Organisation of CSR

In the most strategic CSR companies top management is committed to CSR and leads by example, thus providing a role model for CSR. Some consultants in the study stress that top management needs to have or develop certain characteristics to allow for strategic CSR: maturity to openly discuss CSR themes and dilemmas; commitment and courage to do things differently, to cross boundaries and relate to people on a personal level and openness to change.

Some CEOs take the lead in engaging their management. In other cases management felt some resistance towards CSR, because they were afraid it

would increase their workload. To deal with that anxiety some of these companies demonstrate to their management that CSR does not create additional work but is merely a different way of doing the current work.

Top down change for CSR

Most participating companies typically combine a top down, centralised approach with bottom up initiatives - they consider CSR to be a change process, aimed at engaging people. The top down approach combines various elements in each company. (1) Companies have defined a CSR ambition and strategy, that provide a frame of reference for business units and department. (2) In most companies CSR targets are defined for departments, often related to remuneration of its management and sometimes also part of career decisions. (3) Audits are then used to measure results and some companies define policies, codes of conduct and guidelines to direct the change towards CSR.

The approach taken by most of the consultants starts with formulating a vision, defining a strategy and making a plan for implementation. Some of them focus on commitment of people, by including employees in a first orientation to prepare for the vision.

Bottom up approach for CSR

Employees are engaged by appointing and involving them in project teams, by organising discussions on CSR issues in team meetings, by challenging employees to volunteer for CSR projects or to take part in CSR related competitions, by inspiring them with stories and events and by developing personal skills for CSR. Training for CSR varies: at its most basic level it provides information on the urgency for CSR; some companies also have training on a more functional level, and the most advanced CSR training is much more personal, looking at roles, values and dilemmas.

To stimulate 'CSR believers' to contribute, the most basic approach is to ask for suggestions, talk to them and organise network meetings. Some companies, however, explicitly put them in the spotlight, give them special training or support their innovative ideas. Emerging CSR initiatives receive support through financing, coaching, creating pilots, connecting them to inside or outside networks, providing access to top management and inviting external speakers to challenge ideas.

Consultants in the study all pay attention to bottom up approaches, mostly by engaging with employees in interviews and focus groups.

Learnings

Looking back on their experience the interviewees could name a number of success factors, that have been important for where they are now:

- Create and show early successes;
- Enable bottom up execution of CSR initiatives;

- Authenticity and internal drive;
- Take a step-by-step approach;
- Relate to the day-to-day business;
- Top management support.

The consultants in the study agree that CSR needs to be related to the core business and is most successful when employees are engaged and feel committed.

For the future, the interviewees see many challenges ahead. Even for the most advanced companies, consistently committing employees and management to CSR remains one of the biggest challenges. Another challenge is to make something abstract (CSR) more specific and actionable for the organisation. In addition, the economic crisis has increased the urge to show the added value of CSR, which is not always easy on a short term.

The consultants also spoke about the translation of CSR to people's day-to-day activities and about the challenges of new skills and new mental models and they added the challenge of power relations for CSR.

Discussion on findings: adaptive change for CSR

All organisations in the study have been influenced by other actors in the complex adaptive system of sustainable development. And some of them actively seek to influence other actors as well, by inspiring them or by co-operating with them.

In order to 'get on the balcony', to understand the bigger picture, most organisations engage with stakeholders or work with consultants who can provide the outsider's view. One company explicitly distinguishes its relation with government, with citizens and with consumers, to understand its context.

The way an organisation frames CSR is essential: as a risk or an opportunity. Most often, success stories were used to make people understand that CSR is within reach.

To create urgency to change for CSR, organisations use technical approaches, with plan letters and targets, and inspirational elements, such as story telling and events to speak to personal values.

To maintain people's attention for CSR, organisations use structural measures, e.g. audits, training programs and communication.

Remarkably most of the companies in the study have a very small CSR office or only a CSR manager. Through this choice in structure they also communicate that CSR is not a centralised, top down issue, but needs to be supported and taken up by others in the organisation. It is clear from the interviews that most organisations use all instruments they can think of to create commitment for CSR with their employees and to encourage them to take action.

To make sure that everyone's voice is heard companies in the study actively support the frontrunners within the company, who are personally committed to CSR. Top management also has an important role to create an open culture, allowing to speak the unspeakable.

Conclusion and reflection

Conclusions of the study

This study has shown that the application of complex adaptive systems theory and adaptive change theory can be very enriching for studying, understanding and enhancing the field of strategic CSR. Businesses operate within a complex environment, that impact business in various ways with regards to sustainable development. To deal with the wicked problems thus facing companies, they can use a variation of strategies. The principles of adaptive change, as framed by Heifetz et al. (2002), can provide a useful frame for an adaptive approach to embed CSR in an organisation. The more strategic the CSR strategy an organisation aspires, the more they used a mix of symbolic, political, structural and development oriented perspectives.

Limitations of the study

The study has some limitations that need to be considered when applying the conclusions. First, conclusions from this study can not be generalised to apply to each and every company, due to the chosen sample. The findings and conclusions from this study should be regarded as illustrations of (adaptive) approaches to embed CSR in an organisation. Second, the assessment of an organisation's CSR strategy and its change approach has not been reviewed by the interviewees, but has been assessed by the interviewer, based in input during the interviews. This assessment may have been biased. Third, to be able to talk about change strategies required interviewees to have some understanding of change theories; in some cases that was the fact, other interviewees were less familiar with the change vocabulary, thus limiting the information retrieved in the short time span of the interview.

Recommendations for future research

Areas for further research might be an extensive, representative study on the relation between CSR ambition (operational or strategic) and change approach (technical versus adaptive) or a study into the origins of these approaches - do they originate from the number of years in CSR, to the origins of the company, the commitment of top management?

A further study using case studies or action research can increase understanding of the application of complex adaptive systems theory and adaptive change theory for CSR.

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Contact

This is the executive summary of the dissertation submitted in 2010 in partial fulfilment of the requirements for the HEC Paris degree of Executive Specialised Master in Consulting and Coaching for Change. If you have any further questions, please contact the author: thea.hazel-stals@changewise.nl.

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