

**University of Alberta**

*Exploring the Effects of Corporate Social Performance on Employees*

by

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requirements for the degree of *Master of Arts*

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## **Dedication**

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## Table of Contents

<b>Chapter 1: Thesis Overview</b>	p. 1
1.1 – Identifying the Problem	p. 1
1.2 – Theoretical Approach	p. 2
1.3 – Research Questions and Methodology	p. 3
1.4 – Summary of Key Findings	p. 5
1.5 – Theoretical Implications	p. 6
<b>Chapter 2: The History of Employees in Business and Society Literature</b>	p. 9
2.1 – Introduction	p. 9
2.2 – Corporate Social Responsibility (CSR1)	p. 11
2.3 – Corporate Social Responsiveness (CSR2)	p. 16
2.4 – Corporate Social Performance (CSP)	p. 20
2.5 – Conclusion	p. 25
<b>Chapter 3: Theoretical Approach</b>	p. 27
3.1 – Introduction	p. 27
3.2 – Reconceptualization of Wood’s Model	p. 28
3.3 – Effects from CSP Principles and Outcomes	p. 30
3.4 – Effects from Processes of Social Responsiveness	p. 37
3.5 – Mediating Factors	p. 43
3.6 – Conclusion	p. 47
<b>Chapter 4: Methodology</b>	p. 49
4.1 – Introduction	p. 49
4.2 – Rationale for the Methodology	p. 50
4.3 – Negotiating Access	p. 52
4.4 – Case Study Overview, Enbridge Energy Transportation North	p. 54
4.5 – Research Process	p. 56
4.6 – Data Analysis	p. 59
4.7 – Conclusion	p. 61
<b>Chapter 5: Social Performance at Enbridge Energy Transportation North</b>	p. 63
5.1 – Introduction	p. 63
5.2 – Principles of Social Responsibility	p. 63
5.3 – Social Performance Outcomes	p. 68
5.4 – The Roles of Employees in Social Responsiveness	p. 74
5.5 – Conclusion	p. 77
<b>Chapter 6: Analysis of Employee Interviews</b>	p. 79
6.1 – Introduction	p. 79
6.2 – Employee Definitions of CSP	p. 81
6.3 – Effects from Congruence with CSP Principles	p. 82
6.4 – Effects from CSP Outcomes	p. 90
6.5 – Effects from Participation in CSP	p. 95
6.6 – Conclusion	p. 98
<b>Chapter 7: Discussion and Conclusions</b>	p. 99
7.1 – Introduction	p. 99
7.2 – Limitations of this Study	p. 100
7.3 – Implications for the Employee / CSP Relationship	p. 100
7.4 – Implications for Stakeholder Theory	p. 105
7.5 – Implications for Business Practices of CSP	p. 107
7.6 – Conclusion	p. 111
<b>Bibliography</b>	p. 113

## **List of Figures**

Figure 1: Wood's Integrative, Multi-Dimensional Model of CSP (with Sample Stakeholder Groups)	p. 23
Figure 2: Reconceptualization of Wood's Model	p. 30
Figure 3: Reconceptualized Model Highlighting Employee / CSP Value Congruence	p. 35
Figure 4: Reconceptualized Model Highlighting Processes of Social Responsiveness	p. 37
Figure 5: Reconceptualized Model Highlighting Multiple Stakeholder Roles of Employees	p. 44

## **List of Appendices**

Appendix A: Interview Guide, Senior Managers	p. 121
Appendix B: Interview Guide, Employees	p. 123
Appendix C: Sampling Matrix	p. 125
Appendix D: Telephone Script	p. 126
Appendix E: Coding List	p. 127
Appendix F: Comprehensive Coding List	p. 128

## **Chapter 1: Thesis Overview**

### **1.1 - Identifying the Problem**

While business and society literature has examined the roles of managerial employees in corporate social performance (CSP), we currently have little understanding of how CSP affects non-managerial employees. Throughout the history of business and society literature, neither theories of corporate social responsibility, corporate social responsiveness, nor corporate social performance have offered meaningful insight into this relationship.

Currently, the most robust and widely accepted model of social performance is Wood's (1991) integrative, multi-dimensional model. Wood argued that a company's social performance consists of its principles of social responsibility, processes of social responsiveness, and the outcomes that result from these. While it provides a useful tool to examine CSP, the model offers only limited insight into the employee / CSP relationship. Based on its inclusion of stakeholder theory, Wood's model includes employees as important stakeholders in a company. Therefore, a company faces the challenge of maintaining a positive relationship with its employees in order to ensure they continue to contribute their efforts to the company. This has had the effect of limiting investigation into the employee / CSP relationship to human resource management (HRM) factors. HRM is only one aspect of CSP, however. In addition to this, another body of literature has begun to examine the influences of a company's reputation and image on its employees. Like HRM, however, these relate only to narrow aspects of a company's CSP, and thus they expose gaps in our understanding of the employee / CSP relationship.

Using Wood's model, I argue that CSP affects employees in ways that go beyond HRM, image, and reputation. To support this argument, it is necessary to examine the relationship between employees and social performance along each of the principle, process, and outcome dimensions of CSP. In order for Wood's model to provide theoretical insight into how CSP affects employees,

however, I reconceptualized it to recognize the unique position employees occupy vis-à-vis their company.

## **1.2 - Theoretical Approach**

My alterations to Wood's model relate primarily to its conceptualization of stakeholder theory. Wood's model treats a company's relationships with its stakeholders as a series of dyadic interactions with individual groups. This concept is the root of the HRM focus found in the employee / CSP relationship. Evidence suggests, however, that based on their position as internal stakeholders, employees may be affected by CSP in other ways.

Given their position within a company, person / organization fit theory suggests that employees may be affected by the congruence between their CSP values and those of the company. Evidence suggests that when CSP value congruence is high, employees may benefit from increased job satisfaction, morale, commitment, and performance. In addition, I supplement my examination by using social identity theory. Social identity theory suggests that when employees view a company's overall CSP outcomes as positive, these employees may associate more closely with the company than they would otherwise. Existing studies suggest this may result in increased self-esteem and commitment amongst employees.

Furthermore, I argue CSP may also affect employees, as internal stakeholders, through their participation in the company's processes of social responsiveness. While social responsiveness and social performance literature has focused only on the role of managers in producing social performance, employees may also be involved in CSP production in a number of ways. Empowerment and participative management strategies may allow employees to provide input into the decisions a company makes regarding CSP. Moreover, empowerment may also allow employees to utilize their individual discretion in establishing and maintaining relationships with other stakeholder groups. Studies have linked

this type of involvement in CSP production to increased employee morale, commitment, satisfaction and performance.

Lastly, CSP may influence employees based on their affiliations with additional stakeholder groups such as communities, shareholders, or the environment. This influence suggests that employees may have more than one relationship with a company. As a company's social performance may have a direct influence on these groups, CSP may affect employees who identify with them. Given that CSP may directly affect employees through these groups, these aspects of CSP may be more salient to them than other stakeholder relationships. Evidence also suggests that age and gender may influence the degree to which CSP affects employees.

### **1.3 – Research Questions and Methodology**

Based on my reconceptualization of Wood's CSP model, I have exposed a gap in our understanding of how a company's CSP principles, processes, and outcomes affect its employees. While considerable ground must be covered in examining this relationship, I chose the following research questions to frame my investigation:

1. How do employees perceive their company's social performance principles and outcomes affecting themselves?
2. How do employees perceive their role as creators of and participants in the production of social performance?

These questions provided a framework for my study to investigate if and how a company's CSP principles, processes, and outcomes affect its employees. Furthermore, these questions facilitated exploration into the potential for social performance to influence employees in different ways, and for outcomes to vary by age and gender.

To explore these questions, I designed and conducted an exploratory qualitative case study of Enbridge Energy Transportation North (Transportation North). Given the dearth of literature regarding the employee / CSP relationship, I chose a qualitative strategy in order to respond flexibly to new discoveries made in the process of collecting data, as well as to generate deep, contextualized understandings of how employees perceive social performance affecting themselves. I selected Transportation North as my case because of reports from both company and external sources suggesting it had strong social performance along each of Wood's principle, process, and outcome dimensions. Therefore, a study of this company would provide insight into how CSP affects employees in ways that would be difficult to observe in a company with marginal CSP. In addition, pragmatic factors also motivated my decision to approach Transportation North. Given my limited research budget, the company's location in my hometown of Edmonton, Alberta was a selection factor, as was the fact that I possessed a high-level contact within the organization, who proved very helpful in negotiating access to the company.

My case study consisted of two distinct stages. First, I analyzed documents from both company and external sources to construct a profile of Transportation North's social performance. I then complemented the information gleaned from these documents by carrying out in-depth interviews with three senior managers within Transportation North who filled in missing details, and added valuable local context to my overview. Subsequently, I conducted in-depth interviews with fifteen employees from Transportation North's head office in Edmonton to explore the effects that they perceived the company's CSP having on themselves. To the extent possible with only fifteen interviewees, I attempted to include in my sample equal proportions of men and women from different divisions of the company and of varying age, education, and tenure.

#### **1.4 – Summary of Key Findings**

Based on my interviews, I found evidence that each of the principle, process, and outcome dimensions of CSP affects employees. At the most general level of analysis, almost all participants in this study identified social performance as personally important and perceived some degree of congruence between their CSP values and Transportation North's. The majority also gave positive evaluations of the company's CSP outcomes and reported participating in the creation of this CSP through performance of their jobs, volunteerism, or both. As a result, the majority of participants reported benefiting from CSP in ways extending beyond human resource management. The most commonly reported outcomes were increased commitment, job satisfaction, morale, and self-esteem. In sum, the evidence suggests a potentially strong relationship between CSP and employee outcomes. When examined in more detail, however, an interesting picture emerged. While almost all interviewees reported benefiting from social performance, the dimensions of CSP that produced these benefits, and the specific benefits reported, differed.

Concerning CSP principles, almost all interviewees reported CSP as being personally important. The specific aspects of CSP valued by interviewees, however, varied. Many males, and females with higher job tenure, identified CSP as important in terms of all of the company's stakeholder relationships. These individuals viewed CSP as important primarily due to the benefits they perceived it having on their job security and stock options. For other interviewees, primarily females with lower job tenure, only specific stakeholder groups were of particular importance. Typically, these individuals valued community involvement, environmental protection, and the treatment of their fellow employees. Almost all interviewees also reported identifying with the company's ethical policies. Many interviewees with higher job tenure reported valuing CSP for all of the reasons identified above. Of these individuals, those who perceived a congruence between their values relating to specific

stakeholder groups and the company's treatment of these groups typically reported the greatest benefits from CSP.

Numerous employees reported benefiting from CSP through their identification with the positive aspects of the company's social performance. These individuals, typically younger women and older men, reported feeling increased self-esteem and commitment to the company because of this identification. Interestingly, for many of the men who reported this type of identification, it appeared to be a substitute for CSP value congruence or participation in CSP creation.

Data suggest that individuals who participate in the creation of CSP benefit from their involvement. While Enbridge does not provide opportunities for employee input on a policy level, opportunities exist for employees to participate in CSP creation through both volunteerism programs and performance of their jobs. The majority of interviewees reported participating in CSP in one or both of these ways and typically reported increased commitment and job satisfaction as a result.

Most importantly, however, while employees reported benefiting from each dimension of CSP, a clear pattern emerged. Individuals who perceived the greatest congruence between their values and the company's concerning specific stakeholder groups were also the most likely to participate in CSP creation, express pride in their association with their company, and benefit from CSP.

### **1.5 - Theoretical Implications**

In my exploratory case study of Enbridge Transportation North, I have found evidence for a link between corporate social performance and employee outcomes. The data collected from interviews with company employees provide evidence that each of the principle, process, and outcome dimensions of CSP affects them. My evidence suggests that at Transportation North, strong social

performance may have led to increased employee commitment, job satisfaction, morale, and self-esteem. While this study is exploratory and suffers the limitations of a single case study with a small sample of respondents, it nonetheless has implications for future research regarding the employee / CSP relationship, the development of stakeholder theory, and corporate practices of CSP.

Regarding the practice of CSP in companies, my study suggests that CSP may be a meaningful corporate resource that can be enhanced by attending to its internal dimensions. Although almost all interviewees reported some benefit from CSP, the specific combination of value congruence with organizational CSP principles, opportunities for involvement in CSP processes, and strong CSP outcomes in these areas was especially potent in producing positive employee outcomes. This finding suggests that companies may benefit from enhancing the congruence between their social performance values and those of their employees. This may take the form of values-based recruitment and hiring practices, employee surveys, or other formalized policies facilitating employee input into the company's CSP principles. In addition, companies would be well advised to differentiate their social performance from their competitors', as interviewees in this study tended to perceive Enbridge's CSP as "average", despite external evaluations indicating otherwise. Evidence also suggests that CSP may have a role to play in the creation of a common, organization-wide identity. Further research is necessary to support this claim, however.

Additionally, my results suggest that my reconceptualization of Wood's model is a useful tool for examining the relationship between employees and CSP. As I have argued, the fit between employee and company CSP values, and social identification with the positive aspects of CSP, both appear to be key factors underlying the benefits that employees report resulting from CSP. My repositioning of employees to reflect their multiple stakeholder roles also appears to provide insight into how CPS affects employees. This insight has theoretical implications in two main areas.

First, my results provide the impetus for additional research into the employee / CSP relationship. Specifically, research is required on multiple companies in multiple industries to determine the generalizability of my findings. Questions also remain regarding how employees learn about social performance, what the effects are when social performance is strong in some areas and weak in others, or when employees expect stronger CSP outcomes from their company than it delivers. Additional study is also necessary to determine the mediating role HRM factors such as job design, pay, corporate culture, management style, and downsizing may have in the relationship between employees and CSP.

My results also have implications for stakeholder theory. While stakeholder theory currently views a company's relationships with its stakeholders as a series of dyadic interactions, or a series of networked demands on a company, my results suggest the theory needs to expand. Specifically, my findings suggest that overlapping membership between stakeholder groups may influence how CSP affects them. Moreover, my results also suggest that indirect effects might result from a company's stakeholder relationships. While further investigation is required in these areas, my results suggest that stakeholder theory may need to expand to accommodate these factors.

## **Chapter 2: The History of Employees in Business and Society Literature**

### **2.1 - Introduction**

Literature regarding the relationship between business and society, and the role of employees in this relationship, has been published throughout the history of business and society literature. This chapter provides a history of the theoretical development of business and society literature, with a focus on the inclusion of employees in the literature. The history of business and society literature includes three main theoretical developments: corporate social responsibility (CSR1), corporate social responsiveness (CSR2), and most recently, corporate social performance (CSP). Examination of each shows that while the roles of senior managers have received considerable attention in business and society literature, examination of employees below this level<sup>1</sup> has emerged only recently, and a truly robust examination of how corporate social performance affects employees has yet to be undertaken.

Beginning in the 1950's, theories of corporate social responsibility began to emerge as an area of theoretical examination. While the primary themes of CSR1 literature focused on why business should be socially responsible and what social issues they should be responsible for, this literature also implicitly recognized that a company's senior managers played a key role in social responsibility through their capacity as corporate decision makers. The examination of managerial influence on social responsibility was minimal, however, and no attempts were made to examine the reciprocal impacts of CSR1 on managers or employees. In addition to having these gaps, this early literature also disagreed about what the literature's main theme of CSR1 should be.

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<sup>1</sup> Although the term 'employees' can be used to refer to individuals ranging from senior managers to junior staff, for the purposes of this paper, 'employees' is used to refer to individuals occupying positions below senior management, while 'managers' is used to refer to senior managers.

Frustrated with the theoretical ambiguity and disagreement in CSR1 literature, researchers in the 1970's began to focus on social responsiveness (CSR2) as an alternative to CSR1. CSR2 theorists viewed CSR1 as a fruitless attempt to analyze the business and society relationship, and instead turned their attention to the analysis of managerial procedures for responding to social issues. While this shift suggests an accompanying emphasis on managers and employees, this emphasis did not occur. While senior managers were once again tacitly included in CSR2 theories as decision makers, the focus was primarily on managerial processes for responding to social issues as opposed to moral decisions made by managers, or the influence of responsiveness processes on employees. While this focus resulted in the creation of tools to categorize a company's social responsiveness, as well as a large body of literature regarding stakeholder and social issue management, this literature failed to advance the understanding of the relationship between employees and social responsiveness beyond that of CSR1.

The most significant contribution to the understanding of the relationship between employees and social performance emerged out of attempts to unify CSR1 and CSR2 under a common rubric of corporate social performance (CSP). Presently, the most theoretically robust and frequently cited model of social performance is Wood's (1991) multi-dimensional principle-process-outcome model. While CSR1 and CSR2 were plagued by theoretical disagreement, they are combined in Wood's model as complementary elements. Wood's model also draws upon stakeholder theory to clarify which groups a company has social responsibilities toward.

Recently, business and society literature has begun to focus on how CSP influences employees. Based on the stakeholder model, literature has emerged examining how a company's human resource management (HRM), image, and reputation affect employees. While these studies contribute to the understanding of the influence of CSP on employees, HRM represents only one stakeholder

relationship of the many comprising a company's social performance, and image and reputation reflect only the outcome dimension of CSP. Given the multiple dimensions of CSP as shown by Wood, the relationship between employees and social performance must be examined along each of these dimensions in order for a robust understanding of this relationship to emerge.

## **2.2 - Corporate Social Responsibility (CSR1)**

While some have traced literature regarding the role of corporations in society as far back as the Progressive Era in the United States from 1900-1920 (Hofstadter, 1955; Carroll, 1999), academic writing on the topic is largely a product of the second half of the 20<sup>th</sup> century. Beginning in the 1950's, with the first works in CSR1, business and society theorists began to touch on the role of employees in social responsibility. These writers examined only how managers influenced CSR1, however, and overlooked the potential for a company's social responsibility to affect managers. The relationship between non-managerial employees and social responsibility was overlooked entirely. While the role of managers in social responsibility can be seen as a sub-theme in CSR1 literature, the primary themes were arguments for why business should be socially responsible and what this social responsibility encompassed. Although writers such as Bowen (1953), Davis (1973), Preston and Post (1975), and Carroll (1979) made significant contributions to the development of theories in these areas, CSR1 literature was plagued by vague, general definitions of "social responsibility", and theoretical competition between institutional, organizational, and individual analytic frameworks.

Many writers on the subject of business and society identify the genesis of modern corporate social responsibility theory with Bowen's book, *Social Responsibilities of the Businessman* (1953). In this book, Bowen provided the theoretical foundation for subsequent CSR1 theory, arguing that the responsibilities of corporations extend beyond profit maximization to include social responsibilities. Furthermore, in the exercise of these social

responsibilities, Bowen argued that managers play a key role in “(making) those decisions... which are desirable in terms of the objectives and values of our society” (p. 6). In this argument, Bowen established the pattern of analyzing only the roles of managerial employees in CSR1. This pattern became endemic to CSR1 theory.

After Bowen’s original work, CSR1 went through a stage from the late 1950’s to the early 1970’s that Wood later referred to as the “consciousness-raising’ phase of... development” (p. 694). As Eberstadt (1973) stated, writers in this period were motivated by the notion that “business (had) seldom enjoyed so much power with so little responsibility” (p. 22). Based on this belief, the majority of literature in this period focused on why businesses should be socially responsible and what these responsibilities should be.

Concerning the matter of why businesses should be socially responsible, a succession of writers developed macro level arguments for social responsibility. The first key works in this area argued business and society are interdependent, and that corporate actions affect the interests of others within the social system (Davis & Blonstrom, 1966; Davis, 1967). Based on this assumption, Davis and Blonstrom argued corporations have responsibilities to society that go beyond traditional economic and legal considerations. McGuire (1963), Walton (1967), and Johnson (1971) also make this general argument. While each of these writers added specificity and theoretical detail to Bowen’s argument, they failed to provide succinct definitions of what social areas businesses are responsible for, or what specific actions are required of socially responsible businesses. As a result, these works provided somewhat vague moral admonishments for social responsibility and failed to advance CSR1 beyond macro-level arguments that businesses have social responsibilities because they interact with society. Furthermore, while each writer’s discussion included managers as decision makers, none examined how social responsibility affects managers or employees.

While the theories of Blonstrom, Davis, McGuire, Walton, and Johnson focused on why businesses should be socially responsible, another area of CSR1 theory concentrated on definitions of what constituted “socially responsible” corporate behavior. Like arguments for why businesses should be socially responsible, definitions of socially responsible behavior were typically vague and moralistic in tone. In an early definition, Davis (1973) defined “socially responsible” behavior as that which begins where the law ends. Similarly, Sethi (1975) defined “social responsibility” as bringing the standards of business conduct up to a level congruent with dominant social norms, values, and expectations. Eells and Walton (1974) provided a similarly broad definition, arguing that social responsibility entails the role of business in supporting and improving social order. Eilbert and Parker (1973) were relatively more specific making an analogy between good neighborliness and social responsibility. Specifically, they defined corporate neighbourliness as the active role of business in “the solution of broad social problems, such as racial discrimination, pollution, transportation, or urban decay” (p. 7). In terms of examining the relationship between internal actors and principles of social responsibility, however, these arguments represented a step backward from arguments for why corporations should be socially responsible. No CSR1 theories explicitly examined the relationship between employees and social responsibility, and these theories ignored internal corporate actors entirely, instead focusing on the corporation itself as the primary unit of analysis.

Diverging from these general definitions of social responsibility that ignore internal actors, Carroll’s seminal article, “A Three-Dimensional Model of Corporate Social Performance” (1979) explicitly recognized the futility of overly general definitions of social responsibility and reinstated the role of senior managers in social responsibility. In his argument, Carroll abandoned any attempt to define the ‘social’ that businesses are responsible for, instead recognizing that social issues vary by firm and industry. Carroll did not attempt

to define these various responsibilities, however, noting that “there is by no means agreement as to what these issues should be” (p. 501). While this comment represents an overt recognition of the ambiguity in earlier CSR1 theories, it does little to advance the understanding of what social responsibility constitutes. Carroll did, however, make a considerable contribution with his four-level framework for analyzing socially responsible actions.

Still widely cited in business and society literature, Carroll’s framework is an advancement on the principles outlined by Davis (1973), Sethi (1975), Eells and Walton (1974), and Eilbert and Parker (1973) in that it offers useful categories for analyzing the degree of social responsibility of corporate and managerial decisions. According to Carroll’s framework, all business decisions can be analyzed by examining the degree to which they satisfy the economic concerns of the corporation, accord with the law, are of an ethically high character, and make use of managerial discretion beyond these considerations. Under this framework, socially responsible decisions are those satisfying each of the four categories. Moreover, the managerial discretion level of the framework represents a considerable contribution to the understanding of the employee / social performance relationship.

In his discussion of managerial discretion, Carroll built on an earlier argument by Ackerman (1975) that managers are moral actors and, as such, have choices about how to fulfill their social responsibilities that go beyond corporate policies, rules, or procedures. While the subject of managerial decision-making had been a sub-theme in CSR1 literature from Bowen (1953) on, Ackerman and Carroll were the first to explicitly recognize the role managers play in social responsibility through the decisions they make as moral actors. While this recognition is a significant contribution to the examination of the relationship between employees and social responsibility, Ackerman and Carroll examined only managers and their influence as decision makers. These writers overlooked

the reciprocal impacts that social responsibility may have on managers, as well as the relationship between CSR1 and non-managerial employees.

While CSR1 literature provided extensive discussion regarding the justification for socially responsible action, what social issues businesses are responsible for, and what principles defined socially responsible action, this literature was characterized by vague, Kantian notions of “moral duty” (see Levine, 1995). As a result, this literature failed to provide companies with a compelling argument for integrating social responsibility into their operations. In an attempt to generate more precise and meaningful definitions of ‘social’ and social issues, writers such as Preston and Post (1975) and Fitch (1976) sought to move CSR1 theory from a macro social level to a more micro level of analysis.

Mirroring early themes of the interdependence between business and social spheres (McGuire, 1963; Davis & Blonstrom, 1966; Walton, 1967; Johnson, 1971), Preston and Post (1975) framed their discussion of CSR1 around the argument that business and society are interpenetrating systems. Based on this assumption, they argued that corporate actions can affect society, and thus that businesses have a responsibility to limit these impacts. Businesses are not responsible for solving all social problems, but, rather, have a “public responsibility” to address social issues in which they have a direct stake.

Building on Preston and Post, Fitch (1976) developed heuristic tools for corporations to use to distinguish between social and non-social problems and act upon those issues relating to their specific interests and social impacts. This principle of public responsibility provides the kind of clarity regarding the social responsibilities of individual businesses that was absent in earlier arguments.

While this development represented a significant contribution to CSR1 literature, it did little to advance the understanding of the role of internal actors in these processes. Like the vast majority of the authors of CSR1 literature,

public responsibility theorists included managers in their theories only as corporate decision makers and overlooked employees entirely.

While the principle of public responsibility represented the most succinct attempt in CSR1 literature to specify the role of business in society, it created tensions in CSR1 theory. Rather than complement the macro approach of earlier writers, public responsibility was a competing perspective on social responsibility. As a result, CSR1 theory stood as contested terrain, with some writers adhering to macro-level analysis and others to the micro-level analysis of public responsibility. Further complicating CSR1 theory was Ackerman's (1974) and Carroll's (1979) explicit sub-theme regarding the role of individual managers in decision making. Consequently, CSR1 literature can be conceptually divided into three theoretical streams consisting of the macro-social level (Davis, 1973), the public responsibility level (Preston & Post, 1975), and the individual / managerial level (Bowen, 1953; Davis & Blonstrom, 1974; Ackerman, 1975; Carroll, 1979). As Wood (1991) later noted, these streams of thought "appeared to be independent, implicitly competing ways of thinking about corporate social responsibility" (p. 699). This lack of agreement and the accompanying theoretical ambiguity it produced inspired one commentator to observe, "the term social responsibility is a brilliant one; it means something, but not always the same thing to everybody" (Votaw, 1973, p. 11). This ambiguity and argument motivated some to abandon CSR1 entirely, and to seek to capture the processes used by corporations to respond to social issues.

### **2.3 - Corporate Social Responsiveness (CSR2)**

Seeking to transcend the ambiguous and moralizing aspects of corporate social responsibility literature, some business and society theorists began advancing theories of corporate social responsiveness to analyze the relationships between business and society. The key shift in social responsiveness literature was that, instead of attempting to define "social responsibility", this literature sought to examine the processes businesses actually used to respond to social issues.

Thus, CSR2 literature focused on internal business processes, making it fundamentally managerial and corporate in tone and approach (Frederick, 1978). Similar to CSR1 literature, CSR2 examined the influence of managers on social responsiveness, but overlooked how CSR2 may affect managers. Again, the relationship between employees and CSR2 is overlooked entirely. Unlike CSR1 theory, however, CSR2 did not examine the moral and ethical discretion of managers and thus failed to advance the understanding of the employees / CSR relationship beyond that of CSR1.

An early theme in much of the social responsiveness literature was the development of categories to classify corporate social responsiveness. While the details and level of analysis varied among them, McAdam (1973), Wilson (1975), and Sethi (1979) each conceptualized social responsiveness as a continuum ranging from highly responsive corporations and corporate actions, to those that are highly unresponsive. While these continuums represent useful heuristics for categorizing corporate social responses, as Wood would later note, they are only classification tools and do not provide insight into actual processes of social responsiveness (Wood, 1991). In addition, although these early works on social responsiveness sought to replace ambiguous, moralizing theories of social responsibility, none clearly explained which social issues businesses are responsible for. Furthermore, these early works also failed to considerably advance the understanding of the dynamics of the broader relationship between businesses and society beyond the understanding provided in theories of CSR1.

While these theories attempted only to provide descriptive tools, other CSR2 theorists focused on the specific managerial mechanisms underlying corporate social responses. The topics examined under this rubric included social decision-making (Bowman & Harie, 1975), social forecasting (Newgren, 1977), and controlling social activities (Carroll & Beiler, 1975). Unlike the authors focusing on macro-level response continuums, authors focused on the roles of managers as a key point in their analyses. Like early CSR1 theory, however,

this later theory examined managers only in the context of organizational decision-making and entirely overloaded employees.

Analyzing the role of individual managers in social responsiveness on a different level, Collins and Ganotis (1973) focused on the internal constraints to an organization's social responsiveness. While these authors offered no analysis of how social responsiveness may affect managers, their analysis hinted at the existence of managerial discretion in policy implementation, and the potential psychological impacts these policies may have on those responsible for their implementation. Specifically, Collins and Ganotis found that employees and lower level managers had the potential to sabotage social policies developed by senior management. This finding provided the first implicit evidence that non-managerial employees play a role in the implementation of social policies and actively evaluate them before committing themselves to their implementation.

A particularly significant contribution from CSR2 theory was Ackerman's (1975) three-stage sequence outlining how corporations become highly responsive to social issues. According to Ackerman, a socially responsive firm engages in three essential behaviors. First, the firm monitors and assesses environmental conditions; second, it attends to the demands of its various stakeholders; and third, it institutionalizes plans and policies to respond to changing social conditions. Ackerman's argument was significant for two reasons. First, it provided an analytic framework integrating the micro and macro levels of CSR2 analysis. According to Ackerman, micro-level processes of social responsiveness such as those outlined by Bowman and Haire (1975), Carroll and Beiler (1975), and Newgren (1977) explained how a company meets its stakeholder needs. Ackerman then argued that the macro-level responsiveness categories such as those developed by Sethi (1975) can be subsumed under a company's social planning and policies. Thus, Ackerman provided the theoretical foundation for a robust understanding of CSR2. The second major contribution of Ackerman's work relates to the relationship

between employees and social performance. While Ackerman's argument in itself added little to the understanding of this relationship, it did include stakeholder theory, which examines this relationship directly in terms of human resource management.

While stakeholder theory has a long history in strategic management literature, the modern conceptualization of the theory did not gain prominence until the work of Freeman. Freeman's book *Strategic Management: A Stakeholder Approach* (1984) was a major contribution to business and society literature. Freeman advanced the argument that corporations are responsible not just to their shareholders, but to a wide range of stakeholder groups. According to Freeman, stakeholders are "those groups who can affect, or are affected by the achievement of the organization's purpose" (p. 49). Thus, while specific stakeholder groups inevitably vary by firm and industry, these groups typically include government, community, advocacy groups, shareholders, and employees. While Freeman's argument is rooted in strategic management, it provided much needed conceptual clarity regarding the groups businesses had a social obligation to. Under this rubric, social responsibility and responsiveness move away from abstract definitions toward models where the business / society relationship can be conceptualized as the quality of a company's relationship with its stakeholder groups. Moreover, the inclusion of employees as stakeholders in this model provided the first meaningful inclusion of employees in discussions of business / society relationships.

While CSR2 and stakeholder theory represent meaningful contributions to the understanding of the business/society relationship, their attempts to replace rather than integrate with the CSR1 resulted in competing frameworks in business and society literature. Attempting to bridge this gulf, theories seeking to integrate the two under a common rubric of corporate social performance began to emerge in the late 1970's.

## **2.4 - Corporate Social Performance (CSP)**

While CSR2 was advanced as a replacement for CSR1, theorists such as Carroll (1979), Wartick and Cochran (1985), and Wood (1991) sought to integrate the two theories into a comprehensive model of corporate social performance.

While the models proposed by each of these theorists differ regarding the specific integration of CSR1 and CSR2, all treat the two as complementary theories in which a company's principles of social responsibility inform its processes of social responsiveness.

The first major work in social performance literature was Carroll's (1979) three-dimensional model of social performance. In his model, Carroll divided social responsibility into economic, legal, ethical, and discretionary levels. According to Carroll, socially responsible decisions meet criteria at each level. Carroll then focused on identifying the social issues for which businesses are responsible. This discussion is the weakest aspect of Carroll's model, however, as he offered little guidance as to what these issues may be, claiming instead there is "no consensus on what issues should be addressed" (p. 501). Lastly, Carroll argued that social performance must be examined in relation to how a company acts based on the principles of social responsibility. Here, Carroll integrated the macro-level CSR2 continuums with micro-level CSR2 response mechanisms. While Carroll's model was a considerable contribution to business and society literature, it did little in terms of providing clear definitions of which social issues businesses are responsible for, or what constitutes socially responsive behavior with respect to the ethical and discretionary components of his model.

After Carroll, the next significant development in CSP literature was the integrative model of CSP advanced by Wartick and Cochran (1985). Building on Carroll's model, Wartick and Cochran retained the four principles of social responsibility and the continuum of social responsiveness used by Carroll as the principle and process dimensions of their model, and drew on social issues management literature for the 'social policy' component of their model. This

additional component focused on the policies a company uses in its identification, analysis, and response to social issues. Based on this principles-processes-policies framework, Wartick and Cochran summarized CSP as “the underlying interaction among the principles of social responsibility, the processes of social responsiveness, and the policies developed to address social issues” (p. 758).

While Wartick and Cochran’s model represented the first significant advance in CSP theory since Carroll, this model had implicit weaknesses. Specifically, because of their inclusion of Carroll’s definition of the principles of social responsibility, Wartick and Cochran offered no clarity on the theoretical debate regarding the competing definitions of CSR1 detailed earlier. In addition, by including only the macro-level categories of social responsiveness, Wartick and Cochran’s model failed to provide a meaningful contribution to the understanding of the specific processes of social responsiveness. Lastly, although the model sought to conceptualize social performance, it failed to discuss the outcomes of social policies implied in the term ‘performance.’ Nonetheless, Wood (1991) used Wartick and Cochran’s model as the base for her integrative, multi-dimensional model of CSP.

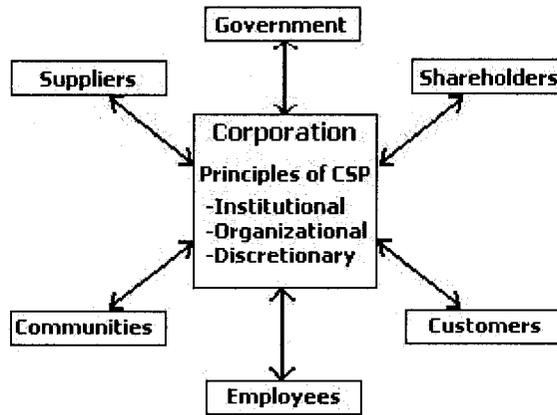
In the current business and society literature, Wood’s integrative, multi-dimensional model of social performance is widely cited as the most comprehensive conceptualization of the relationship between business and society (Carroll, 1999). In her model, Wood successfully integrated competing definitions of CSR1 and CSR2 with stakeholder theory to create a comprehensive, multi-dimensional model of social performance, consisting of CSP principles, processes, and outcomes.

In Wood’s model, the first dimension of a company’s social performance is its principles of social responsibility. As noted earlier, CSR1 literature traditionally was fragmented between arguments advocating macro, firm-specific, or

individual-level social responsibilities of companies. While these definitions had previously been the source of much debate, Wood treated them as complementary. Drawing on Davis (1973), Wood defined the first dimension of social responsibility as the institutional level, consisting of the macro-level social expectations society places on all firms due to their role as economic actors. For the second dimension of social responsibility, Wood drew on Preston and Post's (1975) principle of public responsibility, to define the firm-specific responsibilities of business. Lastly, Wood drew on Carroll's (1979) conceptualization of managerial discretion as the individual / discretionary dimension of social responsibility.

In the second dimension of her model, Wood drew on CSR2 literature to delineate the processes companies use to enact their principles of social responsibility. Here, Wood argued that the macro-level responsiveness continuums employed by Carroll (1979) and Wartick and Cochran (1985) represent categories of social performance rather than specific processes of responsiveness. Instead of using these continuums, Wood drew on the work of Ackerman (1975) and Freeman (1984), arguing that responsiveness is equivalent to the processes, policies, and procedures a company uses to address stakeholder issues. Specifically, Wood argued that companies assess the environment and identify stakeholder issues which are responded to strategically (p. 704-705). While this argument failed to integrate the micro and macro dimensions of CSR2 literature, responsiveness to stakeholders has been shown to be the process actually used by managers to analyze and respond to social issues (Clarkson, 1995). In the final stage of the model (see Figure 1), Wood includes social performance outcomes as the result of the implementation of social principles and procedures.

**Figure 1:**  
**Wood's Integrative, Multi-Dimensional Model of CSP**  
**(with Sample Stakeholder Groups)**



Wood's model made significant contributions to the field of business and society literature. First, because the model integrated the divergent streams of social responsibility literature, it provided the first clear conceptual framework of the different types of social responsibility principles expected of corporations. Second, the model expanded on the positive contributions of Carroll (1979) and Wartick and Cochran (1985), retaining the theoretical link between principles and processes, while integrating stakeholder theory to clarify the 'social' that a company is responsible to. Based on these contributions Wood's model is widely cited in business and society literature as the most comprehensive model of CSP available, making it a useful framework for examining the relationship between employees and CSP.

While Wood's model provides a useful conceptual framework for the examination of the employee / CSP relationship, the model itself does little to aid in understanding this relationship. That said, Wood's model offers insight into one of the direct influences of CSP on employees due to its inclusion of stakeholder theory. Stakeholder theory views employees as important stakeholders in an organization and, as such, a company must manage a relationship with them. As Wood's CSP model treats the quality of stakeholder relationships as equivalent to a company's social performance, a company's

treatment of its employees is equivalent to their social performance in regards to this group. Based on this argument, stakeholder and social performance literature has focused primarily on the influence of social performance on employees only as it relates to human resource management (HRM) practice (Wood & Jones, 1995).

The literature relating to stakeholder theory and social performance is a substantial body of work, covering a variety of HRM factors. These factors include topics such as pay and benefits (Priester, 1992; Mahon, 2002), health and safety (Connell 1992; Brown 1996), responsiveness to employee interests (de la Cruz et al., 2003), and sexual harassment (Lengnick-Hall, 1992). In addition to the literature relating directly to stakeholder management and employees, additional workplace research shows that a healthy and supportive work environment, job security, and adequate job resources can have a considerable influence on employees (Lowe & Schellenberg, 2001; Krahn & Lowe, 2002). However, a company's treatment of its employees represents only one aspect of a company's CSP, so the above studies contribute nothing to the understanding of how broader aspects of social performance may affect employees.

While literature in the area is still sparse, recent articles, most notably by Dutton and Dukerich (1991), Riordan (1997), and Corley (2001), all suggest that aspects of CSP beyond HRM may affect employees provided the first evidence that non-HRM aspects of CSP may affect employees. Dutton and Dukerich's 1991 study on how social-issue management affects employee identity. Examining the handling of homelessness by the Port Authority of New York and New Jersey, Dutton and Dukerich found that a company's image affected its employees because it represented their best guess about the characteristics others ascribed to them as members of their organization. Thus, the employees saw their organization's management of this social issue as reflecting directly upon themselves.

Building on the contribution of Dutton and Dukerich, Riordan (1997) also found that employee assessments of the reputation of top managers affected how employees evaluated their company's image and reputation. Riordan showed that positive assessments of reputation resulted in higher levels of employee commitment to a company.

Lastly, Corley (2001) theorized about the specific mechanisms mediating the link between image and employees. Specifically, Corley argued that corporate image affects employees because external stakeholder groups communicate impressions of the company back to employees, influencing their perceptions of the organization. However, while these articles made the link between corporate image and employees, image and social performance are linked, but nonetheless distinct concepts.

Wood's model of CSP reveals that CSP and image are linked, but that CSP is a much more comprehensive construct. In illustrating how image can affect employees, Dutton and Dukerich, Riordan, and Corley all focused on aspects of social performance that relate only to the outcome dimension of Wood's model. While the outcomes of CSP undoubtedly influence a company's image, it results from signals sent from the company through public affairs and marketing functions (Dowling, 1986; Miles, 1987), and does not reflect the principle or process components of CSP. Thus, while these articles made important contributions to the understanding of the relationship between employees and image, a considerable gap remains in the understanding of how CSP affects employees along each of the principle, process, and outcome dimensions.

## **2.5 - Conclusion**

The failure to provide a meaningful examination of the influences of the business / society relationship on employees is a major limitation in business and society literature. While literature in the area extends as far back as the

early 1950's, the examination of internal actors in relation to social issues did not advance significantly beyond the inclusion of managers as corporate decision makers until the advent of stakeholder theory. While authors such as Bowen (1953), Ackerman (1975), and Carroll (1979) recognized the importance of managers in social responsibility, the literature in this area focused primarily on developing arguments for why business should be socially responsible and what actions constituted this responsibility. The shift to literature on social responsiveness again failed to advance the understanding of the relationship between employees and social performance beyond that in CSR1 theory, despite an overt focus on the internal managerial procedures of social responses. Finally, while models of social performance, such as Wood's integrative model, made significant contributions in integrating CSR1 and CSR2 theories, these models overlooked the implications for employees.

Wood's model, however, does contribute to the understanding of the employee / CSP relationship while simultaneously exposing gaps in our understanding of this relationship. The model includes stakeholder theory and, therefore, includes human resource management as a key aspect of social performance. Thus, the model identifies an important way that social performance affects employees. As a result, however, this model exposes a gap in our understanding of how other stakeholder relationships may affect employees. Moreover, Wood's model provides the most comprehensive framework available based on its inclusion of CSP principles, processes, and outcomes. While some authors have begun to explore how a company's reputation and image affect its employees, Wood's model suggests that the relationship between employees and CSP may be much deeper. Thus, to provide a meaningful examination of how CSP affects employees, the relationship along each of the principle, process, and outcome dimensions must be examined. In order to explore how each of these dimensions of CSP may affect employees, I will offer a reconceptualization of Wood's model, reflecting employee values and roles as members of both internal and external stakeholder groups.

## **Chapter 3: Theoretical Approach**

### **3.1 - Introduction**

As I have noted, business and society literature has examined the relationship between employees and corporate social performance primarily as the relationship relates to human resource management (HRM). In addition, a related body of literature has begun to examine the influences of a company's reputation and image on its employees. Together, these two areas of literature provide evidence that social performance may affect employees. This research, however, also exposes considerable gaps in our current understanding of how this process happens. According to Wood's model, social performance consists of a company's principles of social responsibility, processes of social responsiveness, and the outcomes that result from these. Based on this model, I will explore the relationship between employees and social performance along each of these dimensions. In order to employ Wood's model for this purpose, however, I have reconceptualized it to recognize the unique position employees occupy vis-à-vis their company.

While extensive literature exists regarding the influence of social performance on employees through HRM, evidence suggests that the principle, process, and outcome dimensions of CSP may also affect employees. As internal stakeholders, employees may be affected by their company's principles and outcomes of social performance based on how these relate to their own personal orientations to social performance. Evidence suggests that both a company and its employees have values, which may or may not match, regarding social performance. In order to explore the influence this congruence has on employees, I will utilize person / organization (PO) fit theory. This theory focuses on the outcomes of other types of employee / company value congruence, suggesting it may provide insight into employee / company CSP value congruence as well. Evidence suggests that when CSP value congruence is high, employees will benefit from increased job satisfaction, morale,

commitment, and performance. I will supplement my examination of CSP value congruence with social identity theory. This theory suggests that when employees view a company's CSP outcomes as positive, these employees may associate more closely with the company than they would otherwise, resulting in increased self-esteem and commitment.

In addition to arguing for these potential outcomes, I also argue that due to employees' position as internal stakeholders, a company's processes of social responsiveness may affect its employees. While social responsiveness and social performance literature has focused only on the role of managers in producing social performance, employees may also be involved in CSP production in a number of ways. Employee empowerment and participative management may allow employees to provide input into decisions a company makes regarding CSP. Empowerment may also take the form of employees utilizing their individual discretion in establishing and maintaining relationships with other stakeholder groups. This type of involvement in CSP production has been linked to increased employee morale, commitment, satisfaction and performance.

Lastly, CSP may affect employees because of their affiliations with additional stakeholder groups. As a company's social performance may directly influence these groups, employees who identify with them may also be affected. Given that CSP may have a direct influence on employees through these groups, these aspects of CSP may be more salient to employees than other stakeholder relationships. Evidence also suggests that age and gender may influence the degree to which CSP affects employees.

### **3.2 - Reconceptualization of Wood's Model**

In terms of providing a thorough understanding of the relationship between employees and CSP, Wood's (1991) integrative model of social performance provides the most comprehensive conceptual framework available. While this

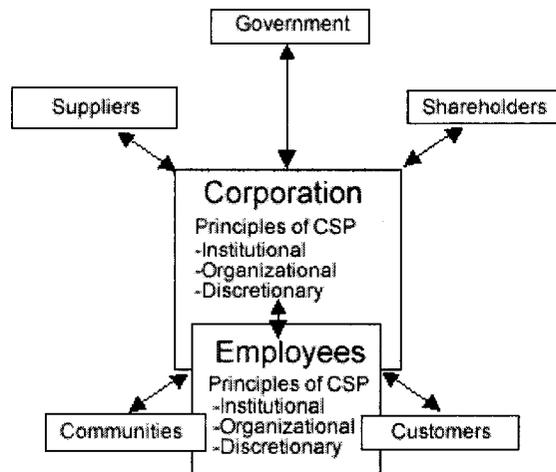
model itself does little to advance the understanding of the employee / CSP relationship, it does include CSP principles, processes, and outcomes, suggesting that each must be examined in order to produce a comprehensive understanding of the affects CSP has on employees. This approach provides a depth to the examination of the employee / CSP relationship which is unavailable when examining only factors associated with CSP outcomes (Dutton & Dukerich, 1991; Riordan, 1997). However, before Wood's model can be employed effectively in this regard, its inclusion of stakeholder theory must be reconceptualized to reflect the unique relationship between employees and their corporation.

At the principle and process dimensions of her model, Wood integrated theories of stakeholder management to help provide conceptual clarity regarding both the 'social' which business is responsible to and the behaviors that constitute socially responsible behavior. According to this conceptualization, a company has a social responsibility to those groups that can either influence it or can be influenced by it (Freeman, 1984). The company's social performance in regards to each group is then equivalent to the quality of the company's relationship with that group. Stakeholder theory and, by extension, Wood's model, limits its examination of the influence of social performance on employees to the quality of the company's relationship with them. Traditionally, this relationship has been examined in terms of a company's human resource management practices (Wood, 1995; Carroll, 1999).

While HRM undoubtedly has considerable influence on employees, this focus overlooks the potential for other aspects of social performance to affect employees. In order to use Wood's model to examine how CSP affects employees in ways other than through HRM, I argue that the unique position of employees as corporate stakeholders must be recognized. As Morris (1997) and Roozen et al. (2001) have noted, employees are internal stakeholders in a company. This concept should be incorporated into Wood's framework, but still

fails to reflect the unique position of employees as stakeholders due to their roles outside of the company. In addition to their role as ‘employee’, employees may also identify with, or be members of, stakeholder groups such as communities, customers, shareholders, and the environment. Thus, as I show in Figure 2, the potential for CSP to affect employees as both internal and external stakeholders must be recognized.

**Figure 2: Reconceptualization of Wood’s Model**



This new model retains the important aspects of Wood’s model in terms of its integration of CSR1, CSR2, and stakeholder theory, while reflecting the ability of employees to relate to their company as both internal and external stakeholders. This positioning brings with it implications suggesting that CSP will affect employees in ways that extend beyond HRM practice alone.

### 3.3 - Effects from CSP Principles and Outcomes

While CSP will affect employees directly through HRM practice, evidence from social identity and PO fit theories suggests that the principles and outcomes that characterize a company’s social performance may influence employees as well. While PO fit has not been used to examine the affects of employee / company CSP value congruence, I have chosen to employ this theory here because of its utility in examining the influence that other types of workplace value

congruence have on employees (Rounds et al., 1987; Judge & Ferris, 1992). Evidence suggests that the degree of congruence between an employee's CSP values and expectations, and his or her company's CSP principles and outcomes, may affect the employee. Studies focusing on other types of value congruence show that when congruence is high, results may include higher levels of job satisfaction, morale, performance, and commitment than when congruence is low. I have also chosen to use social identity theory to explore how employees are affected by their perceptions of their company's CSP outcomes. Social identity theory suggests that CSP may influence the degree to which employees identify with their company. The theory argues that individuals seek to associate themselves with groups embodying positive and distinctive characteristics, and that when they find desirable groups, the individuals invest more of their identity in that association. Various studies have shown that this results in increased self-esteem and organizational commitment (Levinson, 1970; Ashforth & Mael, 1989). Although no empirical evidence specifically links CSP with increased social identification, research on corporate reputation and image by Riordan et al. (1997) and Dutton and Dukerich (1991) provides support for such a link.

In their study of employees at the Port Authority of New York and New Jersey, Dutton and Dukerich (1991) found that employees actively monitored and assessed the Port Authority's handling of homeless people at bus terminals. Based on interviews with Port Authority employees, Dutton and Dukerich found that through both media and personal interaction, employees became aware of the Port Authority's image. Employees felt that the Port Authority's image reflected directly on themselves as employees. Thus, when unflattering coverage of the Port Authority's handling of homelessness issues tarnished this image, employees reacted negatively. While this finding shows that an organization's response to social issues can affect employees, this finding cannot be equated with the influence of CSP on employees. Firstly, homelessness was only one social issue, comprising only one aspect of the Port

Authority's social performance in regards to the community. A single social issue is not the same as CSP, which is a much broader construct. Secondly, by examining only image, Dutton and Dukerich failed to explore how employees were affected by other dimensions of the Port Authority's social performance.

Building on Dutton and Dukerich, Riordan et al. (1997) provided further empirical support for the link between a company's reputation and image and employee outcomes. Based on Dutton and Dukerich's argument that an employee's organizational identity is closely associated with his or her sense of self, Riordan et al. found significant relationships between the employees' estimates of how their company's reputation was viewed, their job satisfaction (positive relation), and intention to leave the company (negative relation). With the inclusion of a stakeholder model as the independent variable, Riordan's findings provided stronger evidence than Dutton and Dukerich's for a link between CSP and employee outcomes. While Riordan et al.'s study showed strong correlations between its variables, like Dutton and Dukerich, Riordan et al. selected participants from only one company (a small electrical utility) and explored only how perceived outcomes of CSP affected employees. This limitation again suggests that further inquiry with a more comprehensive conceptualization of CSP is needed to provide insight into how CSP affects employees.

Both Dutton and Dukerich (1991) and or Riordan et al. (1997) provided implicit evidence that the influences of social performance on employees may operate through their social identification with their company. Social identity theory is based on the argument that an individual's self-concept is influenced by his or her identification with various social categorizations ranging from nationality to the company he or she works for. Social identification theory argues that individuals assign themselves the prototypical characteristics of the groups they identify with as a means of segmenting and ordering their social environment. The degree to which an individual identifies with a given social grouping,

however, varies. Researchers have noted that people have a basic need to see themselves positively, and therefore seek to associate themselves with social groups with perceived positive characteristics (Oakes & Turner, 1980; Wagner et al., 1986; Adler & Adler, 1987; Ashforth & Mael, 1989). In light of evidence discussed below suggesting that the majority of people value high levels of social performance, Dutton and Dukerich and Riordan et al. inevitably found that individuals were affected by how they perceived others evaluating their company. If these findings are extended to social performance, employees may seek to associate themselves with positive perceptions of CSP resulting in greater social identification.

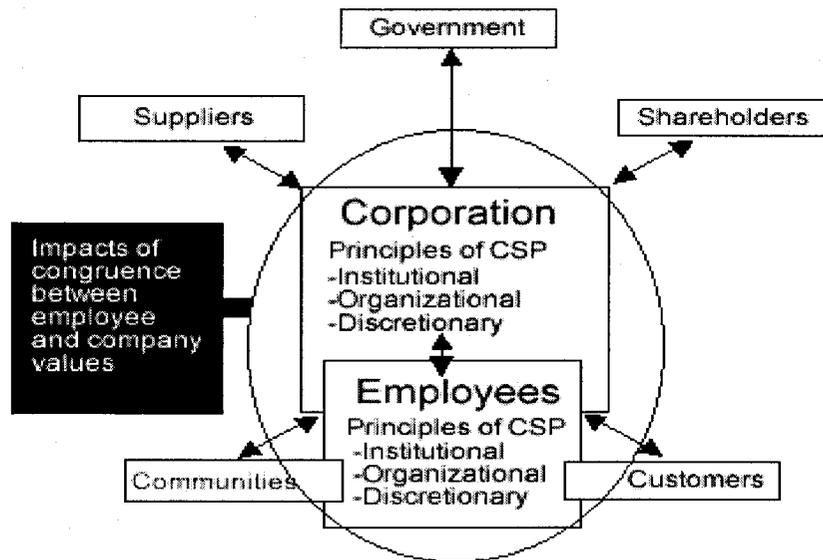
In addition to the desirability of associating with CSP due to the positive characteristics it may confer on employees, the possibility exists that high levels of CSP may give an organization a distinct identity. While positive identification is one aspect influencing the degree to which an individual identifies with an organization, distinctiveness is also an important factor (Hogg et al., 1985). As has been noted, the media is one of the primary mechanisms by which individuals learn about corporate activity (Fomburn, 1996; Gotsi & Wilson, 2001). Recently, following the collapse of companies such as Enron, Worldcom, and Arthur Andersen, issues of social performance have been prominent in the media. While no empirical evidence supports this claim, media coverage has likely raised employees' awareness of issues of social performance. Thus, companies perceived as having good social performance may provide a distinct point of comparison to those companies that have collapsed due to poor ethical and social performance. Thus, employees in organizations with high social performance may increasingly identify with their company due to the distinctively low CSP comparison groups created by the media.

Based on the positive and potentially distinctive aspects of high social performance, when CSP is high, employees should identify more strongly with

their company. High levels of identification have been associated with perceptions of oneness with or belongingness to a group, high levels of self-esteem, and a desire to engage in actions that reflect positively on the group (Ashforth & Mael, 1989). Furthermore, Levinson (1970) argued that individuals with this type of positive identification feel greater commitment to an organization than other individuals and would experience a sense of loss should they leave. Thus, if an employee identifies positively with a company due to its high levels of social performance, the employee's self-esteem and sense of commitment might increase. Potentially confounding this relationship, however, employees may identify primarily with a sub-group within their company, such as their division, work group, or age group. Albert and Whetten (1985) noted the notion of a single, blended organizational identity is rare in complex organizations such as large corporations.

While social identity suggests CSP may have a macro-level influence on employees, PO fit theory suggests it may affect employees on a more micro-level as well. PO fit theory provides an examination of the "antecedents and consequences of compatibility between people and the organizations in which they work" (Kristof, 1996, p. 1). Although the literature on PO fit includes related theories such as person / environment fit (Judge & Ferris, 1992) and person / vocation fit (Rounds et al., 1987), this literature most frequently focuses on the congruence between the values of individual employees and their employer (Chatman, 1989; Posner, 1992). Studies have shown that high value congruence results in improved work attitudes (Bretz & Judge, 1994), increased commitment (Chatman, 1991), decreased stress (Chesney & Rosenman, 1980), and improved work performance (Bretz & Judge, 1994). While business and society literature has yet to examine the consequences of value congruence with regards to social performance, as indicated in Figure 3, evidence suggests that employees may have strong and stable values regarding the importance of social responsibility along each of the institutional, organizational, and individual / discretionary levels outlined by Wood.

**Figure 3:  
Reconceptualized Model Highlighting  
Employee / CSP Value Congruence**



Both academic and non-academic surveys consistently show that large majorities of respondents expect companies to perform well with respect to the treatment of all of their stakeholders (institutional level), address the specific affects they have on society (organizational level), and behave ethically in their decision making (individual / discretionary level). Notably, a random survey of 2,006 Canadians conducted by Vector Research for the Canadian Democracy and Corporate Accountability Commission found that only 11% of Canadians thought that the role of corporations was just to make profits, pay taxes, and obey the law. In the same study, 43% believed corporations should be responsible for setting high ethical standards and improving society (Canadian Democracy and Corporate Accountability Commission, 1999). Similarly, an academic study of 2100 American MBA students found that 79% held the organizational-level value that a company should consider how its action affect society (Barrett, 1998). Recently, another academic study consisting of 44

individuals, stratified by gender, age, and socio-economic status, found that 84% of the respondents expected businesses to engage in socially responsible behaviors, including charitable donations, environmental protection, and ethical behavior, even if doing so did not improve profits (Mohr et al., 2000). Finally, a report by the Canadian Centre for Social Entrepreneurship found that employees wanted to contribute to the quality of life in their communities and wanted their employer to do the same (Canadian Centre for Social Entrepreneurship, 2000). While these surveys did not focus directly on employees, evidence suggests that these findings extend at least to job seekers.

In studies examining the link between CSP value congruence and organization attractiveness, Turban and Greening (1997, 2000) and Backhaus et al. (2002) found a significant relationship between a firm's social performance outcomes (as a signal of the company's CSP values) and the attractiveness of the firm as an employer. Using the KLD social database to create social performance profiles for hypothetical companies, Turban and Greening (2000) found that high levels of performance in employee relations, concern for the environment, employee diversity, and to a lesser extent, product quality and community relations, were all significantly related to a firm's attractiveness. Backhaus et al. (2002) obtained similar results, with the only notable difference being a higher correlation between community relations and attractiveness. In analyzing their findings, however, these authors followed the traditional line of argument that HRM aspects of CSP affect employees. Specifically, these authors argued that CSP provides signals about the working conditions within a company. These signals, in turn, influence the company's attractiveness (Turban & Greening, 2000, p. 259). Without debating this conclusion, one can also hypothesize that CSP may affect employees by enhancing PO fit. While the CSP constructs used in these studies are fairly thin,<sup>2</sup> the fact that potential employees value a

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<sup>2</sup> Employee relations, diversity, product quality, and community relations reflect relationships with only the employee, customer, and community stakeholder groups. Additionally, each of these constructs as used by Turban and Greening represents only shallow single-indicator measures of CSP as opposed to the multiple indicators argued for by Carroll (1999).

company's social performance in regards to the environment, product quality, and community provides further evidence that employees value social performance at the institutional and organizational levels.

Although none of these surveys or studies examined the strength of employee social performance values directly, they provide a consistent body of evidence indicating that employees have social performance values relating to each of the levels outlined in Wood's model. Interestingly, while some have found that organizational contexts (Chatman, 1991), country of origin (Hofstede, 1980), education (Kohn & Schooler, 1983), age (Roozen, 2001), and gender (Hughes et al., 2003) influence employee values, evidence suggests that CSR values may be relatively stable and enduring (Morris, 1997). Based on this finding, PO fit theory suggests that if the majority of the public value CSP, companies with high levels of social performance will have higher levels of PO fit than companies with poor social performance. The result may be increased employee job satisfaction, commitment, and performance.

### **3.4 - Effects from Processes of Social Responsiveness**

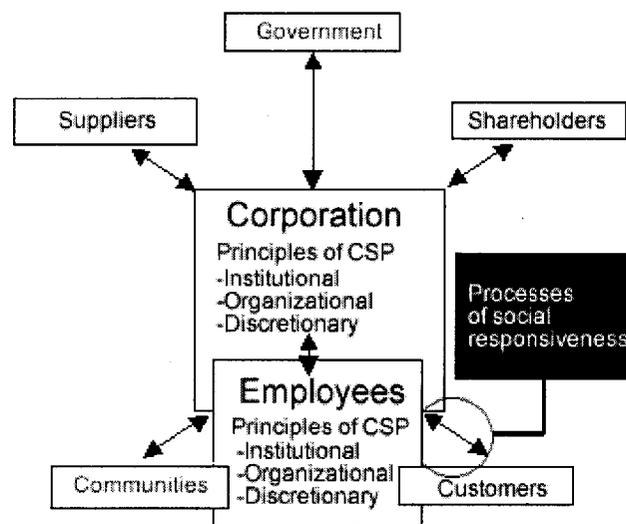
While the discussion thus far has focused on social performance as an external force affecting employees, as indicated in Figure 4, evidence suggests that the relationship between employees and social performance is much more interactive. While the traditional literature in the areas of environmental scanning, stakeholder management, and issue management<sup>3</sup> has focused on corporate- and managerial-level processes for responding to stakeholder and social issues, evidence suggests that employees can be directly involved in responding to social issues and, hence, in the production of social performance. Management theory shows that through policies of empowerment and participative management, employees may participate in the creation of social performance in ways ranging from influence over corporate CSP strategy, to

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<sup>3</sup> Together, these three bodies of literature comprise the 'social responsiveness' level of Wood's CSP model.

utilization of their individual discretion in interactions with stakeholders such as customers or communities. While evidence relating to the influences of empowerment and participation are mixed, strong evidence links employee volunteerism to higher levels of organizational commitment, satisfaction, morale, and performance.

**Figure 4:**  
**Reconceptualized Model Highlighting Processes of Social Responsiveness**



Beginning in the early 1970's, new management approaches began to advocate employee empowerment and participation in decision-making. Broadly, "participation" can be defined as a process in which influence is shared among individuals who are otherwise hierarchical unequals (Locke & Schweiger, 1979; Wagner, 1994). Participative management seeks to balance the involvement of all levels of management and employees, providing an environment where employees possess the authority to make, or offer input into, strategic decisions.

While articles linking participative management to discussions of CSP are absent in the business and society literature, a link can be extrapolated from case studies such as that of Goodijk (2003), which illustrates how employees can influence social performance through participative management. Focusing on three European examples, Goodijk (2003) examined how employees may be

involved in corporate decisions regarding social performance. In all three cases, the company was faced with a major issue that would significantly affect all of its stakeholders. In developing strategies to address these issues, trade unions and works councils represented employees, which each company's board of directors treated as valued partners. Focusing on the social impacts of potential strategies, the unions and works councils "negotiated with the boards... (and) agreed upon social plan(s)... (then) made agreements with the boards about implementation" (p.234). While Goodijk did not refer to these decisions as CSP decisions, the focus on social outcomes for numerous stakeholders is consistent with academic definitions of CSP (Wood, 1991, 1995; Carroll, 1999) and illustrates the potential for employees to directly influence social performance. Concerning how this participation affected employees, Goodijk examined only employee outcomes, but literature on participative management and PO fit theory suggest that this type of input into CSP strategies may be linked with higher rates of job satisfaction, morale, performance, and commitment.

Focusing on broad definitions of participative management, a considerable body of literature links it to improved employee mental health and job satisfaction (Druker, 1974; Daly, 1986; Spector, 1986; Miller & Monge, 1986; Fisher, 1989). There is a body of literature, however, linking ineffective participative strategies with negative outcomes for employees, such as increased stress and decreased job satisfaction (Baddon et al., 1989; Hyman & Mason, 1995). These outcomes, however, are related to participative management as a broad corporate policy and not specifically to the influence of participation in CSP production. While the outcomes of employee participation in CSP decisions have not yet been examined explicitly, these outcomes should be similar to those found in cases of broader participative management. This result, however, would likely be due to effects resulting from the overall participation process, as opposed to those relating to CSP directly. That said, PO fit suggests that effective participative management with regards to CSP may result in an enhanced fit between an employee and his or her company. As Kim (2002) notes,

“individuals who participate in strategic decision-making processes are able to influence their working environment in the broadest possible manner” (pp. 233-234). Given the evidence that employees may have strong CSP values, this type of participation may enhance the congruence between employee and company social performance values. Thus, participative management related to CSP may be linked with higher job satisfaction, morale, commitment, and performance (Kristof, 1996).

While evidence indicates that participative management strategies are proliferating in North America (Gibbons, 1999; Honold, 1997; Parnell et al., 2002), the type of formal involvement examined in Goodijk (2003) appears to be the exception, rather than the norm. While union and works council influence are more entrenched in European nations, empowerment in the North American context typically focuses on management strategies such as Total Quality Management, Quality of Working Life, and High Performance Workplaces, which have shown mixed results in terms of empowerment (Krahn & Lowe, 2002). One of the goals of these management approaches is to empower employees to use their individual discretion to meet the demands of stakeholders. While corporate rules, policies, and procedures<sup>4</sup> still typically frame these interactions (Colyer, 1997), empowerment may give employees the opportunity to be more than an extension of corporate policy in CSP production. Where implemented successfully, empowerment may allow employees to utilize their personal discretion in stakeholder interactions, influencing the company’s social performance in these areas. While the range of stakeholder groups employees interact with will vary depending on seniority, occupation, and other factors (Carroll et al., 1999), participative approaches in retail and service organizations typically seek to empower employees to utilize their discretion

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<sup>4</sup> While employee empowerment seeks to facilitate employee discretion in stakeholder interactions, these approaches are typically predicated on a great deal of employee training relating to knowledge and skill, understanding of company goals, and an understanding of the limits of responsibility and authority (e.g. Colyer, 1997).

when interacting with customers. This discretion is likely to directly influence the company's social performance with regards to its customers.

While much of the literature on employee empowerment focuses on organizational outcomes, literature also links effective empowerment strategies to increased job satisfaction and self-esteem (Colyer, 1997). Organizations such as Avis and Walmart have made employee empowerment key facets of their organizational strategy, and in an academic study, Colyer (1997) found that doing so resulted in reports of high job satisfaction by employees. As discretion in stakeholder interactions gives employees direct influence in social performance, Colyer's study is a key piece of evidence suggesting employees may be positively affected by their role as CSP producers. These outcomes are not surprising as employee discretion in CSP production should align with individual CSP orientations. Furthermore, social identity theory suggests that employees are motivated to produce higher levels of CSP due to its potential benefits in establishing a positive and distinctive identity (Ashforth & Mael, 1989; Kristof, 1996).

Another stakeholder relationship that employees may be involved in is with the community. While employees who interact with stakeholders such as customers typically do so as a part of their job, employees who interact with their community typically do so voluntarily. Involvement in CSP production through volunteerism has been linked with enhanced job satisfaction, commitment, morale, and performance, again suggesting that employee participation in CSP production will have a positive influence on the employee. Evidence shows that employee volunteerism is rising across North America (Burlingame, 1996; Canadian Centre for Social Entrepreneurship, 2000). Tuffrey (1997) claims that volunteerism programs have grown to the point where 90% of large companies in the United States now encourage their employees to volunteer<sup>5</sup>. Many case

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<sup>5</sup> Canadian data mirror this trend (see [www.imagine.ca](http://www.imagine.ca)), although the specific percentage of the companies encouraging volunteerism is unavailable.

studies and practitioner studies, which I will examine later, suggest that both employees and companies benefit from volunteerism programs. On a theoretical level, social identification and PO fit theories provide evidence suggesting employees will benefit from being empowered to exercise their individual discretion in interactions with their communities.

In the most basic sense, PO fit refers to the degree of fit between employee and employer values. If an employee is empowered to exercise his or her individual discretion in decision-making, these decisions should accord with the employee's value structure. Furthermore, volunteer programs provide employees with opportunities for direct input and participation, a key work value that Lowe and Schellenberg (2001) have shown to be associated with higher levels of job satisfaction, morale, and commitment. While these programs can be driven by management in a top-down approach, or by employees in a bottom-up approach, in cases where employees have input into the specific volunteering choices they make, PO fit may be further enhanced.

While volunteerism may affect employees by increasing the degree of congruity between the social performance values of the employee and the company, social identity theory suggests that volunteerism may benefit employees. According to social identity theory, individuals are motivated to undertake actions that will reflect positively on the groups they are associated with (Ashforth & Mael, 1989). Given that volunteerism is a socially responsible and desirable action, employees may volunteer to enhance their employer's reputation in the community. Doing so reflects back on the individual in the form of positive identification, resulting in higher levels of self-esteem and commitment (Levinson, 1970).

In addition to these theoretical implications, volunteerism has also been linked to increased employee morale and business performance. Numerous sources provide support for links between volunteerism, business performance, and

employee morale and commitment. The link between volunteerism and morale has been supported by qualitative case studies such as McGowan's (1980) examination of Ritter Financial Corporation in the US, and Sabapathy's study of Whitebread Corporation in the UK (as cited in Zadek, 2000). Furthermore, in a quantitative study of multiple US companies, Lewin (as cited in Burlingame, 1996) found that volunteerism correlated with increased morale and business performance. Supporting the link between volunteerism and employee commitment, a representative study of employees from a random sample of US companies found that those involved in volunteerism programs were approximately 30% more likely than other respondents to report a desire to continue working for their company (Zadek, 2000). The same study also found that participants in volunteerism programs were about 30% more likely to express a desire to see their company succeed financially. Additionally, a non-representative survey of top executives from across the US found that 77% believed volunteerism helped to increase retention rates (Burlingame, 1996). While the supporting data are not of uniformly high quality and consistency, consistent evidence emerges showing that volunteerism has a positive influence on employees.

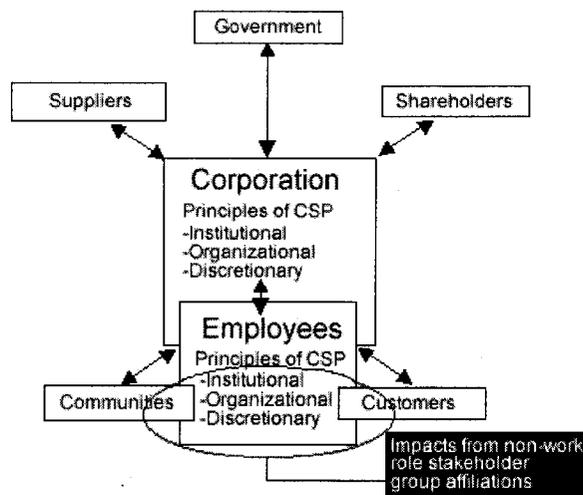
### **3.5 - Mediating Factors**

While empirical research on the topic is lacking, theoretical evidence from both PO fit and social identity theories suggests that a company's social performance may affect employees through each of the principle, process, and outcome dimensions of CSP outlined by Wood (1991). This discussion, however, examines both CSP and employees in only general terms, necessitating a closer examination of the factors that may mediate these effects. Evidence suggests that while the majority of individuals report strong social performance values, these may vary by age and gender. Furthermore, the fact that employees may identify more strongly with different stakeholder groups based on their non-work roles suggests that the quality of a company's CSP in relation to these

more personally salient groups may be given more weight by employees when evaluating CSP.

While research in the area is lacking, one can theorize that employees can be strongly affected by their employer's social performance with regards to the groups they identify most closely with. Stakeholder literature examines employees as stakeholders based only on their role within a company, equating social performance impacts on employees with their treatment in this role. In their lives outside of work, however, employees may be active in their community, be customers of their business, and if they hold stock options, may be company shareholders. Given that these groups are stakeholders who interact with a company, as indicated in Figure 5, the quality of the company's CSP concerning each group should affect members of these groups. If employees are members of these groups, the company's CSP in these areas may be more salient to them than CSP with regards to other stakeholder groups.

**Figure 5: Reconceptualized Model Highlighting Multiple Stakeholder Roles of Employees**



If an employee belongs to or identifies with a particular stakeholder group, theoretically, his or her values regarding social performance will be strongest in these areas. While far from conclusive, evidence regarding individual social

performance values supports this assumption. When commenting on corporations in abstract terms, individuals typically expect that they should work to enhance the community, the environment, and in the most broad terms, society in general (Barrett, 1997; Canadian Centre for Social Entrepreneurship, 2000). Given that community, society, and the environment all affect members of the public in some way, this expectation suggests that CSP values are strongest when they overlap with self-interest. For employees, this self-interest may result in strong CSP values relating to the stakeholder groups they identify with. If a company has strong social performance with regards to these groups, it should help create a close fit between the employee's social performance values and the company's social performance. PO fit theory suggests that such a fit will result in higher levels of employee job satisfaction, morale, commitment, and performance. Furthermore, social identity theory suggests that overlapping memberships may affect employees through their identification with their company.

The social identities of employees are informed by their perceptions of how others see them based on their association with their company. As Fombrun (1996) and Gotsi and Wilson (2001) have noted, these perceptions are based on information gleaned from personal experience, other stakeholders, and the media. Moreover, the influence of the opinions of relevant others has been shown to be particularly powerful (Dutton & Dukerich, 1991). If a corporation's activities affect a stakeholder group such as the community or environment, both the employee and their relevant others in this group may be affected. This direct effect would provide community members with the means of evaluating the company's social performance and, in turn, will likely provide the employee with close feedback about their company. If the company had particularly high social performance, it would follow that the employee would actively seek to associate themselves with it in order to enhance their identity in the eyes of relevant who are in, or care about, that group. This link may also extend to those stakeholder groups in which an employee is not a member, but

interacts with on a regular basis. Thus, if employees are involved in stakeholder relationships through channels such as customer service or product quality assurance, these aspects of CSP may be of particular importance to them.

In addition, evidence suggests that age and gender may also influence an individual's social performance values. Concerning age, evidence of differing social performance values is contradictory. Evidence from the Canadian National Survey of Giving, Volunteering, and Participation (CNSGVP) (2000), showed that individuals between 35-44 yrs volunteer at a higher rate than any other demographic group, followed by individuals 45-54 yrs old. This finding was contradicted by Putnam (2000), however, who presented data showing that volunteerism amongst individuals between 35-59 in the USA has declined rapidly since the mid-1970's, while it has increased amongst those under 20 yrs and over 60 yrs. While the CNSGVP is not an academic study, the difference between it and Putnam's study still suggests that data regarding volunteerism and age are inconclusive. Other studies have focused on ethical perceptions of different age groups, again with contradictory results. Singhapakdi et al. (1996) found older individuals had stronger ethical perceptions than those under 20 yrs, whereas Roozen et al. (2001) found younger workers had higher ethical expectations than their older counterparts. Roozen's finding is supported by an unrepresentative study conducted by the Canadian consulting company D-Code. In a survey of members of the 18-35 year old 'Nexus Generation,' D-Code found that the respondents were searching for ways to effectively combine their social and civic concerns with their professional development and ultimately wanted to find ways to make tangible, lasting contributions in this area (D-Code, 2001). Similarly, Johnston (2003) found that young entrepreneurs were increasingly seeking to integrate business and social considerations into their careers. While participants in both the D-Code and Johnston studies were selected based on factors such as experience, powers of observation, communication skills and creative potential (D-Code, 2003) and, therefore, provided non-representative results, these studies do suggest that young

individuals with highly desirable employment skills may have strong social performance values<sup>6</sup>. In sum, evidence suggests age may influence social performance expectations, but whether younger or older workers have stronger expectations is unclear.

In addition to age, gender may also influence CSP values. While some studies suggest that differences in work values between men and women result from workplace differences, not gender differences (Lowe & Schellenberg, 2001; Krahn & Lowe, 2002), evidence suggests differences in how men and women view corporate social performance. For example, Ibrahim and Angelidis (1991) found that in a study of corporate directors, female board members were more socially directed and placed more value on discretionary responsibilities than men. Shifting the analysis to the student population, Kraft and Singhapakdi (1995) found that in a study of 182 undergraduate and MBA students, female respondents rated social responsibility more important in determining organizational effectiveness than did male respondents. In a similar study, Burton and Hegarty (1999) found that female undergraduate business students were more likely to place a higher value on non-economic responsibilities than were males. Together, these studies provide a consistent argument that women typically value non-economic and social responsibilities more highly than men.

### **3.6 - Conclusion**

Concerning the influence of a company's social performance on its employees, a substantial body of evidence suggests that each of the principle, process, and outcome dimensions of CSP may affect employees. Based on my reconceptualization of Wood's integrative model of CSP, I argue that through the unique position employees occupy as both internal and external stakeholders, CSP may be affect them in ways extending beyond HRM and their company's image and reputation.

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<sup>6</sup> Teece (1998) argued that the most desirable employees are characterized by high levels of intelligence, motivation, experience, vision, creativity, commitment, analytic abilities, and computer training.

Specifically, a large body of evidence suggests that employees may have strong values relating to social performance. PO fit theory suggests that employees may be affected by the degree of congruence between their CSP values and those of their company. In addition, social identity theory suggests employees may identify more strongly with their company if it has strong social performance. This identification is based on the positive influence strong CSP may have on an employee's personal identity. Where this type of identification is high, outcomes include increased self-esteem and commitment.

Further evidence also supports the argument that managers are not the only organizational actors involved in CSP production. Through management strategies such as employee empowerment and participation, employees can be directly and meaningfully involved in the creation and maintenance of stakeholder relationships. This involvement can range from input into macro-level strategic and social decisions made by the company, to more micro-level empowerment to respond to stakeholder needs. The results are often manifested in empowerment to utilize individual discretion in relating to customers and communities, and have been linked to increased levels of employee satisfaction, morale, commitment, and performance.

While business and society literature has yet to examine the links between social performance and employee outcomes in detail, a strong theoretical argument emerges that social performance may have a meaningful influence on employees in ways affecting not only themselves, but the organizations they work for as well.

## **Chapter 4: Methodology**

### **4.1 - Introduction**

Using my reconceptualization of Wood's (1991) CSP model, I have exposed a gap in our understanding of how a company's CSP principles, processes, and outcomes affect its employees. While considerable ground has to be covered in examining this relationship, I chose the following two research questions to frame my investigation.

1. How do employees perceive their company's social performance principles and outcomes affecting themselves?
2. How do employees perceive their role as creators of and participants in the production of social performance?

These questions provided me with a framework to investigate if and how a company's CSP principles, processes, and outcomes affect its employees. These questions also facilitated exploration into the potential for social performance to influence employees in different ways and for outcomes to vary by age and gender.

To explore these questions, I designed and conducted an exploratory case study of Enbridge Energy Transportation North (Transportation North). I selected Transportation North for this research because of reports from both company and external sources suggesting the company has strong social performance. Accordingly, the company served as an instrumental and extreme case, facilitating insight into how CSP affects employees in ways that would be difficult to observe in a company with marginal CSP. In addition pragmatic factors also influenced my decision to approach Transportation North. Given my limited research budget, the company's location in my hometown of Edmonton was a selection factor, as was the fact that I possessed a high-level contact within the organization, who proved very helpful in negotiating access to the company.

In order to explore my research questions, my investigation focused on two factors. First, I used document analysis and interviews with three senior managers at Transportation North to create a profile of the company's CSP principles, processes, and outcomes. Second, I conducted in-depth interviews with fifteen Transportation North employees to explore how they perceived the effects of CSP on themselves.

To analyze the data, I transcribed each interview, then performed content analysis where I coded the data according to analytic categories linked to the theoretical framework provided in the previous chapter. According to the approach advocated by Miles and Huberman (1994), I entered the coded data into a meta-matrix. From it, I drew multiple sub-matrices that allowed me to analyze themes in the data within and between cases and family groupings.

#### **4.2 - Rationale for the Methodology**

While the majority of research examining social performance and employees has been quantitative in nature (Riordan et al., 1997; Turban & Greening, 1997, 2001), I chose to pursue a qualitative, case study strategy for this research. As Yin (1984) noted, case studies of this type are well suited to areas where little data or theory exists. As noted in my previous chapter, research exploring the relationship between employees and social performance is indeed sparse, making the type of flexibility and exploration found in this type of case study methodology (Patton, 1987) particularly attractive. In a case with a comparable exploratory study, Dutton and Dukerich (1991) successfully employed a similar strategy in their study of the Port Authority of New York and New Jersey. In selecting a company to serve as my case study, I endeavored to identify a company with strong social performance, in order to facilitate the company's ability to serve effectively as both an instrumental and extreme case, in which the processes of theoretical interest would be more readily apparent than in a company with mixed or poor CSP (Eisenhardt, 1989).

My research strategy for the case study consisted of two parts. First, in order to gain insight into the company's social performance, I analyzed company and external documents to create an overview of the company's CSP principles, processes, and outcomes. Subsequently, I conducted in-depth interviews with senior managers in order to triangulate the data gleaned from the document analysis and to provide insights into the local contexts of the company's social performance. To explore how CSP affected employees, I chose in-depth, interview-guide interviews as the primary method of data collection. My decision to interview as a research strategy was based on consideration of the individual-level focus of my research questions, the exploratory nature of this research, and the fact that the outcomes being explored are complex, multi-causal, and not readily observable. My decision to use interview-guide interviews was based on their strength in eliciting systematic, comparable data, while allowing the flexibility to pursue new avenues of theoretical interest as they emerge from the interviews (Patton, 1987).

In order to determine the strength of a company's social performance without conducting direct research on each company, I decided to limit potential cases to publicly traded companies. Given the high profile and reporting requirements of these companies, I found multiple indicators of CSP in both company documents and external sources. After initial analysis of these sources, pragmatic factors entered into the selection process. In order to facilitate access to the company and its employees, I limited potential cases to those where I had existing contacts. To work within my limited research budget, I further limited potential cases to those with significant operations near my home in Edmonton. Based upon these three considerations, I identified Enbridge Inc. (Enbridge) as an ideal site for my research.

Preliminary analysis suggested that Enbridge possessed strong social performance. The company's 2002 Annual Report and Annual Environmental Health and Safety Report both featured sections detailing the company's

commitment to social performance. As well as reporting on the company's community, environmental, and human resource performance, both documents featured the company's vision statements regarding community involvement, human rights, environmental protection, and treatment of indigenous peoples, as well as information on the company's governance and human resource policies (Enbridge Inc., 2002a, 2002b). Together, these documents suggested a commitment to, and high level of, social performance within the company.

This finding was supported by external sources including *Corporate Knights* magazine, the Dow Jones Sustainability Index, Imagine Canada, and *MacLean's* magazine. In its annual ranking of Canada's top corporate citizens, *Corporate Knights* ranked Enbridge as one of the top 15 corporate citizens in Canada and among the top 10 for corporate philanthropy (Corporate Knights, 2003). Enbridge's listing as a sustainable company on the Dow Jones Sustainability Index and the company's listing as an Imagine Canada Caring Company both supported this ranking. The Caring Company designation recognizes Enbridge for donating in excess of 1% of its pre-tax profits to charity, encouraging employee volunteerism, and conducting business with socially and environmentally responsible suppliers (Imagine Canada, 2003). In addition, the head office for Enbridge is located in Calgary, AB, which is reasonably close to my home in Edmonton, and because of a personal relationship I have with a Vice-President of the company's Transportation North division, I had a strong starting point for negotiating access to the company. Despite my existing contact within the company, however, negotiating access proved to be a challenging process.

#### **4.3 - Negotiating Access**

My first step in negotiating access to Enbridge was to phone my existing contact within Transportation North to inquire as to the company's interest in participating in the research. My contact advised me that Enbridge would be happy to serve as my case study, but that the final approval for the project would

have to come from the company's head office in Calgary. At this point, my primary point of contact became Enbridge's Public and Government Relations office. Initially, the staff in this office were amenable to my requests, and a tentative arrangement was negotiated whereby the company would grant me access to employees in Enbridge's head office, aid me in identifying employees fitting my sampling framework, and provide me space to conduct the interviews. In exchange, I would provide the company with a report detailing my research findings. Over the course of finalizing this arrangement, the company asked if I would be willing to conduct interviews at multiple sites if they reimbursed me for my airfare and expenses. Because of the limited scope of a Masters thesis, I declined this offer and informed the company I would be willing to conduct my research at any one site of their choosing. The company then advised me that it was no longer willing to participate in the project due to concerns about dedicating staff resources to identifying potential interviewees and scheduling interview times. As I was still interested in utilizing Enbridge as my case, I telephoned my initial contact within the company who arranged for staff resources from within the Transportation North division of the company to be committed to my research.

Based on the proviso that I provide my contact with a report of my key findings and sign an agreement requiring me to protect participant confidentiality, Transportation North agreed to provide me with a list of employees divided equally by gender and stratified by age, skill level, and tenure with the company, as well as space to conduct the interviews. Once this agreement was finalized, Transportation North turned out to be exceptionally cooperative and supportive of me and my research. The company provided me with secretarial support, access to the company's office tower, and the use of the office of the president of the division, who was working in Calgary during the month of my interviews.

#### **4.4 - Case Study Overview, Enbridge Energy Transportation North**

While the history of Enbridge as a corporate entity dates back to only 1998, the history of the company and the Transportation North division where I conducted my research dates back over 50 years. In 1949, shortly after Canada's first major oil discovery in Leduc, a consortium of crude oil producers incorporated Enbridge's predecessor, Interprovincial Pipelines (IPL), in Edmonton to ship their product from Alberta to oil refineries in Eastern Canada. IPL's core business and ownership group remained largely constant from 1949 until the early 1990's, with a focus on the core business of crude oil transportation that remains the focus of Transportation North to this day. Beginning in 1983, however, a series of events was set in motion resulting in IPL becoming a widely held corporation, followed by rapid expansion and diversification of the company's core business. In 1998, this expansion resulted in the company re-branding itself as Enbridge and moving its head office from Edmonton to Calgary.

According to Enbridge's website, the company's evolution from a privately held pipeline company into a widely held international energy transportation, distribution, and services company began in 1983 when Hiram Walker Resources took a major ownership position in IPL. This development sparked a series of events including the acquisition of Home Oil in 1986, the creation of Interhome Energy, and holding company Olympia & York (O&Y) acquiring control of the company. In 1992, O&Y sold its interest in the company to the general marketplace, making IPL a widely held company (Enbridge Inc., 2003a). After this transition to public ownership, IPL underwent a considerable transition, expanding its core business of crude oil transportation, as well as diversifying into energy distribution, natural gas transportation, and crude oil marketing. In addition to this diversification, in the early 90's, IPL expanded its core oil transportation business through the acquisition of the Producer and Portal Pipelines in Saskatchewan and North Dakota, investments in the Mustang

and Chicap Pipelines in Illinois, and investments in the OCENSA pipeline in Columbia.

By 1998, this growth and diversification had resulted in a company comprised of more than 20 corporate entities. In an attempt to unify these companies and create a common corporate identity, management decided to create 'One Company, One Vision' by reorganizing all units under a new corporate structure headquartered in Calgary. With the reorganization came a new name, and in 1998, IPL became Enbridge Inc. (Enbridge Inc., 1998). The company's new structure consisted of four main divisions; Energy Transportation North, Energy Transportation South, Energy Distribution, and International. In these divisions, Enbridge currently employs over 4000 people, with consolidated revenues in excess of \$4.5 billion and profits of \$576.5 million (Enbridge Inc., 2002a). These figures make Enbridge Canada's 54<sup>th</sup>-largest company by revenue and Canada's 22<sup>nd</sup>-most profitable company (Globe and Mail, 2003).

Since the relocation of the corporate headquarters to Calgary, the Edmonton office of Enbridge has served as the head office of the company's Energy Transportation North division. This division is responsible for the Canadian aspects of the company's crude oil and natural gas transportation business. At the time of this study Energy Transportation North had 6 main departments<sup>7</sup> and employed over 1100 individuals (Enbridge Inc., 2002b). The division also had revenues of approximately \$740 million and profits of \$236 million (Enbridge Inc., 2002a). While figures vary somewhat from year to year, Transportation North typically ranks as Enbridge's second-largest division in terms of employees, third-largest in revenue, and first in profitability. The exception to this occurred in 2000 when Transportation North ranked second in both revenue and profit (Enbridge Inc., 1998-2002a).

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<sup>7</sup> These divisions are Financial and Regulatory Affairs, Operations, Engineering and Technology, Market Development, Law, and Human Resources.

#### 4.5 - Research Process

The first step in my research process consisted of constructing a profile of Transportation North's social performance according to the principle, process, and outcome dimensions outlined by Wood (1991). While academic researchers have yet to develop a reliable and valid method for assessment of social performance, discussions of CSP measurement in academic literature typically advocate the use of multiple indicators of multiple stakeholder relationships (Wood, 1995; Carroll, 2000). Accordingly, my strategy for evaluating Transportation North's social performance consisted of examining Enbridge's existing CSP assessments, analyzing key company documents, and interviewing senior informants within Transportation North (Appendix A). I found indicators of Enbridge's social performance in *Corporate Knights* magazine's rankings of corporate citizens (Corporate Knights, 2003), the Canadian Social Investment Database (Michael Jantzi Research Associates, 2003), the Dow Jones Sustainability Index (Dow Jones, 2003), and Imagine Canada's list of Caring Companies (Imagine Canada, 2003). I complemented data from these sources with a detailed analysis of publicly available documents such as Enbridge's Annual Report and Annual Environmental Health and Safety Report, as well as the text of speeches delivered by the company's top executives. These documents revealed in discussing "social performance" as defined in the literature, Enbridge used the term "social responsibility." To facilitate rapport and shared understanding, I substituted this term for "social performance" in all of my interviews. In addition to the document analysis, in-depth, interview-guide interviews were conducted with three of Transportation North's senior managers in order to triangulate the data from the publicly available sources, as well as to provide an additional local context for the company's social performance.

In order to evaluate employee perceptions of how social performance affects them along each of the principle, process, and outcome dimensions, I pursued a strategy of in-depth, interview-guide interviewing. Interview-guide

interviewing was selected as the data collection strategy due to the flexibility it affords, as well as its ability to elicit comparable information while minimizing interviewer effects (Patton, 1987). Framed by my research questions, an interview guide was developed to explore participants' CSP values, their perceptions of congruence between their and Enbridge's CSP values, avenues through which they contribute to CSP, their evaluations of Enbridge's CSP outcomes, and ultimately, the affects they perceive these having on themselves (Appendix B).

As theoretical evidence suggested that differences may exist in perceptions of CSP based on age, gender, and work group, I decided to seek relatively equal representation of different genders, ages, and Transportation North divisions in my interviews. Also, given the exploratory nature of the research, I chose to pursue a maximum variation sampling strategy (Miles & Huberman, 1994), seeking participants with varying education and job tenure in order to explore differences among family groups<sup>8</sup> not hypothesized in my theoretical model (Appendix C). While the necessity of working with representatives of the company to identify potential interviewees was a challenge to participant anonymity, I addressed this issue by requesting that the company provide me with a list of 50 potential interviewees, from which I would select 25 to interview. The selection of 25 as the ideal number of interviews was based primarily on considerations of the balance between participant anonymity and the size of the research project. Although all data would be presented in aggregate, the potential still existed for anonymity to be compromised should the family groupings become too thin in my reporting. With five primary family groups, the number 25 was picked in order to keep family groupings above five members. While a larger sample would have been beneficial in further ensuring anonymity, I chose to limit my sample to 25 in order to keep the scope of the project manageable.

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<sup>8</sup> The term 'families' as used here is taken from Miles and Huberman (1994), who use the term to differentiate between sets of cases that share certain patterns or configurations.

My contacts within Transportation North proved to be exceptionally helpful in identifying potential interviewees. Given the limited time available for this task, however, the company requested the number of potential interviewees be limited to 20, from which I would select 15 interviewees. Given my earlier experience with losing access to the company, and the fact that evidence suggested employees would report positive effects, I concluded that despite the potential for small family groupings, the potential risk to participants was still low enough to proceed pending ethical approval, which was ultimately granted by the University of Alberta Ethics Review Board.

Based on my sampling guidelines, the company's Director of Human Resources provided me with a list of 20 employees working in Transportation North's head office. The list included employees in each department and satisfied my desire for gender balance and variation by age, gender, education, and seniority. Given the skilled nature of the work done in the Edmonton office of Transportation North, however, my sample included a high percentage of highly educated individuals. Following an example drawn from Hertz and Imber (1995), I created a telephone script informing employees that Enbridge was supporting my research, and inquiring as to their willingness to be interviewed (Appendix D). A secretary from Transportation North used the telephone script to contact each of the potential participants and inquire as to their willingness to participate. Of the 20 individuals contacted, 18 agreed to be interviewed. Of the 18, I randomly selected 15 for interviews and contacted each employee personally to schedule an interview time. While the company had made an office available to me to conduct the interviews, I offered each interviewee the option of conducting the interview at my office at the University of Alberta or at another location of his or her choosing. All but four interviewees chose to be interviewed in the office the company had provided me with. Of the four requesting offsite interviews, two requested to be interviewed in their own offices for the sake of convenience. Citing a desire to get away from their

offices for an hour, one individual asked to be interviewed in my office at the University, and another requested the interview be at a local coffee shop.

Overall, all interviewees were very cooperative and openly discussed their personal perspectives on social responsibility, their assessments of the strengths and weaknesses of Enbridge's social performance, and if or how they saw it affecting them personally. While I had scheduled one hour for each interview, the first two interviews ran for only 15-20 min. Between the second and third interviews, I altered my interview guide slightly. I added additional questions regarding the interviewees' perceptions and understanding of social responsibility and added context to the questions relating to the stakeholder model of social performance. With these changes, I was able to elicit more detailed information from subsequent interviews. The additional context also aided in the flow of the second half of each interview. Over the course of the interviews, I realized that many employees felt that CSP benefited them by contributing to the financial success of the company. As I had not anticipated this, I added a question on the subject to the interview guide. Overall, I believe the interviews were a positive experience for me, and the interviewees participating in this study. Rapport and sensitivity were established and maintained throughout each interview, and rich, deep data were gathered.

#### **4.6 - Data Analysis**

The data analysis for this project consisted of content analysis of documents and interview data. As per Miles and Huberman (1994), I utilized coding lists to explore themes in the data. While this analysis was the only one conducted in constructing the company's social performance profile, the more detailed analysis required for the interview transcripts necessitated the additional step of constructing matrix displays of coded data (Miles & Huberman, 1994).

In the document-analysis portion of the case study, I constructed a profile of the company's social performance through analysis of publicly available

documents. For the most part, the external documents I used detailed existing evaluations of aspects of the company's various stakeholder relationships and required no coding. Data from these documents were then complemented by that obtained from a thematic analysis of disclosures made by the company over the past five years. I read each document and coded it according to Wood's (1991) multi-dimensional framework and the stakeholder relationship it discussed. Next, I analyzed the coded passages for themes relating to each of Wood's three levels and combined them with the data gleaned from the external documents to produce a profile of the company's principles of social responsibility, processes of social responsiveness, and the resultant stakeholder outcomes.

While analysis of the interview portion of the case study began concurrently with the start of interviewing (Miles & Huberman, 1994), the bulk of the analysis was undertaken through the processes of transcription, coding, and matrix building. In the process of gaining informed consent, I asked the participants for permission to tape record their interviews. All respondents agreed to this request. After completing my interviews, I transcribed them. To help ensure participant confidentiality and anonymity, I assigned a number to each interviewee in place of his or her name. When participants mentioned the names of fellow employees, I substituted pseudonyms. In the process of transcription, analysis continued as I found support for some initial perceptions I had formed during the interview process. As well, unanticipated themes began to emerge during this process as well. I used a notepad to record both new and emergent themes as they became apparent.

Based on the new themes and insights derived during transcription, I added additional codes to the list I had constructed before beginning the interviews (Appendix E). I then input these codes into the NVIVO data analysis program and coded each interview accordingly. From these codes, NVIVO produced lists of quotes from the interviews relating to each code. Once I completed this

initial coding, I coded the quotes relating to each code in more detail to achieve the level of specificity necessary for analysis (Appendix F).

After completing both levels of coding, I entered the data into a meta-matrix containing information on how each case had been coded (Miles & Huberman, 1994). While NVIVO would have been capable of creating such a document, I chose to create the meta-matrix by using Microsoft Excel, a program with which I have a much greater familiarity. From the meta-matrix, within and between cases analysis was conducted. Based on the results of this, additional matrices were created in order to examine themes among and between individual family groupings relating to age, gender, education, job seniority, work experience, as well as according to variables such as CSR orientations and value congruence levels. The findings from these matrices were then compared to my theoretical framework and are reported in the penultimate chapter of this thesis.

#### **4.7 - Conclusion**

In order to explore how employees are affected by their company's social performance, this study used a qualitative, case study research strategy. Given the dearth of literature in this area, a qualitative strategy was chosen both in order to respond flexibly to new discoveries made in the process of collecting data, as well as to generate deeper, contextualized understandings of how employees perceive social performance affecting themselves. The company chosen as the case for this research was Enbridge Inc, and following my negotiations with the company, all of the participants in this study came from the head office of the company's Transportation North division. I chose Enbridge as my case based on its strong social performance as reported in both company documents and external sources. This performance allowed the company to serve as both an instrumental and extreme case where the affects of social performance on employees were readily apparent over the course of my investigation.

To explore my research questions, this case study consisted of two distinct stages. First, I analyzed company and external documents to construct a profile of Transportation North's social performance. I then triangulated this information with in-depth interviews with senior managers within the company who filled in missing details and added valuable local context to my overview.

In order to explore how Transportation North's CSP affected the company's employees, I conducted in-depth interviews with 15 Transportation North employees whom I had selected from a list of 20 potential interviewees provided to me by the company. To the extent possible with only 15 interviewees, I attempted to include equal proportions of men and women from different divisions of the company and of varying age, education, and tenure.

Using the interview tapes, I transcribed each interview. To help ensure participant anonymity, I replaced interviewee names with numbers and used pseudonyms in place of the names of other employees mentioned by the interviewees. While data analysis had begun informally during the interview process, transcription initiated the start of this process in earnest. In addition to finding support for themes first noticed during the interviews, the transcription process helped expose new and unexpected themes from the data. Once transcribed, each interview was coded by using the NVIVO software program. Next, a second round of coding was undertaken to provide the specificity necessary for analysis. According to the coding, I entered the data into a meta-matrix, which served as the basis for all analysis.

## **Chapter 5: Social Performance at Enbridge Energy Transportation North**

### **5.1 - Introduction**

As I discussed in the previous chapter, the first part of my research into how the social performance of Enbridge Energy Transportation North (Transportation North) affects its employees involved an analysis of the company's social performance along each of the principle, process, and outcome dimensions outlined in Wood's (1991) model. While academia has yet to develop a reliable and valid process for assessment of social performance, my approach followed Wood (1995) and Carroll (2000), who advocated the inclusion of multiple indicators of multiple stakeholder relationships. My investigation into Transportation North's CSP utilized information from documents issued by Transportation North's parent, Enbridge Inc, evaluations of Enbridge's CSP conducted by external evaluators, and interviews with senior managers of Transportation North. The evidence obtained from these three sources suggests the company has strong and well articulated principles of social responsibility, seeks to involve employees to some degree in processes of social responsiveness, and has strong social performance outcomes.

### **5.2 - Principles of Social Responsibility**

According to Wood's model of CSP, a company's principles of social responsibility can be analyzed according to institutional, organizational, and individual / discretionary levels. In Wood's model, institutional and organizational principles relate to a company's values regarding the treatment of stakeholder groups, and individual / discretionary principles focus on the ethical conduct of individual employees and managers (Wood, 1991). At the institutional level, a company tries to foster positive relationships with all of its stakeholders in order to maintain its legitimacy. This compares to organizational level principles, which emphasize the treatment of specific stakeholder groups that a company interacts with as it conducts business. Complementing these principles, individual / discretionary principles relate to a

company's expectations for the ethical and moral conduct of employees and managers. To examine CSP principles at Transportation North, I relied primarily on documents issued by Enbridge Inc. detailing CSP principles common across all divisions of the company. Evidence from these documents suggests that Enbridge has well articulated principles relating to each level of social responsibility. At the institutional level, the company claims to pursue positive relationships with all stakeholders; at the organizational level, it claims to place special emphasis on addressing the specific effects it has on society; and at the individual / discretionary level, it has well defined ethical principles to guide decision making by managers and employees.

According to Wood's model, institutional principles deal with maintaining legitimacy in the eyes of all of the company's stakeholders. This process entails fostering positive relationships with all stakeholders in order to ensure each group continues to provide its share of reciprocal benefits to the company (Wood, 1991). Enbridge currently utilizes a stakeholder framework in its definitions of social performance, and links the treatment of all stakeholder groups to its financial success. In its 2002 Annual Report, Enbridge presents its definition of social performance<sup>9</sup> explicitly and outlines its institutional level principles in one concise passage:

At Enbridge, we are committed to excellence in implementing standards that not only comply with legislated requirements but also respond to the social, economic and environmental needs of the communities where we operate, our customers, shareholders, governments and the public. Social responsibility... is one of our core values. (Enbridge Inc., 2002a, p.12)

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<sup>9</sup> In company documents, Enbridge utilizes the term 'corporate social responsibility' when discussing what this study refers to as 'corporate social performance'.

Illustrating the link the company perceives between its social performance and business success, company CEO, Pat Daniel, explained in an interview with the Conference Board of Canada that “corporate social responsibility is a core corporate value... (because) we have to earn the right to keep doing business... (B)usiness success comes from listening and responding to stakeholders” (Benimadhu, 2003, p. 1). In another presentation, Daniel expanded on this value, saying, “Companies (need) to be as socially responsible as they are financially responsible” (Daniel, 2002, p. 19). These quotations illustrate clearly the company’s CSP principles at the institutional level. Further illustrating the link that the company perceives between CSP and business success, the company’s 2002 Annual Report claimed that social responsibility is integrated directly into its corporate governance strategy. The company claimed this process occurs as a part of “enterprise-wide risk assessment and mitigation... (that) keeps Enbridge accountable to shareholders, and responsible to (the) social environment” (Enbridge Inc., 2002a, p. 11).

Within this institutional emphasis on social performance, Enbridge places added emphasis on its relationships with organizational-level stakeholder groups. Based on the principle of public responsibility articulated by Preston and Post (1975), organizational CSP values are those relating to “(a company’s) primary and secondary involvements (with society)” (Wood, 1991, p. 698). At Enbridge, these values relate primarily to environmental protection, employee health and safety, and involvement in the communities where the company operates. On a corporate level, Enbridge includes a statement of these values in its Annual Environmental Health and Safety Report. In this report, CEO Daniel outlines Enbridge’s organizational CSP values, reiterating the company’s commitment to “the safety of (its) employees and the public, (as well as) a clean and healthy environment, and strong, vibrant communities” (Enbridge Inc., 2002b, p.1).

Given the potentially harmful influence Enbridge’s business may have on the environment, environmental protection is one of the company’s core

organizational CSP values. In an interview with the Conference Board of Canada, CEO Daniel stated “Enbridge is conscious of the critical role it should play in protecting and improving (the) environment” (Benimadhu, 2002, p.2). This focus on environmental protection is codified in written policies and procedures regarding emissions reduction, spill prevention, land use, water and waste management, energy use, vehicle transportation, and demand-side management (Enbridge Inc., 2002b). At Transportation North, senior managers indicated that environmental protection is extremely important and is given a very high profile due to the division’s focus on crude oil transportation. When the company’s activities have had negative effects on the environment, Enbridge reports placing a high priority on transparency and honesty, and claims a strong history of admitting and addressing spills from its pipelines (see Enbridge Inc., 1998-2002a). Reaffirming the strength of Enbridge’s environmental values, the company advocates for reductions in consumer energy use and invests in alternative energy sources. Both actions provide clear illustrations of the strength of Enbridge’s environmental values, as these actions are not discretely compatible with goals of profit maximization. Enbridge’s environmental values also inform the company’s community investment strategy (Enbridge Inc., 2002a).

In addition, Enbridge also places a high priority on employee health and safety. Company HRM documents reflect the value Enbridge places on its employees. Both annual reports and executive presentations have claimed that employees are integral to all aspects of the company’s success, and as health and safety relate directly to this success, there are highly valued by the company. Consequently, Enbridge integrates its health and safety values directly into the company’s Statement of Business Conduct (SBC). As well, the company conducts numerous safety audits and employee forums in order to assess and improve health and safety.

At the organizational level, Enbridge places particular emphasis on involvement in the communities in which it operates. According to the company's national manager of community involvement, Enbridge operates a strategic community investment program supporting key programs in health, education, social services, the environment, arts and culture, and civic leadership initiatives. For example, the company's 2002 Annual Report claimed that supporting the creation and maintenance of strong and vibrant communities is one of the company's core values (Enbridge Inc., 2002a). Within Transportation North, this support entails investments into numerous health, arts, and leadership organization and events (Enbridge Inc., 2002a). Enbridge and Transportation North also emphasize employee volunteerism through the Volunteers in Partnership program, which facilitates employee involvement in the community. Enbridge's view of this volunteerism as a training ground for leaders within the company illustrates the value of volunteerism for the organization (DuPont, 2002a).

In addition to promoting institutional- and organizational-level values, Enbridge also values manager and employee discretion in matters of social responsibility. All employees are empowered to utilize their individual discretion to go beyond what is prescribed in company policies and procedures and are encouraged to act ethically in this regard. Evidence suggests that Enbridge encourages this type of discretion by both managers and employees. Beginning in 1999, Enbridge's annual reports begin to mention "empowerment" as a management strategy. According to these reports, empowerment is integrated into the company's governance strategy, enabling employees to participate in decision making (Enbridge Inc., 1999-2002a). Reflecting this emphasis, CEO Daniel advocated flat control hierarchies and stated that he "would like to see every employee exercise leadership within his or her sphere of responsibility" (Benimadhu, 2003, p. 3). In exercising this discretion, employees throughout Enbridge (including Transportation North) are guided by the company's Statement of Business Conduct (SBC). The SBC is a comprehensive document of more than

40 pages outlining the ethical expectations for all Enbridge employees. All employees are required to read and sign the SBC annually as a condition of employment. The value Enbridge places on the ethical conduct of its employees is high. According to CEO Daniel, the company hires as much on values as on skills, and mirroring this practice, Group Vice-President Bonnie DuPont claimed that an ethical workforce is one of Enbridge's key resources (Enbridge Inc., 2002a).

### **5.3 - Social Performance Outcomes**

Linked to Enbridge's principles of social responsibility are the company's social performance outcomes. While no academically rigorous procedure currently exists for evaluating CSP outcomes, researchers in this area typically advocate an approach inclusive of "at least four or five stakeholder groups – employees, customers, owners, community, and perhaps the environment" (Carroll, 2000, p.473). Reflecting this framework, evidence from company documents and external evaluations shows that Enbridge, and Transportation North have strong social performance outcomes.

Community relations represents one of the strongest areas of Enbridge's social performance. Enbridge's commitment to community involvement has translated into annual contributions of over \$3 million to communities it operates in each of the past four years (Enbridge Inc., 1998-2002a). In the past year, Transportation North made contributions to the Leadership Edmonton program, the Stollery Children's Hospital Foundation, Health Smart Solutions, as well as to the United Way. Senior managers noted that the United Way campaign at Transportation North enjoys a particularly high profile, with the company going so far as to provide one employee to work full-time with the United Way on its fundraising campaign each year. In addition, Transportation North has a unique community relations program, known as the Environmental Initiative Program, which offers grants of \$5000 to community-based projects focusing on environmental protection and the benefits of being environmentally responsible

(Enbridge Inc., 2002a). Transportation North also encourages employee involvement in the community. To coordinate this involvement, the company operates a company-directed, but employee-organized, Volunteers in Partnership program that publicizes volunteer opportunities and encourages involvement. This type of volunteerism is heavily promoted at Transportation North, and although employees are not given paid time off to volunteer, employees in the Edmonton office of Transportation North performed over 13,000 hours of community service in 2002 (Enbridge Inc., 2002a).

Enbridge reported that in addition to investing in community activities and programs, it seeks to foster positive and constructive relationships with communities along its pipeline right-of-way and near its facilities. As the division responsible for the longest stretch of Enbridge's pipeline network, this effort is prominent at Transportation North. Reflecting this, the company conducts public consultations and awareness programs including open houses, sends out information bulletins, and holds meetings with community leaders. All these activities are designed to inform communities about Enbridge's operations and to provide information on environmental programs and pipeline safety (Enbridge Inc., 2002b).

The company's recognition each year since 1998 as an Imagine Canada Caring Company reflects the strength of Enbridge's community involvement. Imagine Canada is a national organization with a mission to promote public and corporate giving and volunteering. The organization awards a Caring Company designation to companies that donate greater than 1% of their pre-tax profits to charitable organizations, encourage employee giving and volunteering, support ethically and environmentally sound suppliers, and share their expertise with the community (Imagine Canada, 2003). The strength of Enbridge's community relations also rated highly in the annual *Corporate Knights* magazine (2003) corporate citizenship rankings. In these rankings, Enbridge

was the 7<sup>th</sup>-best company on the Toronto Stock Exchange 300 for community relations.

In addition, Enbridge's environmental performance outcomes are also very strong. Reflecting the company's values relating to environmental protection, Enbridge accounts for its environmental performance through its Annual Environmental Health and Safety Report. The report details the company's environmental performance in regards to air quality, gas emissions, spills, site monitoring, land use, biodiversity, water and waste management, energy use, pipeline integrity, and emergency preparedness (Enbridge Inc., 2002b).

Amongst the numerous outcomes featured in the report are the doubling of internal reviews and audits of pipeline operations since 2001, expansion of emergency response training for employees, and creation of programs designed to reduce public energy consumption (Enbridge Inc., 2002b). Data in the 2002 edition of the report show that since 1998, Transportation North has significantly reduced its regulatory fines and notifications, as well as its greenhouse gas emissions and energy usage. The company also showed improvement in this period in the quantity of materials it recycled. Notably, however, the number of spills from Transportation North's pipelines were higher in 2002 than in 1998, but overall, spill rates are down significantly since their peak in 1999.

In recognition of Enbridge's environmental performance, the company was the recipient of the 2002 Canadian Gas Association Safety Award for Distribution Companies, and the Canadian Energy Pipeline Association Environmental Management and Spill Prevention Award. The company was also awarded the prestigious Financial Times Global Energy Practice of the Year Award. This award was given to Enbridge based on "the longstanding nature, diversity and sustainability of its environmental practices, and its commitment to putting sustainable development principles into action with measured and impressive results" (Enbridge Inc., 2003b).

In addition to its strong environmental and community performance, Enbridge also has a strong record of shareholder performance. According to its 2002 Annual Report, Enbridge prides itself on “consistent, predictable, and sustainable growth” (Enbridge Inc., 2002a, p. 1). Over the last ten years, Enbridge has provided an average return to shareholders of more than 15%. While the company’s 2002 return was only 1.5%, the company claims this still compared favorably to returns on the the Toronto Stock Exchange, New York Stock Exchange Composite Index, and US Pipeline Index, which declined 11%, 20% and, 33%, respectively (Enbridge Inc., 2002a). Transportation North has traditionally been a significant contributor to Enbridge’s financial and shareholder performance, producing the largest profit of all Enbridge operating divisions during two of the last three years (Enbridge Inc., 2002a).

In addition to strong financial performance, Enbridge also reports emphasizing open and honest communication with its shareholders. In a presentation to Federal and Provincial Energy Ministers, CEO Pat Daniel advocated complete transparency in financial matters. In the same presentation, Daniel also stated that under no circumstances, “should management... demean shareholders, and others, who ask questions of (it)” (Daniel, 2002). In another presentation, Group Vice-President Bonnie DuPont noted that communication and transparency with shareholders is a core element of Enbridge’s corporate governance success (Dupont, 2002b). Enbridge also has an employee share ownership program allowing employees to buy company stock at a preferred price.

This strong financial performance suggests that Enbridge may also have positive relationships with its customers. As numerous company documents have noted, delivering value to customers is a key company value (Enbridge Inc., 2002a, 2003a). Responsiveness to customers is illustrated by the company’s investments in sustainable energy sources, which CEO Daniel claimed were

partly in response to customer demands. Enbridge employees are also empowered to respond to customer needs, and CEO Daniel has noted that employee empowerment is key to “providing superior service to... customers” (Bendimadhu, 2003, p.3). While other divisions such as Energy Distribution deal with a wide range of public customers, Transportation North deals with only a few large customers who transport oil on its pipelines. While few employees have the opportunity to interact with these customers, Transportation North puts a high priority on fostering positive relationships with them. According to one interviewee, the focus on customers is so strong that they are affectionately known as “The Big ‘C.’” While further evidence of how this customer focus is translated into tangible outcomes is unavailable, Enbridge’s and Transportation North’s strong and sustained financial performance suggests that the companies likely have a strong and loyal customer base.

According to the traditional analysis of corporate social performance outcomes, social performance is expected to influence employees through a company’s HRM performance. Document analysis suggests Enbridge performs well in this area as well. A constant theme in annual reports extending back to 1998 is the company’s view that employees are key to business success, and that retaining them is a top priority (Enbridge Inc., 2001; DuPont, 2002a). While this focus is not featured in the 2002 Annual Report, the 2001 report claims that Enbridge is competitive from a wage, salary, and benefit perspective, and that the company is a leader in growing and developing intellectual capital as well as in satisfying employees’ career aspirations. The report also claims that the company has a strong record of employee retention, although the company provides no data to support this claim (Enbridge Inc., 2001, p. 10). At Transportation North, senior managers noted that employees receive competitive wages and a comprehensive benefits package.

Enbridge also has a strong record regarding employee health and safety. Guided by its core value of “keeping employees and contractors safe and healthy”

(Enbridge Inc., 2002a, p. 1), the company provides employees with extensive safety training programs, ergonomic assessments, and health programs designed to encourage employee well-being and positive lifestyles both on, and off, the job (Enbridge Inc., 2002b). At Transportation North, this consists of 'lunch and learn' sessions, as well as the inclusion of health information with employee pay stubs. Since 1998, Transportation North has shown improvement in employee injury frequency, contractor injury frequency, and employee absenteeism, with rates well below those of Enbridge's Energy Transportation South and Energy Distribution divisions (Enbridge Inc., 2002b). Recognizing Enbridge's strong HRM performance, MacLean's magazine included the company as one of the top 100 employers of 2001 (as cited in Enbridge Inc., 2001). The company has not appeared on the list since, however. Despite the generally positive assessment of Enbridge's HRM, senior managers at Transportation North reported that the new Sarbanes-Oxley reporting requirements have resulted in increased responsibilities and longer hours that may negatively affect employees' work / life balance.

This analysis of company documents and executive presentations is supported by external evaluations of Enbridge's social performance outcomes. For each of the last two years, Enbridge was selected as a member of the Dow Jones Sustainability Index, which recognizes companies leading their industry according to a variety of sustainability indicators. Evaluations in the Index are based on assessments of a company's human resource practice, product quality, customer relations, financial performance, and strategic integration of financial and social goals (Dow Jones, 2003). In addition, Enbridge was rated Canada's 11<sup>th</sup>-best corporate citizen in the annual corporate citizenship rankings in *Corporate Knights* magazine (2003). Like the Dow Jones Sustainability Index, the *Corporate Knights* rankings utilize a stakeholder framework for evaluating social performance. To construct the rankings, Ethicscan, Sustainable Investment Group, and Innovest Strategic Value Advisors perform social audits on each company. Each audit rates a company's community relations, human

resource management, product safety, business practices, and international performance<sup>10</sup>. In addition, Enbridge once again received a positive social audit from Jantzi Research Associates (2003) and is included on the Jantzi Social Index of Canadian businesses with strong performance. The Jantzi audit is particularly notable because of the conceptual similarity between it and the American KLD social audit, which Wood (1995) has referred to as “the best researched and most comprehensive CSP measurement currently available” (p. 239).

#### **5.4 - The Roles of Employees in Social Responsiveness**

Although Wood’s model does not reflect the potential for employees to be involved in the creation and maintenance of a company’s social performance, I have argued that processes of social responsiveness may indeed affect employees. Through policies relating to employee empowerment, participative management, and employee / stakeholder interactions, employees may play a direct role in a company’s social performance. This argument is supported by evidence in Enbridge’s documents and executive presentations suggesting employees are involved directly in the company’s social performance.

One way in which employees may be involved in social performance is through participative management, which enables them to give input into management decisions regarding social performance issues. At Enbridge, this process takes place primarily in the area of employee health and safety. To this end, the company utilizes “local and regional employee health and safety committees and working groups, where employees and management meet regularly to discuss local issues and opportunities” (Enbridge Inc., 2002b, p. 5). Employee input gleaned through these processes has resulted in programs to raise awareness of health and safety, safety recognition programs, and the creation of safety targets for employees.

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<sup>10</sup> For a complete overview of the methodology used for these rankings, see [www.corporateknights.ca/best50/methodology.asp](http://www.corporateknights.ca/best50/methodology.asp).

However, the company has no provision for employee input into policies relating to social performance. Even though the company's 1999 Annual Report claimed "employees participate in decision making" (Enbridge Inc., 1999, p. 3), none of the senior managers interviewed at Transportation North could identify areas other than health and safety where employees can give input into company policy, social or otherwise.

Despite its lack of participative management, Enbridge does provide employees with meaningful opportunities to be involved in the creation of social performance through their interactions with external stakeholder groups. Evidence shows Enbridge recognizes both the potential for employees to be involved in stakeholder interactions and for this involvement to affect the company's social performance. This potential is illustrated in the company's Statement of Business Conduct (SBC), which delineates the company's expectations for employee conduct when employees are interacting with all stakeholders. Specifically, the SBC states employees must act according to the law, deal honestly and fairly with all stakeholders, conduct business in a safe and responsible manner, and ensure the fair treatment of fellow employees (DuPont, 2002). Given the company's stakeholder-based definition of social performance, this code of conduct illustrates the link Enbridge sees between discretionary actions taken by employees and the company's social performance. Enbridge also empowers employees to respond to stakeholder needs, specifically concerning customers (Benimadhu, 2003), again illustrating the role of employees in Enbridge's social performance.

However, the most prominent employee / stakeholder interaction at Transportation North is with the community. As I have shown, Enbridge places a high priority on community involvement and encourages "community mindedness and involvement by employees" (Enbridge Inc., 2002a, p. 12). The company's social vision statement reflects the key role of employees in this

aspect of social performance: “We deliver on our commitment to enhance the quality of life in our communities by supporting programs in health, education, social services, and the environment. Together with our employees, we have the energy to make a difference” (Enbridge Inc., 2003a).

This vision statement has been a part of Enbridge’s community relations since 1998, and volunteerism has been noted as a corporate priority in annual reports each year since (see Enbridge Inc., 1998-2002a). At Transportation North, senior managers reported that employee volunteerism has been so strongly encouraged that it is now a central part of the company’s corporate culture. As noted earlier, volunteerism at Transportation North is coordinated through the Volunteers in Partnership (VIP) program. VIP disseminates volunteerism options to employees, tracks volunteer hours, and makes donations of \$200 to each charity an employee volunteers 60+ hrs to in a year. Overall, employees in the Edmonton office of Transportation North contributed over 13,000 hours to the community through opportunities made available through VIP in the past year (Enbridge Inc., 2002a).

In addition, Transportation North employees in Edmonton are also directly involved with environmental and regulatory stakeholders. As of 2000, all of Enbridge’s pipeline-monitoring functions have been consolidated in Edmonton. In essence, this consolidation placed the primary responsibility for ensuring the safety and integrity of the pipeline and gas distribution systems on Edmonton employees. Because of this responsibility, Transportation North employees are the primary point of contact for environmental regulators. Senior managers reported the company has a positive relationship with its regulators and is even consulted in setting environmental standards for the entire industry.

## 5.5 - Conclusion

Following the stakeholder-based principle, process, outcome framework outlined by Wood (1991), my analysis shows that Enbridge and Transportation North, have strong social performance. Based on analysis of company documents, external reports, and the insights of three senior managers whom I interviewed at Transportation North, a picture emerges of a company with well-defined principles of social responsibility, a degree of employee involvement in processes of social responsiveness, and strong stakeholder relationships. Enbridge has principles of social responsibility at each of the institutional, organizational, and individual / discretionary levels and features them prominently in both company documents and presentations by top executives. While there is the potential for principles of this nature to exist just at the level of discourse, evidence suggests that they form the basis for action within Enbridge. This results have included strong social performance outcomes and uniformly positive assessments of stakeholder relationships by external evaluators. Evaluations by *Corporate Knights* magazine, the Dow Jones Sustainability Index, Imagine Canada, and the Jantzi Social Index all rank Enbridge amongst the top companies in Canada for social performance. These convergent evaluations are supported by statements in the company's annual and environmental health and safety reports and are corroborated by the three senior managers I interviewed. In addition to strong social performance principles and outcomes, Enbridge also seeks to involve employees in processes of social responsiveness. While few opportunities are available for employees to participate in decisions regarding the company's CSP policies, Enbridge does allow employees to utilize their own discretion in dealing with stakeholders. The company also actively encourages employee volunteerism.

Although evidence suggests Transportation North has strong social performance along each of the principle, process, and outcome dimensions, questions remain regarding how this performance affects employees. While PO fit and social identity theories suggest that strong CSP will result in increased job satisfaction,

commitment, performance, morale, and self-esteem, little empirical evidence is currently available to support this assumption. To explore the effects of CSP on employees at Transportation North, I conducted interviews with fifteen of the company's employees. Interviews focused on each participant's CSP values and how they compared to Enbridge's, the avenues through which employees see themselves contributing to CSP, evaluations of Enbridge's CSP outcomes, and, ultimately, the effects that employees see each having on themselves.

## **Chapter 6: Analysis of Employee Interviews**

### **6.1 - Introduction**

According to my theoretical model, a company's social performance may affect its employees along each of the principle, process, and outcome dimensions of CSP outlined by Wood (1991). In interviews with 15 employees at Enbridge Energy Transportation North, I found evidence that each of these dimensions of CSP affects employees. At the most general level of analysis, almost all participants in this study identified social performance as personally important and perceived some degree of congruence between their CSP values and Enbridge's. The majority also gave positive evaluations of the company's CSP outcomes and reported participating in the creation of this CSP through performance of their jobs, volunteerism, or both.

As a result, the majority of participants reported benefiting from CSP in ways extending beyond the traditional human resource management view of the employee / social performance relationship. The most commonly reported outcomes were increased commitment, job satisfaction, morale, and self-esteem. In sum, the evidence suggested a potentially strong relationship between CSP and employee outcomes. When the evidence was examined in more detail however, an interesting picture emerged. While almost all interviewees reported benefiting from social performance, the dimensions of CSP that produced these benefits and the specific benefits reported, differed.

In regards to CSP principles, almost all interviewees reported CSP as personally important to them. The specific aspects of CSP valued by interviewees, however, varied. Many males, and females with higher job tenure identified CSP as important in terms of all of the company's stakeholder relationships. These individuals viewed CSP as important due to the benefits they perceived it having on their job security and stock options. For other interviewees, primarily females with lower job tenure, only specific stakeholder groups were of

particular importance. Typically, these individuals valued community involvement, environmental protection, and the treatment of their fellow employees. Almost all interviewees also reported identifying with the company's ethical policies. Many interviewees with higher job tenure reported valuing CSP for all of the reasons identified above. Of these individuals, those who perceived congruence between their values relating to specific stakeholder groups and the company's treatment of these groups typically reported the greatest benefits from CSP.

In terms of social identification, some employees reported benefiting from CSP through their identification with the positive aspects of the company's social performance. These individuals, typically younger women and older men, reported feeling increased self-esteem and commitment to the company as a result of this identification. Interestingly, for many of the men who reported this type of identification, it appeared to be a substitute for benefits resulting from CSP value congruence or participation in CSP creation.

Data suggest that individuals who participate in the creation of CSP benefit from their involvement. While Enbridge does not provide for employee input on a policy level, employees have opportunities to participate in CSP creation through both volunteerism programs and their performance of their jobs. The majority of interviewees reported participating in CSP in one or both of these ways and typically reported increased commitment and job satisfaction as a result.

While employees reported benefiting from each dimension of CSP, a clear pattern emerged. Individuals who perceived congruence between their values and the company's with regards to specific stakeholder groups were the most likely to report participating in CSP creation, to express pride in their association with their company, and to benefit from CSP.

## 6.2 - Employee Definitions of CSP

In order to explore the effects of corporate social performance on employees, I had to examine each participant's perceptions of Enbridge's and Transportation North's CSP principles, processes, and outcomes. As I noted in the previous chapter, Enbridge and Transportation North have well defined principles of social responsibility, processes for involving employees in the production of social performance, and strong social performance outcomes. Waddock and Mahon (1991) noted, however, that perceptions of social performance, not its objective reality, are what affect stakeholders. Research suggests that direct experience, company public relations, other stakeholders, and the media inform these perceptions (Fombrun, 1996; Corley, 2001; Gotsi & Wilson, 2001). In the case of Enbridge, employees are also informed about the company's social performance through a company-wide newsletter, an employee-only intranet portal,<sup>11</sup> and a policy manual including the company's Statement of Business Conduct. Interviewees in this study generally showed a fairly comprehensive understanding of the social performance at Transportation North and more importantly, uniformly gave it positive evaluations.

Interestingly, when discussing Enbridge's social responsibility,<sup>12</sup> most respondents defined it as congruent with only the effects the company has on the environment and community. This definition differed from the company's, which was more congruent with a stakeholder model (Freeman, 1984; Wood, 1991; Carroll, 2000). This study is not intended to explore how employees create their definitions of social responsibility, but I suggest this difference may be due to the heavy emphasis Transportation North places on environmental protection and community involvement. Despite this difference in definition, once presented with a stakeholder model of CSP, most participants cited the company's principles of social responsibility, including the emphasis on

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<sup>11</sup> Enbridge's intranet is a website similar to the company's public website, but contains information on internal policies and employee information not available to the public.

<sup>12</sup> The term 'social responsibility' was used in place of 'social performance' in all interviews to reflect the terminology utilized by Enbridge.

community involvement, environmental protection, and employee health and safety. The majority of interviewees were also able to speak generally about the company's ethical principles. Regarding CSP outcomes, most cited numerous examples of the company's social performance as it related to employees, the environment, regulators, and communities. Reports of opportunities for involvement in these relationships typically focused on the company's Volunteers in Partnership program. Reflecting the low level of participative management at Enbridge, interviewees reported few avenues for policy level input into CSP. While company documents and the three senior managers I interviewed suggested that Enbridge's CSP is fairly consistent throughout the company, examples given by interviewees focused almost exclusively on their personal experiences within Transportation North.

### **6.3 - Effects from Congruence with CSP Principles**

Person / organization (PO) fit theory suggests that employees may be affected by the degree of congruence between their personal values relating to social performance and those they perceive are held by their company. Research has shown that when employees perceive congruence between their values and their company's in areas other than CSP, the results include increased job satisfaction, morale, performance, and commitment. I believe these outcomes may extend to CSP value congruence as well. According to Wood's (1991) model, a company's principles of social performance can be examined according to institutional, organizational, and individual / discretionary levels. By using existing research to extrapolate from samples of the population at large, one can conclude that employees likely have values relating to each of these levels.

As noted in the last chapter, social responsibility is one of Enbridge's core values, and the company has principles relating to each of the levels outlined by Wood (1991). Almost all employees interviewed for this study reported having value systems that place importance on social performance. Only one

interviewee reported social performance was not personally important. Over half of the interviewees reported CSP was important as it related to business success at the institutional level, over two-thirds valued the treatment of specific stakeholders at the organizational level, and all but two valued Enbridge's ethical and moral principles. Approximately one third reported valuing CSP at all of these levels.

Relating to the organizational level, when asked which aspects of social responsibility were of particular importance to them, the great majority of interviewees responded with community involvement, while a smaller number also identified environmental protection. These values are largely consistent with those identified in the general population by the CCSE (2000) and Mohr et al. (2000). This finding, however, contradicts the findings of Turban and Greening (2000), who found that a company's community involvement was not important to job seekers. Reflecting their position as internal stakeholders, over one-third of interviewees also identified the treatment of employees as a key personal value. This emphasis on community involvement, environmental protection, and human resources is largely consistent with Enbridge's organizational principles of social responsibility.

At the organizational level, Enbridge emphasizes environmental protection, community involvement, and employee health and safety. As CEO Pat Daniel stated, "Enbridge value(s) the safety of (its) employees... a clean and healthy environment, and strong vibrant communities" (Enbridge Inc., 2002b, p. 1). Therefore, the company dedicates considerable resources to its relationships with each of these stakeholders. Not surprisingly, interviewees who valued community involvement, environmental protection, or employee treatment perceived a high degree of congruence between their values and Enbridge's in these areas. When speaking about this value congruence, interviewees typically pointed to the company's CSP outcomes in these areas, reflecting Turban and

Greening's (2000) argument that CSP outcomes serve as signals of a company's values and norms. According to two of my interviewees:

"I like seeing Enbridge involved in the community. That's a big thing for me." (Interviewee #13)

"I'm a green person. Because of that... I feel really good about the Sunbridge project. It's something that's good for the environment."  
(Interviewee #10)

Interestingly, although participants valued the company's treatment of its employees, the environment, and their community, personal factors typically motivated participants to value these elements. At the organizational level, a company is motivated to place special emphasis on certain stakeholder relationships because they reflect the company's effects on society. Given the potential environmental harm of the company's business activities, and the resultant operational regulations imposed by the Canadian government, Enbridge emphasizes environmental protection. Interviewees who valued environmental protection generally shared the principle that Enbridge should be responsible for the environment. Most of these individuals also reported that environmental protection was personally important to them due to the influence it could have on society or themselves.

Similarly, most interviewees who valued community involvement and the treatment of employees also reported personal motivations for doing so. Many interviewees' responses reflected these motivations:

"I want to work for a company that takes time out to help the community and do things for employees." (Interviewee #2)

“If companies don’t help, individuals can’t do it by themselves. I think it’s important for Enbridge to be a good neighbour.” (Interviewee #5)

“It’s good for the company to participate in community affairs... because we’re part of the community.” (Interviewee #1)

Reflecting findings that females are more community minded (Ibrahim & Angelidis, 1991) and place higher value on non-economic responsibilities than men (Burton & Hegarty, 1999), interviewees who valued community involvement and environmental protection were typically female. While many males also valued these aspects of CSP, reflecting Singhapakdi’s (1995) findings, they also tended to place a greater emphasis on the financial aspects of social performance.

According to Wood’s model, the link between a company’s social performance and financial success is based on the company’s institutional-level values. A company with this type of CSP value is motivated to pursue positive relationships with all key stakeholders because of the benefits the company believes doing so will confer on it (Wood, 1991). Respondents confirmed that this perception is a strong motivator for Enbridge’s social responsibility, and according to CEO Daniel, “corporate social responsibility is a core corporate value.... Business success comes from listening and responding to stakeholders” (Benimadhu, 2003, p. 1). All but two male interviewees, as well as all interviewees with more than five years tenure with the company reported a high degree of agreement with this value. Only two of these individuals utilized a stakeholder framework in their personal definitions of “social responsibility”, but when presented with a stakeholder model, they immediately linked the treatment of all stakeholders with the company’s financial success. Typical statements to this effect included the following:

“If stakeholders perceive Enbridge as a good company then the bottom line and price per share go up.” (Interviewee #8)

“If our stakeholders weren’t happy it would show in our share prices, and the company wouldn’t be where it is today.” (Interviewee #5)

“If the company stopped supporting the community and protecting the environment I’d be telling my friends to sell their shares.” (Interviewee #11)

This institutional-level orientation to social performance appears to be a complement, rather than a substitute, for the personal importance interviewees placed on the treatment of specific stakeholder groups. Of those expressing business-oriented CSP values, all but two also placed high importance on the treatment of the community, environment, or employees. This finding suggests that CSP values may not vary by age and gender as reported by Burton and Hegarty (1999) and Kraft and Singhapakdi (1995). Rather, individuals with high job tenure may identify more closely with their company and its goals than do newer employees due to the personal stake the former believe they have in the company’s success (Ogilvie, 1986).

Given the high value interviewees placed on the treatment of specific stakeholder groups, these employees’ identification with external stakeholders may influence their CSP values. As Ashforth and Mael (1989) noted, to identify with a group, an individual must perceive their fate as intertwined with that of the group. While existing literature shows CSP affects employees directly through the quality of a company’s human resource management practices (Priester, 1992, Brown, 1996; Mahon, 2002), my study provides support for the argument that CSP also affects employees through their identification with external stakeholder groups. The values reported by interviewees clearly reflect this identification. Invariably, the stakeholders identified by interviewees as being of particular personal importance were those that they believed affected

themselves or others they cared about. These were typically the community, the environment, and their fellow employees.

“I think that’s what’s important to me is the environment, It effects me.”  
(Interviewee #8)

“I really value my time to volunteer, and appreciate what Enbridge does in the community.” (Interviewee #7)

“I see Enbridge doing charity work. That’s a big thing for me personally.” (Interviewee #6)

Even among interviewees identifying only with the financial aspects of CSP, group identification appeared to be a factor. These individuals reported that their primary identification was with the company, and that they perceived their personal success was linked to the company’ success.

“If Enbridge isn’t a good company and they’re slammed by other companies, it’s probably going to filter down to our level with bonuses or raises.” (Interviewee #12)

In addition to the congruence interviewees perceived between their own values and Enbridge’s institutional and organizational values, most also reported a high degree of congruence with the company’s individual / discretionary values. As Wood (1991) noted, values at this level relate to “socially responsible human action” (p. 699). At Enbridge, these are corporate values of honesty and transparency (Enbridge Inc., 1998-2002a) and are explained in the company’s Statement of Business Conduct (SBC), which employees must annually read and sign. However, when probed, interviewees could offer only vague and general assessments of the content of the SBC -- perhaps not surprisingly considering its length of 40+ pages. Regardless, all but two interviewees reported that values

this document discusses matched their own ethical principles. A smaller number of interviewees went beyond the SBC, identifying honesty and integrity as especially important principles. The following were typical responses:

“it’s a common sense kind of thing.” (Interviewee #14)

“When you look at the code of conduct and my own values they’re right on.” (Interviewee #7)

As was the case in value congruence with institutional- and organizational-level principles, tenure with the organization appeared to play a role in employees’ individual / discretionary principles. Among those not reporting ethical congruence, the average tenure with the company was under 1.5 years. All individuals with more than five years tenure, however, reported congruence with the SBC. However, whether this finding indicates that older individuals have stronger ethical perceptions than younger ones (Singhapakdi et al., 1996), or that individuals align themselves more closely with their company as tenure increases (Ogilvie, 1986), is unclear.

In addition to tenure, gender may also play a role in value congruence at this level. Supporting the findings of Singhapakdi (1995), Burton and Hegarty (1999), and Ibrahim and Angelidis (1991), two-thirds of those who didn’t report congruence with the company’s ethics were young males, while both of the individuals that emphasized specific principles in addition to those in the SBC were older women. It is important to note however, that all males with more than 1.5 years of tenure reported congruence with the SBC.

The employees’ perceptions of CSP value congruence at the institutional, organizational, and individual / discretionary levels, clearly revealed that regardless of the interviewees’ specific values, all perceived congruence with the company’s CSP values at some level. Overall, two-thirds expressed

congruence with institutional principles, over three-quarters reported congruence with organizational principles, and almost all reported congruence with the company's individual / discretionary principles. Additionally, a large majority expressed congruence with at least two types of principles, and more than one-third reported their values were congruent with all three levels of principles. According to PO fit theory, congruence of this type correlates with improved work attitudes (Bretz & Judge, 1994), increased commitment (Chatman, 1991), decreased stress (Chesney & Rosenman, 1980), and improved work performance (Bretz & Judge, 1994). Among the effects reported by interviewees, the strongest links were found between value congruence with organizational principles and commitment, morale, and job satisfaction. Similar, but weaker, outcomes were seen with all levels of value congruence, however.

In the analysis of the outcomes of value congruence reported by interviewees, an interesting pattern emerged. While those who reported the highest levels of value congruence also reported the strongest outcomes of all interviewees, commitment and morale appeared to be related primarily to Enbridge's treatment of organizational-level stakeholder groups of importance to the interviewee. Employee commitment most clearly revealed this trend. All but one individual who expressed congruence with Enbridge's organizational CSP values reported increased commitment to the company, regardless of their overall level of perceived value congruence. This finding was mirrored, although not as strongly, in employee morale. While morale was not mentioned as frequently as commitment, those who reported morale as a significant outcome were also typically those who reported congruence with Enbridge's treatment of specific stakeholder groups. Of the individuals who reported this type of congruence, approximately half also reported increased morale. In fact, every individual who reported this type of value congruence also reported that increased morale was an outcome.

Unlike commitment and morale, however, the relationship between job satisfaction and CSP value congruence did not appear to be linked to a particular level of value congruence. Rather, job satisfaction showed a fairly linear increase with the overall strength of value congruence. While no interviewees at the lowest levels of congruence reported increased satisfaction, almost one-third with medium levels of congruence, and nearly two-thirds with the levels of highest congruence reported this outcome. No evidence could be found, however, linking CSP value congruence to stress (Chesney & Rosenman, 1980) or job performance (Bretz & Judge, 1994).

#### **6.4 - Effects from CSP Outcomes**

In addition to their role as a signal of a company's CSP values, evidence suggests CSP outcomes also affect employees by influencing their identification with their company. Social identity theory is based on the argument that an individual's self-concept is influenced by his or her identification with various social categorizations with which he or she are associated. Research has shown that individuals tend to identify most strongly with groups embodying positive and distinctive characteristics (Oakes & Turner, 1980; Ashforth & Mael, 1989; Hogg et al., 1995). Individuals then use their perceptions of how they think outsiders see the group to inform how these individuals think they are viewed personally. Dutton and Dukerich (1991) and Riordan et al. (1997) found evidence suggesting that employees' perceptions of their company's image affected them in this way. This present study generally supports this finding, although unpredicted demographic variations also emerged.

In evaluating Enbridge's social performance outcomes, interviewees generally reported that the company performs strongly in this regard. Although two interviewees suggested Enbridge could be doing more to bring its actions into alignment with its CSP principles, all interviewees reported that the company has strong relationships with each of its stakeholders. Positive assessments such as these have been linked with pride in identifying with a group, higher levels of

self-esteem, and commitment. Evidence also suggests that individuals with high levels of social identification are more likely than other individuals to engage in actions that will reflect positively on the group (Levinson, 1970; Ashforth & Mael, 1989). The literature suggests that in a complex environment such as Transportation North, however, identification may be mediated by sub-group identification with corporate department, age, union membership, etc... (Albert & Whetten, 1985).

Data gathered from interviewees showed a majority of the participants identified with Enbridge's CSP outcomes. Approximately two-thirds of interviewees reported feeling pride in the company's social performance. Consistent with social identity literature, the interviewees reported identifying with the positive and, to a lesser extent, distinctive, image they perceived the company enjoying due to its high CSP (Levinson, 1970; Ashforth & Mael, 1989). Supporting Dutton and Dukerich's (1991) findings, individuals in this study reported learning about the company's CSP through external sources that informed them about the quality of the company's social performance. When discussing their identification with their company, the interviewees were generally quite candid about both the positive association they felt with Enbridge's social performance and the role of external assessments in this identification. The following responses were typical:

“You feel proud that Enbridge does this (CSP) because you're part of a corporation and the name is synonymous with being a good corporate citizen.” (Interviewee #12)

“ I like working for a company that's got its name out there sponsoring events and things like that. When you say you work for the company, it can have an effect on you.” (Interviewee #2)

“There’s a lot of pride in it (CSP). I definitely feel it, and I think everyone here does.” (Interviewee #4)

However, although external sources had informed the interviewees’ perceptions, only two interviewees mentioned the high-profile example of Enron when discussing why they identified with Enbridge’s CSP. The majority of interviewees instead pointed to other Edmonton-based companies, and companies of similar size as relevant comparison groups. Although this comparison to other Edmonton companies contradicts my earlier hypothesis that Enron and Worldcom would provide the primary points of comparison in evaluating social performance, this finding is important and suggests that an employee’s points of reference for evaluating CSP may be drawn from his or her local community as opposed to the international news media. This finding also suggests that social identification with CSP may be stable and enduring as opposed to a brief reaction to a heightened profile of CSP created by the media.

Literature on social identity theory suggests that individuals identifying strongly with a given social group will enjoy enhanced self-esteem and commitment and will engage in actions that reflect positively on the group (Levinson, 1970; Ashforth & Mael, 1989). Among the individuals interviewed in this study, I found support for increased self-esteem, while support for commitment and engagement in positive behaviors was mixed. Among interviewees who identified with Enbridge’s social performance, the most commonly reported outcome was increased self-esteem, with over two-thirds of the interviewees reporting this outcome. The following responses are typical of those I received:

“It just makes me feel pretty good” (Interviewee #10)

“it makes me feel good about working for Enbridge” (Interviewee #8)

While the data show support for increased self-esteem, the data for commitment and engagement in positive actions were mixed. With regards to undertaking actions which reflect positively on the company, over three-quarters of interviewees who reported social identification also reported personal involvement in Enbridge's social performance. However, this figure is somewhat below the proportion of all the interviewees who reported participating in the company's CSP. Similarly, over half of the interviewees who identified with CSP outcomes reported increased commitment to the company. This figure, however, is well below the proportion of all interviewees who reported increased commitment resulting from CSP. Commitment, in fact, appears to be more closely linked to value congruence with organizational-level principles.

When examining which interviewees reported identifying with the company because of its social performance, interesting trends emerged. First, no patterns of identification relating to sub-group affiliations were found, even though the existing literature indicated such patterns might have been detected (Albert & Whetten, 1985). This finding indicates that individual employees may identify with social performance on a company-wide level, suggesting that CSP may have a role to play in creating a unified corporate identity in complex organizations. Second, a link may have existed between congruence with organizational-level principles and employee identification with the company. This type of congruence, however, was not necessary for interviewees to report that they identified with the company. In addition, women with lower job tenure appeared to be the most likely participants to identify with CSP and to engage in actions reflecting positively on the company. The reasons for this finding, however, are unclear.

Regardless of an interviewee's overall congruence with Enbridge's institutional, organizational, and individual / discretionary principles, the interviewee indicated a strong link between organizational-level value congruence and his or

her report of social identification with the company. Out of all interviewees who reported social identification, only two did not report congruence at the organizational level. While the reason why is unclear, a heightened awareness to messages regarding the aspects of CSP that are most personally important to the individual might have been the cause. As Enbridge's CSP reporting generally emphasizes community and environment, the interviewees who identified with these factors may have paid more attention to these messages and viewed the company's social performance more positively than other individuals. The fact that individuals who identified primarily with organizational-level stakeholder groups tended to rank Enbridge's CSP higher than those expressing congruence at the institutional level would appear to support this conclusion. However, the other group reporting the highest frequency of identification with Enbridge's CSP was the individuals who placed the least personal importance on CSP. Of these individuals, most reported that although the company's financial performance was of primary importance to them, they still felt pride in their association with the company because of the positive aspects of its CSP.

In addition to being based on value congruence, identification also appears to be related to gender and tenure. Of all the respondents, the females with low work experience were the most likely to report identifying with the company's CSP. All females with less than two years tenure reported identifying with Enbridge's CSP, whereas none with over eight years tenure reported this type of identification. This same pattern was not seen among the male respondents. While younger women did not differ considerably from others who reported identification concerning value congruence or positive assessment of Enbridge's CSP, the social identification they reported was much more consistent with what is suggested in the literature than was that of the males. Supporting the argument that perceived distinctiveness is key in social identification (Ashforth & Mael, 1989), women with low tenure generally rated Enbridge's CSP as more distinctive than that of comparable companies than the men did. The results also

suggested these young women undertake actions reflecting positively on the company at a higher rate than the men. While only one man who reported social identification also reported volunteering, all of the women with low tenure reported volunteering.

### **6.5 - Effects from Participation in CSP**

As suggested by Wood's model, another mechanism through which employees may be affected by social performance is direct participation. Literature in the area of management theory suggests this participation may take many forms, ranging from influence on a company's CSP policy to direct interaction with stakeholder groups. Unfortunately, this present study has limited findings relating to the outcomes of employee input into CSP at a policy level as Enbridge has no provisions for participative management of this type. However, Enbridge empowers its employees to become involved with some of its stakeholders and utilize personal discretion in such interactions. Due to the company's focus on community and environment, employee involvement in these areas was a major topic of discussion in my interviews. Many of the employees in this study had job descriptions focusing on environmental protection, making them intimately involved with this aspect of CSP. In regards to community involvement, Enbridge has an employee-run Volunteers in Partnership program that coordinates the employee volunteer programs in which the majority of interviewees participated. While the existing literature provides little evidence regarding the outcomes of employee involvement in areas such as environmental protection, this literature suggests that where empowerment exists, the results include increased job satisfaction and self-esteem (Colyer, 1997; Cacioppe, 1998). Additionally, evidence links employee volunteerism to increased morale (McGowan, 1980) and commitment (Zadek, 2000).

In this study, the majority of interviewees reported being involved in Enbridge's social performance in some way. Reflecting the absence of participative management policies, however, the interviewees reported having little influence

on Enbridge's CSP policies. While this lack of influence did not allow me to explore the positive outcomes, such participation has been shown to have on mental health and job satisfaction (Druker, 1974; Daly, 1986), over half of the interviewees reported a desire to provide input into CSP policies. Of these individuals, none reported increased satisfaction because of Enbridge's social performance. This finding, of course, does not equal a negative impact, but it does suggest that a company and its employees may benefit if it provides opportunities for input into CSP policies.

Despite this lack of input into CSP on the policy level, the majority of interviewees reported being involved in Enbridge's CSP in other ways. Reflecting the company's emphasis on community and environmental involvement, nearly two-thirds of interviewees reported volunteering on behalf of the company during the last year. Each of these individuals also reported contributing to CSP through the environmental-protection focus of their jobs. In discussing their involvement with environmental protection and community involvement, many interviewees pointed to policy documents such as the Statement of Business Conduct as guides for their actions in this regard. Nevertheless, these interviewees all believed that these documents served only as guides, leaving individuals to use their personal discretion in dealings in these areas.

All of the individuals involved in volunteerism placed a personal importance on community involvement. Whether this value emerged because of volunteerism or was a motivating factor in decisions to volunteer is unclear. Given data from the population at large (Barrett, 1998; Mohr et al., 2000), however, the value was likely to have preceded the action. As noted in the discussion of CSP values, women in this study tended to place a higher value on community involvement than men. Reflecting this finding, the majority of volunteers interviewed were women, and out of all female participants, only two did not volunteer. When male volunteers are added to the analysis, a pattern relating

volunteerism to age and job tenure emerges. The average job tenure of volunteers in this study was five years, which is a full 5.5 years less than non-volunteers. If we attribute this to age, a degree of support is found for research suggesting young individuals are increasingly community-minded (Putnam, 2000; D-Code, 2001; Johnson, 2003). These differences may also be attributable to life-course factors, however. The younger individuals involved in volunteerism were invariably those with lower levels of job seniority and responsibility and were also the least likely to have children. Given that the younger employees had more free time than their more senior colleagues, volunteerism by younger employees may be attributable to time, rather than to value considerations.

Supporting evidence that individuals involved in volunteerism benefit from increased commitment (Zadek, 2000) and morale (McGowan, 1980), almost all the individuals who reported involvement in CSP production reported benefiting from CSP. Almost all in this group reported increased commitment, over half reported increased job satisfaction (in fact, these were the only interviewees to report increased satisfaction), and, supporting McGowan (1980), almost half reported increased morale. In contrast, among individuals who reported participation in CSP production only through their jobs, commitment remained a significant outcome, while none reported increased satisfaction.

While all individuals participating in CSP reported more personal benefits than non-participating individuals, a more fundamental pattern became clear. The interviewees who identified with specific, organizational-level stakeholder groups and who were empowered to act on their values through volunteerism or their job were, by far, the group who reported the greatest benefits from social performance. Furthermore, the individuals who valued only the financial aspects of CSP were the least likely to participate in its creation or to realize its benefits.

## **6.6 - Conclusion**

Overall, this research provides consistent evidence that a company's social performance may affect its employees at each of the principle, process, and outcome levels outlined by Wood (1991). All but one of the participants in this study identified social performance as personally important and reported benefiting from it in some way. A large majority also reported being involved in CSP creation through their jobs, volunteerism, or both. Among the outcomes most commonly mentioned as a result of CSP were commitment, job satisfaction, morale, and self-esteem. However, different interviewees appeared to have benefited from CSP in different ways. For some, their identification with the financial outcomes they saw resulting from CSP was of primary importance. For these individuals, who tended to be men with high job tenure, the primary impact of social performance appeared to be their association with its positive outcomes resulting from social identification. For others, identification on this financial level was either substituted for, or complemented by a personal importance placed on the treatment of specific stakeholder groups. These groups were typically those with which interviewees expressed a degree of identification. The congruence these individuals felt between the value they placed on these groups, and the company's treatment of these groups, generally resulted in reports of increased commitment, satisfaction, morale, and pride. In fact, value congruence concerning specific stakeholder groups of this type appeared to be the root of the greatest CSP benefits. These individuals were also the most likely to report involvement with CSP production and were by far the most likely to have reported benefiting from CSP.

## **Chapter 7: Discussion and Conclusions**

### **7.1 - Introduction**

In my exploratory case study of Enbridge Transportation North, I have found evidence for a link between corporate social performance and employee outcomes. The data collected from interviews with company employees provide evidence that employees are affected by their company's social performance along each of the principle, process, and outcome dimensions outlined by Wood (1991). My evidence suggests that at Transportation North, strong social performance may have led to increased employee commitment, job satisfaction, morale, and self-esteem. While this study is exploratory and suffers the limitations of a single case study with a small sample of respondents, it nonetheless has implications for future research regarding the employee / CSP relationship, the development of stakeholder theory, and corporate practices of CSP.

Additionally, my results suggest that my reconceptualization of Wood's model is a useful tool in examining the relationship between employees and CSP. As I have argued, the fit between employee and company CSP values, and social identification with the positive aspects of CSP, both appear to be key factors underlying the benefits that employees report resulting from CSP. My repositioning of employees to reflect their multiple stakeholder roles also appears to provide insight into how CSP affects employees. This repositioning has theoretical implications in two main areas. First, my findings provide evidence that the indirect effects resulting from a company's stakeholder relationships are not presently recognized in business and society or stakeholder literature. Second, my study provides an impetus for further investigation into the relationship between employees and CSP. Furthermore, my findings also have implications regarding the corporate practice of CSP.

## **7.2 - Limitations of this Study**

As I explained in an earlier chapter, this study was an exploratory case study consisting of interview-guide interviews with 15 employees in one office, of one company, in one industry. While this methodology provided the depth and flexibility required for exploratory research of this nature (Patton, 1987; Yin, 1984), this study suffers the limitations inherent in a single case study with a small sample of respondents. While the data collected suggest a link between social performance and employee outcomes, the results reflect only the views of 15 individuals drawn from one company and are not generalizable. Furthermore, I must recognize that because of this small sample, the inferences I have drawn about differences in how CSP affects employees of differing ages, genders, and tenure may not be accurate. As well, my findings may have been influenced by bias on the part of Transportation North in identifying potential participants for this study or through socially desirable reporting by the interviewees.

Based on these limitations additional research with multiple companies in varied industries is necessary before the generalizability of my findings can be determined. In additions to these limitations, there are also numerous avenues of further research to be pursued in order to more fully understand the relationship between social performance and employee outcomes. Despite these shortcomings, the results of this study have meaningful theoretical implications.

## **7.3 - Implications for the Employee / CSP Relationship**

My study suggests that employees are affected by their company's social performance. This finding offers support for the utility of my reconceptualization of Wood's model for understanding the employee / CSP relationship. Moreover, this finding also suggests that PO fit and social identity theories are useful tools for understanding employees and CSP. Furthermore, my results suggest that gaps exist in stakeholder theory concerning the indirect influences of stakeholder relationships.

As I argued in chapter three, Wood's (1991) multi-dimensional model of social performance provides a useful tool for understanding a company's social performance. This model's inclusion of CSP principles, processes, and outcomes provides a robust framework for exploring the various mechanisms through which CSP may affect a company's stakeholders. While previous studies examining employees and social performance with regards to recruitment (Turban & Greening, 1997, 2000; Backhaus et al., 2002), social-issue management (Dutton & Dukerich, 1991), and corporate image (Riordan et al., 1997) focused only on CSP outcomes in their analysis, my results support the use of a multi-dimensional CSP framework in such research. The evidence I received from interviewees at Transportation North suggests that employees are affected by CSP along each of the principle, process, and outcome dimensions of Wood's model. If I had used only CSP outcomes in my study, valuable data regarding how employees may be affected by their company's principles and processes of social performance would have been overlooked.

Despite the depth Wood's model provides for exploring the employee / CSP relationship, I argued that this model required reconceptualization to serve as a useful framework for exploring the employee / CSP relationship. Accordingly, I integrated employees' CSP values and multiple stakeholder roles into the model. Doing so allowed me to retain the depth of Wood's model, while utilizing person / organization fit and social identity theories to frame my investigation. My data suggest that my reconceptualized model and the theories employed are, indeed, useful tools for examining how CSP affects employees. Supporting my inclusion of PO fit theory, my data suggest that employees are affected by the degree of congruence they perceive between their personal CSP values and those of their company. Furthermore, supporting the arguments of social identity theory, many employees reported benefiting from their identification with the positive aspects of Transportation North's CSP outcomes. This finding is of particular significance as it suggests that a company's relationship with certain stakeholder groups may indirectly and unintentionally affect other

stakeholders. My results also support my argument that employee involvement in CSP may correlate with increased perceptions of PO fit and social identification. Based on these findings, my reconceptualization of Wood's model appears to provide a useful framework for exploring the relationship between employees and CSP. As I have noted, however, further research is needed before the generalizability of my findings and utility of my model can be determined. In order to strengthen the understanding of the affects of CSP on employees, additional research questions relating to each dimension of my model require investigation.

Concerning both CSP value congruence and employee identification with CSP, one of the main questions left unanswered by my study is how employees form their perceptions of social performance. My findings suggest that these perceptions play a vital role in employee evaluations of value congruence, as well as in employees' propensity to identify with their company's CSP. While Enbridge provides its employees with documents detailing the company's ethical guidelines and expectations, how they learned about the institutional and organizational dimensions of their company's CSP principles, as well as the quality of the company's CSP outcomes, is unclear. To date, research has focused on how stakeholders form perceptions of companies from direct experience, other stakeholders, and the media (Fombrun, 1996; Gotsi & Wilson, 2001; Corley, 2002). While the sources of employee knowledge of CSP were not explicitly sought in this study, evidence suggests that employees learn about CSP in each of these ways as well as through internal communications such as newsletters and dedicated intranet sites. However, the weight employees place on each of these sources when forming their perceptions of a company's CSP is unclear. One factor needing investigation is employees' opportunity to gain knowledge of CSP through direct experience. However, the relative importance of this direct experience, as compared to media and public relations reports, in evaluating PO fit or influencing identification with CSP is unclear. In addition, while no evidence from the interviews suggested any inconsistency between

direct experience and other sources of CSP information at Enbridge, this may not always be the case. An employee may have one type of experience with CSP directly, while the company, media, or other stakeholders present another message. How these conflicting messages influence value congruence and social identification has yet to be examined.

Also unclear from my study is the relative influence each level of value congruence has for employees who value each of the institutional, organizational, and individual / discretionary aspects of CSP. These individuals value CSP not only because it affects groups they care about, but because of the influence they perceive it having on the company's bottom line. While external evaluators and interviewees gave positive assessments of Enbridge's social performance in regards to all of its stakeholder groups, some companies might perform strongly in some areas but poorly in others. As noted in numerous sources, each stakeholder has a different relationship with a company, and with this relationship, different and sometimes competing interests (Thompson, 1967). Given such competing interests some stakeholder relationships may be compromised in the interests of others. A study similar to this one in would be useful in a company such as Walmart, which Carter and Deephouse (1999) have shown has strong CSP in some areas, and poor CSP in others. For employees valuing CSP for personal, as well as financial, reasons investigating which of the two factors the employee value most. Another useful study would be an investigation of the degree of CSP value congruence employees perceive when their company has strong CSP in areas they care about and weak CSP in areas they do not care about. Similarly, it would be interesting to investigate how perceptions of PO fit are affected by working for a company which may have strong social performance according to a stakeholder model, but at the same time have considerable involvement in businesses such as tobacco, alcohol, or arms, which have been shown to be harmful to society. It would also be useful to investigate the influence this involvement may have on employees' propensity to identify with their company's CSP.

Another area requiring further investigation is how incongruity between a company's CSP principles and outcomes affects perceptions of value congruence. In this study, interviewees generally pointed to both values and outcomes when they evaluated the congruence between their CSP values and the company's. While interviewees reported a match between principles and outcomes at Enbridge, the relative influence principles and outcomes have on employee perceptions of value congruence is unclear. In cases where a company's performance does not mirror its rhetoric, it is unclear how employees may be affected. Additionally, it is unclear how PO fit and employee identification with CSP may be influenced when employees see congruence between values and outcomes, but think the company could do more to enhance the quality of its CSP outcomes.

The preceding discussion has focused on variables associated directly with CSP. Investigation is also needed into the relationship between human resource management factors and the affects of CSP on employees. While my findings suggest that CSP is associated with employee commitment, satisfaction, morale, and self-esteem, the relative influence of CSP in producing these outcomes in relation to other variables is unclear. Human resource management factors such as pay, job design, corporate culture, management approach, and downsizing have strong influences on commitment, satisfaction, and morale as well (Ogilvie, 1986). Moreover, these HRM factors may influence how CSP affects employees. For example, if a company pressures employees to volunteer but also places high time demands on them, volunteerism may be an added stressor. Similarly, if company documents and rhetoric claim high ethical standards, but the company has a work culture that does not mirror these claims, employees may be affected. In this study, I did not ask interviewees about HRM factors for this study, the interplay between these and the perceived outcomes of social performance clearly requires study. Of these, the influence of downsizing and other forms of restructuring, in particular, requires investigation.

Of all of the factors influencing employee outcomes, few have been shown to more negatively affect employees than downsizing (Krahn & Lowe, 2002). This approach to cost-cutting has been particularly prevalent in North American industry over the last 15 years and continues to this day. However, some companies with high levels of social performance also engage in this practice. Whether high CSP mitigates the negative aspects of downsizing, or whether downsizing mitigates the positive influences of strong CSP is worth investigating.

One final potential benefit of CSP requiring study is its influence in providing a touchstone for the formation of a common social identity within large, complex organizations. As noted in the literature, “the notion of a single... organizational identity is problematic in most complex organizations” (Ashforth & Mael, 1989). Attempts to create a common identity are often confounded by sub-group affiliations based on age, work group, union membership or other factors (Oakes & Turner, 1980). Nevertheless, the results from this study suggest that identification with CSP operates independently of such affiliations. This finding implies that CSP may have the potential to create a holographic organizational identity.<sup>13</sup> To investigate this possibility, the present study could be expanded to additional locations to explore how CSP identification functions outside of the Edmonton office of Transportation North. My finding that employees identify with their company’s CSP also has implications for research in stakeholder theory.

#### **7.4 - Implications for Stakeholder Theory**

In addition to their implications for research regarding the employee / CSP relationship, my findings also expose areas for further research in stakeholder theory. While Wood employed a dyadic conceptualization of stakeholder theory

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<sup>13</sup> A holographic organization is defined by Albert and Whetten (1985) as an organization where individuals share a common identity across subunits.

in her model, my contention that employees occupy multiple stakeholder roles combined with my finding that employees identify with their company's CSP with regards to many stakeholders suggests additions are needed to existing stakeholder theory.

When analyzing a company's stakeholder relationships, current stakeholder theory literature views stakeholders as individual groups to be managed (Freeman, 1984; Mitchell et al., 1997). While some studies recognize the complexity of managing multiple stakeholder demands (Jonker & Foster, 2002), or argue that stakeholders form a network of intermingling influences on a company (Rowley, 1997), none integrate overlapping membership between stakeholder groups into their analysis. My findings suggest that overlapping memberships may influence the expectations stakeholders have of a company, affecting the influence CSP has on stakeholders. This effect implies that to effectively manage any stakeholder relationship, a company must understand how its decisions are affecting all of the stakeholders that individuals in that group have affiliations with. This conclusion suggests that additional depth may be needed in analyzing a company's stakeholder management.

In addition to the influence overlapping stakeholder group membership may have on stakeholder management, my findings also suggest that indirect effects might result from a company's stakeholder management decisions. In the existing literature, many authors have argued that a company's decisions regarding stakeholder management may affect different stakeholders in different ways. Thompson (1967) was one of the first to argue that stakeholders make differing and competing demands on a company. When a company makes a decision that benefits one stakeholder at the expense of another, both stakeholders are clearly affected. What this argument overlooks, however, is the potential for stakeholder groups to be affected by a company's treatment of other stakeholders in ways which do not affect them directly. Many of the employees in my study reported benefiting from identifying with Enbridge's

social performance concerning many stakeholders. These individuals reported that Enbridge's positive relationships with groups such as regulators, aboriginal communities, shareholders, and other groups which would not appear to affect them directly, were important to them. This finding suggests that in order to understand the influence that CSP has on any given stakeholder group, investigation is needed into how other facets of CSP may affect that group. This influence, in turn, may affect how companies practice corporate social performance.

### **7.5 - Implications for Business Practices of CSP**

While further research is needed to fully understand how CSP affects employees, my findings suggest that CSP may represent a corporate resource that enhances a company's human capital. Furthermore, my study suggests that companies might be able to enhance these benefits. My findings showed that the majority of participants in this study valued social performance, involved themselves in aspects of its creation, gave positive evaluations of CSP outcomes, and reported benefiting from CSP in various ways. While interviewees differed in terms of their congruence with the company's CSP values, identification with CSP outcomes, and involvement in CSP creation, all but one reported benefiting from CSP in some way. While this finding suggests that CSP resulted in positive outcomes for just about all the employees, individuals valuing specific aspects of social performance reported by far the most benefits.

Regardless of the perceived motivation for the company to pursue CSP, the interviewees who reported personal values relating to the treatment of specific stakeholder groups, typically the environment and the community, were also those most likely to participate in CSP creation, identify most strongly with the company's CSP outcomes, and report the greatest benefits from CSP.

Interviewees fitting this profile of all ages and tenures and of both genders. This finding suggests that if a company can match its CSP values to the stakeholders

most valued by their employees, provide opportunities for employees to interact with these groups, and show that they are acting out their values, significant benefits may result. In such cases, CSP may be a significant corporate resource in terms of enhancing employee commitment, satisfaction, morale, and self-esteem. As Mobley (1982) noted, the cost of turnover is high, and includes recruitment and training costs, as well as the costs of lost productivity. Given that 73% of paid employees in Canada do not feel loyal to their work organization (Krahn & Lowe, 2002), if CSP can influence commitment, CSP may be a significant asset to a company. In addition, job satisfaction, morale, and self-esteem can also logically be linked to a company's overall performance. This connection has implications regarding employee recruitment, the role of employees in influencing their company's CSP values, and how the company's communicates its CSP outcomes to its employees.

Given that value congruence between employee expectations of treatment of certain stakeholders and the company's treatment of these groups appears to be one of the primary roots of CSP benefits, a company's recruitment of individuals with certain values may influence the extent to which both parties benefit from CSP. In addition to increasing the attractiveness of a company to prospective employees (Turban & Greening, 1997, 2000), values-based hiring practices may also lead to increased employee retention. As noted, interviewees in this study reported a high degree of value congruence with their company's CSP principles. While this congruence may result from the high value members of the public appear to place on CSP (Mohr et al., 2000), Enbridge's emphasis on values-based hiring practices (Enbridge Inc., 2002a) is also a likely reason for the employees' perception. Given the lack of input employees are offered into Enbridge's principles of social performance, promoting value congruence in this way appears to be an effective strategy.

In addition, evidence suggests that companies may benefit from adding an internal focus to their social performance. As Morris (1997) noted, processes of

social responsiveness tend to have a distinctly external orientation. This orientation appears to be present at Enbridge as well, where social performance is geared toward managing relationships with external stakeholders. The interviewees in this study, all of whom reported the company's motivation for being socially responsible relates to its image and public relations functions, explicitly recognized this orientation. While this kind of external orientation does not appear to have a detrimental influence on employees, companies may benefit from adding an internal component to their social performance whereby the internal implications of these external actions are integrated into strategic decision making. This component could take the form of employee surveys to gauge the degree of congruence between CSP and employee expectations, the integration of employee input directly into policies relating to CSP through participative management, or other such mechanisms. If these tools can be used effectively to enhance value congruence, a company may achieve increased internal benefits from its social performance.

This type of value congruence also has interesting implications for how social performance is communicated to employees. As noted, the majority of interviewees cited specific outcomes when speaking about the congruence between their CSP values and those of the company. Additionally, perceptions of social performance outcomes also appeared to play a prominent role in the employees' social identification with the company. As noted in the existing literature, stakeholders learn about corporate social performance via direct experience, company public relations, other stakeholders, and the media (Fombrun, 1996; Gotsi & Wilson, 2001). As Thompson (1967) noted, organizations do not present one image, but rather multiple images. The question thus becomes how to communicate social performance to employees in ways that legitimate the CSP values they share with the company. Standard methods of communication include public affairs functions, sponsorship of community events, and employee newsletters (Morris, 1997). If a company is

able to utilize all of these to provide a consistent message to employees regarding its social performance, enhanced benefits may be obtained.

In addition to creating benefits such as employee commitment, job satisfaction, morale, and self-esteem, CSP may also benefit a company through its role in creating a unified organizational identity. As Albert and Whetten (1985) noted, organizations where individuals share a common identity across subunits are very rare. The results of this study, however, suggest that CSP may serve as an anchor for a common identity across a company. Among those interviewees reporting identification with Enbridge's CSP outcomes, no patterns emerged relating to any type of subgroup identification. Rather, individuals identifying with CSP transcended gender, age, tenure, and working group boundaries. If this kind of identification were the case company-wide, it would provide the foundation for a strong, unified, corporate identity. However, this conclusion is largely conjecture at this point given the localized nature of this study.

Until now, this discussion has focused on how social performance may serve as a corporate resource, affecting the bottom line by reducing turnover, increasing job satisfaction, morale, and self-esteem, and forging a company-wide identity. To create a competitive advantage, however, a resource must be valuable, rare, imperfectly imitable, and non-substitutable (Barney, 1991). While CSP certainly appears to be valuable in producing employee outcomes, questions remain about its rarity, limitability, and substitutability. Although the interviewees in this study most frequently reported commitment as an outcome, CSP may not actually provide this sort of commitment. As noted in social identity literature, "an individual can score high on commitment not because he or she perceives a shared destiny with the organization but because (it) is a convenient vehicle.... If another organization proved to be more convenient, such an individual could transfer to it without sacrificing his or her goals" (Ashforth & Mael, 1989, p. 23). This finding has important implications for a company's social performance. Although the interviewees reported high levels

of congruence with Enbridge's CSP principles and outcomes, the consensus was that little differentiated Enbridge's CSP from that of comparable companies. While some ranked Enbridge slightly higher or slightly lower, interviewees uniformly ranked Enbridge's CSP as comparable to that of similar companies. Even though external evaluations ranked Enbridge's CSP higher than that of these other companies (Corporate Knights, 2003). This difference suggests that despite the commitment that the interviewees apparently derived from the congruence between their CSP values and Enbridge's, comparable results could be achieved with similar organizations competing for these employees' services. Therefore, companies probably would be well advised to pursue innovative, distinctive CSP strategies, and explain them to their employees.

#### **7.6 - Conclusion**

Despite this study's limitations, my findings have implications for the understanding of the employee / CSP relationship, the development of stakeholder theory, and for the practice of CSP within companies.

Concerning the practice of CSP in companies, my study suggests that CSP may be a meaningful corporate resource, which could be enhanced by attending to its internal dimensions. Although almost all interviewees reported benefiting from CSP in some way, the specific combination of value congruence with organizational CSP principles, opportunities for involvement in CSP processes, and strong CSP outcomes in these areas was especially potent in producing employee outcomes. This finding suggests that companies may benefit from enhancing the congruence between their social performance values and those of their employees. This enhancement may take the form of values-based recruitment and hiring practices, employee surveys, or other formalized policies facilitating employee input into the company's CSP principles. In addition, companies would be well advised to differentiate their social performance from their competitors', as the interviewees in this study tended to perceive Enbridge's CSP as average, despite external evaluations indicating otherwise.

Evidence also suggests that CSP may have a role to play in the creation of a common, organization-wide identity. Further research is necessary to support this claim, however.

Also, while my reconceptualization of Wood's model provides a useful framework to examine the employee / CSP relationship, further research would be necessary before the results of this study could be generalized, or a comprehensive understanding of the influence of CSP on employees could be achieved. Specifically, additional research is required on multiple companies in multiple industries to see how the results of my study compare. Questions also remain regarding how employees learn about social performance, what the effects are when social performance is strong in some areas and weak in others, or when employees expect stronger CSP outcomes from their company. Additional study is also necessary to determine the mediating effect factors such as job design, pay, management style, and downsizing have on the influence of social performance on employees.

While further investigation is needed to corroborate my results, they nonetheless have implications for stakeholder theory. While this theory currently views a company's relationships with its stakeholders as a series of dyadic interactions, or a series of networked demands on a company, my results suggest the theory needs to expand. Specifically, my findings suggest that overlapping membership between stakeholder groups may influence how individual stakeholders are affected by a company's CSP. Moreover, my results also suggest indirect effects might result from a company's stakeholder relationships. While further investigation is needed into these areas, my study suggests that stakeholder theory may need to expand to integrate these findings.

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## **Appendix A – Interview Guide, Senior Managers**

1. Please describe your position within Enbridge
2. What has your career with the company been?
3. Please tell me what you can about the organizational structure of the Energy Transportation North division of Enbridge
  - a. Internal structure
  - b. Divisions
4. Company documents portray Enbridge as a company which prides itself on its social responsibility. What makes Enbridge a socially responsible company?
5. How are employees made aware of Enbridge's social responsibility?
6. Why do you think Enbridge places the emphasis it does on social responsibility?
7. What are the key values that you see underlying Enbridge's social responsibility?
8. Do employees understand and accept these values?
9. How are employees made aware of these values?
10. To what extent do you think Enbridge's social responsibility varies by geographic location?
  - a. Within Transportation North?
  - b. Between divisions of the company?
  - c. Why do you think it varies / is constant?
11. What role do employees play in Enbridge's social responsibility?
  - a. Input into social policies or processes? Policy level
  - b. Creation or maintenance of stakeholder relationships?
  - c. Interaction with stakeholders? Participation level
12. Are there any specific policies at Enbridge to facilitate this type of employee involvement in CSR?
13. What benefits do you think Enbridge seeks to create for its employees by being socially responsible?
14. From your experience, how do you think employees are impacted by Enbridge's social responsibility?

15. How do you think Enbridge's social responsibility should evolve?

## Appendix B – Interview Guide, Employees

- a. Please tell me about what you do here at Enbridge
- b. What's your educational background
- c. What do you think makes a company socially responsible?
- d. What behaviors do socially responsible companies engage in?
- e. Is it important to you that companies in Edmonton are socially responsible? Why?
- f. Enbridge prides itself on being a socially responsible company. What do you think makes Enbridge socially responsible?
- g. Can you give me some examples of socially responsible behaviors Enbridge engages in?
- h. Do you have the opportunity to influence decisions that are made regarding social responsibility at Enbridge?
  - i. Do other employees?
  - ii. How do you feel about this?
- i. What do you think motivates Enbridge's social responsibility?
- j. Do you have the opportunity to participate in Enbridge's social responsibility?
  - i. How?
  - ii. How do you feel about this?
- k. How do you feel Enbridge's social responsibility compares to other companies in Edmonton? Other potential employers?
- l. According to some theorists, social responsibility includes the quality of a company's relationships with all of the groups it interacts with, including customers, employees, government, regulators, shareholders, community, environment. Are there any groups I'm missing?
- m. What do you think the quality of Enbridge's relationships with these groups is?
- n. Which groups does Enbridge have the best relationship with?
- o. What core values do you think motivates Enbridge's interactions with these groups?

- i. Do these match your own values?
  - ii. Does this matter to you? Why?
- p. Of these groups, which do you care the most about Enbridge's treatment of? Why?
- q. Do you have the chance to interact with any of these groups in your role as an Enbridge employee?
  - i. How do you conduct yourself in these interactions? Why?
- r. Does Enbridge's CSR impact how you feel about working here? How?
- s. What do you see as the advantages or disadvantages of working for a socially responsible company?
- t. What could Enbridge do to make social responsibility more beneficial to employees?
- u. Any final comments?

## Appendix C – Sampling Matrix

	Male	Female	Total
	(7)	(8)	15
<b><u>Seniority / Education</u></b>			
-High (university or higher)	(4)	(4)	8
-Med (college diploma)	(3)	(2)	5
-Low (High school or lower)	(0)	(2)	2
<b><u>Tenure</u></b>			
- > 4 yrs	(3)	(3)	6
- 1 - 4 yrs	(3)	(3)	6
- < 1 yrs	(1)	(2)	3

## **Appendix D – Telephone Script**

I'm calling to invite you to participate in a new research project exploring how employees are affected by their company's social responsibility.

This research is supported by Enbridge, and will be carried out by Tyler Wry, a Graduate Student at the University of Alberta.

If you are interested, your participation in the project will consist of an interview of between 45 min, and 1 hour in length where Tyler will ask for your opinion on a number of matters relating to Enbridge's social responsibility.

The research plan is to interview 15 Enbridge employees of varying seniority, tenure, and age. Invited participant's names have been randomly selected by Linda Palladino, Director of Human Resources for Enbridge Transportation North. From this list of 30 names, 15 interviewees will be selected for interviews. To ensure confidentiality and anonymity, no one within Enbridge will have access to the list of interviewees selected.

The information that you provide will be kept entirely confidential and your anonymity will be rigorously maintained. Results of the study will be reported as GENERAL THEMES only, and will be circulated to study participants, as well as to Enbridge management.

I need to ask you: Are you willing to talk with Tyler if your name is selected for interview? If so, Tyler would like to call you in the next week to answer any questions you may have about the study, and schedule an interview time with you.

## **Appendix E – Coding List**

- Importance of CSP
- Importance of Enbridge CSP
- Overall Quality of Enbridge CSP
- Perceived Enbridge Motivation
- CSP Principles (Values congruence)
  - Institutional level
  - Organizational level
  - Ethical behavior (discretionary)
- Relative Quality of Enbridge CSP
- Involvement in CSP Processes
- Source of CSP Outcomes
- Personal Outcomes

## **Appendix F – Comprehensive Coding List**

### **Importance of CSP**

- CSP important
- CSP not important

### **Importance of Enbridge CSP**

- E CSP Important
- E CSP not important

### **Overall Quality of Enbridge CSP**

- Strong
- Weak
- Examples

### **Perceived Enbridge Motivation**

- Business
- Altruism

### **CSP Principles (Values congruence)**

- Institutional level
  - Perceived congruence
  - Perceived incongruence
- Organizational level
  - Perceived congruence
  - Perceived incongruence
- Ethical behavior (discretionary)
  - Perceived congruence
  - Perceived incongruence
- CSP orientation
  - Business motivation
  - Personal / altruistic motivation

### **Involvement in CSP Processes**

- Work Interaction
- Can participate (good / not good)
- Has volunteered
- Can give input into CSP policy (good / not good)

### **Relative Quality of Enbridge CSP**

- CSP better than other firms
- CSP not as good as other firms
- CSP the same as other firms

### **Source of CSP Outcomes**

- Overlapping membership

- Value Congruence
- Positive Association (social identification)

#### Personal Outcomes

- Pride
- Commitment
- Motivation
- Morale
- Job satisfaction
- Self-esteem