Building strategies: integrating social, environmental and ethical issues into core business processes

Building Strategies: Integrating Social, Environmental and Ethical Issues into Core Business Processes

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Declaration

I declare that the work presented in the thesis is my own.

Abstract

Global sustainability challenges and the 2008 financial crisis have increased pressures on banks to respond to social and environmental issues. Whilst the academic literature on CSR has identified the need for the strategic integration of firms' socially and environmentally responsible actions with their core business strategy, few studies have examined how a major commercial bank's core business processes build such integrated strategies. Using a case study methodology, documentary data, qualitative content analysis, and a discourse analytic framework, this research indicates that integrated strategies are aimed at creating competitive advantage by focussing on the bank's clients as well as voluntarily complying with the international environmental standards for lending practices in the financial industry. Thus, contrary to the generally held assumption of the existence of a single business strategy devised by senior management, the findings suggest that there are different routes to achieving social-environmental integration shaped by the core business processes of the bank. The study illustrates how the integrated strategies are shaped by process innovations, as well as the combined inhouse and collaborative integration structures of the bank's core business processes. They are also formed by the linkages that exist between the bank's internal risk management processes and the risks posed by the clients' environmental credentials. Significantly, the participation of the clients in the bank's decision-making processes are shown to create relational interdependencies which enable the managers to anticipate the trust-building mechanisms for building effective stakeholder relationships. The study also explores the legitimation-seeking strategy indicating the bank's strategic intent for organizational renewal with commitments to the integration of social, environmental and ethical issues into its practices. Considering the centrality of stakeholder participation in the decision-making processes for building integrated strategies, a typology for understanding different approaches to social and business integration strategies is also proposed.

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Chapter 1
Introduction

Sustainability integration is increasingly becoming a strategic issue for business corporations (Eccles & Klimenko, 2019; Halme et al., 2020; Hengst, et al., 2020; Ioannou & Hawn, 2018; Orlitzky, et al., 2011; Porter & Kramer, 2011; Smith & Besharov, 2019; Sroufe, 2017). In this study the use of the term sustainability is taken to mean the integration of social, environmental, and ethical issues into the core business strategy of a firm. This raises the question of how organizations build strategies which aim to integrate social, environmental, and ethical issues into their core business processes. In other words, how do organizations create value on multiple fronts (i.e., economic front, social front, and environmental front) within the context of economic and sustainability imperatives? Such integrated strategies in this research are interchangeably referred to as integration strategies, sustainability strategies, social strategies, or simply as integration.

In the last two decades, there has been a growing body of research that has its focus on strategies for the integration of social, environmental, and ethical issues into core business processes. Some researchers, for example, Porter & Kramer (2018); Crane et al. (2014); Husted & Allen (2011, 2014); Husted et al. (2015); Pinkse & Kolk (2009) have advocated the centrality of linking core business processes, products, and services to social and environmental issues. The thrust of their argument is that sustainability integration can achieve competitive advantage for business firms.

However, the scholarly literature on CSR and sustainability integration into mainstream business strategies points to a dichotomy or a separation at the heart of the integration activities of organizations. Porter & Kramer (2006) have critically referred to the process of integration as “fragmented” (p. 80). Gond et al. (2012) attribute the fragmentation to the existence of sustainability and business activities in separate silos within an organization. Such a separate existence creates organizational, cognitive, and technical barriers to integration (Gond et al., 2012). Ioannou & Hawn

(2018) argue for a shift in the field of strategy towards an inclusive definition which takes account of economic as well as sustainability imperatives. Equally, Villena & Gioia (2020) draw attention to the challenges involved in the sustainability integration of supply chains. This separation is also well exemplified recently by Hahn et al. (2018), Smith & Besharov (2019), and Hengst et al. (2020). They point to the tensions that exist in implementing sustainability strategy alongside mainstream business strategy.

Likewise, more recently, there is a heightened interest in different aspects and dynamics of sustainability integration. For instance, integration has been theorized in terms of value creation on multiple fronts (Rezaee, 2017), organizational change and adaptation (Sroufe, R., 2017), quality of organizational engagement of stakeholders in decision-making related to innovation of new product or service development (Juntunen, et al., 2019), configurational perspective (Juntunen, et al., 2019), redefining strategic management in the context of sustainability imperative (Ioannou & Hawn, 2018), convergence as well as divergence of strategic practices (Ioannou & Serafeim, 2019), the role of sustainable supply chains (Villena & Gioia, 2020), the role of internal activists (Girschik, 2020), instrumental stakeholder approaches for creating sustainable competitive advantage (Jones et al., 2018), stakeholder relationship and trust (Barney & Harrison, 2020), and process theory of implementing and legitimizing sustainability strategy (Hengst et al., 2020).

Despite the insights and understandings offered by these scholarly works, we lack an understanding of integration as a process of strategy building driven by different business processes and objectives within organizations. Much of the research on integration also implicitly assumes that there is a single sustainability strategy competing with its mainstream business strategy, and standing in tension (Hahn et al., 2018; Smith & Besharov, 2019; Hengst et al., 2020) with one another. What is less understood and explored is that there are also multiple independent integration strategies within a single organization, which are divergent, and yet co-exist simultaneously without inherent conflict between the sustainability and business strategies. These multiple, independent, and co-existing strategies are embedded in the existence of different business processes within an organization which have different business objectives and contexts, and which are independent of one another (i.e., mutually exclusive). Each strategy shapes its own unique independent path to achieving sustainability integration.

Thus, in order to further our understanding of the integration process, we need to explore organizations which, despite the inherent challenges of tensions and separation encumbering the integration process, build strategies which create social and environmental value within the context of their individual core business processes. A core-business process is defined as a process encapsulating a business strategy which generates revenue for the organization. In contrast, the non-core business processes are support activities related to organizational functions such as human resources, accounting, and information processing.

We also, therefore, need to study how sustainability integration is achieved within the different business processes of an organization. Thus, the central question this study asks is, how do organizations build strategies which integrate social, environmental, and ethical issues into their core business processes? To explore the question, a social constructionist perspective is adopted which focusses on how such integrated strategies are built or constructed.

This research explores this integration phenomenon through a case study of a major international commercial and investment bank headquartered in the UK. It is listed on the London Stock Exchange as well as the New York Stock Exchange. It is also a constituent of the FTSE 100, and the Dow Jones Sustainability Index (DJSI). In its publicly-stated commitments, the bank has embraced sustainability and citizenship integration in its organizational processes. What makes this case particularly significant is that the bank indicates that it has a multi-faceted approach to the integration of social, environmental, and ethical (i.e., sustainability) issues.

The bank also plays a leadership role and participates in the setting of standards and principles for the mitigation of environmental harm caused by the financial sector's lending activities related to project financing. These standards are known as

The Equator Principles. The bank's leadership role in facilitating the Equator Principles suggests that the bank is likely to be a rich source of data related to environmental integration. Access to such data offered potential for addressing the central question posed in this research. This is one of the key factors, among others, which influenced the selection of the bank for this study.

Finance in general, and large banks more specifically, play a central role in society through their economic and commercial activities. In the aftermath of the financial crisis in 2008, financial institutions have been increasingly held to account by various stakeholders for their responses to the resulting societal, environmental, and ethical concerns. It has been argued by scholars such as Crane et al. (2014) that the banks' role is critical to the flow of global finance, and therefore their responses to the societal, environmental, and ethical issues have raised concerns about the core of banks' business practices. They point out that these concerns have led to increased regulatory pressures, and the necessity of regaining the trust of customers, politicians, and the general public. According to Moon (2014), the regulatory pressures emanate from the assumption that the banks, post 2008 financial crisis, cannot be relied upon to behave responsibly of their own volition.

In general, large commercial banks have responded to these public expectations by publishing reports under titles such as citizenship reports, sustainability reports, or corporate social responsibility reports. Overall, these reports illustrate the banks' corporate citizenship credentials. They describe approaches and actions undertaken by the banks related to their contributions to the communities they serve. However, while those citizenship activities are important in creating linkages with society, what is often overlooked and under-researched is the important role played by the banks' mainstream business activities in addressing social and environmental issues. Through their mainstream commercial banking activities such as funding large-scale projects, and providing investment management services to high net worth individuals, they are in a position to wield influence on issues related to social and environmental challenges.

1.1 Aim of the research

The central question addressed in this research is, how do organizations build strategies which integrate social, environmental, and ethical issues (i.e., sustainability issues) into their core business processes? Thus, the aim of this research is to contribute to and add to the scholarly literature on the integration of business strategy with corporate social responsibility (CSR) or sustainability strategy (referred to as integration in this thesis).

1.2 Research design

To explore how the bank builds strategies that integrate its business strategy with its CSR strategy, this study identified four core business processes within two business areas of the bank - corporate banking, and wealth management. These core business processes include (1) project-lending, (2) investment management, (3) wealth management (which includes charity and philanthropy management), and (4) citizenship practices. In contrast to the random sampling process usually adopted in quantitative studies, the sampling process used in this study is theoretical and purposive. In qualitative studies, the objects of study selected are those that are assumed to have the most potential to contribute to understanding of the phenomenon under study. In that sense, the selection of bank's core business processes mentioned earlier are purposively selected and theoretically driven.

The study was undertaken in two phases. In the first phase, an embedded case study (Yin, 1994: p. 41-44) approach was used as a basis to investigate business strategies of the four core business processes. The embedded case study approach is similar to adopting a multiple case study approach except that the selected case studies are embedded in a single organization.

The data used for analysis is comprised of business documents published by the bank, the bank's own in-house research, research conducted by the bank in collaboration with its external network partners, the bank's business-related videos, and the interviews with the bank's executives available in the public domain. A qualitative content analysis method was used to analyze the data in the first phase.

This was done by systematically assigning successive parts of the material (i.e., the text) to a theory-based coding frame. Simons' (1994, 1995) strategy formulation framework (further discussed in the literature review) was used as a coding frame to analyze and understand the mechanisms that underpin the strategy formulations within those four business units. This method of content analysis also has some flexibility for adding categories that emerge from the material.

By way of the data analysis conducted in the first phase of the study, three themes: (1) the client-centred strategy (2) the voluntary compliance strategy, and (3) the legitimation strategy, were identified for further exploration in the second phase of the research. These three themes (or strategies) provide the foundation needed to answer the question of how integration is achieved within the core business processes.

In phase two, the three themes, which contribute to the understanding of how the bank builds strategies of integration, are explicated using a discourse analytic framework. The social constructionist perspective adopted in this study along with the types of data sources used for this research (listed earlier) enabled this study to use a discourse analytic framework (Gee, 1999, 2014) as an method appropriate for the analysis of the three themes related to the strategies of integration.

1.3 Findings

The findings show that these strategies enable the bank to build its organizational and stakeholder management capabilities facilitated by intangible assets. These intangible assets are characterized by innovative processes, interorganizational collaboration, risk management processes, organizational commitment to sustainability integration, stakeholder participation in decision making processes, and the ensuing relational interdependencies which allow for the anticipation of trust mechanisms.

The findings also demonstrate that a typology for understanding strategies of integration within the context of organizational core business processes can be framed. It can be framed using the two consistent findings across all three strategies of integration: (a) the stakeholder participation in decision-making processes, and (b) the explicit commitment (or not) by the business' core processes to the integration of social and environmental issues. Thus, this study demonstrates that when these two findings are juxtaposed, a typology for different approaches to integration in the context of core business processes can be created.

In having used Simons' (1994, 1995) strategy-formulation framework for data analysis, the findings in this study also suggest that Simons' framework could be extended to take consideration of relational dynamics of stakeholder integration to better reflect the sustainability integration perspective. This study argues that the inclusion of the relational dynamic would enhance the explanatory power of the framework. It also demonstrates the trust-based relational dynamics of the bank-stakeholder relationship in each of the strategies of integration illustrated in this study.

1.4 Contribution to theory

The findings identified above allow this study to make three areas of contribution to the sustainability integration literature. First, this research contributes to the understanding of strategy building as a process which combines different intangible assets (or resources) together as a configuration to build organizational capabilities. These capabilities go on to facilitate a unique strategy of integration for each individual core business process. The intangible assets are innovative processes, interorganizational collaboration, risk management processes, organizational commitments to sustainability integration, stakeholder participation in decision making processes, and the ensuing relational interdependencies which allow for the anticipation of trust mechanisms. Thus, this study extends previous studies related to the integration of sustainability strategy with business strategy. It is hoped that this broader approach shows how combinations of different organizational intangible assets shape business processes for integrating business strategy with sustainability strategy.

Second, this research adds to the research on sustainability integration by proposing a typology for understanding the multiple strategic approaches (or not) that an organization might adopt to achieve sustainability integration into its core business processes. The study draws on two elements of the findings (i.e., the intangible assets referred to earlier): (a) the organizational commitment to sustainability integration, and (b) stakeholder participation in decision making processes to construct the typology. It is hoped that the typology facilitates a better understanding of the simultaneously co-existing and yet distinct sustainability integration approaches within a single business entity. Such a typology is helpful, as different strategies cover a broad range of complimentary as well as contrasting approaches to sustainability integration.

Third, based on the application of Simons' (1994, 1995) framework of strategy formulation for data analysis (i.e., a configurational approach to strategy formulation), this study proposes the inclusion of relational system (an emergent category) as an extension to the framework. Such an extension would enhance the framework's explanatory power within the context of understanding sustainability integration beyond an exclusive focus on the economic perspective underpinning Simons' framework.

1.5 Organization of the study

This thesis consists of eight chapters. Following this introduction, Chapter 2 reviews the existing literature and draws on the three scholarly areas of strategic management, corporate social responsibility, and stakeholder management. The literature review motivates and generates the central research question addressed in this thesis: how do organizations build strategies which integrate social and environmental issues into their core business processes? As a result of the review, the chapter also identifies several gaps that remain underdeveloped in the CSR literature. The previous studies on integration strategies have identified the divisions that exist in organizations between their mainstream business strategies and sustainability strategies (Blowfield & Murray, 2011; Gond et al., 2012; Hengst et al., 2020; Porter & Kramer, 2006). However, despite these divisions and separateness, organizations also exhibit behaviours which indicate the co-existence of mutually exclusive integration strategies within a single organization not encumbered by the divisions.

Also, scant attention has been paid to intangible assets such as stakeholder participation in decision-making processes, relational interdependencies and the trust-based dimensions of those relationships in the context of building integration strategies. This study attempts to address those gaps in the literature on how the integration of business strategy with CSR strategy is achieved.

Chapter 3 lays out the research methodology of this study. The phenomenon under exploration in this research is embedded in the different units of the organization. These are specific business units such as project-lending, investment management, wealth management, and citizenship management. Thus, the complexity and the contextual boundedness of the business units makes them amenable to a qualitative approach. The design of the study in relation to its sampling method, data sources, and analytical methods are further described in detail.

Chapter 4, in addressing the core question of this study, demonstrates how a client focussed and thus market-driven process of integration strategy is discursively constructed by the bank. In doing so, the bank foregrounds a critical stakeholder group such as its clients for achieving this integration. By offering solutions to the challenges of investments, the bank attempts to meet client needs through intangible assets such as innovative methods which entail the client's participation in decision-making processes. Such stakeholder engagement practices are further analysed to understand the role of relational interdependencies and trust-based dimensions in the bank-client relationships. Thus, this chapter shows how the building of client saliency, and the use of intangible assets such as innovative processes, inter-organizational collaboration, the clients' participation in the decision-making processes, and the building of trust-based stakeholder relationships are central to building strategies of integration. It also demonstrates that the approach to integration adopted by the bank is dependent upon market-driven client demand for the services offered by the bank.

Chapter 5 also addresses the core question of this study. Whereas the previous chapter demonstrates integration driven by market-driven client demand, this chapter discursively establishes the integration process as driven by normative isomorphic behaviour of the bank. The normative isomorphic behaviours are shaped by external regulatory pressures. Thus, this integration strategy is defined by a compliance process whereby the bank aims to voluntarily meet environmental and social standards (The Equator Principles) set by an external body. By voluntarily agreeing to meet the environmental standards through their lending policies, the bank foregrounds intangible assets such as its risk management processes. It recognizes the reputational and credit risks related to the environmental impact of its lending policies. This integration strategy also shows that client participation in decision-making processes plays a crucial role in achieving integration. In chapter 4, client participation in decision-making processes, and the trust-based dimensions of the stakeholder relational dependencies were examined in the context of building client-centred strategies. The same elements are explored in chapter 5, albeit in a different context where the building of integration strategies is driven by the bank's voluntary compliance to meet standards set by an external body. By analysing the same elements in a different context, the study is able to achieve analytical and theoretical replication – the two critical aspects for achieving enhanced validity of the findings of the study. It also demonstrates the centrality of the role of stakeholder participation in decision-making processes in the building of integration strategies. The motivation underlying this integration strategy is compliance-driven, which is distinctly different from that of the client-driven strategies identified in chapter 4. However, this chapter demonstrates that the intangible assets such as the foregrounding of risk-management processes, the building of client participation in the decision-making processes and the resulting relational trust-based dynamics are at the heart of how integration strategy is built.

Chapter 6 continues to address the core question of this study. This chapter shows how the bank discursively constructs its legitimation seeking process. As such, it also demonstrates how the bank's stakeholder consultation and dialogue process supports it strategic intent for achieving integration. The bank's strategic intent is characterized by the following commitments: implementing a code of conduct, integrating stakeholder considerations, achieving transparency, supporting communities, and creating economic value for achieving growth. The bank's strategic intent also lays the ground work for the strategies of integration by recognizing the need for building trust and elevating reputational risk to the strategic level of the organization. Both of these factors are crucial aspects of the legitimation-seeking behaviours of the bank.

Chapter 7 discusses the meaning and significance of the key findings within the context of the scholarly literature. It also identifies the limitations and implications of this study. Chapter 8 draws the thesis to a conclusion. In doing so, it explains the contribution made by this research to theory and management practice. It also suggests directions for future research.

Chapter 2
Literature Review

This chapter reviews literature associated with the main areas of interest in this study. These areas are firstly, integration as viewed from stages of development, life cycle, and process perspectives; second, integration as a process of change and transformation; third, integration as a phenomenon embedded in stakeholder management and engagement; fourth, integration as mainstreaming and creating joint economic as well as social value; and fifth, integration as a configurational approach for building strategies of integration.

Thus, the first section (2.1) identifies the literature that explains how integration is conceived based on process perspectives: incremental, transformative, evolutionary in terms of life-cycle, stages of development, and a negotiated process to overcome the tensions which ensue from implementing sustainability and business strategies simultaneously. The process of integration is also defined by making a business-case focused on profitability. It is characterized as more tightly integrated on one end and loosely coupled on the other. The process is also seen from the perspective of how organizations respond proactively, reactively, accommodatively to the integration of CSR and sustainability.

The second section (2.2) presents the integration as a process underpinned by the notions of adaptation, change, and transformation. Such a process is facilitated by building of organizational capabilities which make organizations more resilient to cope with the demands of change related to sustainability integration. Intangible assets such as product innovations, innovative processes, firm reputation, social capital in the form of trust, integrity, and brand value, and stakeholder management and engagement processes play an important role in building organizational capabilities for sustainability integration.

In the third section (2.3), the stakeholder perspective is discussed in the context of integration. Organizations may adopt normative and/or instrumental approaches to stakeholder inclusion. Building of stakeholder management capabilities and the features of multi-stakeholder engagement processes are discussed – for the reason that stakeholder management and engagement are two core elements which shape integration of sustainability in organizational processes. Organizational citizenship management practices (which may include sustainability practices) often explicate their stakeholder engagement processes. Thus, theories surrounding stakeholder management and engagement are discussed in this section for the reason that they play a critical role in achievement of sustainability integration. Stakeholder participative practices are imbued with ensuing issues of relational governance and trust-based relationship. Thus, this section also discusses the literature related to those issues.

The fourth section (2.4) presents literature that relates to the central question addressed in this thesis: how do organizations build strategies which integrate sustainability into their core business processes? In other words, how do organizations build strategies which create joint social as well as economic value. The process of integration of business strategy with the sustainability strategy is often referred to in the literature as fragmented, decoupled, or tension-filled (Porter & Kramer, 2006; Hengst et al., 2020; Hahn et al., 2015, 2018), how the CSR and management literature discusses such divergencies (and convergencies) of integration is explicated in this section.

The fifth section (2.5) identifies literature on strategy building and formulation. What strategy is and how it is built can be conceived of in a variety of ways. The literature on strategy is large and complex. This section covers the concept of strategy building which suggests that managers use four levers (Simons, 1995) at their disposal to control the process of strategy building. These levers are innovations and learning system, values and belief system, risk management system, and pre-planned diagnostic system. These four levers when used in different combinations can be viewed as a configurational perspective on strategy formulation process.

The sixth section (2.6) concludes the literature review. The conclusion identifies gaps that appear to be present in the current integration literature. Four key research questions are thus raised as guide for conducting this study.

2.1 Sustainability integration: Stages, life-cycles, postures, stances, and process perspectives

The integration of CSR initiatives into business organizations is multidimensional, and takes many forms (Arjaliès & Mundy, 2013; Carroll, 1979; Dai et al., 2013; Gond et al., 2011; Hengst et al., 2020; Jawahar & McLaughlin, 2001; Jones et al., 2018; Kramer & Kania, 2006; Kurucz et al., 2008; Martin, 2003; Mirvis & Googins, 2006; Porter & Kramer, 2002, 2006, 2011; Sroufe, R., 2017; Villena & Gioia, 2020). Whether business responses to their societal commitments are framed in the context of a 'stages of corporate responsibility' framework (Mirvis & Googins, 2006) or an 'organizational life cycle' framework (Jawahar & McLaughlin, 2001), they point to various postures, stances, processes, and responses which organizations adopt toward CSR and sustainability integration.

For example, Kramer and Kania (2006: p. 25) argue that a firms' approach to its CSR actions can be classified as defensive and/or offensive. A defensive approach is considered to be a company's immediate and short-term response to protect its reputation and/or avoid legal liabilities. In contrast, an offensive approach is a conscious deliberation on the adoption of CSR initiatives. An offensive approach, according to Kramer and Kania (2006), involves formulating and implementing a CSR strategy by establishing appropriate goals, committing resources, working in partnership with other sectors, and reporting on the progress (p.24-27). In that sense, offensive CSR strategy can be seen as a long-term strategic commitment by a firm to their CSR initiatives. Thus, a defensive approach may suggest low-integration, and an offensive approach may indicate a high integration of CSR initiatives.

In an extension of Kramer and Kania's framework, Mirvis and Googins (2006) offer five different approaches that firms may adopt in their CSR initiatives - defensive, reactive, responsive, proactive, and transformative. A transformative approach defines and implements sustainability integration in new and innovative ways. These distinctions suggest that firms not only adopt CSR initiatives in a variety of ways, but also in a variety of contexts, and at different stages signifying more or less integrated approaches to CSR. The notion of more or less integrated sustainability approaches is highlighted by Hengst et al. (2020) where they contrast decoupled (i.e., less integrated approach) with tight-integration (i.e., more integrated approach). Hengst et al. (2020) define decoupled approach as “adopting a policy symbolically, without implementing it substantively.” (p. 246), and tight-integration as “the inclusion of sustainability strategy into existing competitive strategy, as manifested in an organization’s products or services and processes.” (p. 246). Such notions can be seen as underpinned by a view based on an incremental, evolutionary, or transformative organizational approaches to the integration of CSR initiatives. The strength of these categorizations is that they enable the analysis and understanding of a multitude and varied approaches adopted by firms with respect to CSR or sustainability integration.

While Mirvis & Googins (2006) discuss incremental stages of the integration of CSR issues and organizational responses as defensive, reactive, responsive, proactive, and transformative, Jawahar & McLaughlin (2001), on the other hand, link the organizational life cycle with the ‘types of strategies’ organizations adopt towards stakeholder groups. They identify the types of strategies as proactive, accommodating, defensive and reactive.

The life-cycle framework (Jawahar & McLaughlin, 2001) is based on the assumption of stages akin to a human life span. It argues that business organizations at various stages in their life span may adopt proactive, accommodating, defensive, and reactive strategies towards integrating stakeholders. However, as the organization reaches growth and maturity it is able to assume a more proactive management position towards multiple-stakeholder groups. By implication, during the start-up and declining stages of the life-cycle of an organization, its capacity to take account of a large number of stakeholders is limited. The integration of stakeholders is a key component of the effectiveness of any CSR/sustainability initiatives. Thus, Jawahar & McLaughlin’s (2001) life-cycle perspective on strategies of stakeholder integration offers a lens through which the integration strategies could be perceived and understood.

Thus, during its nascent and declining stages an organization can only be proactive towards a small number of stakeholders such as shareholders, creditors, and customers on whom its survival depends (Jawahar & McLaughlin, 2001). The adoption of different stances toward different stakeholders (Jawahar & McLaughlin, 2001) by an organization primarily points to the question of who the stakeholders are, and thus, what stance an organization could adopt towards its different stakeholder groups.

Jawahar and McLaughlin's (2001) typology (i.e., proactive, accommodating, defensive, and reactive) is similar to that offered by Carroll (1979) in his three-dimensional conceptual model of corporate social performance (CSP). However, a significant difference between the two frameworks is that Jawahar & Mclaughlin's 'Types of Strategies' framework is directed at the integration of stakeholder groups during the life-cycle of an organization, whereas, Carroll's CSP model takes a more synthesized view of organizational CSR integration. It brings together three dimensions of CSR: (a) the principles of social responsibility (i.e., economic, legal, ethical, and discretionary duties of a firm), (b) the philosophy underpinning the mode of social responsiveness (i.e., proactive, accommodating, defensive, and reactive), and (c) the social issues prioritized by a firm.

The limitation of Jawahar and McLaughlin's (2001) framework is that it is exclusively focused on organizational stances towards their stakeholder groups, and thus, excludes other organizational dimensions (e.g. organizational leadership, structure etc.) which may influence CSR integration. In that sense, Mirvis & Googins' (2006) framework responds to that limitation, and hence, offers a relatively more comprehensive view of integration by highlighting various organizational dimensions which influence CSR integration. These dimensions, which cut across each stage of CSR integration process, for example start from the focus on profits in the first stage of low integration up to the later incremental stages of high integration which include stakeholder integration, sustainability integration, and transformative approaches. Mirvis & Googins' (2006) also identify other organizational elements which influence integration. These are: strategic intent (e.g., legal compliance, maintenance of license to operate, etc.), leadership, organizational structure, issues management, stakeholder relationships, and transparency. Mirvis & Googin's (2006) identification of multiple organizational dimensions which shape the integration process, is similarly reflected in Husted & Allen's (2011, 2014), and more recently in Sroufe's (2017) scholarly works. These works are further discussed in this chapter in the section on combining sustainability strategy with business strategy.

Mirvis & Googins (2006) suggest that a mature firm is innovative, integrated, and transformative in its CSR (and sustainability) responses. The importance of innovations and innovative approaches in sustainability integration is more recently highlighted by Juntunen et al. (2019). These authors demonstrate the role of stakeholders whose ideas, knowledge, and competence are critical in new sustainability product development. Thus, these authors in line with Mirvis & Googins (2006) indicate that stakeholder integration is a critical factor in achieving the aims of integration.

Kurucz et al. (2008), on the other hand, take a strategic view of CSR integration and offer four integrative mechanisms in the form of business cases for achieving integration. These are (a) trading: engaging in CSR to reduce costs and risks to the firm, (b) adapting: a strategic approach to CSR to build competitive advantage, (c) aligning: exploiting CSR activities to build value through gains in firm reputation and legitimacy, and (d) relating: integrating stakeholder interests to create value on multiple fronts. The main distinction between Mirvis and Googins' (2006) and Kurucz et al.'s (2008) frameworks is that Mirvis and Googins (2006) focuses on different organizational dimensions which shape the process of integration, whereas, Kurucz et al. (2008) confine their focus to the different types of business cases through which integration could be achieved.

While these multiple integrative dimensions (Kurucz et al., 2008; Mirvis & Googins, 2006) are important in the process of achieving sustainable integration, the process itself is embedded in organizational tensions and barriers (Gond et al., 2012; Hahn et al., 2018; Smith & Besharov, 2019; Nooyi & Govindarajan, 2020; Hengst et al, 2020). The tensions and barriers to integration are further discussed in this chapter in the section on combining sustainability strategy with business strategy.

What is clear is that business firms adopt various postures (e.g., proactive, defensive, reactive etc.) vis-à-vis CSR and sustainability integration, and thus, respond differently to each of their many stakeholder groups. These postures are termed as "philosophy (mode) of social responsiveness" (Carroll, 1979), as "issues management" (Mirvis & Googins, 2006: p. 116), as "performance with purpose" (Nooyi & Govindarajan, 2020: p. 96), and as "becoming a better corporate citizen" (Nooyi & Govindarajan, 2020: p. 94). Kurucz et al. (2008) focus specifically on CSR integration through business-cases, and as outlined above, refer to these postures as trading, adapting, aligning, and relating. These various postures raise a number of questions that impact the present study. First, how do business units of the bank respond to social and environmental issues? Second, do the business units adopt varied and different integration strategies for responding to social and environmental issues? What is the role of stakeholders in the organizational responses related to adopting a defensive, offensive, or accommodating posture(s) for integration of CSR into business processes?

2.2 Integration: Transformation, adaptation, and building of organizational capabilities

Organizational transformation, adaptation, and building of organizational capabilities (Scroufe, 2017; Reeves et al., 2020; Mirvis & Googins, 2006; Kurucz et al, 2008; Simons, 1994; Eccles & Klimenko, 2019; Ioannou & Serafeim, 2015; Smith & Besharov, 2019; Nooyi & Govindarajan, 2020; Hahn et al., 2018) underpins the integration phenomenon. To that effect, Sroufe (2017) puts integration and change management at the centre of successful organizational sustainability initiatives.

Sroufe (2017) took a cross-industry sample of multinational organizations who are recognized as high sustainability performers by the indices such as DJSI. The author is interested in the operationalization of sustainability integration initiatives in those firms, and thus identifies the drivers, enablers, and evaluation methods for sustainability integration. Some of the organizational elements for building organizational capabilities identified by Sroufe (2017) include innovative activities, senior leadership commitment, stakeholder engagement, environmental impacts, firm reputation, sustainability integration into decision making, and firm-specific definition of sustainability.

In relation to sustainability integration and the ensuing organizational change, Nooyi & Govindarajan (2020) assert the need to select a team whose members can think outside the box and are not afraid to be disruptive about the old ways of doing things. (p. 98). These authors' assertions indicate that the leadership should anticipate difficulties, tensions (Hengst et al, 2020; Hahn et al. 2015), and barriers (Gond et al., 2012) to achieving organizational change for sustainability integration.

On the other hand, Reeves et al. (2020) draws our attention to the phenomenon of complexity. The idea of organizational transformation and change management is implicit in these scholar's assertions. Reeves et al. (2020) argue that when organizations adapt to its environment, additions are made by various initiatives, processes, and structures and overtime these entities become complex systems. According to these authors, the benefits of complexity include organizational resilience, adaptability, and better coordination.

As organizations add processes, innovations, structures, and take different initiatives to respond to environmental pressures, those additions along with the already existing processes, structures, skills, and knowhow make them more resilient. Additions of processes, and innovations and the resultant resilience indicate that a wider set of capabilities enable organizational adaptability. Reeves et al. (2020), thus, suggest that resilience enables adaptability. Processes in a large and complex system have a degree of independence from one another (a modular form), and thus such systems also make for better coordination within and among modular processes (Reeves et al., 2020).

The implication of Scroufe's (2017), and Reeves et al.'s (2020) arguments is that organizations have a wider variety of arsenal with which to respond to challenges (for example, sustainability challenges) in contrast to those firms that have fewer organizational capabilities. Resilience is created by having a variety of processes which include innovations, and the use of intangible assets (Lubin & Esty, 2010). The examples of intangible assets comprise innovative processes or approaches, firm reputation, social capital in the form of trustworthiness, intellectual capital, integrity, brand value, stakeholder management and engagement processes, collaborative capabilities, and non-cognitive sensibilities to build organizational capabilities (Post et al., 2002; Nooyi & Govindarajan, 2020; Sroufe, 2017; Crane & Matten, 2016; Nayak et al., 2020; Barney & Hansen, 1994; Nahapiet & Ghoshal, 1998; Juntunen et al., 2019).

As suggested earlier, innovations and innovative organizational processes imply building of organizational capabilities and changing of organizational processes. To that effect, Reeves et al. (2020) also recognize the importance of innovations in organizational responses to environmental turbulence. If pressures for sustainability integration (e.g. ESG) is assumed to be part of the environmental turbulence, then Reeves et al.'s (2020) assertions are instructive. These authors suggest that relaxation of organizational controls allow innovation led culture to emerge and thrive. (p. 120). They further suggest that the experiments with innovative practices in small independent teams create more possibilities and opportunities for organizations (p. 120).

The implication is that the more options and organizational capabilities (Husted & Allen, 2011; Nooyi & Govindarajan, 2020; Nayak et al., 2020; Reeves et al., 2020) an organization possesses, the more resilient it is in its ability to respond to pressures for change. The importance of such empowering localizations are further exemplified by Nayak et al. (2020). These authors argue that the dynamic capabilities of organizations result from organizational day-to-day ground level activities. (p. 283).

These suggestions can be equated to Simons' (1994, 1995) idea of interactive systems which focus on innovations, empowerment and organizational learning. More recently, in arguing for sustainability integration in innovative new product development (NPD) Juntunen et al., (2019) highlight the quality of organizational engagement for stakeholder integration into the NPD decisions. These scholars also emphasize the important role of top management commitment and involvement in the success of sustainability innovations. Thus, building of organizational capabilities through intangible assets such as innovations (products and processes), inter-organizational collaboration, employee empowerment, organizational learning, leadership commitment, social capital (e.g., reputation building and trustworthiness) etc. could be argued as important factors in making organizations resilient in the face of the demands for transformative changes.

However, Pisano (2019) point out the other side of flexible, experimenting, and empowering innovative cultures. While Pisano acknowledges the necessity of empowering innovative cultures, the author also recognizes the necessity of balancing the equation. Pisano argues that fun of experimentation and empowerment need to be balanced against strict discipline, specifically competence and skills needed for experimentation. Collaboration need to be balanced against individual accountability, and flatness of hierarchy (i.e., horizontal structure) against strong leadership. Again, a parallel can be drawn with Simons' (1994, 1995) framework where he argues for balancing interactive systems (innovative systems and its related empowerment) with constrains imposed boundary systems (risk identification), and pre-planned diagnostic systems which focus on planned organizational outcomes.

While Pisano (2019) argues for balancing innovation related experimentation against strict discipline, and collaboration against individual responsibility, the importance of interorganizational collaborations in achieving CSR and sustainability goals cannot be underestimated. In their work on creating shared-value Porter & Kramer (2011) use the example of Nestle to emphasize the important role collaborations play in creation of shared value. They illustrate Nestle's collaboration with Rainforest Alliance, a leading international NGO which teaches farmers sustainability practices that lead to more reliable outputs. (p. 13). This collaboration is an example of partnership with NGOs and the suppliers of Nestle. Equally, Benn & Bolton (2011) use an example of the Global Environment Institute's projects involving collaborations among different groups such as NGOs, local governments, communities, and academic researchers (p. 138). Such collaboration enables interdisciplinary research for addressing community needs (Benn & Bolton, 2011: p. 138).

Also, Gibson (2011) emphasizes collaborative capacity building of organizations across stakeholder groups for achieving synergies in sustainability goals. More recently Juntunen et al. (2019), recognized the importance of collaboration with stakeholders in new product development (NPD) practices. (p. 336). This type of collaborations in NPD work relies on information exchange and consultations. (Juntunen et al., 2019: p. 336)

More importantly, Hagel III et al. (2010) in their extensive work on business collaboration, identify taxonomy of collaborative relationships and networks: “innovation networks, transactional networks, relational networks, and relational process networks” (p. 255). Innovation networks are inter-organizational collaborations which include transactional and relational networks. It is about sharing resources and capabilities that lie within the expertise of other organizations in the network (Hagel III et al., 2010: p. 255). Transactional networks are confined to short-term very specific one-time transactions between organizations (Hagel III et al., 2010: p. 255). Relational networks are about building long-term trust-based relationships for creating value in the market place (Hagel III et al., 2010: p. 255). The relational process networks are based on relational networks which exist in numerous and wide-ranging business processes and which give scalability and flexibility to the organization (Hagel III et al., 2010: p. 255). Such collaborative networks enable organizations to transform from conventional narrow focus on all activities and processes confined with the walls of the organization to much broader conception of how value could be created through collaborations and partnerships. The inter-organizational networks point to transformations in doing business in partnerships across organizational boundaries.

The idea of organizational transformation is also evident in the framework for strategy formulation (Simons, 1994, 1995), stage-wise development of integration (Mirvis & Googins, 2006), organizational life-cycle process (Jawahar & McLaughlin, 2001, and incremental integration related business-cases (Kurucz et al., 2008). These are discussed in other sections of this chapter. The notion of organizational transformation and adaptation also underpins more recent scholarly works (Eccles & Klimenko, 2019; Ioannou & Serafeim's, 2015). For example, Eccles & Klimenko (2019) focus on ethical investments, decision-making in investments, and social responsibility of business. The authors argue that institutional investors are making ESG considerations as an integral part of their investment decision-making. Thus, the shareholders are increasingly demanding ESG integration from executives. Eccles & Klimenko (2015) go on to confirm Ioannou & Serafeim's (2015) suggestions that financial-market analysts' considerations of stakeholder perspective indicate that business firms in the future will be under increasing pressures to integrate CSR into their practices. These assertions indicate that organizations will increasingly need to adapt to the integration of ESG in their decision-making. Hence, organizational adaption and transformation can be said to be at the heart of sustainability integration into business processes.

2.3 Multifaceted organizational approaches to stakeholder management

In the context of this research, how organizations manage and engage their stakeholders is key to understanding how the integration of sustainability issues into core business processes takes place. Therefore, whether a firm treats its stakeholders instrumentally (Husted & Allen, 2011; Jones et al., 2018; Juntunen et al., 2019) to achieve profits or normatively (Donaldson & Preston, 1995; Phillips, 2003) to achieve CSR or sustainability goals, stakeholder management processes play an important part in understanding how integration is achieved. Also crucial in understanding integration is how organizations build stakeholder management capabilities (SMCs) (Freeman, 1984; Freeman, 2014) which enable them to respond appropriately to different stakeholder groups.

Stakeholders are also at the core of organizations' citizenship practices (Nooyi & Govindarajan, 2020) where business firms attempt to engage with the communities and respond to sustainability issues in which they operate. To that end, Clarke (2007) links the notion of corporate citizenship with stakeholder management as follows:

> The conception of the company as a set of relationships rather than a series of transactions, in which managers adopt an inclusive concern for all stakeholders [...] It represents an important step towards a sense of corporate citizenship – an organization with a mature appreciation of its rights and responsibilities. (p.11)

The synthesis of the notions of stakeholder management and corporate citizenship become clear when various propositions are considered together. Recently, Nooyi & Govindarajan (2020) have asserted the need for transforming the business model of the firm to reorient towards citizenship practices to embed sustainability in an organization. These include taking account of all the stakeholders as well as focusing on long-term financial returns, embedding sustainability goals in the vision of the firm, leading with commitment, communicating effectively, and modelling the necessary behaviors early-on in the process. According to Waddock and Smith (2000), stakeholder relationships are at the core of organizational citizenship practices (p.48). In relation to citizenship practices as well as sustainability goals, scholars have recognized the centrality of stakeholder relational dynamics in organizational processes (Lee & Mazmanian, 2020; Hengst et al., 2020; Crane, 2020; Weng et al., 2020). Melé (2008) and Matten & Chapple (2003) have argued that since 1990s, corporate citizenship has frequently been equated with CSR. In addition, Melé (2008) suggests that the normative dimension of stakeholder theory is about responsibility to society and therefore lends itself to citizenship and CSR practices (p. 63)

These arguments are strongly substantiated by Buchholtz & Carroll (2012) when they suggest that for corporations good citizenship means acknowledging their responsibilities to society (p. 47). Thus, Buchholz and Carroll (2012) do not see the term corporate citizenship as distinct from CSR. These suggestions are aligned with how Nooyi & Govindarajan (2020) model citizenship practices - these authors take a long-term view of how society's demand for sustainability need to be integrated in the company's product lines.

The introduction of citizenship terminology was first introduced in the business world in the 1980s by practitioners (Altman & Vidaver-Cohen, 2000; Melé, 2008;

Windsor, 2001). This gave companies wider latitude to subsume all of their business and social activities under the citizenship framework. However, equating corporate citizenship with CSR raises questions about the scope of CSR activities and therefore of corporate citizenship itself.

According to Birch (2001), CSR is a discretionary activity for undertaking a company's social responsibilities, whereas corporate citizenship aims to make the company part of a society. Such a transition would imply that for businesses, social responsibility ceases to be a discretionary activity. In theory, businesses become duty-bound to respond to the community and/or society's needs and problems, as good citizens. However, Nooyi & Govindarajan (2020) demonstrate that while the citizenship practices within the sustainability imperative are discretionary actions, they are about organizational adaptation with megatrends (e.g., sustainability in the current environment) for long-term corporate profitability. Sustainability as a megatrend and the imperative of organizational adaptation is also made explicit by Lubin & Esty (2010).

On the other hand, Matten & Crane (2005) suggest that corporations are active in their citizenship practices. (p. 175) They argue that corporations exhibit active citizenship behaviors by administering citizenship rights (defending or not defending rights) which they delineate as social, civil, and political. Social rights comprise support for programs such as education and health for citizens. Civil rights include protection against interference or abuse by third parties including government agencies, and political rights assume protection afforded by corporations through acting as a conduit to the expression of an individual's or people's political rights. In Matten & Crane's (2005) own elucidation of the drawbacks with respect to corporations administering the social, civil, and political rights of citizens, they suggest that whereas governments are accountable to the citizens, corporations are not. Thus, Matten & Crane's theoretical framework draws attention to the limitations of corporate citizenship's brief on the administration of civil, social, and political rights of citizens at large. Though the debate around the extent of organizations' citizenship behaviors and practices continues, stakeholder management and engagement remain central to how CSR integration into business processes may be achieved.

2.3.1 Stakeholder management: Instrumental and normative approaches for achieving integration

Organizational stakeholder management approaches could be assumed to be shaped by whether businesses take an instrumental or normative approach to the integration of stakeholders into organizational processes. The distinction between these two approaches is exemplified by Blowfield and Murray (2011). They suggest that both the stakeholder management and engagement are crucial parts of CSR practices. Whereas stakeholder management considers stakeholders as constituencies that need to be managed and controlled; stakeholder engagement, on the other hand, treats stakeholders as part of interdependent groups with different stakes in the organization (Blowfield & Murray, 2011: p.226-227).

The above-stated argument by Blowfield and Murray (2011) is congruent with the instrumental and normative values of a stakeholder model as understood by Donaldson and Preston (1995). The instrumental view purports stakeholders to be a means for achieving business goals, and the normative view holds stakeholders as an integral part of business decisions. Thus, these views point to the question about how businesses may respond to or engage with their stakeholder groups (Donaldson & Preston, 1995; Laplume et al., 2008: p. 1159). Such a distinction is evident in Blowfield and Murray's (2011) suggestion that an instrumental approach to stakeholders for achieving business goals (i.e., strategic CSR) is directed to influence and control stakeholders, whereas a normative approach strives for stakeholder engagement leading to partnerships, and the sharing of power and influence – a clear argument for the empowerment of stakeholders (p. 211).

Goodpaster (1991) extends the instrumental and normative approaches to stakeholder management, and identifies three approaches. One is the strategic approach which is also an instrumental approach which views stakeholders as a means to achieving profitability goals. The second is a multi-fiduciary approach which treats stakeholders at par with shareholders. In this approach, managers have a fiduciary duty to all their stakeholders, including the shareholders of a business firm. The multi-fiduciary approach to stakeholder management is made explicit by Freeman (2000) as follows:

> We need to see stakeholder theory as managerial, as intimately connected with the practice of business, value creation and trade. That was its original impetus, in the sense of re-describing the practice of value creation and trade to ensure that those with a "stake" in this practice had attention paid to them. (p. 173)

The third approach takes a 'stakeholder synthesis' view which recognizes that businesses have a moral duty towards stakeholders, but such a duty is not part of managers' fiduciary duty towards the shareholders. Regardless of the fine distinctions, the arguments center on the issue of whether stakeholders are to be treated instrumentally for achieving the profitability goals of a firm, or be treated normatively as an integral part of the firm where cooperative partnerships and empowerment (i.e., shared power and influence) become the norm.

The intricacies of the instrumental and normative approaches to stakeholders within the context of CSR are illustrated in the theoretical framework 'virtue-matrix' expounded by Martin (2003). It suggests that business organizations respond to CSR initiatives based on either structural motivations or strategic motivations.

According to Martin (2003), firms based on shareholder value maximization have two motivational aspects from which the CSR responses take effect. One emanates from legal compliance imperatives, together with choices based on the desire to meet societal expectations, customs, and norms. Martin calls these decisions as based on the civil foundation of the organization. The civil foundation, could be argued to be based on normative approaches to stakeholder management. Martin refers to them as structural decisions of the organization. The second motivational impetus results from strategic decisions that are intended to benefit shareholders. Although structural decisions may be detrimental to shareholder interests, they benefit other stakeholders. The strategic motivations could be argued to be based on instrumental stakeholder management.

Several insights from the virtue matrix (Martin, 2003) are helpful in understanding firms' responses to CSR. These are: (a) firms focused on shareholder value maximization have instrumental as well as normative motivations in responding to their stakeholders (b) While legal compliance and societal norms are the basic civil foundation for structural responses, profitability and shareholder value are the basic foundation for strategic responses, and (c) strategic and structural responses, though risky, are choices firms make that may or may not eventually benefit shareholders, but may benefit other stakeholders.

According to Martin (2003) the strategic choices made by firms, if successful, could be imitated by competitors and thus they may become part of the civil foundation, making it a norm expected by customers. Equally, strategic decisions may turn out not to be profitable and thus may become structural, and therefore detrimental to shareholder interests (Martin, 2003). Therefore, according to Martin (2003) the boundaries between strategic motivations and structural motivations are porous.

The strength of Martin's (2003) virtue-matrix model is that it enables an understanding of the underlying organizational motivations that give rise to firms' responses to stakeholders. More importantly, it draws our attention to the idea that what may start as a strategic motivation (i.e., an instrumental approach to stakeholder integration) might ultimately end up in the arena of structural motivation (i.e., a normative approach to stakeholder integration). The constraint of the framework is that the explanations are confined to a shareholder value maximization model of business actions.

2.3.2 Stakeholder management capabilities as a context for integration

When organizations build stakeholder management capabilities (SMCs), it could be safely assumed that SMCs contribute to wider organizational intangible assets and capabilities. For example, Nayak et al. (2020) draw attention to how dynamic organizational capabilities emerge from adaptations (i.e., intangible assets) within the context of day to day tasks and activities in the organization's operational environment. (p. 283).

Building of organizational capabilities via local adaptive actions in the implementation of sustainability integration is also evident in the process perspective offered by Hengst et al. (2020). For Hengst et al. (2020), the resolution of tensions in implementing sustainability strategy alongside business strategy entails adaptive procedural actions such as compromising, reinterpreting, and splitting. Compromising comprises recognition of trade-offs between aspects of sustainability and business strategies. Reinterpreting involves recognizing the trade-offs between the two strategies as beneficial to both in the long-run. Splitting consists of expanding product portfolios to separate sustainability and business features into distinct product lines. These local adaptive processes identified by Hengst et al. (2020) and Nayak et al. (2020) could be thought of as skills that go on to form organizational capabilities and/or organizational stakeholder management capabilities.

Buchholtz and Carroll (2012) draw on Freeman (1984) to suggest that stakeholder management can be thought of as the organization's ability to develop its stakeholder management capabilities. (p. 83). They suggest three different levels of incremental sophistication at which firms may orient their stakeholder management approaches. These levels are rational, process, and transactional (Freeman, 1984).

The rational level (Freeman, 2014) entails the identification of who the stakeholders are, and what their 'stakes' are. The rational level is what Laplume et al. (2008) refer to as the question of stakeholder definition and salience. Intimately connected to stakeholder salience is the question of which stakeholders are paid attention to by managers. Mitchell et al. (1997) contend that three factors - power (stakeholders who possess important resources), legitimacy (stakeholders who are socially accepted as legitimate), and urgency (stakeholders who have critical claims, and have time urgency) play a critical role in who managers pay attention to. Parent & Deephouse (2007), in extending Mitchell et al.'s (1997) argument, found that power had the strongest effect on managers' approaches to stakeholder salience, followed by urgency and legitimacy.

The process level (Freeman, 2014) is defined by Buchholtz and Carroll (2012) as a further step in which organizations integrate stakeholder information received from its external environment into their policies and practices. (p. 83). Buchholtz and Carroll's process-level description is an extension of Wartick and Cochran's (1985) suggestion that corporate social responsiveness is about organization's ability to adapt to changing societal demands. (p. 767). In other words, it is about integrating stakeholder demands into organizational policies and processes.

The transactional level (Freeman, 2014) is suggested by Buchholtz and Carroll (2012) as being at the highest of the three levels of building stakeholder management capabilities where the interface with stakeholders takes priority. (p. 83).
The transactional level engagement is an argument for face-to-face meetings with stakeholders which involve holding negotiations, seeking cooperation, and building partnerships.

The stakeholder integration into decision-making (Husted & Allen, 2011; Dye et al. 2014; Juntunen et al., 2019) is indicative of organizational transactional-level SMCs. The three levels of stakeholder management capabilities can be argued to be efforts in building organizational capabilities in relational governance for creating competitive advantage for the firm. The role of relational governance and its linkage with competitive advantage is discussed in the following section.

2.3.3 Stakeholder engagement

The transactional level stakeholder management capabilities (Freeman, 1984; 2014) can be conceived of as a process of stakeholder engagement which entails face-to-face interactions with stakeholders. Such interactions are considered as an essential part of multi-stakeholder processes (MSPs) where an attempt is made to engage and integrate all those stakeholders who are likely to be impacted by the organizational activities and actions.

For example, Beutler (2005), Leach (2004), and Freeman et al. (2010) draw our attention to the importance of multi-stakeholder processes (MSPs), more specifically in the context of irrigation, drainage, and environmental protection. These authors look at some of the best practices in MSPs. Some of these include the clarity of the role and purpose of collaborations, transparency in decision-making, explicit identification of which stakeholders' interest are addressed and prioritized, consent and acceptance of the prioritization by the stakeholders involved, stakeholders be organized as a collective or a constituency, issues be explored up-front and openly, joint fact finding, common understandings of the issues etc. These best practices can be equated with the recommendations of International Finance Corporation (IFC) of the World Bank Group.

According to the IFC (2007), stakeholder engagement is a long-term process of building and maintaining constructive relationships over time. The IFC suggests that the activities of the stakeholder engagement process are wide-ranging. They include information sharing, consultations, participation by stakeholders, negotiations, and partnerships. The IFC divides those activities into eight components which it refers to as key concepts and principles of stakeholder engagement (IFC, World Bank Group, 2007). These include stakeholder identification and analysis, information disclosure, stakeholder consultation, negotiation and partnerships, grievance management, stakeholder involvement in project monitoring, reporting to stakeholders, and stakeholder management.

The IFC (2007) asserts that stakeholder consultation and information disclosure should evolve from meeting short-term regulatory requirements to a more strategic approaches to relationship building. These suggestions by the IFC are congruent with Mirvis & Googins' (2006) stages of CSR, and Jawahar & McLaughlin's (2001) life-cycle framework, where the notions of evolutionary and a more integrated involvement with stakeholders are outlined. The IFC (2007) further points to the dangers of reputation-risk resulting from poor stakeholder relationships.

At the same time, the IFC (2007: p. 4) recognizes that good stakeholder relationships are also based on trust, mutual respect, and understanding which result from ongoing interactions and common experiences over a period of time. Thus, according to the IFC, it is important that companies start engaging stakeholders at the very beginning of project undertakings. The implication of the IFC's (2007) suggestions is that stakeholder engagement is long-term, and a continual process which encompasses a broad range of activities including team work and the building of team identity (Annosi et al., 2017), and as a consequence development of trust between the parties over time.

2.3.4 Stakeholder integration: Trust and relational governance

The effectiveness of the organizational stakeholder engagement process depends on trust-based relationships between parties involved in an exchange relationship (Crane, (2020); Post et al., (2002): p. 42-43). Crane, (2020) emphasizes that trust is an essential factor in relational governance (Crane, 2020). Thus, the existing literature on trust acknowledges relational governance as a necessary mechanism through which trust can be built (Barney & Harrison, 2020; Crane, 2020; Frei & Morriss, 2020; Heide & G., (1990); Macneil, 1980; McEvily & Zaheer, 2006; Williamson, (1993); Zaheer & Venkatraman, 1995)

According McEvily & Zaheer (2006), relational governance spans activities such as decision-making, planning, and problem-solving to achieve organizational efficiencies. (p. 284). Trust is also said to (a) enhance transparency by increased levels of information sharing, (b) improve coordination efficiencies, and (c) lower transaction costs (Dyer & Chu, 2006: p. 208). These arguments, which support the importance of trust-based relational governance on the basis of lower transaction costs and improvement in coordination efficiencies, point to how organizations could leverage these factors in creating competitive advantage (Barney & Hansen, 1994; Nahapiet & Ghosal, 1998). Crane (2020) argues that trust provides an alternative view of the firm which contrasts with the idea that managers pursue their own self-interest at the expense of the owners' interests. Contracts and monitoring activities incur costs and trust provides a more cost-effective basis for conducting business with internal members as well as external partners (Crane, 2020). Trust also makes stakeholder relationships efficient (Fukuyama, 1995; Crane, 2020). It enhances firm legitimacy, minimizes reputation risks, and thereby supports resource accessibility and community support (Ashforth & Gibbs, 1990; Crane, 2020). Equally, Frei & Morriss. (2020) sees trust as a critical form of leadership capital, and points out authenticity (i.e., integrity) as a trait necessary in effective leaders.

Post et al. (2002: p. 44) conclude that stakeholder-oriented policies should be defined by integrity (i.e., reliability) as their critical feature. According to Long & Sitkin (2006), integrity is a crucial element in building trust. Emphasizing integrity as a factor in organizational efficacy indicates the criticality of trustworthiness in stakeholder relationships. At the same time, Post et al., (2002) refers to Putnam (2000) to argue that trust results from collaborative efforts and is critical for building social capital (p. 42-43). Trust is relational contracting, and in a business organization it occupies a space between fully negotiated and contractual market-focused exchange, and organizational hierarchy (Jeffries & Reed, 2000; Post et al., 2002: p. 42-43; Ring & Van de Van, 1992; Williamson, 1975).

Equally, Hemmati (2002) stresses honesty, integrity, fairness, transparency, and equity as essential prerequisites for successful trust-building, and creation of suitable partnerships (p. 95). According to Renn et al. (1995), three factors help build trust-based relationships: one, trust building is helped by face-to-face interactions in regular meetings over a reasonable period of time where people have a chance to get to know each other (p. 360-361). Two, it is facilitated by involving stakeholders early in the decision-making process (Renn et al. 1995: p. 360-361). Three, availability and accessibility to all information would further support trust building efforts (Renn et al. 1995: p. 360-361). Frei & Morriss (2020) suggests authenticity (i.e., integrity), judgement and competence, and empathy (i.e., benevolence, care) as crucial characteristics for building trustworthy leadership. The implication of these suggestions is that factors such as face-to-face interactions, meetings, participation, information disclosure, transparency, trust building, and feedback play a critical role in stakeholder engagement processes. Mohiddin (1998) concurs to suggest that without trust, partnership is impossible. More importantly, avoiding opportunistic behaviors is critical to gaining stakeholder support and trust (Heugens et al., 2002; Hosmer & Kiewitz, 2005; Jones, 1995). Thus, firms may use methods such as reputation management, impression management, rhetoric, their own publications, and images for building trust to gain stakeholder support (Carter, 2006; Snider et al., 2003; Ulmer & Sellnow, 2000).

It would therefore be reasonable to suggest that CSR communications (e.g., citizenship or sustainability reports) produced by firms are instruments used by firms for reputation and impression management with their various stakeholder groups. To the extent that those reports represent accountability for addressing social issues, the reports could also be seen as devices used not only for impression and reputation management, but also for declaring social policies, and the strategic intent of the firm. These devices could also be seen as attempts by the organizations to build trust with the stakeholders.

Regardless of the means used by business firms to build trust and gain stakeholder support, factors such as seeking social legitimacy, maintaining license to operate, and managing reputation risks are reiterated by Mirvis and Googins (2006) and Crane et al. (2014) as important elements in stakeholder engagement processes. Also, Carroll (1979) identified philanthropic and/or discretionary actions of firms as one of the components of CSR responses. These philanthropic responses could also be devices for gaining stakeholder support (Adams & Hardwick, 1998; Brammer & Millington, 2004; Godfrey, 1995). Stock-options are another example of a mechanism used by firms to gain stakeholder trust and support – especially, the support of employees as a critical stakeholder group (Heide & G., 1990; Macneil, 1980; Bill McEvily & Zaheer, 2006; Williamson, 1993; Zaheer & Venkatraman, 1995). Thus, organizational responses in terms of reputation management, impression management, citizenship rhetoric, legitimacy-seeking behaviors, philanthropic contributions, and stock-options etc. could all be viewed as devices used by corporations for building trust with their stakeholder groups.

As suggested earlier, trust is an essential factor in trust-based relational governance. According to Sheppard and Sherman (1998), Trust and its related risks are embedded in all relationships. (p. 422). They argue that risk is at the heart of trust-based relationships and that the risk varies in accordance with the type of interdependencies in a relationship. Thus, by identifying the risks inherent in a relationship, managers can infer and/or anticipate the qualities of trustworthiness, and be able to deploy necessary mechanisms for trust building (Sheppard and Sherman, 1998). For organizations, engagement with different groups of stakeholders entail differences in relational interdependencies. Hence, Sheppard and Sherman’s (1998) conceptualization of different forms of relational interdependencies can be a useful tool for analyzing trust-based risks and identifying mechanisms for the mitigation of those risks inherent in business and stakeholder relationships.

In summation, stakeholder issues and how organizations respond to and integrate those issues are at the core of understanding how strategies of CSR and sustainability integration are developed. Firms’ responses to stakeholder demands and their actions related to stakeholder engagement processes form a central part of CSR frameworks (Carroll, 1979; Evan & Freeman, 1988; Melé, 2008). Whether stakeholder issues are framed in terms of stakeholder management, stakeholder capabilities, trust-based relational dependencies, or citizenship approaches, such assertions point to the centrality of stakeholder engagement practices which form an essential feature of achieving the integration of sustainability issues into the organizational processes.

However, Beutler (2005) points out the importance of linking stakeholder engagement processes to decision-making processes. Lack of which creates confusion and frustration (Beutler, 2005). The emphasis on stakeholder integration with decision-making processes indicates that Beutler (2005) realized the futility of stakeholder engagement processes if the outcomes of those consultations are not implemented in decision-making processes.

While scholars have identified normative (Donaldson & Preston, 1995; Phillips, 2003) as well as instrumental (Jones et al., 2018; Juntunen et al., 2019; Husted & Allen, 2011) imperatives of stakeholder engagement and integration, few studies have directly identified or shown how the stakeholder engagement processes in organizations are linked to the decision-making processes. However, Dye et al. (2014) and more recently Juntunen et al. (2019) have explored the dynamics of the linkages between stakeholder integration and decision-making processes.

The study by Dye et al. (2014) looks at stakeholder influence on decision-making processes. Their study focuses on the political context of hurricane evacuation on managerial decision-making. They point out that while managers may take stakeholder preferences into account, the mechanisms of such integration remain underdeveloped. Thus, these authors provide an important insight into how stakeholder salience changes dependent upon the ability of stakeholders to exert influence on the decision-making process. These authors also take into consideration political factors influencing decision-making – examples of such factors include employing strategies used by others as a tool for political cover, and considering how political fears may make it troublesome to change certain decisions. On the other hand, Juntunen et al. (2019) focuses on stakeholder integration into the new product development (NPD) decision-making processes. These scholars suggest that the success of innovations is dependent upon high stakeholder interactions and engagement processes. (p. 331).

Ability of stakeholders to influence the decision-making process is dependent upon organizational strategies about the depth and extent of stakeholder involvement (Juntunen et al., 2019). To that effect these authors suggest three tactics used in stakeholder integration in NPD process. The tactics comprises (a) involving stakeholders after all the major decisions about NPD are complete - this tactic is used for the purpose of fine-tuning the NPD, (b) allowing only a few stakeholders to shape the NPD decision making process, and (c) integrating stakeholders right from the beginning stages of the NPD process which allow them to influence the full innovation process. The idea of depth and extent of stakeholder influence in the decision-making processes is an important insight provided by these scholars. Equally, in the context of stakeholder integration into decision-making processes, Spitzek & Hansen (2010), in their study demonstrate the relationship between organizational decision-making levels (i.e., strategic, business, and operational levels) and stakeholder involvement. Their findings suggest that fewer stakeholders get integrated into the decision-making processes as the decisions move up the organizational ladder from operational to business and strategic levels.

Thus, the foregoing literature review on stakeholder management and engagement raise several questions for this study: what stakeholder practices define the bank's CSR or sustainability strategy? How are the CSR/sustainability processes managed, more specifically with regard to the extent of stakeholder involvement, and trust-based stakeholder engagement? Which issues define the banks' CSR integration strategies? This research therefore assumes that issues raised by these questions are integral to understanding the sustainability integration processes.

2.4 Mainstreaming: Building strategies for sustainability integration

The aim of achieving integration of sustainability issues in the core business processes is to build products and processes that create economic as well as social value (Husted & Allen, 2011; Rezaee, 2017; Sroufe, 2017; Villena et al., 2020; Juntunen et al., 2019; Nooyi & Govindarajan, 2020). Its purpose, therefore, is to mainstream CSR and sustainability issues into the business strategies of an organization.

When organizations attempt to integrate the social and environmental activities within their core business activities, they formulate or build strategies to achieve those aims (Husted & Allen, 2011, 2014; Galbreath, 2006, 2009). These strategies would include not only objectives related to how they integrate stakeholder issues (Beutler, 2005; Freeman et al., 2010) but also how they build appropriate business activities, internal processes, and organizational capabilities (Sroufe, 2017; Nooyi & Govindarajan, 2020) to achieve the aims of sustainability integration. Therefore, the purpose of the next part of the literature review is to discuss how integration and strategy building are conceived in the CSR literature, and how arguments for the mainstreaming of CSR and sustainability issues are considered in the CSR literature.

Gond et al.'s (2012) study established that the mainstream business activities and the CSR activities, in many cases, exist in separate departmental silos in business organizations. Their study, in essence, is aimed at exploring and understanding how to conceive of strategies which may help overcome separateness of the two activities. There are cognitive, technical, and organizational barriers to integration (Gond et al., 2012). Their findings related to the separateness of the CSR/sustainability issues from the organization's core business activities is evident in the writings of other scholars. For instance, Blowfield and Murray (2011) argue that the aim of strategic CSR is to ensure that CSR is the main driver of how businesses create economic value. (p. 149).

Similarly, more recently, Ioannou & Hawn (2018) argued for redefining the field of strategy in the current age of sustainability. These scholars examined the strategy field and found that its main focus remains on economic value creation, where financial metrics play a central role in performance evaluation (p. 1). Equally, they reviewed the CSR literature and found that the sustainability issues (i.e., environmental and social issues) are treated as a priority and remain separate from economic value creation (p. 1). Ioannou & Hawn (2018), therefore, suggest that this separateness creates a strategic problem in the age of sustainability. Thus, they argue for a revised and extended definition of the field of strategy which would account for joint economic as well as social value creation (p. 4).

Along the same line of argument, Porter and Kramer (2006: p. 80) suggest that the current business approaches to CSR are piecemeal, fragmented, and disconnected from core business strategy. Thus, such approaches miss out on opportunities for companies to benefit society. According to these scholars, the integration of CSR into mainstream business strategy can be a source of opportunity, innovation, and competitive advantage:

> The fact is, the prevailing approaches to CSR are so fragmented and so disconnected from business and strategy as to obscure many of

> the greatest opportunities for companies to benefit society (Porter & Kramer, 2006: p. 80).

Porter & Kramer (2006) further suggest that rather than viewing CSR as costs on businesses or as charity contributions, it could be conceived as “a source of opportunity, innovation, and competitive advantage.” (p. 80). More recently, Nooyi & Govindarajan (2020) have argued for transformation and a shift from hardened ways of doing things to a more purpose driven strategy which aims for integrating sustainability into business products and services. Equally, the fragmentation between sustainability strategy and core business strategy is evident in Hengst et al.’s (2020) and Hahn et al.’s, (2018) scholarly works.

Hahn et al., (2018) lays the ground work for a paradox perspective which argues for a simultaneous pursuit of both the normative and instrumental approaches to sustainability implementation in organizations. Such an approach is driven by the acceptance of inherent tensions between sustainability for-profit strategy and sustainability strategy which may not generate any revenue for the firm. Hahn et al.’s recognition of this duality is consistent with Martin’s (2003) ‘virtue matrix’ framework discussed earlier in this chapter. Martin (2003) recognizes the existence of for-profit and not-profit CSR initiatives in which the author distinguishes between civil foundation (i.e., non-profit CSR activities) and for-profit strategic activities. Hahn et al. (2018), on the other hand refers to such a duality as a paradox. According to Hahn et al. (2018) the paradox perspective entails recognition and acceptance of organizational duality in which complementarity and conflict among economic, environmental, and social issues coexist. (p. 237). Hence, managers’ acceptance of the duality, enables the for-profit sustainability integration to coexist alongside the non-profitable sustainability organizational actions.

According to Hahn et al. (2018) the paradox perspective enables managers to implement contradictory and competing sustainability simultaneously. For these authors the larger goals of sustainability matters – these goals reside at global level and go beyond organizational level sustainability approaches. Thus, organizations do not become sustainable in themselves, but they contribute to the larger eco system of sustainability. Based on such a logic, the paradox perspective argues for organizations to pursue profit-oriented sustainability strategies (an instrumental approach) alongside sustainability strategies which may not necessarily contribute to profits (a normative approach).

Hahn et al. (2018) thus provide a framework which outlines descriptive, normative, and instrumental aspects of the paradox perspective. The descriptive aspect attempts to explain organizational responsiveness to tensions inherent in achieving sustainability goals. (p. 240). They argue that even when organizations commit to integration of sustainability, its legitimacy is often questioned by those wedded to the profit-seeking activities of the organization. (p. 247).

Thus, integration becomes a legitimacy seeking process between competing sustainability and business imperatives (Hengst et al., 2020). What aspects of the two strategies get implemented is shaped by a reiterative process of negotiated actions (task-by-task) defined by compromising, reinterpreting the goals of the two strategies, and by splitting the features of the two strategies into different product lines (Hengst et al., 2020).

The normative aspect commits to the larger discourse about sustainability in relation to the societal and ecological systems, and the instrumental aspect recognizes the tensions at the corporate level for achieving sustainability goals. (Hahn et al., 2018: p. 240). Hahn et al. (2018) recognizes the inherent tensions between sustainability objectives and for-profit oriented business strategy. Thus, to avoid organizational tendencies to prioritize profits and relegate sustainability to the fringes of the organization, they offer a paradox perspective which enables managers to accommodate and therefore accept the inherent tensions. The acceptance of the tensions aims to make it possible for managers to pursue the sustainability strategy with a normative focus alongside for-profit sustainability business strategy with an instrumental focus.

The competing logics of any two divergent aspects of business activities (for example, sustainability versus profit seeking business strategies) is also acknowledged by Smith & Besharov (2019) which they refer to as management of hybridity. These authors suggest that "structured flexibility" (p. 1) is necessary for sustaining organizational hybridity. According to these authors structured flexibility comprises of two elements: the enabling aspects and the enactment processes of an organization. According to Smith & Besharov (2019) two enabling aspects: (a) organizational or leadership commitment to both the social and business objectives, and (b) the leaders' ability to grasp and accept the inherent paradox related to the integrative and divergent capabilities of the two objectives are critical in managing hybridity. Leaders who value only one mission are replaced by those who appreciate the necessity of the economic as well as sustainability imperatives (Nooyi & Govindarajan, 2020; Smith & Besharov, 2019).

The enactment processes are the facilitators of the process of manging hybridity (Smith & Besharov, 2019). For example, hiring appropriate personnel, keeping an eye on the developing trends in sustainability space, and monitoring the progress toward the sustainability as well as business goals (Nooyi & Govindarajan, 2020; Smith & Besharov, 2019).

2.5 Strategy building

The aim of this study is to explore the building of strategies which integrate social and environmental issues into core business processes. Thus, it intends to contribute to the CSR literature on how the strategies which integrate sustainability issues into business processes are built. Husted & Allen refer to such integrated strategies as a social strategies (Husted & Allen, 2011, 2014). A social strategy focuses on the simultaneous creation of economic as well as social value. To enable the process for building social strategies, Husted & Allen (2011, 2014) offer a seven step framework. These steps include (a) analysis of social issues opportunities, competitive environment, and non-market stakeholders; (b) analysis of firm resources and capabilities for capitalizing on opportunities identified; (c) evaluation of firm identity in terms of social needs and opportunities; (d) consideration of the costs of acquiring necessary resources and capabilities; (e) creation of a plan for integrating issues, stakeholders, identity, resources, competitive environment, and expected outcomes; (f) implementation of the plan; and (g) evaluation and measurement of performance (p. 64-85).

These steps suggested by Husted & Allen (2011, 2014) suggest internal as well as external analysis as a method for formulating social strategies. This structure is very much akin to the planning school of strategy (Mintzberg, Ahlstrand, & Lampel, 1998) which is evident in the strategic management literature where internal resource analysis and external environmental analysis (i.e., industry analysis) are requisite steps in the strategy formulation process. Thus, the influence of traditional strategic management literature is present in Husted & Allen's framework. However, while the traditional strategic management frameworks focus entirely on creating economic value for the firm, Husted & Allen's social strategy framework encompasses the creation of economic as well as social value for the firm.

As evident in Husted & Allen's framework, traditional strategic management is instructive for how integration strategies could be formulated in business organizations. The present study also draws on the strategic management literature, more specifically, on Simons' (1994, 1995) model as an analytical tool for deciphering how the bank has constructed its integration strategies. Simons' (1995) framework for strategy formulation is critical in understanding how managers use various organizational mechanisms as "levers" (p. 5) for directing the strategy building process. These mechanisms include the beliefs and value system, the boundary system, the interactive system, and the diagnostic systems. These are further discussed below in the sections 2.5.1 to 2.5.4.

What strategy is and how it is formulated can be conceived of in a variety of ways. The literature on strategy is large and complex. Mintzberg et al. (1998), in their book *Strategy Safari*, shed light on how strategy-making could be conceptualized from a variety of perspectives. They conceive of these perspectives as ten schools of thought. These are: the design school, planning school, positioning school, entrepreneurial school, cognitive school, learning school, power school, cultural school, environmental school, and the configurational school.

The strategy formulation as conceived in Simons' (1994, 1995) research is located in the configuration school. The configuration school combines various perspectives as a way to understand the strategy-making process in business organizations. In many ways this school can be seen as a reconciliation of the various schools of thought listed earlier (Mintzberg et al., 1998).

Four of these ten schools of thought (as a configurational perspective) are particularly relevant for this study. Those four hold various conceptions of what a strategy is. For instance, strategy building can be a formal deliberate plan (the planning school) specified by management. On the other hand, it could be an informal process (i.e., emergent process) as evidenced in the processes of creativity and/or innovation (the learning school) – new discoveries that can either change or disrupt the formal plans. Mintzberg et al. (1998) refer to emergent strategies as the adaptive actions which emerge from organizational activities and new understandings. (p. 189). More recently Nayak et al. (2020) recognizes the role of such local adaptive actions (i.e., the emergent strategies) in building organizational capabilities.

Strategy building can also be viewed as a cultural phenomenon based on organizational beliefs and values (the cultural school). It can also be the result of an analytical process - the positioning school (Mintzberg et al., 1998). Thus, the configuration school conceives the strategy building as a process that combines various conceptions of strategy making.

These four perspectives on strategy making are evident in Simons' (1994, 1995) conception of strategy formulation. Simons' framework could be viewed as located in the configurational approach to strategy formulation. Simons (1994, 1995) studied strategy making and renewal (in the context of strategic turnaround and strategic evolution) in ten organizations in different industry sectors. He argues that strategy formulation processes are driven by four underlying levers of control which direct the organizational strategy-building processes: the interactive systems, diagnostic systems, beliefs and value systems, and boundary systems. For Simons, these four mechanisms are used by managers as levers (in varying combinations) to drive the strategy formulation process. These are discussed below.

2.5.1 Strategy building: Interactive systems as a mechanism for strategy building

Strategy making as a deliberate process recognizes the management's planned approach to achieving business goals. It is a top-down approach embedded in the hierarchical structure of an organization. In contrast, the interactive systems as an emergent process emphasizes organizational learning, and creativity (in the form of innovations) as critical aspects of strategy making (Simons, 1995). In the context of sustainability integration, the crucial role of innovations is recently exemplified by Juntunen et al. (2019). These authors focus on the depth and quality of stakeholder participation in sustainability integration into new product development process. Similarly, innovations related to removal of hazardous materials, new processes, new products, and research & development are acknowledged by Sroufe (2017) as important elements in achieving sustainability integration.

For Simons (1994, 1995), Mintzberg et al. (1998), Mintzberg (1987) and, Mintzberg & Waters (1985), the deliberate and emergent processes of strategy building are not mutually exclusive and thus they co-exist in organizations. Mintzberg (1987) makes this understanding explicit. He argues that no strategy can foresee all eventualities in advance, and thus, one cannot rule out learning on the way while implementing the pre-planned strategies (p. 69).

Simons (1994, 1995) argues that an understanding of strategy making process (and achieving control over the process), must thus accommodate both of those perspectives. The assumptions that underlie the emergent view are indicated in the learning school's (Mintzberg et al., 1998) understanding of the strategy making process. In this view, creativity and innovations are foregrounded – the strategy making is incremental, and it emerges over time. It can often supersede the deliberate or planned strategy (Simons, 1994, 1995). It also assumes that there are many strategists and strategies in most organizations. These assertions are evident in Mintzberg et al.'s (1998) argument which suggests that learning is a reflective activity, and thus, strategic decisions are made by those who have the capacity to learn, and therefore, strategies in organizations can emerge in varied ways in any part of organizations (p. 208). Mintzberg et al. (1998) further suggests that strategy as an emergent process is built on streams of experiences. These experiences, in a collective state, form patterns which can be recognized as strategies (p.208).

Thus, Simons (1994, 1995), in his configurational approach to strategy making, recognizes emergent strategy and its patterns as one of the constituent parts of his framework. He categorizes it as 'interactive systems' in which innovation and learning are said to form a critical part of the strategy making process. Various scholars who have used Simons' framework in their analysis reaffirm the role of interactive systems by suggesting that interactive controls stimulate organizational learning and facilitate strategic change (Arjaliès & Mundy, 2013; Bisbe & Otley, 2004; Kober et al., 2007).

2.5.2 Strategy building: Diagnostic systems as a mechanism for strategy building

Simons (1994, 1995) also recognizes the role played by planned or deliberate approaches to strategy making. He categorizes these as 'diagnostic systems.' Diagnostic systems are predefined measurements of performance. They are output focused, and measure quantitative and/or qualitative performance against a predetermined standard (Kaplan & Norton, 1992; Simons, 1995). The deviations against set targets form a feedback loop that helps realign the system to the required standards. In that sense, diagnostic controls rely on negative variations from the expected standards (Arjaliès & Mundy, 2013; Simons, 1995). More recently, Sroufe (2017) identifies the role of measurements, sustainability reporting, and auditing - all of which highlights the importance of diagnostic systems in achieving sustainability integration.

Diagnostic systems bring objectivity to measures that are countable such as production units' output, product defect rates, costs, revenues, and profits. However, at higher organizational levels, where strategic decisions may involve the allocation of resources for long-term goals whose outcomes remain unknown, creating objective measurable standards may prove to be challenging (Simons, 1995: p. 78)

2.5.3 Strategy building: Organizational belief systems as a mechanism for strategy building

Organizational beliefs systems are core values linked to the mission of the firm. According to Simons (1995), the code of conduct, organizational purpose, and mission statements are some of the examples of the belief systems. Accordingly, they need to be communicated to the staff and formally enforced for their effectiveness. (p. 34). What is salient about the belief systems is that it spells out the importance of values and purpose (the mission) that underlie the direction (the strategic intent) of an organization in achieving its strategic goals. Strategic intent not only indicates the underlying direction of the organization, but it also works as management's commitment to their strategic objectives (White, 2004: p. 810). More recently, Sroufe (2017) aligns sustainability to corporate values. Sroufe suggests that organizational values are one of the crucial enablers of integration. Sroufe (2017) also identifies the role of supportive organizational culture (i.e., values and beliefs related to sustainability) as one of the important internal drivers of sustainability integration. Social capital (Sroufe, 2017). Organizational trust impacts firm reputation and stakeholder trust and such they also facilitate sustainability integration (Sroufe, 2017).

The importance of the role of beliefs and value systems in the strategic direction of an organization is also made explicit by Ahrens & Chapman (2004). They suggest that it is important for organizations to formally communicate their values because values provide coherence to the strategic agenda. It is what binds and sets the tone for the whole enterprise. According to Simons (1995), the values give insight into the organizational belief system. They tell us about "how the organization creates value and how individuals are expected to manage relationships both internally and externally." (p. 35-36). Simons (1995) further suggests that managers use the belief and value systems to alter or perpetuate organizational practices.” (p. 35-36), thus making it clear that belief and value systems shape organizational strategies.

The wider scholarly literature on organizational controls treats values and beliefs as essential elements of organizational cultural controls. These controls support and shape organizational actions and decisions (Trice and Beyer, 1991; Ocasio & Wohlgezogen, 2010; Smircich, 1983). Cultural control is also known as a clan system (Ouchi, 1979, 1980) of organizational control. According to Roth et al., (1994) and Sitkin & George (2005), within the clan control systems, managers use traditions and beliefs as motivational tools to align employees’ values with that of the organization. Thus, beliefs systems and values form part of informal control mechanisms used by managers to achieve organizational goals and direct employee attention toward management priorities (Cardinal et al., 2010; Ocasio & Wohlgezogen, 2010). Nevertheless, Cardinal et al., (2010) argue that even within organizations that use clan control (i.e., informal controls) as their organizing principle, low-levels of formal control is rare. (p. 66). The implication of Cardinal et al.’s contention is that organizations use combinations of formal and informal control mechanisms to achieve their goals.

ON the other hand, Trice and Beyer (1991: p. 154-155) suggests that values and norms act as a unifying force. A new radical mission with its values and norms galvanizes followers to high levels of effort. It brings focus onto what is desirable and expected in the cause of the mission. The strength of the beliefs and values systems is that the shared values provide a common identity to the members, and a commitment to the larger goals of the organization (Gioia & Chittipeddi, 1991). The broad and general direction provided by beliefs systems is useful when there are conflicting and contradictory demands placed on the members, and decisions to be made are not clear-cut. In such scenarios, cultural controls and values provide guidelines and principles for decisions which lack clarity (Ocasio & Wohlgezogen, 2010).

However, within the strategy formulation process, the main function of belief systems is to guide organizational activities in search of opportunities and innovations (Simons, 1995: p. 36). Simons also points out that the organization’s efforts for search and discovery (i.e., innovations) may give rise to both strategic risks (e.g., reputation risk, legitimation risk), and business risks (e.g., market failure of an innovative product, credit risk associated with loans given by a bank).

2.5.4 Strategy building: Boundary systems as a mechanism for strategy building

Simons (1995: p. 7) categorizes the risk management processes of business organizations as 'boundary systems'. Through risk analysis and risk management processes, boundary systems work as limits on organizational pursuits. Boundary systems are characterized by parameters of actions and activities expressed in terms of organizational risk management processes (Arjaliès & Mundy, 2013: p. 287). Such a definition implies that managers identify risks, and explicitly delimit the domains of organizational actions. Reputational and legitimization risks that shape CSR responses are just one example where parameters of actions may need to be made explicit by managers. Hence, risk identification and management are essentially analytical processes for identifying strategic and business risks confronting organizations.

Kytle & Ruggie (2005) suggest that threats to reputation and brand can affect earnings. Such risks emanate from empowered stakeholders and civil society and thus managing stakeholder relationships to mitigate social risks is critical for organizational earnings. Nevertheless, Benn & Bolton (2011) argue that businesses have conventionally recognized economic, technological, and political dimensions in their risk assessments - It is only recently that businesses have started to pay attention to sustainability in their risk management processes. (p. 172)

This lack of recognition of social and environmental risks in business management processes is evident in Simons' (1994, 1995) framework where he identifies boundary systems as business and strategic risks which, however, do not account for sustainability risks. More recently, Silvius (2016), and Schulte & Hallstedt (2017) suggest that research on the integration of sustainability into business risk management processes is in its early stages. Thus, Zetterlund et al. (2016) calls for further research on sustainability risk management in the business context so that both threats and opportunities offered by sustainability integration can be understood.

Sustainability poses several risks which comprise of risks to reputation and brand that could emanate from negative publicity, scandals, and boycotts; environmental legislation may lead to increased carbon taxes, or increased litigation costs; and inability to meet the increasing demand by consumers for sustainability products may impact competitiveness and profitability (Schulte & Hallstedt, 2017). Thus, these factors which create risks for organizations also present opportunities for sustainability integration. Schulte & Hallstedt (2017) also recognize that environmental uncertainty affects all organizational levels: the strategic, tactical, and operational. Thus, risks to organizational objectives exist at all three levels, and their interconnectedness mean that sustainability risks and opportunities need to be identified in relation to all three levels of decision-making (Schulte & Hallstedt, 2017). According to these authors, such a process would help create long-term competitive advantage for businesses. (p. 327).

Arjaliès & Mundy (2013) argue that the boundary systems shape employee behaviors in relation to the costs associated with reputation damage and non-compliance. (p. 287). Simons (1995: p. 42-43) refers to these parameters as business conduct boundaries. (p. 42-43). According to Simons, codes of business conduct represent the most basic form of such boundaries. These boundaries are formulated to meet the need for legal compliance, and act as instruments for the institutionalization of organizational beliefs systems and codes of behavior. (Simons, 1995: p. 42). The implication of these arguments is that rules and regulations that shape organizational conduct are critical for achieving organizational goals and objectives.

Boundary systems could be equated with organizational bureaucratic control systems. Bureaucratic control systems emphasize the specification of rules and enforcement of rules (Cardinal et al., 2010; Ouchi & Price, 1978). These enforcements are formal control mechanisms where rules play a fundamental role in articulating business conduct (Cardinal et al., 2010). This rules and standards-based controls set limits and outline boundaries of busines conduct (Simons, 1994). The ‘levers of control’ framework (Simons, 1995) refers to limits such as legal compliance, codes of conduct, industry/professional standards, and risk identification as mechanisms that help draw parameters of business conduct.

In the context of integration of divergent economic as wells as social and environmental demands placed on business firms, Smith & Besharov (2019) identify enablers as well as “guardrails” (p. 10-11) in managing hybridity related to these divergent demands. The guardrails (Smith & Besharov, 2019) can be equated with boundary systems (Simons, 1995) which bring about checks and balances to the pursuit of strategies of transformation. Such limits constitute boundary systems (Simons, 1995). Thus, linkages between boundary systems, bureaucratic systems, and guardrails could be made on the basis that they advocate standards that define the limits of organizational actions, help mitigate risks, and keep the organization on track.

2.5.5 Simons’ framework: Configuration of four perspectives

Simons’ (1994, 1995) ‘levers of control’ framework for understanding how organizations build strategies could be argued to be embedded in a configurational model. It is based on the four perspectives (schools of thought) on strategy making. These are: strategy as a deliberate effort (a planned system), strategy as an emergent process (encapsulated in the ideas of innovation, learning, and local adaptive actions), strategy as a beliefs and value system (embedded in the organizational culture), and strategy as a boundary system (comprised of risk management processes). These four perspectives are evident in the discussions of the configurational school of strategy making (Mintzberg et al., 1998).

As noted above, Simons’ approach to strategy formulation could be equated with the configurational school of thought on strategy, as elucidated by (Mintzberg et al., 1998). It combines various perspectives on strategy: strategy as a beliefs system, strategy as a risk mitigation system, strategy as a learning and innovative system, and strategy as a planned system. Kober et al. (2007), and Widener (2007) acknowledge that levers of control (Simons, 1994, 1995) remain an important framework for exploring strategy. More recently, the use of levers of control as an analytical framework for strategy making is used by Arjaliès & Mundy (2013), and Gond et al. (2012).

The combination of the four organizational levers managers use to build strategies offers a configurational perspective on strategy formulation process. It also enables an understanding of the strategy building process in its complexity and richness. Simons' approach also recognizes the context-specific nature of the strategy formation process. This perspective is also affirmed by Mintzberg et al. (1998) when they suggest that "The resulting strategies take the form of plans or patterns, positions or perspectives, or else ploys, but again, each for its own time and matched to its own situation." (p. 305-306). Mintzberg et al. recognize that the process of strategy building can be viewed as a configuration of elements that shape its form. This view also recognizes the context-specificity of the strategies.

2.6 Conclusion

This chapter has reviewed literature concerned with five areas of critical importance in this present research. First, the types of organizational responses and stances toward integration were identified. Second, how integration is also a process of organizational change and transformation was elucidated. Third, two critical aspects of sustainability integration: stakeholder management and engagement were discussed. Fourth, literature related to integration as a process of mainstreaming the CSR strategy with core business strategy was explored, and fifth, strategy building as a configurational process was presented.

Yet, in exploring the literature as stated above, it should be pointed out that very little empirical research concerning the construction of strategies for sustainability integration into the core business processes appears to have been done. Equally, there is scant attention paid to how clients as a stakeholder group drives the integration process by participating in the sustainability integration decision-making processes.

Participation in the decision-making processes direct attention to the quality of organizational stakeholder relationships which ultimately impact effectiveness of sustainability integration processes. The importance of the quality of stakeholder relationships raise issues related to relational governance and its trust-based mechanisms which underpin those relationships. Nevertheless, very little attention has been paid to the trust-based dynamics of stakeholder participation in decision-making processes related to integration.

This study is an attempt to fill these gaps by exploring integration of sustainability in the core business processes. In other words, it is an attempt to explore how organizations create joint economic and social value by integrating sustainability strategy with business strategy. The focus on stakeholder relational interdependencies and trust-based mechanisms is line with the recent call in the Academy of Management Review for theoretical efforts to address non-financial impacts of CSR including social and relational outcomes (Weng et al., 2020). Four key research questions are thus raised below to investigate the integration of sustainability in the core business processes:

How do organizations integrate social, environmental, and ethical issues into their core business processes?

a. What do organizations give significance to in driving the integration process? Or what organizational feature(s) is made salient in constructing the integration strategy?
b. What activities related to stakeholder participation in the decision-making processes facilitate the building of the integration strategies?
c. How does stakeholder participation in the decision-making processes create relational interdependencies with implications for building effective trust-based relationships?
d. What key organizational elements and activities facilitate the construction of integration strategies?
e. How can we understand the organizational approaches to integration?

Chapter 3
Research Methodology

The central question addressed in this study is how do organizations build strategies which integrate social, environmental, and ethical issues into their core business processes? Thus, this research explores how the bank's core business processes such as project-lending, wealth management (which includes investment management, philanthropy and charities management), and citizenship practices create joint economic as well as social value. The sources of data used (described in section 3.3 below) are the bank's annual citizenship reports, annual reports, internally produced research white papers, research reports produced in collaboration with its network partners, environmental and social risk briefing reports, and internally produced videos. The data analysis is conducted using two analytical approaches (a) qualitative content analysis during the 1st exploratory phase – as a consequence three themes emerge which are then explored in the 2nd phase of the study, and (b) in the 2nd phase, a discourse analytic framework (described in section 3.4 below) is used to demonstrate how the bank builds its sustainability integration strategies – this is demonstrated in chapters 4, 5, and 6 of the thesis. However, before discussing the details of the data sources and analytic methods used in this research, this chapter will first explicate the research philosophy which underpins this study followed by section 3.1 which discusses the research design of the study. This is followed by section 3.2 which states the units of analysis and the sampling process used in this research.

This study adopts a social constructionist perspective to explore the sustainability integration into core business processes of the bank. Thus, the discourse analysis framework (Gee, 2014) used to demonstrate the findings in chapters 4, 5, and 6 is rooted in the social constructionist paradigm. For example, Gee (2014) in his discourse analytic framework uses constructs such as building significance, building activities, building relationships etc. highlighting the constructionist perspective on discourse. According to Holstein & Gubrium (2008), "constructionist sensibilities provoke questions about how social realities are produced, assembled, and maintained." (p. 374-375). These authors further point out that constructionists' focus is on processes and thus they ask how realities are constructed through those processes. (p. 374-375). Thus, in line with the social constructionist perspective, the central question posed in this research is a 'how' question: how do organizations build strategies which integrate social, environmental, and ethical issues (i.e., sustainability issues) into its core business processes? Framing the central question in terms of 'building strategies' further illustrates a constructionist perspective adopted in this study. In the context of the bank's discourse about sustainability, this study focuses on the interactive aspects of the bank, its clients, and other stakeholders in different contexts. The study is interested in what is going on. That is, the study is interested in how the bank builds significance, activities, and relationships in interaction with its stakeholders, but with an emphasis on how these organizational aspects are sustained in the process of strategy building through discourse.

Crotty (2011) suggests that interpretivist approach "looks for culturally derived and historically situated interpretations of the social-life world." (p. 379). In line with the interpretivist approach Gee (2014) suggests that a big "D" discourse is an ongoing work which is also historically formed. According to Gee (2014), social realities are constructed through the interactive processes among people, groups, and individuals (i.e., small 'd' discourse). Thus, Gee (2014) articulates the kinds of realities individual(s), professions (e.g., medical discourse) or organizations build through their discourse. Some of the kinds of realities, among others, built through discourse include, for example, building significance, building activities, and building relationships (Gee, 2014: p. 32-35).

In organizational development studies, Camargo-Borges & Rasera (2013) call for new epistemologies and methodologies that can generate new ways of "being" and "doing". (p. 1). For these authors the answer lies in bringing social constructionism as an intervention and knowledge production tool in organizations for addressing organizational change. They suggest that it is through bringing organizational members and other stakeholders in collaborative efforts that meaning is co-created; it is through co-creation of meaning through dialogue that new possibilities for actions and new realities can be built. (Camargo-Borges & Rasera, 2013: p. 6). This is in line with client-centered strategy (chapter 4), voluntary compliance strategy (chapter 5), and legitimation strategy (chapter 6) in which engagement with clients through dialogue and negotiation opens up co-created possibilities and realities of asset allocation (chapter 4), mitigation of environmental harm (chapter 5), and organizational strategic commitments (chapter 6). It is through these co-created realities that relational interdependencies, and anticipation of trust-based mechanisms emerge which are illustrated in all these chapters.

The “being” and “doing” in social constructionist approach adopted by Camargo-Bores & Rasera (2013) is consistent with discourse analytic framework suggested by Gee (2014). For example, Gee (2014) argues that “recognition and being recognized” (p. 48) is at the core of being able to pull-off a discourse, and thus “A discourse (big “D” discourse) is a characteristic way of saying, being, and doing.” (p. 47). In this definition “being” is the process of identity construction. In the context of the bank, it could be argued that the bank’s discourse related to sustainability is about the bank constructing an identity for itself with regards to ‘who am I’ in the context of sustainability. Thus, saying and doing (i.e., the activities as illustrated in chapter 4, 5 & 6) are integral to the construction of the bank’s identity in relation to integration of sustainability issues. In this study, it is in the understanding of discourse analytic framework within the context of social constructionist perspective that building strategies of integration into core business processes could be understood.

3.1 Research design

Apart from considerations related to the sources and analysis of data, the first decision made for conducting this research was the selection of the most appropriate research strategy for investigating the phenomenon of interest. Patton (1990) argues that the design of a study is dependent upon the aims of the study, the questions asked, and the availability of data. Thus, according to Patton, it is necessary to recognize that different methods are appropriate for each research strategy.

Similarly, Yin (1994: p. 4) sheds light on various considerations to be taken into account for adopting a specific research strategy. Yin suggests that experimental, historical, and case study research strategies are appropriate for answering ‘how’ and ‘why’ questions. Yin further suggests that it is an answer to three factors that decide which strategy may be the most appropriate for a study. These factors are the nature of the question asked (in terms of why, how, what etc.), the researcher’s ability to obtain control over the factors, conditions or the behaviors, and whether the phenomenon being investigated is historical or contemporary in nature. (p. 4).
The central question posed in this study attempts to answer ‘how’ and ‘why’ questions, in which a contemporary phenomenon is explored. The study requires no control over behavioral events. These factors, and the nature of the question posed, make case study methodology an appropriate tool for exploring the central question posed in this research: how do organizations build strategies which integrate sustainability into their core business processes?

Thus, several features central to case study methodology (Yin, 1994, 2009) are used to conduct this research. These are multiple units of analysis: (section 3.2), purposive and theoretical sampling (section 3.2.1 & 3.2.2), generalizability of the findings (section 3.2.3), and research validity and reliability highlighting the importance of replication logic and the use of comparative case studies for improving validity of the findings (section 3.5).

In qualitative research, the phenomenon is embedded in its context (Miles & Huberman, 1994: p. 10). The object of interest for this research are business processes of a bank which are embedded in their business units. Miles & Huberman (1994) suggests that often a researcher struggles to identify the boundaries of a case. (p. 25). For Miles & Huberman (1994), a case is “a phenomenon of sort occurring in a bounded context. The case is, in effect, your unit of analysis.” (p. 25). Below, these two important issues raised by Miles and Huberman (1994) are explained in relation to this study (section 3.2).

3.2 Units of analysis

Three units of analysis: project-lending management, wealth management (includes investment management, philanthropy and charities management), and citizenship management functions of the bank were selected through theoretical sampling as units of analysis for this research. This is consistent with Yin's (1994, 2009) approach to the use of embedded case studies as units of analysis. The units of analysis suggested above are embedded in the bank, and at the same time, the units of analysis such as investment management, philanthropy and charities management are embedded in the wealth management function of the bank. In distinguishing a holistic case study from an embedded case study Yin (1994) suggests that in the embedded case study focus is on sub-units of a single case study (p. 41). In the context of this research, the project-lending, the wealth management, and citizenship practices of the bank are the sub-units of the larger entity which is the bank. In addition, investment management, and philanthropy and charities management are the sub-units of the wealth management business of the bank. Yin (1994) further gives examples of what may constitute the sub-units of a case study within an organizational context. The examples include meetings, roles or locations. (p. 41). In fact, Yin (1994) favours the use of embedded case study approach which is evidenced by his argument that it is appropriate to use a holistic approach to case study design "when no logical subunits can be identified" (p. 42). He reiterates the argument by asserting that "potential problems arise, however, when a global [i.e., holistic] approach allows an investigator to avoid examining any specific phenomenon in operational detail." (p. 42). Thus, this study in selecting the units of analysis has made efforts to analyse the units of wealth management (i.e., investment management, philanthropy and charities management), project lending management, and citizenship management in much detail.

3.2.1 Purposive and theoretical sampling

Both the purposive and theoretical sampling methods are used in this research for the selection of the embedded single-case study design. Whilst purposive sampling is used for the selection of the bank (the criteria for selection of the bank is illustrated in Table 3.1.), theoretical sampling is used for the selection of the business units of the bank. The units of analysis, that is, the investment management, philanthropy and charities management (part of wealth management), project-lending, and citizenship management practices of the bank are selected on the basis of theoretical sampling. The theoretical interest underpinning the selection of those units of analysis is the bank's discourse on integration of social, ethical, and environmental issues (i.e., sustainability issues) into the core business processes.

The scholarly literature in strategic CSR coalesces around the argument that for CSR to become an integral part of the mainstream business strategy, and to avoid being treated as an add-on to the organization, it needs to be integrated into the core business processes (Benn & Bolton, 2011; Blowfield & Murray, 2011; Crane et al., 2014; Porter & Kramer, 2002, 2006). This understanding is the foundation of the theoretical sampling for the selection of the units of analysis. Such a sampling approach is justified by Silverman (2013) in his/her rationale for a case study design. Silverman (2013) makes several observations in relation to theoretical sampling: a case study design aims to generalize to propositions, and not to populations. It focuses on sampling social relations, and not individuals. It can test theories by choosing extreme cases, and new cases can be chosen during the research process (p. 153). According to Silverman, new cases selected during the research process should not be seen as problematic, but expected and useful (p. 153).

The qualitative case study generally is said to follow a purposive and/or theoretical sampling procedure in contrast to statistical sampling used in quantitative research methods (Silverman, 2013). The reason for such an approach is well summed up by Miles and Huberman (1994). They assert that in qualitative studies in comparison to the quantitative studies the focus is on a very specific phenomenon in a limited number of cases and therefore it does not allow for generalization of the phenomenon to the population. Owing to a small number of cases, random sampling would give a biased outcome. (P. 27).

However, the above stated sampling process for selecting the units of analysis, in practice, was not a pre-planned strategy, as often is the case with the qualitative research process. Gobo (2007), Small (2009), Silverman (2013), and Miles & Huberman (1994) suggest that there is a certain lack of a fixed plan inherent in the sampling process for qualitative research projects. Gobo argues that planning the strategy beforehand is not advisable.

Gobo (2007) contends that in case studies, it is the interactions with the unfolding events in the field and the subsequent discovers which decide the sample (p. 207-208). Small (2009) concurs, suggesting that in case studies, the number of units may not be known until the study is completed, and thus the units chosen makes them unrepresentative of the population (Small, 2009: p. 25 cited in Silverman, 2013: p. 147). Small (2009) further suggests that it is the discoveries or findings in the first unit which to some degree shapes the investigation in the second unit and so on. (p. 25). Within the same line of argument, Miles and Huberman (1994) suggest such a strategy as “conceptually-driven sequential sampling” (p. 27). Such a sampling process according to Miles and Huberman (1994) does not have explicit pre-planned sample; the sample evolves during the flied-work which means that the discovery in one case or setting leads to studying the same in another setting. (p. 27).

It is in this way that the units of analysis in this study emerged during the first phase of the research. The study in its initial phase assumed that exploring the bank’s citizenship reports (years 2011-2013 inclusive) would yield insights in the sustainability integration into core business processes. Upon analysis of these reports (which ultimately became part of the legitimation strategy as discussed in chapter 6 of this study), the researcher discovered that further research for finding appropriate data was necessary to answer the central question posed in this study. The legitimation strategy (chapter 6) indicated commitments to the integration, but did not provide relevant data showing integration into the core business processes of the bank. This is when a wider search was conducted and as a result other reports and documents were discovered. These documents and reports became the basis for further analysis related to sustainability integration.

3.2.2 Sampling social relations and documents

Seale (2011) and Gobo (2007) reiterate Silverman's suggestion for sampling social relations, and documents, rather than individuals. Seale (2011) is critical of common tendency and assumption that qualitative studies need to always sample people. Seale argues that students need to be open to all kinds of sampling (e.g., documents, interactions, events) that go beyond sampling of people. (Seale 2011, cited in Silverman, 2013: p. 146). Gobo (2007) supports Seale and Silverman in arguing for a qualitative researcher to investigate units such as social relationships, encounters, and organizations mainly because it allows for rich and fine-grained analysis of the phenomenon or characteristics observed. (p. 203-204). These arguments provide support to the approach adopted in this study which entails the analysis of business-client relationships, and also the use of documents as a source of data.

3.2.3 Generalizability

One of the main challenges posed by a research project based on a single case study is the question of the generalizability of the findings. Thus, the criteria for the selection of a case study, that is, the type of case study, is critical to the undertaking of the research. A case selected has to be one that would permit more general conclusions to be drawn from analyzing it. Thus, the phenomenon under study (i.e., building sustainability integration strategies) has to be typical or a particularly instructive example, in some way, of a more general phenomenon (Flick, 2014). Silverman (2013) refers to Glaser and Strauss's observations relating to the issue of generalization:

> The issue of whether the particular hospital studied is 'typical' is not the critical issue; what is important is whether the experiences of dying patients are typical of the broad class of phenomenon… to which the theory refers. Subsequent research would then focus on the validity of the phenomenon in other milieu (e.g., doctors' surgeries). (Silverman, 2013: p. 151)

In this research, the phenomenon of sustainability integration is explored in different milieus or contexts as illustrated in chapters 4, 5, and 6. (Yin, 2009) supports the idea of generalizing to a more general phenomenon:

> Case studies, like experiments, are generalizable to theoretical propositions and not to populations or universes. In this sense, the case study, like the experiment, does not represent a 'sample', and, in doing a case study, your goal will be to expand and generalize theories (analytic generalization) and not to enumerate frequencies (statistical generalization). (p. 15)

Thus, in this study, the selection of the units of analysis (the project-lending, wealth management of which the subunits are investment management, philanthropy and charities management, and citizenship practices) are not samples for generalization to a larger population of banks. These subunits are places where the same phenomenon is explored in different contexts for achieving analytical generalization to the phenomenon of sustainability integration.

3.2.4 Criteria for the Case Selection

The question for this study was whether the selected bank was typical of the broad class of the phenomenon, in relation to its macro-level commitments to the social, ethical, and environmental issues. In establishing the typicality of the phenomenon in the context of the bank, the following criteria (see Table 3.1) were used for the selection of the bank in this study.

TABLE 3. 1 CRITERIA FOR SELECTING THE CASE: THE COMMERCIAL BANK

	CRITERIA	THE BANK
1	Membership of Dow Jones Sustainability Indices	✓
2	Signatory to The Equator Principles	✓
3	Mandatory Strategic Report – Reporting Rules	✓

Three criteria, as listed in Table 3.1 above, were essential for selecting the bank used in this research. The phenomenon of interest in this study is how the bank's business units build strategies which integrate social, environmental, and ethical issues into their core business processes. Thus, the criteria listed in Table 3.1 was critical for selection of the case of the bank used in this study. This is because the fulfillment of the criteria promised a rich source of information related to the bank's commitment to social and environmental issues, and the extent to which these commitments were put into practice. This approach for selecting a bank with access to a rich source of information is consistent with the theoretical sampling process in qualitative studies. Such a process suggests that the case selection is driven by the phenomenon of interest. Another important factor that came to bear upon the selection was that the bank was not only a signatory to the Equator Principles (which focus on the environmental and social implications of project finance and lending activities), but it had also assumed a leadership role in devising the Equator Principles. This made it highly likely that the bank would be a repository of information related to the social and environmental integration. The importance of each of these criteria in relation to social and environmental issues is explained below.

The Dow Jones Sustainability Indices (DJSI) serve as benchmarks for investors who want to integrate sustainability convictions into their investment decisions. The DJSI indices were launched in 1999 as a first global sustainability benchmark. It looks at the stock performance of the world's leading companies in terms of economic, environment, and social criteria. Thus, it also provides a platform for engaging investors who wish to encourage companies to improve their corporate sustainability practices. Only the top-ranked companies within each industry are selected for inclusion in the Dow Jones Sustainability Index. No industries are excluded from this process. It represents the top 10% of the largest 2,500 companies in the S&P Global BMI (benchmark index) based on long-term economic, environmental and social criteria. To address specific investor requirements, the DJSI index family includes sub-indices that exclude companies engaged in certain activities widely considered as unsustainable. This criterion is important to this research because one of the embedded case studies selected as a unit of analysis is the bank's practices related to its impact investment management functions.

The Equator Principles play a crucial role in establishing the environmental and social standards for large project-finance which exceeds loans to the bank's clients equal to, or in excess of, $ 10 million. According to the bank:

> [It is] one of the four banks which collaborated with the International finance Corporation (IFC), part of the World Bank, to draft the Equator Principles in 2003, based on internationally recognized standards. Since then they have been adopted by over 80 banks from over thirty countries[1]. (p. 2)

The bank further reports that it remains actively engaged with the Equator Principles process. It was reelected as member of the steering committee of the Equator Principles Association. The bank was also involved in updating the principles which were made effective in 2013. The bank suggests that it has updated its policies to reflect those new requirements.

The bank points out that The Equator Principles have brought about greater transparency and consistency among other non-financial organizations such as law firms, construction companies, and sponsors of the projects. The Equator Principles has made those organizations consider environmental and social factors in line with the bank's requirements. This criterion for selecting the case was essential for the reason suggested earlier - that the bank's explicit commitment to the Equator Principles suggested a potential rich source of data related to the integration of the environmental and social issues.

The strategic report (SR) regulations extend the scope of mandatory non-financial reporting obligations in the UK. These extended mandatory regulations came into force in October, 2013 and are part of the original Companies Act, 2006. The requirements of the report are aimed at the integration of environmental, social, and

[1] Bank document: Sustainability risk in lending

governance (ESG) aspects as part of the non-financial reporting obligations. ESG also introduces a new format for reporting.

Mayor Brown, a legal service organization, in its 2013 legal updates documentation, summarizes the UK's mandatory ESG requirements. Table 3.2 illustrates the new changes together with existing reporting requirements.

TABLE 3. 2 UK'S MANDATORY ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORTING

Type of Disclosure	Quoted Companies	Large Companies	Medium Sized Companies
Principal Business Risks and Uncertainties	✓	✓	✓
Analysis of Key Performance Indicators ("KPIs") for Non-Financial Matters	✓	✓	×
Business Strategy and Model	✓	×	×
Environment, Employees, Social, Community and Human Rights Diversity	✓	×	×

Adapted from Mayer Brown, 2013 Legal Update Documents

As the Table 3.2 suggests, quoted companies have to provide "to the extent necessary for an understanding of the development, performance, or position of the company's business: (a) information about human rights issues alongside social and community issues and, (b) a gender breakdown at the end of the financial year of the directors of the company, the senior managers and employees of the company." (Mayer Brown, 2013: p. 1)[2]. If a company's report lacks such information, it is required to state the reasons for the omission explicitly. The inclusion of human rights is based on the UN guiding principles on human rights. This criteria for case selection was also

[2] Mayor Brown: A global legal service organization

important for potential data availability on the integration of social and environmental integration, related to the focus of this study.

Silverman (2013) proposes three ways of proceeding with case study research in practice. It should be guided, first, by purposive sampling within the constraints of time and resources available. Second, by theoretical sampling, and third, by working with a single case, using an analytic model which assumes that generalizability is present in the existence of any case. These three aspects summarize the approach to research design adopted in this study.

3.3 Data sources

The table below, Table 3.3, identifies the types of documents and videos used as sources of data for this research. It also explains the rationale for the selection of the documents.

TABLE 3. 3 SOURCES OF DATA

Data Category	Data Type (Documents)	No. of Pages	Source	Rationale for Selection
Bank's own publications	Annual Reports (2015, 2016)	675	In public domain: available on the bank's website	To understand the bank's approach to the inclusion of non-financial information.
	Citizenship Reports (2011, 2012, 2013)	254	In public domain: available on the bank's website	To analyze what the Citizenship practices of the bank mean in the context of the research interest of the study: (a) in terms of mapping to the 'levers of control' (LOC) framework, and integration into core business processes.
	Environmental and Social Risk Briefing for lending (3 downloaded)	74	Downloaded from the bank's website	To analyze the bank's approaches to environmental and social risks. These reports are directly related to the topic of the research.
	Sustainability Risk in Lending: Our approach and governance	15	Sent by email	To analyze the bank's approach to sustainability risks in lending – a core business process.
	Behavioral Finance: Overcoming the cost of being human	10 (Web Pages)	In public domain: available on	To analyze the bank's approach to social, ethical, and

	I. Behavioral finance matters II. Anxiety-adjusted returns III. Welcome to zone of anxiety IV. Cycle of investor emotions		the bank's website	environmental issues into its core business processes. It was also necessary to map these onto the LOC framework to understand the development of the strategy formation process.
	Wealth and Investment Management: Investment philosophy	8	In public domain: available on the bank's website	To understand bank's investment management processes.
	I. Changing Face of Philanthropy II. Global Giving: The culture of philanthropy III. Philanthropy: The evolution of giving IV. Philanthropy: Barriers to giving – wealth insights V. Tomorrow's Philanthropist VI. Early Interventions: An economic approach to charitable giving	137	Sent by email – Also in public domain	To analyze the bank's approach to social, ethical, and environmental issues in its core business processes. It was also necessary to map these onto the LOC framework to understand the development of the strategy formation process.
	Wealth Briefing Videos	5	In public domain: available on the bank's website	To understand its linkages with the investment management process (a core business process)

	The Value of Being Human: A behavioral framework for impact investing and philanthropy	33	In public domain: available on the bank's website	To analyze bank's approach to social, ethical, and environmental issues into its core business processes. It was also necessary to map these onto the LOC framework to understand the development of the strategy formation process
	Entrepreneurs Index Volume 1, 2, 5 and index iv	139	In public domain: available on the bank's website	To understand its linkages with the impact investment management process (a core business activity of the bank)
	Mandatory Strategic Report (2016)	56	In public domain: available on the bank's website	To understand bank's approach on social and environmental issues
	Environmental Social Governance Supplement (2016, 2017) – substituting the Citizenship Reports	123	In public domain: available on the bank's website	To understand bank's approach on social and environmental issues

Above, Table 3.3 lists the sources of data used in this research. The source of the data is the bank's own publications, videos, and reports produced by the bank in collaboration with its network partners. The table identifies the type of documents used, and the rationale for the selection of the documents. Apart from the mandatory reports such as the annual reports and strategic reports which the banks are expected to publish, this study used various other documents (as listed above) which are linked to the bank's core business activities, and environmental and social issues.

In the begging of this study's exploratory phase, the bank's citizenship documents from years 2011 to 2013 inclusive were analyzed. Subsequently, the study realized that these citizenship documents while being a useful source of data for the legitimation strategy of the bank, did not provide adequate information about the integration of sustainability issues into the bank's core business processes. Thus, a wider search for data was undertaken. Hence, a large part of the data used in this study was collected from publicly available documents and videos published by the bank, during the period of 2014-2016. A few of those documents were sent by the bank by email upon request. These were found to be also available in the public domain. The documentary data was supplemented by videos published by the bank which are also available in the public domain.

As discussed in the section on sampling, theoretical sampling was used for the selection of the units of analysis. An initial subset of the documents listed in Table 3.3 was used for identifying the units of analysis. This means that the documents that had relevance to issues related to social, ethical, and environmental information in the form of bank policies (strategies), activities, procedures, processes, and expressions of intentions were selected. Once the units of analysis were identified through detailed scanning of the documents, it became evident that a wider set of documents needed to be consulted. All of those consulted are listed in Table 3.3. This wider consultation of documents was also necessitated by the realization that certain data and information had linkages with wider policy and strategies of the bank. For example, risk-related information in project-lending practices was part of the wider risk-related policy found in the annual reports. Thus, linkages across documents contributed to understanding the context in its richness, and through the analysis described further on led to identifying the themes for further exploration.

The use of a variety of documentary evidence as a source of data in management and organization studies is evident in recent scholarly publications. For example, Hampel & Tracey (2017), in their case study of *How Organizations Move from Stigma to Legitimacy*, used documents published by the business firm together with press articles, company magazines, competitor's documents and magazines.

As identified in Table 3.3, this study uses a variety of documents to inform the investigation. The documents, are understood to be produced (i.e., through the context of their production and use) for different purposes and different stakeholder audiences. The purpose and motivations may overlap with one another. The production context and the intended audience for the selected documents is illustrated below in Table 3.4:

TABLE 3. 4 DOCUMENT PRODUCTION CONTEXT

Data Category	Data Type (Documents)	Production Context	Intended Audience
Bank's own publications	Annual Reports (2015, 2016)	Mandatory requirement for publicly listed companies	Institutional investors and other investors
	Citizenship Reports (2011, 2012, 2013) Environmental, Social, Governance (ESG) Supplement (2016, 2017)	Since 2014, these reports have become part of the ESG supplements produced by the bank. These reports are linked to the mandatory reporting rules under The Companies Act 2006. The Strategic Report (SR) produced by the bank forms the basis of these rules. The SR regulations of 2013 extend the scope of the mandatory non-financial reporting	Strategic Reports: aimed at regulators, institutional and other investors. Prior to 2014, the Citizenship Reports were voluntary reports – used by those interested in understanding the CSR activities of a firm, including NGOs.
	Environmental and Social Risk Briefing for lending	Produced by the bank as guidelines for project-lending to specific business sectors that potentially pose high environmental and social risks through their business activities.	For bank personnel (the lending officers) involved in making project-lending decisions. These could also be consulted by the borrowers to gain insight into bank's approach to environmental and social risk policies for project lending.
	Sustainability Risk in Lending: Our approach and governance	Produced by the bank – useful as an expression of leadership role in demonstrating commitment to the Equator Principles. Also useful for information related to maintaining membership of the DJSI and FTSE4Good indices	For industry peers as an expression of a leadership role in adhering to the Equator Principles. These could also be used by NGOs who monitor major lenders' linkages with businesses who violate environmental, social, and ecological issues.
	Behavioral Finance: I. Overcoming the cost of being human II. Behavioral finance matters III. Anxiety-adjusted returns IV. Welcome to zone of anxiety	Produced by the bank either singularly or in collaboration with other professional network partners.	Aimed at investment management clients, including high net-worth individuals (HNWIs).

	V. Cycle of investor emotions		
	Wealth and Investment Management: Investment philosophy	Produced by the bank (Investment Management)	Information for investors: Institutional as well as individuals
	I. Changing Face of Philanthropy II. Global Giving: The culture of philanthropy III. Philanthropy: The evolution of giving IV. Philanthropy: Barriers to giving – wealth insights V. Tomorrow's Philanthropist VI. Early Interventions: An economic approach to charitable giving	Produced by the bank either singularly or in collaboration with other external professional network partners (based on internally and/or externally conducted research).	Aimed at asset management clients (HNWIs)
	Wealth Briefing Videos (5)	Produced by the bank (Investment Management)	Information for individual investors: High net-worth individuals (HNWIs)
	The Value of Being Human: A behavioral framework for impact investing and philanthropy	Produced by the bank in collaboration with external professional network partners – based on externally conducted research	Aimed at asset management clients (HNWIs)
	Entrepreneurs Index Volume 1, 2, 5 and index iv	Produced by the bank	Aimed at entrepreneurs
	Mandatory Strategic Report (2016)	Required for meeting the mandatory reporting rules under The Companies Act 2006. The Strategic Report (SR) produced by the bank forms the basis of these rules. The SR regulations 2013 extend the scope of the mandatory non-financial reporting	Aimed at regulators, institutional and other investors

Table 3.4 indicates a variety of documents produced and intended for various stakeholders. These stakeholders include clients, regulatory authorities, institutional and other investors (related to mandatory requirements for publicly listed companies), industry peers, and other stakeholders such as NGOs who may be interested in the

environmental, social, and governance dimensions of the bank. The bank's motivations for the production of these reports can be understood in relation to the intended audiences of the documents and reports.

The banks' motivations can be said to be as varied as the audience for whom the documents and reports are intended. Some of the motivational drivers are the regulatory requirements (as evidenced in the strategic report), voluntary compliance with international standards such as the Equator Principles, the leadership role played by the bank in devising international principles and standards (as evidenced in the Equator Principles), and meeting the requirements of public listed companies (as evidenced in the annual report). Other motivations could also be assumed to aim at attracting, informing, and building confidence in the banks' expertise. These are aimed at critical clients (HNWIs, trusts, charities) in relation to investment management and wealth management services. Maintenance of the membership of DJSI and FTSE4Good indices are also important for the bank in demonstrating its credentials for meeting sustainability requirements.

3.4 Data analysis

In the first exploratory phase of this study, the initial analysis was done on the citizenship reports from the years 2011 to 2013 inclusive. The use of the citizenship reports as a starting point of the investigation was based on the assumption that complete sustainability integration information of the bank would be found in these documents. Upon completing the analysis based on the citizenship reports, it became clear that these reports while useful for gaining insights into the bank's commitments and community-based initiatives, they contained little information about sustainability integration into the core business processes of the bank. Subsequently, this study made a decision to further explore sources of data to gain insights into sustainability integration. Thus, the analysis moved to the annual reports from 2015 to 2016 inclusive and more pointedly to the other documents listed above in Table 3.3. This study was conducted in two phases. Two data analysis methods were used in the two phases of this study. These are explained below.

3.4.1 Phase 1: Qualitative content analysis

Flick (2014) suggests that according to Bauer(2000), content analysis lends itself well to all types of textual material, whether it is interview data or news outlets. (p. 429). According to Flick (2014), the main aspect of the qualitative content analysis method is that theoretical frameworks or models can be brought to bear upon the data; the categories are generally evaluated in the context of the data and modified or improved if necessary. (429).

Accordingly, the data analysis in the 1st phase followed a theoretically-informed qualitative content analysis approach (Bauer, 2000; Flick, 2014; Mayring, 2004; Miles & Huberman, 1994, p. 9; Schreier, 2012, 2014). A coding framework based on categories derived from a theoretical model (the “levers of control” (p. 7) by Simons (1995) was developed, as shown below in Table 3.5. The coding framework as illustrated in Table 3.5 names the ‘levers of control’ theory-based categories. These are then defined based on Simons' (1995) theoretical explications. Simons refers to these categories as levers (of control) that managers use for strategy formulation and implementation. The coding framework, then, explicates the meaning of each category construct with an example based on the data. Lastly, the framework explains the decision-rule used for applying the data indicators to each category.

The data from the documents were interpreted through a systematic process of coding in line with the coding framework as illustrated in Table 3.5. Representative data related to each of the theoretical categories, as an example, are illustrated in Tables 3.6 to 3.10 below. The coding method for data analysis eventually led to the identification of three themes as illustrated below in Figure 3.1.

TABLE 3. 5 CODING FRAMEWORK

Name of the theory-based categories	Definition (Simons, 1994; 1995)	Meaning of the category name:	Examples	Decision-rule for applying the data indicators
1. **Beliefs systems**	Core values of an organization	Core values to inspire toward organizational objectives **(evident in the legitimation strategy: chapter 6)**	Integrity: "We act fairly, ethically and openly in all we do. Service: "We put our clients and customers at the center of what we do."	Explicitly stated values or ethical principles of the organization
2. **Boundary systems**	Rules and regulations that limit business and strategic risks	Risks to be avoided **(evident in the voluntary compliance and the legitimation strategies: chapters 5 & 6)**	Business risk: credit risk is the risk perceived by the bank about its client's ability to repay the loans Strategic Risk: reputation risk – reputation damage has repercussions for the brand	Any stated business or organizational risks or risk mitigation approaches
3. **Interactive systems**	Strategy-control systems that address strategic uncertainties	To trigger innovation and organizational learning **(evident in the client-centred strategy: chapter 4)**	An organization may use new technology, techniques, knowledge for gaining competitive advantage	Claims of distinctiveness, knowledge acquisition which indicate learning of new information or innovation of new products or service
4. **Diagnostic systems**	Analysis of the system at input, process or output levels	Pre-planned approaches **(evident in the client centred, voluntary compliance, and legitimation strategies: chapters 4, 5, & 6)**	An organization's plan for how it might use various analytical or diagnostic methods or techniques to engage with clients or use monitoring processes to get feedback	Explicit or implicit planned strategies, techniques, activities to achieve the aims of the strategy

Table 3.5 above identifies the framework used for data analysis in the first phase of the research. It shows the four conceptual categories: (i) beliefs and value systems (ii) boundary systems (iii) interactive systems, and (iv) diagnostic systems, based on Simons' (1994) framework of "levers of control" (p.7). The focus of this research project is to understand and gain insights into how strategies which integrate social and environmental issues into core business processes are built. Simons' framework offers a lens to understand how strategies are formulated within the context of the conceptual categories offered in the framework. Table 3.5, therefore, defines the meaning of each category, gives an example related to the categories, and the decision rule used for applying the textual data to the category. The following Tables 3.6 to 3.10 illustrate how the data was analyzed from its text-source (including video transcriptions), to infer first order concepts and how the first order concepts were then categorized into Simons' conceptual framework (used as 2nd order concepts). Figure 3.1 in combination with Table 3.11 illustrates an example of how the categorization process illustrated in Tables 3.6 to 3.10 led to the three themes of this research project: the client-centered strategy, the voluntary compliance strategy, and the legitimation strategy. These three themes were then further analyzed using a discourse analytic framework (Gee, 2014) in the 2nd phase of the study.

TABLE 3. 6 FIRST PHASE DATA ANALYSIS: EXAMPLE OF DOCUMENTARY DATA, FIRST-ORDER AND SECOND-ORDER CONCEPTS

First-order concepts	Representative Data
Claiming distinctiveness – drawing on:	Overarching dimension (second-order concept): Interactive Systems (Simons, 1995): Building organizational capabilities through innovations
History	"[It is] expertise developed globally over a number of years – In fact it goes back to Victorian times. Philanthropy in the Victorian era was very common. As [we] grew as a bank, so did our charity-offering." "So, as a consequence we have got a very rich and long history in this and we can apply that right across our client base which is extremely diverse."
Diversity of client-base	"On the one hand, we might have small- what we call mom and pop – the family foundations, charity foundations, right the way to more established institutions such as schools, universities, and hospitals. I would say that charity investing works well with other parts of our offering – philanthropy, trusteeship, and charity banking."
Requisite variety	"Now, the vast majority of our charities have segregated portfolios. So, there are individual portfolios which we will build according to their criteria – investment objectives, ethical concerns, investment time horizons – and all those things."
Capabilities	"A lot of charities and church groups always wanted to align their principles with actually how they are investing and all those examples of these might be church groups trying to avoid armaments, weapons of mass destruction, emissions or something and within [our] group, within our capabilities, we can do exactly that."

TABLE 3. 7 FIRST PHASE DATA ANALYSIS: EXAMPLE OF DOCUMENTARY DATA, FIRST-ORDER AND SECOND-ORDER CONCEPTS

First-order concepts	Representative Data
Claiming effectiveness – based on:	Overarching dimension (second-order concept): Diagnostic Systems (Simons, 1995): Building organizational capabilities through analytical and measurement approaches
Generating income	"Income is very very important for charities. They are legally obliged to give away income often, so we have to make sure that the income we produce when we are investing their funds is often strong and sustainable and inflation proofed."
Balancing Tensions	"There is also a…a…a what we would call a- sometimes there is a tension between the beneficiaries of today versus those of tomorrow often called a 'founder's dilemma'. How much we give away today without prejudicing the needs of those in the future."
Enhancing Returns	"I think I mentioned that charities have a number of tax advantages… and there are certain funds available for charities which enhance tax advantages and, clearly if you reduce level of tax, you can enhance your overall returns. So, we will use them in our portfolio to enhance returns."
Customizing through internalizing	"Now, the vast majority of our charities have segregated portfolios. So, there are individual portfolios which we will build according to their criteria – investment objectives, ethical concerns, investment time horizons – and all those things."
Evaluating outcomes	"Evaluating the performance of all your investments in the context of your situation"

TABLE 3. 8 FIRST PHASE DATA ANALYSIS: EXAMPLE OF DOCUMENTARY DATA, FIRST-ORDER AND SECOND-ORDER CONCEPTS

First-order concepts	**Representative Data**
Asserting values through:	Overarching dimension (second-order concept): Beliefs Systems (Simons, 1995): Building organizational capabilities through values-based approaches
Recalling Principles	"And finally, charity investing really works well with our values here at [our bank] – the stewardship principle – working with our clients emotionally as well as intellectually."
Internalizing Values	"Furthermore, charities have often led the development of responsible investing – sometimes called the ethical – socially responsible investing. A lot of charities and church groups always wanted to align their principles with actually how they are investing and all those examples of these might be church groups trying to avoid armaments, weapons of mass destruction, emissions or something and within [our] group within our capabilities we can do exactly that. We can screen-out industries which might be abhorrent to these individual charities and so there is a number of things…"
Asserting Capabilities	"So, there are individual portfolios which we will build according to their criteria – investment objectives, *ethical concerns*, investment time horizons – and all those things."
Expounding values	"[Our values and behaviours are] respect (we respect and value those we work with, and the contributions that they make, integrity (we act fairly, ethically and openly in all we do), service (we put our clients and customers at the centre of what we do), excellence (we use our energy, skills and resources to deliver the best, sustainable results), stewardship (we are passionate about leaving things better than we found them)

TABLE 3. 9 FIRST PHASE DATA ANALYSIS: EXAMPLE OF DOCUMENTARY DATA, FIRST-ORDER AND SECOND-ORDER CONCEPTS

First-order concepts	**Representative Data**
identifying risks through:	Overarching dimension (second-order concept): Boundary Systems (Simons, 1995): Building organizational capabilities through risk-management approaches
Generating Income	“Income is very very important for charities. They are legally obliged to give away income often, so we have to make sure that the income we produce when we are investing their funds is often strong and sustainable and inflation proofed.”
Balancing tensions	“There is also a…a…a what we would call a- sometimes there is a tension between the beneficiaries of today versus those of tomorrow often called ‘founder’s dilemma’. How much we give away today without prejudicing the needs of those in the future.”
Assessing client’s risk tolerance	“Using your unique financial personality to determine the asset allocation that best suits your long-term risk tolerance” “ .. it allows us to understand your attitudes to investment in detail so we can offer the best solutions based on who you are, how you make investment decisions, what is your attitude to risk, and what you want your wealth to achieve.”
Assessing risk-exposure	“By looking at your current wealth and where it is invested, we can see if there any gaps, where you might be over-exposed to risk and where there could be missed opportunities to make better returns. This also lets us take a closer look at how you think about your wealth.” “The result is that you end up with an unbalanced group of assets, which can leave you exposed to isolated risks in certain areas and missing out on opportunities in others. For example, holding more of your wealth in cash outside your investment portfolio could see you fail to grow your wealth in the long term.”

TABLE 3. 10 FIRST PHASE DATA ANALYSIS: EXAMPLE OF DOCUMENTARY DATA, FIRST-ORDER AND SECOND-ORDER CONCEPTS

First-order concepts	**Representative Data**
Building relationships through:	Overarching dimension (second-order concept): Relational systems (Simons, 1995): Building organizational capabilities through relational systems
Engaging synergistically	"Working with clients emotionally as well as intellectually" "However, we feel that as a multi-faceted, financially aware individual you have a mixture of attitudes, goals, and aspirations."
Acknowledging relational dynamics	"Yes, it is important to remember that charities have trustees and not owners and that creates a different dynamic. Trustees are legal guardians of the charities, and often you are not dealing with a private client but a Board of Trustees who look after charity and make decisions – so dynamics differ."
Internalizing (ethical) values	"A lot of charities and church groups always wanted to align their principles with actually how they are investing and all those examples of these might be church groups trying to avoid armaments, weapons of mass destruction, emissions or something and within [our] group within our capabilities we can do exactly that. We can screen-out industries which might be abhorrent to these individual charities and so there is a number of things…"
Customizing- Holistic approach	"uses number [of] third party funds – is a very efficient tax structure, provides a sustainable level of income I talked about before, and has an ethical outlay – and that has gone well with a number of existing clients – and we would move [this] business forward."

The above examples of data analysis, conducted during the first phase of this study, and as illustrated in Tables 3.6 to 3.10, are explained below.

Tables 3.6 to 3.9 are examples of data categorization into Simons' (1995) framework with respect to four categories. These are 'interactive systems' (illustrated in Table 3.6), 'diagnostic systems' (illustrated in Table 3.7), 'beliefs & value systems' (illustrated in Table 3.8), and 'boundary systems (illustrated in Table 3.9). The representative data (i.e., the documentary data) were first categorized into the first-order concepts. These were then categorized into the second-order concepts derived from Simons (1995) framework.

Table 3.10, in similarity to the data analysis process used for Simons' categories in the preceding tables, illustrates data categorization into the second order concept called the 'relational system'. This category, which is not part of Simons' framework, was created during the data analysis process because it emerged that some data, more specifically, relational data related to stakeholder management, could not be adequately categorized into Simons' categories. The diagram in Figure 3.1 in combination with Table 3.11 below illustrates how the categorizations of 1st and 2nd order concepts led to identifying the three themes (i.e., the client centered strategy, voluntary compliance strategy, and the legitimation strategy.) These themes were then explored further in the second phase of the analysis.

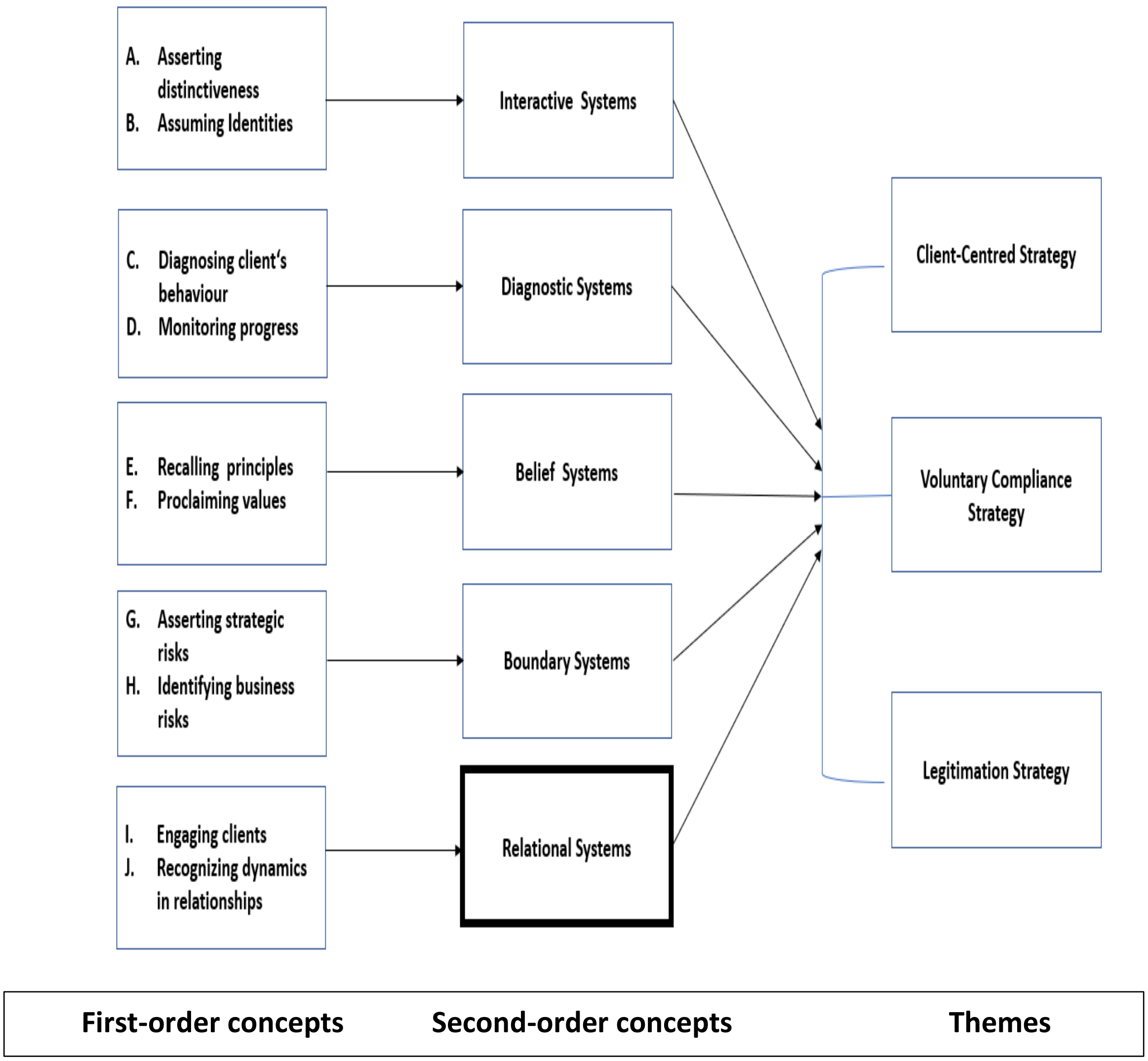

FIGURE 3. 1 THE 1ST PHASE OF THE DATA ANALYSIS: AN ILLUSTRATION

The Figure 3.1 above Illustrates data analysis conducted during the 1st phase of this study. The first-order concepts derived from documentary data (as illustrated in Tables 3.6 to 3.10) were then categorized into second-order concepts. The second-order concepts are derived from Simons (1995) framework of "levers of control" (p.7): the interactive system, diagnostic system, boundary system, and belief system. The category 'relational systems' was added to the framework to categorize data set that related to stakeholder integration – a category which is outside the four categories (i.e., the beliefs systems, the boundary systems, the interactive systems, and the diagnostic systems) expounded by Simons (1995). The categorization into second-order concepts enabled this study to observe themes (or patterns) which form the basis of the three strategies (chapters 4, 5, & 6) explored in this study. As illustrated in Figure 3.1, three themes, namely, the client-centered strategy, the voluntary compliance strategy, and the legitimation strategy emerged from the analysis based on Simons' four categories: the interactive systems, the diagnostic systems, the belief and value systems, and the boundary systems. This is further illustrated below in Table 3.11 to show how the findings of this study are derived from the analysis based on these categories.

TABLE 3. 11 ANALYTICAL CATEGORIES AND THEIR LINKS WITH THE FINDINGS OF THIS RESEARCH

Analytical Categories	Meaning Associated with the Category in line with Simons' (1995) theory except for the relational system	Findings of the Research	Findings Reflected in Chapters
Interactive system	Innovations and organizational learning	**Finding 1: Innovative Processes** (e.g. use of Behavioural Finance with the traditional asset allocation processes <u>reflected in the client-centered strategy</u>)	Chapter 4
Boundary system	Strategic and business risks	**Finding 2: Risk Management Processes** (e.g. credit, remedial, and reputation risks <u>reflected in the voluntary compliance strategy</u>; and risk management's elevation at the strategic level of organization in <u>the legitimation strategy</u>)	Chapters 5 & 6
Diagnostic system	Pre-planned analytical, monitoring, and performance metrics	**Finding 3: Stakeholder Participation in Decision-Making Processes** (e.g., analysis of clients' personality <u>reflected in the client centered strategy</u>; monitoring of clients' environmental performance <u>reflected in the voluntary compliance strategy</u>; and stakeholder dialogue held by the bank <u>reflected in the legitimation strategy</u>)	Chapters 4, 5, & 6 These two findings are used to create the typology in Chapter 6
Belief system	Organizational values, code of conduct, purpose, commitments	**Finding 4: The bank's commitments to integration** (e.g. commitments to integration of stakeholder considerations and investments to support community programs (including it code of conduct) <u>reflected in the legitimation strategy</u>	Chapter 6
Relational system	Stakeholder relationships	**Finding 5: collaboration** (e.g. bank's collaboration with charity think tank (NPC) <u>illustrated in the client-centered strategy</u>) **Finding 6: Trust-based relational interdependencies** (e.g., stakeholder participation in decision making processes leading to relational interdependencies and related trust mechanisms <u>illustrated in the client-centered, voluntary compliance, and legitimation strategies</u>.	Chapter 4 Chapters 4, 5, & 6

According to Simons (1995) the interactive systems indicate organizational innovations and organizational learning. As illustrated in Table 3.11, in the client-centered strategy innovative approaches are evident, for example, when investment management's traditional financial approach is blended with behavioral psychology; when clients' philanthropic needs are given an economic perspective (see chapter 4).

The boundary systems as strategic and business risk management processes are evident in voluntary compliance (Chapter 5) and the legitimation strategy (chapter 6). The belief and value systems are evident in the legitimation strategy and the client-centered strategy. In the client centered strategy, the values and belief system are underlying features of the socially responsible investments and the process of the identification of the most intractable social issues for directing the philanthropic outlays of the wealthy clients' desire to do social good (chapter 4). The diagnostic systems are evident in the client-centered strategy in the form of the analysis of the clients' financial personality (chapter 4), and in the voluntary compliance in the form of monitoring clients for meeting the environmental standards (chapter 5). It is also evident in the legitimation strategy in the form of measurement metrics (Table 6.2 in chapter 6). The relational systems (the added category) are evident in all the three strategies: the client-centered, the voluntary compliance, and the legitimation strategies in the form of stakeholder participation in the decision-making process, and its ensuing relational interdependencies and trust-based mechanisms.

As suggested and illustrated earlier, Simons' levers of control concepts were used as a content analysis framework. The analysis enabled to gain insight into the scope and limitation of the applicability of Simons (1994, 1995) framework in the context of integration of sustainability issues into core business processes. The study found that data related to stakeholder relationships and governance could not be categorized into the existing Simons' conceptual categories. Thus, a new emergent category, namely: 'relational systems' was created to accommodate data related to the stakeholder relationships.

In reassessing the category system against theory and material (Mayring, 2004), the coding framework was evaluated (Schreier, 2014) indicating a possible extension of Simons' model, in relation to the present data set. This emergent category is shown in bold in Figure 3.1. The findings related to the application of the levers of control framework give insights into the framework's applicability to the integration strategies. However, these insights did not address the richness of the contexts and conditions that actually shape the bank's process of building integration strategies.

Thus, the patterns (i.e., the three themes) from the analysis of the data based on Simons' categories needed further analysis to understand the richness and complexity of the integration processes situated within the bank's business units. To do so, a discourse analytic framework (Gee, 2014) was adopted in the second phase to demonstrate how the bank's discourse on sustainability builds integration strategies.

3.4.2 Phase 2: Discourse analysis

For this study, organizational discourse is defined as "the structured collection of texts embodied in the practices of (talking and) writing (as well as a wide variety of visual representations and cultural artefacts) that bring organizationally related objects into being as these texts are produced, disseminated, and consumed." (Grant, Hardy, Oswick, & Putnam, 2004). The 'organizationally related objects' Grant et al. refer to could be assumed to include "language, action, interaction, values, beliefs, symbols, objects, tools and places" (Gee, 1999: p. 18). For Gee, discourse is how we build our identities (including organizational identity). Thus, objects, texts, symbols, tools etc. (Gee, 1999: p. 18) become vehicles through which identity building in discourse is constructed. In support, Mumby & Clair (1997) suggest that:

> Organizations exist only in so far as their members create them through discourse. This is not the claim that organizations are 'nothing but' discourse, but rather that discourse is the principle means by which organization members create a coherent social reality that frames their sense of who they are. (p. 181)

In case of the bank, Mumby & Clair's assertion directs our attention to how the bank constructs its identity (i.e., 'who they are' as an entity) through its discourse about sustainability. This suggests that a discourse analytic framework is a useful lens for analysing and understanding the bank's three integration strategies. According to Titscher et al. (2000) different research traditions have given rise to a variety of usage related to what text and discourse mean. (p. 5). The variation in the analytical approaches used in organizational discourse, according to Grant et al., (2004), result from different disciplines and theoretical basis such as sociology, socio-psychology, anthropology, linguistics, philosophy, and communication. (p. 1). For instance, Ruiz Ruiz(2009) suggests that discourse analysis in sociology is shaped by adaptation of methods in other social sciences. (p. 1)

This study takes an organizational discourse perspective as elucidated by Gee, (1999, 2014), Cooren (2016) and Titscher et al. (2000). It takes account of both the macro (referred to as big "D" discourse by Gee, 2014), discussed below) and the micro discourse (referred to as small "d" discourse by Gee (2014), also discussed below).

Cooren (2016) suggests that scholars, beyond linguists, such as sociologists, psychologists, anthropologists, and communication scholars realize that "discourse also had its own logic and organization and that it was consequently worth studying." (p. 4). According to Cooren (2016), scholars have realized that discourse can be conceived of in two ways. These two ways of conceiving discourse are attributed to Gee's (1999, 2014) distinction between big 'D' and small 'd' discourse. Cooren (2016), in discussing organizational discourse quotes Gee (1999), for explicating the idea of 'big D' discourse:

> The key to Discourses is "recognition". If you put language, action, interaction, values, beliefs, symbols, objects, tools and places together in such a way that others recognize you as a particular type of who (identity) engaged in a particular of what (activity) here and now, then you have pulled off a Discourse (and thereby continued it through history, if only for a while longer). Whatever you have done must be similar enough to other performances to be recognizable. However, if it is different enough from what has gone before, but still recognizable, it can simultaneously change and transform Discourses. If it is not recognizable, then you're not "in" the Discourse (p. 18)

Based on Gee's conceptualization of 'big D' discourse, the bank, through its documents (as objects) and the use of bank's logo, signatures of top-level executives, claims of distinctiveness, and explicit statements about values and beliefs along with the electronic tools (videos, in the case of this study) etc. becomes recognizable as a particular type of bank ('who'), which is engaged in a particular type of activity ('what'). It is through discourse (small d) on investment management, wealth management, lending management, and citizenship practices that the banks identity ('who') as an entity concerned with environmental, social, and ethical issues is brought into being.

In relation to small 'd' discourse, Cooren (2016) states that when studying small 'd' discourse (Gee, 1999, 2014), it is important to analyse the interactional event in itself (e.g., stakeholder participation in decision making processes and trust-based relational interdependencies as demonstrated in chapters 4, 5, & 6) with its complexity and peculiarities. He further explains that any interaction, whether in the form of talk or writing can be treated as an event. (p. 6). Thus, such a conception of small 'd' discourse opens up possibilities for analysing the bank's processes related to project-lending, wealth management, and citizenship management as specific events in themselves with all their complexity and peculiarities.

Gee's conceptualization of big 'D' and small 'd' discourse can be said to be akin to what Titscher et al. (2000) say about the occurrence of discourse. They suggest that "Discourses occur, on the one hand, in macro-contexts, in organizations and institutions ('medical discourse'), but on the other hand they occur at a particular time, in a particular place, with particular participants, and so on (that is, micro-context)" (p. 27). They further suggest that to understand meaning of a particular textual discourse, it must be seen in its larger macro context to derive its full meaning. (p. 27).
Grant et al. (2004), with reference to the works of Latour (2000), suggests that the micro and macro elements of a discourse are in many ways inseparable. (p. 23).

Thus, in the context of this study, Gee's (1999, 2014) theory of big 'D' and small 'd' discourse offers an appropriate theoretical framework for gaining insights into the bank's sustainability integration discourse. Documents, as an 'artefact,' or as an 'object' that is constitutive of the ways in which socially and historically significant identities (or "kinds of people") are constructed (Gee, 2014: p. 52), are important as a way to understand the big 'D' discourse of the bank in relation to the sustainability issues. The small 'd' discourse based on project lending management, wealth management, and citizenship management enables this study to understand them in their broader contexts. According to Gee (1999), discourse is a conversation which becomes part of an ongoing historical discourse among different social groups. (p. 7). Further, Gee (2014) argues that language in use is about "saying, doing, and being" (p. 31). According to Gee (2014):

> In the broadest sense, we make meaning by using language to say things that, in actual contexts of use, amount, too, to doing things and being things. These things we do and are (identities) thereby come to exist in the world and, in turn, they bring about other things in the world. We use language to build things in the world, to engage in world building, and to keep the social world going. (p. 31).

Gee (2014) argues that in the course of building identities (for example, in the case of the bank, it is the process of establishing what kind of bank it is with respect to sustainability issues, and what it does to bring sustainability integration into being), we simultaneously build or construct areas of "reality" (p. 32). The analysis in this study uses three areas of reality building from Gee's discourse analytic framework (in the analysis Chapters 4, 5, and 6). These are 'building significance', 'building activities', and 'building relationships'.

For example, with the reference to Chapter 4, in the client-centred strategy, when the bank communicates with its clients through objects such as documents about its innovative approaches to investment management, it is bidding the client to accept the bank's differentiated products and services. Such bidding employs language to make certain aspects of the bank's offer of products and/or services significant (i.e., building significance). If and when a client accepts the bidding - that sort of relationship becomes real (at least for that time and place), and according to Gee (2014), "has consequences in the world." (p. 32). Thus, the acceptance by the client leads to participative activities such as (as illustrated in chapter 4): (a) client participation in the bank's decision-making processes (i.e., building activity) and (b) the building of relational interdependencies between the bank and its clients (i.e., building relationships). The same argument applies to the voluntary compliance strategy (chapter 5) where the bank uses the language of direct and indirect risks. Building of significance discursively through the language of risk management has consequences for the clients. These include how the clients participate in the decision-making processes and how the trust-based relational interdependencies are created. Whether the client receives the loan or not is dependent upon the consequences that follow from how the risks are dealt with. According to Gee (2014):

> A Discourse is a characteristic way of saying, doing, and being. When you speak or write anything, you are using resources of English to project yourself as a certain kind of person, and a different kind of person in different circumstances. You also project yourself as engaged in a certain practice or activity. If I have no idea who you are and what you are doing, then I cannot make sense of what you have said, written, or done. (p. 47)

The above quote gives insight into Gee's proposition of how identity (i.e., being) is discursively constructed. The building of significance, building of activities (i.e., practices), and building of relationships have consequences in the real world with respect to how sustainability issues are addressed by the bank. In other words, in the context of this study, constructing of these three realities point to the idea that a coherent social reality of who we are as organizational members is constructed through discourse (Mumby & Clair, 1997: p. 181). This is what Gee (2014) asserts when he suggests that "These things we do and are (identities) thereby come to exist in the world and, in turn, they bring about other things in the world. We use language to build things in the world, to engage in world building, and to keep the social world going." (p. 31).

In analysing the bank's stated activities, the notion of social-language as a "tool of inquiry" (Gee, 2014) is also important. Gee defines social language as:

> Any variety or style of speaking or writing associated with a socially-situated identity of any sort (this identity may be associated with a social group, profession, culture, practice, social role, or interest-driven activity like video gaming). (p. 234)

Thus, the bank's identity as a profession and practice and its language related to investments (e.g. risk-return, financial personality, balanced portfolio, asset allocation etc.), and lending (direct risks, indirect risks, credit risks, credit-limits etc) are social languages (Gee, 1999, 2014) that enable analysis of bank's specific activities within the context of discourse analytic framework.

3.5 Research validity and reliability

The research strategy in this study used several approaches to increase the confidence and validity of the findings. These are, for example, replication logic, comparative case analysis, and theoretical triangulation. These are discussed below:

3.5.1 Replication logic

In this study, by the use of an embedded case study design, multiple units of analysis are explored with replication logic in mind. To achieve theoretical replication, three embedded cases (i.e., units of analysis) are selected: project-lending management, wealth management (includes investment management, and philanthropy and charities management), and citizenship practices. It is assumed that each of these units would show different patterns of strategy integration (theoretical replication) into the organizational processes. These different outcomes are what Yin (1994, 2009) refers to as a process of achieving theoretical replication.

Analytical replication (Yin, 1994, 2009) is assumed in the use of the 'levers of control' (Simons, 1994, 1995) framework. The framework's applicability is assumed in all the units of analysis – as illustrated in Table 3.11. A researcher may find certain events full of information and therefore may decide to sample those specific types of events (Miles and Huberman's, 1994: p. 27). Replication logic is further discussed by (Yin, 1994, 2009) in the context of conceiving of multiple cases as sites of individual experiments (i.e., sites for exploring the phenomenon under investigation). According to Yin, multiple experiments (i.e., different units of analysis), based on the prediction of similar outcomes would constitute "literal replication" (p. 46), whereas the prediction of different outcomes would lead to "theoretical replication" (p. 46). This is further reiterated by Miles and Huberman (1994) in their discussion about sampling multiple units of analysis (or embedded cases). They argue that the use of multiple cases increases confidence in the findings. They facilitate comparison and contrast and thereby enable better understanding of the phenomenon under investigation (Miles & Huberman, 1994: p. 29). This view is supported by Yin (1994). According to Yin, replication strategy strengthens the precision, the validity, and the stability of the findings. Miles and Huberman (1994) further assert this point by suggesting that robustness of a finding can be established by demonstrating that the finding holds in two or more comparable cases and contrasting that with a case in which the finding does not hold. (p. 29).

3.5.2 Comparative case analysis

In the first phase of this study, three themes emerged from the analysis of the data. Two of those themes, the client-centred strategy and the voluntary compliance strategy (chapters 4 and 5 respectively), indicated sustainability integration into core processes. These two strategies afford a comparison of two contrasting methods (i.e., the demand and supply-based strategies) used by the bank in the building of integration strategies. The client-centred strategy depends on the demand of the clients for the bank's wealth management services, whereas the voluntary compliance strategy is based on the imposition of the environmental principles and standards on the clients by the bank (i.e., a supply-based approach). The third theme, the legitimation strategy (chapter 6), demonstrates the bank's commitments and strategic intent directed at implementing a code of conduct, achieving transparency, supporting communities, integrating stakeholder considerations, and creating economic value. Thus, the legitimation strategy illustrates an enterprise-level strategy, whose principles are meant to apply to the entire organization.

Thus, the three different strategies of integration demonstrated in this research give this study an opportunity to compare and contrast those three strategies. In support of the importance of comparative approaches in research, Silverman (2013) refers to Becker (2010) to argue for adoption of compare and contrast approach for building sociological knowledge and theories. This can be achieved by exploring underlying mechanism that explain the similarities and differences noticed in the findings (Becker, 2010 cited in Silverman 2013: p. 290).

Such use of a multiple-case study approach to achieve replication (i.e. the replication of experiments and replication of findings) and one which also affords comparative analysis is said to increase confidence in the findings (Miles and Huberman, 1994; Yin, 1994; Silverman, 2013). Miles & Huberman (1994) further reiterate that a dependable finding is one that can be reproduced in another context. (p. 273). Hence, the selection of multiple units of analysis (i.e., the embedded cases) in this study is also aimed at reproducing the findings (e.g., stakeholder participation in decision-making processes, and trust-based relational interdependencies) in different contexts to achieve increased validity of those findings.

3.5.3 Theoretical triangulation: As a way to produce explanations

Three theoretical frameworks were used for the data analysis in this research as a way to gain insights into the phenomenon of strategy building for the integration of social, ethical, and environmental issues into the bank's core business processes. These theoretical frameworks include *Levers of Control* (Simons, 1994, 1995), *The Grammars of Trust Model* (Sheppard & Sherman, 1998), and *Discourse Analysis* (Gee, 1999, 2014). These theoretical perspectives enabled better insights into the data for developing an explanation of the integration strategies. Yin (1994) supports and illustrates such an approach when he discusses 'An Exploratory Case Study'. The example used by Yin is Allison's (1971) study entitled 'Essence of Decision: Explaining the Cuban Missile Crisis'. Allison uses three theoretical models to develop a "best explanation" of the crisis. Thus, bringing different theoretical frameworks to bear upon the data analysis, could be said to yield more confidence in the explanation of the phenomenon.

3.5.4 Other tactics: Achieving validity

Yin (1994) recommends four commonly used tests for establishing the quality of empirical social studies. (p. 32-38). These tests are: construct validity, internal validity, external validity, and reliability. Yin also explains the recommended tactics for each of the tests, which are cross-referenced to the phase of the research where those tactics are used. These are illustrated in Table 3.12 below. The table explains how and where those tests were employed in the process of this study.

TABLE 3. 12 CASE STUDY TACTICS FOR ENHANCING VALIDITY

Tests	Case study tactics	Phase of research in which tactic occurs
Construct validity	Establishing operational definitions of the concepts being studied	Chapter 3 on Research Methodology: explained under coding framework: decision-rules for applying the data indicators (see Table 3.5)
Internal validity	Pattern matching and explanation building	Chapter 4, 5, 6, and 7 (data analysis and discussion)
External validity	Use of embedded case studies (i.e., multiple embedded case) with replication logic	Explained in chapter 3: under research design, and demonstrated in chapters: 4, 5, 6, and 7 (data analysis)
Reliability	Use of case study procedure	Explained in chapter 3

3.5.4.1. Construct Validity. Three sets of theoretical constructs are used in the course of this research. In the first phase of the study, Levers of Control (Simons, 1994, 1995) theoretical constructs are used as a framework to support analysis of the data. These constructs were defined based on the theory and a coding framework (Table 3.5). The decision-rules under which the data indicators were categorized were also stated. Selected examples of these (i.e., representative data) are demonstrated in Tables 3.6 to 3.10. In the second phase of the research, Gee's (2014) discourse analytic framework (with three constructs) is adapted to illustrate the three strategies of integration (namely, client -centred strategy (chapter 4), voluntary compliance strategy (chapter 5), and legitimation strategy (chapter 6). Also, the theoretical constructs based on Grammars of Trust model (Sheppard & Sherman, 1998) is applied in the analysis of data in Chapters 4, 5, and 6. The construct validity is evident in applicability of these constructs which enabled this study to gain insights into the phenomenon of integration strategies.

3.5.4.2. Internal Validity. Pattern matching is evident in the phase 1 as well as phase 2 of the study. In the content analysis during the first phase of the study, three themes were identified based on the emerging patterns. These are the client-centred, voluntary compliance, and the legitimation strategies. In phase 2 of the research, pattern matching is evident in the data analysis conducted in chapters 4, 5, and 6. For example, use of Grammars of Trust model (Sheppard and Sherman, 1998) enables the analysis of three different patterns of bank's stakeholder integration processes and their trust-based relational interdependencies.

3.5.4.3. External Validity. The embedded multiple case study design with replication logic is described in the research design section of Chapter 3. In this research, the multiple case study approach is evident in the focus on three different strategies: the client-centred strategy (chapter 4), the voluntary compliance strategy (chapter 5), and the legitimation strategy (chapter 6). Analytical and theoretical replications in this study are achieved by using these contrasting cases. Such an approach allowed for a comparison between two contrasting integration strategies: the demand-based strategy evident in the client-centred strategy, and the supply-based strategy evident in the voluntary compliance strategy. Studying the same phenomenon of integration in different contexts was demonstrated in the three strategies explored in this study – enhancing the validity of the study.

3.5.4.4. Reliability. The use of case-study methodology as explained by (Yin, 1994, 2009), and Miles and Huberman (1994) was used in the design of this study to achieve reliability in this research. This chapter has identified the sources of data (in section 3.3) which are in the public domain. The procedures used for the data analysis (section 3.4) along with the multiple-case study approach (section 3.2), and replication logic (section 3.5.1) are also explained in the earlier sections of this chapter.

3.6 Conclusion

A case-study research design (Yin, 1994, 2009; Miles & Huberman, 1994; Silverman, 2013) is adopted in this study. Bearing in mind the importance of strengthening the validity of the findings, a multiple units of analysis approach (i.e., the use of embedded case studies) is adopted in this study. This means that the phenomenon of interest is investigated in contrasting cases and contexts, to yield both the analytical replication as well as theoretical replication (Yin, 1994). This approach also opens up an opportunity for comparative analysis, further improving the validity of the outcomes of the study. The data in this study is analyzed using qualitative content analysis and discourse analytic frameworks. The use of multiple analytical frameworks also enables this study to employ theoretical triangulation for achieving the improved validity of the findings. The next three chapters use the discourse analytical framework (Gee, 2014) to illustrate the findings on integration of social, environmental, and ethical issues into business processes of the bank. These chapters are: the client-centered strategy (Chapter 4), the voluntary compliance strategy (Chapter 5), and the legitimation strategy (Chapter 6).

Chapter 4

Building a Client-Centred Strategy: Integrating social, environmental, and ethical issues into the core business processes of the bank

The central question addressed in this research is how do organizations build strategies which integrate sustainability into their core business processes? This chapter and the following two chapters address this central question. Each of the three chapters focus on a different strategy of integration, each independent of the other. However, they coexist in the same organization. The client-centred strategy as illustrated in this chapter is an example of an instrumental approach to integration. It is an instrumental approach because the services provided by the bank to its clients of the wealth management unit ultimately generate income for the bank.

This chapter focusses on a client-centred strategy - the integration of which depends on the demand by the clients for the wealth management and the socially responsible investment (SRI) management services offered by the bank. Thus, the client-centred strategy is a demand-led strategy open to the vagaries of market demand for such services.

The findings of in this chapter suggest that organizational elements such as innovative processes (Illustrated in section 4.1 as integration of finance with Behavioural Finance), interorganizational collaboration (illustrated in section 4.2.4 as collaboration with NPC for identification of the high impact social issues), and stakeholder participation in the decision-making processes (illustrated in section 4.2 as client participation in the decision-making process), and the ensuing trust-based relational interdependencies (illustrated in section 4.3) play a key role in achieving integration. These findings indicate that these processes (e.g. innovative processes, interorganizational collaboration, stakeholder participation in the decision-making, and trust-based interdependencies) are intangible assets which help the bank build organizational capabilities for the integration of social issues into its core business processes. In many cases, it is the intangible assets such as brand names, inhouse-knowledge, employee skills and expertise, firm-reputation and trustworthiness that help convert resources into organizational capabilities which also create competitive advantage for a firm (White, 2004; Wernerfelt, 1984; Husted & Allen, 2011); Nayak et al., 2020).

In the following sections this chapter illustrates how the client-centred strategy is built by the bank through its discourse on sustainability integration. The illustration shows the context in which the above stated findings are played out. Three categories namely, building significance, building activity, and building relationships (Gee, 2014) based on a social constructionist perspective are used to demonstrate how the client-centred strategy is built. In the construction of the strategy, the client is made significant by the bank as it gears up to provide wealth management and investment management services to its high-net-worth clients. In having made the clients a focal point of the bank's wealth management function, the bank builds relevant activities to engage the clients in provision of services, and those engagements have implications for building trust-based relationships with the clients. The client-engagement is demonstrated in this chapter by activities related to the client's participation in the bank's decision-making processes (Table 4.1). It offers a process perspective (Langley, 1999; Hengst et al., 2020) on the decision-making as the client is said to be integrated in the decision-making through the process of appreciating trade-offs, discovering financial personality, balancing financial with social and emotional benefits, and exploring an economic approach to philanthropy (Illustrated in section 4.2).

For Gee (2014), the key to pulling-off a discourse is "recognition" (p. 52). If the bank is able to put together its actions, values, beliefs, symbols, texts, relationships in such a way that others recognize the bank as an entity engaged in sustainability, here and now, then the bank can be said to have pulled-off a Discourse (p. 52). Thus, the following sections illustrate how the bank constructs its client-centred strategy through its discourse on sustainability integration.

4.1 Building significance

In this study, building significance is defined as the bank's attempt to foreground or to give prominence to specific feature(s) of the integration process which sets the focus and the context for the building of the integration strategy. For example, the bank's specific group of clients (i.e., the clients who are interested in achieving financial returns as well as doing social good through socially responsible investments in the stock market and/or the clients who want to achieve social good through philanthropy) are foregrounded in the phrases such as "Our unique approach to investment management puts you at the heart of everything we do" or "there is no right or wrong answer, only a perfect solution for you"[3] (in relation to the asset allocation process). The asset allocation process refers to the method by which the bank engages the client in allocating the client's investments in various asset classes.

The analysis of the bank's sustainability discourse suggests that the bank's strategy of integration builds the significance of the clients through three dimensions: foregrounding, aligning, and connecting. These three dimensions are derived from the analysis of the bank's sustainability discourse represented in the documents published by the bank. The analysis starts with the aggregation of the discourse data by bundling data into categories and achieving the desired level of abstraction. A part of this data categorization at increasing levels of abstraction is demonstrated in Figure 4.1 as data indicators (the first level), first-order concepts (the second level), and the aggregate dimension (the third level categorization). These three levels of the categorization process, enable gaining insight into how the significance of a client group is built by the bank to ultimately engage the client in the process of building integration strategies.

[3] Bank document: Investment Philosophy

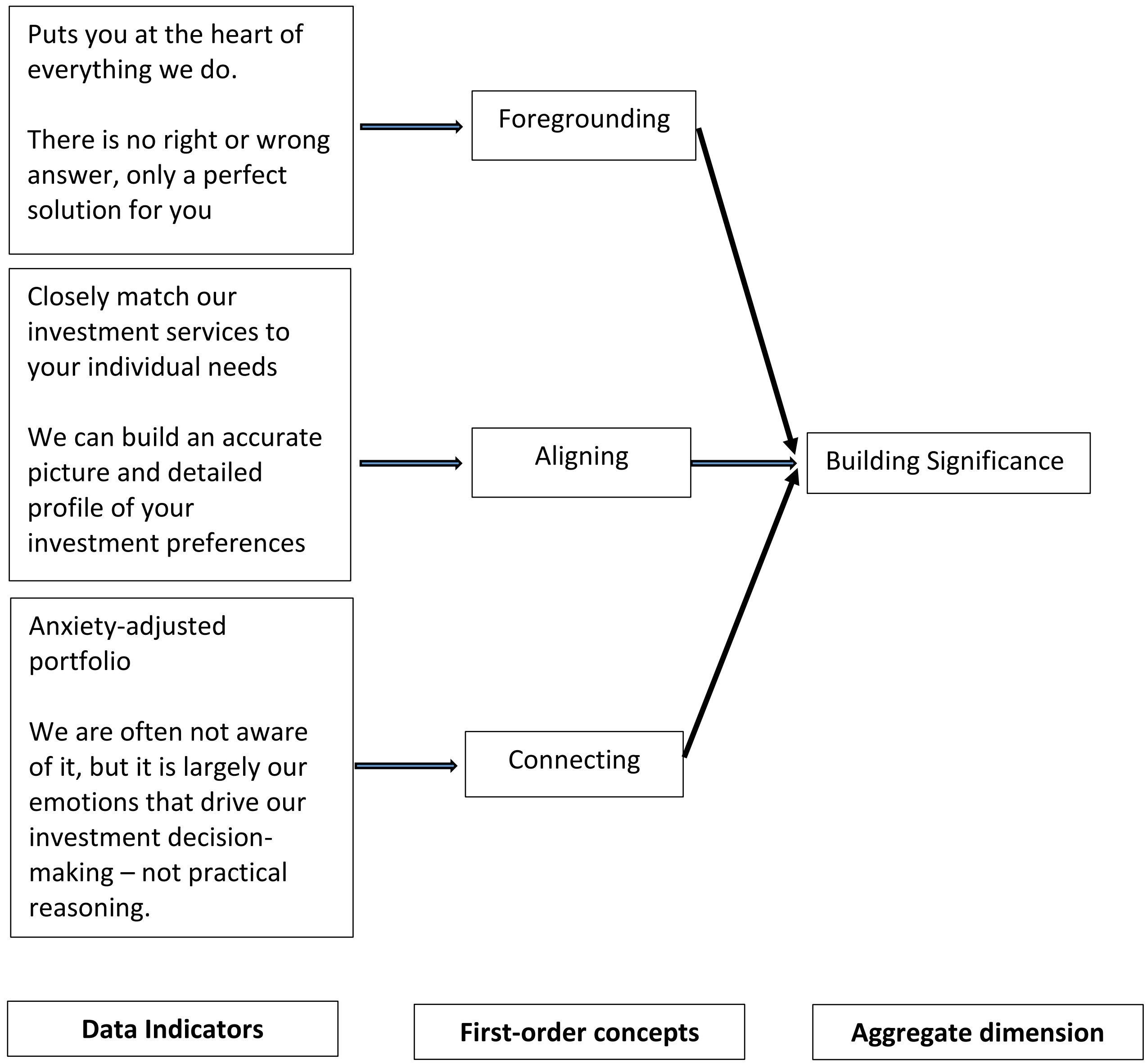

FIGURE 4. 1 EXAMPLE OF DATA ANALYSIS: FIRST-ORDER CONCEPTS AND AGGREGATE DIMENSION

4.1.1 Foregrounding

The first is the *foregrounding* of the client as suggested in the paragraph above. For example, when the bank makes claims such as "looking at your [the client's] wealth through your [the client's] eyes", "Your [the client's] personality is your emotional fingerprint: there's no one quite like you", "making sure your portfolio fits you [the client] in all the right places", "When new opportunities arise, you [the client] want the ability to take them."[4] These and other related quotes are illustrated in Figure 4.1 as data indicators. Those quotes which directly address the client group indicate that the bank's focus is on foregrounding a specific group of clients in order to create a competitive advantage through their wealth management and investment products/services. The competitive advantage of a business firm, in this study, is defined as "a perceived association with a commodity or service of a tangible or intangible attribute or condition of supply, which makes that product or service more attractive to consumers than the good or services of competitors" (White, 2004).

4.1.2 Aligning

The second dimension for building significance is the *aligning* of the bank's product and services with the perceived needs of the clients. For instance, the bank's claims such as "Through [our] investment philosophy we are able to closely match our investment services to your individual needs", "What does wealth mean to you? At [our bank] we understand that wealth can mean different things to different people, which is why the unique investment strategy of our investment philosophy is designed to help us find the right solution for your wealth"[5], are some of the examples of how the bank attempts to align their products and services to the perceived needs of the clients. The following quote from the bank' online video production is another example of how the bank projects its capabilities vis-à-vis a specific group of clients:

> Furthermore, charities have often led the development of responsible investing – sometimes so-called ethical, socially responsible investing. A lot of charities and church groups always wanted to align their principles with actually how they are investing. These examples might be church groups trying to avoid armaments, weapons of mass destruction, emissions or something, and within [our bank] within our capabilities we can exactly do that.[6]

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[4] Bank document: Investment Philosophy
[5] Ibid
[6] Bank's online video on investing for charities

The bank further claims to align its services to the client's needs by conducting a review of the client's total wealth, and thereby helping the client in the asset allocation process for meeting his/her needs for financial gain as well as meeting his/her desire to do social good. For example, the bank claims, "By conducting a total wealth-review we can also see how you intuitively group your assets into different categories."[7] According to the bank's wealth management approach, these groupings of assets would include not only the traditional approach to investments for increasing financial returns related to a client's investments in the stock-market, but also the allocation of the client's funds for socially responsible investments. It would also include the client's funds allocated for philanthropic endeavors related to social causes or issues identified by the bank. The bank builds this approach as a way to attract private funding (i.e. a client's philanthropic funds) to social issues or problems.

The bank's practice of aligning its core processes with social issues points to two antecedent factors which impact the integration process. The first factor is the question about which social issue(s) can best be linked to its core business processes. The second factor is the related question of whether the bank has the requisite capabilities and competence in identifying the social issues to be integrated into its core business processes. It is worth pointing out that, in this case, the core business processes of the bank are related to the services and investment products customized by the bank for its wealth management clients. One of the aims of the wealth management process is to make private funding available by directing the client's philanthropic funds to social problem(s). The bank recognizes that it does not have the requisite capabilities for identifying social issues. Thus, the bank in collaboration with its network partner, in this case, New Philanthropy Capital (NPC), relies on its expertise in conducting research to identify social issues which place a high financial burden on the UK treasury (and therefore the tax-payers). The collaboration with NPC thereby enables the bank to identify and select the social problems that are most conducive for

[7] Bank document: Investment Philosophy

providing opportunities for private funding from its wealthy clients who want to do social good.

The social issue identification process, whether it is undertaken in-house or is outsourced (owing to the lack of organizational capabilities) by the bank, necessitates two major activities: (i) social issue identification, and (ii) social issue selection - for attracting potential private funding. The bank explains how its collaborative partner NPC identified social issues: first, NPC conducted extensive research by surveying experts in the charitable sector to establish priorities. They also reviewed a large volume of economic data published by the government to establish the costs associated with different social problems. A steering group was established (which comprised of representatives from the government, research institutions, charities and funders) who provided input which guided the research. Second, thirty social issues were prioritized to find those that imposed the highest costs on the welfare state. These were then funneled down to six issues for further analysis to understand linkages to the causes and their social and economic costs to the welfare state. These six social issues are mental health, young offenders, families with complex problems, substance misuse, poor education attainment, and poor health related to diabetes, cardiovascular disease, and obesity due to lifestyle choices.

Such an analysis was necessitated to identify possible opportunities for targeting interventions by private funding. Based on this analysis, NPC selected three issues: chaotic families (i.e., poor family environment), children with conduct problems (i.e., emotional, behavioral, and social problems in childhood), and employment difficulties of adults due to mental health problems. These three issues provided avenues where private funding could be targeted with higher degree of confidence for achieving economic benefit to society (i.e., to the welfare state) as well as the social benefit of improving the lives of individuals, families, and/or communities. The following example relates to the economic impact of mental health problems faced by adults. It serves to illustrate a potential opportunity for targeted interventions by private funders.

According to the research conducted by NPC (as a collaborative partner of the bank for conducting the research), the total number of people impacted in the UK with mental health problems is 13.6 million. The total economic cost due to mental health problems in adults is £ 67bn. per year to the state. The costs represent the combined costs of unemployment, sick leave, reduced productivity, treatment and care. The existing provisions by the government falls short in relation to the needs of the mental health services. According to the research, the government resources (i.e., the NHS resources) for mental illness go towards the treatment of the most severe cases such as psychotic disorders. Less serious cases get directed to the GPs (i.e., the doctors in general practice). However, owing to the long waiting times, the less severe cases can get passed on to the community mental health teams or to the local mental health charities. This is where the opportunity for private funders become possible. There is the possibility of funding and supporting individuals with depression and anxiety who fall out of work. In this case, the NPC sees an opportunity for private funders in reducing costs by supporting recovery-focused programs. As suggested earlier, the other two issues selected by NPC for possible interventions are the poor family environment and children with conduct problems. These issues are prioritized because many of the mental health issues later in adult life are linked to the earlier poor family environment and conduct problems.

4.1.3 Connecting

Having identified the two dimensions of building significance: foregrounding and aligning, this study will now discuss the third dimension of building significance which is categorized as ‘connecting’. Connecting refers to the bank’s references to the recognition of factors such as a client’s emotions and personality which influence the investment journey of the client. This journey of impact investing for the client includes navigating through the challenges of traditional investments, socially responsible investments, and the possible adoption of an economic approach to philanthropic funding for achieving social good.

By recognizing that the client's personality and emotions play a part in his/her investment journey, the investment service offered by the bank is differentiated for gaining competitive advantage. Some examples of the data that indicate the bank's recognition of the 'emotion' and 'personality' dimensions of the clients are: "To discover what defines our investment personalities, [the bank] has led the way in applying Behavioral Finance techniques in understanding the interactions between markets, emotions, personality, and reason"; "The result of the work carried out by our dedicated team of Behavioral Finance specialists has created an entirely new framework [of] investment philosophy. Its purpose is to reduce the impact on returns caused by investor emotions and natural human instincts"; "We are often not aware of it, but it is largely our emotions that drive our investment decision-making – not practical reasoning"; "[Our] investment philosophy therefore allows us to identify your financial personality [which includes] your attitude to risk, decision style, and your need for stability throughout your investment journey. With it we can build an accurate picture and detailed profile of your investment preferences."[8] These examples indicate that the bank's attempts to connect with the client by use of the Behavioral Finance approaches to its investment services enables it to construct the differentiation of its products and services for creating competitive advantage.

In summation, the above discussion identified three important dimensions of building significance for formulating client-centered strategy. The first dimension is the foregrounding of the client, where the bank directly addresses the client. The aim of foregrounding can be conceived of as the bank's attempt to position its product and service for competitive advantage. The second dimension of building significance is the aligning of the bank's product or service with the client's needs for achieving financial returns as well as social-good through investments. In creating alignment, several factors that influence the integration strategy are identified. Those factors include questions such as (a) whether the bank has the requisite internal capabilities to identify the social or environmental issues which it could link with its core business processes,

[8] Bank document: Investment Philosophy

and (b) whether the issue(s) identification process be conducted inhouse, be entirely outsourced, or be undertaken in collaborative partnership with an external organization which has the necessary expertise.

The process of the identification of the social issues (such as employment difficulties of adults due to mental health problems) illustrates the bank's attempt to link its core business processes not only with the market stakeholder (i.e., the clients) but also with the non-market stakeholders (e.g., adults suffering mental health problems). The non-market stakeholders, in this study, are those "people and groups who - although they do not engage in direct economic exchange with the firm – are nonetheless affected by its actions or can affect its actions" (Lawrence & Weber, 2008: p. 9). By linking market and non-market stakeholder issues with its core business processes, the bank also achieves product differentiation for attaining competitive advantage.

The third dimension of building significance is connecting. Here the bank connects with the clients through its skills in Behavioral Finance. The client's personality and the influence of emotions on the investments and returns are recognized by the bank as important factors in differentiating its product and services for creating competitive advantage.

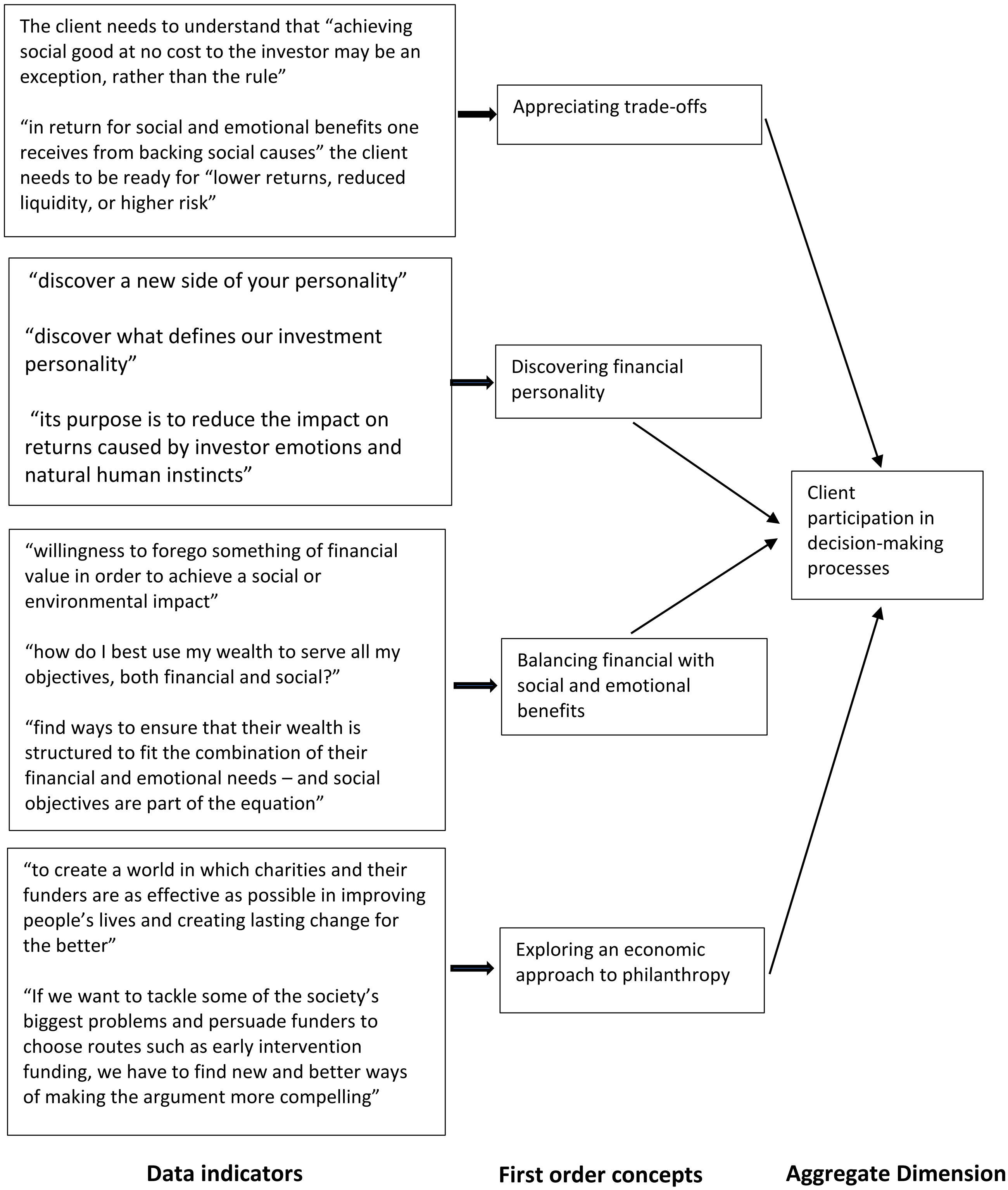
As discussed above, the building of significance for integration strategies involves proactive approaches such as developing capabilities for issue(s) identification, strategizing decision-making regarding inhouse, outsourced, or collaborative approaches to issues identification, and differentiating products and services for achieving competitive advantage. Beyond the building of significance of a client-group (i.e., market stakeholder group), this study indicates that the inclusion of stakeholders (such as the clients of the bank's business units) in internal decision-making plays a critical role in how integration is achieved. This study refers to this as 'building activity'. As explained in the research methodology chapter, building activity is a construct adapted from Gee's (2014) discourse analytical framework. Thus, the next section on building activity identifies how the stakeholder (i.e., the client in this case) is integrated into the internal decision processes of the bank's business unit.

4.2 Building activity: Client participation in decision making processes

Client participation in the decision-making processes of the bank's business unit is at the heart of how the bank builds integration strategies. Client participation is enabled by employing a variety of innovative approaches. For instance, the client is asked to discover his/her financial personality, or asked to explore taking an economic approach to philanthropic contributions. Elements that engage a client in the decision-making processes of investment and philanthropy management are illustrated in Figure 4.2 followed by an explanation of how stakeholder integration into core business process is achieved by the bank. The figure is an illustration of the process of qualitative analysis (Flick, 2014; Mayring, 2004) in which the data is categorized by bundling data into increasing levels of abstractions across three levels: the data indicators, the first-order concepts, and the aggregate dimension. These three levels provide insight into how the client is integrated into the bank's activity for building integration strategy.

The explanation which follows Figure 4.2 will use the figure as a basis for the explanation of how building activity for client participation in the decision-making processes of the bank is comprised of four elements. The first is the engagement of the client in appreciating trade-offs involved in socially responsible investing. The second is the bank's interactions with the client in analysing his/her financial personality. The third is the facilitation of the process for achieving a balance between the client's financial, social, and emotional needs in the context of wealth management. The fourth is the involvement of the client in considering an economic approach to philanthropy proposed by the bank.

FIGURE 4. 2 AN EXAMPLE OF DATA ANALYSIS: FIRST-ORDER CONCEPTS AND AGGREGATE DIMENSION



4.2.1 Client participation: Appreciating trade-offs

The client is invited to appreciate that wanting to do social good through impact investing[9] involves trade-offs. The bank argues that the client needs to understand that "achieving social good at no cost to the investor may be an exception, rather than the rule.", and according to the bank, "in return for social and emotional benefits one receives from backing social causes" the client needs to be ready for "lower returns, reduced liquidity, or higher risk."[10] The reduced returns referred to are based on the assumption that the overall returns on investments in businesses that are strongly focused on sustainability are, in general, relatively lower than the companies which are not exclusively focused on sustainability.

This stance is supported by the bank in suggesting that "The industry needs to be honest that the more mainstream the investment, the more likely that it could raise funds on the traditional capital markets anyway."[11] The lower returns, according the bank, could also be attributed to two other factors. One, clients vary in what they consider to be social good. Thus, their choice of investments may be about what they perceive social good to be. Second, the measurability of outcomes for investments related to achieving social good is often poor.

The bank further highlights that clients who engage in investments aimed at achieving social good would have to settle for reduced liquidity. The bank's research indicates that "90% of [clients] looking to engage in impact investment expect to do so using money currently uninvested (i.e., cash), or already dedicated to traditional investments." Many of the riskier social investments, according to the bank, are longer-term, which means tying cash up for extended periods of time and thereby resulting in less liquidity for the clients.

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[9] Impact Investment: The Invisible Heart of Markets. Report of the social investment taskforce established under the UK presidency of G8, September 2014

[10] Bank document prepared by the wealth and investment management division of the bank: The Value of Being Human: A behavioural framework for impact investing and philanthropy

[11] Bank document: W & I Management

In summation, for the clients to understand the trade-offs between achieving the emotional benefits of doing social good and achieving economic returns means appreciating the costs and risks associated with investments related to doing social good. These risks consist of (a) a long-term commitment of funds (b) poor measurability of the outcomes, and (c) uncertainty surrounding the long-term success of the client's philanthropic contributions focused on achieving social goals (e.g., funding early interventions in children with behavioural problems).

4.2.2 Client participation: Discovering financial personality

The bank's approach to client engagement is evident in its reiterations such as "discover a new side of your personality", "your investment self", "everyone is different", "uncover your financial personality", "discover what defines our investment personality"[12]. The bank's suggestions about discovering or uncovering a client's financial personality indicate an innovative approach to investment decision making. The client is expected to go through a process of discovery about his/her motivations which underlie investment decisions. This discovery process would entail the client articulating his/her expectations from investing in the capital market (i.e., stock and bond market). In this approach to investment decision-making, the bank claims to be able to bring its expertise in Behavioural Finance combined with skills in financial management to bear upon the client's investment decisions and thereby constructing itself as knowledgeable in Behavioral Finance.

The bank's wealth management discourse convey that traditional investment management practices were devised on constructing investment portfolios based on purely rational financial analysis and risk assessments of the investment asset classes. Thus, according to the bank, the standard client-profiling of the investment process "fails to acknowledge our human side". The human side of an investment journey acknowledges that "we are all complex individuals with a combination of attitudes, goals, and aspirations". The bank's behavioural finance approach recognizes that

[12] Bank document: Investment Philosophy

clients may not be aware of the role of emotions in the investment journey – According to the bank, "it is largely our emotions that drive our investment decision-making – not practical reasoning."[13] Thus, the bank suggests that it is this recognition of the human side of the investment process which enables it to create an entirely new framework for a client's investment journey. At the same time, it implicitly positions itself as having the competence to counterbalance such emotions and instincts. According to the bank, "its (i.e., the analysis of the financial personality of a client) purpose is to reduce the impact on returns caused by investor emotions and natural human instincts"[14].

The analysis of client's financial personality, according to the bank, would also help take account of the client's "feelings about such things as short-term gains or losses"[15], and "the degree to which [the client] would prefer to avoid or engage in the financial markets"[16]. The bank suggests that it would also be able to "assess [the client's] confidence in financial matters, and the level of advice [the client] would need"[17]. According to the bank, the profiling of a client's financial personality which takes the emotional aspects of investment decisions into consideration is beneficial. It would enable the bank to (a) devise a unique investment portfolio that fits with the personality of the client, and (b) will "help to explain [bank's] investment recommendations more clearly." It will also enable the client to understand the "context around how, and why, [the client] make[s] the financial decision [that he/she does]"[18].

The process of the discovery of the financial personality of the client entails categorizing the client into six personality dimensions. These are risk tolerance, composure, market management, the client's perceived financial expertise, the client's

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[13] Bank document: Investment Philosophy, and [Bank's] Wealth Insights, Volume 3: Risk, Return, and Reward
[14] Ibid.
[15] Ibid
[16] Ibid
[17] Ibid
[18] Ibid

desire to delegate investment decisions, and client's belief in his/her skills related to making investments. The first three dimensions analyze a client's personality related to his/her level of investment risk tolerance, his/her emotional response to short-term losses, and the client's feelings about different aspects of risks related to investments. The rest of the three dimensions analyze factors such as the client's conviction in the active management of investments, his/her perceived financial expertise, his/her desire to delegate investment decisions, and the client's decision-making style.

The bank claims that it "understands that wealth can mean different things to different people"[19], and that "we [are] not aware of it, but it is largely our emotions that drive our investment decision-making – not practical reasoning"[20]. Thus, it claims to offer a more "holistic process" that understands "the interactions between markets, emotions, personality, and reason"[21]. Through the tools of behavioural finance and the bank's related claims, the bank builds client participation in decision-making processes in the business unit of wealth management.

4.2.3 Client participation: Understanding personal motivations through balancing financial with social and emotional benefits

In the search for striking a balance between the financial and social needs of the clients, the bank invites the clients to participate in assessing clients' attitudes in three key areas. First, a set of questions are given to determine the balance between the financial and social aims of the client. It is claimed that this measures the "willingness to forego something of financial value in order to achieve a social or environmental impact." According to the bank, "this score strongly correlates with the interest in impact investing and philanthropy."[22]

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[19] Bank document: Investment Philosophy
[20] Ibid
[21] Ibid
[22] Bank document: The Value of Being Human: A behavioural framework for impact investing and philanthropy

Second, an assessment is made of the proportion of money devoted to impact investments by those clients who have already engaged in social investments. This gives the bank the opportunity to get an indication of the percentage of the total wealth that a client is comfortable devoting to social investments. Third, client attributes such as "personal satisfaction from giving", and "sense of moral duty to give back"[23] are ascertained by the bank. These assessments (i.e., client diagnostics) allow the bank to determine appropriate allocations of funds in achieving the financial as well as social objectives of the client.

The client diagnostics enable the bank to look for clients' characteristics that indicate their comfort level in engaging with impact investing and their willingness to accept trade-offs that may be inherent in achieving social good through investments. The reason stated by the bank for conducting the client diagnostics is reflected in the following quote: "(In the meantime), we want to take the essential first step of simply maximizing the amount investors are willing to contribute [to impact investing] within parameters that are appropriate to them."[24]

Client-diagnostics explored by the bank include (a) balancing social and financial objectives – which include the appreciation of the trade-offs inherent in impact investing (b) determining motivations that underlie the desire to do social good, such as a client's beliefs of moral duty to give back to society (c) assessing a client's personal satisfaction (i.e., assessing the social and emotional benefits derived by the client from engaging in social causes, determining the philanthropic orientation of the client, and establishing the financial security needs of the client).

With the aim of balancing a client's financial and social goals, the bank states that it wants the client to ask him/herself a fundamental question – "how do I best use my wealth to serve all my objectives, both financial and social?" From the bank's perspective, in order to be able to answer the question, a full range of options need to

[23] Bank document: Investment Philosophy
[24] Bank document: The Value of Being Human: A behavioural framework for impact investing and philanthropy

be considered, starting from traditional investing, impact investing, and philanthropy. The bank suggests that:

> [The] investors need to consider how much they should give through philanthropy, as well as how much to allocate to impact investing, and find ways to ensure that their wealth is structured to fit the combination of their financial and emotional needs – and social objectives are part of the equation.[25]

Thus, client participation in unfolding the complexity of impact investing is constituted in (a) discovering the balance between the client's financial, social, and philanthropic ambitions, (b) understanding client's financial personality (c) appreciating the trade-offs inherent in undertaking investments for achieving social good, and (d) achieving a level of comfort with which clients can confidently enter into the impact investment landscape.

4.2.4 Client participation: Exploring an economic approach to philanthropy

In order to advise their high-net-worth clients to engage in taking an economic perspective on their philanthropic outlays, the bank has linked up with one of its network partners, a charity consultancy and a think-tank – New Philanthropy Capital (NPC), which is dedicated to helping funders and charities to achieve greater impact. The charity consultancy's stated vision is "to create a world in which charities and their funders are as effective as possible in improving people's lives and creating lasting change for the better."[26] The purpose of the partnership between the bank and NPC is for the bank to use NPC's expertise in identifying entrenched social problems so as to attract private funding for addressing those issues.

Adopting an economic perspective on the long-term entrenched problems which incur high costs to the state entails directing clients' attention to tackling the root-cause of the problem. From the bank's perspective, persuading clients

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[25] Bank document: The Value of Being Human: A behavioural framework for impact investing and philanthropy

[26] The report entitled Early Interventions: An economic approach to charitable giving, produced by the charity consultancy New Philanthropy Capital (NPC)

necessitates a strong foundation based on extensive research. According to NPC and the bank:

> In bringing these difficult issues, which are often neglected, to the attention of funders, we need to provide powerful reasons for why they should invest in these interventions. If we want to tackle some of society's biggest problems and persuade funders to choose routes such as early intervention funding, we have to find new and better ways of making the argument more compelling.[27]

Here the client is invited to engage in taking a 'return-on-investment' or a 'cost-benefit' approach to philanthropic contributions. The bank refers to it as taking "an economic approach to philanthropy". In taking such a perspective to charitable contributions, the bank believes that there is a growing group of "enlightened funders" who are willing to take risks on new initiatives in relation to their philanthropic ambitions. According to the bank, "we believe that the current and future generations of wealthy individuals are socially aware, ambitious in their aims and often willing to support less popular causes – but expect to see measurable change as a result of their giving."[28]

These new initiatives enable funders to enter areas of social problems that the government may find challenging to fund. According to the bank, these "enlightened private-funders" also want to ensure that "the funds they invest in a philanthropic cause can make a difference."[29] These funders are said to be concerned about the impact their contributions are likely to achieve.

In exploring the economic perspective on philanthropy, the bank, in collaboration with the charity consultancy, argues for 'early intervention'. This approach is akin to taking preventative measures to address social problems. It indicates that the action to tackle those social problems needs to be taken much before the problems become deeply entrenched. Thus, the charity consultancy

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[27] The report entitled Early Interventions: An economic approach to charitable giving, produced by the charity consultancy New Philanthropy Capital (NPC)
[28] Ibid.
[29] Ibid.

identified and reviewed thirty of the costliest social issues in the UK. They used a prioritization process by funneling the high impact issues, and finally focusing on and analyzing three issues to understand their causes before recommending specific interventions. The three prioritized high impact issues are (a) children with conduct problems (cost to the treasury: £51 bn.), (b) adults out of work due to mental health problems (cost to the treasury: £ 45 bn), (c) chaotic families (cost to the treasury: £ 12 bn).[30] These issues impact a wide range of individuals and groups such as vulnerable individuals, potential victims, communities, policing, courts, and custody.

Taking an 'early intervention' approach, it is argued, would save costs to the state. Some of the examples of the recommendations for early interventions as stated by the bank are: (a) children and adolescents with conduct problems: "expanding school-based counselling services to identify problems early, working with parents and children before problems escalate, and providing intensive support for young people when they get into trouble"; (b) mental health problems and unemployment: "providing specialist employment support for those not in treatment, combining treatment with employment support more effectively, and supporting employers to make their workplaces more mental health friendly."[31]

The cost-savings for the welfare state are not only financial, but also social. According to the bank, "such efforts can bring significant savings to public finance, as well as improving the lives of individuals and their economic prospects."[32] The consultancy asserts that diverting a young person from crime to a productive member of society through work "not only improves the lives of potential victims, members of the community, and indeed the young person in question, it can also reduce the costs of policing, courts, and custody."[33] The preventative approach which moves a young

[30] The report entitled Early Interventions: An economic approach to charitable giving, produced by the charity consultancy New Philanthropy Capital (NPC)
[31] Ibid.
[32] Ibid
[33] The report entitled Early Interventions: An economic approach to charitable giving, produced by the charity consultancy New Philanthropy Capital (NPC)
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person away from a life of crime to a productive member of the society, according to the bank, would lead the individual to “pay tax and contribute to society.” Private funders can help by preventing expensive problems through intervening early with families at risk, providing ongoing practical support to the voluntary services, and expanding support services.

At the early stage, the research conducted by the charity consultancy relied on cost-data published by the government. At later stages, the research process increasingly drew on interviews with experts. The charity consultancy further explains that simply focusing on costs cannot give a full-picture of the other factors that need to be taken into account when prioritizing the issues. Thus, the prioritization process also took several other factors into consideration in focusing and selecting the social problems identified as high impact issues. Those factors are social issues which have (a) serious effect on individuals and the wider society (b) minimal or no existing support, and (c) potential for targeted intervention to reduce economic costs. From the bank’s perspective and its wealthy clientele, the issues selected have to offer possibilities for private funding to have an impact, and the possibilities to address the root causes of the problem(s).

According to the bank, the private funders (these are the bank’s wealthy clients) need to take into consideration several factors when making decisions about which social problem to fund. They need to participate in deciding their “level of ambition” in tackling the root causes of the problem, and the extent to which they are willing to engage with other partners. Their attitude to risks related to investments also forms part of the decision- making process. The participant client’s time, his/her extent of involvement, and the funds available for financing the social problem(s) are some of the factors considered in arriving at a decision.

What is indicated here is that the bank’s strategy building process recognizes that the integration of social dimensions into its wider investment strategy (directed at wealthy clientele) necessitates collaborative efforts across organizational boundaries. Thus, in building client participation in the decision-making processes, the bank recognizes the importance of network relationships with other organizations. It draws on the expertise of network partners located nationally and internationally.

In summary, this section demonstrated how the bank achieves the integration of the market stakeholder (i.e., the client) into its decision processes of impact investing. The different client participation methods discussed in this section point to the bank's stakeholder engagement practices which are specific to the business domain of the wealth management function of the bank. The practices of client participation in the decision-making processes also point to the building of proactive stakeholder engagement practices.

The proactive client engagement practices implied in the bank's discourses of wealth management (i.e., investment management, impact investing, and charities and philanthropy management), and project lending (explored in the next chapter) also indicate different relational interdependencies that underpin bank-client interactions. For the bank's business units, trust-based stakeholder relationships (as part of a relational governance system) are critical for achieving the integration of environmental and social issues. Trust is critical in building effective stakeholder relationships for achieving the aims of integration (Husted & Allen, 2011; Post et al., 2002). In this study, it is suggested that trust-based risks and trust-forming mechanisms can be anticipated by the analysis of the relational interdependencies (McKnight & Chervany, 2006; Sheppard & Sherman, 1998) which exist between the bank and its stakeholders (e.g., the clients). The following section, therefore, explores the trust-based bank-client relational interdependencies within the context of building the client-centered integration strategy.

4.3 Building trust-based relationships with the clients

The previous section illustrated the centrality of client participation in decision-making processes for building integration strategies, with specific reference to participation that includes the process of: appreciating trade-offs, discovering financial personality, balancing financial and social benefits, and adopting an economic approach to philanthropy. The process includes understanding the client's goals for achieving social good as well as financial returns. Among other activities, it involves informing and educating the clients about the intricacies involved in balancing investments (i.e., portfolio allocations), and discovering the financial as well as emotional aspects of their investment profile.

Engaging with clients through these activities also indicate the necessity of building trust-based relationships with the clients. Without a client's trust in the investment process linked to activities for achieving social good and economic benefits, the aim of the participatory activities identified earlier would remain unachievable. The idea of trust-based relationships is asserted by Sheppard & Sherman (1998) when they suggest that "some form of trust is inherent in all relationships" (p. 422). Interactions between the bank's business units and their clients in relation to the participation in decision-making activities indicate relational interdependencies between the two parties. These relational interdependencies suggest the importance of managing stakeholder relationships, hence, the necessity for building trust-based relationships with the clients. The scholarly literature on trust acknowledges relational governance (also referred to as bilateral governance) as a necessary mechanism through which trust may influence performance (Heide & G., 1990; Macneil, 1980; McEvily & Zaheer, 2006; Williamson, 1993; Zaheer & Venkatraman, 1995). According to these authors, "relational governance is a mode of organizing exchange that involves the integration of activities – such as decision-making, planning, and problem solving – across the relationship in an effort to reduce transaction costs." (McEvily & Zaheer, 2006).

Trust is an important element in the interdependent bank-client interactions for continued benefits to accrue to both parties. According to McKnight & Chervany (2006) it is necessary to examine trust-forming mechanisms in various work and commercial settings. They argue that this is important "because if one can understand the conditions, factors, and processes determining this, one can thereby influence the coordinative consequents of trust." (p. 29).

For understanding trust in bank-client interactions in this study, Sheppard & Sherman's framework (1998), as discussed in the literature review (Chapter 2), is informative. They argue that trust-based risks, the qualities of trustworthiness, and the mechanisms for trust-building can be “anticipated or inferred as a consequence of parties’ interdependence” (p. 430). Thus, the following explanation adapts Sheppard & Sherman’s (1998) trust framework as illustrated in Table 4.1 to analyse bank-client relational interdependencies. These interdependencies are examined within each of the clients’ participative decision-making activities: (a) appreciating trade-offs (b) discovering financial personality (c) balancing financial and social benefits, and (d) adopting an economic approach to philanthropy.

Sheppard & Sherman (1998) use two classifications with two sub-classifications in each of the interdependent relationships. These are dependent relational forms (shallow and deep), and interdependent relational forms (shallow and deep). This study adapts these relational forms, but treats the dependent/interdependent relational forms without distinguishing between the shallow and the deep relational forms. Thus, each of the participatory methods and its associated relational dimensions are illustrated below in Table 4.1 which is followed by the explanation of the table in section 4.3.1.

TABLE 4. 1 CLIENT PARTICIPATION IN DECISION-MAKING PROCESSES, RELATIONAL INTERDEPENDENCIES AND THE MECHANISMS FOR BUILDING RELATIONAL TRUST

Processes of client participation in decision making	Client Decision: Acceptance, and Participation	Forms of Interdependence	Trust-Related Risks	Qualities of Trust-worthiness: Integrity, Competence, Benevolence	Mechanisms for Trust-building: Deterrence, Discovery, Internalization
Appreciating Trade-offs	Client accepts trade-offs	Dependence (bank's trade-off strategy depends on client's acceptance)	Information Asymmetry	Integrity (consistency) Competence	Discovery
Discovering Financial Personality	Client participates in the process of diagnostics of the financial personality	Dependence (client depends on the bank)	Information Asymmetry	Competence Benevolence	Discovery
Balancing financial and social benefits	Client accepts the asset allocation between financial and social benefits	Interdependence	Mis-anticipation, Misallocation	Competence	Internalization
Adopting an economic approach to philanthropy	Client accepts or rejects	Dependence (client depends on the bank for the information)	Information Asymmetry, Mis-anticipation	Competence	Discovery

Adapted from Sheppard and Sherman, 1998

4.3.1 Process one: Appreciating trade-offs and trust-based dimensions

Table 4.1 shows that the bank engages with clients to inform them about the trade-offs involved in achieving social good and financial returns through investments. According to the bank, achieving social good may involve lower returns and a long-term tie-up of funds. Such a trade-off has implications for the client's liquid assets (e.g., cash in hand). The long-term tie-up of funds means that the client will have no access to those funds in the foreseeable future. Here, the client's relationship with the bank is one of dependence. The client is dependent upon the bank to learn about the trade-offs involved between achieving social good and financial returns. Sheppard and Sherman (1998) point out that, "simple dependence is said to occur when one's outcomes are contingent upon the actions of another." (p. 424).

In this process, the risks and associated trust-building mechanisms are viewed from the vantage point of the bank. The bank is assumed to possess more information than the client about the trade-offs based on its long experience and research. Thus, information asymmetry in knowledge, could in theory be used by the bank to the disadvantage of the dependent party, the client.

The risks related to the asymmetry of knowledge and their relational consequences with the clients can be anticipated by the bank in this investment-related transactional relationship. The integrity and competence of the bank in sharing information with the client can thus be inferred to play a critical role in trust-formation. The trustworthiness of the bank is partially a product of how the client assesses it. Therefore information-sharing with integrity and competence can be said to be of critical importance in this process. Integrity is about keeping promises. According to Shaw (1997) "In sum, we trust those who are honest in what they say and consistent in how they act. We trust those whose behaviour is predictable and dependable – even if we disagree with some of their actions." (p. 61). Trust is about matching words with actions (Shaw, 1997). The role of competence in predicting trustworthiness is also highlighted by Shaw, who highlights that competence is about achieving results. In the case above of the activity related to 'appreciating trade-offs', the competence of the bank's business unit could be judged by the client on how effective the bank is in conveying the information about trade-offs, supported by past performance and evidence.

The mechanism used by the bank for gaining the client's confidence and trust can be said to be discovery. Discovery is the result of sharing information with the clients. Lewicki & Bunker (1996) refer to this type of trust as knowledge-based trust. In this case, the client discovers the trade-offs involved in engaging with investments which aim to achieve both social and financial goals. The production of trust by engaging in active discovery through communication and information is well established in the scholarly literature (Gargiulo & Ertug, 2006; B. McEvily et al., 2003; Sheppard & Sherman, 1998).

4.3.2 Process two: Discovering financial personality and trust-based dimensions

In the second process in Table 4.1, the bank engages with the client in analysing the client's financial personality. The bank makes an analysis of the client's behavioural patterns related to his/her investment undertakings. The bank considers this process as its own proprietary and innovative approach to investment management. The approach combines the research knowledge from Behavioural Finance and Financial Management.

The client's relationship with the bank during this process of analysis could be said to be one of dependence. The client depends upon the bank for the outcome of the analysis. As a result of the analysis, the client discovers and gains more insights into his/her own investment behavioural patterns and risk-bearing tendencies. In this process the risks and associated trust building mechanisms are viewed from the vantage point of the bank. The client's dependence on the bank's expertise in Behavioural Finance combined with expertise in financial management, point to information asymmetry in knowledge between the bank and the clients. This asymmetry in knowledge, in theory, could be used by the bank to the disadvantage of the dependent party. Thus, this process exhibits the same trust-based risks and trust-building mechanisms as described in the previous activity related to the client engagement for appreciating the trade-offs.

However, in contrast to the previous process, benevolence as a quality of trustworthiness can be inferred in this activity. Shaw (1997) refers to benevolence as "demonstrating concern" (p. 83). Shaw argues that integrity and competence as qualities of trustworthiness are necessary but responsiveness to the needs of others as demonstrating concern is essential for trust formation. (p. 83).

The benevolence as a quality of trustworthiness is indicted by the bank's claim to take account of the client's emotional side of the investment process. The mechanism used by the bank for gaining client's confidence and trust can be said to be discovery. Discovery is the result of sharing information with the clients. In this case, the client discovers and gains more insights into his/her behavioural patterns and risk-bearing proclivities related to the investment process. According to Sheppard and Sherman (1998) "Many sources provide evidence of the value of information in the emergence of trust in situations requiring coordination." (p. 430).

4.3.3 Process three: Balancing financial and social benefits, and trust-based dimensions

In this process in Table 4.1, the bank engages with the client in making decisions about how the client's investment assets are to be allocated into different categories of investments. In this process an agreement between the bank and the client would be reached regarding the best way to allocate the client's assets. The proportion of allocations into different investment categories would depend upon the client's personal desire to achieve social good either through socially responsible investments and/or philanthropic contributions. Thus, the client's consent is an important element in moving the transaction forward.

In this process the client's relationship with the bank is one of interdependence. This relational form, based on interdependence between the bank and the client, is the consequence of negotiations and communications between them regarding the best way to achieve asset allocations for the client. The interdependent relational form in this analysis is defined as a stage in the ongoing process of bank's stakeholder engagement practice whereby both parties rely on one another for mutually beneficial outcomes. A trust-based risk in this process is that the bank could mis-anticipate the client's needs related to the investment preferences. Thus, misallocation of assets contrary to the client's desire may ensue. Therefore, the relevant quality of trustworthiness in this process can be said to be the competence of the bank in achieving the best alignment between the bank's investment approaches and the client's preferences.

The appropriate mechanism for trust-building here is internalization. The process of internalization, in this study, is defined as the process by which the bank closely adheres to a client's preferences and needs. In the asset allocation process the bank can be said to internalize preferences related to the client's desire for achieving social good, and the client's ethical preferences related to the socially responsible investments. This is supported by Sheppard and Sherman (1998). They suggest that "In (deep) interdependence, trust is predicted on the assumption that the trustee has internalised the trustor's preferences and ways of viewing the world, especially as they relate to those things that need to be anticipated or inferred as a consequence of the parties' interdependence." (p. 430). Thus, mis-anticipation of a client's needs could pose a risk in the bank-client relational interdependence.

4.3.4 Process four: Adopting an economic approach to philanthropy

In this process, the bank engages with the client in informing and advising the client about the ways in which client's philanthropic contributions could be directed to the most entrenched social problems in society. The bank developed this approach to charitable giving in association with one of its external network partners. This partnership is with a charity think tank which also serves as a consultancy for charities (and clients) with an interest in philanthropy. The economic approach to charitable giving or philanthropy comprises taking an early intervention approach to social problems before they become deeply entrenched over the long term. For example, the previously mentioned case of children with conduct problems. According to the research conducted by the bank in association with the charity think tank, these early interventions would enable those children with conduct problems to grow up as more productive members of society and in turn lessen the burden on the welfare state.

In advising the client and directing his or her philanthropic desires toward the socially entrenched problems, the client becomes dependent upon the bank to be informed about the intricacies of funding those problems. The client would also need to learn how those interventions could be put into practice. He or she would need to understand the implications of committing time and funds to those interventions. Thus, from the client's perspective, this relational form is one of dependence. Therefore, in similarity to process one and two, the risk in this process is related to the information asymmetry between the bank and the client. The bank could also mis-anticipate the client's personal motivations and preferences for engaging in philanthropy. For instance, the client could have a personal attachment to the aims of a specific charity which fall outside the purview of the most entrenched social problems identified by the bank. Thus, the bank's competence in persuading the client to align his/her philanthropic contributions with the social problems identified by the bank's research is important as a quality of trustworthiness. Discovery as a mechanism for trust-building which is dependent upon information sharing by the bank can be said to characterise this relationship.

4.4 Conclusion

This chapter illustrated how the foregrounding of the client as a critical market-stakeholder of the bank, enables the bank to construct a client-centered strategy for achieving the integration of social issues into its core business processes. The chapter also identified several important features of the client-centered integration strategy. For example, the bank builds competitive advantage through innovative approaches such as the use of Behavioral Finance in the bank's impact investment strategies. Other features of the integration strategy include (a) the building of organizational capabilities for the process of identifying social issues: whether done inhouse or through outsourcing or through collaborative efforts with external partners (b) deciding on activities for stakeholder integration into the decision processes, and (c) analyzing mechanisms for building trust-based stakeholder relationships.

The innovative approaches to the provision of impact investment services by the bank, and the building of organizational capabilities for issues(s) identification both tie in with the resource-based view (RBV) of the sources of organizational wealth (Post et al., 2002; Husted & Allen, 2011). Equally, the relational interdependencies with their trust related dimensions tie in with the stakeholder view of the sources of organizational wealth (Post et al., 2002). These linkages between the findings of this chapter and the scholarly literature will be further discussed in Chapter 7 which relates to the discussion of these findings.

This chapter also demonstrated how the bank's sustainability discourse and its representation of stakeholder engagement processes points to two intersecting dimensions: internal (from within the bank) and external (from outside the bank), in the context of building sustainability strategy. The internal dimension is evident in the bank's approach to shaping its business processes by engaging its clients in the decision-making processes, as well as the possibilities for the building of trust-based relational interdependencies which ensue from those decision-making interactions. The external dimension in the client-centered strategy sheds light on the collaborative organizational efforts with external partners for the identification of social issues. Such partnerships are particularly relevant when the expertise lies outside the organization's capabilities. These collaborative efforts with external partners have implications for the stakeholder engagement processes of the bank's business unit. For instance, the findings of the research conducted through collaborative efforts by the bank with its external partner, influence the advice and guidance given to the clients in relation to their anticipated philanthropic contributions, and their desire to do social good.

The external dimension also connects the bank to taking account of the non-market stakeholders (e.g., young adults with mental health problems) in its integration strategy. In taking account of both the internal as well as the external dimensions of the bank's sustainability discourse, three features become crucial for understanding the client-centered strategy-building process: the building of significance of the clients by foregrounding the client group, client participation in the decision-making processes (i.e., stakeholder engagement processes), and the trust-based relational interdependencies which underpin the bank-client relationships. In combination, these three features indicate how relational governance is at the heart of the building of the client-centered integration strategy.

This chapter discussed the building of the client-centered strategy. It demonstrated how the client is foregrounded in this strategy for seeking competitive advantage with the aim of integrating social issues into core business processes. The next chapter, on voluntary compliance strategy, will explain how risk management processes are foregrounded by the bank for the integration of environmental and social issues (issues that are enshrined in the Equator Principles) in the project lending unit. The voluntary compliance strategy differs from the client centered strategy in its business context, purpose and methods for achieving the integration of environmental issues into the bank's core business processes. This is further illustrated in the following chapter.

Chapter 5

Building a Voluntary Compliance Strategy: Integrating the Equator Principles

There are numerous international voluntary assurance standards covering a variety of issues such as environmental (e.g., Kyoto Protocol), labour (e.g., International Confederation of Free Trade Unions), corporate governance (e.g., OECD principles of corporate governance), money laundering (e.g., Basel Committee on banking supervision), bribery and corruption (e.g., OECD convention combating bribery of foreign public officials in international business transactions), human rights (e.g., Amnesty International human rights principles for companies), corporate reporting (e.g., AA 1000 series), guidelines on social, economic and environmental reporting (e.g., Global Reporting Initiative - GRI), principles for corporate sustainability which emphasise business responsibilities in the areas of human rights, labour, environment, and anti-corruption (UN Global Compact), and corporate responsibility standards: ISO 26000 (Blowfield & Murray, 2011: p. 214; Crane & Matten, 2016).

In addition to these, there are also industry specific standards. Examples include the Forest Stewardship Council (FSC). FSC was established in 1993 as an assurance system that “provides standard-setting, trademark assurance and accreditation services” (Benn & Bolton, 2011: p. 19; Malets, 2017) for responsible and sustainable forestry. Similarly, the Equator Principles are a set of international standards and principles devised for the financial industry to assess and manage environmental and social issues that are impacted by banks’ financing of large-scale projects such as oil & gas, mining, forestry and logging, and infrastructure, etc. These voluntary bank commitments to the standards set out in the Equator Principles contribute to achieving wider sustainability goals expressed in the various international conventions.

This chapter focusses on how the bank’s project-finance lending activities integrate the Equator Principles into its core business processes. The aim of the Equator principles is to mitigate the environmental and social risks. Those risks emanate from financing projects which potentially pose high environmental risks.

The findings in this chapter suggest that the bank's risk management processes drive the integration of the Equator Principles into its core business processes (as illustrated in section 5.1). The bank recognises how its lending activities related to the project-finance poses business and strategic risks to itself (Illustrated in section 5.1). Being associated with business entities which may be causing high environmental damage also creates reputation risks for the bank.

Imposition of fines on the business entities for transgressing environmental regulations, and in some cases termination of activities may pose credit risks to the bank. According to the bank, in certain legal jurisdictions, it may be held liable for remediation costs if proper environmental checks and clearances were not undertaken before funding the project. Thus, the findings show that the bank's risk management processes have linkages with the clients' business risks (as illustrated in section 5.2.1). It is this recognition of mutuality of business risks which drives the integration process.

The findings also suggest that stakeholder participation (i.e., the clients' participation) in the decision-making process of the bank plays a role in how integration is achieved (illustrated in section 5.2.2). In the previous chapter on the client-centred strategy, the stakeholder participation also played a key role in the integration process. However, what this chapter along with the previous chapter on the client-centred strategy demonstrate is that stakeholder participation in the decision-making processes within the same organization is driven by different business contextual factors.

In the previous chapter, the client-centred strategy was shown to be a demand-led strategy. The findings in this chapter indicate that voluntary compliance is a supply-led strategy: here the bank commits to follow the environmental standards and principles laid out in the Equator Principles which it then expects its clients to fulfil. In committing to follow those standards voluntarily, the bank's approach to integration in this chapter, in contrast to the previous chapter which illustrated an instrumental approach to integration, can be seen as one based on normative standards. In the previous chapter, the client as a focal point drives the integration strategy building process, where as in the voluntary compliance, the risk management processes drive the integration strategy building process.

In the previous chapter, intangible assets of the bank facilitated the building of integration strategy. The findings in this chapter also demonstrate that the intangible assets such as the risk management processes, and stakeholder participation in the decision-making processes play a key role in building organizational capabilities for achieving integration.

In the following sections this chapter illustrates how the voluntary compliance strategy is built by the bank through its discourse on environmental issues. The sections illustrate the context in which the above stated findings are played out. Three categories namely, building significance, building activity, and building relationships (Gee, 2014) based on a social constructionist perspective are used to demonstrate how the voluntary compliance strategy is built. In the construction of the strategy, the risk management processes are made significant by the bank as it gears up to integrate the Equator Principles, which in turn leads to the integration of the clients in the decision-making processes of the bank. In comparison with the previous chapter, it demonstrates a different and an independent context which shapes the integration process.

5.1. Building significance: Foregrounding the risk management processes

Two broad categories of risks, within the bank's risk management processes, play a critical role in building sustainability strategy for integrating the Equator Principles. These are business risks and strategic risks. The business risks are comprised of the direct as well as indirect risks. The strategic risks include reputation and conduct risks. These are all discussed below.

5.1.1 Business risks

The direct risks[34] emanating from the environmental regulations are one of the crucial motivations for integrating environmental issues into the bank's core lending

[34] Bank Document – Sustainability Risk in Lending

processes. The integration of the environmental and social dimensions of project-finance become critical when the bank takes land as collateral in return for extending loans for large projects. Any contamination of the land or other conditions that impact environmental regulations have the potential to negatively impact the value of the collateral, and thus it poses a credit risk to the bank. Therefore, it is in the bank's self-interest that relevant environmental regulatory clearances be obtained by the client, and the appropriate value of the collateral be ascertained. This also helps bank recognize the potential liability which may be incurred if the collateral ever needed to be realized. Acceptance of land as collateral, therefore, has direct consequences for the bank for the integration of the environmental dimensions of project finance into its core lending processes.

Remediation risks[35] are directly related to the acceptance of land as collateral for project finance. According to the bank, in certain jurisdictions the "enforcement of a commercial mortgage by the bank leading to possession, potentially renders the bank liable for the costs of remediating a site (if deemed by the regulator to be contaminated)."[36] The bank could also be held liable for the costs related to any harmful environmental pre-existing conditions. Remediation risk thus has the potential to impact the value of the collateral that is in the possession of the bank. Therefore, for the bank, integrating the environmental dimensions of the project finance into its lending processes necessitates putting screening mechanisms in place which ensure that the client has obtained appropriate environmental regulatory clearances.

The bank also recognizes the indirect risks posed by environmental issues that may impact the creditworthiness of the client. Such risks arise, for example, when the client may need to upgrade its operations to meet environmental regulations and standards. Failure to meet those standards may incur fines for the business, which in turn, could impact the client's ability to repay the loans depending upon the size of the fines imposed by the regulatory authorities. Additionally, the creditworthiness of the

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[35] Bank Document – Sustainability Risk in Lending
[36] Ibid

client could also be affected by a market shift in the demand for goods and services impacted by environmental pressures brought forth by customers, NGOs, or the environmental and social pressures related to the changes in the supply-chain.

5.1.2 Strategic risks

The reputation risks[37] considered by the bank to be strategic in nature emanate from two sources. The first is from being associated with financing projects that are considered to cause severe harm to environmental and/or social conditions. For example, the funding of major infrastructure projects impacts environmental issues such as noise levels, waste management, energy use, land and water contamination, etc. The second is from the bank's leadership role which entails being a party involved in devising and setting the Equator Principles, and being a signatory to the principles. Such a leadership role necessitates the implementation of the Equator Principles in good faith. A violation, or perceived violation of the principles by the bank would undermine the standards and therefore the integrity and the reputation of the bank. For the bank, stakeholders' perceptions matter. The bank's action or inaction and any association with clients or groups that are perceived by the stakeholders to be unethical or harmful has the potential to cause damage to its brand. According to the bank, "Reputation risk may arise and cause damage to the bank's image, through association with clients and their transactions or projects if these are perceived by external stakeholders to be environmentally damaging."[38]

The reputation risk for the bank may also emanate from issues tracked by NGOs. According to the bank, certain sensitive commercial activities are open to significant attention by NGOs and other stakeholders. These include (a) mountain top removal mining in Appalachia in the US (b) diamonds mined in war zones in parts of Africa, and sold to fund the war and/or insurgency (c) uranium mining, owing to its link with nuclear power, and (d) extractive sectors – with their impact on local communities

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[37] Bank Document – Sustainability Risk in Lending
[38] Ibid

on a range of issues such as imported labour causing lost local employment opportunities, as well as social and health problems[39].

The bank recognizes that its misconduct or "inappropriate judgement in the execution of [its] business activities"[40] could be detrimental to its stakeholders such as its customers, clients, employees, or any other party, as well as to the bank itself. In recognizing conduct risk as a strategic risk, the bank indicates the importance it places on its client and other stakeholder relationships[41]. Thus, the internal risk management processes (in the form of the business and strategic risks identification processes) have been foregrounded through discourse by the bank and made salient in the effort to integrate the Equator Principles. This suggests that interactions between the Equator Principles and risk-management processes play a central role in the formulation of the voluntary compliance strategy. This raises the related question of how the practices of risk management are enacted in the bank's discourses of sustainability integration. The following section addresses that question.

5.2 Building activity: Monitoring and mitigating risks

As illustrated in the previous section, the business and strategic risks drive the integration of the Equator Principles in the decision-making processes of the bank. However, the bank's risk management processes are not isolated from the risks posed by the clients' business activities. Thus, without monitoring the environmental related activities of the clients, and without the clients' participation in the bank's decision-making processes, the integration cannot be achieved. Below, in section 5.2.1 this study uses an example of one environmentally sensitive sector: mining & metal as a way to illustrate the types of social and environmental risks posed by the clients' operations and how the bank internalizes these risks through monitoring of the clients. These examples are taken from the bank's documents in the form of raw data.

[39] Report specifying operational, reputation, and conduct risks
[40] ibid
[41] ibid

These risks posed by the client's operations impact the bank's risk management processes. Thus, monitoring of the client's environmental credentials play a critical role in the effectiveness of the integration of the Equator Principles (illustrated below in section 5.2.1). Such monitoring of risks necessitates the client's participation in the bank's decision-making processes. Thus, in section 5.2.2 this study illustrates how client participation in the bank's decision-making process is essential for achieving the integration of the Equator Principles.

5.2.1 Monitoring and mitigating risks

Learning about the clients' business processes allows the bank to monitor and achieve control over what the clients' need to do to meet the environmental and social risks criteria set by the bank. The familiarization with the clients' business processes is also necessitated by the bank's desire to identify and understand the environmental and social risks posed by those sectors. The bank recognizes that those risks, in turn, could potentially create credit and reputational risks for the bank[42]. Therefore, the success of the client in obtaining project finance is dependent upon mitigating the environmental and social risks (reflected in the Equator Principles) which the bank believes to pose a potential credit and reputational risks to itself.

Credit risk refers to a client's inability to meet its loan-repayment obligations to the bank. The credit risk may arise as a consequence of a falling demand for the clients' products or services emanating from public and/or regulatory pressures related to not meeting their environmental and social obligations. The reputation risks for the bank may result from trading with clients who fail to meet their social and environmental responsibilities. Thus, it could be inferred that the bank's motivation in implementing the Equator Principles is underpinned by its own self-interest in mitigating its strategic and business risks. This also explains why the risk-management process is made salient (as identified in the previous section) in the process of integrating the Equator Principles.

[42] Bank Document: Sustainability Risk in Lending

The bank has a variety of clients in different sensitive sectors of the economy. The sensitive sectors are those that have a higher impact on the environment owing to their business activities. For instance, according to the bank, sensitive commercial sectors include agriculture and fisheries, infrastructure, chemicals and pharmaceuticals, forestry and logging, manufacturing, metals and mining, oil and gas, power generation, supply and distribution, utilities and waste management, and service industry[43]. Out of these sensitive commercial sectors listed by the bank, this study takes one example: the mining and metals sector as a way to demonstrate how the bank's risk management processes and monitoring systems are linked to the environmental risks posed by the clients' activities. The example is drawn from the bank's environmental risks documents. They indicate that a successful integration of the Equator Principles in the core business processes of the bank is dependent upon the clients' environmental risk management capabilities. Thus, it also indicates that building effective stakeholder relationships with the clients is critical for achieving integration.

5.2.2 Risks associated with the mining & metals sector[44]

The mining and metals sector example illustrated below demonstrates not only the types of potential environmental and social risks associated with the bank's large project lending activities (illustrated in section 5.2.), but also how monitoring of the clients' business processes in different sectors of the economy is essential for the bank's integration strategy to be effective.

Some of the key risks identified in the mining and metal sector which could potentially pose credit and/or reputation risks to the bank in relation to environmental issues are: irreversible land degradation and instability – i.e., geotechnical instability, major land slips and subsidence, long term ground water contamination post closure (e.g., cyanide in gold mining tailings), major environmental and social impacts following dam wall failure, climate change concerns about long term impact from ozone

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[43] Bank Document: Environmental and Social Risk in Lending

[44] Bank Document: Environmental and Social Risk Briefing – Mining & Metal

depletion, and global warming from greenhouse gas emissions from refining and processing[45]. Some of the social risks involve: changes to livelihood and subsistence owing to land-take from current land use, health risk from major pollution events and contaminated drinking water, human rights violations of workers and communities, use of child labour, and supply chain issues such as revenue transparency owing to bribery and corruption in certain developing economies with weak governance structures.[46] The major concerns regarding the credit risks and/or reputation risks in mining and metal sector point to sustainable development issues. According to the bank, certain sensitive commercial activities such as mining are open to significant attention by NGOs and other stakeholders. These include (a) mountain top removal mining in Appalachia in the US (b) diamonds mined in war zone, in parts of Africa, and sold to fund the war and/or insurgency (c) uranium mining owing to its link with the nuclear power, and (d) extractive sectors – impact on local communities on a range of issues such as imported labour causing lost local employment opportunities, and related social and health problems[47]. These have implications for the bank in its dealings with the clients operating in specific sectors, and in relation to the environmental issues tracked by the NGOs.

The above stated example demonstrates linkages between the bank's risk management processes and the environmental and social risks posed by the clients' operations. They also indicate the bank's dependency on the clients for the successful integration of the Equator Principles. Thus, the clients' participation in the decision-making processes become critical in achieving integration.

5.3 Client participation in the decision-making processes

Client participation in the decision-making processes of the bank's project-lending business unit is key to achieving the integration of the Equator principles. Without the client participation, the bank cannot negotiate and facilitate the process

[45] Bank Document: Environmental and Social Risk Briefing – Mining & Metal
[46] ibid
[47] ibid

whereby the clients accept the environmental and social criteria set by the bank, and meet those requirements in good faith.

Earlier the discussion indicated two important features of voluntary compliance strategy: the acquisition of business-sector specific knowledge, and the identification of business-sector specific risks. Both of these features act as important factors in how the voluntary compliance strategy is built by the bank. They also act as antecedents to how the bank engages with the client (in this case, the client who has applied for a project finance loan). These antecedents help shape the client's participation in the bank's decision processes. These are depicted in Figure 5.1.

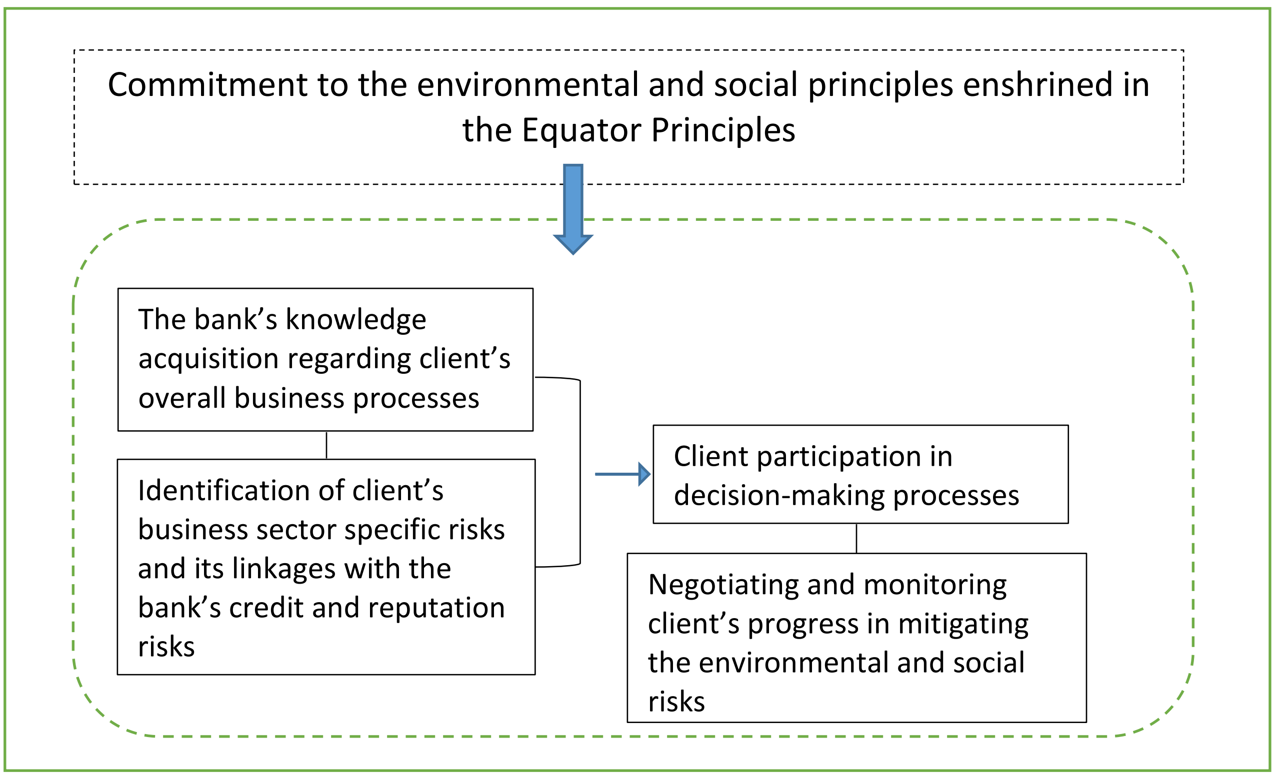

FIGURE 5. 1 CLIENT PARTICIPATION IN DECISION-MAKING PROCESSES AND ITS ANTECEDENTS

Figure 5.1 illustrates that the bank's knowledge acquisition related to the client's business processes and the associated social and environmental risks act as antecedents to the client's participation in the bank's decision-making processes. The client's participation leads to negotiations between the bank and the client regarding the client's ability to meet the environmental standards set by the bank (in relation to the Equator Principles). Any agreement reached between the bank and the client would necessitate monitoring (as discussed in the previous section) the clients' progress in mitigating the environmental and social risks. The following example, as illustrated by the bank and taken from the bank's document (in the form of raw data) entitled 'sustainability risk in lending', indicates that negotiations and monitoring functions play an important role in the decision-making process.

> We were asked to provide a letter of credit for a new client, which was a mining company in Africa. The company had faced a number of significant environmental and social challenges in the past, and it was vital that we understood how they were managing these risks before we accepted them as a client. We reviewed their approach to environmental and social risks, and [we] had a number of detailed conversations with senior management. As a result of these discussions we asked for a number of additional documents, and until we received them the relationship remained on hold. Following ongoing engagement with the team, we received an independent environmental assessment report from the client. This demonstrated the progress and the resolution of many of the issues that we had previously highlighted. Work was ongoing and was supported by quarterly monitoring reports. This progress and disclosure allowed [the bank] to provide facilities to the client. We included in the facility agreements the requirement for all applicable environmental laws and regulations to be fully met and for monitoring update reports to be provided to us[48].

The above quote illustrates the process of how the bank's risk management processes are linked to their clients' risk management processes. It also illustrates how the monitoring of clients (illustrated below in Table 5.1 in the context of trust mechanisms) is essential in achieving the integration of the environmental issues enshrined in the Equator Principles. As Illustrated in Figure 5.1, the two antecedents to the client's participation in the bank's decision processes are: knowledge acquisition about the client's business processes, and understanding the environmental and social risks associated with those business processes. Thus, for example, according to the bank, the client participation in the oil & gas sector would include key considerations such as (a) ensuring that the authorization for conducting relevant activities and/or

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[48] Bank Document: Sustainability Risk in Lending – Our Policies in Action – Mining (p. 4)

processes is in place (b) verifying that there are no outstanding legal actions or prosecutions related to the plant, including public nuisance such as odour – which may become a liability for the business and thereby impact banks' credit and/or reputational risks (c) verifying the age of the plant as older plants tend to contribute more pollution (d) ensuring that appropriate on-site disposal of process by-product and waste is taking place (e) ensuring that the environmental phase out and reduction agreements related to the materials produced are adhered to (f) ensuring that the stakeholder engagement process, more specifically with the affected communities, has taken place and that the risks identified as a result of these consultations are being addressed, and (g) ensuring that the appropriate labour issues have been considered especially where operations are remote and labour migration is involved[49]. This example demonstrates how the interrelationships between the bank's risk management monitoring processes, the clients' environmental risks, and the stakeholder participation in the decision-making processes play a key role in achieving integration.

5.4 Building relationships: Integrating trust-based relational interdependencies

As explained in the previous section, client participation in the decision-making process is necessary for the bank to achieve the goals of integrating Equator Principles into the core project-finance processes. It indicates that the relationship being built by the bank with the client assume a form of interdependency where one party trusts the other party (a trustee) in the relationship - which aims to minimize the risks inherent in an interdependent relationship. For instance, in the case of compliance with the environmental and social risks, the bank trusts the business client to comply with the environmental and social requirements through obtaining appropriate licence, permits, and meeting regulatory requirements. In such an interdependent relationship, the trust-based relationship could be conceived of as comprised of stages of relational development: starting from the client accepting (or not) the stipulated pre-conditions,

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[49] Bank Document: Environmental and Social Risk Briefing – Oil & Gas

meeting the pre-conditions, and obtaining the funding. Throughout these stages, the client's participation in the decision-making process is critical if the client is eventually to be able to obtain the loan.

The analysis of the trust-based relational interdependencies which ensue from the participation of clients in the decision-making process (related to the integration of the Equator Principles) is illustrated in Table 5.1 below. To analyse the relational interdependencies and the related trust-based dimensions, the following Table 5.1 draws on and adapts the Grammars of Trust model (Sheppard & Sherman, 1998), for gaining insight into the relational interdependencies, trust risks, qualities of trustworthiness, and mechanisms for trust-building. This model was also used in the previous chapter for analysing the stakeholder participation in the decision-making processes. The repetition in this chapter serves two purposes: (a) it demonstrates that stakeholder participation and integration strategies are shaped and driven by different contextual factors, and (b) it also demonstrates that theoretical and analytical replications are achieved (Yin, 1994) within embedded case study method for improved validity.

TABLE 5. 1 CLIENT PARTICIPATION IN DECISION-MAKING PROCESSES, RELATIONAL INTERDEPENDENCIES AND THE MECHANISMS FOR BUILDING RELATIONAL TRUST

Processes of client participation in decision-making	Client Decision: Acceptance, and Participation	Forms of Interdependence	Trust-Related Risks	Qualities of Trust-worthiness: Integrity, Competence, Benevolence	Mechanisms for Trust-building: Deterrence, Discovery, Internalization
Accepting the role of the Equator Principles	Client accepts bank's commitment to the Equator Principles	Dependence (bank's lending depends on client's good faith)	Client's potential inability to meet bank's assessments	Competence & integrity	Deterrence (monitoring – calculative trust)
Discovering the environmental and social Impact	Client participates in the process of negotiation in good faith	Dependence (The bank is dependent upon the client's compliance)	Client has the ability but may lapse, or may meet the environmental and social standards stipulated by the bank	Competence & integrity	Discovery (knowledge-based trust), and monitoring
Accepting the Loan	Client accepts the project funding from the bank	Interdependence	Mis-anticipation	Competence & Integrity	Internalization of the requirements & periodic reports for monitoring

Adapted from Sheppard and Sherman, 1998, p. 431

Sheppard and Sherman (1998), point out that trust is inherent in all relationships in some form, and that it entails risks (p. 422). They argue that risk is at the heart of trust-based relationships and that the risk varies in accordance with the type of interdependencies in a relationship (p. 422). Thus, by identifying the risks inherent in a relationship, managers can infer and/or anticipate the qualities of trustworthiness, and infer the necessary mechanisms for trust-building. For organizations, engagement with different groups of stakeholders entail differences in relational interdependencies. Hence, Sheppard and Sherman's (1998) conceptualization of different forms of trust-based relational interdependencies can be a useful tool for analyzing the bank's trust-based mechanisms related to its client engagement processes.

Thus, in understanding the building of trust-based relationships between the bank and its clients, three phases of client participation in decision-making processes are identified (see Table 5.1). These are (i) accepting the standards of the Equator Principles (ii) discovering the environmental and social impact, and (iii) accepting the loan. These phases equally apply to all clients which engage with the bank for seeking project-finance. As illustrated in Table 5.1, each phase is analyzed in relation to the five features of the trust-based relationship which result from client participation in the decision-making processes. These five features are (i) client decision (ii) forms of interdependence (iii) trust-related risks (iv) qualities of trustworthiness, and (v) mechanisms for trust-building. Each of the three phases are explained below in relation to these five features.

In the first decision phase, the bank's ability to proceed further with the transaction is entirely dependent upon the clients' acceptance of the environmental standards set by the bank in relation to the Equator Principles. According to Sheppard and Sherman (1998), "simple dependence is said to occur when one's outcomes are contingent upon the actions of another." (p. 424). The client may accept or reject the conditions related to the environmental standards set by the bank. The following example, as illustrated by the bank, indicates that a client may not always accept the bank's conditions related to its environmental standards.

> Our UK Business team was approached to provide a long-term loan to a vehicle repair business in the Midlands. As part of our due diligence and valuation processes, a desktop Environmental Report was commissioned. This revealed some potential environmental risks associated with a car breakers yard on part of the site, which was being offered as a security for the loan. As such, the case was referred to our central environmental risk team. Further enquiries with the prospective customer revealed that it was unclear whether the site held the appropriate environmental permits to operate and a

> specialist environmental risk assessment commissioned. The customer did not wish to accept this assessment, and so the loan was declined.[50]

This example makes clear that the form of relational interdependence between the bank and its client is one of dependence. From the bank's vantage point, the bank is dependent upon the client's acceptance of the bank's assessments regarding the client's environmental compliance. The trust-related risk is evident in the form of the client's inability (or unreliability) in meeting the bank's requirements. The bank's competence in monitoring the client's actions and practices for meeting the environmental standards plays a critical role in this phase.

Competence, as a characteristic for demonstrating trustworthiness in an exchange relationship is widely recognized in the scholarly literature (McKnight et al., 2006; Whitener et al., 2006). In this first phase of the decision process, deterrence (i.e., monitoring) as a mechanism for trust-building is necessary to ensure that the client fulfils (or not) the bank's requirements. According to Sheppard & Sherman (1998), "Deterrence in the institutional environment occurs when mechanisms exist to penalize parties who are not abiding by an understanding or are performing unreliably." (p. 428). The example quoted above suggests that the client did not hold the appropriate environmental permits to conduct their business. Thus, deterrence (i.e., monitoring to ensure that the client meets the necessary requirements for the transaction to proceed) indicates an appropriate mechanism at this initial stage of the trust-building process.

In the second phase of the decision process, and upon the client's acceptance of the pre-conditions stipulated by the bank for meeting sustainability dimensions, the client enters into a negotiated acceptance of the conditions stipulated by the bank. At this stage of the participation by the client in the decision-making process, the relationship could be conceived of as being based on mutual recognition of the environmental and social risks. The increase in knowledge about each other's

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[50] Bank document: Environmental Risk in Lending

possibilities and constraints could be said to be based on knowledge-based trust (i.e., 'discovery' as illustrated in Table 5.1).

Regardless of the stage of the relationship (dependent or interdependent) the monitoring function of the bank is an ongoing necessity (as illustrated in the example stated above) to ensure that the bank's environmental requirements are adhered to by the client. The client may comply or not, or may lapse in meeting the obligations. Therefore, the bank's competence in monitoring the client's performance is critical.

In the third phase of the decision process, and upon receiving the funding for the project, the relationship between the bank and the client could be said to move from one of dependency to one of interdependency. The interdependent relational form, in this analysis, is defined as a stage in the ongoing process of bank's stakeholder engagement practice whereby both parties rely on one another for mutually beneficial outcomes. In such an interdependent relationship, both the monitoring function and the 'keeping of promises' (i.e., integrity) can be said to play a crucial role in the ongoing maintenance of the trust-based relationship. Mis-anticipation of the client's performance is an inherent risk in this mutually interdependent relationship. It is possible that the bank could misjudge the clients' needs and equally the client could misjudge the bank's requirements. Thus, the internalization of each other's requirements (in this case) is a critical mechanism for trust formation.

5.5 Conclusion

This chapter explored how the bank builds a strategy which integrates the Equator Principles into its core business processes. In doing so, four features which contribute to the understanding of how the voluntary compliance strategy integrates the Equator Principles are highlighted. First, the knowledge acquisition of the clients' business processes (in the project-lending practices of the bank) was explored. Second, the role of strategic risks (e.g., reputation and conduct risks) and business risks (e.g., credit and remedial risks) related to project-finance activities was identified. Thus, the bank's reputation and conduct risks (e.g., strategic risks) arising from being associated with firm(s) that fail to comply with the environmental regulations were recognized.

The chapter also identified credit and remedial risks (i.e., business risks) related to non-adherence to the environmental regulatory requirements by the clients. Third, client participation in the bank's decision-making processes was explored. Fourth, as a result of client participation in the decision-making processes, the ensuing relational interdependencies and its trust-based dimensions were addressed. These four features act as critical elements for building the voluntary compliance strategy of the bank.

Since the Equator Principles are industry standards applicable to all the commercial banks that engage in financing large scale projects, there is no competitive advantage to be gained (in terms of product differentiation) by a firm in adopting those principles. Thus, the competitive advantage in relation to the project-finance business of the bank can be assumed to reside in (a) developing the bank's internal capabilities for engaging clients in their decision-making processes, and (b) in how the bank supports its clients in meeting the local environmental standards (i.e., how the bank uses its intangible assets). The bank's competitive advantage can also be said to lie in its capabilities to build trust-based relationships with its clients – a form of social capital. Building trust with clients or any other stakeholder group also highlights the role of intangible assets in building strategies of integration.

This chapter also demonstrated how the bank's discourses on risk management and stakeholder engagement (i.e., client engagement) enable it to construct a voluntary compliance strategy which points to two intersecting dimensions. These are external as well as internal, both of which contribute to the strategy-building process. The external dimension is characterized by bank's adoption of the international industry standards: The Equator Principles. The internal dimension is characterized by building the bank's internal capabilities such as the bank's risk management processes, the participation of clients in decision-making processes, and the trust-based client relationships for achieving the sustainability aims of the Equator Principles. Both the external and the internal dimensions contribute to the understanding of how this integration strategy is built by the bank.

In summary, the external as well as the internal dimensions of the bank's sustainability discourse related to the Equator Principles symbolize commitments for the integration of sustainability issues into its core business processes. Thus, the bank is accountable for its performance and reporting in relation to its publicly stated sustainability positions and strategies. In turn, the bank can be held accountable by various stakeholder groups (e.g., NGOs or regulatory bodies) who have an interest in the activities of the bank.

The voluntary compliance strategy differs from the client-centered strategy (discussed in the previous chapter) in its context, purpose and motivations. The previous chapter (Chapter 4) on the client-centered strategy of the bank illustrated the building of stakeholder management capabilities for creating competitive advantage. This chapter on the voluntary compliance strategy has illustrated the building of the stakeholder management capabilities for managing strategic and business risks of the bank.

The next chapter (Chapter 6) addresses the third of the three main integration strategies discussed in this thesis; it outlines how the bank constructs its legitimation strategy. It illustrates how the bank builds its stakeholder management capabilities by holding international stakeholder consultation meetings through which the bank lays out its strategic intent. The bank also makes a commitment to integrate stakeholder considerations. Two common features in all these three strategies of sustainability integration (i.e., chapters 4, 5, and 6) are (a) the building of stakeholder management capabilities which involve stakeholder participation in decision-making processes, and (b) the building of trust-based relationships with stakeholders. However, these common features play out differently in each of the strategies because of the contextual differences in the wealth management, project-lending, and citizenship management units of the bank.

Chapter 6
Building Legitimation Strategy: Meeting societal expectations

This chapter highlights the bank's strategic approach to seeking the societal legitimation of its enterprise. The bank recognizes much is at stake in relation to its reputation and society's trust in the financial institutions. The findings suggest that the bank makes various commitments such as the integration of stakeholder considerations, achievement of transparency in its business activities, contribution to communities, creation of economic value, and adherence to its values and beliefs (illustrated in section 6.1). The bank gives significance to these commitments which sets the future strategic direction for its business. Thus, these commitments drive the legitimation strategy.

The findings in this chapter also suggest that organizational elements such as stakeholder participation (illustrated in section 6.2.1) and risk management processes (illustrated in section 6.2.2) play a key role in the construction of the legitimation strategy. In contrast to the client-centred strategy (chapter 4), and the voluntary compliance strategy (chapter 5), the organizational elements in this chapter are shaped by an entirely different context. In the client-centred strategy this study indicated an instrumental approach to achieving integration. In the voluntary compliance strategy (chapter 6) a normative approach to integration was indicated. In the legitimation strategy (this chapter), the societal legitimation process could be conceived as an instrumental approach – it can be safely assumed that it is a strategy for protecting the bank's reputation and brand. Thus, it is a strategy which expounds the organizational strategic intent for achieving the legitimacy of its brand.

As suggested earlier, the findings indicate that within the same organization different contexts shape different integration strategies which function independently of one another. This study views organizational commitments which shape the legitimation strategy as intangible assets which provide an underlying top-level management support to the CSR/sustainability integration process. The top-level organizational commitment is essential if the efforts towards sustainability are to succeed (Nooyi & Govindarajan, 2020; Smith & Besharov, 2019).

In line with the previous chapters 4 and 5, the following sections use three categories from Gee's (2014) discourse analysis framework (a process perspective based on social constructionist perspective) to illustrate how the bank builds its legitimation strategy. These three constructs are: building significance, building activity, and building relationships.

6.1 Building significance: Making commitments and setting future direction for creating economic and social value

The legitimation strategy of the bank involves a set of commitments which consists of internally devised values, standards, and principles. It articulates the bank's citizenship practices which include contributions to community-based programs and activities**.** According to the bank. The citizenship practices are about "the way we think, work, and act…in the right way."[51] Such a strategy of organizational renewal and transformation could be viewed within the context of the widely reported banking scandals in which this bank has also been implicated. The bank's CR report (2013: p. 12)[52] suggests that the levels of trust in financial services globally is 46%, and is the lowest across major industry sectors. Thus, long-term trust-building with its various stakeholders serves as a backdrop for this transformation strategy. The bank's citizenship discourse recognizes that it will need to respond not only to its shareholders but also to other stakeholders including the communities where its operations are conducted. This is evidenced in the following claim made by the bank:

> [to ensure] that we consider the needs of all our stakeholders and take decisions which, in the long term, are positive for our *customers, clients, shareholders, colleagues and the communities* in which we operate is essential to enabling us to fulfil that role. (CR Report, 2013: p.4, emphasis mine)[53].

The bank's citizenship framework specifies several intentions such as measuring outcomes through key performance indicators, upholding financial services regulatory

[51] Bank document: BW
[52] Bank document: CR
[53] Ibid

and legal obligations, and meeting international sustainability standards through market listings such as the Dow Jones Sustainability Index (DJSI). Additionally, the citizenship framework also refers to commitments to internationally accepted standards such as the International Bill of Human Rights, the International Covenant on Civil and Political Rights, the International Labor Organization Core Conventions and Treaties, and the OECD Guidelines for Multinational Enterprises (CR Report, 2013)[54].

Beyond the declarations for upholding various international accepted standards and principles, the bank devised five commitments resulting from the feedback received from stakeholder consultation meetings held in London, New York, and Johannesburg. Those five commitments underlie the bank's legitimation strategy, and they indicate the bank's strategic intent for organizational renewal and change in the way it conducts its business practices. Those commitments are stated as: (a) articulation of a global code of conduct which specify the bank's values and beliefs (b) integration of stakeholder considerations (c) enhancement of transparency (d) extension of support to communities, and (e) creation of economic value and achievement of growth[55]. These commitments are explained below.

6.1.1 Articulating and instituting global code of conduct

The bank's legitimation strategy is underpinned by explanations of values which the bank intends to embed in its organizational culture (CR Report, 2013: p.4)[56]. According to its chairman, "One year on from launching our purpose and values, we have taken a number of significant steps to integrate these concerns more fully into the way in which we make decisions and do business." (CR Report, 2013: p.4)[57]. The bank's transformation and culture change strategy can be seen as a basis for outlining its citizenship agenda, and thus its legitimation strategy. The bank argues that a strong culture based on commitment to values is the first line of defense against repeating the

[54] Bank document: CR
[55] Ibid
[56] Ibid
[57] Ibid

mistakes of the past. This indicates that the bank, at the strategic level, recognizes that values (i.e., its global code of conduct), and their integration into decisions, play a critical role in building a strong culture, which in turn supports the building of trust and reputation.

The bank expresses the intention to implement a global code of conduct to set clear and consistent expectations of the behavior of its employees including that of its managers. The global code of conduct indicates that it applies to all the branches and affiliates of the bank and therefore, the legitimation strategy can be assumed to be an enterprise level strategy. According to Buchholtz & Carroll (2012) the "enterprise-level strategy needs to be thought of as a concept that more closely aligns 'social and ethical concerns' with traditional business concerns." (p. 153). They further suggest that enterprise-level strategies are global in application, and that most organizations make their enterprise-level strategy explicit in their vision, code of conduct, and values statements. (p. 153).

The bank's global code of conduct is expressed as being underpinned by a set of values (Table 6.1) which would influence how the bank's employees interact with all its stakeholders. The stakeholders are broadly classified by the bank as: colleagues, clients/customers, suppliers, communities, regulators, and network partners (private as well as public bodies for collaborations). The selection of these stakeholder groups suggests that, going forward, the bank intends to take account of market stakeholders as well as non-market stakeholders in how it conducts itself. For building social strategy, the role of non-market stakeholders is as critical as that of market stakeholders (Husted & Allen, 2011).

Market stakeholders are "those that engage in economic transactions with the company as it carries out its primary purpose of providing society with goods and services." (Lawrence & Weber, 2008: p. 8-9). Non-market stakeholders are "people and groups who – although they do not engage in direct economic exchange with the firm – are nonetheless affected by or can affect [company] actions." (p. 8-9). In this study, the client-centered strategy and the voluntary compliance strategy (i.e., chapters 4 & 5) demonstrate the critical role of market stakeholders (i.e., the clients) as wells as non-market stakeholders (e.g., adults with mental health issues and the environmental regulatory bodies) in building integration strategies. In the legitimation strategy, discussed in this chapter, societal representatives such as NGOs, think tanks, corporate clients, academia, government organizations, investors, consumer groups, and industry bodies (SD: p. 5)[58] are examples of market stakeholders as well as non-market stakeholder groups.

TABLE 6. 1 COMMITMENT TO BELIEFS AND VALUES THAT UNDERPIN BANK'S BUSINESS AND SUSTAINABILITY STRATEGIES, AND THE BANK'S STAKEHOLDER ENGAGEMENT PRACTICES

Respect	Integrity	Service	Excellence	Stewardship
We respect and value those we work with, and the contribution that they make.	We act fairly, ethically and openly in all we do.	We put our clients and customers at the center of what we do.	We use our energy, skills and resources to deliver the best, sustainable results.	We are passionate about leaving things better than we found them.

From the Bank's Citizenship Plan, 2013: p.8

These values (Table 6.1) are expressed by the bank as crucial for how it conducts its business. They are said to underpin the culture change that the bank intends to bring about in its day to day operations. This is illustrated through what the bank has to say about the importance it places on its values and beliefs:

> A strong culture is the first line of defense against repeating the mistakes of the past. To unite around [the bank's] values and behaviors, we published 'The [bank's] Way' to govern our way of working across our business globally. Colleagues are essential to embedding our purpose and values and, in 2013, all of our colleagues attended values and behaviors engagement sessions. Reward and incentivization is a critical enabler of behavioral change. As of 2014, colleague performance will be measured and rewarded not only on 'what' an employee delivers but also 'how' they achieve their objectives. As such, remuneration will align with [the bank's] purpose,

[58] Bank document: SD

> values and behaviors as well as the Group Balanced Scorecard (CR Report, p. 12)[59].

The above quote from the bank's Citizenship assertions indicate a legitimation strategy which is an enterprise-level strategy applicable to its business globally. It also sets forth how the bank intends to inculcate these values and beliefs into the behaviors of its employees. The reference to the Group Balanced Scorecard suggests that the performance of the employees would be measured by specific metrics devised by the bank. More importantly, the bank identifies the role of "colleagues" (i.e., the employees) as essential in embedding its values and beliefs into its culture.

These stated values and beliefs (e.g., values of integrity, and stewardship) are associated with the ethical and social dimensions of the bank's activities. Hence, the role of employees in achieving the aims of integration acquires importance. The important role of employees in building social strategies is recognized by Husted and Allen (2011). They assert that "Instead [of arguing for wider stakeholder representation on the boards of companies], drawing on John Dewey's concept of democratic pragmatism (1998), social strategy suggests that if we focus on employees and participative decision making, we may find innovative ways to create and sustain economic and social value." (p. 131).

The bank defines integrity as "acting fairly, ethically, and openly"[60]. The bank sees the legitimation strategy process as aiming to create an organization that can compete with integrity to build trust, and enhance its reputation. According to De George, (1993) acting with integrity is synonymous with acting ethically. De George argues that integrity is about "acting in accordance with one's highest self-accepted norms of behavior and imposing on oneself the norms demanded by ethics and morality." (p. 6). The self-regulatory control aspect of acting in line with self-imposed ethical standards is more acceptable to corporations in contrast with the high ethical standards of behavior demanded by formal regulations (De George, 1993: p.6). The

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[59] Bank document: CR

[60] Ibid

self-imposed standards of behavior are evident in corporations when they devise policies to include code of conduct and 'values' statements.

6.1.2 Integrating stakeholder considerations

The bank suggests that it will ensure that its material business decisions will reflect stakeholder considerations. In the context of the bank, for example, the material business decisions include investment management activities, and large-scale project lending activities as described in the last two chapters. These are some of the core activities of the bank which have direct impact on its revenues. Thus, the references made to material business decisions point to the core business processes of the bank.

As demonstrated in the client-centered and the voluntary compliance strategies (i.e., chapters 4 and 5), stakeholder considerations include market stakeholders such as clients, as well as non-market stakeholders such as chaotic families, children with conduct problems, and adults with mental health problems. The bank's mention of these stakeholders suggests that it gives consideration to specific groups of stakeholders. The focus on specific stakeholder groups (as opposed to addressing the needs of all stakeholder groups) can be understood in the context of the aims for creating combined economic as well as social value. The attention given to a specific set of stakeholder group(s) in building social strategies is justified by Husted & Allen (2011). They argue:

> Where most definitions of CSR require that the firm meet society's ethical and social demands irrespective of their impact on the firm, social strategy selects specific social issues to work on with the aim of creating economic and social value. Social strategy narrows down the range of stakeholders, and economic and social value are quantifiable and limited requisites. (p. 134).

Husted and Allen's (2011) suggestions are evident in the bank's selection of specific social issues such as chaotic families, and adults with mental health problems. The clients' role in the bank's building of the client-centered and the voluntary compliance strategies indicate a specific and a narrow range of stakeholder groups that the bank focusses on for achieving competitive advantage. Husted and Allen (2011) further reiterate their support for addressing a specific set of stakeholder group for building social strategy. They suggest that for social strategy, the managements' focus should be only on those stakeholders for whom social action programs can be developed in line with firm's corporate strategy for creating economic and social value. (p. 135). Equally, Post et al. (2002) in giving examples from business entities such as Motorola, Cummins Engine Company, and Royal/Dutch Shell Group assert the central role of stakeholder groups in creating organizational wealth. They argue that stakeholder relationships where both parties can obtain beneficial outcomes enhances organizational wealth. (p. 36).

According to Post et al. (2002) these mutually beneficial relationships include collaborations based on shared knowledge, familiarity, and trust which can facilitate and sustain organizational wealth through risk reduction and improvements in operational efficiencies. (p. 56). This is also consistent with Porter & Kramer's (2011) assertion about creating shared value where both parties in a transactional relationship can achieve mutual benefits. Post et al.'s (2002) suggestions related to collaborating with others based on shared knowledge, building trust, and achieving operational efficiencies can be argued to indicate an approach similar to Husted & Allen's suggestions which emphasize dealing with specific stakeholder-groups for creating combined economic as well as social value.

An example of this specificity of stakeholder groups is evident, for example, when the bank suggests commitments to paying suppliers (i.e., a market stakeholder group) on time. This is indicated by the bank's planned commitment (i.e., diagnostic metric) which, for example, suggests 83% of suppliers were paid on time.[61] Such diagnostics suggest that the bank recognizes the need to build effective relationships with its suppliers. The bank also suggests that "[We seek] mutually beneficial relationships with suppliers based on merit. We work through our supply chain to promote responsible and inclusive procurement practices, applying standards of

[61] Bank document: CR

integrity and good practice in managing related environmental, social, and ethical impacts." (BW: p. 32)[62]. The importance of good buyer-supplier relationships is widely discussed in the strategic management and CSR literature. For example, Crane & Matten (2016) refer to Daugherty (2011) to suggest that organization have increasingly begun to build long-term relationships with their suppliers based on partnerships, collaboration, and trust. (p. 393).

Building effective relationships with suppliers are said to benefit the firm through lower transaction costs as a consequence of the reduction in switching costs, and the expenses related to creating new contracts (Artz, 1999). Crane & Matten (2016), in furthering the argument suggest that effective supplier relationships can also enable the buyers and sellers to build customized relationships to benefit both parties. This is one example of the bank's claims about its commitment to the integration of stakeholder considerations which stand to mutually benefit both parties. Other examples of stakeholder considerations in its material business decisions are evident in the client-centered and the voluntary compliance strategies.

6.1.3 Achieving transparency

In relation to achieving transparency, the bank sets forth a commitment to being as open as possible about how it conducts its business. The bank's statements recognize that effective collaborations with stakeholders would depend on transparency. For example, the bank argues that "Transparency is a precondition for trust; trust is a pre-condition for collaboration; collaboration is necessary to solve key sustainable development challenges." (SD, 2013: p. 9)[63].

By setting out transparency as a precondition to the building of trust for effective collaborations, the bank acknowledges the role of transparency, trust, and collaborations as critical elements for their stakeholder engagement processes and the aim of the achievement of combined economic and social value for the bank. For

[62] Bank document: BW
[63] Bank document: SD

example, the bank suggests that “Society continues to face profound social, economic and environmental challenges. So, we must build on the feedback from our stakeholders, maintain momentum, think more boldly and work with others to truly make a transformative contribution to society far beyond 2015.” (CR Report, 2013: p. 4)[64].

In addition to aiming for achieving transparency by building trust and engaging in collaborations, the bank claims to use a balanced-score card (Kaplan & Norton, 1992) to report its achievements on various aspects of its citizenship practices as a way to demonstrate the transparency of its commitments. The balanced scorecard concept was the result of a multi-company research project conducted by Kaplan & Norton to study the performance measurements in companies where intangible assets played an important role in value creation. Kaplan and Norton believe that if the companies were to improve the management of their intangible assets, the performance of those assets need to be measured. Current measures of performance, according to Kaplan and Norton, were dominated by financial measures at the exclusion of the measures of intangible assets which help support financial value creation. The bank’s performance measurements in the context of its balanced-scorecard approach is depicted in Table 6.2 below.

[64] Bank document: CR:

TABLE 6. 2 THE BANK'S CITIZENSHIP PERFORMANCE METRICS

	CSR MEASUREMENT METRIC
1	Number of SMEs supported with seminars, tools and training
2	Number of apprenticeships at the bank
3	Investment in community
4	Number of 10 to 35 years old supported in building financial skills
5	Reduction in global carbon emission

Adapted from the bank's CR Report (p. 14-15)

The role of CSR reporting and the disclosure of the organization's CSR practices as an indicator of achieving transparency is made explicit by Crane & Matten (2016). They argue that corporate transparency is also about being able to hold corporations accountable for their actions. They argue that it is important for stakeholders to know about the companies' actions and activities which would enable accountability. (p. 77). It is only through such transparency that stakeholders can decide whether to support them or not. (p. 77). However, they caution that improved transparency may not in itself be enough for restoring public trust in corporations. Nevertheless, they suggest that issues related to corporate accountability are increasingly becoming a necessity for maintaining the trust of stakeholders.

As indicated earlier, the bank discusses its CSR reporting in terms of the balanced scorecard approach. The balanced scorecard approach for reporting performance and for controlling strategy processes related to a firm's financial as well as intangible assets is well established in the strategic management literature (Hill & Jones, 1998; Kaplan & Norton, 1992; Simons, 1994; White, 2004). However, in the CSR literature, the reporting of intangible assets (such as the firm's social, environmental, and ethical activities, and its performance related to its stakeholders) comes under the notion of social accounting. In similarity to the balanced scorecard framework, the process of social accounting is also considered as vital for achieving corporate transparency and accountability (O'Dwyer et al., 2011). However, O'Dwyer et al. (2011) point out that while financial reporting is a legal requirement for corporations, social accounting remains a voluntary effort. Crane & Matten (2016) suggest that corporations engage voluntarily in social accounting for various reasons. Their motivations may include factors such as internal and external pressures from governments, consumers, regulators, shareholders, industry associations and/or requirements in relation to risk identification, improved stakeholder management, and improved transparency and accountability (p. 209-210).

6.1.4 Supporting communities

In support of the community, the bank claims that it committed investments (worth £250 million) in community programs. These programs are described as aiming to improve the entrepreneurial skills and employability of the young. It describes a commitment to building the employability and financial skills of five million 10 to 35 years old. These are examples of bank's engagement with non-market stakeholders. The bank thus says it uses its resources and core skills and capabilities in finance to contribute to improve the employability of the youth. This is also an example of how the strategic use of the bank's capabilities and resources for its community related programs. The bank's strategic approach to community-related philanthropy is evident in its following statement:

> We use our financial skills and expertise to help people work towards financial independence and security and believe that, in aligning our community investment to our core business, we can make the maximum positive impact, bringing the power and capability of our organization to tackle important social issues. (BW, September, 2013: p. 23)[65]

A strategic approach for gaining competitive advantage through community investments and philanthropy is supported by Porter and Kramer (2002). Porter and Kramer (2006) refer to such a process (in which internal processes are linked to

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[65] Bank document: BW

environmental and social issues) as an inside-out approach. In the inside-out approach, internal capabilities are used to improve the external economic and/or social conditions (or environmental conditions). This approach is evident in what the bank has to say:

> Investing in the community is integral to [the bank's] citizenship plans and aspirations. We know that both our business and colleagues' personal development benefit from contributing to the communities where we operate worldwide, whether through our volunteering activities or our national and international investment programs. We use our financial skills and expertise to help people work towards financial independence and security and believe that, in aligning our community investment to our core business, we can make the maximum positive impact, bringing the power and capability of our organization to tackle important social issues. (CR Report)[66]

The involvement of business firms in civil society, over many decades, has been evident in the acts of charitable giving and philanthropy. The philanthropic contributions of firms, such as the supporting of specific charities, arts, education endowments, or offering employees the opportunity to volunteer on planned activities (during company time) in partnership with civil service organizations are some examples of corporate philanthropy (Buchholtz & Carroll, 2012; Crane & Matten, 2016). Kotler & Lee (2005) suggest that many large corporations have instituted separate units or foundations to strategically manage their philanthropic activities. In this study, the bank's use of a balanced scorecard framework (as discussed in the previous section) to measure their 'investments in community' is an example of philanthropy demonstrated through community involvement. Other social action metrics described by the bank are the number of apprenticeships offered by the bank, and the number of 10 to 35 years old supported by the bank in building financial skills (see Table 6.2). These examples indicate that the commitment to supporting communities is one of the elements of the bank's legitimation strategy.

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[66] Bank document: CR

6.1.5 Creating economic value and achieving growth

Going forward, the bank suggests that it intends to achieve growth by leveraging its products, capital, networks, and expertise. Such leveraging of the bank's products and networks is evident in the client-centered strategy (chapter 4). For example, the investment management as a product (or service) is leveraged by the bank through provision of innovative services to the clients. The innovative service combines traditional financial investment approaches with knowledge drawn from Behavioral Finance.

Similarly, the leveraging of networks for achieving economic growth is evident, for example, in the bank's collaboration with New Philanthropy Capital (NPC). This collaborative approach for identifying the most pressing social issues which place a high financial burden on the treasury (and therefore create a social and economic burden on society) is explained in the client-centered strategy (chapter 4).

Equally, the leveraging of the bank's product in achieving combined economic, social, and environmental value is evident in the voluntary compliance strategy (Chapter 5). In this strategy, the bank leverages its large-scale project-lending activities for the requirements of meeting the environmental and social standards enshrined in the Equator Principles.

The creation of economic value is at the heart of what a commercial and/or investment bank does. However, what is salient in the bank's efforts to create economic value and growth (as illustrated in the previous chapters on the client-centered and voluntary compliance strategies) is its additional strategic commitment to creating joint economic as well as social value. Beyond creating combined economic and social value through leveraging the core business processes of investment management and project lending, the bank suggests that it engages in other activities for achieving economic growth. These activities include participating in new and renewed lending to households and to small and medium enterprises (SMEs).

6.2 Building activity: Consulting stakeholders and instituting strategic risk management processes

As explained in the previous section, in building the legitimation strategy, the bank expresses explicit commitments and sets out a future direction for itself. Those commitments are the result of the stakeholder consultation process. By devising its four-dimensional strategy (Figure 6.1 - discussed below), the bank lays out its future direction about how it intends to conduct its business. The bank argues that “The objective is to define the way we think, work, and act to ensure that we deliver against our purpose for helping people to achieve their ambitions – in the right way.” (BW: p.6)[67]. Thus, the four dimensions of its legitimation strategy, as illustrated below in Figure 6.1, can be said to be an attempt by the bank to define the way it thinks, works, and acts going forward.

For the bank, the feedback received from the stakeholder consultation meetings acts as a precursor to understanding the reputational and conduct risks (discussed below) it needs to address. The bank, in instituting risk management processes, asserts that “[We are] committed to continuously improving our risk management systems. This enables us to make informed decisions, reward the right activities and behaviors, deliver excellent customer service, build trust with stakeholders and achieve sustainable performance.” (BW: p. 30)[68]. Thus, questions about how the feedback received from the stakeholder consultations enables the bank to devise its four-dimensional legitimation strategy, and how that also allows the bank to institute strategic risk-management processes are the subjects of the following explanation.

6.2.1 Stakeholder engagement

The bank’s explanation of its stakeholder engagement process, which it refers to as ‘stakeholder dialogue’ is a building block and a critical element in understanding how the strategy of legitimation is structured. In 2013, the bank held four international

[67] Bank document: BW
[68] Ibid

stakeholder engagement meetings, two in London, one in New York, and one in Johannesburg. The key participants included "representatives from NGOs, think tanks, corporate clients, academia, government organizations, investors, consumer groups, and industry bodies." (SD: p. 5)[69]. The organizational learning effect as a result of the engagement is illustrated by the bank when it suggests that "The dialogues provided valuable insights into the evolution of corporate collaboration and its critical importance." (SD: p. 9)[70].

It is safe to assume that the stakeholder engagement exercise is the basic building block for the formulation of the legitimation strategy, which is aimed at changing how the bank conducts itself not only in its interactions with stakeholders but also in its daily business practices. Figure 6.1 below illustrates four dimensions of the bank's legitimation strategy: "vision", "action", "influence", and "collaboration".[71] These four dimensions were devised by the bank as a result of the stakeholder consultation process (or stakeholder dialogue) initiated by the bank. In the Figure 6.1 below this study analyses how the bank's four dimensions of its legitimation strategy are linked to integrity, stakeholder engagement, stakeholder relationship, and trust-building.

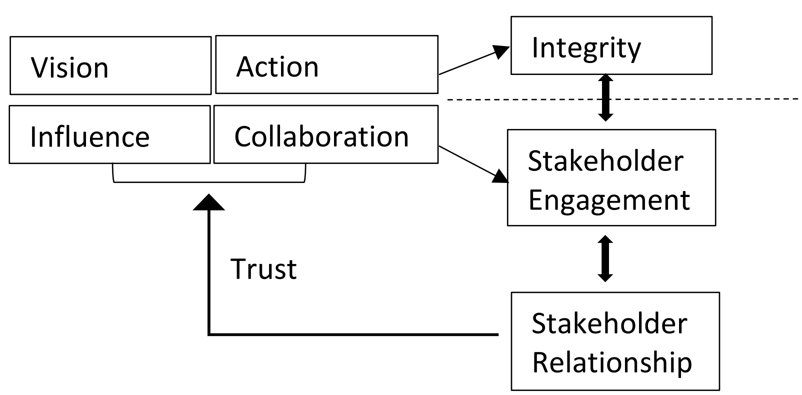

FIGURE 6. 1 THE FOUR DIMENSIONS OF THE BANK'S CITIZENSHIP STRATEGY: ADAPTED FROM THE BANK'S SD DOCUMENT

[69] Bank document: SD
[70] Ibid
[71] Ibid

The vision and action identified in the top half of Figure 6.1 can be inferred as the bank's emphasis on integrity. Here the vision represents bank's stated values and commitments discussed in the earlier section of this chapter. Such commitments need to be supported by the bank's daily practices if the bank is to be perceived as acting with integrity. The feedback from the stakeholders is instructive as to what is meant by 'acting with integrity'. According to the bank, "[the] stakeholders were clear on what they would perceive as concrete evidence of integration into core business process, and emphasized the importance of leadership and internal capacity building in embedding citizenship." (SD: p. 7)[72].

The stakeholders, during the consultation meetings are reported to have suggested that they expected to see behavioral changes in how the bank conducts itself. For example, the stakeholders suggested that the bank's actions and practices should "ensure senior leadership is provided in words, decisions, and actions." The stakeholders "expect to see visible signs of integration, including changes to everyday products and services (not just the flagship ones)". They want the bank to "ensure [that the] culture change is driven into middle management". The stakeholders' distrust in the banks in general was described as being expressed in the quote "seeing is believing." (SD: p.7)[73]

According to the bank, the stakeholders welcomed the culture change efforts but questioned how the bank "will change middle management's mindset" (SD: p.7)[74]. The link between words and actions made by stakeholders is in line with De George's (1993) definition of integrity when he suggests that "The reputation for being ethical depends not only on acting ethically but also on being perceived as acting ethically." (p. 7). De George further suggests that acting with integrity is the same as acting ethically (p. 7).

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[72] Bank document: SD
[73] Ibid
[74] Ibid

Similarly, Whitener et al.(2006) view integrity as an alignment between words and actions. They suggest that “Employees observe the consistency between managers’ words and deeds and make attributions about their integrity, honesty, and moral character.” (p.145). This is consistent with a statement from one of the stakeholders (as reported by the bank), “If you are doing real work then this will come across as genuine, but if there is a perception that things are not stemming from core values and long-term interest, I think that people would see through this.” (SD)[75] Thus, it could be inferred that the stakeholder consultation and engagement process played a role in helping the bank to construct its legitimation strategy.

The bottom part of Figure 6.1 identifies influence and collaboration as the other two dimensions resulting from the stakeholder consultation process. The ideas related to ‘influence’ and ‘collaboration’ are built through the feedback received from stakeholder engagement. For example, the stakeholders reportedly suggested that the bank “focus on [the] brand, and [the] global (and local) presence, [and] leverage the bank’s reach (and cover), [and thereby leverage the] power to influence peers, stakeholders, and consumers”. The stakeholders also reportedly asked the bank to (a) “consider relationships with suppliers, customers, and partners” (b) “engage with the supply chain, customer base and colleagues to generate connections and opportunities that can drive positive outcomes across the value chain”, and (c) “broaden the scope and level of engagement [by increasing] the breadth and depth of the bank’s collaboration efforts (e.g., partnership with competitors, NGOs, customers, policymakers, public sector organizations, and even investors).” (SD)[76].

The bank clearly states how the stakeholder dialogue contributed to its collaboration efforts: “the dialogue provided valuable insights into the evolution of corporate collaboration and its critical importance.” (SD)[77]

[75] Bank document: SD
[76] Ibid
[77] Ibid

To be able to exert its influence and engage in collaborations with others, the bank's vision and integrity-based actions (for trust formation over a period of time) are critical. The importance of integrity-based actions is emphasized by a stakeholder who is reported to have said, "ensure senior leadership is provided in words, decisions, and actions." Other feedback from stakeholders highlighted the need to, "build transparency, trust, and collaboration: transparency is a precondition for trust, trust is a pre-condition for collaboration, [and] collaboration is necessary to solve key sustainable development challenges". (SD: p. 9)[78]. The bank's report based on the feedback received from the stakeholder dialogue process illustrates how the four dimensions: vision, action, influence, and collaboration are devised by the bank for building its legitimation strategy.

6.2.2 Risk management

The bank explains how the stakeholder engagement process enabled it to identify risks to its reputation vis-à-vis how it conducts its business. Risk management processes are devised by the bank to address business as well as reputational challenges that impact the bank. The bank has elevated reputation and conduct risks to a strategic level, indicating the critical importance the bank places on these risks. In doing so, the bank's organizational structure has been aligned to monitor the risk management function. The management of reputation and conduct risk is instituted at three organizational levels: the first is the business unit level risk committee which reports to group level risk committee (the second level), and finally, the group level risk committee reports to the board level reputation committee (the third level).

Thus, the elevation of reputation management to the board level highlights the strategic importance placed by the bank on reputation management. The importance of reputational risk, and its impact on the company's brand is echoed by Crane et al. (2014) when they suggest that when firms participate in CSR issues, their motivation mainly stems from protecting the brand value rather than improving sales. (p. 246).

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[78] Bank document: SD

This concern for the reputation of the bank's brand is evident in its assertion that it will strive to "take care to protect and enhance our reputation in everything that we do – our brand is more important to long-term stock market value and sustainable growth than short-term profits." (BW: p. 14)[79].

Closely-related to the reputation management function (i.e., the reputation and conduct risk function of the bank) are the operational risk and legal risk functions of the bank. Transgressions in these areas can create reputational risks for the bank. One of the objectives of the management in relation to the operational risks is to "improve the effective management of the group and strengthen its brand and external reputation."[80] The risk management function of the bank in relation to its legitimation strategy can be said to constitute four risk management elements. These are illustrated below in Figure 6.2.

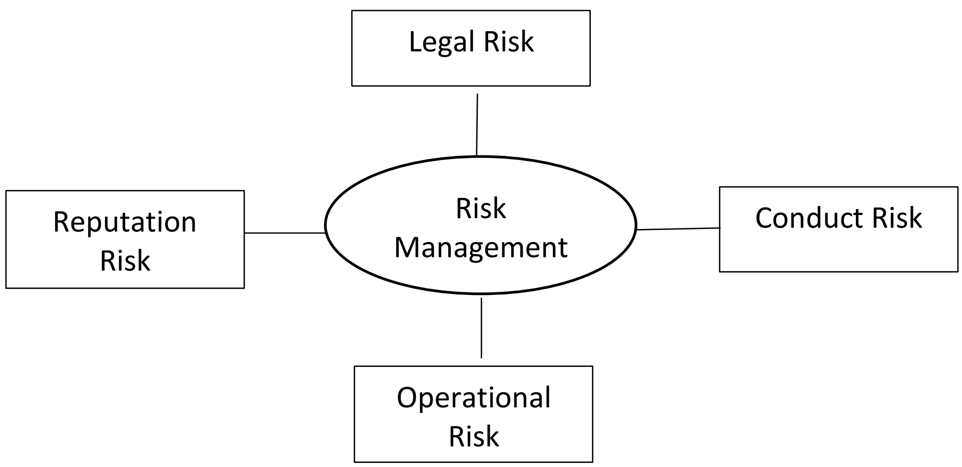

FIGURE 6.2 THE TYPES OF RISKS RECOGNIZED BY THE BANK AT THE STRATEGIC LEVEL

As illustrated in Figure 6.2, the bank builds a picture of several risk dimensions that are critical for its overall risk management function. These are legal risks, conduct risks, operational risks, and reputation risks[81]. Legal risk is defined by the bank as "the

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[79] Bank document: BW
[80] Ibid
[81] Bank document: AR

risk of loss or the imposition of penalities, damages, or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements.”[82] In a general sense, it is true that any legal transgression and fines imposed on the bank for any non-compliance would damage the bank’s reputation. However, the area within the legal-risk framework highlighted by the bank relates to competition and antitrust law violations. In the bank’s words, the legal risk is the “failure to follow competition [or] antitrust law or failure to manage relationships with competition and antitrust authorities.”[83] Thus, the bank views its relationship with regulatory bodies such as anti-trust authorities (one of its non-market stakeholders) as a potential legal risk to be managed proactively.

Operational risk is defined by the bank as “the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events.”[84] The management of operational risk, according to the bank, has two objectives. One is to mitigate the losses that may occur owing to the normal course of business (small losses), and from the external unforeseen events (large losses). The other is to enhance the effectiveness of the management of the group (i.e., all the bank’s branches and affiliates) for protecting its brand and reputation.

Conduct risk is defined by the bank as “the risk [in which] detriment is caused to our customers, clients, counterparties because of inappropriate judgement in the execution of our business activities.”[85] This is a recognition by the bank that some of its reputational exposures are related to the individual conduct of its employees. Examples of this could be actions related to inappropriate investment or insurance products sold to clients which do not fit clients’ needs or requirements, or misreporting of the LIBOR rates (London Inter-Bank Offered Rate) to the appropriate body responsible for setting the LIBOR interest rates.

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[82] Bank document: AR
[83] Ibid
[84] Ibid
[85] Ibid

Reputation risk is defined by the bank as the “risk of damage to the [bank’s] brand arising from any association, action, or inaction which is perceived by stakeholders to be inappropriate or unethical.”[86] This definition suggests a close relationship between reputation risk and conduct risk. According to the bank, the reputation and conduct risk committees ultimately report to the board reputation committee. As suggested earlier, this indicates that the bank treats its reputation and conduct risks as strategic issues. The bank also states that its key risk control framework (KRCF) is intended to integrate conduct, operational, and reputation risks into its business decisions and governance.

According to the bank, its business units do not only assess these risks in the strategy formulation process, but they also set their risk-appetite profile. The risk appetite is defined as “the level of risk [the bank] is prepared to accept whilst pursuing its business strategy.”[87] This definition is consistent with what Simons (1995) refers to as boundary system – that is, risk management system which managers use to formulate strategies. The bank further suggests that “Risk appetite sets the ‘tone from the top’ and provides a basis for ongoing dialogue between the management and the board with respect to the [bank’s] current and evolving risk profile, allowing strategic and financial decisions to be made on an informed basis.”[88] The discussion of different risks (as indicated above) informs the bank’s various stakeholder groups about the importance the bank places on the protection of its reputation and brand. Thus, discourses of risk management by the bank also play an important role in how the bank constructs its legitimation strategy.

6.3 Building relationships: Creating relational interdependencies and anticipating trust-forming mechanisms

The societal and stakeholder trust in the bank is identified by the bank as one of the critical elements in its legitimation strategy. The recognition of good reputation

[86] Bank document: AR
[87] Ibid
[88] Ibid

and trust is evident in the chairman's statements such as: (a) "Trust is a very easy thing to lose and a very hard thing to win back. In my view, it will take several years, probably between five to ten, to rebuild trust in [the banks],"[89] and (b) "I am optimistic that our people will do the right things in the right way. After all, we have seen the consequences of not doing this."[90] In addition, and as discussed earlier, the bank has elevated reputation risk up to the strategic level of the organization. Reputation is a critical intangible resource for the bank. For instance, the bank suggests that "[We are] committed to continuously improving our risk management systems. This enables us to make informed decisions, reward the right activities and behaviors, deliver excellent customer service, build trust with stakeholders and achieve sustainable performance." (BW: p. 30)[91]. In addition, as a result of the stakeholder consultation process, the bank has made commitments to achieving transparency and engaging in collaborations with external partners – both these commitments have linkages with trust-building.

The wider scholarly literature also recognizes trust as an important factor in building effective stakeholder relationships (Post et al., 2002; Crane, 2020; Frei & Morriss, 2020). However, as suggested in the previous two chapters: the client-centered strategy and the voluntary compliance strategy, few studies have explored the trust-based mechanism of relational interdependencies which underpin the bank's integration of stakeholders in its decision-making processes. In this chapter, the stakeholder dialogue is an example of the integration of the stakeholders in the bank's decision-making processes, albeit such integration is only at the initial stage of the legitimation strategy building process.

The stakeholder participation in the decision-making processes of the bank is also discussed in the previous two chapters. Those two chapters along with this chapter demonstrate the influence of different contexts and business-aims which shape the stakeholder-integration processes of the bank. As previously stated, the

[89] Bank document: CR, 2013
[90] Bank document: BW
[91] Ibid

bank's stakeholder consultation process included dialogues with the representatives from NGOs, think tanks, corporate clients, academia, government organizations, investors, consumer groups, and industry bodies." (SD: p. 5)[92]. This consultation with societal representatives suggests an interdependent relationship between the bank and society (i.e., society as a stakeholder).

The bank's attempts of holding stakeholder consultations internationally suggest that the bank recognizes its interdependency with the society and its stakeholders. Table 6.3 below illustrates the trust-related analysis of this interdependent relationship between the bank and the societal stakeholders who participated in the stakeholder consultation meetings. The analysis considers three trust-based dimensions which are: trust-based risks, qualities of trustworthiness, and trust-building mechanisms. These relationship-based trust dimensions are adopted from the Grammars of Trust model (Sheppard & Sherman, 1998) which was discussed in the literature review (Chapter 2). The use of the model enables this study to analyse the integration of the stakeholder groups into the decision-making processes within the context of building of the legitimation strategy.

TABLE 6. 3 STAKEHOLDER ENGAGEMENT IN DECISION-MAKING PROCESSES, RELATIONAL INTERDEPENDENCIES AND THE MECHANISMS FOR BUILDING RELATIONAL TRUST

Processes of stakeholder input in decision making	**Stakeholder Acceptance and Participation**	**Forms of Interdependence**	**Trust Related Risks**	**Qualities of Trust-worthiness: Integrity, Competence, Benevolence**	**Mechanisms for Trust-building: Deterrence, Discovery, Internalization**
Stakeholder Participation at Input level of decision-making	Stakeholders accept to participate in giving feedback and input to the bank	Interdependence	Mis-anticipation and/or the lack of integrity: not internalizing stakeholder feedback	Integrity & competence	Discovery and Internalization

Adapted from Sheppard and Sherman, 1998, p. 431

[92] Bank document: SD

The stakeholder consultation process was initiated by the bank in three international locations prior to making various commitments which set the future direction of the bank. The key participants in the societal stakeholder dialogue included those mentioned earlier. As identified in Table 6.3, the stakeholders in this instance are giving input to the bank. The input is about the societal expectations of how the bank ought to conduct itself in its behaviours and practices. This input or feedback from the stakeholders is discussed in section 6.2.1.

The input given by the stakeholders is an example of their participation in the bank's decision-making processes (albeit at the input level of the decision-making process). The other levels of decision-making in the legitimation strategy building include the process and output levels, which do not involve participation of the societal representatives. The process and output levels of the decision-making processes would be impacted only by how the bank decides to act on the feedback received from the consultation process. Nevertheless, the bank says it recognizes the importance of the decision-making process and its linkages with the building of stakeholder trust. For example, the bank argues that "[Our] lens is a value-based decision-making tool designed to help colleagues anticipate, identify, and manage the risks and impacts of their decisions and actions at work." (BW: p. 18)[93]. The risks referred to here would include reputational and conduct risks, which impact trust.

With reference to Table 6.3, the bank's initiation of the stakeholder consultation process suggests that the stakeholders' voluntary acceptance to participate is a necessary condition for enabling the bank to receive input from the stakeholders. The acceptance by the societal representatives to participate in the stakeholder consultation process would initiate an interdependent relationship between the bank and the stakeholders. This interdependency is characterized by the societal expectations on one hand and the bank's behaviours and practices on the other. The interdependence between the bank and society can be assumed to exist on

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[93] Bank document: BW

the basis of social contract theory (Dunfee & Donaldson, 2002). Social contract theory suggests that there is an implied contract between society and business firms. In this case, the implied contract is that society grants the bank a license to operate only so long as the bank continues to meet societal expectations and aligns its values with that of society. Social contract theory argues that it is through the consent of society that business finds its legitimacy (Dunfee & Donaldson, 2002). This is reflected in the bank's assertion that "In managing our business, we appreciate that adherence to high standards of ethical conduct is fundamental to maintaining our license to operate." (BW: p. 16)[94].

Keeping in mind the purpose of the stakeholder consultation process, the managers of the bank can easily anticipate the trust-related risks. The risk inherent in this consultation process, from the bank's perspective, is one of mis-anticipation and the lack of integrity. The risk of mis-anticipation is related to the inability to foresee or guess (intuitively) the real expectations of the stakeholders (Sheppard & Sherman, 1998).

The quality of trust-worthiness suggested in Table 6.3 is integrity. The risk related to lack of integrity would be the bank's inability or non-commitment to act on stakeholder feedback and expectations. This is indicated by the fact that the values and commitments espoused by the bank (identified earlier in this chapter) will contribute to trust-building only when words are followed by action. This is evident in the feedback received during the stakeholder dialogue. For example, the participants' feedback includes statements such as (a) "stakeholders expect to see visible signs of integration, including changes to everyday products and services (not just flagship ones)"[95], (b) "ensure senior leadership is provided in words, decisions, and actions"[96]. Thus, the managers of the bank can anticipate that acting with integrity (as a quality of trustworthiness) is central to building trust with stakeholders. If the bank fails to follow

[94] Bank document: BW
[95] Bank document: SD
[96] Ibid

its commitments through its actions, doubts would be cast on its integrity leading to further reputational damage.

The mechanisms for trust-building in Table 6.3 are discovery and internalization. The act of discovery (by the bank) is inherent in the stakeholder consultation process. The bank is proactively engaged in the discovery of the expectations of the stakeholders. This type of trust-building is dependent upon the knowledge acquired by the parties involved in a trust-based relationship (Lewicki & Bunker, 1996). According to these authors, trust-building rests on gaining knowledge about the expectations of the other party in a relationship, and acting upon that knowledge in good faith. Internalization as a trust-building mechanism is defined by Sheppard & Sherman (1998) as a process "in which one adopts another's beliefs because they are congruent and integrated with one's own." (p. 430). For the bank, the purpose of the stakeholder consultation is to achieve alignment with societal expectations and values. Thus, the bank needs to be able to demonstrate that it has taken the feedback received from the stakeholders on board, and at the same time, demonstrate that it has acted upon (and therefore, internalized) the feedback. Managers of the bank can thus anticipate that internalization as a mechanism for trust-building and demonstration of integrity is a crucial factor in building trust-based relationships.

In summation, Table 6.3 illustrates that the organizational stakeholder engagement process creates relational interdependencies between the parties involved in the interactions. Understanding the nature of relational interdependency can enable managers to anticipate the trust-based risks inherent in any stakeholder relationships. In doing so, managers can also anticipate the qualities necessary for forming trust, which in turn would enable them to create mechanisms for building trust-based relationships.

6.4 Typology: Understanding integration strategies

To reiterate, the findings in this study in relation to chapters 4, 5, and 6 indicate that several intangibles assets play a key role in building integration strategies. For example, chapter 4 identified the role of innovative processes, interorganizational collaboration, and stakeholder participation in the decision-making process (with ensuing trust -based relational interdependencies); chapter 5 identified the role of commitment to the Equator Principles, the role of risk management processes, and the role of stakeholder participation in decision-making processes (with ensuing trust-based relationships); and this chapter identified the role of organizational commitments, and the role of stakeholder participation in the decision-making processes in achieving integration.

While all these findings show the important role of intangible assets in achieving the objectives of integration, they also show a repeated pattern of two organizational elements when the findings of all the three strategies are considered. These are: (i) the stakeholder participation in the decision-making processes (illustrated in sections 4.2, 5.3, 6.2.1 & 6.3), and (ii) the organizational or the business units' commitment to achieving sustainability integration (illustrated in chapter 5 regarding the integration of the Equator principles, and section 6.1 in this chapter). When these two elements of the integration process are combined, the strategic options for a business unit's sustainability integration strategies can be illustrated in a matrix. It helps explain how a single organization's different business units may deploy different approaches to integration. Thus, the following typology (Figure 6.3) is proposed which illustrates how we could understand the phenomenon of integration strategies in an organization. It depicts four different possible types of integration strategies that an organization's business units may pursue.

In the matrix illustrated in Figure 6.3, the explicitly stated commitments to social and environmental principles, standards, and codes indicate a high alignment with sustainability issues (i.e., social and environmental issues). In addition, the existence of stakeholder participative decision-making processes indicates a high level of stakeholder participation for achieving the aims of integration. Conversely, the non-existence of stakeholder participative decision-processes indicates low integration.

Stakeholder Participation in Decision-Making Processes	Business Unit Commitments to Social and Environmental Issues: High	Low
High	**Type 4** Explicitly stated commitment to the environmental and social principles, standards, and codes Participative decision processes in place for stakeholder engagement (e.g., voluntary compliance strategies) Synergistic integration: supply driven strategy	**Type 3** No explicit commitment to the environmental and social principles, standards, and codes Participative decision processes in place for stakeholder engagement (e.g., client-centred strategy) Orthogonal integration: market-led demand driven strategy
Low	**Type 2** Explicitly stated commitment to the environmental and social principles, standards, and codes No participative decision processes in place for stakeholder engagement Antithetical integration: Green-washing strategy	**Type 1** No explicitly stated commitment to environmental and social principles, standards, and codes No participative decision processes in place for stakeholder engagement No integration: Do-nothing strategy (sustainability not on the business unit radar)

FIGURE 6.3 A TYPOLOGY OF BUSINESS UNITS' APPROACHES TO SUSTAINABILITY INTEGRATION INTO CORE BUSINESS PROCESSES

Based on the findings related to the two organizational elements: (a) the explicit organizational commitment to sustainability issues, and (b) the stakeholder participation in the decision-making processes, Figure 6.3 illustrates the proposed matrix with four types of possible strategic responses by a business unit of an organization in addressing sustainability pressures. The illustration comprises four approaches: no integration or little organizational concern for social, environmental, and ethical issues on one hand, and antithetical, orthogonal, and synergistic approaches to integration on the other. These terms were originally used by Sutcliffe et al. (2000) in the context of investigating organizational activities. These scholars conceptualized the ways managers balance different organizational processes in an effort to explore (i.e., innovative approaches) and exploit resources (i.e., both the tangible and intangible assets) at their disposal to achieve organizational outcomes. Thus, in their model, antithetical processes indicate a random application of two elements or features of the process which bear no relationship to one another. Orthogonal processes indicate a managerial preference for focusing on one element of the process with little attention paid to the other. On the other hand, the synergistic processes indicate an optimal balance between the application of the two elements of the process.

This study, therefore, adapts these concepts elucidated by Sutcliffe et al. (2000) in the context of integrating social strategy with business strategy to identify four types of organizational strategic responses to achieving integration. This research, in the typology above, argues that it is the balance between the two elements of the organizational processes: (a) the explicit commitments to the sustainability issues which demonstrate the business unit's strategic intent, and (b) the stakeholder participation in the decision processes, which when combined, give insight into how organizations formulate their strategic responses to the aims of integration. It is also worth noting that it is the stakeholder participation in the decision-making processes which accounts for the innovative approaches and collaboration with external network partners of the bank (as illustrated in the client-centered strategy).

Similarly, it is the bank's risk-management considerations (such as credit and reputational risks) which motivate it to engage the stakeholder groups in its decision-making processes, as illustrated in the voluntary compliance and the legitimation strategies. Thus, below this study explicates the four possible organizational strategic responses to sustainability issues based on the two dimensions of the matrix: the explicit organizational commitment to sustainability issues and the stakeholder participation in the decision-making processes.

Type 1 is a strategy that can be described as a ‘do nothing’ strategy, where no actions regarding environmental or social issues, or stakeholder engagement processes are considered to be a priority for the management. An example, in the case of a business unit of a large commercial or an investment bank, could be traders in the foreign-exchange market. In such a business unit, the total focus is on trading currencies. It does not take account of whether the buying or selling of the currency is undertaken for a business which, for example, has a high negative impact on the environment.

Type 2, the antithetical integration describes a zero-sum game approach (Long & Sitkin, 2006; Sutcliffe et al., 2000) where the implementation of the stakeholder engagement processes is ignored or considered as irrelevant to business endeavors. In such cases, a reactive management mode to the environmental social issues can be presumed. Thus, the explicitly stated commitment to the environmental and social principles, standards, and codes with no implementation of stakeholder participation in the decision-making processes would indicate a possible green-washing strategy followed by the organization. Green-washing can be thought of as a public relations exercise by a corporation with a token gesture to sustainability which lacks any serious commitment to the sustainability issues (Benn & Bolton, 2011). An example in the case of a commercial or an investment bank would be where the business unit of a bank explicitly states its commitment to socially responsible investing (SRI) issues on one hand, but then also holds investments in fossil fuel industries.

Type 3, the orthogonal integration describes “processes that do not align [with one another]” (Long & Sitkin, 2006; Sutcliffe et al., 2000). In such a scenario, the managers implement a combination of unrelated processes. According to Long and Sitkin (2006), “Here the choices one makes regarding how much to engage in each of the two (or more options) is completely independent of what is decided concerning other (potential) options.” (p. 92). As illustrated in this study, the client-centered strategy which is a demand-driven endeavor by the bank, is an appropriate example here. The extent to which the bank integrates social and environmental issues is determined by the client needs. Thus, the bank's explicit commitment to the environmental and social principles and standards is independent of its client-centered integration. Regardless of the bank's explicitly stated commitments to the sustainability issues, the change in client demand could change how the bank responds to those issues.

Type 4, the synergistic integration describes a situation where "adopting one action option makes it easier and/or more effective to also pursue specific additional action options." (Long & Sitkin, 2006: p. 92). These are activities that reinforce each other. In the case of the bank, the voluntary compliance strategy indicates synergistic integration, where an explicitly stated commitment to the Equator Principles is reinforced with processes of risk management, and the engagement of stakeholders in decision-making processes. This integration strategy is not dependent upon the client demand and thus can be viewed as a supply-driven strategy where the bank voluntarily adopts sustainability standards and implements appropriate stakeholder integration into decision-making processes. The matrix illustrated in Figure 6.3 is proposed as way of understanding different strategic responses that business units within a large single organization may adopt with respect to the integration of social and environmental issues into the organizational core business processes.

6.5 Conclusion

The legitimation strategy is built through the commitments expressed by the bank about how it intends to integrate economic, social, environmental, and ethical issues into its business practices. The commitments indicate that the bank's strategic intent is to bring about a culture change in the way it conducts itself. More importantly, however, the legitimation strategy recognizes risk-management processes as a strategic necessity (e.g., reputation risk, conduct risk, operational risk, and legal risk) for achieving its social as well as economic objectives. Thus, the legitimation strategy serves as an enterprise-level strategy which aims to promote integrity in the bank's business practices and integrate risk-mitigation approaches in all the business practices of the bank. According to Buchholtz & Carroll (2012), the "enterprise-level strategy needs to be thought of as a concept that more closely aligns ‘social and ethical concerns’ with traditional business concerns.” (p. 153). They further suggest that enterprise-level strategies are global in application and that most organizations make their enterprise-level or societal strategy explicit in their vision, code of conduct, and values statements.

Beyond the values stated by the bank, the feedback from the stakeholder consultation process enables the bank to devise its legitimation strategy on four dimensions: vision, action, influence, and collaboration. In its legitimation process, the bank also recognizes the importance of trust-building if its collaborative efforts are to bear positive results.

The legitimation strategy discussed in this chapter stands in contrast with the strategies of integration illustrated in the previous two chapters on the client-centred and voluntary compliance strategies. The client-centred strategy is aimed at the creation of competitive advantage through innovations in product and service provisions. The voluntary compliance strategy aims to create competitive advantage through risk-mitigation processes. Both of these strategies are business-domain specific and they are aimed at the integration of sustainability issues into the lending, and wealth management processes of the bank. The building of the legitimation strategy, however, as suggested in this chapter, is an effort by the bank to seek legitimation and align itself with societal expectations.

Such a view of the legitimation strategy is supported by Husted & Allen (2011). They argue that “where strategic concerns are weak, social activity is often a reflection of pressures to imitate other companies as a way to obtain approval from the corporate or local community” (p. 225). These imitative (or isomorphic) practices of businesses are also recognized and referred to as “common practices” in the recent scholarly work of Ioannou & Serafeim (2019: p. 1). They affirm “(Further), we distinguish between a set of sustainability practices on which companies converge within an industry, which we term ‘common practices’, and a set on which they do not, which we term ‘strategic’” (p. 1).

However, the legitimation strategy can also be viewed as a discursive representation of the bank's strategic intent. Equally, the client-centred and voluntary compliance strategies could be viewed as an illustration of the discourses of the implementation of some of the business, societal, and environmental commitments made in the legitimation strategy. Thus, the legitimation strategy could be considered to be a foundational building block for the client-centred and voluntary compliance integration strategies. For instance, the commitment to the Equator Principles is reflected in the voluntary compliance strategy, and the commitment to integrating the social issues into business processes (or products and services) is reflected in the client-centred strategy (through the linkage with chaotic families, children with conduct problems, or the mental health of young adults).

In its legitimation efforts, the bank emphasises integrity as one of its core values (which the bank defines as "acting fairly, ethically, and openly in all we do"). As discussed earlier in this chapter, De George (1993) argues that integrity is about "acting in accordance with one's highest self-accepted norms of behaviour and imposing on oneself the norms demanded by ethics and morality." (p. 6). Thus, the various commitments made by the bank in its legitimation strategy could also be viewed as a self-accepted imposition of norms, ones to which regulators and society can hold the bank accountable. When the bank suggests that it acts "openly in all we do" it emphasises transparency as an important consideration in its value statements. Transparency is also about being able to hold corporations accountable for their actions (Crane & Matten, 2016). Crane & Matten (2016) also point out that "Only if stakeholders know what companies are doing can they seek to influence them to change their behaviour or make decisions about whether to continue to support them." (p. 77).

What is clear in this chapter as well as the previous two chapters is that organizational business units respond differently to the pressures related to sustainability integration. Thus, based on the findings in this chapter as well as the findings in the previous chapters 4 and 5, a typology for understanding how organizational business units respond to sustainability integration is proposed at the end of this chapter.

Chapter 7
Discussion

The contributions of this study reside in three interrelated aspects of sustainability integration. These are: (a) the role of intangible assets in building organizational capabilities for sustainability integration (b) a typology for understanding different approaches or strategies, both complementary and contradictory, organizations may adopt in achieving sustainability integration into the core business processes, and (c) the critical importance of recognizing and accounting for relational dynamics in the strategy formulation framework provided by Simons (1994, 1995) – a framework used (Gond et al., 2012; Arjalies & Mundy, 2013; Kober et al., 2007; Bisbe & Otley, 2004) for understanding strategy making in general, and more specifically for understanding integration of CSR strategy with business strategy.

This chapter, therefore, provides a detailed discussion of the key findings presented in chapters 4, 5, and 6 within the context of the contributions listed above. The findings are discussed in relation to the scholarly literature. The key findings suggest that six organizational elements - identified in this study as intangible assets – facilitate building of organizational capabilities for achieving sustainability integration in the core business processes. The six elements (i.e., the intangible assets) are: innovative processes, interorganizational collaborations, risk management processes, stakeholder participation in the decision-making processes, trust-based relational interdependences, and organizational commitment to integration. Thus, section 7.1 discusses the role of six organizational elements which as intangible assets facilitate organizational capabilities for achieving integration. Section 7.2 focuses on the typology for understanding different strategic approaches an organization may adopt toward sustainability integration into core business processes.

Section 7.3 discusses Simons' (1994, 1995) strategy formulation framework, the framework used in this study as an analytical lens. The framework is discussed in the context of the findings of this study to argue that stakeholder relationships and its trust-based dynamics play a critical role in the stakeholder participation in the decision-making processes for sustainability integration. Thus, a case is made for an extension to Simons' strategy formulation framework which recognizes and accounts for the importance of relational system as a critical element in sustainability integration strategies. Section 7.4 identifies the study's limitations and its implications. The last section (7.5) is a brief summary of the chapter.

7.1 Six organizational elements: Intangible assets for building organizational capabilities

As suggested in the previous section, the six elements identified in this study as intangible assets which enable the bank to build organizational capabilities for sustainability integration are: process innovations, interorganizational collaborations, risk management processes, stakeholder participation in the decision-making processes, trust-based relational interdependencies, and organizational commitment to integration. These are discussed below.

7.1.1 Integration: Process innovations

The findings in the client-centred strategy in chapter 4 show that processes innovation which combine conventional investment management approaches with Behavioural Finance play an important role in integrating clients' participation in the social impact investment processes. The traditional investment management relied on market and financial data. The integration of Behavioural Finance allows the bank to build an investment management process which takes the client's emotions into account. The client's emotions are said to influence how the client reacts to market uncertainties in which clients could gain as well as lose his or her investments. The investment management process of the bank claims that each client is unique in his or her relationship with investments and thus the client is invited to discover his or her financial personality on the investment journey. This innovative approach to the investment process is an example of innovation as - new ways of doing things. This is consistent with the broad definition of innovation as "advances in the kinds of products, production processes, management systems, organizational structures, and strategies developed by a company." (Hill & Jones, 1998: p. 116). Process innovation is also evident in the recent works of Juntunen et al. (2019). These authors explore stakeholder participation in new product development (NPD). The stakeholder integration in the NPD process is shaped by “progressive openness”, “limited openness”, and “fine tuning” (Juntunen, et al., 2019: p. 331). These categorizations of stakeholder involvement identify how companies regulate the number, the extent and the temporal aspects of stakeholder inclusion in NPD decisions (Juntunen et al., 2019).

With respect to the client participation in the decision-making process for investment management, as illustrated in this study, progressive openness can be said to describe the bank’s client integration strategy. For example, the participation of the client is evident right at the start of the investment management process including and up to the time where asset allocations have been achieved in line with the client preferences. Innovation is implied by Juntunen et al. (2019) when they describe the process as “collaborative work that fosters innovation in the form of information sharing, consultation, communication, dialogue, and exchange.” (p. 336). In the context this research, the collaboration between the bank and the charity advisory body indicates information sharing, consultation, and dialogue leading to a novel approach to how the clients’ philanthropic desires be fulfilled.

Innovations as enablers and drivers of organizational change in the form of process improvements play a critical role in integration of sustainability in business processes (Sroufe, 2017). The bank’s approach to investment management which combines financial decisions with Behavioural Finance, acts as an enabler for innovative strategy directed at the bank’s important client group.

Process innovation is also evident in relational dynamics where organizations attempt to build positive relationships among their employees who are geographically dispersed and situated in different cultures (Lee & Mazmanian, 2020). These authors identify the “power of spaces and intervention scripts” (p. 96) in improving the relational dynamics among the employees. Space is created for groups to meet and get to know one another and rules and parameters are specified as ‘intervention scripts’ for making the process effective. In the context of the bank’s engagement with the clients in the investment management process, the relational dynamics play a crucial role in the effectiveness of the process. The intervention scripts, in the context of the investment management, could be assumed to be present in the process where a client's financial personality is analysed. It is assumed that the bank must follow a certain standardized process in how a client's financial personality is analysed.

This finding is also consistent with Simons (1994, 1995) framework used in this study as an analytical lens. Simons uses a configuration approach to understand the strategy formulation process. He argues that managers use various organizational elements as levers to control the strategy formulation process. The innovations and innovative processes are one of the elements that managers use as interactive systems (Simons, 1995) to formulate strategies. Within this finding two other levers suggested by Simons are also evident. The diagnostic systems are evident in the bank's diagnosis and analysis of a client's financial personality. The belief and value systems are evident in the investment process where the bank integrates client's values and beliefs in finding appropriate socially responsible investment equities. Thus, the innovative process in the findings of this study, is consistent with Simons' configurational framework which suggest that mangers use these levers in the strategy formulation process.

These studies, mentioned above, draw attention to the centrality of process innovations (and product innovations) in achieving integration. The significance of this finding in the context of this study is that the process innovation related to combining financial investment management with Behavioural Finance lead to client engagement (i.e., market-stakeholder engagement) whose participatory role become essential in driving the client-centred strategy. However, very little attention is paid in the CSR literature to the role of process innovations and its relationship with stakeholder participation in shaping integration.

7.1.2 Integration: Interorganizational collaboration

The findings suggest that the bank in an effort to extend its investment management services to its high-net-worth clients, collaborated with an external organizational entity. This collaboration is a win-win strategy for both the parties. The external entity is a national charity advisory body in the UK – their expertise in charity sector enables the bank to use their expertise to identify the most pressing social issues to which clients' philanthropic funds could be employed. This collaboration benefits the bank in extending their services to their wealthy clients, benefits the clients in achieving their desire to do social good, and benefits the charity advisory body in their objective of being able to identify and direct funds to appropriate charities through the bank's clients. The bank also suggests that directing client's philanthropic funds to the most intractable societal problems helps to reduce financial burden on the treasury (i.e., the government) and therefore benefit the society at large.

Thus, the bank's collaborative efforts also have an innovative side – a strategy in which multiple parties benefit in achieving win-win objectives. Juntunen et al. (2019) in discussing stakeholder engagement in the new product development process, refers to creation and maintenance of "productive stakeholder relationships" (p. 336) ensuing from collaboration which fosters innovations. It can be safely assumed that the bank's engagement with the clients in the investment and asset allocation process depends upon productive relationship with their clients. The relational interdependency for fostering trust-based productive relationship between the bank and its investment clients is further discussed below in section 7.1.5.

Consistent with Juntunen et al. (2019) assertions about collaboration which fosters innovation and its linkages with productive stakeholder relationships, Hagel III et al. (2010) provides a taxonomy of collaboration networks which emphasise relational nature of the networks. Innovation related collaborative networks are those that combine organizational capabilities across organizational boundaries to create new value in the market place – innovation networks include transactional and relational networks (Hagel III et al., 2010). Transaction related collaborative networks are short-term one-off transactions, and relational collaborative networks are those that "build long-term, trust-based relationships to deliver new value to the market place." (Hagel III et al., 2010: p. 255). While Hagel et al.'s taxonomy focuses on inter-organizational collaboration, Juntunen et al.'s (2019) focus is on collaboration across stakeholder groups for new product development. The crucial point these authors make is that innovation, collaboration, and relational aspects are interdependent in innovation related processes. This interdependency between innovation, collaboration, and relational aspects of integration is reflected in the finding of this research discussed in the sections 7.1.1 to 7.1.6.

However, the relevance of these works for the findings of this research is that collaboration across organizational boundaries (Hagel III, 2010) as demonstrated in the client-centred strategy and voluntary compliance strategy play an important role in achieving integration. Equally, collaborative efforts with clients as a market stakeholder group (Juntunen et al., 2019) within the organizational boundaries as demonstrated in the client-centred strategy is an important factor in achieving integration.

Gibson's (2011) suggestions for collaborative capacity building across different stakeholder groups for achieving social impact are along the same lines as Juntunen et al.'s (2019) suggestions which emphasise stakeholder participation in new sustainability related product development. Within the context of the findings of this study, the bank's external collaborative capacity is also evident in how the bank conducts extensive research related to its business interests in partnership with various external organizations. The examples include its partnerships with New Philanthropy Capital (NPC), and the Economist Intelligence Unit.

7.1.3 Integration: Risk management processes

The findings of this study suggest that the risk management processes drive the sustainability integration process as demonstrated in the voluntary compliance strategy (chapter 5). In the legitimation strategy (chapter 6), the findings indicate that risk management processes of the bank are elevated to the strategic level of the organization. Thus, the voluntary compliance strategy and the legitimation strategy (chapters 5 and 6) indicate the crucial role risk management processes play at different levels of an organization, which in turn influence the sustainability integration process.

These findings are consistent with Schulte & Hallstedt (2017) suggestion that sustainability risks be identified at all three levels of organizations: the strategic, tactical, and operational. In the strategic management literature, the tactical level is often interchangeably referred to as business level, and the operational level referred to as functional level (Hill & Jones, 1998). Schulte & Hallstedt (2017) argue that risks in relation to the three organizational levels are interconnected, and suggest that "These risks need to be systematically identified and strategically managed on both strategic company – and operational product development level in order for company to be long-term competitive." (p. 327)

At the strategic level, the bank identifies four potential types of risks as illustrated in the legitimation strategy. These risks consist of legal risk, reputation risk, conduct risk, and operational risk. This is consistent with some of the risks identified by Schulte & Hallstedt (2017) which impact all three levels. Some of these risks are risks to reputation and brand which could emanate from negative publicity, scandals, and boycotts; environmental legislation may lead to increased carbon taxes, or increased litigation costs; and inability to meet the increasing demand by consumers for sustainability products may impact competitiveness and profitability (Schulte & Hallstedt, 2017). The fact that the bank has elevated risk monitoring to strategic level indicates the bank's commitment to treat organizational risks seriously.

In the voluntary compliance strategy, the findings suggest that the bank has linked its own business risks (i.e., credit risks and remediation risks) and strategic risks (i.e., reputation and brand risk) to their clients' environmental risks which emanate from the clients' activities in environmentally sensitive sectors of the economy. These sectors, for example may include mining, oil and gas exploration, forestry and logging, and infrastructure. This indicates that the bank's risk identification process at business level has taken a long-term view of sustainability risks of lending to businesses which operate in sensitive sectors of the economy.

In being able to see long-term credit and reputational risks to its own brand, the bank is able to put processes in place to mitigate environmental risks connected to large project finance. The recognition of how clients' environmental risks, could ultimately pose business and strategic risks to the bank itself has enabled the bank to adopt the Equator Principles which aim to mitigate environmental risks posed by activities in the sensitive sectors of the economy. This means that the bank also needs to build trust-based stakeholder relationships with its clients for being able to be effective in mitigating the environmental risks. This is consistent with Kytle & Ruggie's (2005) suggestion that the key to managing social risks is engaging stakeholders in organizational decision-making.

Schulte & Hallstedt (2017) suggest that engaging stakeholders in the decision-making is equally applicable to environmental risks. They argue that "This means that stakeholders are approached, listened to, and involved in decision making or in finding solutions." (p. 331). This is in line with the findings as demonstrated in the voluntary compliance strategy where the bank engages with the clients to find solution to meeting the environmental standards specified in the Equator Principles. Schulte & Hallstedt (2017) further suggest that such engagements are mutual, and thus, the stakeholders who are engaged by the organization in decision-making processes may in return engage the organization in their decision making, for example, in regulatory considerations, or NGO campaigns etc. (p. 331). This mutuality is also evident between the bank and its clients in implementation of the Equator Principles. The significance of this finding shows that the risk management processes – that is, both strategic risks and business risks can be drivers of sustainability integration into business processes. For example, in case of the bank, the strategic risks such as reputational and brand risks, and the business risks such as credit risks, and remedial risks are recognized as critical in integrating the Equator Principles.

7.1.4 Integration: Stakeholder participation in the decision-making processes

The findings in the client-centred strategy (chapter 4), voluntary compliance strategy (chapter 5), and legitimation strategy (chapter 6) show that the client and other stakeholders' participation play a central role in integrating sustainability strategy into the core business processes. Participation of stakeholders in decision making is a crucial factor in mitigating social risks such as reputation damage emanating from civil society or empowered stakeholders (Kytle & Ruggie, 2005, Schulte

& Hallstedt, 2017). However, more recently, Juntunen et al. (2019) demonstrate how organizations integrate stakeholders in the decisions regarding sustainability related new product development (NPD) processes. On the other hand, Dye et al. (2014) focuses on the political context of stakeholder influence on decision making regarding hurricane evacuation. However, these authors point out that mechanisms for integrating stakeholders into decision-making remain underdeveloped. Nevertheless, these scholars recognize that stakeholder participation in decision-making is critical for effectiveness of organizational sustainability goals.

The findings in relation to the stakeholder participation in decision-making in the client-centred strategy indicate that the bank engages its wealth management clients in the asset allocation process. This process is an effort by the bank to ensure that the clients' desire to do social good through socially responsible investments (SRI) and philanthropic contributions is made possible. This client engagement process also suggests that the investment management process is highly dependent upon the client participation in which client becomes the driver of the asset allocation process with bank acting as a guide and a facilitator of the process. It also indicates that the SRI process is dependent on high-net-worth clients' demand for such services.

In the legitimation strategy, the findings suggest that the societal representatives such as NGOs, think tanks, corporate clients' representatives, academia, government organizations, investors, consumer groups, and industry bodies are engaged in a stakeholder dialogue organized by the bank. This effort could be viewed as a legitimation process in which the bank attempts to align its future conduct and policies with societal expectations. This also indicates that the bank is aware of the reputational risks which could damage its brand value.

The clients and the societal representatives (as stakeholder groups) represent market as well as non-market stakeholders. Market stakeholders are "those that engage in economic transactions with the company as it carries out its primary purpose of providing with goods and services", and non-market stakeholders are "people and groups who – although they do not engage in direct economic exchange with the firm –

are nonetheless affected by or can affect [company] actions." (Lawrence & Weber, 2008: p. 8-9).

The findings related to the market and non-market stakeholder participation in the bank's business unit's decision-making processes also demonstrate the extent of the integration of these stakeholders into organizational decision-making processes. The 'extent' of integration can also be viewed as the scope of stakeholder integration into business processes. This is what Juntunen et al. (2019) refer to as the "quality of organizational engagement" (p. 336). They point out the importance of the quality of the organizational engagement with stakeholders by arguing that "another element that matters is the depth of organizational engagement in stakeholder integration, i.e., the set of practices used for creating and maintaining a productive relationship – the way in which a productive relationship is created and maintained between the company and its stakeholders." (p. 336)

In this study, it is suggested that the bank's depth of organizational engagement with the stakeholders could be understood by perceiving the process from a systems perspective. The systems perspective sees organizations as entities made up of interactive processes defined by its input, process, and output functions (Morgan, 1986). In this research, for example, the client-centered strategy and the voluntary compliance strategies indicate that the clients participate in the entire input-process-output decision-making processes related to the impact investing and project-lending functions of the bank.

The participation in the bank's decision-making process in the client-centered strategy at the input and process levels, for example, includes engaging in the appreciation of tradeoffs between achieving social good and financial returns, as well as engaging in the analysis of one's financial personality. In the voluntary compliance strategy, the client participation at the input and process levels include assessments and negotiations related to mitigating environmental risks. The client engagement at the output level includes results related to impact investments in the client-centered strategy, and the receipt of project-loans by the clients in the voluntary compliance strategy. Thus, the depth or scope of client integration can be said to include all the stages (i.e., input, process, and output) of the decision-making processes.

However, the participation of the NGOs, think tanks, corporate clients, academia, government organizations, investors, consumer groups, and industry bodies (i.e., the non-market stakeholders) in the bank's stakeholder consultation process, is confined to the input part of the decision-making process. From the management perspective, such an analysis using the input-process-output framework is important for identifying the resources (both tangible and intangible assets) needed at different stages of the decision-making processes. It would also enable managers identify the extent (or scope) of stakeholder integration desired by the managers for achieving integration.

The scope of stakeholder integration in the decision-making processes would be shaped by the nature and aims of specific business functions. For example, the integration of clients into the decision-making process of impact investment processes includes the analysis of a client's desire to achieve social good versus the expectations of financial returns from his/her investments. Whereas, the integration of clients into the decision-making processes of project-lending would include the analysis of the environmental risks of the client's business activities. Thus, the extent of stakeholder participation can be understood at three levels of analysis, constitutive of the input, process, and output functions of the decision-making process, which is shaped by the context of the specific business activities.

Spitzeck & Hansen (2010) studied the scope (what is referred to above as the extent of integration) of stakeholder integration into corporate decision-making processes. In a qualitative study, they used a sample of 46 corporate cases for comparative analysis. The conclusions of their study suggest that the diversity of stakeholders (i.e., the number and type of stakeholder groups addressed by the corporations) decreases as the scope of participation in decision-making (i.e., the power to participate in the decision-making process) increases. These scholars see the scope of stakeholder participation in the decision-making as distributed along the lines of the hierarchical structure of an organization (i.e., operational, middle, and strategic organizational structure).

On the other hand, Juntunen et al. (2019) sees the sustainability integration as a process which defines the extent to which organizations allow stakeholder participation in the decision making related to new product development. This research views the depth or the extent of stakeholder participation from a process-perspective, based on the input-process-output functions of business decision-making.

The depth of stakeholder engagement in decision-making processes (Juntunen et al., (2019) also raises the question of which stakeholders should organizations pay attention to? In the client-centred and the voluntary compliance strategies the findings suggest that the bank pays attention to a very specific set of business-related stakeholders (i.e., market stakeholder groups). These are the clients related to the bank's wealth management and project-lending activities. In the client centred strategy, the bank in collaboration with a charity advisory organization identifies non-market stakeholders such as chaotic families and children with conduct problems for potential funding support from the bank's clients who may want to engage in philanthropy.

Husted & Allen (2011) explore the importance of the integration of market and non-market stakeholders in building social strategies. Unlike the general approach to stakeholder integration which assumes that organizations are expected to respond to all stakeholders which impact and are impacted by organizational actions, the social strategy, according to Husted and Allen, calls for a selective approach to stakeholder integration. According to their argument, "Social strategy selects which market and non-market stakeholders the firm can satisfy profitably and organizes social action programs to do so; questions of ethics and other social contributions are managed as well, both inside the social strategy program and as part of general management." (p. 134).

The findings of the client-centred and voluntary compliance strategies demonstrate the crucial role of the participation of clients in the bank's decision-making processes. Such participatory methods are critical for achieving the business goals of creating competitive advantage. The client-centred and voluntary compliance strategies also demonstrate that these participatory methods help create social and environmental value. Husted & Allen (2011) make a strong case for businesses to adopt greater participative decision-making. They argue that "social strategy is more likely to be successful in firms in which participatory decision making is practiced; [and that] social strategy is more likely to be adopted by companies with greater participative decision-making." (p. 152).

While Husted & Allen (2011) emphasise and argue for the important role of employee participation (as a firm's most important asset) in decision-making for building effective social strategies, the present research demonstrates that clients' participation in decision-making processes is another important factor (and clients as another market stakeholder group) in building effective integration strategies. More importantly, these participatory methods argue for more democratisation, and cooperative approaches for not only building social strategies but also for building more effective organizations (Dyer & Singh, 1998; Ghoshal, 2005; Husted & Allen, 2011).

7.1.4.1 Building Stakeholder Management Capabilities. Freeman (2014) argues that the building of stakeholder management capabilities (or the integration of stakeholders into organizational policies and strategies) entails three levels of analysis: the rational level, the process level, and the transactional level (p. 140-159). Below, this study uses these three levels of integration to discuss how the findings of this research shed light on the ways the bank builds its stakeholder management capabilities, which in turn, could be viewed as feeding into the overall building of organizational capabilities for integration.

The rational level deals with the mapping of who the organization's stakeholders are. It includes decisions about both the market and the non-market stakeholders. Thus, it defines the scope of its stakeholder considerations. Within the context of this research, it would be safe to assume that the bank's stakeholder map includes market stakeholders such as clients (evident in the client-centered and the voluntary compliance strategies), and employees (evident in the legitimation strategy). The non-market stakeholders include (as illustrated in the legitimation strategy) the societal representatives such as the NGOs, think tanks, corporate clients, academia, government organizations, investors, consumer groups, and industry bodies who participated in the stakeholder consultation process. Others who form part of the bank's stakeholder map include the (a) network partner such as New Philanthropy Capital (NPC), and (b) societal members who were identified by NPC as in need of philanthropy related financial support.

The process level looks at the organization's routine tasks and processes to understand how it accomplishes those tasks and manages its stakeholder relationships. According to Freeman (2014) "To understand organizations and how they manage stakeholder relationships it is necessary to look at the 'standard operating procedures', 'the way we do things around here' or the organizational processes that are used to achieve some kind of 'fit' with the external environment." (p. 150).

The process-level stakeholder integration is of direct relevance to this research. For example, this study explored the core business processes related to the impact investment processes (i.e., the integration of discoveries in Behavioral Finance with asset allocation process, the innovation related to the "financial personality" of the client, and innovation related to taking an economic approach to philanthropy). The findings related to (a) the stakeholder participation in the business unit's decision processes and (b) the analysis of the relational interdependencies of the bank and its clients highlight the process-level of the stakeholder management capabilities of the bank. Juntunen et al.'s (2019) scholarly works on stakeholder integration in sustainability related new product development also serves as an example of the process-level of stakeholder management capabilities.

The transactional level, according to Freeman (2014), deals with the "set of transactions that managers in organizations have with stakeholders." How does the organization (and its managers) interact with its stakeholder groups? A parallel can be drawn between the transactional level engagement and “local adaptive actions taken through close-quarter engagements with the firm’s operating environment.” (Nayak et al., 2020: p. 283), and “resolve the tensions on task-by-task basis” (Hengst et al., 2020: p. 247). These authors point to actions at transactional level of operations. The findings of this study related to “building activities” in the client-centered, and voluntary compliance strategies highlight the transactional level engagement with stakeholder groups. These strategies demonstrate the client engagement in the decision-making processes through the analysis of specific activities in the decision-making processes.

Those specific activities, for example, in the client-centered strategy include client participation in appreciating trade-offs, discovering their financial personality, and exploring economic approaches to philanthropy. In the voluntary compliance strategy, those activities include client acceptance of the requirements of the Equator Principles, discovery of the environmental and social impact, and the acceptance of a loan. It is these specific activities which contribute to the formation of the bank-client relational interdependencies, the ensuing trust-forming mechanisms, and trust-based risks (discussed below in section 7.1.5). These relational governance features of the bank’s activities form part of the transactional level engagement with different stakeholder groups.

The client-centered strategy demonstrates how strategies related to the client-group are proactively built by the bank. It also illustrates collaboration with New Philanthropy Capital (NPC) to identify non-market stakeholders such as the treasury (i.e., with a focus on the welfare programs offered by the government), chaotic families, children with conduct problems, and adults with mental-health issues. These actions by the bank indicate that the bank is proactively building its stakeholder management capabilities for creating economic as well as social value. Those capabilities are indicated by the (a) creation of decision-making processes to integrate clients in the bank’s decision-making processes, (b) collaboration with network partners to identify non-market stakeholders, and (c) building of risk-management processes related to reputation and conduct risks. These capabilities include stakeholder relationships which can be said to form part of the intangible assets.

As stated earlier, stakeholder participation in decision-making processes of the bank is evident across all three strategies: the client-centred, voluntary compliance, and legitimation. Thus, it could be argued that such participatory processes and methods are intangible assets of the bank which contribute to building of stakeholder management capabilities (SMC) for achieving sustainability integration.

7.1.4.2 Market & Non-Market Stakeholders. Building SMCs also direct our attention to which specific stakeholders do organizations pay attention to. The findings suggest that in the client-centered strategy and the voluntary compliance strategy, the bank pays attention to a very specific group of business clients (who can be categorized as a market stakeholder group). In the legitimation strategy the findings suggest that the bank pays attention to a wider set of stakeholders: societal representatives such as NGOs, think tanks, academia, government organizations, investors, consumer groups, and industry bodies. These stakeholders could be classified as non-market stakeholders. Thus, in building SMCs the bank takes account of both the market as well as non-market stakeholders.

Pedersen (2006) points out that “The important matter is that the definition of CSR acknowledges the close ties to stakeholder theory and accepts the eclectic nature of CSR by refraining from limiting itself to specific strategies, specific stakeholders, and/or specific societal and environmental issues.” (p. 138). Based on Pedersen’s argument, it would be safe to infer that managers have discretionary power in selecting which stakeholder group they choose to prioritize. In the case of the bank, the clients as a market stakeholder group represent how the bank earns its revenues, and therefore how it creates competitive advantage for retaining its important client groups. In the case of legitimacy-seeking behavior (i.e., the legitimation strategy), the representatives of the societal groups are the critical constituencies for building the bank’s legitimacy, reputation and brand.

The integration of the client-groups and the societal representative groups in the bank's decision-making processes, indicate that the bank is proactively building stakeholder capabilities for social and environmental integration by integrating specific stakeholder groups into its decision-making processes. The support for addressing specific stakeholder groups is also found in Husted & Allen's (2011) suggestion that if business firms are to build effective social strategies they cannot be realistically expected to respond to and serve all stakeholders (p. 135).

According to Husted & Allen (2011), building strategies which combine economic and social value creation, would necessitate selecting market and non-market stakeholders that enable businesses to create competitive advantage. They argue that "Social strategy is a strategic option, not an obligation; like other forms of strategy, social strategy is not a response to stakeholder demands or ethical concerns, but rather looks to business opportunities that are aligned with some stakeholders' social preferences." (p. 135). The impact investment approach indicated in the client-centered strategy demonstrates how the bank's business opportunity (i.e., serving wealthy clients, including high net-worth individuals) aligns with clients' social preferences related to doing social good through socially responsible investments and philanthropic outlays. The bank in this case is addressing a very specific market stakeholder group. Equally, inclusion of stakeholders in new product development (Juntunen et al., 2019) points to a specific group of market stakeholders, for example, consumers of a certain product to participate in the innovation process.

7.1.5 Integration: Trust-based relational interdependencies

The findings of this study illustrate the role of trust-based relational interdependencies between the bank and specific stakeholder groups in the building of integration strategies. The participation of stakeholder groups in the decision-making processes, as demonstrated in the client-centred, voluntary compliance, and legitimation strategies, directs attention to the ensuing relational interdependencies between the bank and its stakeholder groups. Such relational interdependencies are underpinned by trust-based relationships between the bank and its stakeholder groups such as clients, NGOs, think tanks, corporate clients, academia, government organizations, investors, consumer groups, and industry bodies. This view is supported by Sheppard and Sherman (1998). They argue that "some form of trust is inherent in all relationships." (p. 422). Equally, Sharma & Vredenburg (1998) assert that stakeholder integration is about "the ability to establish trust-based collaborative relationships with a wide variety of stakeholders – especially those with non-economic goals." (p. 735). This finding is supported in the wider scholarly literature which suggests that there are many internal resources and capabilities (including trust-based relationships) that influence stakeholder integration and social strategy building (Post et al., 2002; Husted et al., 2015; Husted & Allen, 2011, 2014; Porter & Kramer, 2002, 2006; Sroufe, 2017).

In the legitimation strategy, the bank recognizes that trust-building is a critical element in how it would conduct its business going forward. The bank also acknowledges trust and its linkages with reputational risk. It has thus elevated reputation risk management to the strategic level of its decision-making processes. The importance of managing reputation-risk is indicated as a strategic-intent of the bank in the legitimation strategy. Trust is also widely recognized in the scholarly literature as a critical element in building effective stakeholder relationships (Crane, 2020; Frei & Morriss, 2020; Dyer & Chu, 2000; Jeffries & Reed, 2000; Mayer, Davis, & Schoorman, 2006; Post et al., 2002).

The importance of stakeholder relationships and stakeholder participation in decision-making processes is recognized as crucial for the building of integration strategies (Husted & Allen, 2011). Thus, it can be assumed that trust-based relationships are critical for business processes which focus on stakeholder integration. In relation to trust-based relationships Sheppard & Sherman (1998) suggest that "some form of trust is inherent in all relationships" (p. 422). They also suggest that "trust entails the assumption of risks." (p. 422). Despite the recognition given to the importance of stakeholder relationships in the CSR literature, very little attention has been paid to the identification of the nature of the relational interdependencies and trust-based risks which arise as a consequence of stakeholder participation in decision-making processes. When discussing the forms, sources, and processes of trust, Nooteboom (2006) emphasises the role of relational trust in business interactions. Nooteboom (2006) argues "I extend the notion of specific investments to include investments in relation-specific mutual understanding and in the building of relation-specific trust." (p. 251). Equally, Freeman et al. (2010) refer to Dyer & Singh (1998: p. 661) to suggest that "[the] interorganizational competitive advantage comes from relation-specific assets, knowledge sharing, effective governance, and complementary resources and capabilities." (p. 108).

In analysing the relational interdependencies between the bank and its stakeholder groups in the client-centred, voluntary compliance, and legitimation strategies, this study therefore identifies the trust-based risks in stakeholder participation in the decision-making processes of the bank. As a result of the identification of trust-based risks, the findings also identify how the trust building mechanisms and the qualities of trustworthiness can be anticipated for managing the relational interdependencies based on stakeholder participation in decision-making processes.

The analysis and the findings related to the trust-based dimensions of stakeholder engagement in the bank's decision-making processes (as demonstrated in the chapters on the client-centred, voluntary compliance, and legitimation strategies) indicate three trust related risk-mitigation mechanisms which underpin stakeholder engagement processes. These are deterrence, discovery, and internalization (Sheppard & Sherman, 1998: p. 431). These mechanisms come into play during the various activities involved in the decision-making processes. For example, as illustrated in the voluntary compliance strategy (see Table 5.1), there is a risk that the client may not be able to meet the bank's environmental assessments and requirements. This necessitates a monitoring system (i.e., deterrence) to ensure that the client meets the stipulated requirement for obtaining project finance from the bank.

Thus, the trust-based relationship between the bank and the client, in the initial stage, may entail deterrence as an appropriate risk-mitigation mechanism. Lewicki &

Bunker (1996) refer to this first stage of relational interdependency as a control-based trust, which relies on the monitoring systems of an organization. Nooteboom (2006) refers to Lewicki & Bunker (1996) to suggest that this form of control-based trust emanates from the protection of self-interest. They suggest that "The self-interested sources are associated with the notions of deterrence and calculative-based trust." (p. 251). For example, in the case of the bank, deterrence as a mechanism is necessary to ensure that the client meets the stipulated environmental criteria associated with the bank's commitment to the implementation of The Equator Principles before a loan is granted.

As the client begins to meet the bank's requirements and fulfils the environmental criteria set by the bank for granting of the loan, the relationship shifts to knowledge-based trust (Lewicki & Bunker, 1996). In a two-party relationship, knowledge-based trust entails discovery (i.e., knowledge) about the other party. Discovery as a mechanism in this scenario, can be viewed as a two-way interaction between the bank and its client, in which the client discovers the bank's requirements and motivations (based on meeting the requirements of The Equator Principles), and the bank discovers the client's reliability in meeting the environmental criteria. Thus, the discovery as a mechanism which underpins the bank-client relationship is often referred to as knowledge-based trust (Lewicki & Bunker, 1996; Sheppard & Sherman, 1998). For Lewicki & Bunker this is the second stage of a trust-based relationship in which the parties move from the first stage of control-based trust to knowledge-based trust as each side becomes more familiar with the other party. The third stage of the relationship shifts from knowledge-based trust to trust based on internalization.

Internalization as a trust-based relational mechanism is evident in the client-centred and legitimation strategies. In the client-centred strategy, the internalization of the client's values regarding socially responsible investments and the client's asset allocation choices are examples of the bank's internalization of the client's preferences in to its decision processes. Equally the internalization mechanism is evident in the feedback received from the NGOs, think tanks, corporate clients, academia, government organizations, investors, consumer groups, and industry bodies which go on to form the basis of the bank's stated commitments in the legitimation strategy. Internalization as a trust-based mechanism can be viewed as "identity-based trust" (Lewicki & Bunker, 1996; Nooteboom, 2006). This is a stage where high-levels of familiarity (and ensuing trust) reduce the need for strong control mechanisms (Lewicki & Bunker, 1996). According to Nooteboom (2006) "Identification-based trust goes further: it entails that people think and feel in the same way, sharing views of the world and norms of behavior." (p. 252).

Thus, the trust-forming relational interdependencies framework offered by Sheppard & Sherman (1998), and Lewicki & Bunker (1996) suggest that the mitigation of trust-based risks (e.g., risks related to information asymmetry, mis-anticipation of client needs, client's inability to meet the bank's environmental assessments as identified in this research) can be understood on the basis of a stage-wise development of a relationship starting from low familiarity to high familiarity between the parties in a relationship.

Three qualities of trustworthiness, namely integrity, benevolence, and competence also play a critical role in integrating stakeholders into the bank's decision-making processes. These three qualities of trustworthiness, which are used in this study in the analysis of the client-centered, voluntary compliance, and legitimacy strategies are derived from the trust literature (Post et al., 2002; McKnight et al., 2006; Long & Sitkin, 2006, McEvily & Zaheer, 2006; McKnight & Chervany, 2006; Nooteboom, 2006). More recently, Frei & Morriss (2020) suggests authenticity (i.e., integrity), logic (i.e., judgement and competence, and empathy (i.e., benevolence, care) as crucial characteristics for providing effective leadership. As evident in the works of these scholars, integrity, benevolence, and competence as qualities of trustworthiness are most widely used in the trust literature.

In reiterating the importance of integrity, Post et al. (2002) suggest that stakeholder-oriented policies should be defined by integrity as their critical feature. For example, integrity becomes a crucial factor in how gaps in information asymmetry are bridged between parties in trust-based relationships, and how promises are kept (by all parties) during the integration of stakeholders into decision-making processes. Benevolence, according to McKnight et al. (2006), relates to “the idea that one assumes other people generally have one’s interest at heart.” (p. 37). Long & Sitkin (2006) concur with McKnight et al. (2006) and describe benevolence trust as “interest in accommodating a trustor’s specific needs” (p. 90). They also refer to benevolence trust as a relational trust, affective trust, or value-based trust.

Competence measures ability on performance dimensions (Long and Sitkin, 2006). According to Nooteboom (2006) “Competence trust refers to technical, cognitive, and communicative competencies. On the firm level it includes technological, innovative, commercial, organizational, and managerial competence.” (p.249).

In the case of this study, for example, the client-centered strategy illustrates the existence of information asymmetries between the bank and its wealth management clients. When the bank’s business unit uses its knowledge of Behavioral Finance to analyze a client’s financial personality, or it uses the research findings to advise the clients about the possibilities of taking an economic approach to their philanthropic outlays, these activities afford the bank the ability to share its knowledge and know-how with the clients. The same activities give opportunities to the bank to build trust through integrity (i.e., by sharing information), benevolence (i.e., by demonstrating that the bank has the clients’ interest at heart) and competence (i.e., by demonstrating technical skills and expertise in the activities).

The linkages between the decision-making processes of the bank and the trust-based relational interdependencies as illustrated in client-centred, voluntary compliance, and legitimation strategies find support in the scholarly works of McEvily & Zaheer (2006). They summarize by saying, “a closely related mechanism through which trust may influence performance is relational governance. Also referred to as bilateral governance, relational governance is a mode of organizing exchange that involves the integration of activities – such as decision-making, planning, and problem-solving – across the relationship in an effort to reduce transaction costs (Heide & G., 1990; Macneil, 1980; Williamson, 1993; Zaheer & Venkatraman, 1995).”

The approach taken in this research related to the decision-making processes and its linkages with intangible assets (i.e., relational assets) such as trust is also supported by the scholarly works of Post et al., (2002) and Leana & Rousseau (2000). In discussing the role of intangible assets for creating organizational wealth through stakeholder integration, Post et al. (2002) argue that beyond the importance of accumulated knowledge, know-how, and intellectual property as intangible assets, the role of relationships with internal as well as external stakeholders is crucial for building organizational wealth. Leana and Rousseau (2000) argue that “Work – and how it is carried out in organizations – is fundamentally about relationships: relationships between a firm and its employees; relationships of employees with one another; relationships between a firm and its investors, suppliers, partners, and customers.” (p. 3). Post et al. (2002: p. 42-43) refer to Putnam (2000) to stress that trust, which facilitates, and at the same time results from collaborative efforts, is critical for building social capital. In this study, the bank recognizes the importance of trust-building for achieving effectiveness of its collaborative partnerships.

7.1.6 Integration: Organizational commitment

The findings in the legitimations strategy suggest that the bank made several commitments for defining ‘who it is’ and how it intends to conduct itself going forward. Some of these commitments are: instituting policy related to global code of conduct, integrating stakeholder considerations, achieving transparency, supporting communities, and creating economic value and growth. Some of these commitments such as stakeholder considerations, community support, economic growth, and transparency could be connected to the goals of social and environmental integration into business processes. It points to creation of economic as well as social value. These commitments could be viewed as an enterprise-level strategy, which is operating to encompass the entire organization. They are also the strategic intents of the organization which may or may not reflect at operational level, in day to day actions of the bank. For example, widely reported bank's actions related to the manipulation and mis-reporting of LIBOR (London interbank offered rates) interest rates, or mis-selling of insurance policies would represent violations of commitments to transparency, stakeholder considerations, and its code of conduct. This anomaly highlights that these organizational wide commitments may not necessarily translate into the actions of individual business processes of the bank.

Nevertheless, these organizational commitments are important for setting the future direction of the organization. They also indicate transformation, change, and departure from the old ways of doing things and adaptation to new ways of doing things. This is well exemplified by Nooyi & Govidarajan (2020). In the context of sustainability integration in Pepsico, these authors discuss the need for strong support from the board as an essential factor in sustainability integration - indicating board's commitment to achieving sustainability. They also discuss transforming the product portfolio which indicates innovation and change. Nooyi & Govindarajan (2020) also suggest setting-up of a team whose purpose is to achieve sustainability goals laid out by the company. They further suggest that "members of the team should be carefully selected so that they are not wedded to the status-quo and can think outside-in, otherwise the result will be incremental thinking from people who are worried that the current model will be disrupted." (p. 98).

Similarly, Smith & Besharov (2019) suggest that the leadership in organizations, which pursue dual goals of economic and social value creation, be able to accept "paradoxical frames" (p. 10) which necessitate appreciation of the contradictions and complementarity inherent in the pursuit dual goals. These suggestions by the authors clearly indicate that the integration of sustainability into core business processes is rooted in organizational change, transformation, and adaptation.

The idea of change and adaptation is evident when the bank discusses one of its codes of conduct in terms of stewardship. It defines stewardship as being passionate about leaving things better than in its original state. Such an assertion could be said to have underpinnings of change and transformation. When it comes to CSR or sustainability integration, the stage-wise development model of integration (Mirvis & Googins, 2006), organizational-life cycle process of integration (Jawahar & McLaughlin, 2001), and business cases for incremental integration (Kurucz et al., 2008) point to the idea of adaptation and change.

More recently, Eccles & Klimenko (2019) with their focus on ethical investments, decision-making in investments, and social responsibility of business argue that institutional investors are making environmental, social, and governance (ESG) considerations as an integral part of their investment decision-making. Thus, the shareholders are increasingly demanding ESG integration from executives. These assertions indicate that organizations will increasingly need to adapt to the integration of ESG in their decision-making. Thus, the bank's commitments to integration of stakeholder considerations (e.g., integration of client's desire to do social good through investments in the client-centered strategy), and community support are examples of the bank's strategic intent for achieving integration.

In summation of this section 7.1, this study suggests that the six organizational elements as stipulated in the findings of this study and discussed above, are intangible assets of the bank which contribute to the building of organizational capabilities of the bank for achieving sustainability integration. This study also takes a configurational view of the six organizational elements in suggesting that these elements combine together in different ways to achieve sustainability integration. The stakeholder participation in decision-making processes of the bank is evident across all three strategies: the client-centred, voluntary compliance, and legitimation. Thus, it could be argued that such participatory processes and methods are intangible assets of the bank which contribute to building of stakeholder management capabilities (SMC) for achieving sustainability integration.

When organizations build stakeholder management capabilities (SMCs), it could be safely assumed that SMCs contribute to wider organizational intangible assets and capabilities. For example, Nayak et al. (2020) draw attention to how dynamic organizational capabilities "originate from the aggregation of numerous local adaptive actions taken through close-quarter engagements with firm's operating environment." (p. 283). The stakeholder participation in the decision-making processes of the bank, as illustrated in the client-centered and the voluntary compliance strategies, indicate local adaptive actions in the form of negotiated understandings between the bank and its clients.

Building of organizational capabilities via local adaptive actions within the implementation of sustainability integration is also evident in the process perspective offered by Hengst et al. (2020). For Hengst et al. (2020), the resolution of tensions in implementing sustainability strategy alongside business strategy entails adaptive procedural actions such as compromising, reinterpreting, and splitting. Compromising happens with recognition of trade-offs between aspects of sustainability and business strategies. Reinterpreting involves recognizing the trade-offs between the two strategies as beneficial to both in the long-run. Splitting consists of expanding product portfolios to separate sustainability and business features into distinct product lines.

These local adaptive actions (Nayak et al., 2020; Hengst et al., 2020) are evident in the client-centered and the voluntary compliance strategies. For example, clients' engagement in the decision-making processes of the bank could be assumed to involve negotiated understandings for the process of asset allocation (e.g., reinterpreting, splitting). It would also comprise of the negotiated meaning of mitigation of environmental risks (e.g., reinterpreting) to move forward with the transactional process between the bank and its clients. These are examples of some of the ways the bank builds its stakeholder management capabilities (SMCs), and at the same time builds its overall organizational capabilities for sustainability integration.

The findings of this research (in relation to the client-centred, voluntary compliance, and legitimation strategies) indicate the crucial role of intangible assets. The role of intangible assets in building integration strategies is recognized by Husted & Allen (2011). For example, they argue that "[the] corporate culture is a firm resource and can be a source of competitive advantage." (p. 78). Examples of the intangible assets in relation to this study include the building of stakeholder engagement processes, decision-making processes, risk-management processes, and innovative processes in building integration strategies. More specifically, (a) the bank's expertise in finance and adoption of the knowledge related to Behavioural Finance for analysing a client's financial personality (b) the bank's own research activities and capabilities, (c) the design of stakeholder integration processes and decision-making processes, (d) the identification of social issues in relation to non-market stakeholders (through collaborative efforts), and (e) the risk management processes are examples which indicate the configuration of intangible assets which contribute to the building of organizational capabilities for achieving integration.

More recently, Nayak et al. (2020) recognizes the role of dynamic organizational capabilities in organizational processes. They argue that "a firm's dynamic capabilities originate from the aggregation of numerous local adaptive actions taken through close-quarter engagements with the firm's operating environment." (p. 283). While Nayak et al. (2020) draws attention to the role of intangible assets such as managerial pre-dispositions in building organizational capabilities, Teece (2007) emphasises the ability to leverage opportunities for enhancing competitiveness. Teece (2007) defines dynamic capabilities as "the capacity of an organization to "seize opportunities" and "maintain competitiveness through enhancing, combining, protecting, and when necessary, reconfiguring the business enterprise's intangible and tangible assets." (p. 1319).

Husted & Allen (2011) suggest that "social strategy extends competitive strategy to include broader range of inputs and, in turn, expands the possibilities of achieving new and unique strategic positions." (p. 452). This broader range of input includes "all assets, capabilities, organization processes, firm attributes, information, knowledge etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness." (Barney, 1991: p. 101; Crane et al., 2014: p. 460). Husted & Allen (2011) reinforce the importance of building organizational capabilities for building social strategies. They suggest that the "Capabilities in understanding, seizing, and reconfiguring assets are vital if firms are to convert social problems into opportunities for innovation." (p. 172). This assertion is further reinforced by White (2004). According to White (2004), organizational capabilities are built on the management's ability and competence in configuring tangible and intangible assets in a "wide variety of different ways" (p. 239). Both the tangible and intangible assets of a firm play a critical role in value (and wealth) creation processes of the firm (Barney, 1991; Barney & Arikan, 2001; Husted & Allen, 2011; Post et al., 2002; Wernerfelt, 1984; C. White, 2004).

Wernerfelt (1984) argues that a firm not only consists of tangible assets such as buildings and equipment but also intangible assets. Intangible resources include brand names, in-house knowledge (i.e. in this study: the bank's approach to combining knowledge of finance with Behavioural Finance, and bank's own research), and employee skills and expertise (i.e. in this study: analysing the financial personality of the clients, engaging clients in the decision-making processes, and conducting stakeholder dialogue). Wernerfelt (1984) argues that these assets form a mix of, that is, configuration of dynamic organizational capabilities which help raise barriers against competitors, and therefore create competitive advantage for a firm. Along the same lines, White (2004) argues that organizational capabilities result from a combination of tangible and intangible resources which can be put together in many different ways by the management to achieve strategic objectives.

White (2004) further suggests that many of the organizational capabilities are knowledge-based, and therefore organizational learning process is a crucial element of building those capabilities (e.g., learnings such as the bank's adoption of developments in Behavioural Finance as illustrated in the client-centred strategy, or integrating knowledge related to the clients' business processes as illustrated in the integration of the Equator Principles). In recognizing the role of organizational knowledge and learning (i.e., intangible assets) in building organizational capabilities, White (2004) suggests that "Very often it is the intangible resources which help to translate a physical resource or resources into a capability." (p. 239).

Intangible resources include the reputation of the firm (with market as well as non-market stakeholders), creativity (i.e. innovative capabilities), honesty (i.e., integrity), trust, capacity to provide leadership, attributes of products and/or services, and brands (White, 2004: p. 239). These factors, such as the reputation of the firm, integrity, stakeholders, trust, and leadership are evident in the legitimation strategy explained in Chapter 6. Other factors such as the innovative capabilities, the integration of market and non-market stakeholders, collaborations with external partners, and the stakeholder participation in the decision-making processes are evident in the client-centred strategy explained in Chapter 4. Intangible assets such as risk management processes, and organizational learning are evident in the voluntary compliance strategy explained in Chapter 5. Thus, in this study, these organizational elements highlight the role of intangible assets in enhancing organizational capabilities for building integration strategies.

The six organizational elements of sustainability integration discussed above in section 7.1 suggest a configuration of intangible assets in building the bank's organizational capabilities for achieving integration. While each of the six elements appear as isolated elements, they are in essence highly interdependent. For example, the innovative processes related to the integration of Behavioural Finance in the investment process and the stakeholder participation in decision-making processes in the client-centered strategy are linked and interdependent. In the voluntary compliance strategy, the risk management processes are interdependent with stakeholder participation in the decision-making processes.

Equally, the stakeholder participation in the decision-making processes is strongly connected to trust-based relational interdependences. The risk management processes identified in the voluntary compliance strategies have interdependences with all of the bank's business processes. The organizational commitment to integration is interdependent with all the activities of the bank because it represents an overarching umbrella for all the business processes of the bank. Thus, this study takes a configurational view of the six organizational elements which contribute to the building of sustainability strategies.

The configurational view is characterized by interconnected processes, structures, and mutually dependent practices that are seen in a holistic manner (Kreutzer & Lechner, 2010; Cardinal et al., 2010). The configurational perspective is about how these organizational elements are combined together. Juntunen et al. (2019) in taking a configurational view in new product development process argues that configurational view "can help explain how different causal elements in combination are associated with an outcome." (p. 336). Thus, the six elements of integration identified in the findings of this study and their interdependencies could be viewed from a configurational perspective.

7.2 Typology for understanding integration strategies

The findings of this study suggest that the strategic responses of the bank to sustainability issues (i.e., economic, social and environmental issues) can be captured by considering two organizational elements which shape the integration process. These elements are (a) the explicitly stated commitments to sustainability (i.e., the bank's individual business units' explicitly stated positions), and (b) the participation of stakeholder groups into the bank's decision-making processes (as illustrated in the client-centred, voluntary compliance, and legitimation strategies). When these two elements of integration are combined, the strategic options for a business unit's sustainability integration strategies can be illustrated in a matrix as illustrated in chapter 6 (section 6.4).

Previous studies with a specific focus on a typology of organizational strategic responses to sustainability or CSR integration have identified stances or postures which organizations adopt towards stakeholder groups. For example, Jawahar & McLaughlin (2001) link the organizational life cycle with the 'type of strategy' towards stakeholder groups, e.g., proactive, accommodating, defensive and reactive. Mirvis & Googin's (2006) framework links the stages of corporate responsibility with issues management (or CSR initiatives) which may entail organizational responses such as defensive, reactive, responsive, proactive, and transformative. Hart (1997) discusses strategies for a sustainable world and suggests three stages of environmental strategy.

Stage one is where the organization's focus moves from pollution control (i.e., the organization takes responsibility for mitigating the consequences of its emissions) to pollution prevention, in which the organization attempts to stop environmentally harmful emissions occurring in the first place. The second stage is where the organization moves from preventative measures to product stewardship. Here, the organization not only prevents pollution from occurring but also takes responsibility for the impact related to the life cycle of its product. In stage three the organization plans to invest in and integrate future clean technology into its business processes.

Pinkse and Kolk (2009) offer three strategic options and a typology for responding to climate change issues. They focus on (a) process improvement (e.g., emission credits internal to the company) (b) product development by focusing on the company's supply chain, and (c) new product and market interactions (which go beyond supply chain issues) which engage in transactions for the purchasing or selling of emissions credits.

The typology of integration strategies (or organizational strategic responses) suggested in this research differs from these earlier studies. The typology in Figure 6.3 explains the existence of multiple strategic approaches within a single organization for achieving the integration of sustainability issues. As made evident in this study, such a possibility exists because different business units within the same organization have different business dynamics and goals. As suggested above, previous studies have discussed integration as a stage-wise development, or as a process that unfolds over the life-cycle of an organization. Those studies presume a single organizational strategy for integration at any given stage of an organizational life cycle. In contrast, this study demonstrates that a single large organization can have multiple and simultaneously implemented strategies for the integration of sustainability issues.

In the context of the typology presented in this study which deals with the integration of business strategy with sustainability or CSR strategy, organizations could be viewed as dealing with hybridity (Smith & Besharov, 2019) and paradox (Smith & Besharov, 2019; Hahn et al., 2018). The typology identifies the explicit commitment to sustainability (based on the findings in the legitimation strategy) as a necessary requirement for formation of integration strategies. Such a commitment in a profit-seeking organization like the bank, as explored in this study indicates, “hybridity and structured flexibility” (Smith & Besharov, 2019: p. 1). The hybridity is indicated in the commitments made by the bank in relation to both the economic growth and the social goals which are evident in the findings in its legitimation strategy. The structured flexibility is evident in the bank’s client-centred integration which is a demand driven strategy on the one hand, and in its voluntary compliance strategy committed to mitigating environmental harm which is a supply driven strategy, on the other.

The explicit commitment to sustainability identified in the typology is also consistent with Smith & Besharov’s (2019) identification of “stable enabling features” (p. 8) which include leadership’s commitment to both the economic and social value creation imperatives. This is also in line with Nooyi & Govindarajan’s (2020) assertions about commitment from board members to sustainability goals. Nooyi & Govindarajan (2020) also point out that members of the team leading sustainability integration should be able to think in new ways (innovations) and are not bent on maintaining the status quo. This emphasises the importance of innovation in sustainability integration which is evident in the client-centred strategy.

Smith & Besharov (2019) also refer to “paradoxical frames” (p.10) which suggest the leadership’s commitment to cognitively accept the contradictory demands of both the economic and social objectives. They also emphasise the need to build stakeholder relationships related to both the economic and social objectives. Based on these assertions, the implications for understanding of ‘commitment to sustainability integration’ as identified in the typology is that the other features of integration such as innovation and stakeholder relationships (Nooyi & Govindarajan, 2020; Smith & Besharov, 2019) are interconnected to the commitments for achieving sustainability.

The typology can also be viewed from a perspective of paradox (Hahn et al., 2018). Hahn et al. (2018) recognizes the inherent tensions between sustainability objectives and for-profit oriented business strategy. Thus, to avoid organizational tendencies to prioritize profits and relegate sustainability to the fringes of the organization, they offer a paradox perspective for managers to accommodate and therefore accept the inherent tensions. The acceptance of the tensions aims to make it possible for managers to pursue the sustainability strategy with a normative focus alongside for-profit sustainability business strategy with an instrumental focus. Thus, these scholars offer a definition of paradox perspective – “A paradox perspective on corporate sustainability accommodates interrelated yet conflicting economic, environmental, and social concerns with the objective of achieving superior business contributions to sustainable development.” (p. 237).

According to Hahn et al. (2018) the paradox perspective enables managers to implement contradictory and competing sustainability simultaneously. The examples of such paradox in the typology are the demand driven client-centred (Type 3) and the supply driven voluntary compliance (Type 4) strategies. The paradox is inherent in those two strategies on the basis that the client-centred strategy is an instrumental approach to integration in which the change in the clients’ demand for sustainability could change the bank’s strategy. Whereas, the voluntary compliance has a normative approach to integration in which the bank has voluntarily accepted to integrate the Equator Principles. Equally, it could reasonably be speculated that the Type 2, the green-washing strategy, exists in the bank. For example, the bank offers to respond to the clients’ demand for socially responsible investments (SRIs), and yet it follows the conventional investment strategies for clients not concerned with SRIs in which the bank makes investments in the stocks of high polluting industries such as oil & gas explorations. This is consistent with Hengst et al.’s (2020) notion of “decoupling” which they define as “adopting a policy symbolically, without implementing it substantively.” (p. 246).

Hengst et al. (2020) contrast decoupling with "tight integration" which they define as "inclusion of a sustainability strategy into existing competitive strategy, as manifested in an organization's products or services and processes." (p. 246). This is consistent with the Type 3 (the client-centred strategy) and Type 4 (the voluntary compliance) integration strategies illustrated in the typology (Figure 6.3). The implications of Hengst et al.'s (2020) suggestions about "decoupling" and "tight integration" strategies for this research is that the typology illustrates the existence of both in a single organization. Much of the integration related research assume that either there are organizations who are seriously committed to the integration of sustainability into their core business processes, or there are those that engage symbolically in what could be termed as green-washing strategy. However, the typology presented in this study offers a more nuanced view of organization where the tightly integrated strategies (Type 3 & 4) may coexist with the green-washing strategy (Type 2) indicating a paradox perspective on integration.

However, while the typology presented in this research can be viewed from the perspectives of hybridity and paradox, it represents strategies of integration which are also self-contained and independent of one another. For example, the client-centred strategy is located in the wealth and investment management activities of the bank. Whereas, the voluntary compliance strategy is located in the project-lending activities of the bank. These two activities exist independently of one another defined by different business contexts. Thus, these strategies could be viewed as complementing one another.

The typology suggested in this study is a general framework to understand the sustainability integration into core business processes of commercial banking. It demonstrates that integration has multiple avenues of integration. The integration model is derived on the basis of studying specific business units such as large-scale project lending, wealth management (which include investment management, and philanthropy and charities management), and other processes that engage in the bank-society interface, such as citizenship practices. The limitation of the framework is its narrow focus on a commercial banking environment. However, the two organizational elements used for creating the framework can have a wider application. The two elements can be combined to understand the integration strategies (as illustrated in Figure 6.3) of businesses beyond the commercial banking environment. For example, it is conceivable that in an oil and gas industry, a business firm could invest in clean sources of energy indicating integration driven by social demand, and yet the same firm could continue to be involved in more traditional oil and gas explorations indicating a green-washing strategy.

7.3 Simons' strategy formulation framework

In the first phase of the data analysis in this study, Simons' (1994, 1995) framework was used as a lens to understand the CSR/sustainability strategy formulation process of the bank. The motivation for the use of Simons' framework had come from the previous scholarly studies in which it has been used to study the CSR/sustainability integration into business processes (Gond et al., 2012; Arjalies & Mundy, 2013).

Simons' (1994, 1995) framework argues that managers use four levers in different combinations, at times one more than others, to formulate and control the strategy building process. The four levers are: interactive systems, boundary systems, belief and value systems, and diagnostic systems. The interactive systems are organizational innovation and learning processes, the boundary systems are the organizational business and strategic risks; the belief and values are the organizational code of conduct policies, and the diagnostic systems are the measurement and the analytical metrics (Simons, 1995).

The findings of this study demonstrate that the fours levers suggested by Simons (1994, 1995) play a role in understanding how the bank builds its integration strategies. For example, the interactive systems in the form of innovative processes is evident in the client-centered strategy. The boundary systems in the form of business and strategic risks is evident in the voluntary compliance and the legitimation strategies. The diagnostic systems in the form of client's personality diagnosis, the client monitoring, and the measurement metrics are evident in the client-centered, the voluntary compliance, and the legitimation strategies respectively. The belief and value systems in the form of code of conduct commitments are evident in the legitimation strategy.

The findings as explicated in section 7.1.4 and 7.1.5 also suggest that the stakeholder participation in the decision-making processes and the trust-based relational interdependencies play a key role in the building integration strategies. This is evident in all of the three strategies explored in this study. In recent scholarly works, the role of stakeholders in sustainability integration is demonstrated by Juntunen et al., (2019) in the new product development process and by Sroufe (2017) in achieving organizational change towards sustainability. Other scholarly works which focus on stakeholder integration and relationships include Dye et al.'s (2014) exploration of the stakeholder influence on hurricane evacuation decisions, and Nooyi & Govindarajan's (2020) emphasis on Pepsico's sustainability strategy which integrates long-term stakeholder issues. Equally, trust in relational dynamics has recently been explicated by Frei & Morris (2020), and Crane (2020) in the interconnectedness of stakeholders in the information age. The fostering of positive relational dynamics has also been explored recently by Lee & Mazmanian (2020). All these scholarly works indicate that stakeholder relationships and its trust-based dynamics are central elements for understanding organizational integration approaches.

However, Simons' (1995) framework does not focus on the organizational stakeholder relationships as a lever in how CSR/sustainability integration strategies are controlled and formulated. This is probably because Simons (1994, 1995) developed the framework with an exclusive focus on the business and economic imperatives of strategy formulation process. Sustainability then was not a pressing issue for most organizations.

Considering that interorganizational collaborations for innovations, stakeholder relationships and trust-based relational dynamics are central to understanding sustainability integration, and since Simons' (1994, 1995) framework has been used in the previous scholarly works (Gond et al., 2012; Arjalies & Mundy, 2013) to understand CSR/sustainability integration processes, this study suggests that inclusion of 'relational systems' as a category in Simons' framework would enhance the framework's explanatory power for understanding formulation of sustainability integration strategies.

7.4 Research limitations and implications

The limitations of this study arise mainly as a result of the primary focus on the three strategies explored in this research. The areas which remain unexplored, as explained below, emanate from the findings which directed this study to focus on certain specific aspects of the sustainability integration into core business processes rather than others. Consequently, any account will necessarily be partial, and thus, many areas remain outside the scope of this study.

This research explored stakeholder integration into organizational business processes with a particular focus on the clients of the bank, and the societal representatives. By implication, this excludes the role of other specific market stakeholder groups such as employees, suppliers, competitors, and non-market stakeholders such as regulators, the government, and NGOs in creating joint economic and social value. Thus, by highlighting the role of a specific group of stakeholders in building integration strategies, the role of other stakeholder groups in building integration strategies remain beyond the scope of this research.

This study also explored the role of intangible assets such as the bank's decision-making processes and trust-building for achieving integration of social and environmental issues into specific core business processes. For example, those core business processes at the bank include project-lending and wealth management (which includes investment management, philanthropy and charities management). Thus, the role of other business processes such as trading activities, foreign-exchange activities, human resource management, marketing etc. in creating joint economic and social value remain outside the focus adopted in this study.

The focus of this study on the role of intangible assets such as decision-making processes, risk management processes, interorganizational collaboration, innovative processes, and trust mechanisms in building integration strategies has inevitably ignored the role of tangible assets in creating joint economic and social value. For instance, the role of tangible assets such as the financial measures related to the return on capital, price- to-book valuations (e.g., P/E ratios), technology, and other tangible assets of the firm remain unexplored.

Also, the focus on intangible assets such as the decision-making processes, risk management processes, innovative approaches, and trust-building is achieved in this study to the exclusion of other intangible assets such as the role of leadership, organizational learning and organizational culture in joint-value creation. Other co-ordinating mechanisms such the role of control-mechanisms and the organizational structure also remain unexplored. The implication of not having addressed these organizational factors and their relationship with the integration of sustainability issues is that it opens up avenues for future research. It also suggests that research related to sustainability integration into core business processes is still in its early stages. More particularly, this is evident in light of the increasing societal pressures on organizations to respond to the challenges of climate change, resource depletion, the increasing gap between the rich and the poor, and ecological harm.

This research relies on publicly available data. Such data can be said to be a collective view expressed by the organization in the public domain. By implication, the perspectives of individual managers or employees of the bank (the private domain) remain unexplored. Equally, the case study and discourse analytic perspectives adopted in this study, by implication, exclude other qualitative and quantitative approaches to understanding the integration processes. The strategies such as the client-centred and the voluntary compliance strategies explored in this research are unique to organizations. They are strategic and therefore differentiated from what other firms do. Thus, while this study’s value lies in gaining an understanding of the complexities of the landscape of integration (e.g., the role of intangible assets and the role of business processes in achieving the aims of integration), its limitation then lies in the limited generalizability of its findings to the wider population of business firms.

7.5 Conclusion

This chapter discussed the key findings and their relevance to the CSR and management theories. More specifically, it sheds light on the organizational elements that contribute to understanding how sustainability integration strategies are built and how those elements are integrated into the bank's core business processes. These elements include the role of intangible assets in building organizational capabilities such as innovative processes, collaboration, risk management processes, stakeholder integration into decision-making processes, trust-based relational interdependencies, and organizational commitment in building integration strategies. The interdependencies among these six elements enable this study to suggest a configurational view of how different organizational elements come together, that is, causal elements come together in combination to achieve integration of economic and social objectives.

A typology (Figure 6.3) was proposed for considering business units' approaches to the integration of sustainability into core business processes based on the intersection of two elements (based on the findings) of integration. When explicitly stated commitments to sustainability come together with the participation of stakeholder groups in decision-making processes, they give rise to four types of integration strategies: no integration, antithetical integration, orthogonal integration, and synergistic integration.

At the core of this research is the question about how organization(s) respond to the demands of social, environmental, and ethical pressures. Those responses may come in the form of organizational principles, policies, processes, practices, and strategies. The focus of this study has been on how a major financial institution, a bank headquartered in the UK, builds strategies which integrate social, environmental, and ethical issues into its core business processes. The relevance of the findings of this research lie in (a) understanding how those strategies of integration are built within the core business processes through a combination of different organizational elements, and (b) how those strategies extend our understanding of how a single corporate entity may pursue a combination of different paradoxical strategies in the pursuit of sustainability integration.

The next chapter concludes this research project by highlighting contributions of this study. It also points out the implications for management practice and sets out the directions for future research.

Chapter 8
Conclusion

This is the concluding chapter of this thesis. Section 8.1 highlights the contributions and the significance of the key findings in light of CSR theory and practice. Section 8.2 discusses the directions for future research, and section 8.3 places the significance of this study within the wider challenges facing the business-society relationship.

8.1 Contribution and the significance of the key findings

As identified in chapter one, this research makes three contributions: (a) the study identifies six organizational elements: innovative processes, collaborations, risk management processes, stakeholder participation in decision-making processes, relational interdependencies and trust mechanisms, and organizational commitment to integration – all of which facilitate the building of integration strategies; (b) the study creates a typology (based on two of the six elements identified in the findings) for understanding multiple strategies that organizational business units may adopt in achieving integration, and (c) the study proposes an extension of Simons' (1995) framework to include relational system as an additional category to the existing categories in the framework. Such an extension is proposed to make the framework a better explanatory lens for understanding the formulation of integration strategies. Below, this chapter summarizes some of the key findings related to these three contributions and their significance within the context of the CSR and management literature and practice.

The current body of knowledge shows that many organizational elements play a role in how sustainability integration into core business processes takes place. For example, Juntunen et al. (2019) focus on the role of stakeholders in innovations related to the new product development process, Villena et al. (2020) highlight the role of supply chains in achieving sustainability objectives, and Jones et al. (2018) focus on how an instrumental stakeholder approach can provide sustainability with competitive advantage. Sroufe (2017) explores why and how corporate leaders operationalize sustainability in organizational systems and activities, Nooyi & Govindarajan (2020) outline the lessons learnt from a program of sustainability integration, and Hengst et al., (2020) offer a process view of implementing sustainability strategy alongside business strategy. Husted & Allen (2011) expound upon resource-based, and resource-dependency views of integration.

The findings of this study add another dimension to these works by highlighting six organizational elements (i.e., innovative processes, collaborations, risk management processes, stakeholder participation in decision-making processes, trust-based relational interdependencies, and organizational commitments) which support the building of integration strategies. In the previous chapter, this study showed that these six elements are interrelated, and thus this research offers a configurational view in which different causal elements combine together to achieve integration.

In addition, much of the previous works have paid scant attention to the role of organizational risk management processes and their linkages with integration strategies. This study shows that risk management processes at the strategic level, business level, and in the organizational legitimacy seeking behaviors of the bank play a vital role in integration.

The role of stakeholders is widely recognized in the CSR literature as a critical element in sustainability integration. However, few studies have highlighted how the participation of stakeholders in the decision-making processes has implications for trust-based relational interdependencies. This is surprising considering that trust is vital in sustaining stakeholder relationships (Post et al., 2002; Frei & Morriss, 2020; Crane, 2020). Thus, this study suggests that managers can benefit from the analysis of stakeholder interdependencies in their decision-making processes. Such an analysis would enable managers to understand the trust mechanisms of the decision-making processes which help sustain stakeholder relationships.

More importantly, based on the findings, this study offers a typology which shows how a single organization can adopt different strategies of sustainability integration which coexist independently of one another. Contrary to the underlying black and white approach in various integration studies which assume that organizations have a single CSR or sustainability strategy and a single business strategy, this study shows that organizations offer a more complex scenario in which multiple integration strategies can coexist independently of each other. This understanding is important for future studies of integration to identify how multiple approaches to integration play out in different organizational contexts.

The typology also identifies demand led and supply led integration strategies. Demand led strategy in this study highlighted the role of clients and their demand for socially responsible investment products. The supply led strategy identified how the adoption of the Equator Principles makes the bank influence their clients' approaches to the mitigation of project-related environmental risks. The supply and demand led strategies indicate both the instrumental as well as the normative approaches to achieving integration. Few integration studies have identified how normative and instrumental approaches to integration are intertwined in achieving sustainability objectives. For example, the adoption of the Equator Principles indicates a normative approach in integrating the international environmental standards in project lending activities. However, at the same time, project lending is a profit-seeking activity of the bank indicating an instrumental approach to integration. This is an important insight for future research which could identify how the interconnectedness of normative and instrumental approaches influence achievement of sustainability integration.

Simons (1994, 1995) has identified how managers use four organizational levers to control the strategy building process. Thus, Simons explicates the role of innovations and learning, business and strategic risks, beliefs and value system, and pre-planned performance metrics for revitalizing organizations. Previous studies have used Simons' framework for exploring and understanding sustainability integration with business strategies (Gond et al., 2012; Arjalies & Mundy, 2013). However, in applying Simons' framework, the previous studies have not accounted for stakeholder integration into business processes, which is an integral element of CSR and sustainability strategies.

Thus, this research adds another dimension, namely 'relational system' as one more lever to gain an understanding of the sustainability integration strategy formulation process through the lens of Simons' (1995) framework. This relational system category would enable Simons' framework to account for organizational elements such as stakeholder management capabilities, relational interdependencies, and their implications for trust-building in stakeholder relationships. These elements of the relational system have been shown in this research to play a critical role in building sustainability integration strategies. As the use of Simons' framework in this study and in previous research studies (Gond et al., 2012; Arjalies & Mundy, 2013) has been shown to be an important lens for understanding the strategy building process, the recognition and inclusion of 'relational system' as a category in the framework would increase the framework's explanatory power in the context of CSR and sustainability integration strategies.

This study, in the context of Simons' configurational perspective on strategy building further advances work on the configurational perspective of the sustainability strategy building process. To that effect, this research has shown that organizational elements such as innovative processes, risk management processes, belief and value systems, pre-planned analytical mechanisms, and stakeholder integration are interrelated elements (as discussed in the previous chapter) which combine to build organizational capabilities and thereby facilitate the integration strategy-building process.

8.2 Directions for future research

The central question addressed in this research is how do organizations build strategies which integrate sustainability into their core business processes? In addressing the question, this study has focussed on three strategies: the client-centred strategy, the voluntary compliance strategy, and the legitimation strategy. The exploration of these three strategies as a means of achieving the integration of sustainability issues raises further questions which open up avenues for future research.

The three avenues to sustainability integration explored in this research are by no means exhaustive. For instance, in the client-centred and the voluntary compliance strategies, the clients as a market stakeholder group is central to achieving integration. There are many other market stakeholders in transactional relationships with the banks. Those are suppliers, creditors, owners, consumers, etc. Future research on the integration of business strategies with CSR strategies of organizations could bring more insights into how these groups of stakeholders participate in organizational decision-making processes for the creation of joint economic and social value. The role of suppliers also raises the issue of the role of international supply chains in achieving sustainability integration – an issue which remains under-explored in the CSR literature.

Equally, the role of non-market stakeholders such as regulators, government, NGOs, and civil society is recognized as important in achieving sustainability integration. How regulators and government agencies influence sustainability integration into the core processes of businesses remains under-explored in the CSR literature. Thus, future research could explore the role of non-market stakeholders in the integration of sustainability issues. The amalgamation of such research could help build a more macro-level view of how business organizations, including banks, build sustainability strategies though their core business processes.

The client-centred and voluntary compliance strategies also demonstrate how clients are integrated into the bank's decision-making processes, and how these stakeholders give rise to interdependence in bank-client relationships. As a result of these interactions between the bank and the clients, the study also demonstrates how trust-related dimensions could be anticipated for building effective stakeholder relationships. Thus, future studies could explore the relational interdependencies and trust-based dimensions of stakeholder participation in the decision-making processes of organizations in different industry sectors. Such research would give better insights into the relational dimensions (and governance) of building effective stakeholder relationships.

The client-centred strategy also identifies the role of process innovations and interorganizational collaboration in achieving sustainability integration. This raises questions about other innovative products or processes which may influence integration. Are those innovations easily imitable by other organizations so as to replicate the benefits of sustainability integration without incurring high costs? How do interorganizational collaborations help achieve the aims of sustainability integration? Future research could benefit from such explorations to gain better insights into the phenomenon of integration.

In the voluntary compliance strategy, this study identified the importance of reputational and credit risks of the bank. However, organizations also face other types of risks such as operational risks, and legal risks. How do these other risks play out in the process of achieving sustainability integration? These are questions that need further exploration.

In the legitimation strategy, the bank recognizes the need for (a) the building of social capital through trust (b) taking account of stakeholder considerations (c) achieving growth, and (d) committing to organizational values and becoming a trusted member of the community. These declarations imply the important role of leadership in how organizations set future directions for themselves, and how they define their economic as well as social purpose. Thus, future research could benefit from a better understanding of the role of leadership in defining its organizational purpose in the context of achieving sustainability integration.

8.3 Conclusion

The last few decades have witnessed the globalization of business activities and wealth creation led by large corporations. However, this globalization and the wealth creation process has been accompanied by the ever increasing societal and environmental challenges of global warming, climate change, ecological harm, resource depletion, and the widely reported increasing gap between the rich and the poor. These are sustainability and social challenges facing large corporations. How corporations respond to these challenges, going forward, by fostering sustainability in their core business processes, will determine the outcomes of those challenges facing the business and society relationship. This study asserts that process innovations, stakeholder integration, participative decision-making processes, risk management processes, inter-organizational collaborations, and trust-building mechanisms will be at the heart of addressing those challenges.

In this study, innovative integration methods were shown to include the bank's use of Behavioral Finance in their financial decision-making processes. They also included collaboration with an external organization to leverage expertise in identifying social issues that create the most pressure on the welfare state, pointing to an innovative approach taken by the bank to respond to clients' philanthropic needs. Thus, the bank creatively linked the client's philanthropic needs with the framing of those needs in the context of creating an economic as well as social impact.

Whether the bank is motivated by the desire to leverage its competitive advantage and thus retain the business of its high net worth clients, or by the desire to assert its leadership role in voluntary compliance with the externally devised environmental standards and principles, or by the desire to align its behavior with the societal and regulatory expectations, stakeholder integration in its decision-making plays a critical role in its business and organizational processes.

Much of the criticism directed against the banks' legitimation, citizenship, or sustainability strategies is that these are simply public relations exercises (greenwashing) to provide cover for continuing 'business as usual' practices. However, Littlejohn (1986) makes an interesting point in asserting the important role of the public relations (PR) exercise. According to Littlejohn, "PR's importance lies in being harnessed to assist directly in the pursuit of strategic goals." (p. 109). In support of this, Cheney et al. (2004) suggest that "While traditional managerial practice separates the act of strategizing from communicating about it, more recent commentaries treat planning and communicating functions as being inextricably intertwined. And, to the extent that PR is less defensive and more proactive, [its] links to strategic planning and management seem natural." (p. 88).

Regardless of the organization's motivations for engaging in sustainability integration, this study asserts that the current social and environmental challenges facing corporations will necessitate the building of organizational capabilities through the use of intangible assets (such as the adoption of process innovations, stakeholder integration, participative decision-making processes, risk management processes, inter-organizational collaborations, and trust-building mechanisms) for addressing those challenges.

The bank's behaviors related to their core business processes, such as lending and investments, have implications for corporations at large. How corporations respond to the integration of sustainability challenges into their business processes has linkages with how their sustainability projects are financed. Corporations receive their large-scale funding in the form of loans from major banks (as demonstrated in the voluntary compliance strategy). Equally, large banks also have the ability to shape the investment funds of their large and wealthy client base into the equities of large corporations, as demonstrated in the client-centered strategy.

Thus, the flow of finance which banks control nationally and internationally has the power to shape how corporations use those funds. Should the power of large banks be used to direct funds only to the corporations that effectively integrate sustainability into their core businesses processes? This question exemplifies the importance of gaining insights into the linkages between financial institutions and sustainability issues. In studying the building of integration strategies in a major bank, this research directs attention to how financial processes could address sustainability issues. It also directs our attention to the ways in which strategies of integration give insight into how large banks have the power to shape the sustainability policies of corporations, who rely on borrowing from them (as demonstrated in the voluntary compliance strategy).

This research has attempted to understand the role of core business processes of a large commercial bank in responding to the creation of combined economic and social value for the bank. Considering the complexity and the enormity of the sustainability challenges facing society, and the ensuing pressures on the corporations to respond to those challenges, the understanding of how corporations respond to these pressures through their core business processes will gain increasing importance going forward.

As suggested earlier, the flow of big finance from banks has the power to influence and shape the sustainability integration processes of large corporations who rely on loans and investments from them. At the same time, large commercial banks also have the power to influence other banks' approaches to the integration of sustainability issues through the imitational tendencies (i.e., isomorphic behaviors) of business organizations. The isomorphic behaviors of firms could be assumed on the basis of the recent research by Ioannou & Serafeim (2019). They show that the sustainability practices of companies within an industry converge over time (which they refer to as "common practices") and that such behavior is associated with the "adoption of sustainability practices by the industry's market leaders" (p. 1).

The adoption of the Equator Principles by the bank, as demonstrated in the voluntary compliance strategy, is an example of how the integration of such principles by the industry leaders set behavioral standards for other banks to follow. Equally, Moon (2014) argues that "In the absence of wider transparency, it is by inference that we assume that the largest firms, and those with the greatest economic control, inform the CSR of the remainder." (p. 129). Thus, the behaviors of industry leaders in relation to their business processes is critical in how the issues of sustainability integration get wider acceptance for combining economic value with social and environmental value. It is industry leaders' stances that set standards of behavior for large banks, small banks, and corporations, to which regulators and society can hold them accountable.

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