The Role of CEO Leadership in Driving Strategic CSR: An Enhanced Stakeholder Collaboration Model

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Edwin John Heiser

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Michael R. Manning, Ph.D. Chair

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Committee Members
Inger G. Stensaker, Ph.D. NHH Norwegian School of Economics
Mary C. Gentile, Ph.D. Babson College
Abstract

Business leaders struggle with the understanding of what corporate social responsibility (CSR) really means and what their role and that of their firm’s role is in engaging in meaningful CSR. This study begins by assuming that the firm CEO should be in the best position to interact with all firm stakeholders who may have an interest in the firm’s strategic CSR activities and how those interests intersect with the value proposition of the firm. How that intersection is then translated by the CEO into the strategic value proposition of the firm and then adopted throughout the organization is the subject of this study. The dissertation employs an interpretive multi-case study that seeks to understand the motivation, intent, and value framework that predisposes a leader to guide their firm to engage in strategic CSR activities. One CEO, Kurt Landgraf, the former CEO of the DuPont Merck Pharmaceutical Company (DuPont Merck) and Educational Testing Service (ETS), was studied. Both companies are exemplars of strategic CSR and represent very different industries. Key leaders during Landgraf’s tenure in both firms were interviewed as well as Landgraf to understand the role he played in engaging each firm in meaningful strategic CSR. Archival data and publications were also used to enrich the case analysis. A process model detailing CEO enhanced stakeholder collaboration was developed inductively from the study results. Propositions are also offered to help extend future research on how CEOs can drive strategic CSR initiatives.

Keywords: enhanced stakeholder collaboration, ethical leadership, values, values framework, strategic CSR
Dedication

This dissertation is dedicated to my wife, Karen, and our children. Their strong encouragement, editing, patience, and willingness to listen to continuous dialogue on the subject of leadership and corporate social responsibility kept me inspired throughout the project.
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Chapter 1: Introduction

Business executives have struggled for decades with the question of what role the organization should play in driving social responsibility. Most businesses and their leaders continue to struggle with the understanding of what corporate social responsibility (CSR) really means and what their role and the role of the firm is in engaging in corporate social responsibility activities (Dunfee, 2013; see also Angus-Leppan, Metcalf, & Benn, 2010; Heiser, 2016; Margolis & Walsh, 2003; Swanson, 2014, pp. 1–3; Waldman & Siegel, 2008). This confusion should not be unexpected given the variety of definitions of CSR set forth in the literature, including social characteristics or features incorporated into products or the manufacturing process, business ethics, more sustainable environmental practices, and various forms of corporate philanthropy (Heiser, 2016; McWilliams, Siegel & Wright, 2006; Morgeson, Aguinis, Waldman & Siegel, 2013; Peloza & Shang, 2011). In many cases, firms become caught in a paradox between economic gain and societal benefit (Dunfee, 2013; Heiser, 2016; Margolis & Walsh, 2003; Porter & Kramer, 2011; Waldman & Siegel, 2008). As a result, companies end up resisting CSR to the extent possible or engaging in CSR practices that are designed solely to mitigate risk or to enhance their reputation in the community, neither of which really provides meaningful societal benefit (Dong & Lee, 2011; Heiser, 2016). If the leaders of an organization cannot articulate what it means to be socially responsible, then it is difficult for the employees of the organization to understand what their concomitant role should be. The current research on the subject of CSR does not provide much of
a signpost. I submit that to accomplish this task of being socially responsible, leaders must create a vision that links CSR directly with firm value creation and profitability (Porter & Kramer, 2011)—also referred to as strategic CSR. This study purports to examine the values and visioning framework undertaken by leaders who are successful at engaging their firms in strategic CSR.¹

**Significance of the Study**

This study builds on the scant existing empirical research at the individual level of analysis by examining the processes undertaken by CEOs linking a leader value framework and enhanced stakeholder collaboration with the strategic value proposition of the firm, thus driving meaningful commitment in strategic CSR activity (Aguinis & Glavas, 2012; Jones Christensen, Mackey & Whetten, 2014; Morgeson et al., 2013). Jones Christensen, Mackey and Whetten (2014) delineate gaps in the research arising out of the literature on firms engaging in CSR and note specifically the need for more study at the individual level of analysis:

> We take the perspective that while most conceptualizations of CSR refer to corporate actions, it is the individuals within the firm who actually create, implement, sustain, or avoid such policies and actions. Thus, a search for antecedents to socially responsible actions naturally involves investigating CSR from the individual level of analysis. Unfortunately, research at the individual level has, by comparison to

the organizational and institutional levels, been under-examined in the CSR literature (p. 165; citing Aguinis & Glavas, 2012; Morgeson et al., 2013).

In addition, Aguinis and Glavas (2012) identify a specific “knowledge gap” requiring multilevel research that links individual factors such as alignment to personal values, commitment, and awareness of CSR with institutional theories related to stakeholder theory and the resource-based view of the firm (pp. 952–953; see also Swanson, 2014, pp. 42–48). While research exists that examines leadership characteristics, traits, and values as predictors of firm engagement in CSR (Aguinis & Glavas, 2012, p. 948; Jones Christensen et al., 2014, p. 168), little is known about how leaders communicate and translate their desire for firm commitment to CSR in a manner that fosters organizational value congruence and employee engagement in CSR (Aguinis & Glavas, 2012, pp. 956–957). This study seeks to close this knowledge gap. Moreover, results from this study may help firms see the inherent value of pursuing strategic CSR activities. This research also can assist firms with leadership development initiatives by providing support for recruiting and developing CEO candidates and senior leaders who possess certain traits, characteristics, and values that predispose them to comprehend the needs of a broader stakeholder community and by providing them a roadmap for translating that insight into an actionable CSR strategy for the firm.
Purpose of the Study

The purpose of this interpretive qualitative study is to understand the motivation, intent, and value framework that predispose leaders to guide their firms to engage in strategic CSR initiatives. Strategic CSR, for purposes of this research, is being defined as activities that are linked in some strategic and purposeful fashion to the value proposition of the firm and that provide a more meaningful benefit and value to society through cooperative and collaborative linkages with the communities in which they operate (Porter & Kramer, 2011; Swanson, 2014, p. 52). The firm CEO, or a division president or general manager, should be in the best position to interact with all of the disparate stakeholders who may have an interest in the firm’s strategic CSR initiatives, and thus this person is best positioned to appreciate those needs and how they intersect with the value proposition of the firm. How that intersection is then translated by the CEO into the firm’s strategic framework and then adopted throughout the organization is the subject of this study. The unit of analysis is the individual leader and the firm visioning architecture he/she employs to drive engagement and firm value congruence in strategic CSR activities.

Research Questions

1. How do CEO values, characteristics, traits, motivation, and intent impact a firm’s ability to engage in enhanced stakeholder collaboration and strategic CSR?
2. How does the CEO translate that value framework into a firm value proposition that promotes enhanced stakeholder collaboration and a meaningful commitment to strategic CSR?
Chapter 2: Literature Review

The Role of the Firm in Addressing Social Issues

The shareholder perspective of the firm
An analysis of the social responsibility of the corporation should begin with an overview of the literature on the fundamental question of what the specific role of the organization is. Is it simply to maximize shareholder wealth, to address the major ills of society at the expense of profit maximization, or some result in the middle (Jensen, 2002; Margolis & Walsh, 2003; Waldman, 2011). Many organizations and their executives subscribe to the view that a business’s sole function is to ethically maximize profits, leaving its shareholders and employees to individually determine their own philanthropic endeavors. This contractual or economic view of the firm questions the underlying support for corporate responses to social issues on the grounds that social wealth is maximized as an outcome of shareholder wealth maximization (Margolis & Walsh, 2003). Moreover, proponents of this economic view of the firm submit that duly elected governments are in the best position to address societal ills and/or that left to their own devices, firm managers will misallocate or misappropriate valuable firm resources for personal gain under the guise of engaging in socially responsible activities (Margolis & Walsh, 2003, pp. 171–172).
Milton Friedman most notably framed this debate with his remarks that “there is one and only one social responsibility of business—use its resources and engage in activities designed to increase its profits so long as it … engages in open and free competition without fraud or deception” (Friedman, 1970, p.126). Friedman essentially argues that executives are agents of the shareholders of the corporation and that their role is to conduct business in accordance with the desire of those owners, i.e., to make profits. Under Friedman’s theory, profitable businesses enhance their communities through sustained employment and the purchase of goods and services. Corporate executives who pursue philanthropic initiatives do so at the expense of the firm and thus put their own self-interests ahead of firm owners. Friedman’s criticism essentially boils down to the concern that when firms engage in activities to address social issues, managers will either misappropriate corporate resources away from primary corporate claimants, or managers will misallocate resources by diverting them to advance purposes for which they are poorly suited. “Corporations can contribute best to society if they do what they do best: employ a workforce to provide goods and services to the marketplace and, in so doing, fulfill people’s needs and create wealth” (Margolis & Walsh, 2003, p. 272).

Jensen (2002) advances the Friedman shareholder perspective by arguing that a firm’s sole responsibility is to maximize the long-term value of the firm. Jensen (2002) states:

Value maximization states that managers should make all decisions so as to increase the total long-run market value of the firm. Total value is
Jensen’s perspective goes beyond looking solely at the role of the firm in terms of shareholder profit maximization. According to Jensen (2002), “it is logically impossible to maximize in more than one dimension at the same time unless the dimensions are monotone transformations of one another” (p. 238). In other words, managers cannot make rational decisions about simultaneously maximizing multiple objective functions like profits, market share, and future growth (Jensen, 2002; see also Dunfee, 2013, p. 350). Jensen argues that it is incorrect to frame the issue of value maximization and social welfare in terms of whether shareholders should be held in higher regard than other stakeholders. Instead, firms should invest resources to address social issues only to the extent that such expenditures create long-term value for the firm as defined above (Jensen, 2002, pp. 240–243; see also Agle et al., 2008, pp. 167–171). According to Jensen (2002) and his enhanced value maximization theory,

\[ \text{[t]he real issue to be considered here is what firm behavior will result in the least social waste—or equivalently, what behavior will get the most out of society’s limited resources—not whether one group is or should be more privileged than another. (pp. 239–240)} \]

**The stakeholder view of the firm**

Taken literally, Friedman’s view of CSR, and to some extent Jensen’s view, fails to take into account that business cannot be viewed outside the contextual environment in which it operates (Margolis & Walsh, 2003). Instead, a firm’s ability to maximize profit, and ultimately its ability to create value, is affected by a variety of
stakeholders, including shareholders, employees, customers, suppliers, communities, and governments that have a direct impact on a firm’s ability to be economically viable (Freeman, 1984; see also Clarkson, 1995; Donaldson & Preston, 1995; Freeman, 2010; Hillman & Keim, 2001). The stakeholder framework of the firm can be contrasted from an input-output framework of the firm. The input-output framework depicts the firm as receiving various inputs from investors, suppliers, and employees, which it then transforms into outputs to customers (Donaldson & Preston, 1995, p. 68). Under this framework, those entities contributing inputs are expected to receive adequate compensation for their inputs; however, this contribution results in only “market competitive” compensation if profits are to be maximized. Customers of the firm end up achieving the greatest benefit (Donaldson & Preston, 1995).

The stakeholder framework, in contrast, views the firm at the center of a much broader group of stakeholders that all have “legitimate” interests, rights, or claims in participating in the firm (Clarkson, 1995; Donaldson & Preston, 1995, pp. 68–69). Clarkson (1995) posits that, “such claimed rights or interests are the result of transactions with, or actions taken by, the corporation, and may be legal or moral, individual or collective” (p. 106). The stakeholder framework assumes that these legitimate stakeholders have an equal stake in the benefits and interests of the firm (Donaldson & Preston, 1995). Donaldson and Preston (1995) classified stakeholder theory into three parts: (a) descriptive—whether and to what extent managers should attend to and act in accordance with the interests of various stakeholders; (b)
normative—whether managers should act in the interests of stakeholders other than shareholders and under what grounds these stakeholders have a legitimate claim on the firm; and (c) instrumental—the benefits and consequences that follow from attending to the needs of a broad group of stakeholders (see also Margolis & Walsh, 2003, p. 279). Most of the research regarding stakeholder theory has focused on the latter instrumental classification, which has resulted in significant discourse on the definition of stakeholders and its application to the role of the firm (Dunfee, 2013; Margolis & Walsh, 2003).

According to Freeman (1984), a stakeholder is any group or individual who can affect or is affected by the achievement of an organization’s purpose. Clarkson (1995) further refined Freeman’s definition of stakeholder into two categories of stakeholders, primary and secondary. “A primary stakeholder group is one without whose continuing participation the corporation cannot survive as an ongoing concern” (Clarkson, 1995, p. 106). Primary stakeholders include the obvious group comprised of shareholders, investors, employees, customers, and suppliers. This group also includes governments and communities that provide infrastructure and markets. Under the stakeholder theory of management, corporate executives have an obligation to increase value among all of its primary stakeholders, despite their competing interests (Clarkson, 1995; Donaldson & Preston, 1995; Freeman, 1984, 2010). By contrast, secondary stakeholder groups “are defined as those who influence or affect, or are influenced or affected by, the corporation and are not essential for its survival”
(Clarkson, 1995, p. 107). While the corporation is not dependent on this group for survival, secondary stakeholders like the media, special interest groups, and community activists can cause significant damage to the corporation if their interests are not addressed (Clarkson, 1995).

A stakeholder view of the firm moves the organization away from market-focused, transactional interaction with key stakeholders, to a more interdependent relationship (Hillman & Keim, 2001). This interdependent relationship can produce long lasting value for the firm by creating intangible, socially complex relationships that can provide sustainable competitive advantage (Hillman & Keim, 2001). A stakeholder management framework recognizes that a firm cannot deal with or solve all social issues (Clarkson, 1995, p. 103). Rather, firms and their managers “manage relationships with stakeholders and not with society” (Clarkson, 1995, p. 100).

According to Clarkson (1995), the stakeholder theory of management requires firm managers to resolve the conflicts that arise among primary firm stakeholders about firm wealth creation and distribution in a manner that considers all primary stakeholder interests, not just shareholders, through the use of ethical judgment and choices (p. 112).

The criticisms of stakeholder theory

Stakeholder theory as a means of driving corporate social responsibility initiatives is not without its critics. The primary criticism centers around the discretionary means by which firm managers decide to engage in socially responsible activities, and the
negative effect these actions can have on firm value maximization (Dunfee, 2013; Jensen, 2002; Mele, 2013; Waldman & Siegel, 2008). Engaging in CSR activities essentially rests with the discretion of managers (Dunfee, 2013; Mele, 2013). Thus, critics argue that stakeholder theory does not provide sufficient guidance on resource allocation to address various stakeholder group interests, which ultimately has the potential for managers to act in contravention of their fiduciary duties to the organization of maximizing firm value (Jensen, 2002; Mele, 2013; Waldman & Siegel, 2008. Jensen articulated this lack of guidance as resulting in managers either misappropriating firm resources for their own personal gain or misallocating firm resources to the causes of certain influential special interest groups, both scenarios of which destroy value maximization (Jensen, 2002, pp. 242–243).

Jensen (2002) posits that stakeholder theory, in its pure form, is workable because firms are required to pay attention to all constituents that can directly impact the firm. Stakeholder theory is flawed, however, because, in Jensen’s view, it provides no guidance to choose among competing and inconsistent constituent issues; it provides no framework for making tradeoffs. He contends that, pursuant to his enhanced value maximization theory, a firm “should spend an additional dollar on any constituency to the extent that the long-term value added to the firm from such expenditure is a dollar or more” (p. 242). With this “enlightened stakeholder theory,” the focus on long-term firm market value provides a mechanism for managers to make tradeoffs among
competing constituencies and it serves as a check on managers pursuing personal preferences at the expense of firm value (Jensen, 2002, p. 246).

Proponents of the stakeholder theory counter this criticism by arguing that stakeholder theory also is about maximizing firm value. Instead of viewing profit maximization as the sole purpose of the corporation, it is the outcome of a well-managed organization. And to be a well-managed organization, one must examine tradeoffs in relation to a broader group of stakeholders than just shareholders (Agle et al., 2008, pp. 164–165; see also Agle, Mitchell, & Sonnenfeld, 1999; Mitchell, Agle, & Wood, 1997). Essentially, this argument revolves around how firm resources should be allocated by managers among firm stakeholders, which necessitates a better definition of who/what constitutes a firm stakeholder (Dunfee, 2013).

Agle et al. (1999) studied the Stakeholder Attributes and Salience Model first proffered by Mitchell et al. (1997) in the context of specific decisions made by CEOs of 80 large U.S. public firms. The Mitchell, Agle, and Wood model essentially holds that managers give priority to certain firm stakeholders over others based upon the attributes of power, legitimacy, and urgency (Mitchell et al., 1997). Agle et al. (1999) also examined this Stakeholder Attributes and Salience Model in terms of the moderating effect of CEO values. Their study confirmed that stakeholder attributes of power, legitimacy, and urgency directly affect the emphasis top leaders give to competing firm stakeholder interests, with shareholder urgency getting the most
attention by CEOs of publicly traded firms (Agle et al., 1999, p. 520). Their study also sought to test the relationship of CEO values on the attribute of salience and salience performance links, among others. However, their tests showed few relationships among those variables as defined, suggesting more research is necessary to more fully understand such relationships.

Dunfee (2013) posits that no entity can be considered a stakeholder if expending firm resources on that entity would violate some community norm or law; nor can any stakeholder interest be considered by managers of a firm if doing so would violate some established community norm or law. All other stakeholders or stakeholder interests can and should be considered in allocating firm resources, provided such consideration is consistent with the firm’s values and competencies (Dunfee, 2013, p. 354). Dunfee (2013) defines a stakeholder in this context as

(1) anyone whom relevant laws and norms require be recognized as a stakeholder, (2) anyone whom hypernorms require be recognized as a stakeholder, and (3) anyone whom the managers of an organization determine, acting consistently with organizational values, to have a legitimate need which can be ameliorated through the use of the core competencies of the corporation. (p. 355)

Dunfee (2013) concedes, however, that the foregoing definition does not overcome the issue of management discretion in determining whom to select as recipients of the firm’s social investment (p. 355). Instead, firms should view social investment relative to the value proposition and core competencies of the firm, and should treat any such investment like any other financial investment in terms of developing
specific firm objectives for making the investment and developing a mechanism to measure ROI of the investment (Dunfee, 2013; Waldman & Siegel, 2008, pp. 124–126).

**Toward a more practice-based definition of stakeholder theory and CSR**

There is no disputing that businesses must take a more proactive stance when it comes to firm-stakeholder management and corporate social responsibility. The question becomes whether firm value and social performance can be maximized simultaneously for the benefit of all primary stakeholders (Husted & de Jesus Salazar, 2006). Emerging empirical evidence supports the proposition that firms that tie corporate social responsibility activities to the value proposition of the firm—strategic CSR—do overcome the perceived constraint of achieving long-term value for the firm and all its primary stakeholders (Dunfee, 2013; Husted & de Jesus Salazar, 2006; McWilliams, 2006; Porter & Kramer, 2006). Empirical support for the link between firm financial performance and social performance has not been definitive, however (Hillman & Keim, 2001).

Hillman and Keim (2001) suggest that the relationship between firm financial performance and corporate social performance may be better examined by separating corporate social performance into two distinct components: stakeholder management and social issue participation. In their view, firm value is maximized by building better relations with primary stakeholders such as employees, suppliers, customers, and communities; that relationship-building, in turn, can help the firm develop
intangible but valuable assets, ultimately leading to competitive advantage. By developing longer-term relationships with primary stakeholders such as customers, suppliers, and communities, as well as present and future employees, firms expand the set of value-creating exchanges with these groups beyond that which would be possible with interactions limited to market transactions (Hillman & Keim, 2001, p. 127).

Matten and Moon (2008) developed a framework consisting of explicit CSR and implicit CSR in an attempt to explain why and to what extent firms engage in CSR and why there is some disparity across geographies and culture. They define explicit CSR as “corporate policies that assume and articulate responsibility for some societal interests” (p. 409). Explicit CSR can consist of voluntary programs and strategies that link social and business values to address issues perceived as being part of the social responsibility of the firm. Explicit CSR also can be responsive to stakeholder pressure and can be manifested in partnerships or alliances with governmental entities, NGOs, community activists, or other firms (Matten & Moon, 2008, p. 409). At its core, explicit CSR rests primarily on corporate and manager discretion, which are driven by the perceived motivations of various firm stakeholders (Matten & Moon, 2009, pp. 409–410).

In contrast, implicit CSR refers “to corporations’ role within the wider formal and informal institutions for society’s interest and concerns” (Matten & Moon, 2008, p.
Implicit CSR involves values, norms, and rules that in many cases are mandatory or customary, that define requisite corporate obligations of firm managers in collective rather than individual terms, and that require firms to address broader stakeholder issues (Matten & Moon, 2008, pp. 409–410). Unlike explicit CSR, implicit CSR cannot be viewed as a deliberate or voluntary corporate decision, but rather a reflection of the firm’s institutional environment, and is manifested in the form of codified norms, rules, and laws (Matten & Moon, 2008, p. 410).

Resource-based view of the firm and CSR
Strategic CSR can take a resource-based view (RBV) of the firm, which allows for organizations to focus on the interdependence of business and society (Dunfee, 2013; Hillman & Keim, 2001; Husted & de Jesus Salazar, 2006; Porter & Kramer, 2006). This view appears to be consistent with Matten and Moon’s (2008) implicit CSR framework. The RBV of the firm is based on the theory that competitive advantage is achieved when a firm possesses and effectively utilizes resources that are valuable, rare, and inimitable (Barney, 1991; Hillman & Keim, 2001; Husted & de Jesus Salazar, 2006; McWilliams et al., 2006; Surroca, Tribo, & Waddock, 2010). Included in these intangible resources are such socially complex resources as a corporation’s technology, human capital, culture, long-term relationships with key suppliers, and reputation. Stated succinctly by Surroca et al. (2010),

Drawing upon instrumental stakeholder theory and the natural RBV, we claim that by developing close relationships with primary stakeholders, a firm can develop certain intangible resources—technology, human resources, reputation, and culture—which enable the most efficient and competitive use of the firm’s assets and help it to a competitive advantage over its rivals. (p. 467)
Empirical data support the RBV theory linking corporate social performance and firm-financial performance through R&D and product innovation (McWilliams & Siegel, 2000, 2001); corporate environmental strategy (Aragon-Correa & Sharma, 2003); and the use of political strategies based upon corporate social responsibility to raise regulatory barriers that prevent certain competitors from using low labor cost as a substitute technology (McWilliams et al., 2006; McWilliams, Van Fleet, & Cory, 2002).

Husted and de Jesus Salazar (2006) present an economic model that demonstrates the link between strategic CSR and financial performance. Their model posits that to the extent the benefits of strategic social investment increase and the costs associated with the social investment decrease due to a well-designed social strategy, the optimal amount of social output will increase (pp. 84–85). The authors conclude that the same social investment by the firm produces a greater overall financial benefit for the firm when it is part of an overall strategic CSR plan linked to the overall strategic mission of the organization, rather than the firm being coerced into making the social investment by government action or litigation (p. 85). As stated by the authors, “The strategic case provides a justification for being proactive in contemplating within the corporate budget a plan for social action, even before starting a new business” (p. 86). Pursuant to their model, “the focus on corporate altruism would probably result in a lower overall social output by the business community than a focus on a social strategy” (p. 87).
Practice-based view of the firm and CSR

A practice-based view (PBV) of strategy differs from the RBV of the firm in its focus on common management practices implemented by firms that have a direct impact on performance rather than on firm resources (Bromiley, 2005: Bromiley & Rau, 2014). It is the effective and efficient implementation of such common management practices as setting goals, having clearly defined performance measurements, attracting and retaining talented employees, rewarding high performance, and quickly removing poor performers that ultimately drives firm performance and distinguishes the performance among competing firms (Bromiley & Rau, 2014). Unlike the RBV, which contends that firms have scarce resources both physical and intangible that other firms do not and that are employed optimally, the PBV strategy looks more at the management processes implemented by a firm as a means of driving competitive advantage (Bromiley, 2005).

[The practice-based view] assumes that the mix of things the firm can do and the markets in which it choses to compete influence firm performance. Furthermore, firm returns depend on all the behaviors of the firm in the markets in which it competes, not on one single “resource” such as customer service or innovation. (Bromiley, 2005, p. 90)

Thus, under the practice-based view, a firm’s ability to engage in strategic CSR is dependent upon how the firm specifically ties such activity to the value proposition of the firm and management’s ability to enforce these activities effectively through the use of standard management practices.
Altruistic CSR
At the opposite end of the theoretical spectrum is the theory of altruistic CSR. Rather than linking CSR activity to the financial performance of the firm, as is the case under RBV, altruistic CSR is defined as “actions on the part of the firm that appear to advance or acquiesce in the promotion of some social good, beyond the immediate interests of the firm and its shareholders and beyond that which is required by law” (Waldman, Siegel & Javidan, 2006, p. 1703; see also Jones Christensen et al., 2014, p. 171). Altruistic CSR has been used to explain why firms engage in practices that benefit their employees, customers, suppliers, and the communities in which they operate, even when those activities strip value from the firm (Jones Christensen et al., 2014).

The concept of shared value
Related to the resource-based view of the firm, and incorporating many of the tenants of the practice-based view of the firm, is the concept of shared value. Porter and Kramer (2006) developed the term shared value to describe the concept of creating firm economic value while simultaneously creating social value by addressing societal issues and challenges (Heiser, 2016). While business does not have the resources to solve all social concerns, it can discern social issues that it can address because these social issues directly impact the firm’s ability to compete effectively where it operates (Pfitzer, Bockstette & Stamp, 2013; Porter & Kramer, 2006). Porter and Kramer (2006) submit that current frameworks covering CSR are “so fragmented and so disconnected from business and strategy as to obscure many of the greatest opportunities for companies to benefit society” (p. 80). It is their contention that
much of the current research on CSR actually exacerbates the tension between business and society, rather than recognizing the interrelationship between the firm and society. This tension leaves companies with no practical signpost to “identify, prioritize, and address the social issues that matter most or the ones on which it can make the greatest impact” (Porter & Kramer, 2006, p. 83). At its core, the shared value concept posits that social issues are best addressed, and social and firm value maximized, when companies integrate a social perspective into their competitive framework and business strategy. Porter and Kramer (2006) articulate the concept of creating shared value as follows:

> When a well-run business applies its vast resources, expertise, and management talent to problems it understands and in which it has a stake, it can have a greater impact on social good than any other institution or philanthropic organization. (p. 92)

Shared value builds upon RBV-based strategic CSR in that the corporation makes responding to specific social issues part of the core strategic mission of the company. Rather than being tangentially tied to the strategic goals of the company, shared value activities are explicitly tied to the firm’s vision, are important to the organization’s competitive position, and are central to its profitability (Heiser, 2016). Consistent with the idea of using common management practices as delineated by the practice-based view of strategy, Porter and Kramer (2011) define shared value “as policies and procedures that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates” (p. 66). Shared value permits the firm to utilize its expertise and resources
to drive profitability by creating social value (p. 76). It is created in three distinct ways: “by reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company’s locations” (p. 67).

Creating shared value requires organizations to embed a social mission into their corporate culture and to devote resources toward driving innovation that can have a positive impact on solving social problems (Pfitzer et al., 2013). Under the shared value approach, new innovative products and services are developed that have a social focus, like more nutritious food, the use of digital intelligence by public utilities to better economize on power usage, or the development of tools and services to help consumers budget, manage credit, and pay down debt (Porter & Kramer, 2011). Societal gains are greater under this scenario because business is generally better than governmental institutions or NGOs at marketing these innovations in a manner that promotes consumer adoption. In addition, business can better drive efficiencies and innovation in their supply chains that limit pollution, conserve power and energy, and conserve on resource utilization. This action by the firm can provide a greater competitive advantage for the company than when forced to incur costs to implement such opportunities as a result of government intervention. Furthermore, companies are not self-contained, isolated entities operating within a particular location. Instead, they exist as part of a larger ecosystem that includes related businesses, suppliers, service providers, logistical infrastructure, trade organizations, standards organizations, and academic institutions. Most importantly, the
communities in which the company operates provide an ongoing pool of human capital with respect to these institutions, including the firm. Companies create shared value by building community clusters that aid the productivity of the firm but that also work to address gaps or inadequacies in the framework conditions of the community (Porter & Kramer, 2011, pp. 67–73). It is within this context that I suggest that shared value creation bridges the competing theories of RBV and altruistic CSR. Thus, the motivation of the leader to engage in shared value creation and to ensure it is communicated within the firm and among stakeholders is an important factor in understanding why firms engage in certain forms of CSR activity (Jones Christensen et al., 2014, p. 171).

**From shared value to enhanced stakeholder collaboration**

Business has become more complex, requiring leaders to operate in a global, volatile, dynamic, and interconnected environment (Maak & Pless, 2006). In addition, organizational stakeholders are more diverse with often-competing interests. To operate effectively, leaders must be able to understand the needs of this diverse set of stakeholders and articulate a vision for success that the organization can understand and promote. This complexity requires leaders to move away from a narrow, internal or shareholder view to a broader, global view that promotes “inclusion, collaboration, and cooperation with different stakeholder groups” (Maak & Pless, 2006, p.100). Shared value creation ultimately can lead to deeper and more meaningful collaborations with a company’s broader stakeholder community, including NGOs, government entities, universities, suppliers, vendors, and even competitors as the
organization seeks to address designated social issues that directly affect the firm’s ability to create value across its primary stakeholders (Pearce II & Doh, 2005; Peloza & Falkenberg, 2009; Pfitzer et al., 2013; Porter & Kramer, 2011). In fact, most businesses will need to collaborate with non-traditional stakeholders such as NGOs if they are going to effectively implement a shared value strategy. For broader stakeholder collaborations by companies with NGOs, government agencies, and certain community activists groups to be successful, however, they must be tied to a well-defined CSR strategy that is directly related to the business goals of the company (Pearce II & Doh, 2005).

Peloza and Falkenberg (2009, p. 100) have developed a framework for firm collaboration that is tied to the five stages of corporate citizenship outlined by Mirvis and Googins (2006): (a) elementary (marginal structure; staff driven); (b) engaged (ownership of CSR activity within functional areas); (c) innovative (coordination across functional areas); (d) integrated (organizational alignment toward a single focus); and (e) transforming (mainstream; part of business activity). I submit that the creation of shared value falls under stage e, transforming, whereas RBV falls somewhere between the innovative or integrated stages. The Peloza and Falkenberg (2009) framework consists of four types of relationships whereby a firm can partner with a single or multiple NGOs, either alone or together with other companies, to provide some guidance to firms as they choose a strategy of social collaboration:
• **Focused contribution collaboration** involving a single firm with a single NGO. This generally involves coordinating activities of two entities that can range from philanthropic donations to more complex integrated activities. These relationships are generally entered into to enhance the reputation of the firm.

• **Shared contribution relationships** between a single NGO and multiple firms. These arrangements involve some type of cooperation among firms in a coordinated effort to solve a more complex social or environmental issue affecting all firms in a particular industry or location, such as infrastructure constraints or self-regulatory frameworks designed to promote industry legitimacy.

• **Diffused contribution relationships** where a company works with multiple NGOs in CSR initiatives. This type of collaboration is most appropriate when firms have significant, focused operations in local areas with voids in infrastructure. These relationships are generally effective at addressing complex social and environmental issues. Diffused contributions generally provide the firm with greater access to information and knowledge about community needs and potential solutions, as well as greater access to specialized technology and training. Value is maximized generally for firms in the innovative or integrated stages.

• **Communal contribution multi-party collaborations** that include NGOs and companies, with multiple representatives from each group. These collaborations are generally best suited for issues exceeding the scope of a single organization.
This type of collaboration is appropriate when the issue occurs in disparate locations, environmentally sensitive locations, or where local regulatory institutions are not fully developed. The main benefit of communal contribution is that it allows for remediation of complex issues that negatively affect firm performance. Value is generally best maximized for firms in the transforming stage of corporate citizenship. (pp. 98–108)

I submit that diffused and communal contributions foster an enhanced stakeholder collaborative environment that aligns firm and societal value maximization in the best possible manner.

Similarly, Swanson (2014, p. 86) posits that firm executives should forego power seeking in favor of efficient “economizing” (the efficient use of inputs and outputs) and “ecologizing” (the linkage between the firm and local community that functions to perpetuate the flourishing of the whole community). Swanson (2014) submits that corporations have the capacity to be forward-looking and to anticipate and adapt to changing environmental factors. Accordingly, it is important to understand the processes used by leaders to make decisions regarding these changing factors. Her CSR Attunement Model characterizes the processes as interrelated on a means-end continuum involving external stakeholder management, including environmental assessment, stakeholder management, and issues management “that are a means for developing corporate programs and policies that can be appraised for their social outcomes” (Swanson, 2014, p. 87; see also Swanson, 1995, 1999). Her model
suggests that social responsibility activities of the firm occur as part of an ongoing valuation process aimed at economizing and ecologizing activities (Swanson, 2014). This model of attunement ultimately requires executives who are adept at recognizing and leveraging constructive values (Swanson, 1995, 2014). To accomplish the task of leveraging constructive values in a way that transfers this value framework throughout the organization, it is important for the CEO and other senior executives to model the way (Schein, 2010; Swanson, 2014).

The question that remains open in the literature is whether firms must sacrifice profits in their quest to engage in meaningful CSR activities that create real value for society. I contend that the tradeoff does not have to be significant if corporate leaders seek corporate and societal value alignment (Heiser, 2016). My definition of CSR builds on the concepts of shared value and the practice-based view of the firm, coupled with the need for enhanced stakeholder collaboration. Given the need for business executives to consistently demonstrate economic performance, it may be most practical for firms to develop a strategic firm-vision that somehow links CSR with the core competencies of the firm in a manner that maximizes value creation for the firm. To accomplish this value alignment, companies must be able to identify social issues that have some consequence to the firm and that ultimately are linked to the strategic value proposition of the firm (Heiser, 2016). Once this linkage to the value proposition of the firm can be established, a strategic vision can be developed that allows the firm to make addressing those issues a part of its core strategic plan.
consistent with the management practices of the firm that allow for real competitive
differentiation, thus leading to maximum firm value creation. However, to effectively
address those social issues that are of consequence to the firm, a mechanism for
identifying relevant issues and how they align with the value proposition of the firm
must be established. This identification process is best accomplished through
increased awareness of, and engagement with, the broader stakeholder community. I
further contend that it is the firm’s CEO who is best positioned to interact with the
broader stakeholder community and the firm’s primary stakeholders, including the
board of directors, employees, and shareholders, and that the CEO is best positioned
to understand how addressing those societal needs and interacting with the broader
stakeholder community can add directly to firm value maximization. It is this
definition of strategic CSR that I have employed in connection with my study design.

**Leadership as a Driver of Strategic CSR: A Social Constructionist Approach**

I contend that for business to effectively engage in meaningful shared value creation
and enhanced stakeholder collaboration, it requires leadership that is ethically based;
and that is capable of (a) appreciating the specific needs of a disparate group of
stakeholders with divergent goals, (b) understanding how those needs and goals relate
to the value proposition of the firm, and then (c) developing a vision that links firm
value with societal value. As important, maximum value creation requires leadership
that can drive value congruence around the shared value vision among primary firm
stakeholders, including employees, shareholders, boards of directors, suppliers, and
customers, as well as secondary stakeholders such as NGOs, government agencies, and community activists that may be needed to further the strategy. I submit that this value congruence is accomplished primarily through a socially constructed group identity centered on the value of strategic CSR. Those firms that achieve this value congruence will obtain the greatest value maximization for the firm and society.

The social constructionist perspective of organization development starts with the premise that the reality or truth of a group or organization is at least partially the result of a social construct that is generated and reinforced through the use of discourse, texts, narratives, or conversation (Bushe & Marshak, 2009; Ferdig & Ludema, 2005; Hardy, Lawrence, & Grant, 2005; Hatch & Cunliffe, 2013; Marshak & Grant, 2008). This social construct reinforces the culture, processes, and structures of the organization, thus further shaping the organization’s collective reference or identity, validating how organization members view, conceptualize, and respond to issues (Ferdig & Ludema, 2005; Hardy et al., 2005; Ludema & Di Virgilio, 2007; Marshak & Grant, 2008).

According to Dutton and Dukerich (1991), organizational action often results from some concern over issues that internal firm stakeholders collectively view as having some consequence on the collective identity of the firm. Collective identity is formed through the convergence of “beliefs about the central, enduring, and distinctive attributes” of the organization that are built through a shared history and experience
over time (Hardy et al., 2005, p. 61; see also Ludema & Di Virgilio, 2007; Marshak & Grant, 2008). Hardy, Lawrence, and Grant (2005) state that “[w]hen collaborating partners discursively produce a collective identity, they produce a discursive object that refers to themselves as some form of collective, rather than as simply a set of disconnected individuals or as a group of organizational representatives” (pp. 61–62). This collective identity drives meaning for the group’s members and stakeholders, allowing members to engage in discursive practices that continue to legitimize and reproduce the collective identity of the firm over time (Hardy et al., 2005; Ludema & Di Virgilio, 2007). I posit that these discursive texts facilitate the formation of collective identity through perceived individual/organizational value congruence (Lamm, Gordon, & Purser, 2010; Mitchell, Parker, Giles, Joyce, & Chang, 2012).

Perceived value congruence is formed when individual group members believe they hold similar beliefs about issues that are important and relevant to pursuit of group goals or tasks. This shared perception of beliefs results at the group level through the dynamic discursive interaction of group members (Meindl, 1995; Mitchell et al., 2012). More specifically, perceived value congruence leads to increased trust and cooperation among group members, given that individuals are more attracted to groups that are viewed as similar in values and perspective. Such trust and cooperation allow for more accurate and frequent communication, which reinforces the collective identity of the group (Mitchell et al., 2012, p. 629; see also Hardy et al., 2005). A common group identity increases the likelihood that group members will
I contend that this socially constructed value congruence, centered on a firm’s engagement in strategic CSR activities, is activated by the CEO through social learning theory. Social learning theory in the context of a firm’s ability to engage in strategic CSR starts with the premise that leaders can influence the behaviors and conduct of the firm through role modeling (Brown, Treviño & Harrison, 2005; Kouzes & Poser, 2002; Schein, 2010). Role modeling can include many different matching processes including observational learning, imitation, and identification (Brown et al., 2005, p. 119). The learning process is particularly prone to role modeling when the target of the process is ethical conduct. In particular, leaders are in an especially strong position to influence ethical behavior through modeling by virtue of their assigned role, their status within the firm, and their ability affect the behavior and outcomes of others through rewards and punishment (Brown et al., 2005, p. 119; see also Bandura, 1986). To be an ethical role model requires that a leader’s role be accepted by followers as legitimate and credible. This acceptance is socially
constructed through leader engagement in behaviors that are perceived by followers as altruistically motivated behaviors, such as honesty, consideration of others, and the fair treatment of employees (Brown et al., 2005, p. 120; Jennings, 2014). Ethical leaders attract follower attention around matters like CSR by making explicit messages about engaging in strategic CSR salient enough to stand out in the organizational context (Brown et al., 2005; Treviño, Brown & Hartman, 2003). The approach of explicit communication and messaging is consistent with the six primary embedding methods articulated by Schein (2010) and utilized by leaders to teach their organizations how to perceive, think, and behave based on their own conscious and unconscious convictions, including,

(a) what leaders pay attention to, measure, and reward on a regular basis; (b) how leaders react to critical incidents and organizations crises; (c) how leaders allocate resources; (d) deliberate role modeling, teaching, and coaching; (e) how leaders allocate rewards and status; and (f) how leaders recruit, select, promote, and excommunicate. (pp. 235–236, Exhibit 14.1)

The remainder of this chapter is devoted to a discussion of current literature on CEO values and leadership style as drivers of firm value congruence in strategic CSR. I will commence with an overview of the ethics of leadership in general, followed by a detailed discussion of CEO values and value frameworks that drive a more enhanced and collectivist view of firm stakeholders. I will conclude with an overview of four ethical leadership theories that support enhanced stakeholder collaboration, with a focus on the existing literature that analyzes authentic transformational leadership as applied in the context of strategic corporate social responsibility.
A general overview of the ethics of leadership

*Ethical leadership* can be defined along three normative dimensions: the moral character of the leader, the integrity of the values articulated in the leader’s vision, which followers accept or reject, and the means employed by the leader to influence the followers’ ethical and unethical choices (Bass & Steidlmeier, 1999; Brown & Treviño, 2006). Similarly, Burns (1978) discusses moral leadership in terms of the mutual needs, aspirations, and values of both the leader and follower. For Burns, purposeful leadership exists when there is congruence between the needs and value hierarchies of leaders and followers. “In its most effective form [moral leadership] appeals to the higher, more general and comprehensive values that express followers’ more fundamental and enduring needs” (Burns, 1978, p. 42).

Ethical leadership is evaluated generally in terms of the morality of the actor and the morality of their actions (Bass & Steidlmeier, 1999; Brown & Treviño, 2006). Bass and Steidlmeier (1999) evaluate moral actors or “agents” in terms of three primary considerations: (a) the actor’s developmental level of conscience or values development as mediated by familial, social, spiritual, and cultural factors; (b) the degree of effective freedom versus determinism; and (c) probity of intention-altruism versus egoism. They analyze moral action in terms of the morality of the ends sought, the means employed, and the consequences of the action. According to them, moral action must “reflect the legitimacy of both influential processes on the part of leaders and empowerment processes on the part of followers as they engage in dynamic self-transformation” (p. 183). The morality of action is judged on the nobility of the action decisions that leaders make and the integrity with which they act upon them.
and its alignment with altruistic values of fairness, justice, and the general well-being of others; whether the means justify the ends; and whether the benefits and burdens of the action are fairly distributed among those affected. Simply stated, it is an examination of underlying obligations individuals owe each other, what obligations individuals owe the group, and what obligations the group owes individuals (Bass & Steidlmeier, 1999, p. 183).

Brown, Treviño, and Harrison (2005) take a similar approach in developing their theory of ethical leadership. They define ethical leadership as the “demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making” (Brown et al., 2005, p. 120). This definition of ethical leadership also includes the components of moral actors and moral action. Brown and Treviño (2006) identified that the moral person component of ethical leadership is represented by the leader’s perceived personal traits, character, and altruistic motivations. Moral leaders are viewed as being honest and trustworthy. They are fair and just decision-makers who take into consideration the well-being of others and society as a whole (Brown & Treviño, 2006, p. 597). Brown and colleagues also identified the dimension of a “moral manager,” which is comparable to Bass’s concept of moral action (Brown & Treviño, 2006). The moral manager dimension focuses on a leader's actions to influence the ethical behavior of followers. The moral manager concept examines the actions of a leader as he/she articulates a
values message in setting standards for ethical behavior and acting as a role model of these behaviors, and in establishing rewards systems that hold followers accountable for ethical behavior (Brown & Treviño, 2006; Swanson, 2014).

**CEO character and values as antecedents to enhanced stakeholder collaboration**

CEO character and values are important antecedents to leadership style and thus ultimately impact congruence with employee willingness to embrace strategic CSR (Groves & LaRocca, 2011a; Groves & LaRocca, 2011b; Sully de Luque, Washburn, Waldman, & House, 2008; Swanson, 2014; Waldman, Siegel, & Javidan, 2006).

While the leadership literature has begun to examine the effect of leader values and related characteristics upon effective leader decision-making and strategy implementation, most of the research has been focused on the leader power and influence inherent in the role (Jennings & Hannah, 2014; Waldman et al., 2006; Wright & Quick, 2011). If we start with the proposition that leadership is a relational process socially constructed between those who desire to lead and those who choose to follow, then the leader’s credibility begins to take on a key role (Jennings & Hannah, 2014; Kouzes & Posner, 2002). Pursuant to this vein of leadership as a relational process, leader values should drive, positively or negatively, leader trust or distrust among followers, which in turn drives or fails to drive leader credibility (Jennings & Hannah, 2014; Kouzes & Posner, 2002). And it is leader credibility that ultimately is a key driver of leader/follower value congruence (Kouzes & Posner, 2002, p. 37).
Jennings and Hannah (2014), in their model of the social construction of leader ethos, define *credibility* as “a purposeful and principled moral self that reflects the values, principles, and ideals of the collective to which the leader belongs” (p. 143). Under their model, leader credibility derives from the interrelationship of the leader’s qualities and the followers’ implicit and explicit expectations of what those qualities should be. Pursuant to their theoretical model, the Aristotelian concept of leader *ethos* (the persuasive influence of a speaker’s character) is at the root of effective leadership persuasion and influence. Leader character is founded in the values, principles, and virtues of the collective community, which are then internalized into the leader’s own understanding of self and his/her identity as a leader (Jennings & Hannah, 2014, p. 146). Therefore, if leader character and its perception by followers is an important driver of leader effectiveness, and leader character is derived from leader values and principles, and follower perceptions are driven by the collective community’s values, norms, and virtues, then it is important to understand the leader’s personal value framework in relationship to the collective norm. This understanding becomes particularly important when examining leader intent to move the firm to engage in strategic CSR, specifically with respect to how the firm stakeholder community is defined. Is the community, and thus the value structure, viewed simply in terms of the firm’s primary stakeholders such as shareholders, the board of directors, customers, and suppliers, or does it include the broader community of secondary stakeholders? How a leader’s personal value framework aligns with the leader’s view of the firm’s stakeholder community becomes critically important for this research.
A leader’s personal value framework should matter in the context of their willingness and ability to empower their firms to engage in strategic CSR. Values act as a guide for the leader, the firm, and firm stakeholders (Burns, 1978; Fu, Tsui, Liu, & Li, 2010; Kouzes & Posner, 2002, pp. 49–50; Sosik, 2005). More specifically, values drive leader behavior, which aids in the establishment of criteria and rules for strategic decision-making, as well as plays a role in influencing the beliefs and behavior of firm stakeholders (Groves & LaRocca, 2011a; Kouzes & Posner, 2002; Sosik, 2005; Sully de Luque et al., 2008; Swanson, 2014; Zhu, Avolio, Riggio, & Sosik, 2011). Brown and Treviño (2009), citing Schwartz (1992, 1996), state that values fall along two main continua: self-enhancement versus self-transcendence, which relate to individual or collective interests, and openness to change or conservation (p. 479). Self-enhancement values emphasize personal power, achievement, and success. By contrast, self-transcendent values emphasize altruism and universalism (Brown & Treviño, 2009; Fu et al., 2010, p. 226). Because these value types fall along a continuum, leaders can possess both value types but differ on which value type ranks higher (Fu et al., 2010, p. 228). What is missing in the literature, however, is an understanding of the motivation, intent, and values of leaders who engage in different philosophical definitions of CSR, including instrumental/economic or altruistic; and explicit or implicit CSR (Jones Christensen et al., 2014, pp. 171–172). Accordingly, it is important to study the values, intent, and motivation of leaders who guide their firms to engage in strategic CSR as I have defined it here (Research Question 1).
Ethical Leadership Style as a Driver of Enhanced Stakeholder Collaboration

The literature has well established that leadership matters, particularly at the CEO level, in setting the strategic direction of the firm. It is the CEO who is in the best position to interact with a broad array of firm stakeholders, sets the strategic direction for the firm, and is responsible for creating firm value congruence around that strategic direction. Leadership style plays a key part in a CEO’s ability to generate firm motivation and value congruence in the firm’s strategic vision. With respect to developing a framework for enhanced stakeholder collaboration, it is important to have leaders who possess an ethical leadership style. Four leadership theories have been advanced in the literature as ethical leadership styles/theories that invite a broader stakeholder vision for the firm: transformational leadership, servant leadership, ethical leadership, and responsible leadership. I compare and contrast those leadership theories in the following sections and address their application to strategic CSR.

The evolution of transformational leadership

Burns (1978) first articulated the transformational leadership theory in his seminal work on political leadership. Burns understood that leadership is a process that must be studied within the context of power and influence and its relation to leader/follower goals and needs (Burns, 1978; Northouse, 2013; see also Heiser, 2016, p. 405). Burns identified two forms of leadership that are distinctly divorced from power holding and quite different from ruthless power. The most common relationship between leaders and followers is transactional in nature, a quid pro quo
relationship. The more potent and complex relationship, however, is that of the transformational leader. Transformational leaders step beyond the mere contractual underpinnings of the leader/follower relationship and delve deeper into the motivations of followers. Transformational leaders seek to satisfy the higher needs of followers and to “engage the full person of the follower” (Heiser, 2016, p. 405, citing Burns, 1978, p. 4). Transformational leadership permits followers to become leaders and potentially turns leaders into “moral agents” (Burns, 1978, p. 4).

Burns’s transformational leadership theory also takes into account the crucial aspect of the common purpose component of the leadership process. While the goals of leaders and followers may be related in the context of transactional leadership, the relationship ultimately comes down to a negotiated bargain between persons or groups ultimately going their separate ways. The leadership process continues for the duration of the shared interest. Conversely, transformational leadership allows participants to rise above their separate goals in joint pursuit of a higher common goal, generally resulting in significant change that infuses the joint interests of leaders and followers (Burns, 1978, pp. 425–426).

**Transformational leadership and the full range of the leadership model**

Bass (1998) and his colleagues enhanced Burns’s theory by providing empirical evidence that transformational leaders can lead organizations to superior performance (Heiser, 2016). Bass (1990) surmised that managers obtain results by rewarding employees for good behavior (contingent reward) and punishing employees for poor
performance (management by exception). He concluded that this transactional behavior, while sometimes leading to strong performance, most often resulted in average performance. Specifically, contingent reward was generally effective in most situations; however, management by exception and passive management by exception had varied results (Bass, 1998). In contrast, Bass determined that those leaders who were able to engage in transformational leadership by elevating the interests of subordinates and engaging them around a collective vision led their organizations to superior performance (Bass, 1990; Bass & Riggio, 2006). Leaders attain these superior results through a number of different means: (a) they are charismatic to their followers and thus inspire them to action; (b) they pay attention to their employees and their individual interests, helping them grow and develop; and (c) they are able to demonstrate new ways of addressing problems and emphasizing rational solutions (Bass, 1990). Bass and his colleagues categorized the behaviors of transformational leadership into the key concepts of idealized influence, inspirational motivation, intellectual stimulation, and individual consideration (Bass, 1998; Bass & Riggio, 2006; see also Heiser, 2016).

The Bass (1998) and Avolio (1999) model also includes four components of transactional leadership: contingent reward, management-by-exception (MBE)-active, MBE-passive, and laissez-faire, culminating in the Full Range of Leadership Model (FRLM) (Avolio, 1999; Bass, 1998; Bass & Riggio 2006). Bass and Avolio determined that optimal performance is accomplished when leaders engage primarily

**The ethical foundations of transformational leadership**
The ethics of transformational leadership cannot be discussed without first examining it within the context of the FRLM since leaders will move along the continuum of transformational and transactional leadership styles based upon the circumstances. “Transformational leadership augments the effectiveness of transactional leadership; it does not replace transactional leadership” (Bass & Steidlmeier, 1999, p. 191).

**The ethics of transactional leadership**
The ethical underpinnings of transactional leadership lie in the contractual nature of the relationship. Transactional leadership is most associated with teleological utilitarian ethics, with a focus on driving compliance to certain ethical behaviors. Underlying this approach is the notion of reciprocity and the rational pursuit of self-interest (Bass & Steidlmeier, 1999; Groves & LaRocca, 2011a). To be ethical, rewards and punishments must be valid and distributed equally and fairly across followers, with an impartial process established to settle conflicts and claims. Legitimacy also is based upon honesty and keeping promises, and whether the behavioral outcomes and the means employed to achieve them are morally just (Bass & Steidlmeier, 1999). At least one study has demonstrated that the contingent reward component of transactional leadership predicted ethical leadership using Brown and colleagues’ ELS questionnaire alone and in conjunction with MBE-active and MBE-passive (Toor & Ofori, 2009). In fact, the use of contingent rewards to ensure ethical
behavior by followers is supported by the “moral manager” dimension of ethical leadership espoused by Brown and Treviño (2006); (see also Toor & Ofori, 2009).

A comment on the laissez-faire dimension of transactional leadership is necessary. I submit that laissez-faire leadership is amoral and could be viewed as the least ethical of all the leadership styles discussed herein. Laissez-faire leadership has been described as the absence or avoidance of leadership entirely (Bass & Riggio, 2006). Laissez-faire leaders abdicate their leadership responsibilities; actions are delayed and important decisions are not made (Bass & Riggio, 2006, pp. 8–9). This form of leadership has been shown to be the least predictive of ethical behavior and is the least effective in driving organizational performance (Bass & Riggio, 2006; Toor & Ofori, 2009). In my experience, laissez-faire leadership can be quite destructive to organizational effectiveness.

The ethics of transformational leadership
In contrast, transformational leadership is grounded in the ethical principles of altruism and the deontological tenets of duty to act in an ethical manner and to further the moral rights of others (Burns, 1978; see also Bass & Steidlmeier, 1999; Groves & LaRocca, 2011a). Transformational leaders execute their responsibilities in a manner that drives value congruence between follower values and attitudes, and the vision of the organization. This value congruence is carried out in a manner that treats followers as ends, rather than as means to ends (Groves & LaRocca, 2011a). Burns (1978) conceptualized transformational leadership as follows:
[Transforming leadership] occurs when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality. Their purposes, which might have started out as separate but related, as in the case of transactional leadership, become fused. The relationship can be moralistic, of course. But transforming leadership ultimately becomes moral in that it raises the level of human conduct and ethical aspiration of both leader and led, and thus has a transforming effect on both. (p. 20)

Bass and colleagues state that “authentic” transformational leaders have a more socially developed concept of self that is connected to a broader stakeholder community including family, friends, and community, whose needs may be more important than one’s own needs and wants (Bass & Steidlmeier, 1999, p. 186; Groves & LaRocca, 2011a). Zhu, Avolio, Riggio and Sosik (2011) identified three types of values in the context of examining authentic transformational leadership:

The first is termed “moral values,” such as kindness and altruism. The second type of values are termed “modal values,” including honesty, integrity, trustworthiness, reliability, and accountability. The third type of values is termed “end values,” which include security, equality, justice, and community. (p. 806)

Zhu et al. (2011) cite the work of Burns (1978), who posited that transactional leaders possess a values framework more aligned with moral and modal values whereas authentic transformational leaders have a value framework that also includes end values (p. 806). They further posit that the value framework of transformational leaders is consistent with the tenets of ethical leadership discussed previously: the moral character of the leader, the ethical values in the leader’s vision and initiatives, and the morality of the process of choice and action demonstrated by the leader (Zhu
Transformational leaders influence followers by espousing and modeling values like honesty, loyalty, and fairness (moral agency), while emphasizing the end values of justice, equality, and human rights (moral action or moral manager) (Groves & LaRocca, 2011a, p. 514). A closer examination of the four core dimensions of the transformational leadership model support the ethical basis of this theory, as explained by Bass and Steidlmeier (1999) and Sosik and Jung (2010).

- **Idealized Influence.** Transformational leaders act as role models for followers. They display a high degree of ethical standards and behaviors, which builds trust and respect among employees. They rally the organization around a universal and collective vision and mission that emphasize the importance of trusting each other. Leaders put their own self-interest behind the needs of the group. These behaviors lead employees to respect, trust, and admire the leader. In many cases, employees want to emulate these leaders.

- **Inspirational Motivation.** Transformational leaders inspire subordinates by providing meaning and challenge to their work. Transformational leaders engage employees in developing the organization’s future vision. They set high expectations for the organization but provide the roadmap of how success will be achieved by everyone. Enthusiasm, confidence in achieving the vision, and
teamwork are displayed by the leader. Subordinates become invested in the vision and empowered to act. But I submit this empowerment concept is not merely about broadening the scope of participation; it also is motivating and enabling.

- **Intellectual Stimulation.** Transformational leaders inspire their subordinates to approach problems in new ways. They encourage employees to discard old assumptions, to reframe issues, and to embrace problem-solving with creativity and innovation. Employees become an integral part of the process. Experimentation is applauded, while individual mistakes are not criticized publicly. Such behavior allows subordinates to feel more connected with and committed to their work.

- **Individualized Consideration-Transformational.** Leaders take an active role in the growth and development of their employees. They are passionate about each employee reaching their full potential within the organization. Leaders exercising individualized consideration understand that individual employees have different needs and are at varying degrees of development. Additionally, these leaders provide a supportive environment for employees to feel comfortable learning new skills and competencies. They get to know each employee on a personal level by fostering a dialogue with the individual. This behavior drives a feeling of importance and value within the organization, and provides a direct avenue for employees to express themselves as individuals. As stated by Bass and
Steidlmeier (1999), “If transformational leadership is authentic and true to self
and others, it is characterized by high moral and ethical standards in each
dimension discussed above” (p. 191).

A brief response to the criticism of transformational leadership
The primary ethical criticism of transformational leadership is that it can lend itself to
immoral puffery and impression management that can dupe followers into pursuing
leader self-interests that may not be in the followers’ best interest. Similarly,
authentic transformational leadership is predicated on high moral and ethical
standards, but as defined by whom (Bass & Steidlmeier, 1999). Critics cite examples
of charismatic “pseudo-transformational” leaders, who may exhibit some aspects of
transformational leadership by inspiring others, but who strive to meet their own
personal needs above those of the group. Pseudo-transformational leaders seek to be
idolized and celebrated first and foremost. While they are often expert communicators
and may be able to articulate a compelling vision of the future, they motivate and
influence followers through deception, false pretenses, fear, and punishment (Barling,
between leader and follower breaks down with pseudo-transformational leaders, who
prefer feedback that is consistent with their own views and values, leading to the

A more detailed review of the idealized influence and inspirational motivation
components of transformational leadership, however, should demonstrate that
pseudo-transformational leadership can be distinguished from authentic transformational leadership. The *sine qua non* of transformational leadership is that the leader puts the interests of the organization first. Transformational leaders display more socialized behaviors such as altruism, egalitarianism, and empowerment. There is a real ethical underpinning to transformational leadership, which Burns refers to as being morally uplifting to others (Bass & Riggio, 2006, pp. 12–14, 227; Burns, 1978). In fact, Avolio and Bass developed the term *idealized influence* as a means to specifically highlight the ethical nature of transformational leadership (Bass & Riggio, 2006, p. 227).

In addition, some empirical research exists to support the argument that transformational leaders display higher levels of moral reasoning that result in them pursuing goals that go beyond their immediate self-interest to serve the greater good (Turner, Barling, Epitropaki, Butcher & Miller, 2002), as distinguished from pseudo-transformational leaders who use their inspirational motivation in the pursuit of their own self-interest (Barling et al., 2008). Transformational leaders tend to employ universal principles of reasoning in making decisions, which can generate higher levels of leader-follower value congruence (Groves & LaRocca, 2011b; Turner et al., 2002). Finally, a study by Sosik (2005) found that leader values consisting of collectivist and self-transcendent values were positively correlated with the transformational leadership components of idealized influence and inspirational motivation, which led followers to engage in extra effort and extra role performance,
providing further support for leader/follower value congruence with transformational leadership.

**Other values-driven leadership theories**
A comparison of transformational leadership to other values-driven leadership theories provides further support for the notion that the ethical underpinnings of transformational leadership are congruent with the tenets of ethical leadership and consistent with current stakeholder theory. These additional theories include servant leadership, ethical leadership, and responsible leadership theories (Avolio & Gardner, 2005; Brown & Treviño, 2006; Jones Christensen et al., 2014; Pless & Maak, 2011). Leaders under all of these theories are altruistically motivated, make ethics-based decisions, communicate high ethical standards, and act as role models for followers (Brown & Treviño, 2006).

**Servant leadership**
Greenleaf (2008) first enunciated the concept of servant leadership in the seminal work *The Servant as Leader* first published in 1970. Greenleaf characterized a servant leader as someone who is a servant first—who has a natural feeling of wanting to serve first and foremost—and this desire to serve inspires one to lead (p. 15). Greenleaf described the leader with the core of servant leadership as follows:

He is sharply different from the person who is leader first, perhaps because of the need to assuage an unusual power drive or to acquire material possessions…. The leader-first and the servant-first are two extreme types…. The difference manifests itself in the care taken by the servant-first leader to make sure that other people’s highest priority needs are being served. The best test, and difficult to administer, is: do those served grow as persons; do they, while being served, become
healthier, wiser, freer, more autonomous, more likely themselves to become servants? And, what is the effect on the least privileged in society; will they benefit, or, at least, will they not be further deprived. (p. 15; emphasis in the original; see also van Dierendonck, 2011, p. 1230)

At its core, servant leadership is about follower well-being and flourishing over that of the organization (van Dierendonck, 2011). In his extensive review of servant leadership theory, van Dierendonck (2011), citing Spears (1995) and Spears and Lawrence (2002), noted that Greenleaf, while not defining servant leadership specifically, did articulate ten essential characteristics: listening and understanding, acceptance and empathy, healing, awareness, persuasion, conceptualization, foresight, stewardship, commitment to the growth of people, and building community (p. 1232; see also Greenleaf, 2008, pp. 18–40). Van Dierendonck (2011) further refined these ten characteristics down to six in developing his model of servant leadership: empowerment and development of people, humility, authenticity, acceptance, visionary, and stewardship for the good of the whole (p. 1232). According to van Dierendonck (2011), the cornerstone of servant leadership is the combined motivation to lead and to serve, and that these leader characteristics result in high quality leader-follower relationships and a psychological climate of trust and fairness, all of which ultimately manifests into high follower satisfaction, higher organization citizenship behavior and team effectiveness, and firm sustainability and CSR (pp. 1233–1234, Figure 1).
Servant leadership as a leadership theory is in a stage of relative infancy in terms of empirical evidence. That said, there have been attempts in the literature to compare its core components with other values-driven leadership theories. In comparison to transformational leadership, it can be argued that it shares with transformational leadership the explicit focus on the development of followers through intellectual stimulation and individualized consideration (van Dierendonck, 2011).

Transformational leadership differs primarily from servant leadership theory in its emphasis on organizational vision and values, and its broader definition of followers that includes stakeholders outside the workplace, consistent with the tenets of shared value creation (Brown & Treviño, 2006; Du, Swaen, Lindgreen, & Sen, 2013; Groves & LaRocca, 2011a; Jones Christensen et al., 2014; Pless & Maak, 2011; van Dierendonck, 2011). Servant leadership is focused explicitly on follower growth, whereas the focus of transformational leadership is on the organization and how follower development aids the growth of the organization overall (Jones Christensen, 2014, pp. 173–174; van Dierendonck, 2011, p. 1235). Van Dierendonck (2011) submits that servant leadership’s explicit focus on humility, interpersonal acceptance, and authenticity further distinguishes servant leadership from transformational leadership.

I would counter that statement based upon the notion articulated by Bass and others referring to the idealized influence component of authentic transformational leadership (Bass & Riggio, 2006, pp. 12–14, 227; Burns, 1978). Interpersonal
acceptance, humility, and authenticity are all forms of moral development to be modeled by followers. The idealized influence component of authentic transformational leadership can be considered part of the moral actor ideal of transformational leadership. As noted above, transformational leaders expressing idealized influence act as ethical role models, exhibiting a high degree of ethical standards and behaviors. They articulate a vision for the firm that emphasizes the collective trust of the organization. Such behavior by the leader invokes an atmosphere of trust and authenticity between leader and followers similar to the ideals of authenticity and interpersonal acceptance found in servant leadership.

**Ethical leadership**
Two other recent values-driven theories that have emerged in the literature include ethical leadership and responsible leadership (Brown et al., 2005; Brown & Treviño, 2006; Doh & Quigley, 2014; Jones Christensen, et al., 2014; Pless & Maak, 2011). Brown et al. (2005) define ethical leadership as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making” (p. 120). They suggest that ethical leadership is comprised of leaders who are considered honest, caring, and principled by their followers, and who make fair and balanced decisions (Brown & Treviño, 2006, p. 597). Ethical leaders are perceived by their followers as role models in this regard. They set clear ethical standards and openly and frequently communicate those standards to followers. They expect adherence with those standards and use rewards
and punishments as enforcement mechanisms to ensure compliance (Brown & Treviño, 2006). Ethical leadership is most correlated with the idealized influence component of transformational leadership, given their overlap on such factors as caring for others, consideration for the ethical consequences of their decisions, and acting as role models (Brown & Treviño, 2006, p. 599; Brown et al., 2005).

Brown and Treviño (2006) distinguish ethical leadership from transformational leadership on the use of contingent rewards and punishment by ethical leaders, which would be considered transactional in nature, and the fact that the ethical leadership construct does not include references to visionary or intellectually stimulating leadership (p. 599). I find this distinction somewhat nebulous, particularly with respect to the employment of contingent rewards. As noted above, transformational leadership is part of the FRLM, which includes contingent rewards as a construct. As stated by Bass and colleagues, “the best of leadership is both transformational and transactional” (Bass & Steidlmeier, 1999, p. 191). Accordingly, I view these two theories as very comparable. Servant leadership shares with ethical leadership the characteristics of modeling ethical behavior: listening, having the best interests of employees in mind, empowering and developing people, humility, and stewardship. It can be distinguished from ethical leadership on the characteristics of authenticity, interpersonal acceptance, and providing direction (van Dierendonck, 2011, pp. 1236–1237).
Responsible leadership

Responsible leadership has been defined as a values-based relationship between leaders and stakeholders who “are connected through a shared sense of meaning and purpose through which they raise one another to higher levels of motivation and commitment for achieving sustainable value creation and social change” (Pless & Maak, 2011, p. 5; Pless, 2007; see also Doh & Quigley, 2014). Pless (2007) further submits that corporate responsibility is a leadership challenge that requires leaders “who are morally conscious, open towards the diversity of stakeholders inside and outside the corporation, and who are aware of and understand the responsibilities of business in society” (p. 438). Leader-stakeholder relationships are the centerpiece of responsible leadership theory (Pless & Maak, 2011).

Pless and Maak (2011) assert that responsible leadership theory is comparable to ethical leadership as it pertains to the leader who is a positive ethical role model, promotes ethical conduct in the workplace, and employs moral reasoning in their decision-making processes. The main difference revolves around the focus of ethical leadership on the leader-follower exchange, whereas, responsible leadership focuses on the full range of stakeholder relationships (Pless & Maak, 2011, p. 6). Responsible leadership also incorporates the transformational element of vision and a focus on mobilizing stakeholders inside and outside the organization to contribute to social change, which are not specific components of ethical leadership (Pless & Maak, 2011).
Responsible leadership and servant leadership share the concept that leadership is other-focused, specifically on serving the needs and legitimate interests of others. Responsible leaders and servant leaders demonstrate a genuine care for others and anticipate a desirable future in pursuit of mutually desirable goals (Pless & Maak, 2011, p. 7). They differ, however, in the fact that responsible leaders do not pursue “self-sacrificial servanthood” just for the sake of serving and developing followers (Pless & Maak, 2011, p. 7; citing Sendjaya, Sarros, & Santora, 2008, p. 405). Instead, responsible leaders link service to organizational purpose and to serving the needs of the broader stakeholder community (Pless & Maak, 2011). And as was the case with ethical leadership, responsible leadership is focused beyond the leader-employee relationship. Servant leadership explicitly deals with the leader-follower relationship within the workplace (Pless & Maak, 2011).

Responsible leadership theory is comparable to the transformational leadership dimensions of vision, inspiration, intellectual stimulation, and idealized consideration (Pless & Maak, 2011, p. 8). Pless and Maak (2011) make a number of distinctions with respect to transformational leadership, however, which merit further review and discussion. First, they assert that responsible leadership theory defines follower in a broader context, which includes stakeholders, both internal to and external to the organization. Moreover, they assert that responsible leadership mobilizes followers to engage in and support objectives tied to a higher social purpose at the organizational and societal level, such as corporate social responsibility (p. 8). According to Pless
and Maak (2011), responsible leaders cultivate relationships with different stakeholders, not just shareholders, which leads to change designed to obtain a higher social goal. Transformational leaders, in their opinion, do not necessarily follow this path (see also Doh & Quigley, 2014).

Empirical evidence does support the notion that transformational leadership, particularly at the CEO level, can motivate followers to engage in higher level societal and organizational goals such as corporate social responsibility (Groves & LaRocca, 2011a; Waldman, Siegel, & Javidan, 2006). Groves and LaRocca (2011a) analyzed data from 122 organizational leaders and 458 of their followers using the MLQ to measure transformational and transactional leadership styles. The study corroborated the three study hypotheses that leaders with deontological ethical values are evaluated as transformational leaders by their followers; that leaders with teleological ethical values are evaluated as transactional leaders by their followers; and finally that transformational leaders are associated with follower beliefs in strategic CSR. As stated by the study’s authors,

> These results suggest that transformational leaders influence followers through the development of a collective vision that clearly delineates the salience of multiple stakeholders while inspiring all parties to look beyond self-interests for the betterment of the organization and community. (p. 524)

Similarly, Waldman and colleagues (2006) found a direct correlation between the transformational leadership component of intellectual stimulation and a firm’s
strategic CSR activity. They surmised that this correlation results from CEOs who have a nuanced appreciation for the link between enhancing social value and a firm’s strategic goals (Waldman et al., 2006, p. 1719). Finally, Du et al. (2013) specifically examined the link between leadership style at the manager level and firm CSR activity, and concluded that firms with transformational leadership are more likely to engage in strategic CSR. Thus, empirical evidence exists to support the proposition that transformational leadership can engage followers to support objectives tied to a higher social purpose such as that of strategic CSR.

The role of authentic transformational leadership in driving strategic CSR
While sparse, recent empirical evidence supports the postulate that the behaviors underlying the four main elements of authentic transformational leadership provide the best mechanism for promoting and implementing strategic CSR within the firm (Du et al., 2013; Groves & LaRocca, 2011a, b; Waldman et al., 2006). This research suggests that strategic CSR is best achieved when senior leaders articulate a compelling vision linking social value creation with the firm’s strategic initiatives, profitability, and competitiveness (Waldman et al., 2006), and act as role models in demonstrating ethical behavior (Groves & LaRocca, 2011b). Authentic transformational CEOs arguably are better positioned to understand that business is a social institution and that the firm becomes stronger when it acts in concert with its broader institutional constituents to link the strategic goals of the company with value creation within the community. The CEO should be best positioned to interact and engage with such disparate stakeholders as government officials, community
activists, the board of directors, and institutional shareholders. Accordingly, authentic transformational CEOs have the capacity to conceptualize how the competing interests of these stakeholders can intersect with the value proposition of the firm, and then effectively disseminate these learnings into the strategic vision of the organization (Heiser, 2016). They can invite employees into this visioning process, which helps with follower value congruence (Groves & LaRocca, 2011b).

The literature further suggests that authentic transformational CEOs appreciate that creating this link effectively will require new forms of collaboration and innovative solutions to problems. It is the employee base that will be best positioned to develop these innovations; thus, authentic transformational leaders empower their employees to experiment with options (intellectual stimulation) (Heiser, 2016). Transformational CEOs are able to “present a richer perspective of firm performance and competitive advantage that goes beyond simple cost leadership or product differentiation” (Waldman et al., 2006, p. 1709). Authentic transformational leaders empower employees to develop new approaches to the firm’s strategic issues that also create a positive effect on the larger communities in which they operate. Employees are rewarded for taking reasonable risks to make a difference, and leaders are willing to look at the longer term for results. They also provide employees the opportunity to develop new skills to assist with these endeavors (individualized consideration) (Groves & LaRocca, 2011a; see also Heiser, 2016).
Waldman et al. (2006) examined the role of transformational CEOs in determining the propensity of organizations to engage in strategic CSR. Fifty-six firms in the U.S. and Canada participated in the study, representing a diverse group of industries. The study focused on the mediating effect of idealized influence/inspirational motivation and intellectual stimulation, and strategic CSR activity. The study found a direct correlation between the transformational leadership component of intellectual stimulation and firm strategic CSR activity. Waldman and colleagues surmised that this correlation results from CEOs who have a nuanced appreciation for the link between enhancing social value and a firm’s strategic goals (Waldman et al., 2006; see also Groves & LaRocca, 2011b).

Engineering a vision for the creation of shared value, inspiring associates to follow it, and providing a sanctioned environment for implementation of such a vision in new and innovative ways are only part of the equation in creating strategic CSR. Followers must appreciate the extent to which CSR activities promote organizational effectiveness (Groves & LaRocca, 2011a). In this regard, the contingent reward and management by exception-active components of transactional leadership have been shown to positively affect organizational outcomes by providing consistency in terms of performance expectations, accountability, and compliance (Sosik & Jung, 2010). Firms should utilize their core competencies to develop strategic CSR initiatives for the firm that are characteristic of transactional leadership (Du et al., 2013; Porter & Kramer, 2011). Du et al. (2013) in a large-scale field survey of managers concluded
that while firms with greater transformational leadership were more inclined to engage in strategic CSR activities, transactional leadership, specifically management by exception-active, enhanced the relationship between firm CSR activities and organizational outcomes (p. 164). As posited by the authors,

Our findings suggest that leadership styles play an essential role. Specifically, a transformational leadership style is best suited for initiating and designing socially responsible practices; transactional leadership is best suited for implementing and deriving business benefits for socially responsible practices…. [I]t appears that both transformational and transactional leadership styles are required for successful institutional CSR practices. (p. 165)

Similar to the gap in the research that exists with regard to the motivation, intent, and values of leaders who engage in strategic CSR initiatives, there also exists a need to study the leadership styles of CEOs who engage in strategic CSR as I have defined it for the purposes of this study (Jones Christensen et al., 2014, p. 172). In addition, I submit that a values-driven leadership style influences the process framework employed by CEOs to socially construct the strategic vision that enables firm value congruence around firm participation in strategic CSR (Research Question 2).

**Summary of the Literature Review and Identified Gaps**

This study sought to examine the motivation, intent, and value framework of CEOs who are able to articulate a firm value proposition that includes firm commitment to engage in strategic CSR initiatives. In addition, I sought to study the processes employed by those CEOs to gain firm value congruence through participating in strategic CSR activities that drive firm/societal value alignment. What becomes
evident from the foregoing literature at the outset is there remains no clear definition of CSR for corporate leaders to use as a guidepost on what the role of the firm should be in addressing the needs of society (Carroll, 2013; Peloza & Falkenberg, 2009). What has developed are theories of CSR that define the role of the firm in terms of its economic, legal, and ethical dimensions (Carroll, 2013). Scholars have sought to develop definitional theories of CSR that move away from a purely economic focus of the firm to more ethics-based theoretical constructs that characterize the firm as more aligned with the broader stakeholder community in which it operates (Aguinis & Glavas, 2012; Carroll, 2013; Swanson, 2014; Waldman, 2011; Waldman & Siegel, 2008). I contend, however, that in order for firms to be willing to engage in CSR in a manner that creates meaningful value for society, there must be some direct alignment to the strategic value proposition of the firm in order to satisfy the criteria of corporate leaders to maximize firm value (Carroll, 2013, p. 42; Heiser, 2016; Peloza & Falkenberg, 2009).

For purposes of this study, I am defining strategic CSR in terms of firm/societal value alignment that results from a proactive awareness by the firm of the needs and interests of the broader firm stakeholder community, including employees, the communities in which the firm operates, community activists, and local, state, and national governments that can impact the firm in some consequential manner, directly or indirectly. By proactively engaging with the broader stakeholder community, the leaders of the firm are in a much better position to understand their needs and how
those needs intersect with the value proposition of the firm. Once that intersection is established, true firm/societal value alignment can occur, allowing the firm to address societal issues in a meaningful way without sacrificing the corporate mission of the firm value maximization. This definition also provides a roadmap for leaders to understand how the firm’s core competencies and business practices can be positioned best to contribute in a collaborative effort to address societal issues such as poverty, social injustice, climate change, to name a few.

While the definitions of CSR entail policies and procedures implemented by organizations, there is no doubt that these actions and behaviors are influenced by actors at all levels of analysis, including the organizational, institutional, and individual (Aguinis & Glavas, 2012, p. 933; Jones Christensen et al., 2014). As stated by Jones Christensen and colleagues (2014), “it is the individuals in the firms who actually create, implement, sustain, or avoid such polices and actions” (p. 165). Despite the fact that there has been a significant increase in the study of CSR since 2005, there has been very little research at the individual level of analysis (Aguinis & Glavas, 2012; see also Jones Christensen et al., 2014; Morgeson et al., 2013). I have chosen to focus my study on the individual level of analysis, and specifically the influence of CEOs in developing and implementing a firm value proposition that includes strategic CSR initiatives that drive firm/societal value alignment. Although research exists demonstrating a correlation between leader ethics and values, follower value congruence, and firm performance as delineated in this literature review, the
literature is scant regarding the motivation, intent, and value framework of leaders who engage their firms in strategic CSR initiatives, and how that motivation and intent are translated into the strategic value position of the firm (Jones Christensen et al., 2014, p. 171; see also Waldman et al., 2006, p. 1720). My study seeks to advance knowledge in this area by studying motivation, intent, values framework, and processes employed by a CEO who was successful at driving firm value congruence in strategic CSR at two very distinct firms.

Finally, there have been numerous conceptual and empirical studies in the past ten years that seek to examine the role ethical leadership styles play in driving organizational commitment in CSR and firm performance (Brown & Treviño, 2006; Du et al., 2013; Groves & LaRocca, 2011a, b; Pless & Maak, 2011; Waldman et al., 2006). Further study is needed, however, to understand what role ethical leadership style plays in a CEO’s intent to engage the firm in strategic CSR and what role it plays in the process of firm value congruence in strategic CSR initiatives (Jones Christensen et al., 2014; Waldman et al., 2006). This study seeks to gain knowledge on the role of ethical leadership in driving strategic CSR.
Chapter 3: Methods

Method of Inquiry

The research questions that are the subject of this study are best examined through inductive theory development using an interpretive case study approach (Corley & Gioia, 2004; Eisenhardt & Graebner, 2007). Corley and Gioia (2004) state that "interpretative research focuses on an emergent theory from the perspective that gives voice to the interpretations of those living an experience" (p. 178). As stated by Charmaz (2014), "interpretive theories aim to understand meanings and actions and how people construct them" (p. 231). The interpretive research approach is grounded in the epistemological framework of social constructivism and is appropriate for this study since it is important to understand the motivation of CEOs to engage in strategic CSR and the firm architecture they use to translate broader stakeholder interests and concerns into the strategic value proposition of the firm. Studying this phenomenon within the context of organizations that have implemented enhanced stakeholder collaboration for the benefit of secondary firm stakeholders and the organization as a whole will allow for a better understanding of the framework executed by the firm CEO in guiding the firm in such a manner (Creswell, 2013).

The social constructionist perspective starts with the premise that the reality or truth of a group or organization is at least partially the result of a social construct that is generated and reinforced through the use of discourse, texts, narratives, or
Individuals are a social construct of their environment, and thus to gain knowledge researchers must place themselves in the role of the participants to understand their perspective and rationale for action. Knowledge is gained through “conceptualizing the similarities of experiences of an aggregate of individuals” (Rudestam & Newton, 2015, p. 46; see also Charmaz, 2014, p. 231). Social constructivism has as its basis a search for an understanding of how participants construct meanings in specific situations. Charmaz (2014) emphasizes this point succinctly:

Constructivists emphasize entering participants’ liminal world of meaning and action. What we see, when, how, and to what extent we see it are not straightforward. Much remains tacit; much remains silent. We exist in a world that is acted upon and interpreted—by our participants and by us—as well as being affected by other people and circumstances. We also try to locate participants’ meanings and actions in larger social structures and discourses of which they may be unaware. Their meanings may reflect ideologies; their actions may reproduce current ideologies, social conventions, discourses, and power relationships. (p. 241)

**Study Design**

This study purports to generate theory by studying organizations and in particular the CEOs who have successfully achieved strategic CSR activities. This study will focus on the framework CEOs use to link their values, motivation, and intent to engage in enhanced stakeholder collaboration with firm value congruence and employee engagement in pursuing strategic CSR activities. I have chosen Kurt Landgraf, former CEO of the DuPont Merck Pharmaceutical Company (DuPont Merck) and recently
retired CEO of Education Testing Services (ETS), for studying this phenomenon.

Kurt Landgraf presents an excellent opportunity to study the how CEOs employ firm architecture and enhanced stakeholder collaboration to align strategic CSR within the strategic value proposition of the firm. First, I personally know Kurt Landgraf as I worked for the DuPont Merck in the mid-nineties during his tenure as CEO and thus have first-hand knowledge of his leadership practices regarding the implementation of strategic CSR. I was an active participant in the diversity initiatives he undertook at the company (one form of enhanced stakeholder collaboration) and in particular the groundbreaking relationships the company formed with the patient advocate and activist communities during the develop and launch of the company’s innovative drug product to treat HIV/AIDS. Both initiatives drove firm value maximization but also simultaneously created significant value for society—true strategic CSR. I also had a recent opportunity to briefly interview Landgraf as part of a group project during the corporate social responsibility coursework of the doctoral program at Benedictine University’s Center for Values Driven Leadership. It was during this project that I learned about Landgraf’s CSR work at ETS.

Landgraf was chosen for this study because of his values and identified work in implementing a strategic CSR framework. I wanted to delve deeper into how Landgraf infused his value framework and his deep understanding of the needs of the broader stakeholder community into the strategic value proposition of the firm, which ultimately drove alignment between firm value creation and societal value creation.
Second, Landgraf presents an excellent opportunity to study the theoretical concept of strategic CSR in the context of two very distinct organizations. In both cases, Landgraf took over each respective company at a time of financial burden, and with respect to ETS a time of financial crisis and led both entities to record profit in a very short period of time. DuPont Merck presents a case of a for-profit pharmaceutical company where Landgraf drove firm value maximization while simultaneously creating value for society in the form of enhanced diversity initiatives, as well as the company’s enlightened engagement with the AIDS activist community during the development and launch of the company’s breakthrough product to treat HIV/AIDS. In contrast, ETS presents a very different context in which to study the theoretical construct of strategic CSR. In this case, ETS was a nonprofit organization with a very distinct and defined social mission. It rebelled against the idea of driving profits, particularly if it conflicted with the pursuit of the firm’s express social mission. It is within this context that we can examine how Landgraf turned the entity around financially while continuing to maximize the social mission of the organization. In both cases, Landgraf was extremely successful in implementing strategic CSR by providing a value-based framework that allowed firm value maximization to be aligned with societal value creation through enhanced stakeholder collaboration. How he accomplished this success is the subject of this study. This replication study design helps support the fact that the enhanced stakeholder value framework employed by Landgraf to achieve this success was not a one-off phenomenon.
Case study approach
The research study design proposed herein represents a multi-case, collective case study (Lauckner, Paterson, & Krupa, 2012; Stake, 1995). The case study is instrumental in that the goal of the research is to seek knowledge of phenomena beyond the immediate particularities of the individual case (Stake, 1995). Yin (1981) defines a case study as a research strategy that attempts to examine a contemporary phenomenon in its real life context when the boundaries between phenomenon and context are explicitly evident. The three main criteria for utilization of a case research strategy are as follows: (1) the research question(s) being studied focus on “how” or “why” terms; (2) the control the researcher has over behavioral events is limited and cannot be manipulated; and (3) the focus of the research is on contemporary events (Yin, 2009, chapter 1; see also Eisenhardt, 2007). Case studies can be exploratory, descriptive, or explanatory in nature. Multi-case study design is warranted when the researcher seeks to examine how the study phenomenon works in different environments (Stake, 2006). I followed the multiple-case study research design set forth by Yin (2014), whereupon I started with the development of the research questions to be studied, selected the relevant cases to study based upon a theoretical sampling procedure set forth below, designed the research protocol consisting of participant interviews, document collection, and, where applicable, onsite observations, case data collection, individual case write-ups, cross-case analysis, and theory development (Yin, 2014, p. 60, Figure 2.5).
Participant inclusion criteria and data collection procedures
I employed an initial sampling strategy similar to that outlined by Charmaz (2014). According to Charmaz, initial sampling entails establishing criteria for people, cases, and setting before you enter the field. Initial sampling is a mechanism that helps establish and plan how the researcher will access data (p. 197). The goal for this study was to choose cases based upon theoretical sampling, which could either replicate or extend the emergent theory (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). I have chosen a multiple case study design in order to draw on “the richness, depth, and complexity” that comes from studying a phenomenon from multiple events in distinct settings, and which allows for a “broader exploration of research questions and theoretical explanations” (Lauckner, Paterson, & Krups, 2012, p. 6; see also Eisenhardt & Graebner, 2007, p. 27). The multiple-case study approach also was chosen for theoretical reasons of replication and elimination of alternative explanations (Eisenhardt & Graebner, 2007; Yin, 2014). Kurt Landgraf, former CEO of DuPont Merck and immediate past President and CEO of ETS, represented the key focus of the study—specifically his framework of successfully driving strategic CSR activities at two different contextual entities. I have controlled for the leader variable by studying the same leader in the context of two very distinct organizations.

Kurt Landgraf
Landgraf began his working career at Johnson & Johnson, the major healthcare company, following his graduation from college. He subsequently went through a period of self-identified corporate disillusionment, which led him to ETS, an organization with a distinct social mission, in the early seventies. He ultimately found
that he actually missed the corporate setting and subsequently left ETS for various marketing positions at Upjohn Company in Kalamazoo, Michigan. Landgraf joined the DuPont Company in 1980 and led DuPont’s pharmaceutical business in Europe from 1983 to 1986. He returned to the U.S. in 1986, where he spent a year in DuPont’s Corporate Plans Department as planning manager, with a focus on the company’s long-range strategic mission. He was named director of DuPont’s Pharmaceuticals and Imaging business in 1991. The DuPont Pharmaceuticals and Imaging business ultimately was spun-off in its entirety into The DuPont Merck Pharmaceutical Company, a joint venture company with Merck & Co., Inc. Landgraf was named chairman and CEO of DuPont Merck in November 1993, following the board ouster of the previous CEO (Gentile & Gant, 1995a). Landgraf held other executive level positions at DuPont following his stint as CEO of DuPont Merck, including chief operating officer and chief financial officer. Landgraf subsequently returned to ETS in August of 2000 as president and CEO and remained at ETS in this capacity until his retirement in 2013 (ETS, 2012).

In addition to his executive positions at DuPont, DuPont Merck, and ETS, Landgraf also is a member of the board of directors at Louisiana-Pacific Corporation and Corning Incorporated. He has chaired the National Pharmaceutical Council, the United Way of Delaware, and Delaware CarePlan, and served as the president of the National Consortium for Graduate Degrees for Minorities in Engineering and Science, Inc. (ETS, 2012). Landgraf holds a bachelor’s degree in economics and
business administration from Wagner College, a M.Ed. from Rutgers University, a M.A. in economics from Pennsylvania State University, and a M.S. in sociology from Western Michigan University. Landgraf also served in the Navy during the Vietnam War.

The DuPont Merck Pharmaceutical Company: A brief overview
The DuPont Merck Pharmaceutical Company (DuPont Merck) was formed in 1991 as a 50/50 joint venture between E.I. duPont de Nemours and Company, the third largest chemical company at the time, and Merck & Co., Inc., the largest U.S. pharmaceutical company (Gentile & Gant, 1995a; Merck, 1998). DuPont had been in the life sciences and healthcare business for twenty years prior to entering into the joint venture with Merck, focusing its efforts in X-ray technology, clinical chemistry, radiopharmaceuticals, and pharmaceuticals. Despite its long presence in the life sciences arena, DuPont had struggled to establish a viable presence in any of these markets (Gentile & Gant, 1995a). Accordingly, a decision was made to enter into a joint venture with Merck. The joint venture allowed both parent companies to expand their presence internationally and to supplement existing product lines without the disruptions generally associated with mergers and acquisitions (Gentile & Gant, 1995a). DuPont ended up contributing its entire pharmaceutical and radiopharmaceutical imaging businesses, and administrative services to the joint venture company. Merck contributed cash, European marketing rights to several prescription products, and R&D and international industry expertise (Merck, 1998). The DuPont Merck Pharmaceutical Company lasted as an entity until July 1998,
when DuPont purchased its half of the venture from Merck for a total sum of $2.6 billion in cash (Merck, 1999). DuPont ultimately sold its pharmaceuticals business to Bristol-Myers Squibb in 2001 for approximately $7.8 billion.

ETS: A brief overview
ETS was founded in 1947 as a result of the American Counsel on Education, the Carnegie Foundation for the Advancement of Teaching, and the College Entrance Examination Board, contributing their testing programs, a portion of their assets, and a select group of key employees into an independent nonprofit organization. ETS’s founding mission was “the belief that a single organization devoted to educational research and assessment could make fundamental contributions to the progress of education in the United States” (ETS, 2016, p. 2). The organization has expanded this mission to a commitment to sound research, advancing learning, and increasing opportunities for students worldwide (ETS, 2016). ETS’s stated vision is:

To be recognized as the global leader in providing fair and valid assessments, research and related products and services to help individuals, parents, teachers, educational institutions, businesses, governments, countries, states and school districts as well as measurement specialists and researchers. (ETS, 2016, pp. 2–3)

Along with its mission and vision, ETS seeks to exemplify the following core values: social responsibility, equity, opportunity, and quality. ETS is the developer and administrator of such well-known tests as the TOEFL® and TEOIC® tests, the GRE® general and subject tests, and The Praxis Series® assessments in more than
180 countries (ETS, 2016). Of its 3,300 employees worldwide, 1,000 hold advanced degrees, with 390 having doctorate degrees (ETS, 2016).

My research approach was to first gather insight on Landgraf the person, and the origins of his value framework and his cognitive ability to understand and contextualize the needs of a broader group of stakeholders such as employees and the broader community of regulatory agencies, customers, and community activists. I then examined how he was able to align the needs of this broader stakeholder group in a manner that successfully promoted alignment between firm value maximization and societal value creation in the context of two distinct organizational cases. Each case represented an opportunity to study his strategic CSR implementation while controlling for the CEO, his values framework, and leadership style within two diverse contextual scenarios.

**Sampling**
I employed the purposeful and theoretical sampling criteria for selection of study participants (Corley & Gioia, 2004). According to the Corley and Gioia (2004), initial sampling should consist of choosing informants who can provide the most information on the research question. For purposes of this study, I initially interviewed Landgraf regarding his tenure as CEO at DuPont Merck and ETS. I subsequently followed the “snowball technique,” asking Landgraf to identify others from his top management teams at both companies who could best explain relevant processes (Corley & Gioia, 2004). I practiced this snowball technique with each
interviewee. As this method of inquiry is iterative in nature, theoretical sampling was employed to identify other relevant data sources from ongoing analysis and comparison of interviews undertaken. Theoretical sampling occurred until “theoretical saturation” was achieved for both cases (Corley & Gioia, 2004, p. 180).

To minimize bias associated with impression management and retrospective sensemaking, I included informants who were no longer employed with the company and who were from different hierarchical groups and from different functional areas in the case of DuPont Merck Pharmaceutical Company, and from different functional groups and the board of directors in the case of ETS (Eisenhardt & Graebner, 2007). An attempt was made to transcribe all recorded interviews within 72 hours so that each interview could be analyzed to help guide selection and collection of further data, including subsequent interviews and documents. Table 1 provides a summary of the individuals interviewed by functional title.

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<td><strong>DuPont Merck</strong></td>
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Data collection
Data collection and analysis consisted of one-on-one interviews, written and electronic documentation, and limited non-participant observation (Corley & Gioia, 2004, p. 180). Interviews were the primary data source and consisted of semi-structured, open-ended questions (Corley & Gioia, 2004). The interviews were audio recorded. An interview guide was developed and approved by my dissertation committee chair prior to commencing the interviews. Additionally, I attempted to collect and examine publicly available documents and texts (electronic and paper). I also attempted to collect artifacts, documents, and texts (electronic and paper) that reflected the firm’s interaction with internal and external stakeholders regarding CSR activities. Limitations in gathering this material included limited access to certain confidential and proprietary corporate data such as emails, meeting minutes, and balanced scorecards, for example; age of the case (specifically DuPont Merck); and the fact that DuPont Merck no longer exists as an entity.

Data recording procedures
A study database was developed and catalogued by data source and type of input (document, interview notes, interview transcripts, etc.) and has been maintained in a digital format, with frequent backup, to aid in analysis, interpretation, and validation.
Data analysis and interpretation
A coding system to identify patterns and themes was developed prior to commencing the research. I engaged in a line-by-line coding strategy for each interview transcript. I began with an open coding process as discussed by Corley and Gioia (2004), wherein initial concepts in the data were identified and then grouped into categories. In vivo codes, using the participant’s own language, were employed where possible. Otherwise, simple descriptive phrases were used (Corley & Gioia, 2004, p. 183). This first order coding provided first order concepts coming from the data. From there, I utilized axial coding to begin to look for relationships between and among these first order concepts, which led to higher order themes (Corley and Gioia, 2004, p. 183). This coding process was continued until the emerging theoretical relationships became clear (Corley & Gioia, 2004, p. 184).

Validation of themes, findings, and assertions was accomplished through a triangulation strategy (Corley & Gioia, 2004, pp. 184–85; Creswell, 2013). The protocol for triangulation included methodological triangulation; validation of interpretations by reviewing multiple data sources such as interview transcripts and documents to examine if the same interpretation stood; member checking—having participants review rough drafts of writings containing actions or quotes from the participant for accuracy; and peer debriefing—allowing fellow researchers to review my coding methodology, initial findings, and interpretations for input. The Gentile and Gant (1995a) Harvard Business School case note regarding Landgraf’s diversity initiatives at DuPont Merck is an example of the triangulation strategy employed. The
case note was used both for background on Landgraf’s history with DuPont Merck but also as a mechanism to validate assertions and findings.

**Role of the researcher**
As this study entails utilization of an interpretive research methodology, the role of the researcher becomes important (Charmaz, 2014; Creswell, 2013). My primary role(s) in this research was that of observer, evaluator, and interpreter. My primary function as a nonparticipant observer was to observe and collect data about the case and its participants. As an evaluator, I provided the criteria from which interpretations of the case were formed, which ultimately provided the understanding of the case from my perspective. Finally, as stated by Stake (1995), the role of interpreter places the researcher as the “agent of new interpretation, new knowledge and new illusions.”

It is important to provide an overview of my background, experience, and potential inherent biases. My perceptions of leadership, group dynamics, and corporate culture are shaped by my prior experiences. I am currently employed as president and chief operating officer for a privately held, global company headquartered in the U.S., with manufacturing operations in Belgium, Brazil, Dubai, Shanghai, and the U.S. In my role as president, I am actively involved in strategic planning, marketing, leadership development, talent management, and employee engagement. I have been involved specifically with the development and implementation of our strategic CSR initiatives. In addition, I have worked in other settings and for other firms where I have had a leadership role in implementing strategic CSR initiatives, including
working directly with Kurt Landgraf at DuPont Merck as associate general counsel and subsequently director, State Government Affairs and Business Unit Director, Virology Franchise. In each of these roles, I had direct exposure to Landgraf and the implementation of his leadership initiatives. In addition, I had significant responsibility for implementing the enhanced stakeholder collaboration efforts with the AIDS activist and patient advocacy communities, including physicians, during my time as director, State Government Affairs and Business Unit Director, Virology Franchise, and therefore have intimate knowledge of how these initiatives were implemented and supported by senior management, including Landgraf. I believe this experience provides contextual understanding of the challenges faced by senior leaders of an organization in linking the firm’s value proposition with the need for creating greater societal value. While every effort has been made to ensure that objectivity is preserved, these inherent biases may impact the way I analyze and understand the data collected. I come into the research with the perspective that the firm CEO is in the best position to interact with all of the disparate stakeholders who may have an interest in a firm’s strategic CSR initiatives, and thus is best positioned to appreciate those needs and how they intersect with the value proposition of the firm. How that intersection is then translated into the strategic framework of the firm and adopted throughout the organization is the subject of this study.

**Anticipated ethical issues**
Institutional Review Board (IRB) approval was obtained prior to contacting any participant and conducting observations or interviews. In addition, each participant
was provided a written informed consent form (approved by the IRB and my dissertation committee) to allow for participation in the research study. The informed consent form contained provisions regarding the subject of the study, confidentiality, the time commitment of the participant, the ability to withdraw, how the results would be debriefed, and ownership of the research data (Creswell, 2009; Rudestam & Newton, 2015). As the study participants are leaders of well-known companies, their names may become public based upon their position within the organization, thus hindering my ability to keep their identities confidential. A protocol for handling confidential and proprietary information of the firm was established with each participant prior to any site visit. APA guidelines on the use of language that is not offensive based upon racial or ethnic group, gender, sexual orientation, age, or disability were followed in all respects (Creswell, 2009).
Chapter 4: Results

*I actually believe that value creation is not just increasing profitability at the expense of social value. I actually believe that societal value adds to firm value creation because you are in a social matrix and you'll be rewarded by your customers and constituents because they'll see that you're looking out for your constituents’ best interests, and I believe that in my heart.*

Kurt Landgraf

**Kurt Landgraf: “Business Is a Social Institution”**

The intent of this research is to examine the value framework of leaders who are able to guide their firms to engage in enhanced stakeholder collaboration and strategic CSR initiatives (Research Question 1). Secondly, I wanted to delve into the specific processes utilized by those leaders to drive firm value congruence around participation in strategic CSR activities (Research Question 2). Kurt Landgraf is the subject of this study, as he is a leader with whom I have had personal experience in driving strategic CSR as defined herein. I start the results chapter with an overview of the Landgraf value framework, and then present a write up of two cases in which I examined this value framework in the context of two different organizations with very different missions. In both cases, Landgraf was able to drive firm and societal value through broad stakeholder collaboration. I conclude with a cross-case analysis and the development of a theoretical model of CEO enhanced stakeholder collaboration.
Other-focused values framework

Spend any time with Kurt Landgraf and you quickly become able to recite his three core values: performance—no excuses, everybody deserves special treatment, and business is a social institution; and that phrase, those three succinct values, remain a recurring echo in your mind long after you leave his presence. Just ask anyone who has worked with him or for him, and all can, in great detail, recite those values and provide vivid examples of what they mean. Landgraf’s effect on the organizations and the individuals who worked in those organizations was evident from the interviews conducted in conjunction with this study. What I found interesting from the start of my interview with Landgraf is the order in which he chose to discuss these values. I report on his core values below in the exact order he conveyed them to me.

Business is a social institution

Outsider perspective
Landgraf commenced the interview discussing his core value of business is a social institution. Landgraf spent his formative years growing up in an orphanage in Newark, New Jersey. He was adopted at the relatively late age of fourteen, whereupon he moved with his adoptive family to Rahway, New Jersey, a fairly blue-collar area of northern New Jersey. Growing up an orphan taught him how to relate with people. Landgraf was clear during the interview that his childhood was not some Dickensian experience but rather taught him that, “all people have value and all people need respect.”

So I would say that growing up in what used to be called an orphanage … created a different emotional-psychological dynamic for me as a
foundation. For the most part, I believe that it served me well and
provided a foundation for why I believe that it is important that all
segments of society recognize that they do have social responsibilities;
that whether you are an individual, an institution, a corporation, that
you are part of the social matrix.

Following a short stint as a minor league baseball player, Landgraf went to college at
Wagner College in Staten Island, New York, on a scholarship, majoring in economics
and business administration. He earned a master’s degree in economics from
Pennsylvania State University in 1968 and then was called for a tour of duty in the
navy during the Vietnam War. It was during his time in the navy that Landgraf credits
formulating his views on the value of diversity. After Vietnam, Landgraf took a job
with Johnson & Johnson, one of the most admired companies at the time, working in
finance, sales, and brand management. In part a reflection of the times, Landgraf
decided to grow his hair long and step out of the corporate world for something more
enlightened (Landgraf; Koberstein, 1994). Accordingly, he took a marketing job with
Educational Testing Service (ETS), an organization with a clearly defined social
mission. During his time at ETS he also completed a masters degree program at
Rutgers University. He subsequently decided he missed the more traditional corporate
world and reentered the pharmaceutical industry with Upjohn Company and
subsequently DuPont after just a few years at ETS. It seemed from the interviews
conducted that Landgraf was viewed as “an outsider” throughout his career in many
respects, including his upbringing, his work experience, and his academic credentials,
given the leadership positions he held at the companies he worked. One board
member at ETS best articulated this sentiment of Landgraf as an outsider:
Well I think, I think the first thing you’ve got to realize about Kurt is that he’s always been an outsider and always was, you know, kind of unqualified in terms of his credentials. Okay, so that for example, when he worked at Johnson & Johnson, which was his first real job, he didn’t have an MBA. And he didn’t have an MBA from Harvard, which as you know … that was kind of what you were if you were going to succeed. And then he went to work for DuPont and Merck and he wasn’t a scientist. And then he came to ETS, and I mean, remember this is a guy, I don’t want to denigrate other academic institutions, but you know, the head, the president of ETS is typically not someone who went to Wagner College on a baseball scholarship and then went to Rutgers at night to study accounting and then went to Penn State, part time, five years, to get some degree I don’t even remember what it was…. And I mean he was an outsider when you’re an orphan … you’re fourteen years old before anyone adopts you, you’re used to being an outsider…. [Y]ou know he lived by his wits, and I think people respected that (ER4).

The connection of business to the community
Landgraf attributes working with family-owned companies early in his career as providing a huge influence on his core value of business is a social institution.

Landgraf worked for the Upjohn Company in the mid-to-late seventies when it was family owned, and subsequently DuPont when it also was still owned and managed by the DuPont family. In both cases, Landgraf discussed how Kalamazoo, Michigan (worldwide headquarters for Upjohn) and Wilmington, Delaware (worldwide headquarters for DuPont) were mid-sized communities that were truly company towns in every sense of the word. In Landgraf’s view, the company and town were intertwined at their core. He described both Kalamazoo and Wilmington as enclosed communities where the company was the largest employer. “You couldn’t, as you can in some bigger cities, do bad stuff to people and then walk away, because the same people you were doing bad stuff to might be your kid’s third grade teacher, right?”
The following quote provides context behind this relationship between the town and the company:

> [W]ell Upjohn was not the only entity in Kalamazoo, but it was the most important entity in Kalamazoo. And I watched how that family created an environment that was important and ran through the organization at every level, understanding that they had a responsibility to their community in Kalamazoo, but also their worldwide community. (Landgraf)

Landgraf soon learned to appreciate the value that could be derived from treating employees and the community with understanding and respect. He saw firsthand how such a collectivist view could drive a more committed attitude from employees.

Landgraf stated in a very unequivocal tone,

> [B]ut what I saw happen a lot, although I don’t remember thinking about it quite this way, is when you treat people and your society in general with appropriate respect, what you get is a very different attitudinal framework from your employees.

Landgraf’s sentiment around *business is a social institution* was summarized well in an article published in a pharmaceutical trade journal shortly after Landgraf took over the helm as CEO at the DuPont Merck Pharmaceutical Company in 1994:

> “Corporations have a tremendous responsibility to make the society around them better. Corporations have social responsibilities to be ethical, to be terrific corporate citizens, to provide employment, and to try to avoid ever having to take people’s employment away from them. People who manage big corporations need to be cognizant of the power they have over people’s lives and not abuse that power in any way. Corporations get into trouble when they forget that they have social responsibility. That they are not entities in and of themselves. That they have a broader context in which they have to work.”

(Koberstein, 1994) [pp. 36–48]
"Everybody deserves special treatment"

This discussion on business is a social institution led right into a discussion of his second core value: everyone deserves special treatment. This core value recognizes that employees are humans and as humans they come into the work environment with significant complexities. Landgraf’s early childhood and career experiences provided him with a more developed understanding that everyone will experience some personal adversity in their lives, and that dealing with that adversity cannot help but seep into the work environment. Rather than limit the individual’s ability to address the issue, or to punish them at the outset for a reduction in their work productivity, Landgraf felt it better for leaders and the firm to show empathy and compassion for the individual. In his experience, such empathy ultimately allows for a more committed and caring workforce. To live by a strict construction of policy, in his view, not only disenfranchises the individual but also those around him or her. To aid in acceptance of this notion of what amounts to making ad hoc exceptions to policy on an individual basis, Landgraf continued to set expectations by telling employees that everyone needed to be content with these ad hoc exceptions that were made because of special circumstances. He would state frequently, “so you gotta be HAPPY, because someday you may need it” (Landgraf). Having an HR department and HR executives that understood Landgraf’s value proposition were crucial to employees understanding what this value represented.

So this is where the second part comes in, which is everyone deserves special treatment. So as I’ve told you, I’ve got a son whose got significant issues, alright and he’s cognitively disabled…. He’s had, he’s a wonderful person and highly productive, but really has taught
me through interacting with society in general that people’s lives have bumps in them and if you want to play the game with people that says look we do things with rule 27.5.6 and we do that every day and that’s how we are, people who need help, whether it’s that they have a medical problem, or they have a marital problem, or they have a child-rearing problem … you not only disenfranchise those people, … but you also disenfranchise the people around them.

So what I would summarize, John, is that the combination of business is a social institution and everybody deserves special treatment when they need it, alright, combines to create a workforce which is very often missing in today’s world. They’re committed to the value system. They’re committed to each other. And, they’re committed to the long-term viability of the corporation.

Well I think, I think the key is, it’s how HR views itself. If HR views itself as the policeman, okay, that isn’t going to work. If HR see themselves as a valuable part of the business, and I don’t think Kurt would have put up with somebody that would prevent him from doing all the social engineering he did (SR3).

**Performance—no excuses**
The third core value espoused by Landgraf is *performance—no excuses*. Again, given his proven success in business, I was somewhat surprised that he addressed this core value as the last of the three. As the interview went on, however, I came to understand why. For Landgraf, *performance—no excuses* is not “results—no excuses” since you cannot always control results or outcomes. What can be controlled, however, is effort. In his view, people will perform to their maximum ability if they believe they have a responsibility to the firm and their fellow employees. This is where you achieve the confluence of *performance—no excuses* with the previous two core values. The first two values drive value congruence with the organization and its members around firm viability, which ultimately drives employees to perform at their maximum ability.
That’s why the third of my values system matters. Remember, *performance—no excuses* is not *results—no excuses*, because you and I both know that you can’t always ensure results and the outcome. But what we can ensure is that people will perform up to the maximum of their ability because they believe that they have a responsibility to the corporation and to their fellow employees. And I have found that it quite frankly becomes the easiest of the cultural mindsets to instill, because people who buy into the *business is a social institution* and *everybody deserves special treatment* come to love their work environment…. So when you start getting people who take ownership and want to see the organization sustained, then you find people who will go above and beyond their normal level of responsibility.

(Landgraf)

**Ethical Leadership Style**

The top management team

Kurt Landgraf does not mince words when it comes to how he goes about infusing his core values into an organization. It starts with top management. Landgraf believes strongly that a direct relationship exists between the level a person holds in the organizational structure and their level of accountability, including accountability for implementing the Landgraf value structure. His value framework starts with putting the right people into senior management positions and then setting and rigorously applying both high performance standards and high value standards to the management team “so you don’t have people corrupting your environment”

(Landgraf).

If you’re going to do what we described, you’re going to have to have the managerial courage to hold your leadership and managerial team to very rigid standards, very high standards, I would say. So first you need to know how to set the standards, which we’ve talked about that not everybody knows how to do. Second of all, you need to have the right accountability standards, so if you have somebody who only believes in *results—no excuses*, then it sets a bad environment for
Landgraf was straightforward in response to my inquiries on how he chose his top management teams. At DuPont and DuPont Merck Pharmaceuticals, Landgraf knew folks fairly well, so he could build his team based upon his sense of a person’s accomplishments, interactions, and commitment to the whole. He would evaluate an individual’s behavior and action, and whether they were consistent with his stated core values. He could make value judgments about potential candidates because of his ability to engage with them in actual firm activity. Accordingly, at DuPont and DuPont Merck, the selection of the top management team was observational. It was “built upon years, and even in some cases decades, of experience watching people perform” (Landgraf). His stated desire was to recruit individuals to his senior leadership team who had a fundamental desire to do the right thing for the whole. It was a similar situation at ETS, where he recruited many of his top team from other companies based upon his knowledge of their commitment to his values framework.

Leadership commitment to values standards
Equally important to selecting the right top management team is the need to supplement rhetoric about values with visible, consistent action. Landgraf used direct symbolism and action to reinforce his values framework to the rest of the organization. He was quick to remove any senior leaders who did not behave in a manner consistent with the value structure. As stated by Landgraf:
It was not uncommon for me if I had someone who was at a senior level, I would remove them and I would remove them quickly because that sends the signal to the rest of the organization. I would also remove people further down in the organization, in the managerial structure, who clearly demonstrated through their behaviors that they didn’t understand the value system of the organization.

Interestingly, Landgraf personally would use this symbolism at the management level but not specifically with the rank and file. He would leave that action to his line level management team, who were expected to behave according to his value system. As he states, “I’m not one who spends a lot of time blaming when things are not going well. I don’t blame, I don’t look for the lower level people.” This approach is consistent with his sentiment that accountability increases with one’s level within the organization.

**Communication architecture**

**Role modeling**
Active role modeling of values-based behavior also is critical to obtaining value congruence around a value system, according to Landgraf. As noted above, it is his view that the higher your position within the organizational hierarchy, the more your behavior sets the standard. Therefore, if the CEO is going to change the mindset of the organization, then the CEO and his/her management team must actively role model acceptable behavior. Landgraf tried not to make value judgments about individuals as human beings, but he was emphatic that he did make value judgments about their behaviors.

And with any of the initiatives I had, it was experiential role modeling and then adherence to the values. Every decision I would make about
people was about the values systems, good or bad. When I was
deciding who got promoted, and I remember there were some mistakes
I made along the way, or who was going to get demoted or fired.
Those were always based on those values systems: *performance—no
excuses, everybody deserves special treatment*, and *business is a social
institution*. Every decision I made about a person was based upon how
they performed in my eyes relative to those.

Symbolism and action consistent with the values framework was not just about hiring
and firing managers. Performance was a key driver of success, so Landgraf instituted
a profit sharing plan for all employees at DuPont Merck and ETS, which allowed all
employees to participate in the upside of the firm. He instituted numerous diversity
initiatives, including providing funding to each functional department to hold
diversity initiatives with their teams. He also allowed all employees to take one day
off with pay to volunteer at a charitable organization of their choosing. No paperwork
was required to prove participation, thus imparting a level of trust with employees
(again one example of symbolism).

**Communication processes**
Landgraf also employed communication as a tool to drive value congruence
throughout the organization. He would send a monthly message using the company’s
voice mail system, the technology available at the time, which was repetitive in its
composition. He would begin with a factual overview of performance for the previous
month (*performance—no excuses*). The message was an open and honest overview of
performance, and it would be given using language that everyone could understand,
not just accountants or MBAs. Secondly, Landgraf would message around the other
value propositions, but he would not use the terms *everybody deserves special*
treatment or business is a social institution. Instead, he would talk about improving the company’s diversity initiative or the United Way campaign. He also would weave into those messages activities that DuPont Merck or ETS were doing that positively impacted the community. As technology improved, Landgraf delivered these monthly messages using videos. In addition, while at DuPont Merck he would conduct all employee year-end town hall meetings where he would give a prepared message and then take questions. Landgraf is considered to be a gifted orator, which allowed him to connect personally with the audience. At ETS, Landgraf held these meetings twice a year. Finally, Landgraf was a present leader. He was known to visit the cafeteria daily to buy his own coffee and talk with employees. He walked all buildings at the headquarter campuses and visited with employees, and would visit the factory floor and the warehouse staff. Those ad hoc meetings allowed Landgraf to again connect with employees on a personal level.

**Axial Coding Diagram**

Figure 1 represents the axial coding diagram that arose out of the first order coding of the interviews regarding Landgraf’s value framework in general. Landgraf’s early childhood experience as an orphan, coupled with his early leadership experience with family-owned companies, had a direct influence on him developing a value framework more receptive to understanding the needs of the broader firm stakeholder community. Landgraf has an acute awareness that appreciating and addressing the needs of the broader stakeholder community can have a direct impact on superior firm performance. His leadership style is more consistent with the key components of
the ethical leadership styles of transformational leadership, ethical leadership, and responsible leadership. Consistent with ethical leadership theories, Landgraf has demonstrated openness towards the interests of the diversity of stakeholders both inside and outside the organization. His three core values addressed the broad spectrum of firm stakeholders, including shareholders and the board of directors (performance—no excuses), the well-being and success of employees (everyone deserves special treatment and his diversity initiatives), and business is a social institution (his early leadership experience wherein he developed an appreciation for the relationship that must exist between the firm and the community). He promotes ethical role modeling and promoted ethical conduct in the workplace as evidenced by how he managed his leadership team and tried to exercise moral reasoning in his decision-making through a mental analysis of how decisions and initiatives were reflective of those three core values. Landgraf believes strongly that to change the culture of an organization, you first “change behaviors, which eventually changes values, and then when values change, you change the culture.”
Figure 1. Axial Coding: Landgraf Values Framework of First Order Concepts, Second Order Themes, and Aggregate Dimensions
DuPont Merck Pharmaceutical Company: Enhanced Stakeholder Collaboration

Landgraf took over as CEO of the DuPont Merck Pharmaceutical Company in late November 1993 during a time of upheaval both in the pharmaceutical industry as a whole and within the company specifically. This period was very dynamic for the pharmaceutical industry. The Clinton healthcare reforms were in full swing and managed care plans had gained significant influence in the buying spectrum, resulting in intense downward pressure on pricing (Gentile & Gant, 1995a). Companies were beginning to cut marketing costs and to downsize their huge sales organizations as the selling process changed from a physician-centric sales focus to a more price-focused managed care sell. The generic drug industry was gaining in stature, given the pricing pressure coming from managed care organizations, which further depressed revenue of the proprietary pharmaceutical companies. R&D spending, which still represented a high percentage of sales, began shifting to more symptom relief and “me-too” products, a less risky form of development, providing only marginal incremental revenue (Gentile & Gant, 1995a).

DuPont Merck was not immune to the circumstances of this changing market place. The board of directors knew the joint venture was having significant financial difficulties. According to Landgraf, “Financials the first three years at DuPont Merck were not good at all.” In addition, the company was spending more than double the industry average in support of the R&D pipeline (Gentile & Gant, 1995a). Moreover, the company had increased its sales force by over 1,000 individuals at a time when
the need for the traditional sales representative function was diminishing. As reiterated by Landgraf:

In 1992 and 1993, DuPont Merck was headed for a significant disaster. Most people forget that. [The previous CEO] I’m sure for very good reasons and I mean that, hired 1,000 too many people. You know we were doing fine commercially, but there was also a huge amount of spending going on to support the R&D pipeline…. [H]e set up all that infrastructure up without the revenue base. So it was headed for disaster and the owners of DuPont Merck … knew that there was something wrong.

Landgraf became CEO under awkward circumstances when the previous CEO was ousted during a board meeting. Landgraf was then called into the boardroom and named CEO. He was left with the task of exiting 1,000 employees from the organization. If that was not enough, Landgraf, within his first week on the job, received a letter and numerous emails from African-American scientists threatening an EEOC claim for discrimination (Gentile & Gant, 1995a). It is within this contextual environment that I examine Landgraf’s value framework and processes for driving strategic CSR at DuPont Merck.

**Ethical Leadership Style**

**Corporate board interaction**

Landgraf indicated that the previous CEO had mismanaged his relationship with the board, which ultimately led to his dismissal. He described his predecessor’s attitude toward the board as one of arrogance and dismissal.

He did that because … he felt DuPont knew nothing about the pharmaceutical business, … and that he wanted Merck to stay out of his life. So he belittled the DuPont people and he stonewalled the Merck people, which is why he was ousted.
Landgraf, however, successfully managed the board in a more respectful manner, or as he put it, “bimodal way.” Landgraf had a mutual experiential relationship with many of the DuPont members of the board from his time in DuPont corporate planning. While they accepted him as a very competent person, he treated them with the same respect as “if they had been in the pharmaceutical industry for 900 years.”

He did two things at the outset with the Merck members of the board. First, he agreed to take onto his staff a couple Merck employees at the request of certain board members. Secondly, he made a concerted effort to get to know each Merck board member personally. He was able to form a particularly strong working relationship with two of the Merck board members that helped him get things done. Landgraf understood the role of the board as the governing body of the firm and treated the board with the deferential respect it deserved. He would always tell the truth about performance, and when he disagreed with a decision or request, he would do so in a very respectful manner. According to Landgraf,

So I treated, this is how I always treat boards, … is I tell the truth. I am very respectful that they are the governing body, that it’s my job to implement, within my values system, their mandates. If I disagree with them, I disagree with them respectfully. And if they tell me to do something, if I can’t do it, I would then have to resign; but if I could do it, even if I didn’t think it was the right thing to do, I did it. And very few occasions did I ever have the experience where they told me to do something that was against what I believed was correct.

As noted above, Landgraf was no stranger to the DuPont members of the board, who had seen his performance as head of DuPont Pharmaceutical’s European operations, “a business that was as poorly managed as any organization I’ve ever observed”
(Landgraf). He was able to turn that organization around in relatively short order by getting “rid of certain individuals who I think were not willing to act in ways [consistent with his values system], and we made people understand why they owed it to each other to salvage this” (Landgraf). While the DuPont board members had confidence in his abilities to turn things around, he would have to earn the respect of the Merck board members. Accordingly, Landgraf was left with a significant challenge: demonstrate his ability to the parent companies that he could grow revenue and earnings, motivate a distressed organization to achieve a vision of growth, and address significant employee morale and diversity issues at the organization.

Management team makeup
Landgraf went right to work assembling his new executive team, and as one would expect, some members of the prior regime did not make it. For Landgraf, that meant building the “management team around my sense of accomplishment, interaction, and commitment to the whole.”

One of the things I would say, thinking back on it, I hope this is true, everybody I moved forward in the company had a fundamental desire to do the right thing for the whole. (Landgraf)

As I interviewed members of his top management team, I uncovered an interesting phenomenon with respect to their early childhood and work experience that shaped their individual value systems. Two of his top executive team members had experienced difficult childhood situations that gave them a broader sense of the world and human interaction. In both instances, they experienced struggle in their formative years similar to Landgraf’s background. And for both, it framed their openness to the
broader stakeholder community. For one member of the executive team (SR3), it was growing up in a small town in Missouri as one of five children being raised by his mother who had an eighth grade education and never earned more than minimum wage. He had worked odd jobs from the time he was eight years old to help support the family. This upbringing allowed him to “empathize with people at all kinds of levels” (SR3). The other factor that influenced his value system was the time he spent in the military during the Vietnam War, where he was responsible for “all the details around who was killed and injured and wounded that came through that hospital” (SR3). He shared how the military gave you jobs you would never give yourself, and the experience provided him with the importance of attention to detail and the value of training (SR3).

I could relate to you just based on my background and education and things I had done and experienced, that ability to deal with people was my gift and everything else built on that. That was the foundation (SR3).

Another member of the executive team (SR4) had similar experiences. He grew up in eastern Iowa in a very working class neighborhood. His father passed early and his mother and grandmother raised him. Although his mother ultimately remarried, he worked to help support the family from a very early age. He put himself through college on an ROTC scholarship, and subsequently served time in the military overseas in the early 1960s. While there he was in charge of a very large heavy equipment platoon made up of very seasoned combat veterans.
And they taught me a lot, the good and the bad about human nature, and so just leading that platoon was just an experience that taught me a lot about how humans in general think and what they want, their desires and that kind of thing. (SR4)

Following the military, he went to work for DuPont as a shift supervisor working in a union environment. He was again exposed to people with different backgrounds, and he “quickly learned that these people have a lot to contribute if you listen to them.” “And if you don’t take the position that I’m the boss or I’m a supervisor and you’re a worker, you can learn a lot from them” (SR4).

I think I have a people approach to life and so I would go down, either in the army, out to my, where my unit was working and just, not to go out to look down on them, but to go out and learn from them and ask them questions and see how things worked, and understand how they operated. And then when I got to DuPont, I would go down and be with my shift several times, and just go down and talk to people about what they were doing and I learned a lot about them personally…. And I think over time, I got to respect them or they got to respect me because everywhere I ever went, that was one of the things people said to me when I left, we always trusted you. (SR4)

SR4, like Landgraf, also had a mentally challenged child that impacted his sense of empathy and the need for assistance from others.

Finally, both men talked at length about how they were mentored and how they learned by watching others. And two things became clear in the data: 1) they developed a strong sense of the value of diversity and the need to develop trust with the people reporting into them, and 2) they always outperformed their peers. As stated by SR4:
Every operation I managed, … if I go back and look at the scorecard, from the first shift I managed all the way through my career, my operation, well when it was one shift versus another for operating performance and that kind of thing, my shift out-performed every other shift, consistently. And it was true when we got to higher levels, we out-performed other people all the time simply because we had a team built that worked with each other, trusted each other, and that just became the way I operated.

Normative values framework at DuPont Merck
To turn the organization around, Landgraf implemented his standard “game plan,” which centered on implementing his three core values of performance—no excuses, everyone deserves special treatment, and business is a social institution. Landgraf first set a vision of growth for the company and got employees centered on the drivers of that vision: “aggressively support R&D, sustain key product franchises, aggressively grow revenues, and reduce costs and improve productivity” (Koberstein, 1994, pp. 36–48). Clearly this vision for the organization entailed that first core value of performance—no excuses. As one member of his executive team described this vision,

Well, yeah, I think one thing he had a tremendous amount of experience in pharmaceuticals and it was worldwide, so he understood the inner workings within what was the end of the then DuPont Pharmaceuticals business before it became DuPont Merck. He understood that because he had a finance background, so he understood that probably better than anybody. And secondly, he had, I think, a unique ability that is fairly rare, to see with his knowledge, to see what could be. Just because of his experience of where we could drive things and where we couldn’t, so my best example of his true belief, when none of us on his team could see what he could see. He could envision, for instance, he did take our earnings and our sales and everything just beyond what DuPont and Merck could even envision. And it was because of his personal knowledge and commitment that we could do it. (SR4)
Landgraf then went about implementing his other core values of everybody deserves special treatment and business is a social institution.

…[S]o you weren’t going to pay lip service to Kurt’s three shared values, right…. But when you look at his values, one of them was for him, one of them was for you, and one of them was for the community. The performance—no excuses was for him. He expected that from you. In return, if you needed it, he would give you special treatment … and the third was for the community. And he, the reason all of that worked, and why he was so effective, is all three of them were important. And people, people liked working, and I’ve thought about this a lot and I’ll bet you, if you talked to most of his staff, everywhere they went after that, they were involved in the community…. But people want to work in a company where they feel like they are going to be treated fairly, if they have a unique situation, it won’t be ignored just because it’s a unique situation. Now had Kurt not had everybody gets special treatment, getting everybody to do that stuff out in the community would have been more difficult. (SR3)

This strategic implementation of his core values, included as part of a stated vision for revenue and earnings growth, allowed the company to impressively outperform the expectations placed on the firm by its board. Landgraf shared the story that was corroborated by other members of his executive team whom I interviewed about how the company exceeded the incentive plan set up by the board by 5X the base incentive. The incentive plan had numerous metrics or standards to it but was primarily one of revenue and earnings. “They [the board] had such limited aspirations about what we could accomplish that when it came time to make their first long-term incentive payout, we beat the goal by 5X.”

I’ll never forget this, [the DuPont chairman] called me down to the Green Room and he said I’ve been told you, Kurt, are going to make more money this year than I will…. And he was not happy…. They were so misguided… but an example of not believing, of arrogance,
aversion to old culture and not understanding that an organization that feels empowered can achieve unbelievable things, which we did. (Landgraf)

**Enhanced stakeholder perspective**

**Community town hall meetings**

This sense of commitment to others spilled out into their interactions with the broader community as well. Both members of Landgraf’s executive team whom I interviewed were able to provide very specific examples of how they engaged with the broader stakeholder community. One story that stood out for me in particular was the story told by SR4 about the monthly town hall meetings he conducted with members of the neighborhood immediately adjacent to the DuPont facility. This particular facility was part of DuPont’s radiopharmaceuticals and imaging business. At the time, SR4 was head of operations for the radiopharmaceutical business.

The radiopharmaceuticals and imaging business dealt directly with nuclear radioisotopes. Needless to say, residents in the neighborhood immediately across the street from the facility were quite apprehensive about radioactive exposure. SR4 was made aware of this concern by one of his employees who happened to be a resident of that neighborhood. This employee confided to SR4 that his neighbors “are always asking me about what we do here, and I have a hard time explaining it to them without getting them all worked up” (SR4). He asked if those folks could come in and talk to SR4 about it. Instead, SR4 decided it would be a good idea to invite the whole community into a dialogue, so he instituted regular town hall meetings and invited
everyone from the neighborhood who lived within a six- to ten-mile radius of the
plant and who wanted to attend. Folks who attended inquired about issues such as the
disposal of radioactive waste, radioactive material releases, and plant safety. SR4
would answer all their questions in an honest and straightforward manner:

I went into it with the attitude that I wasn’t going to pull the wool over
anybody’s eyes. I knew the operation was safe. I felt confident in
that…. [I]f you feel confident that you’re not doing anything wrong
and you trust your management team that they’re not, if you have a
standard for them that says “I will not tolerate you not telling me about
bad news, I’m not going to, you know, punish you if you bring me bad
news” … therefore you can, the confidence that you can have that kind
of communication with the neighbors….

These frequent town hall meetings continued to build trust with the community about
DuPont’s operations. At one town hall meeting following the Chernobyl nuclear
disaster (the monitors along the fence line at the DuPont facility actually picked up
very low, harmless levels of radiation two days before the incident was made public),
while SR4 was explaining the situation of how their monitors had picked up the
harmless radiation, a person new to the neighborhood began to challenge him very
vocally about how could they believe him that everything was fine. SR4 commented
on how one gentleman at the meeting immediately jumped to his defense and said,
“Oh, I just want to tell you something. If SR4 says it’s true, it’s true.” And that
comment diffused the situation. SR4 concluded this story with the following remark:

And so to me, that was a great example of, if you’ve got integrity and
ethics, and you truly are doing the right thing, you can have an impact
on the people around you in your community.
Diversity initiatives at DuPont Merck
You cannot spend much time with Landgraf talking about his core values without him mentioning the Harvard Business School case study (Gentile & Gant 1995a,b) that delineates his efforts to drive diversity at DuPont Merck. The case note is a great testament to his commitment to his core value of *business is a social institution.*

Landgraf dealt with significant diversity issues twice during his tenure at DuPont Pharmaceuticals and DuPont Merck. The first occasion occurred during his stint as executive vice president of the sales, marketing, and manufacturing groups at DuPont Pharmaceuticals in 1988. Landgraf had received an unsigned letter, forwarded to him by his group vice president, that had been written on behalf of women and minorities outlining perceived claims of discrimination and harassment within the pharmaceuticals division (Gentile & Gant, 1995a). In response, Landgraf tasked the highest-ranking woman in the department to establish a task force to investigate the claims and make recommendations to him for improvement. The committee she established consisted of five Caucasian women, one African-American woman, two African-American men, and two Caucasian men (Gentile & Gant, 1995a). Landgraf received the report of the committee and began to address and implement their recommendations. One of the pivotal recommendations made was implementation of pay parity for women and minorities, which he immediately set out to implement within his organization. I specifically asked Landgraf how he was able to implement such a sweeping reform on his own, to which he replied:

> My memory is that I did it without anybody’s permission; I would have had tremendous resistance…. But as I recall on that particular
issue, I didn’t ask anybody’s permission, not even my boss. I just did it. I just said not equitable, I’m following a rule. I didn’t do it arbitrarily, here’s the rule, here’s the job grade. I don’t care how long you’ve been in the job, you are going to at least be at the minimum of the job grade.

“On a single day, Landgraf signed 188 pay changes to bring all individuals who share job functions up to the same grade level and into the same pay scale” (Gentile & Gant, 1995a, p. 4). Landgraf did confide to me that he had the support and help of his HR person in administering this change: “not only did he understand, but he agreed.” In addition to this change, Landgraf also banned discriminatory jokes and other forms of harassment, and instituted a mandatory sensitivity training course for all employees within his reporting structure. He also institutionalized the Diversity Task Force that had been created as part of this initiative, and appointed one of his senior leaders, an African American male, to take charge of the task force full time (Gentile & Gant, 1995a, p. 4).

Landgraf encountered this issue for the second time almost immediately after assuming the helm as CEO. Within his first week on the job, he received a letter and numerous emails from African-American scientists threatening an EEOC claim for discrimination (Gentile & Gant, 1995a). Landgraf described the DuPont culture outside of sales and marketing as “relatively backwards…. Diversity was not an important issue for many of the people in the management team [of the previous CEO].” Landgraf had the impression that individuals in the R&D division had talked
with people from sales and marketing who expressed to them to “give this guy a chance, this is what he has done,” referring to his efforts back in 1988.

Landgraf quickly went to work to address the issues raised in the letter. He tasked his Diversity Task Force chair to work with the company’s employment compliance officer and several African-American managers to organize a forum to discuss issues facing African-Americans across the company (Gentile & Gant, 1995a). The forum was ultimately held and framed as a “celebration of Martin Luther King’s values” (Gentile & Gant, 1995a, p. 10). What became interesting was a clear distinction of comments coming from those who had worked under Landgraf in the past, and those who worked in other organizations. Those individuals who were currently working in or had come from Landgraf’s previous functional groups had positive things to say about their experiences and the company overall (Gentile & Gant, 1995a). The individuals coming out of the R&D organization had a very different perspective. They voiced strong concerns about the assignments they were give, promotional opportunities, and the recruitment of other African-Americans into the organization.

Following this forum, Landgraf made a number of significant changes that impacted diversity within the R&D group specifically but also within the entire organization. He hired a new head of R&D from Merck’s research organization who shared Landgraf’s view on diversity. The new head of R&D instituted a program to actively recruit and hire minority candidates. Landgraf and his HR partner ensured that no
minority group was adversely impacted by the job layoffs that he had to implement. Landgraf also instituted a diversity hiring initiative within R&D and was explicit with managers in meetings that he expected that 10% of new hires in R&D and 15% of new hires in radiopharmaceuticals would be racial minorities, and 50% would be women (Gentile & Gant, 1995b). These initiatives and other efforts by the Diversity Task Force began to turn the tide on the issue of diversity at DuPont Merck. As stated by Landgraf,

I remember telling [members of the committee] you do what you have to do and I promise you I will if you come up with, and I don’t want 25 recommendations, I want a few, I will do whatever you tell me to do. And they did. And they weren’t, you know they were normal. You know the rest of the story, and basically it set a new tone and a new standard….

Landgraf instituted a number of initiatives to support diversity at the organizational level. He gave every employee one day off with pay so they could go volunteer at a charitable organization of their choosing. In addition, he provided funding to each corporate department to undertake initiatives that promoted diversity in the workplace. I was part of the legal department at the time, and the general counsel, the first female general counsel at the firm, instituted a program every month where an individual would take the department on a field trip to experience the ethnic culture of the person. Example field trips included such outings as the Italian-American museum in South Philadelphia and a visit to the Holocaust Museum in Washington, D.C.
Landgraf also fostered a commitment to diversity with his senior management team. As stated by one senior leader, “because Kurt would give special treatment, it sort of empowered us to do the same thing, okay” (ER3). One senior leader discussed how he promoted women from secretarial positions into marketing communication roles that allowed them to advance significantly in the organization (ER3). “Kurt enabled me to do those things and I didn’t have to ask him to do it because he set the example and so it gave me the freedom to do the same sort of things” (ER3).

Enhanced stakeholder engagement with the AIDS patient advocate and activist communities
The efforts and commitment of the organization around diversity at DuPont Merck set the stage for the organization to be open to engaging in truly innovative strategic CSR activities during the development and launch of its new HIV/AIDS product. In the late 1990s, DuPont Merck was preparing to launch a new paradigm, shifting drug therapy to treat HIV/AIDS. At this time in the history of the AIDS epidemic, the disease was still considered to mostly affect the gay community and intravenous drug users. Moreover, the therapy choices for patients were still fairly minimal, with only a few classes of drugs available for use. The protease inhibitors, the most recent and effective class of drugs at the time, had only been on the market since the mid-1990s. Combination therapy, the use of multiple classes of drugs used in varying combinations, was the norm. As these drug products were new, most carried a fairly high price. Efficacy results were mixed and the side effect profiles could be difficult to tolerate.
As a result, the patient advocacy and AIDS activist communities were very distrustful of the pharmaceutical industry in general. They questioned the funding being devoted as a percent of R&D spend by the industry to treat this disease, particularly when compared with spending on such disease states as cancer, cardiovascular disease, and diabetes.

This mistrust was exacerbated further by the fact that most patients receiving therapy were unemployed and/or disabled, and were either uninsured or underinsured. As a result, most received their medication through government assistance programs like Medicaid or through their respective state AIDS drug assistance programs or ADAPS. The state ADAP programs were funded through state legislative entitlement funding, with some supplemental federal funding. As new products came on the market, funding to pay for them became stretched. All of these factors led to a very vocal and belligerent activist community. It was not uncommon for groups like ACT UP to picket and disrupt operations at company headquarters.

The product being launched by DuPont Merck was part of a class of drugs called non-nucleoside reverse transcriptase inhibitors (nNRTIs). The nNRTI class of drugs had shown relatively mixed results from an efficacy standpoint and had been supplanted to second-line therapy once a patient had failed on other combination therapies. In contrast, the protease inhibitor class of drugs had become the cornerstone of therapy. Protease inhibitors had shown strong efficacy results in clinical trials but carried a
relatively high price tag and a difficult side effect profile. What was problematic for DuPont Merck was the fact that the product they were commencing to launch had a very strong efficacy profile, which in many cases was equal to or better than the protease inhibitors based upon controlled clinical studies. The question that became evident to the senior leadership team at DuPont Merck was whether to price the product based upon its efficacy profile and thus consistent with the higher priced protease inhibitors as opposed to the nNRTI class of drugs. Another question was how it would market the product to physicians, the patient community, and government payor programs.

Landgraf recognized early in the drug development process that for the company to successfully launch and market this product, three things had to occur. First, there had to be some extensive internal training on the disease state, current therapies available, and the sensitivities about working with this patient community. Second, there had to be sufficient funding available at the state ADAP programs to ensure patients could get access to current therapy. And finally, he understood the importance of reaching out to and proactively working with the activist community on issues that were important to them like awareness, testing, and access to treatment options. This last point would put DuPont Merck into uncharted waters for a pharmaceutical company looking to launch a new product. Marketing to physicians and engaging in lobbying activities was one thing. Reaching out and engaging with the patient community directly, and a mistrustful one at that, was very new for the industry. These initiatives
were to be accomplished while the company was transitioning back to being a wholly owned subsidiary of DuPont under the new name of DuPont Pharmaceuticals. This transition back to DuPont was creating some anxiousness about the future of the company under DuPont’s umbrella (Galaxy, 1998).

**Awareness and understanding the needs of the community**
To prepare the organization to launch its product in an arena very new to the organization, DuPont Pharmaceuticals undertook an extensive internal training program, entitled the HIV/AIDS Educational Series. The series was designed to ensure the organization as a whole had a “thorough understanding of the diverse demography affected by HIV/AIDS, the new and nontraditional jargon related to this subject, and the multidimensional and controversial issues associated with this epidemic” (Galaxy, 1998). The program was designed for advanced-track learners who would be interacting directly with patients and physicians like the sales force, and with the basic-track learner to ensure the organization as a whole was well informed about HIV/AIDS (Galaxy, 1998). Every employee in the organization was required to take at least the basic level instruction. Landgraf also launched domestic partner benefits, which had not been instituted at either parent company. “So partnership benefits are a no brainer for me because it’s just apparent that it’s the right thing to do” (Landgraf).
Enhanced stakeholder collaboration

Landgraf had created an environment at DuPont Pharmaceuticals that permitted the organization to be open to engaging in a concerted way with the broader stakeholder community in the development and launch of its product. Senior leaders had watched how other companies dealt with the community and had struggled significantly:

In part, the answer to that question lies in having watched other companies do it incorrectly. The pharmaceutical industry is a slow learner, it is. It tries to do things in a very formulaic manner. And I remember a couple of meetings where we said we can’t talk to the AIDS community, you can’t send me. I mean, I think I’m a really bright guy, but what are they going to do with some guy in a suit who is heterosexual and doesn’t have any idea and doesn’t even know anybody who is HIV positive at that point. So the question became, should we bring other people in. Now that was a controversial discussion because at the time ACT UP was doing bad things. (SR2)

If you take responsibility, you better have the courage of your convictions. So shouldn’t you want those government programs to help those people because they’re largely uninsured? Shouldn’t you want this drug on ADAP formularies because it’s a better alternative for a lot of people? And so what’s the best way to get that? And so it was not an easy decision to move down that path. At the time it seemed a little controversial, but not remarkable, because it was rational. It made sense. (SR2)

Well I think part of it’s also, you highlighted that [other pharmaceutical company] was doing a lousy job, so I think that’s part of what’s motivating executives to look at other models, you know, other ways of engaging patient groups more effectively. (SR6)

Landgraf and the other senior leaders knew things would have to be different. Rather than shy away from the community, DuPont took an unprecedented step and sought to engage directly with the activist community by hiring members of the community to come on board as full-time employees at the company.
It’s about sort of acting on the values you say you have. If in fact business is a social institution, this is a social problem. How do we respond to this? Let’s look at the way others have responded to it. It didn’t go so good. Do you want to have those problems all the time? Let’s try to bring the camel’s nose under the tent. (SR2)

The initiative started with hiring a physician from the community who had significant industry experience to take charge of the virology franchise for the company.

Yeah I think [LF] who was the head of the global virology franchise, who, you know, came from the HIV world. And I think also, based on his interaction with the patient groups and patient advocacy community, really saw the value of engaging patient advocacy groups early on, not just in the post-marketing environment, but even throughout the entire lifecycle of drug development. And you mentioned earlier, it’s really revolutionary at that time. We were true pioneers. (SR6)

**Communication Architecture**

**Innovative stakeholder initiatives**
The company embarked on creating “community liaison” positions as part of the company’s public affairs department. These individuals were recruited directly from the patient advocacy community and were responsible for engaging the patient advocacy community in a dialogue designed to find synergies between the firm’s interest in getting out data about the efficacy of DuPont Pharmaceutical’s product and the need to have it included on government formularies, while also promoting the broader interests of the community for awareness, prevention, and education.

And when he [LF] joined DuPont, you know, we kept talking about developing this business model to have people coming from the community, helping DuPont look where we can contribute best. So that was really a key selling point that they had to see this is … that there’s an authenticity and genuine vision behind this. This isn’t some kind of window dressing. You know, the company really believed in
earning license from the community to operate and I think that’s really key and that came from the top, from the CEO. (SR6)

But I think at the fundamental level, that fact that we employ people coming from the community to be part of the company that were out there supporting community efforts to inform people with HIV about their treatment options in a non-branded sort of messaging way, is a recognition by the company leadership that it is important to engage patient groups so the end users, making sure that they are informed about the availability of treatment options at that time and no treatments are created equal. But ultimately it’s up to them and their providers to make that choice. So I think that sort of management decision, it’s really a pivotal moment in the industry’s engagement with HIV patient advocacy groups. It’s that recognition that, hey, we are going to be marketing HIV products and we have to earn the license, if you will, from the community to operate and this is how we are going to do it—by investing in, having a group of people you know, who are trained, who already bring a great deal of their individual reputation into the work, and be able to provide company resources to support community organizations as they look to expand their treatment education activities. (SR6)

Of course I was a bit surprised to see that the company would consider taking on this approach at a time when there was a great deal of antagonism with the efficacy of nNRTIs and also a [other company name] in particular who was often seen as the worst case of what the industry could do. I think another key driver for me personally was that fact that the community relations liaisons were housed under public affairs as opposed to sales and marketing and that was really an important criteria for me because in order to do this work effectively, we can’t be seen or even be perceived to be an extension of the sales and marketing team. (SR6)

This team was able to work effectively with activists who were willing to engage in reasonable dialogue. These efforts were not one-way communication between the company and the advocate community. Instead, the company invested in programs and initiatives specific to the patient advocate community by funding educational programs, HIV/AIDS awareness programs, and prevention programs, with no strings
attached. The work of the community liaisons began to build trust between the company and the activist community in many respects, which benefited both groups significantly. Positive dialogue and outcomes were not always the case, however, but that didn’t prevent the company from continuing to engage in a productive manner.

The community is like any sector and it’s very diverse. So you have people who basically made up their mind no matter how you structure … the community liaisons, they already made up their minds that the industry is not to be trusted, they are the enemy and they are always looking to maximize their profit at the expense of patient lives. So for those folks, you still want to engage with them, but you just have to accept the reality that there’s not much you can do to move the needle in that discussion, but still keeping a respectable level of engagement with them. But then the other folks naturally, they’re skeptical because this is very new at the time and as we started working with them, we were very careful not to over-promise anything…. So it took a while but I think eventually it’s all about building trust step by step. Helping them understand that we are, yes we work for DuPont, a pharmaceutical company, but we are actually an extension of the community who happen to be working in a company, but provide lots of valuable resources for them so they can better serve and inform their clients during the business of providing community treatment education. (SR6)

In fact, reaching out and partnering with the community enlightened the broader organization to the benefit of addressing societal needs and issues. As stated by one manager, “I felt like DuPont’s heart got bigger when we had that product because a lot of people, I guess for lack of a better term, came out of the closet regarding their sexual preferences…. ” (SM1).

DuPont Pharmaceuticals’ government affairs group and stakeholder collaboration
The company also understood the need to get their product listed as approved therapy and reimbursed at a sufficient price on government funded and administered drug
formularies including Medicaid and the state ADAP programs. Launch of the product would not be successful for the firm or patients if patients could not get access to the product because of cost and availability. The problem, however, was that many ADAP programs were limited in funds they were receiving from state budgets and the federal government. This funding issue had the potential to delay formulary approval for the product. DuPont decided to confront this issue head on by collaborating with the patient activist community, state AIDS and Medicaid directors, the Association of State ADAP Directors, and competitor companies to implement a coordinated lobbying effort at the state and federal level to increase funding for state ADAP programs. I, personally, was charged with implementing this initiative as director of State Government Affairs.

Reporting to me was a group of regional government affairs managers who were responsible for developing state specific plans to address formulary acceptance. In most cases, that plan included developing a coalition with other competitor company government affairs personnel and members of local patient advocacy groups to lobby state legislatures for increased funding for AIDS drug assistance programs. DuPont spearheaded this initiative and ensured that the lobbying efforts were not company-specific efforts, but rather, patient-centric efforts to obtain appropriate funding levels for all therapies. The regional government affairs managers were simultaneously responsible for driving formulary access on the state Medicaid and ADAP programs. This initiative required the government affairs managers to present the clinical and
pricing data to state AIDS directors and to educate them on the value of DuPont’s product. Their task was all the more difficult because the product was classified as part of a class of drugs with a mixed efficacy profile and a lower price point than DuPont’s product. (As noted above, DuPont had priced the product in line with the higher priced protease inhibitor class of products due to the drug’s comparable efficacy profile.) They accomplished this task by collaborating with their respective community liaison to drive advocacy by the patient advocacy community for expanded treatment options, by partnering with competitor companies on lobbying efforts to increase funding, and by developing trusting relationships with key decision makers like the state Medicaid and ADAP directors. It required a team approach that the culture at DuPont had created and supported.

My role was to expedite that process. But I think to try to be able to influence the right people, again, I think it goes back to the situation I was telling you about earlier. If somebody likes you, they’re not going to make a bad decision because they like you, but it could certainly expedite something if they like you… And I think being responsible, being a good corporate citizen, I mean, if DuPont thinks enough of that … you know, “Better Things for Better Living,” if you truly believe that, and I truly believed DuPont felt that way, and I was very inspired…. [T]he way DuPont felt about things was really the way I felt about things, and I felt like the company was supportive, so I felt I could go out and be an ambassador for the company. And I think a lot of other companies, they just were, I guess, more shallow. (SM1)

The community liaison program and government affairs initiatives conducted by DuPont were hugely successful. The company was able to get formulary acceptance for its products in all fifty states in record time. The product to this day continues to
be one of the key products in combination therapy. The following quote provides an excellent summary of the strategic CSR value creation achieved by the company:

If you remember, there was quite a bit of push back and tension, you know, under the surface. But I think ultimately it’s a, it’s not something you do for just one or two quarters. It’s a long-term investment. It should be embedded in the corporate DNA and the corporate culture, and again it’s about genuine sustainable engagement with the patient groups and the community because if you do that, the consumer will recognize then that they have choices. … [T]hey can go to their doctor and say I want this drug. And so it’s really important that the action that we were doing and the decisions made by management really drove, not only enhancing the brand reputation of DuPont over time, but that that enhancement of the brand reputation, that impact, drove commercial impact ultimately. I mean, that’s what the business case is. (SR6)

Figure 2 is a diagram of the second order concepts and aggregate dimensions arising out of the interview data for the DuPont Merck Pharmaceutical Company. What became clear at the outset with the interviews of the top leadership team at DuPont was the similarity of their background to that of Landgraf. At least two of the top management team members discussed in some detail their early childhood experiences and how that experience shaped their value framework. One discussed how he had grown up in a single-parent household where his mother never worked for more than minimum wage but was able to raise a family of five. He talked about how he worked to help support the family from the time he was eight years old. The same was true for the other TMT member who also worked to help support the family from a young age. Both also spent time in the military, which taught them leadership skills and the ability to work in challenging situations with varied support. One also
had a mentally disabled child. These experiences, like those of Landgraf, provided them with a broader stakeholder frame of reference that they brought into the work environment. These leaders also had strong mentors early in their careers that valued them as humans and supported them in their development as leaders. Landgraf also developed them as leaders, particularly around his three core values. This mentoring had a direct affect on their development as leaders who cared about the broader stakeholder community, including employees and the surrounding community. They understood the value of developing others, pursuing diversity initiatives, and engaging with the community. This allowed for the development of employee and organizational value congruence regarding the three Landgraf core values, which ultimately allowed the company to pursue true strategic CSR initiatives like the ones discussed above.
ETS: No Margin, No Mission

The social mission of ETS
In the aftermath of World War II, the U.S. had a significant number of GIs coming back into society. In response to strong public sentiment to assist U.S. service men and women in the assimilation process, Congress passed the Servicemen’s
Readjustment Act of 1944, the GI Bill. One of the main provisions of the GI bill was the education package that allowed for tuition and housing assistance (Department of Veterans Affairs, 2006, p. 13). The result was a large influx on veterans attending college and university all over the U.S., with many attending second and third tier colleges. Many of those servicemen wanted to attend graduate school in an effort to continue their education, but graduate schools at the time were accustomed to admitting students from elite colleges and universities, or acquaintances of friends. To overcome this ingrained bias in elite graduate school admission, ETS was founded as a means of developing assessments that would gauge graduate school admission based solely upon the talent of the individual. As stated by one recent ETS board member,

The history of the GRE is that after World War II there were all these soldiers coming back and a huge financing program, the GI bill, to put people through college and into graduate school. But if they did go to college, they went to all of these colleges that no one had ever heard of. And graduate schools were completely used to picking people to go to their graduate programs with the students of their friends and other schools that they knew about. And so the GRE was initially disseminated and used and the reason it caught on so to be the exclusive testing for admission to graduate school is because it identified talent wherever it was and it really didn’t care where you went to undergraduate. (ER5)

ETS has never waivered from this mission of quality and equity in education, which remains its firmly established vision today: “ETS is known for its commitment to sound research, advancing learning, and increasing opportunities for students internationally” (ETS, 2016). It seeks to achieve this mission by providing products
and services that assess knowledge and skills, promote learning and educational performance, and that support education and professional development for all people globally (ETS, 2016). It is important to note that as a result of this focus on research in education, 1,000 of its 3,300 employees worldwide hold advanced degrees, with 390 having doctorate degrees (ETS, 2016). That make-up of advanced degree holders and doctorates included the senior leadership of the organization during the time period leading up to the hiring of Kurt Landgraf as CEO.

**The ETS board of directors and the hiring of Kurt Landgraf**

The board of directors of ETS was in many ways a reflection of the diverse constituencies that it served. The board of directors included deans from elite academic institutions, a major civil rights leader, traditional business leaders, and members of the ETS internal leadership team. As stated by one director,

> I’ve been on a lot of boards, and I’ve chaired more than my share of boards, and the ETS board was by far the most diverse in terms of backgrounds, in terms of ethnicity, in terms of occupations, and it was the most effective in terms of being a board. (ER4)

A “gifted” cognitive psychologist and researcher led the organization during the period from 1993 to 2000, and “had won all sorts of prizes, and had published important things in cognitive science…” (ER4). Despite the organization having developed a number of sophisticated assessment tools and conducting innovative research in the assessment field, the board of directors at ETS, in mid-to-late 1998, had come to a firm understanding that the organization had run into deep financial
circumstances and was in the midst of losing its largest customer. As described by one board member interviewed:

It was basically insolvent. Yeah, and it’s pretty hard to do that when it’s a duopoly. I mean there are only two people and they had a contract with their biggest customer whom they had, you know, royally pissed off. (ER4)

In addition, the organization had significantly alienated its major constituency, graduate admissions deans, over a misperceived issue of racial bias in assessment:

What was very clear to me was that there were huge, huge challenges with the constituents, the customers. You know, in my own, in my own community, the GRE has always been a significant contributor to the bottom line at ETS. In spite of the fact that there had been significant investments made in the GRE, we were the first out of the box with computer-based testing, first computer-based testing and computer adaptive testing…. And we made significant investments … across a number of domains to improve the contents of the test. In spite of all that, the community, my community, graduate dean, associate dean community, was very hostile to the GRE and perceived it as, I wouldn’t say universal, but there were significant stakeholders in my community who perceived it as completely insensitive to questions of race and ethnicity and, and really as much more a part of the problem than part of the solution in terms of creating opportunity for, for people to go to graduate school.

Now you know, I myself knew, from my years of experience on the GRE board, that that simply was not true. That we had differential item functioning that ETS led, really led the world in differential item functioning methodology so that we very systematically vetted every single item on the test for the negative bias against racial groups, ethnic groups, gender groups, and so on. And huge amounts of money were being spent on trying to get all that right, but his was not the message that was getting out there, it was not the message. I mean I’m not saying there weren’t problems in the company, there were certainly problems on the management side of the company, but it was not true that the company was insensitive to racial bias or ethnic bias…absolutely not true. (ER5)
It is within this turbulent context that the board ultimately made the decision to engage a search firm and begin recruiting a new CEO.

Landgraf was introduced to the ETS board by one of its business-oriented members who had met Landgraf as part of a conference on diversity in the workplace where Landgraf presented the keynote address. This particular ETS board member conveyed the story that during his tenure as chairman of the Conference Board, the Board decided to have a large conference on diversity to showcase efforts by a number of executives to drive diversity within their organizations. Landgraf was proffered by the organizing committee as the keynote speaker because of his efforts to increase diversity during his tenure at DuPont Merck. The ETS board member reflected on his skepticism around this choice, stating: “So some middle-aged white guy who’s the, you know, number two guy at the eighth largest corporation in the world is who you want for your poster child for diversity?” (ER4) He got comfortable with the choice after reading the Harvard Business School case study on Landgraf’s work on diversity and seeing all the awards he had won for his efforts in promoting diversity. During a moment of downtime due to an audio technical glitch at the conference, ER4 was able to ask Landgraf why he undertook the diversity initiatives at DuPont Merck. His answer was a foreshadow of future opportunities to come at ETS:

And he said, well, he says, there are a couple of reasons. He said first of all, it’s the right thing to do. And secondly, it was in the shareholders’ interest. And I said, so tell me more, why was it in the… and he says well because ours is an intellectual capital business and we needed people who, all the talent we could get, and so why should I
exclude 21% of the talent because I’m too lazy to do something about it? (ER4)

It was his views and dedicated efforts on the diversity front, as well as his proven track record of achieving business results, that led ER4 to recommend Landgraf to the board.

The board search committee had two main criteria they sought in their next leader: a person who had demonstrated success in the corporate arena; and second, had a very keen understanding of ETS’s mission and of the equity issues involved in society and the potential of assessments to work both for and against diminishing inequities in education. Landgraf, however, was not the ideal candidate for the CEO position at ETS in many respects. Previous CEOs at ETS had stellar academic credentials, including advanced degrees from prestigious universities. In many cases, they had held senior positions in academia and were well published. In contrast, Landgraf held an undergraduate degree from Wagner College, and three masters degrees from Rutgers University, Pennsylvania State University, and Western Michigan University—all fine institutions, just not the pedigree usually seen at ETS. In an effort to further vet Landgraf, ER4 called the chairman of DuPont and inquired about Landgraf’s capabilities.

[S]o I called him [chairman’s name] up and I said look, … I’m actually on the search committee for ETS and I see that Landgraf is at large. And I said, is he as good as I think he is? And he said, well I don’t know what you’re thinking, but he is probably better than you think he is… Is he smart enough to do this job? And he said, well, he
said, …he has a very unimpressive academic pedigree by your standards… but he’s really smart and he said, he may have even worked at ETS at one point…. I remember when I was talking to [chairman’s name] about him, and [chairman’s name] said he’s crazy, he said by the way, he said, you know, he is a socialist. And I said, what? Well, he's not registered as a socialist but he’s got, you know, he’s got these equity issues and … he’s always worried about the little people, and stuff like that…. Of course you know, I thought that was great. (ER4)

Another board member described Landgraf’s social pedigree as follows:

But it’s extremely important to be aware not only what a test can do, but also what misuse of a test can do by people who use it. So you know, he, the person had to have a very credible record on the equity front for understanding not just in theory how you enhance equity in our society, but actually when the rubber hits the road in terms of a particular test, what do you actually do…. I remember thinking that he’s certainly got all that, no question, but I don’t think we’ll find a corporate executive who … walked the talk quite like Kurt has, and he was very explicit.…

[I]t’s interesting, his pedigree sort of, to me, … his pedigree was part of his credentialing for this because he’s a guy who grew up in an orphanage, really lived kind of a tough life, got an undergraduate degree, then went about getting for himself two or three masters… I mean he is the self-made man. … [H]e understands what it’s like not to be privileged. I mean he deeply understands what it’s like not to be privileged and it’s that kind of standing for those who aren’t privileged that we needed to be strongly reflected in whoever we chose. (ER5)

The board ultimately chose Landgraf as CEO because of his strong business acumen and proven track record of success in driving firm results and profitability, and for his proven record of advancing diversity in the workplace. The choice was not unanimous, however. One member was adamant that the board was making the absolute wrong decision by not selecting the internal, diverse candidate, who had all
the right credentials. According to Landgraf, the gentlemen actually stated that he,
Landgraf, reminded him of a tobacco executive. Landgraf, the New Jersey tough guy,
went to the gentleman’s home state and confronted that board member telling him:

… if you think that I’m going to do harm not only because of who I
am, but what I might do, I don’t need this job. Either you gotta let me
do the job or tell me right now, and I’ll make sure they go and find one
of those other candidates. (Board Member ER4; also Board Member
ER5, and Landgraf).

That board member came to respect Landgraf in the role, even if he never came
around to actively support him. Accordingly, Kurt Landgraf joined ETS as president
and chief executive officer on August 7, 2000. The board members I interviewed
reiterated how Landgraf always communicated with them in a very respectful manner
commensurate with their credentials. He discussed performance of the organization in
an open and honest fashion, and was transparent and authentic in his dealings with
them.

**Kurt Landgraf as CEO of ETS: A social institution in need of a business model**
Landgraf inherited an organization that was in severe crisis. The firm was on the
verge of being liquidated; in fact, they had to take out a loan to make their first
month’s payroll after Landgraf started (Landgraf; ER2). The organization considered
him to be an outsider who had no educational background or experience in
educational assessment and, as a senior executive from a major chemical company,
certainly did not understand their social mission. Many members of his inherited
senior leadership team had no true business experience, or had become complacent
about the issues negatively affecting the firm. Landgraf described the situation as follows:

The company was about to liquidate and that’s not figurative, that’s literal…. So I didn’t go with the expectation of turning ETS around. But you know from knowing me, if I’m going to take something I’m go to try to make it successful before I close it down…. I went into a very skeptical group…. I was repugnant to them. Corporate greed monger, not academic, all that stuff….

Another top member of the ETS leadership team described the mood after one of Landgraf’s first staff meetings, “a bunch of people went, ‘Oh, God, they were right, you know, this guy is gonna be, he’s from business, he doesn’t get it’” (ER1). However, Landgraf and other members of the top management team I interviewed did confirm that there remained a core group of ETS employees who wanted change, “wanted to be led from the desert” (ER1). Needless to say, Landgraf had quite a challenge ahead of him.

The Landgraf playbook
Landgraf quickly went to work implementing his standard playbook. “So to answer your question… it is exactly the same game plan, exactly the same game plan as DuPont Merck. Yes, very different situation, very different culture, but exactly the same Kurt Landgraf and exactly the same plan” (Landgraf). He immediately set out a new vision for the organization, saying that he could make it a $1 billion firm. (At the time he took over, the organization was generating around $700 million in revenue but losing $40 million annually.) He continued to stress the phrase, no margin, no mission, which had been coined by a previous president (ER1 and ER2).
Kurt… came in and he said, “You know, we need to run this like a business. We need to tighten up on and be more accountable for what we do.” And so that’s, I think, pretty much how he started (ER1).

Another top management team member referred to the vision articulated by Landgraf as follows:

Kurt has a great expression: *you have to do well in order to do good.* So he kept saying, in order to fuel the mission, we’ve got to do well. We’ve got to be a financially healthy organization, so we have to pay attention to all of it. (ER2)

He also talked about the vision in terms of the organization’s obligation to the community it served and its stated vision of creating opportunity for people to succeed. Landgraf himself commented that he remained at all times very respectful of the history and social mission of the organization. Accordingly, he set out a vision that linked social mission to firm financial performance, a new concept for ETS. While Landgraf preferred to empower change at the individual level, he recognized the need to be strict and autocratic at first to ensure compliance with the vision and his value framework.

I was more autocratic than I normally am and much more, the word that comes to mind is *rigid* and I don’t like the word, but I was… I had very little patience with people who didn’t buy into the program…. (Landgraf)

Table 2 sets out a number of quotes that reference Landgraf’s vision for the organization.
Table 2. Sample Vision Quotes

<table>
<thead>
<tr>
<th>Interview Code</th>
<th>Quote</th>
</tr>
</thead>
<tbody>
<tr>
<td>ER1</td>
<td>Kurt really helped us understand that we need, as an organization, to have a true north compass around our mission because it is why we exist.</td>
</tr>
<tr>
<td>ER1</td>
<td>He came in and he said we need to run this like a business. We need to tighten up and be more accountable for what we do.</td>
</tr>
<tr>
<td>ER1</td>
<td>We had to be open and we had to speak our minds and work hard, that was the kind of the performance—no excuses mantra that he had. If you didn’t do it, you were gone.</td>
</tr>
<tr>
<td>ER2</td>
<td>I have no education background and I would not have been hired at ETS prior to Kurt Landgraf, because ETS, prior to Kurt, made the mistake of thinking that only people with an education background could make a contribution. Which is ironic given Kurt’s background and that fact that he saved ETS…. So I come and have dinner with Kurt…. I knew I would work for him. It was instant because what I loved about Kurt was his authenticity. He basically told me everything—everything—needs a look, a possible revision, a possible change. This is a revolution, not an evolution.</td>
</tr>
<tr>
<td>ER2</td>
<td>What a cool thing that a man who’s been so incredibly successful would come to an organization that’s in deep trouble with a dream that we can turn it around.</td>
</tr>
<tr>
<td>ER2</td>
<td>What we do changes lives.</td>
</tr>
<tr>
<td>ER3</td>
<td>We have a very, very strong social mission about advancing quality and equity in education for people around the world.</td>
</tr>
</tbody>
</table>
The ETS top management team

Given the urgency of the situation, Landgraf knew he had to deal with those individuals who simply could not get on board with the change effort. Rather than doing a mass layoff, though, he instituted what he described as a more dignified voluntary termination initiative (VTI). Under this plan, he actually offered employees at all levels of the organization an incentive to leave.

> When I first got here, the first thing he [Landgraf] said to me is, ‘I understand that I am a different leader and that we are going to run things differently and that folks here didn’t sign up for this and we want to enable departures with dignity.’ So the first thing I did as an HR leader was to institute a window, a voluntary window…. We said we recognize this might not be the journey that you want to take with us, but we’re moving in a different direction. We are going to make some difficult decisions. If you’re not on board with it, we want to enable your departure with dignity. (ER2)

Approximately 24% of the employees took the offer. Included in this VTI program were many senior leadership team members who Landgraf felt could not get on board with his vision for the organization. Eleven of the fifteen members of the ETS top leadership were gone within Landgraf’s first anniversary. Another senior leader tied the VTI directly to the vision of no margin, no mission:

> I mean a lot of people left. If you want to leave, leave, and he gave people a graceful way out. He gave them money to leave. Because we had a lot of folks who left… they didn’t understand…. Many of them were colleagues here that I worked with over the years, but they didn’t have the sense that we didn’t print money here, we had to earn it. We had to earn the right to do good and what we did to earn money also had to do good. (ER1)
Landgraf simultaneously went about recruiting a new top management team that shared his value framework. He retained the chief financial officer, who he felt had been very transparent with senior leadership about the financial state of the organization, and the general counsel, whom he characterized “as one of the most superb people I have ever known in my career” (Landgraf). He also retained the individual in charge of their key customer and the chief operating officer. Landgraf then quickly set out to recruit his new team based upon compatibility with his value framework and/or through first-hand experience. He recruited a new head of HR who “had a very good heart, but was as tough as nails.” He promoted a woman as head of R&D. Most importantly for Landgraf, he “reverted to my old tendencies, which is I want people whom I know.” He recruited a number of individuals from DuPont and DuPont Merck who understood his core values and had the expertise and a proven track record in a number of the critical functional areas he needed, including operations, IT, and marketing. “I worked directly with a lot of them and they knew the DuPont Merck playbook. They knew the DuPont Merck value system.”

**Normative value framework**

*Performance—no excuses*

Landgraf reinforced his vision of no *margin, no mission* by implementing his three core values of *performance—no excuses* regarding the financial goals of the company, *everybody deserves special treatment*, and *business is a social institution*. With regard to *performance—no excuses*, he and his commercial team immediately instituted a marketing program to sell their core brands. Marketing programs were an
entirely new phenomenon at the organization. There was a real need to change the mindset at ETS that marketing was not about advertising and manipulating facts. Quite the contrary, it was about understanding the needs of the firm’s constituents and then developing products that met those needs. “We’re really trying to address a customer’s problems and their needs and that means understanding their perspective and matching that together with our capability to bring products to market that can address a real need in education.” (ER3)

[H]e (Landgraf) would talk about how important [marketing] was and how it was no longer going to be a dirty word at ETS. And he would tout the success we were having with it and so it made it okay. (ER3)

In addition, he held managers responsible for budgets and accountable for spending.

Landgraf did not just leave it to his senior leadership team to solve the issues facing the organization. He made it a point to get personally involved in mending fences with their most important customer. ETS had a contract to be the exclusive assessment provider for this customer. The contract contained a twelve-month termination provision, which the customer exercised soon after Landgraf joined ETS. One of Landgraf’s first tasks was to visit the customer and seek their consent to give ETS a chance to redeem themselves during the year-long termination period. He also was direct with them that if they continued with the termination, he would take ETS’s proprietary know-how to their competitor. The customer ultimately rescinded the termination within six months, due mostly to the operational changes Landgraf spearheaded.
Everybody deserves special treatment

Landgraf did not abandon his other two core values of everyone deserves special treatment and business is a social institution during this period of financial struggle.

While difficult to define and certainly fraught with potential implementation issues, I found no shortage of stories exemplifying the core value of everybody deserves special treatment. This core value was described as aspirational in nature. It’s an acknowledgement that the human condition matters in the work environment and cannot simply be left at home or in the parking lot (ER2). Issues crop up, things happen that affect a person’s ability to perform at their best. It is better for leaders to accept this fact and deal with it in a productive way rather than ignoring the effect it has on performance.

There are situations where you have to be a human being and you have to realize that we are humans and that there are circumstances that can occur where people need help and you need to recognize that as a leader and get them help. (ER1)

For Landgraf, as it was described from a member of the leadership team who also had worked for him at DuPont, everybody deserves special treatment was part of his DNA:

[I]t comes from a place inside of him. It’s that sense of caring that is so part of him and so core to who he is and his leadership style, … there are so many examples of things he did that were not exactly within policy but that helped people out…. (ER3)

Another senior leader at ETS described everybody deserves special treatment as follows:
I knew that that could open a Pandora’s box. Because I could come in tomorrow and say, I’m special, I have a special need, and so what I said to my organization is, this is aspirational. It engenders trust. It assumes that we are going to behave as adults and it, yes, could it invite abuse, sure. We’re going to be adults and ask the right questions. And we’re going to help people understand what does it mean to have special circumstances…. It’s about being compassionate and saying, well if we take into account the human condition, unlike most leaders that want you to park who you are…at the parking lot; Kurt says no, bring it in, because the truth of the matter is that whether we like it or not, you’re bringing it in. (ER2)

Examples of this core value at work include allowing a person to stay in the corporate apartment for a few weeks during a divorce, allowing people to take time off to deal with an illness or death of a loved one, or allowing a person extra paid time off without going on disability (ER2, ER3). He understood that the specific distraction would make it impossible for you to function effectively, so why not allow you to go deal with the issue and come back fully engaged. While there certainly were occasions where this value was abused, it never deterred Landgraf from extending this kindness (ER3).

*Business is a social institution*
Similar to his mandate at DuPont Merck, his senior leadership team was expected to give to the local United Way organization commensurate with their level in the organization:

So when he came here, we were eighteen percent participation for the United Way campaign and we raised something like $35,000. When he left, the participation was ninety percent and we raised over $800,000. So he wrote the first check. He would say we cannot work in a beautiful place where seven miles down the road… Trenton is devastated. The schools don’t have what they need…. And so everybody knew he wrote the biggest check and the first check. And
he would say to his leadership, ‘this is what it means to be a leader; you have to care.’ (ER2)

As the company regained its financial health, Landgraf was quick to invest back into the social mission of the organization. During his tenure, ETS launched the Policy Education Research Center to examine policy impacts on education, which was consistent with ETS’s own image of being a research driven organization. ETS commissioned the Gordon Commission under the direction of Ed Gordon, an icon in the education field, to conduct work on the future of assessment in education. Additionally, ETS established the K-12 Center for Performance to research and design assessment tools, as part of the No Child Left Behind policy initiatives taking place at the time, that could be utilized in the primary school arena. In fact, the work coming out of that center formed the primary assessment tools of the Common Core program. The K-12 Center has since been sunnetted due to the policy debates over Common Core (ER1, ER3).

Enhanced stakeholder perspective
Landgraf had a keen awareness of the external stakeholders and their needs. “He would require all of his officers that when we bring in special guests here for the observance of Black History Month, Hispanic Heritage, Asian American, Native American, he required that people be there” (ER2). “He was quick to notice if there were inequities, injustice or unfairness and he would always double check how we could make that better” (ER2). Another top management team member reiterated Landgraf’s need for social justice in a most compelling manner:
Clearly, I think the first implementation of that mantra [business is a social institution] was that we realized that we are a family, that we’re not a bunch of robots, we’re people, we’re part of society, we’re part of a culture. And Kurt would not stand, could not absolutely, could not stand if anybody was, if there was a hint of bias or unfairness. That would just, you know, it would be nuclear, he would go nuclear. That’s often what is wrong with society today. We don’t have the guts to stand up for that, we need to do more of that and he did it. Kurt cared about the … from the lowest employee, he cared about the folks who worked, you know, who got the lowest amount of money here at ETS … people who didn’t get the salaries that we get over here, and he cared about them, he really did. (ER1)

Another board member reiterated the story of how Landgraf refused to close a distribution facility despite pressure to cut costs:

[W]e had this facility outside of Trenton which basically just hired very low socially economic folks…. And you know, there was always the fact that you could outsource this and you’d get better quality and lower cost and he would never do it…. [He] would say, you mean, so somebody wants me to put 200 African-American, single parents out on the street? You know, come on, not going to do it. (ER4)

The leadership team did not sit around and talk about injustice and unfairness. They were empowered to act. The Gordon Commission, for example, was established to understand the achievement gap in education and to develop recommendations on the future of assessment in addressing those gaps. Rather than conduct the research themselves, ETS at the direction of Landgraf, brought together thought leaders from various disciplines in education to their campus to engage in dialogue on this issue. Given the diversity of thought, Landgraf knew it would be important to have someone lead the effort who had the respect and reputation to guide the group to an end deliverable. Ed Gordon was that person. Landgraf merely kicked off the meeting and
then left the room so the commission could do their work. Their goal was to better understand how to close the achievement gap in education and how the role assessments played in closing that gap (ER3). It was not about what it meant for ETS in terms of tools or products or ETS’s reputation. It really was about solving an issue that was deemed unfair and unjust by the firm. Another story reflecting this empowerment was when a prominent speaker came to the firm to discuss issues facing the Latino community regarding education. Landgraf met with the person privately after the talk and admitted that ETS could do more in the Hispanic and Latino communities. Following that meeting he went to a senior leader in the organization who is Latina, told her that ETS needed to do more for this cohort, and empowered her to be the firm’s ambassador to the community and work on changing that perception (ER2).

**Communication Architecture**

**CEO role modeling**
Symbolism, role modeling, and targeted communication were tools he frequently employed to drive desired behavior. “You change behaviors, which eventually changes values, and then when the values change, the culture changes,” Landgraf informed me. He eliminated executive parking. “If you want to park there, get to work early.” He put an end to the four-day workweek that existed when he started, requiring all managers and senior management to work a full workweek. (According to Landgraf, approximately 475 of the top 550 people in the firm worked four-day weeks.) He instituted a performance-sharing plan that allowed all employees to
participate in the surplus of the firm. And, he reinstated benefits lost as a result of the financial performance of the organization, stating: “We have one class of employees, which is ETS employees” (ER2). In addition, he held executive staff meetings at various locations throughout the campus, including the warehouse, and had employees give tours of their areas so the exec team could be present with the troops. He also had no patience for managers who did not support his vision or value structure. One example told by Landgraf and corroborated by another top management team member (ER2) was a situation where a significant number of AP exams were lost.

The operations guy comes in to tell me about losing the… to tell me that they had lost 40 boxes of AP exams. 40 boxes! And they had been lost for two to three months…. So where are they? We have no idea, that’s why they’re lost. What are we going to do about it, and he tells me what they are going to do about it, and I say well that’s not acceptable. That’s 4,000 kids who took that test, they’re waiting for these results because they are going to college, and he says to me, and this was his last day, he said to me, Kurt, if you’re going to work here … you have to understand that shit like this happens all the time. And I said, really? I said well let me help you, because you’re not going to work here because shit like this doesn’t happen where I work.

A “gifted” orator, Landgraf communicated frequently and directly with employees regarding the mission of the organization. There was an expectation that “if he walked down the corridor and asked you what our mission is, that you could recite it” (ER2).

I would get everyone… and I would explain to them what I was doing, explain why I was doing it. I talked to everyone in the same way whether they were a PhD from Harvard or whether they had just graduated from Ewing High School, I mean, but I explained
everything I was about to do and the organization responded.
(Landgraf)

Communication of values
Landgraf bought his own coffee in the cafeteria and would chat with employees frequently. He held all-employee town hall meetings at least twice a year that included all entities.

We’d bring together our entire staff of the company…. We’d do that twice a year. So we’d do a series of… four meetings, so we’d bring people in over two days and we’d repeat the same meeting four times.
(E3) That practice continues today. (E1)

Landgraf would enter these meetings with a clear agenda of what he wanted to communicate. He would answer any question, but he would not engage in a debate that would lead him off track. Instead, he would invite people to come and speak with him privately.

And he would always start by saying look, I want your questions, you know, and people would ask him a question, even if it was a “gotcha” question and he would respond, but he wouldn’t allow debate to go on. He’d say okay. You know, because when the person would come back and debate, he’d say, now wait a minute, I’m the CEO, I’ve answered your question, done so respectfully but I’m not going to debate you in this forum. You know, if you want to set up a meeting with me afterward, that’s fine. (ER3)

He employed videos to reinforce his messaging around performance and the vision of the organization. He also met regularly with a small group of managers, usually about 10, and engaged with them about the business (E3). ETS also employs periodic all-staff engagement surveys that are benchmarked against the top Fortune 500 companies (ER1). A sample of quotes received regarding how Landgraf
communicated the vision and the value framework of the organization are set forth in

Table 3.

### Table 3. Sample Quotes Regarding Communication of Vision and Values Framework

<table>
<thead>
<tr>
<th>Interview Code</th>
<th>Quote</th>
</tr>
</thead>
<tbody>
<tr>
<td>ER1</td>
<td>Vision is what you want to be in the future. Values are what you believe in. Mission is why you exist and strategy is the plan to achieve the mission.</td>
</tr>
<tr>
<td>ER1</td>
<td>So there’s a ton of meetings where we have full day agendas. We talk about issues, the challenges that are coming along. You know, looking at our strategy looking at our mission, we don’t take our mission for granted.</td>
</tr>
<tr>
<td>ER1</td>
<td>Values are what the organization believes in and that goes back to what I just said. It’s being highly ethical, it’s treating employees with respect, treating customers with respect, building trust between all stakeholders.</td>
</tr>
<tr>
<td>ER1</td>
<td>I mean Kurt, he established us. … But I think Kurt really helped us understand that we need, as an organization, we need to have that true north compass around our vision because it is why we exist.</td>
</tr>
<tr>
<td>ER2</td>
<td>But the magic of Kurt was that he quickly, because he is so sharp, he dissected what the issues are and when right to it.</td>
</tr>
<tr>
<td>ER2</td>
<td>Kurt, every morning, was in the cafeteria buying his own coffee, saying hello to everyone. The receptionist loved him. The guy in the mailroom knew him. He also was very public about, you will, whenever possible, hire people who are disabled for appropriate jobs where they can function well. So he made it very clear that he had an expectation that we had to live our values, which meant are we</td>
</tr>
<tr>
<td>Interview Code</td>
<td>Quote</td>
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<tr>
<td></td>
<td>accessible. Are we giving opportunity to the disadvantaged and underserved. Are we giving positions to folks that may not get a position somewhere else but they could do well here?</td>
</tr>
<tr>
<td>ER2</td>
<td>So very perceptive, very intuitive, a real visionary, a very expansive thinker. He didn’t micromanage and he extended trust. He respected your expertise and you knew that…. He would say, this is the hill we have to take. I know this is your expertise, this is your area, we need to take that hill. Figure it out. Figure it out. And people loved that. That’s so exciting, it’s so invigorating, yes! And that’s exactly what they want to do and they would come back with great ideas. … But he really trusted you to figure it out. Very empowering, very empowering.</td>
</tr>
<tr>
<td>ER3</td>
<td>The other thing that helped him in some regard is that ETS was really, as he’s probably described to you, in pretty close to cash flow bankruptcy…. As he was able to save it and reverse our fortunes, I think people understood and credited him with that. As Kurt said, and actually picked this up from a previous president, a number of presidents ago here, no margin, no mission. So he occasionally had to remind people of that.</td>
</tr>
<tr>
<td>ER3</td>
<td>Well, you know, on one hand when Kurt came in here, there were people were that were concerned that, you know, that there was going to be a business person coming in that was going to negatively impact the value system or take us away from a mission oriented organization. So I think he had to show people he wasn’t going to do that.</td>
</tr>
<tr>
<td>ER3</td>
<td>The other thing is there were parts of the organization that were easier to bring along than others. And so I think, … he did a little bit of figuring out who … who can I influence first. Can I create critical mass of, kind of a critical</td>
</tr>
</tbody>
</table>
Landgraf turned an organization on the verge of bankruptcy into a highly engaged, functional, and profitable organization within one year of starting as CEO. “[T]he first year that I was there, it went from $400 million in revenue losing $40 [million] to about $700 million making $60 [million].” Landgraf attributed this quick turnaround to two major factors: they were able to get their main customer back into the organization, “that was a big deal”; and “we actually became reasonably good operationally and increasingly good from an information technology point of view, which is the core competence of ETS” (Landgraf). Figure 3 represents the second order concepts and aggregate dimensions that surfaced from the ETS data.
**Cross Case Analysis**

The two cases in this study were chosen purposefully in an attempt to replicate emergent theory (Eisenhardt, 1989). Both cases represented organizations that had
engaged in some form of strategic CSR activity as defined herein that created concrete value for the firm and meaningful value for society. The DuPont Merck case highlighted the leadership of Landgraf in actively promoting diversity initiatives at the company while achieving significant financial results. In addition, the case described the specific work done by the company to engage with the HIV/AIDS patient advocacy and activist communities that ultimately drove significant value for the firm in getting formulary approval and access for its new product. Moreover, such efforts resulted in value for the patient community overall in terms of providing greater access for all available therapies through more funding for government administered therapeutic treatment programs. ETS presented an organization with a distinct social mission, but one experiencing significant financial struggles.

The cases provided an opportunity to examine how Landgraf drove value maximization for the firm without sacrificing its social mission. Furthermore, both cases presented the opportunity to delve deeply into Landgraf’s value structure and leadership style, and the CEO strategic CSR processes he employed to create vision and value congruence around firm engagement in strategic CSR activities within very different organizational contexts. I believe this latter point highlights the replication of an emergent theory I sought to achieve by selecting these two cases. Figure 4 depicts a conceptual model of enhanced stakeholder collaboration that emerged from the data collected.
A number of themes and concepts became evident in examining the coding data from the cases. Landgraf was steadfast during his interview that he had implemented the “same game plan” no matter the organization he has led. The implementation of Landgraf’s value structure at both organizations became a strong preeminent theme of the data. *Performance—no excuses, everybody deserves special treatment*, and *business is a social institution* were the values that drove action and behaviors at both firms. Landgraf demonstrated a value system that could certainly be characterized as normative in nature. He displayed a postconventional level of cognitive moral
development (Kohlberg, 1969), as evidenced by his consistent respect for the intrinsic worth of others and his focus on the general welfare of the whole, the individual, the firm, and the broader communities in which they operated, as well as his genuine concern for human rights and justice. As noted by Swanson (2014), this type of value framework “suggests an affinity between postconventional moral reasoning and constructive value-adept decision making” (p. 115).

Landgraf’s value system also is consistent with Brown and Treviño’s (2006) ideal of a moral actor. Landgraf was viewed by all persons interviewed as someone who is authentic in his dealings with them; he is honest and trustworthy. He is viewed as a just and fair decision maker, and one who certainly considers the well-being of others and society as a whole (documented evidence of everybody deserves special treatment and business is a social institution.) His values framework exhibited a self-transcendent value system consisting of values emphasizing altruism and universalism. Landgraf’s normative value framework is represented in the first main call-out box in the model depicted in Figure 4. The bidirectional arrow on the left, connecting his value framework with the firm, and the bidirectional arrow on the right, connecting his values framework with CEO enhanced stakeholder visioning, are reflective of how his values framework provided a mechanism that allowed him to be receptive to the needs of the broader firm stakeholder community, with what appeared to be a natural ability to comprehend how those needs interacted with the vision and value proposition of the firm—value-adept decision making.
The next major component of the CEO Enhanced Stakeholder Collaboration Model is the CEO strategic CSR processes utilized by Landgraf to execute his “game plan.” His strategic CSR process was extremely consistent across both cases. This process contained four main elements: the enhanced stakeholder visioning process articulated by Landgraf, the top management team makeup, leadership style and reward structure, and the communication architecture employed to drive firm value congruence. What the data demonstrated was a direct connection between CEO visioning, TMT makeup, and leadership style and reward structure, and the evolution of the communication architecture he used to gain commitment to his strategic CSR vision within the firm as a whole. The three components of visioning, TMT makeup, and leadership style were directly influenced by Landgraf’s value framework. Hence, the one-directional arrows flowing from Landgraf’s normative values framework, and the one directional arrows flowing from CEO enhanced stakeholder visioning, TMT makeup, and leadership style and reward structure, to the communication architecture box.

Landgraf’s value structure was infused in both case studies as part of a vision to drive growth for the organization. Both firms studied were experiencing financial uncertainty in some form as Landgraf became CEO. For DuPont Merck, the company had reported underwhelming revenue and earnings numbers for the three years preceding Landgraf’s selection as CEO. He was also in the midst of conducting a significant layoff and was facing discrimination claims by minority scientists. ETS
was a firm on the verge of liquidation and was losing its largest customer. Accordingly, the vision at DuPont Merck was couched in terms of revenue and earnings growth, with an emphasis on employee development and heightened awareness on diversity. At ETS, the vision was centered on a simple phrase—no margin, no mission. Both visions acted as springboards for implementation of Landgraf’s value framework into the strategic communication architecture of the firm. For example, you heard throughout the ETS interviews the reference to the vision statement of no margin, no mission. This catch phrase took center stage in all communication, directly and indirectly, between Landgraf, his top management team, and the employees of the firm.

Another essential theme revealed by the data from both cases is the selection and retention of members of the top management teams who shared Landgraf’s value framework and who acted in accordance with those values. Landgraf did not hesitate to make extensive changes to the top management team at both firms relatively quickly after assuming the role of CEO. He was adamant that he needed senior leaders who lived his values framework through action and behaviors. At DuPont Merck he was able to select those leaders based upon his own experience interacting with them in different settings over many years. He actively sought out leaders who were open to including others with diverse backgrounds, experiences, and viewpoints, and who were more concerned with the organization as a whole rather than their own personal goals and the goals of their particular functional areas. ETS presented a
different challenge in recruiting top management talent, given that Landgraf had only worked there for a short time in the seventies. He quickly evaluated the talent he had, and “gracefully” exited out those who did not or could not demonstrate the value framework he desired. He then set out to recruit individuals with the functional experience he needed, but he also sought out individuals with whom he had significant personal experience and a proven track record of achieving results within his values framework.

Landgraf exhibited many of the characteristics of the ethical leadership styles set forth in the literature, with an emphasis toward transformational leadership and the Full Range of Leadership Model. Brown, Treviño, and Harrison (2005) define ethical leadership as: “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making” (p. 120). Brown and Teviño (2006, p. 597) suggest that ethical leadership is comprised of leaders who are considered honest, caring, and principled by their followers, and who make fair and balanced decisions. Such leaders set clear ethical standards and openly and frequently communicate those standards to followers. They expect compliance to those standards and use rewards and punishments as enforcement mechanisms.

Landgraf demonstrated the elements of ethical leadership at both firms. Leaders at each firm articulated that he was open and honest, and cared about the feelings of
others, particularly those of the employees. This fact was corroborated by the numerous and specific examples generated regarding his core value of *everyone deserves special treatment*. Landgraf set high performance and ethical standards, which he reinforced through rewards and punishment. Specific examples included his institution of a performance-sharing plan at both firms for all employees, and his quick termination of managers and leaders who behaved in ways inconsistent with his values framework.

Landgraf’s leadership style, as teased out in the data, also had a distinct relationship to the responsible and authentic transformational leadership styles articulated in the literature. *Responsible leadership* has been defined as a values-based relationship between leaders and stakeholders who “are connected through a shared sense of meaning and purpose through which they raise one another to higher levels of motivation and commitment for achieving sustainable value creation and social change” (Pless, 2007; Pless & Maak, 2011, p. 5; see also Doh & Quigley, 2014). Leader-stakeholder relationships are the centerpiece of responsible leadership theory (Pless & Maak, 2011), and responsible leaders are keenly aware of the responsibilities of business in society (Pless, 2007).

Similarly, *transformational leadership* is grounded on the ethical principles of altruism and the deontological tenets of duty to act in an ethical manner and to further the moral rights of others (Bass & Steidlmeier, 1999; Burns, 1978; Groves &
LaRocca, 2011a). Authentic transformational leaders execute their responsibilities in a manner that drives value congruence between follower values and attitudes, and the vision of the organization. Moreover, Bass and colleagues state that “authentic” transformational leaders have a more socially developed concept of self that is connected to a broader stakeholder community, including family, friends, and community, whose needs may be more important than one’s own needs and wants (Bass & Steidlmeier, 1999, p. 186; Groves & LaRocca, 2011a).

Landgraf did exhibit the qualities associated with the responsible and/or transformational leaderships styles. His values framework expressly considered the needs of others and demonstrated an acute awareness and understanding of business’s responsibility in society. His work in driving diversity initiatives at DuPont Merck, including pay parity for all workers regardless of tenure, race, or gender, and his work to drive collaborative relationships with the HIV/AIDS community, are examples of these leadership styles. Similar examples include his commitment to the United Way organization at both firms and his refusal to close a distribution center because of his concern for the individuals who worked there. I would contend that his leadership style falls more within the transformational leadership style because of his ability to set a clear vision for the organization that aligns firm value maximization with societal value creation, “a true north compass” as frequently mentioned in the interviews, and because of his ability to empower his leadership team and the firm as a whole around that vision. I also contend that Landgraf falls more within the Full
Range of Leadership Model given his use of transactional leadership, particularly contingent rewards and punishment, as the situation warranted. Landgraf freely admitted, and the interviews at both firms reinforced, that because of the financial condition of the firms he was fairly autocratic and rigid at the start of his tenure as CEO. Examples include his voluntary termination incentive at ETS and his willingness to make sweeping management changes at both firms when behavior was inconsistent with his vision or values framework. Instituting a performance-sharing plan for all employees also was a means of contingent reward for driving value congruence consistent with his stated vision. In fact, Landgraf specifically requested during a follow-up visit where I presented the model to him that I add the reward structure to the model under the CEO strategic CSR process section.

The real crux of the model, I believe, is the strategic communication architecture Landgraf employed that resulted in employee value congruence around his enhanced stakeholder business model and significant positive strategic CSR performance. I would proffer that a firm’s willingness to engage in strategic CSR activities is activated by the CEO through social learning theory. The social learning process is represented in the model by the communication architecture box as part of the CEO strategic CSR process. Social learning theory in the context of a firm’s ability to engage in strategic CSR starts with the premise that leaders can influence the behaviors and conduct of the firm through role modeling (Brown et al., 2005; Kouzes & Poser, 2002; Schein, 2010). Role modeling can include many different matching
processes, including observational learning, imitation, and identification (Brown et al., 2005, p. 119). The learning process is especially prone to role modeling when the target of the process is ethical conduct. Leaders are in a markedly strong position to influence ethical behavior through modeling by virtue of their assigned role, their status within the firm, and their ability affect the behavior and outcomes of others through rewards and punishment (Brown et al., 2005, p. 119; see also Bandura, 1986).

The acceptance of a leader as an ethical role model is socially constructed through leader engagement in behaviors that are perceived by followers as altruistically motivated behaviors such as honesty, consideration of others, and the fair treatment of employees (Brown et al., 2005, p. 120; Jennings, 2014). Ethical leaders attract follower attention around matters such as enhanced stakeholder collaboration by making explicit messages about engaging in strategic CSR salient enough to stand out in the organizational context (Brown et al., 2005; Treviño, Brown, & Hartman, 2003). The approach of explicit communication and messaging is consistent with the six primary embedding methods articulated by Schein (2010) and utilized by leaders to teach their organizations how to perceive, think, and behave based on their own conscious and unconscious convictions, including what leaders pay attention to, measure, and reward on a regular basis; how leaders react to critical incidents and organizations crises; how leaders allocate resources; how leaders use deliberate role
modeling, teaching, and coaching; how leaders allocate rewards and status; and how leaders recruit, select, retain, and terminate employees (pp. 235–236).

Landgraf employed two mechanisms as part of his strategic communication architecture: role modeling and symbolism, and repetitive communication. He acted as a role model by being present in the organization. He frequently walked the halls of both firm headquarters and engaged with employees personally. He sent a message of inclusion by holding meetings in very open locations like the warehouse at ETS. His successful diversity initiatives at DuPont Merck demonstrated a direct openness to inclusion and views of others. One of the most symbolic and visible moves he made at both organizations in support of his values framework was the quick dismissal of members of the senior leadership team who behaved inconsistently with his values framework. Landgraf also demonstrated a clear commitment to his stated core value of *business is a social institution* through his explicit expectation that his senior leaders contribute to the United Way commensurate with their level in the firm (he also wrote the first and largest check), his institution of the day off with pay for volunteer work at community charities at DuPont Merck, and his willingness to invest heavily in the social mission at ETS.

Repetitive communication was a tool he used frequently and effectively. The management teams at both organizations discussed what an outstanding communicator Landgraf is. He used language that everyone in the firm could
understand, and employed metaphors and analogies to reinforce his messaging in a manner that allowed for a personal connection with his audience. Landgraf described how he would use technology to deliver quarterly business performance updates that were truthful and transparent about how the firm was doing on its performance scorecard. While not necessarily mentioning his other core values specifically, he would use these messaging opportunities to provide examples of how the firm was living those values. He also held regular town hall meetings with the entire organization as a means of communicating directly with the rank and file. He would answer all questions posed but would consistently relate his answers and comments back to the vision of the organization.

Landgraf’s use of the firm’s communication architecture ultimately led to organizational value congruence in the vision of the organization and the alignment of firm value maximization and societal value creation. This value alignment is represented at the bottom of the model and is supported in both cases through the results achieved. In the case of DuPont Merck, the firm was able to beat the parent companies’ expectations for revenue and profit by 5X the baseline goal, resulting in a nice windfall for all employees through the profit sharing plan Landgraf implemented. In addition, the DuPont Merck case presented an excellent example of the results that can be achieved through enhanced stakeholder collaboration. Because the company had a value framework that permitted management and employees to be aware of and understand the needs of a broader group of firm stakeholders and how
those needs intersected directly with the value proposition of the firm, DuPont Merck was able to gain formulary access for its product in record time, which directly impacted firm value maximization. The enhanced collaboration with the patient advocacy community also added value for society by increasing awareness of and access to new treatment options and awareness about the disease state and prevention, all critical issues for the community.

The ETS case presented similar results but in a much different context. ETS was a firm with a distinct and highly visible social mission, but one in desperate need of a successful business model. Landgraf faced the challenge of increasing and maximizing firm value without sacrificing the social mission of the firm. This presented quite a challenge, given the distrust members of the firm had for top leaders who were not academics or who would be too focused on firm profit generation.

Landgraf used the rallying cry of *no margin, no mission* to infuse his value structure into the firm. While *performance—no excuses*, and specifically *financial performance—no excuses*, was a key initiative from the start, the firm came to believe in his commitment to their social mission and that of the broad stakeholder community as they witnessed behavior distinctly consistent with his core values of *everyone deserves special treatment* and *business is a social institution*. Moreover, as the firm regained profitability, Landgraf invested heavily in new initiatives that were linked directly to the social mission of the organization. As a result, the firm returned to profitability by the first anniversary of his tenure as CEO, and the firm has
continued to receive marks above their stated benchmark on employee engagement surveys.
Chapter 5: Discussion

The purpose of this interpretive multi-case study was to understand the motivation, intent, and value framework that predispose leaders to guide their firms to engage in strategic corporate social responsibility (CSR) initiatives. In addition, the study sought to understand the processes undertaken by firm CEOs to translate this value framework and intent to engage in strategic CSR into the strategic value proposition of the firm that is adopted throughout the organization. The two cases presented in this study provide support for the proposition that firms can engage in strategic CSR activities without the need to sacrifice firm profit maximization in pursuit of creating meaningful societal value. The theoretical process model described in Figure 4 suggests that a CEO with a normative value framework is in the best position to become aware of and understand the needs of the broader stakeholder community and how those needs intersect with the strategic value proposition of the firm. CEOs exhibiting postconventional cognitive development and who consistently display a more self-transcendent value system in the form of authenticity, honesty, and a commitment to the well-being of others may be more adept at being able to conceptualize how the needs of the broader stakeholder coincide with the strategic value proposition of the firm. Furthermore, the data emerging from the study provide support for the proposition that CEOs with a normative value framework are able to articulate a strategic vision for the firm that promotes “inclusion, collaboration, and cooperation with different stakeholder groups,” other than just shareholders, boards of directors, and customers (Maak & Pless, 2006, p. 100). Moreover, the study does
suggest that CEOs with a normative value framework are able to move their organizations further down the continuum of the corporate citizenship framework developed by Mirvis and Googins (2006), from a more integrated firm where the firm is aligned toward a single focus, to a more transforming corporate citizen firm in which CSR activity becomes mainstream within the firm and part of its normal business activity. CEOs who can conceptualize the relationship between firm value maximization and societal value creation (strategic CSR) through enhanced collaboration with more diverse stakeholder groups should be better positioned to drive more lasting value congruence among the firm, its employees, and the broader stakeholder groups that impact the firm in a meaningful manner. This heightened value congruence can lead to greater firm performance and better value alignment between the firm and society as evidenced by the results of the firms studied.

Landgraf is a CEO who displayed a normative value framework and postconventional cognitive development that allowed him to make sense of the needs of the broader stakeholder community. Moreover, he was able to articulate a firm strategic vision that linked this broad stakeholder awareness with the value proposition of the firms to create value alignment. Most interesting for this model was the complexity of his values framework. *Performance—no excuses* went straight to the goal of value maximization for the firm, a rather shareholder perspective. Interestingly, his value framework pushed the firm beyond the shareholder perspective by demonstrating a comprehensive understanding of the obligation of business towards its employees and
As one of his leaders said, “one value is for Landgraf, one value is for the employees, and one value is for society” (SR3). By linking the emphasis on firm performance to his other two core values of *everyone deserves special treatment* and *business is a social institution*, Landgraf was able to implement an organizational values framework that allowed for an enhanced perspective on the positive potential of engaging with the broader stakeholder community.

The model emerging from the two cases studied also provides support for the impact that ethical leadership styles and top management team (TMT) makeup can have on creating a communication architecture that leads to firm value congruence in engaging in strategic CSR. More specifically, I posit that CEO authentic transformational leadership style directly aids in the creation of this firm communication architecture that promotes firm engagement and value congruence in strategic CSR in a manner that best promotes firm and societal value alignment and value maximization. First, CEOs are ideally positioned to articulate a compelling vision linking enhanced stakeholder collaboration and strategic CSR with firm strategic initiatives, profitability, and competitiveness (Heiser, 2016; Waldman et al., 2006). Authentic transformational CEOs understand that business is a social institution and that the firm becomes stronger when it acts in concert with its broader, and sometimes nontraditional, stakeholder community to link the strategic goals of the firm with value creation within the community. The CEO with an ethical values framework appreciates the opportunity that interaction, dialogue, and engagement
with such disparate stakeholders as government officials, community activists, members of the board of directors, and employees can present for the firm. Such engagement can begin to impact the strategic discourse of the firm through a values-driven communication process that influences firm willingness to engage in strategic CSR. Authentic transformational CEOs with a normative values framework have the capacity to conceptualize how the competing interests of these stakeholders can intersect with the value proposition of the firm, and then effectively disseminate these learnings into the strategic vision of the organization. They can invite employees into this visioning process, which helps with follower value congruence in engaging with the broader stakeholder community in a manner that creates meaningful value for both the firm and society (idealized influence/inspirational motivation) (Groves & LaRocca, 2011b; Heiser, 2016).

Authentic transformational CEOs appreciate that creating this link effectively will require new forms of collaboration and innovative solutions to problems. It is the employee base that will be best positioned to develop these innovative solutions; thus, authentic transformational leaders empower their employees to experiment with options (intellectual stimulation). Transformational CEOs are able to “present a richer perspective of firm performance and competitive advantage that goes beyond simple cost leadership or product differentiation” (Waldman, et al., 2006 p. 1709; see also Heiser, 2016). Authentic transformational leaders empower employees to develop new approaches to firm strategic issues that also create a positive effect on the larger
communities in which they operate. Employees are rewarded for taking reasonable risks to make a difference, and leaders are willing to look longer term for results. They also provide employees the opportunity to develop new skills to assist with these endeavors (individualized consideration) (Groves & LaRocca, 2011a; Heiser, 2016).

The two cases presented in this dissertation support an authentic transformational leadership style employed by Landgraf, which impacted the firm’s strategic communication architecture in a manner that promoted value congruence in strategic CSR activity. In the case of DuPont Merck, Landgraf’s values framework and visioning created a culture that promoted employee understanding of the importance of treating others with respect and dignity—that business is a social institution—with an obligation to interact productively with the broader community. At ETS, he inspired a vision that got employees to understand that a strong business model is necessary if the firm is going to carry out its social mission in the most effective manner (inspirational motivation). The data emerging from the two cases regarding Landgraf’s core value of everybody deserves special treatment, and the numerous examples articulated at both organizations regarding this core value, appeared to reinforce the employees’ trust in his vision and their acceptance of diversity of thought (individual consideration).
Landgraf was an ethical role model, behaving in a manner consistent with his stated values. He set high performance and ethical standards for both firms that fostered a universal and collective vision and mission that promoted trust, respect, and openness to others. He was quick to exit managers from both organizations who behaved in contravention to his values framework (idealized influence). The data also demonstrated how Landgraf empowered employees to come up with innovative solutions to firm and societal issues. At DuPont Merck, it was his ability to empower employees to address directly the issues of diversity and the need to collaborate directly with the HIV/AIDS patient advocacy groups. Similarly at ETS, employees were empowered to reach out to new minority cohorts to impact change (intellectual stimulation). Landgraf also displayed behavior consistent with the Full Range of Leadership Model. By his own admission, he was more autocratic at the start of his leadership tenure at each organization due to the financial circumstances being experienced by the firms. He also implemented and employed contingent rewards in the form of the performance-sharing plans at both firms.

These results support the following testable propositions regarding ethical leadership style as a driver of strategic CSR:

*Proposition 1: The authentic transformational leadership style drives firm value congruence in employee willingness to engage in enhanced stakeholder collaboration and firm engagement in strategic CSR.*
Proposition 2: Transactional leadership in the form of contingent rewards promotes a firm values framework that is more collective and universal in nature.

The final component of the CEO strategic CSR process model that emerged from the data is the effect that TMT make-up had on supporting the CEO strategic vision and communication architecture. Landgraf recruited members to his leadership team with whom he had a direct experiential history. His experience with these individuals ensured that he was assembling a team that had proven value frameworks aligned with his own. Such values alignment across his management team allowed for consistent behavior and messaging in support of Landgraf’s strategic vision of enhanced stakeholder collaboration and strategic CSR. Thus, this component of the CEO strategic CSR process model leads to the following proposition:

Proposition 3: A normative value framework among TMT members aligned with the values framework of the CEO promotes firm value congruence in strategic CSR.

Theoretical Contributions
What becomes evident from the foregoing literature review is that there remains no clear definition of CSR for corporate leaders to use as a guidepost on what the role of the firm should be in addressing the needs of society (Carroll, 2013; Peloza & Falkenberg, 2009). What has developed are theories of CSR that define the role of the firm in economic, legal, and ethical terms (Carroll, 2013). Scholars have sought to develop definitional theories of CSR that move away from a purely economic focus.
of the firm to more ethics-based theoretical constructs that have the firm become more aligned with the broader stakeholder community in which it operates (Aguinis & Glavas, 2015; Carroll, 2013; Swanson, 2014; Waldman, 2011; Waldman & Siegel, 2008). My research provides added support for such an ethics-based definition of CSR through a theoretical process model that links a CEO normative value framework with the firm’s value congruence in engagement in strategic CSR activity aligned with the needs of the broader stakeholder community. However, this study provides further support for the proposition that in order for firms to be willing to engage in CSR in a manner that creates meaningful value for society, there should be some direct alignment to the strategic value proposition of the firm in order to satisfy the criteria of corporate leaders to maximize firm value (Carroll, 2013, p. 42; Heiser, 2016; Peloza & Falkenberg, 2009; Porter & Kramer, 2011). Evidence for this latter proposition emerged from the data showing that the CEO studied utilized the same process model to achieve firm/societal value alignment by changing the mindset of an organization with a dedicated social mission to also understand the positive ramifications of firm profit maximization. Accordingly, firm/societal value alignment was successfully replicated in two very distinct corporate settings, providing empirical support for the linkage between the CEO normative value framework and the CEO strategic CSR process set forth in the Enhanced Stakeholder Collaboration Model proffered in Figure 4. In both cases, the CEO used the same process model to successfully effectuate firm and society value alignment.
This study also seeks to fill a gap in the research at the individual level of analysis by examining the specific processes undertaken by CEOs, linking the leader normative value framework with the firm’s strategic communication architecture and its value congruence in strategic CSR activity (Aguinis & Glavas, 2012; Jones Christensen et al., 2014; Morgeson et al., 2013). Our knowledge regarding the role that values play in the decision-making process is fairly robust. What is missing, however, is a better understanding of how the personal values of leaders, particularly CEOs, influence engagement in strategic CSR (Aguinis & Glavas, 2012; Swanson, 1999; Swanson, 2014). Sully de Luque and colleagues (2008) studied the effect of leader values on follower value congruence, measured by the followers’ perception of leadership and extra effort, and firm performance. The authors concluded that a link exists between leaders who make decisions based upon a stakeholder-centric value framework and firm performance (Sully de Luque et al., 2008).

The results of this dissertation study advance this knowledge by generating a theoretical process model of how CEO values, motivation, and intent (the CEO’s normative value framework) foster the development of a strategic vision that specifically links firm value maximization with strategic CSR activity. More specifically, this research enhances our knowledge of how the communication architecture employed by the CEO, and influenced by his/her value framework, can influence employee and firm value congruence to engage in strategic CSR. By studying a particular CEO who has been successful in implementing this model in
two distinct corporate contexts, I was able to isolate the main contributing factors of that communication architecture, including enhanced stakeholder visioning, ethical leadership style, rewards and compensation systems, and top management team make-up, and how these factors influenced the communication architecture of the firm as a whole in advancing enhanced stakeholder collaboration, and firm engagement and value congruence in strategic CSR. By his own admission, as corroborated by the data, the CEO studied had a defined value framework that he instituted in both firms, and he utilized the same strategic process model to drive successful firm value congruence at both organizations.

This research also advances our knowledge about the role that ethical leadership styles play in influencing and promoting firm value congruence in strategic CSR activity. Most research has examined leadership style at the organizational level to determine the leadership theory that most facilitates firm engagement in CSR and firm performance (Brown & Treviño, 2006; Du et al., 2013; Groves & LaRocca, 2011a,b; Pless & Maak, 2011; Waldman et al., 2006). Further study has been needed, however, to understand what role ethical leadership style plays in a CEO’s intent to engage the firm in strategic CSR and what role it plays in the process of firm value congruence in strategic CSR initiatives (Jones Christensen et al., 2014; Waldman et al., 2006). The model that emerges in this study provides further knowledge about how CEO leadership style can influence development of a firm strategic architecture that promotes employee engagement and firm value alignment in strategic CSR. For
example, this study suggests a link between ethical leadership theory and social learning theory through the firm’s communication architecture as a mechanism for driving firm value congruence in strategic CSR. Ethical role modeling, symbolism, CEO visioning, and repetitive communication consistent with the CEO’s normative value framework played key roles in promoting firm understanding, employee engagement in, and value congruence on the alignment of firm value maximization and strategic CSR in the two cases studied.

Finally, my findings add to the theoretical discourse by building upon the Value Attunement Model originally proffered by Swanson (1995, 1999, 2014). Swanson (2014) submits that corporations have the capacity to be forward looking and to anticipate and adapt to changing environmental factors. Accordingly, it is important to understand the processes used by leaders to make decisions regarding these changing factors. Her CSR Attunement Model characterizes the processes as interrelated on a means-end continuum involving external stakeholder management, including environmental assessment, stakeholder management, and issues management, “that are a means for developing corporate programs and policies that can be appraised for their social outcomes” (Swanson, 2014, p. 87; see also Swanson, 1995, 1999). Her model suggests that social responsibility activities of the firm occur as part of an ongoing valuation process aimed at economizing and ecologizing activities (Swanson, 2014).
The CEO Enhanced Stakeholder Collaboration Model presented in this dissertation builds on Swanson’s conceptual model by demonstrating a linkage between leader normative value framework, and leadership style and social learning theory, resulting in a process model that fosters a more collectivist and open firm value framework. Consequently, the model suggests that firm value congruence is established regarding the value of engaging in more enhanced stakeholder collaboration with employees and indirect firm stakeholders, which promotes engagement in strategic CSR activities and real value creation for both the firm and society.

**Practical Implications**
There are several practical implications of the current research. The first practical implication supported by the study results is the need to provide leaders early in their leadership journey with opportunities to interact with and gain an understanding of the broader firm stakeholders. For enhanced stakeholder collaboration, and firm and societal value alignment to be supported, firm leaders need to have a nuanced comprehension of how the interests of the broader firm stakeholder groups interact and impact with the value proposition of the firm. Providing aspiring leaders opportunities to gain this insight can be supported through various development assignments, including assignments in government affairs, public affairs, and human resource management. Another opportunity to develop a broader stakeholder perspective among a firm’s management group is to encourage senior managers and senior executives to become actively involved in community related charitable organizations. Active participation in these organizations can serve two purposes:
first, it solidifies an organization’s connection to the communities in which the firm and its employees live, work, and operate. Such participation provides managers and senior leaders a first-hand view of how the firm’s activities impact their surrounding communities. Second, it exposes firm management to the needs of community stakeholders, which should begin to allow for increased comprehension of how those interests can coincide with the value proposition of the firm.

The next practical implication is for firms to pay close attention to the selection and development of individuals for their senior leadership positions that have a value framework consistent with enhanced stakeholder collaboration. Developing leaders internally provides an excellent mechanism for attracting and selecting individuals with the desired values framework. The partnership between the CEO and human resources to develop a talent development program that includes value assessment and peer and subordinate feedback is critical. CEOs should be active participants in this process. My research suggests that CEOs should be active participants in talent assessment overviews and take personal involvement in the career advancement of individuals being considered for more senior positions in the organization. Such direct involvement provides experiential and observational assessment of the value framework of potential candidates to the senior leadership ranks. It is also incumbent upon senior leaders, and CEOs in particular, to have the leadership courage to make changes quickly when managers and senior leaders engage in behaviors that are contrary to a more self-transcendent value structure.
Well developed HR and public affairs functional departments aid in the establishment of an organization that practices enhanced stakeholder collaboration and strategic CSR initiative. HR partners provide support and guidance for many of the symbolic and communication mechanisms that drive firm value congruence in this value alignment equation. In addition to supporting selection and development of leaders with a value framework that is more transcendent in nature, HR can assist the CEO and top management team in developing reward and compensation systems that are consistent with and promote an enhanced stakeholder collaborative culture (Brown & Treviño, 2006; Swanson, 2014, pp. 114–115). An external affairs department that understands the value of enhanced stakeholder collaboration can certainly assist the CEO in discovering and understanding the needs of the broader group of indirect stakeholders and how those interests intersect positively with the value proposition of the firm. As described by Swanson (2014), the public affairs department, if staffed appropriately, can act “as a value-detecting instrument for understanding stakeholder interests” (pp. 93–94). The key to an effective external affairs group in this regard is a keen awareness of how the interests of the secondary stakeholder groups can be effectively and positively aligned with the strategic value proposition of the firm. This necessitates a value framework that recognizes and is open to the ideas, views and needs of others (Swanson, 2014, p. 94). It is the comprehension of strategic value alignment that allows for the best opportunity to engage in strategic CSR activities through enhanced stakeholder collaboration.
Limitations, Future Research, and Conclusion

The foregoing study does present a number of limitations that require further exploration. The first limitation is that only one leader’s ability to create value alignment in strategic CSR and enhanced stakeholder collaboration was studied. While the case studies were able to demonstrate replication of results in two separate and distinct corporate contexts, it would be important to determine if the value structure and leadership style evidenced by Landgraf are the main determinants of the value alignment outcome. Studying the value framework and process model with other leaders who have been successful at engaging their firms in strategic CSR is needed to further validate the process model proffered in this dissertation. Second, the cases presented herein, while diverse in the type of organizational context—for-profit and not-for-profit—involved exclusively U.S. organizations. Further research is needed to explore whether the conceptual model proffered here could be replicated in other cultural settings. This research would be particularly interesting, given the different value frameworks existing in different regions of the world. Moreover, both DuPont Merck and ETS were privately owned entities with an ability to focus on longer-term results. Some questions remain regarding the ability of CEOs in publicly traded organizations to implement this model, given the constant pressure from firm shareholders for quarter over quarter results and the relatively short tenure of CEOs in publicly traded companies.
Additionally, the components of the CEO strategic CSR process section of the model should be studied in a more quantitative fashion to determine if one component carries more weight as an antecedent to the value alignment outcome. A mixed-method study would be useful to test the model with some quantitative data developed to demonstrate the correlation of top management team make-up, CEO visioning, and leadership style as mediators of firm strategic communication architecture development. And finally, more research needs to be conducted on CEO-board interaction. Boards of directors play an ever-increasing pivotal role in the strategic direction of companies and the tenure of their CEOs. At both DuPont Merck and ETS, Landgraf was able to develop a strong working relationship with his boards. In the case of DuPont Merck, he had a strong preexisting relationship with many of the DuPont members but actively sought to develop personal relationships with the Merck board members who were unknown to him. He undertook the same actions with the ETS board, which again was made up of members, with a few exceptions, who were new to him. It would be interesting to study further the effect that personal relationships between the CEO and members of the board have on developing longer-term strategies and objectives, including enhanced stakeholder collaboration.

In conclusion, my dissertation study sought to examine the motivation, intent, and values of CEOs and the processes they utilize to drive firm value congruence in successfully engaging their firms in strategic CSR activity. These research questions were best examined through inductive theory development using an interpretative
case study approach. I was able to study Kurt Landgraf, a CEO with whom I have had extensive personal experience and who has successfully led two different firms to high levels of strategic CSR. Emerging from the data was a model that Landgraf employed in each corporate setting that linked his normative values framework with a process model that fostered firm alignment of the firm’s strategic value proposition and value congruence in enhanced stakeholder collaboration and strategic CSR. What resulted was value alignment that drove significant firm value maximization and meaningful societal value creation. Of particular relevance to CEOs and boards of directors is the fact that this research demonstrates that firms can create meaningful value for society without having to sacrifice firm value maximization. The model presented herein provides a practical roadmap for CEOs and organizations that are interested driving strategic corporate social responsibility.
References


