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Harnessing social capital : an exploratory investigation of stakeholder disposition in boundary spanning networks

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Harnessing Social Capital: An exploratory investigation of stakeholder disposition in boundary spanning networks

By

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Abstract

This thesis confronts existing bilateral models of stakeholder management. It is based upon the premise that existing models place insufficient value upon the mediating power of individuals and small groups imbued with social capital within an organisational stakeholder environment. Initially, this study explores and maps the complex theoretical relations between organisations, stakeholders and social capital to construct an argument for addressing stakeholder management from a more plural and holistic perspective. The thesis suggests that rapid advances in social media and social interconnection now enables the sentiment of individual stakeholders to aggregate and rapidly form issue-specific interest groups that harness social capital to influence or act upon organisations. The thesis then continues to suggest that such social aggregation produces boundary spanners who in turn act as attractors for continued group aggregation, leading action against organisations. This is an important re-conceptualisation because organisations will need to recognise and manage this growing phenomenon.

The thesis then explores the James Hardie asbestos compensation issue as a revelatory and purposeful case study of this emerging phenomenon. This case illustrates that dissonance may arise between an organisation and its stakeholders where an expectation gap develops between an organisation's activities and community standards - dissonance that may grow within a community, instigating group action that may have a significant impact upon an organisation.

Having conceptualised and illustrated this emerging phenomenon, the thesis then moves on to describe the results of a limited pilot field study that explores the first stages of this conceptual development; the development of individual community sentiment about organisational action. The James Hardie case is used as the basis of this investigation.

The investigation is based on a historical quasi-longitudinal stakeholder survey of stakeholder perceptions about, and community disposition towards, the James Hardie

case through quantitative and qualitative data. Structurally, the research utilises Carroll's (1979) Corporate Social Performance Model as a framework to explore the development of social capital within the stakeholder environment, examining stakeholder perceptions on four levels of organisational activity: economic, legal, ethical and discretionary. The study examines and provides evidence of the first stage of the development of the stakeholder-organisation expectation gap and the growth of community sentiment, a pre-requisite for the subsequent formation of issue-specific interest groups and boundary-spanner action against an organisation.

This thesis makes a contribution to current understanding of stakeholder management by arguing for and proposing an extended plural model of stakeholder management - a model that incorporates the emerging reality of social media enabling the aggregation of individual sentiment into social capital, and subsequent community activity. In addition the thesis shows how the existing theory of Carroll provides a framework to investigate how stakeholder sentiment initially develops. In doing so it paves the way for subsequent research to further explore the proposed extension to theory; how social aggregation around issues of sentiment develops and how boundary spanners aggregate that sentiment and convert it into action. In terms of organisational practice, the study concludes by asserting that organisations should engineer a more strategic approach to managing stakeholder relations in order to harness the embedded social capital of community stakeholder groups. The ongoing saga of the James Hardie case illustrates what may happen if organisations do not take such action.

Declaration

I certify that this thesis does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any situation of higher education; and that to the best of my knowledge and belief it does not contain any material previously published or written by a person except where due reference is made in the text, or that this thesis contain any defamatory material.

I also grant permission for the library at Edith Cowan University to make duplicate copies of my thesis as required.

Signature:

Date: 2nd September 2012.

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Chapter One

General Introduction

1.0   Introduction

It must have been unimaginable for many theorists who developed the body of academic writings which underpin our current research and teaching, that the changes in the last fifteen years would have had such a radical effect upon the social institutions and power relationships within our world. It would have been equally unimaginable for most former business leaders to predict the changes impacting upon the business environment within which we currently work. Many commentators consider there to be little doubt that we are now in an unknowable environment and that the future is an increasingly unpredictable entity (Chareonwongsak, 2002). In addition, bureaucracies and businesses are reaching previously unimaginable sizes, surpassing nation states, and are garnering ever more power and influence within society.

Simultaneously, technology has sped up communication and with it our social reach. This linking has increased the power of individual voices. Individual empowerment is a growing reality; people can become facilitators in groups and networks in ways not previously considered (Castells & Cardoso, 2005 Chapter 15). From the interaction of an extended family to the bloody outcomes of terrorist networks, we are through today's communication channels, able to reach further, faster and in more depth than ever before.

During recent months there has been increasing evidence of how social media and social interconnection facilitated subsequent organisational and social action. In the Arab world, in Europe, in banking capitals and for News Ltd. there has been a continuous and vigorous demonstration of how individual sentiment about organisational issues and regulatory regimes aggregated into negative group sentiment, generating considerable reservoirs of social capital and throwing up a

variety of boundary spanners that have then acted as attractors to issues, turning emotions into action, often revolutionary and regime-changing action.

While these changes have accelerated towards the end of the 20th century and into the current century, the literature and theories have struggled to keep pace. It could be argued that with the emergence of these communication-enhanced relationships or networks (Feenberg & Barney, 2004), much of the literature that we currently rely on to structure our theories will need to be rewritten for the 21st century. Current business paradigms are still mainly rooted in academic theory which is structured around the traditional organisational decision-making models, with decisions and actions moving from the organisational centre out through the organisation, and to close organisational affiliates and stakeholders in an inside/outside direction.

What is suggested by some commentators (T. Friedman, 2005) and academics (Castells & Cardoso, 2005) and is at the heart of this thesis, is that there is a need to rethink some aspects of existing theory because of the fundamental changes that are occurring in the processes through which we live our lives and how they impact upon organisations, specifically with regard to stakeholder relations. As will be elaborated upon later, it appears that the focus of the 'social movement' is moving away from the group and towards the individual. This suggests a change in the direction of the 'issue formation and enactment process' within organisations from the 'close and immediate' to one that includes more remote influences; issues that would never previously have been considered by organisations.

Currently most business theory tends to focus on group behaviour rather than individual endeavour. However, there are a small number of researchers who have recognised that there is a gap in the research landscape that requires examination.

> *"Strategic choice theorists also remind us that the division of*
> *labor and the differential contacts of participants with others*
> *inside and outside the organization create divergent*
> *perspectives and interests as well as new sources of power that*
> *can be used to pursue these interests." (Scott, 2003 p. 248-9)*

Factors such as changes in technology, markets and stakeholder disposition present new challenges for organisations in the consideration of the stakeholder environment. To achieve a greater convergence between organisational and stakeholder expectations, a stronger emphasis must be placed on understanding the underlying social structures which support the stakeholder/organisation relationship. This is the focus of this thesis.

Furthermore, the traditional bilateral model of stakeholder/organisation relationships as the primary focus of stakeholder management should now be questioned. New communication channels are enhancing the capability of social structuring and providing the potential for stakeholder mobilisation at levels that were not previously imaginable. The stakeholder/stakeholder relationship is an emerging influence in organisational activities. This thesis suggests that the social capital possessed by individual stakeholders and small groups, and the communication channels that enhance the adhesion of these loosely connected groups, will have an increased impact on the behaviours and successes of organisations in the future.

Viewed from this perspective, individual or small organisational context-setter type stakeholders with significant social capital and a specific cause, can become the focus of an aggregation of other stakeholders around a particular issue and emerge as a spokesperson and leader of such groups. It could be suggested that such an empowered 'individual' exhibits the qualities of a boundary-spanning actor, and as such has a legitimate, but as yet undetermined role in the organisational decision-making structure. This thesis will examine the relationship between organisations, stakeholders and social capital using specific organisational activities as benchmarks, as described by Carroll's 1979 Corporate Social Performance Model. In the process it will also propose that stakeholder sentiment may then aggregate around a boundary-spanning individual.

| Wide stakeholder environment and organisational social capital | → | Specific issue | → | Boundary spanning individual | → | Aggregation of issue-specific individuals | → | Organisational influence |
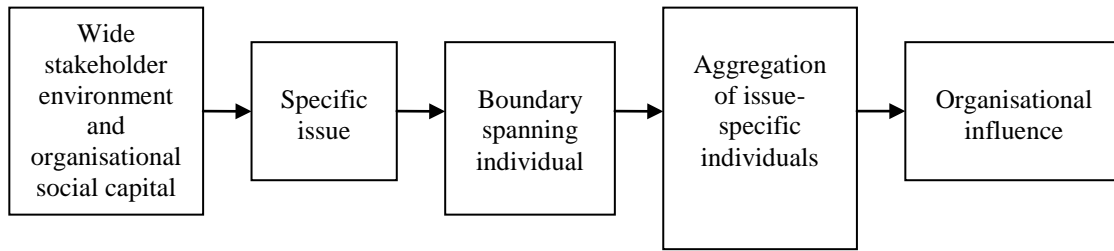
Figure 1.1   *Diagrammatic expression of research focus*

In doing so, this thesis will endeavour to contribute to the development of theory concerning stakeholders, social capital and their increasing impact on organisations. As this study is positioned in a social and organisational environment where the relational balance has significantly changed, it has the opportunity to make a specific contribution by extending current theory to accommodate these changing relational balances. The study aims to contribute to what is currently an underdeveloped discourse on the relationship between organisations, communities and individuals and provides an emerging theoretical basis for future research.

While this study endeavours to extend the current conceptualisation of stakeholder management theory through an extended review and re-conceptualisation of the literature and case study examination, the resources of a Masters thesis have restricted the associated field study to exploring just the *first component* of the argument; that community stakeholder sentiment can be significantly changed and aggregated by specific organisational actions. The study therefore begins the process of providing an empirical foundation for the extended stakeholder theory postulated in this thesis, and forms the basis of *subsequent research* into the latter components of the re-conceptualisation.

The philosophy for this paper sits in the area of post-positivism as an expression of real world experience as critically observed by the author, thus creating a mix of reality and hypothesis designed to stretch social knowledge of the subject.

To develop a practical exposition of the post-positivist philosophy, the researcher has used Popper's (1976) perspective of post-positivism where epistemology is divided into three sets - the theory, objective issues and subjective issues - to produce benchmarks for understanding and exploring the research questions. This approach has been further influenced by the individual constructivist perspective of Guba (1990) who indicates that individuals create their own knowledge base and consequently act on the basis of personal values, prior experiences and predisposition.

Using Popper's epistemological perspective (1976), the reality in this study is the observed behaviour of organisations in their activities and relationships within the social environment (the theory and objective issues), and the hypothesis is the manner in which some aspects of those activities and relationships develop during those activities (subjective issues). In this case, using the James Hardie Group as the study, the hypothesis is that in an environment that is becoming more and more like an open system, the stakeholder environment reaches far beyond the traditional boundaries of organisations. In this wider stakeholder environment and with specific controversial issues confronting participants, individuals and small groups can emerge through an aggregation of social capital (somewhat like attractors) to become boundary spanners, who with the right resources can become issue-specific leaders and context-setters for the organisation and its stakeholders.

If this process is credible in the real world, then there is a need to extend and develop the concept to seek measurable values for the steps that lead to organisational influence as outlined in Figure 1.1. To map these influences values need to be attached to the constituent elements of social capital and specific issue aggregation - something that has not been attempted before.

1.1   Research Purpose

This study seeks to explore the impact of stakeholder relations and the associated social capital on organisations, in an environment where advanced communication

processes have enabled individuals to pursue personal issues, such as organisational ethics, and aggregate around those issues as they become important to the individual. Specifically, the purpose of this study is to investigate how dispersed individual stakeholder sentiment about organisational issues aggregates, and to postulate about how boundary-spanning relationships and negotiations develop.

While there are wider implications for the research, such as understanding and taking advantage of social capital within an organisational context, the size and scope of this study is limited and exploratory due to the nature of the Masters research program. This study has been tailored accordingly and is therefore limited to a single case study. The results of this research will, by their exploratory nature be formative and add to the limited knowledge of stakeholder relations and social capital with the intention of providing a platform for further research. From the results of this thesis a study to explore such relations could be developed to pursue several aspects of the relational pattern and include considerable data collection to broaden its scope.

Carroll's Corporate Social Performance Model (Figure 3.1) provides the four elements that are used to benchmark the value of social capital profiled in this project. The study both examines this conceptual model and gathers data to explore the model in practice, therefore the research questions are focused on an examination of organisational and stakeholder relationships and their disposition in relation to Carroll's model. The four elements in Carroll's model are: Financial Performance, Ethical Behaviour, Reputation and Trust and Environmental Sustainability. This study pursues data that can inform questions developed from these four elements.

Figure 1.2 sets out the relationships between the elements of Carroll's Corporate Social Performance (CSP) and the stakeholder environment and shows the development of strategic issues moving through the organisational environment 'bleeds' out into the stakeholder environment through relevant organisational elements. In so doing it produces a background 'noise' which is distinct from the intended horizontal outcomes of business and society issues.

Adapted from "A Social Issues in Management (SIM) research framework for the 1990s"

Social Issues in Management Research: Experts' Views, Analysis, and Commentary. p.20. (Carroll, 1994)
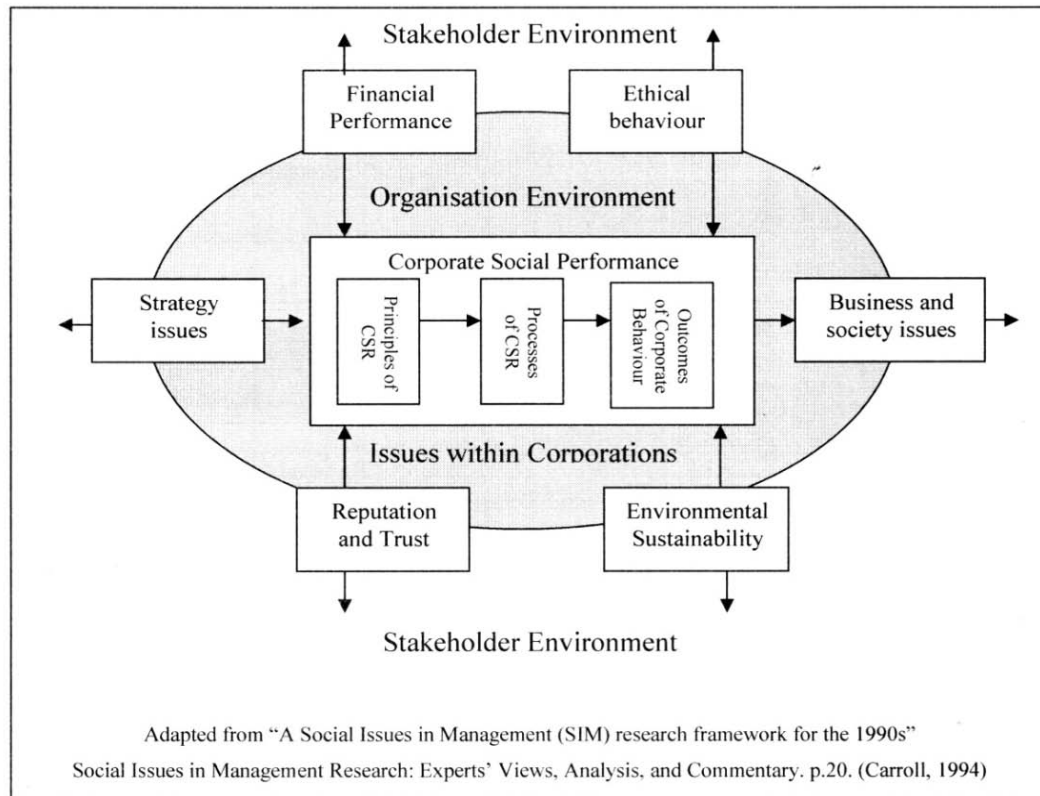
Figure 1.2   ***CSP and the Stakeholder Environment***

Figure 1.2 shows the two-way movement of strategic issues and CSP elements through the stakeholder environment and the organisational environment, reflecting decision management and compromise between the demands and expectations of the two environments. It further shows that after policy placement within the organisation, CSP migrates back through the organisation's activities and into the stakeholder environment, creating positive or negative sentiment within the community, leading to the development of corporate social capital.

This study is based upon Carroll's model. Such an approach to understanding stakeholder relationships is supported by academics such as Stacey (2003) and Scott (2003) who suggest that the world is moving towards, or 'morphing' into an enormous open system inclusive of both social and business activities. In this system the dynamics are constantly moving towards equilibrium through the 'law of limited variety' – "a system will exhibit no more variety than the variety to which it has been exposed in its environment" (Pondy & Mitroff, 1979: 7) (Scott, 2003 p. 91). Such an approach makes sense in an environment of variety and complexity where in the end,

too many contingencies make formal planning increasingly impractical.

In a business sense this may lead to synergies of symbiotic behaviours that are unexpected, unplanned and uncontrollable as suggested by Ashby's Law (1968) of Requisite Variety – "the complexity and speed of a firm's response must match the complexity and speed of change of the environment" (Stacey, 2003 p. 40). In Ashby's (1968) volatile environment of shocks and responses, the system can endeavour to minimise the turbulence by trying to maintain stability and move towards its goals if the participants act quickly to moderate shocks by purposeful responsiveness. In the context of this study, threats to the organisation's social capital increasingly need to be met with timely and appropriate responsiveness, to counteract the corrosive nature of gaps perceived by the stakeholders before the aggregation of sentiment leads to unexpected outcomes.

This thesis attempts to examine and describe the shift from the more traditional structures of the past to a structure more predicated by individual empowerment, and the development of unplanned group sentiment which in some circumstances can capture and redefine the objectives of organisations.

The rationale for examining this organisational movement can be seen in the current business and political environment where organisations are being influenced by interest or pressure groups in ways that were unimaginable ten or twenty years ago. The genesis of these groups is not always the traditional sub-structures and union groupings within the close organisation relationship, but can now be loose alliances of unattached interest groups who when motivated, are able to 'box well above their weight.' These groups aggregate into existence, but there is little to explain how or why they develop, given that many do not form through existing structures and formal paths. The question therefore needs be posed - can such formation, in one form or another, be predicted and is their overall trajectory predictable, not as individuals who would be subject to unlimited variability, but as movements created by the gaps between sentiment and reality. This leads to the question of complexity or non-linearity in social movements - can "deterministic relationships produce patterned yet predictable outcomes?" (Scott, 2003 p. 93). Such questions are at the core of this study.

Many authors and academics have already referred to the incompleteness of stakeholder relationship theories, from the concepts of organisational closeness, (Mintzberg, 1983), to open systems (Wheeler & Sillanpaa, 1997) where the links are usually of a hierarchical nature. While these hierarchies are logical and make sense of the construct, they emphasize the power of the connections as part of the hierarchy giving weight to the proposition that these close connections and related organisational actors influence the decision-making structures.

This is the point at which stakeholder theory currently struggles to be useful as it relies mostly on formal power connections. There are however many instances where supposedly powerless individuals and small groups have nonetheless had an enormous impact on organisations. They have concentrated their interests on unconventional channels to produce seismic shifts in organisational policy and behaviour. Mitchell, Agle and Wood (1997) see this in aspects of their 'Definitive Stakeholder' (Figure 1.3), where a member can be a dominant stakeholder if they exhibit power and legitimacy and will become a Definitive Stakeholder when 'urgency' is applied. In the examples cited by Mitchell et al (1997) they refer to Alaskan citizens becoming definitive stakeholders of Exxon and the African National Congress becoming a definitive stakeholder in South African companies upon winning national elections. These examples pre-suppose that power or legitimacy can in some circumstances follow urgency into the formation of a definitive stakeholder aggregation. This pathway suggests that the theory for issue-based movements can, by reaching a critical mass of aggregation, lead to the emergence of new significant actors in the organisation. These concepts are at the heart of this study and field exploration as the processes of aggregation and empowerment are central to the researcher's examination of stakeholder relations.

**Stakeholder Typology:
One, Two, or Three Attributes Present**

POWER

1
Dormant
Stakeholder

LEGITIMACY

4
Dominant
Stakeholder

2
Discretionary
Stakeholder

5
Dangerous
Stakeholder

7
Definitive
Stakeholder

6
Dependent
Stakeholder

3
Demanding
Stakeholder

8
Nonstakeholder

URGENCY
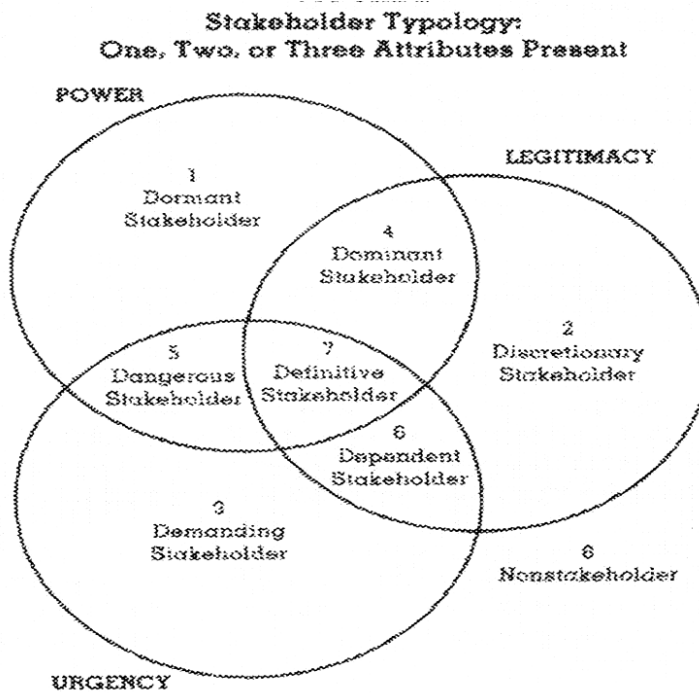
Figure 1.3   Stakeholder Typology

*Mitchell, Agle and Wood. Toward a theory of stakeholder identification and
salience: defining the principle of who and what really count. Academy of
Management Review. (1997), Vol 22, No 4, p.874.*

This model explains why it is that if 'urgency' is allowed to coalesce through many
stratums of the societal environment, through the actions (or inactions) of an
organisation over time, then the accepted models of corporate governance that define
who has the power and capacity to influence organisational decisions can be
sidelined by unexpected new actors.

While it may appear contradictory, urgency, especially (but not exclusively), can
accrue over time as issues overlay one another. This suggests that the definitive
stakeholder, enacted through urgency, has very specific issues to negotiate with the
organisation. Traditionally those issues would have related to organisational
activities such as financial performance, but many stakeholders are now relating to
wider expectations linked to the organisation's standards and behaviours. This study
seeks to explore these emerging relationships.
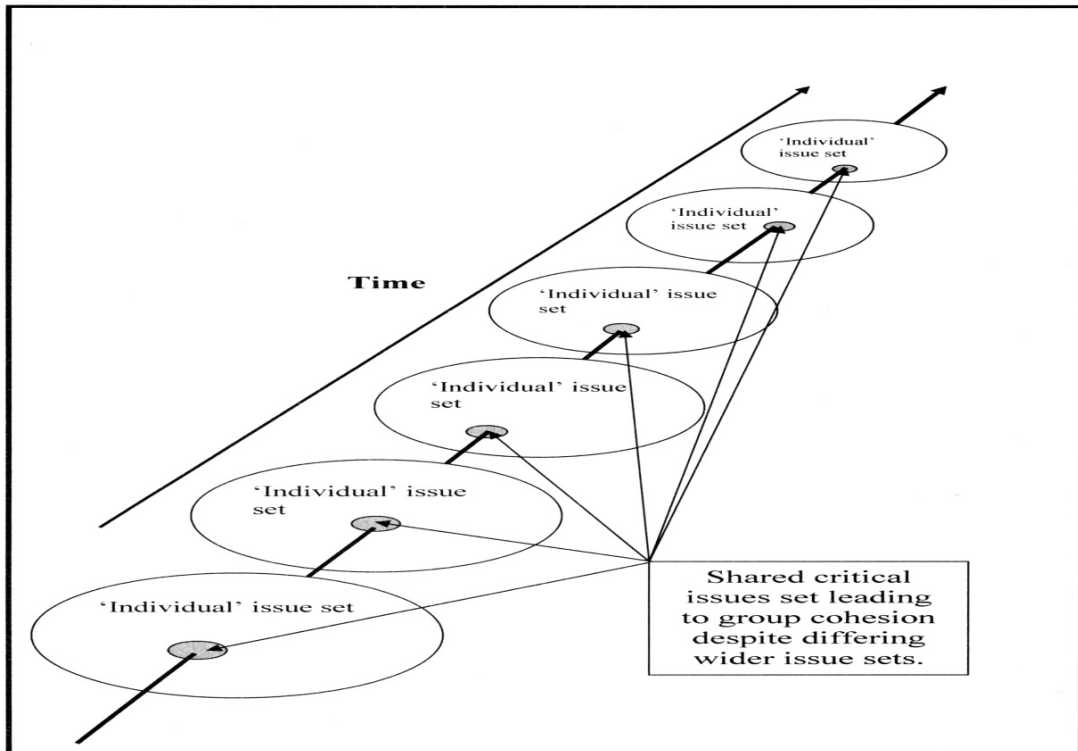
Figure 1.4 depicts the gathering of shared critical issues through multiple individual issue sets to aggregate a critical mass of individuals over time with a specific shared issue set providing the foundation for a social movement.

The goal of this study is to examine the fundamental relationship between individuals and the organisation, and to test how these one-on-one (individual to organisation) relationships are able to impact upon organisations and subsequent organisational decision-making. Additionally, the study considers whether such individual sentiments are 'real' or mere public relations hyperbole generated through mass media channels.

Public relations and advertising can have a strong influence on the individual's day-to-day activities. Within the context of this paper it is suggested that while the media can inform the individual in a favourable manner – for example about price, performance etc. - it has limited impact in influencing the individual's perception of that organisation, i.e. whether it is a good or bad company. Mahon and Wartick

(2003) suggest that stakeholder opinion develops over time as a consequence of substantive actions on the part of the organisation. This development of reputation can lead to advantages in the marketplace, and importantly for this study, in the non-marketplace environment, including public opinion. How individuals really 'see' organisations is more a product of the values that the individual places upon the organisation's position in the societal structure, a position which is well described by the social capital of the organisation. Mass media (television, radio and internet) are useful vehicles to promote an organisation. They are however also vehicles that the individual can use to challenge the 'truth' about an organisation's claims and to expose their behaviours.
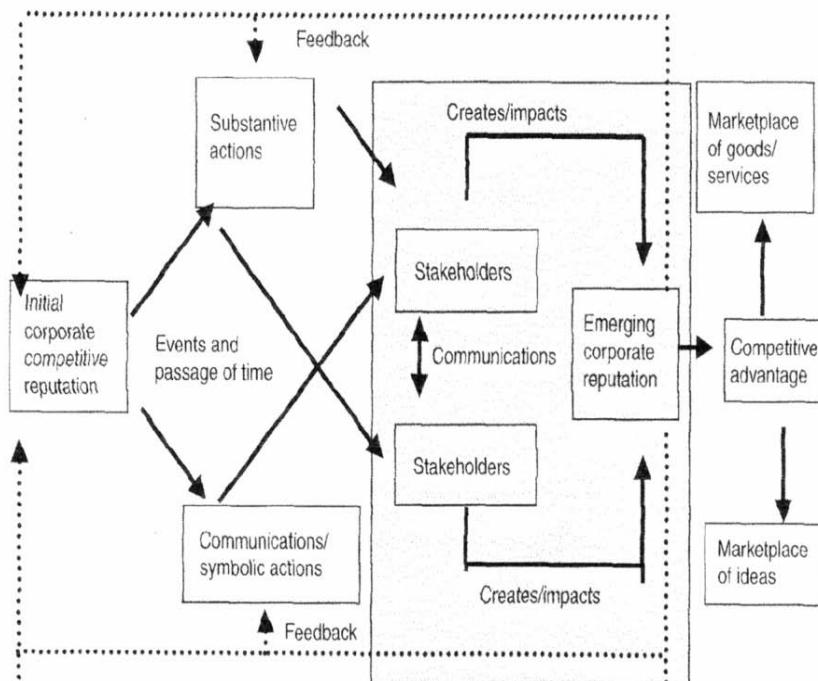
Figure 1.5   Reputation and Competitive Advantage

Mahon and Wartick. Dealing with Stakeholders: How Reputation, Credibility and Framing Influence the Game. Corporate Reputation Review. (2003), Vol 6, No 1, p.23.

In Figure 1.5 substantive actions, some non-marketplace, lead to stakeholder/stakeholder and stakeholder/organisation relationships which develop reputational expectations that when understood, offer benefits to the organisation. These reputational expectations lead to the stakeholder developing a disposition or sentiment towards the organisation, which in non-marketplace terms can be framed as its Corporate Social Capital.

This research will use the example of the asbestos-related illnesses and the manner in which the James Hardie Group dealt with the consequences of the mining and

manufacture of asbestos-based products, their substantive actions and how the community interpreted those behaviours, turning sentiment into a form of social capital that turned against the company.

To understand these relationships we need to examine the constituent parts of social capital, and while there are alternative frameworks, this study will employ Carroll's Corporate Social Performance Model (CSPM) as the most effective framework from which to explore this concept. This research will endeavour to develop a profile of the social capital of the organisation through the examination of its constituent parts as described in the CSPM and in relation to the sentiment/disposition of the stakeholder.

1.2   Research Framework

As the purpose of this study is exploratory, the research framework for this study is conceptual in nature. The study intends to describe and explain the existing related concepts in detail and then explores them within the context of the case study chosen for the research. It uses existing conceptual models to frame the research questions and then identify, describe and explain the relationships that exist within the case study chosen for this research.
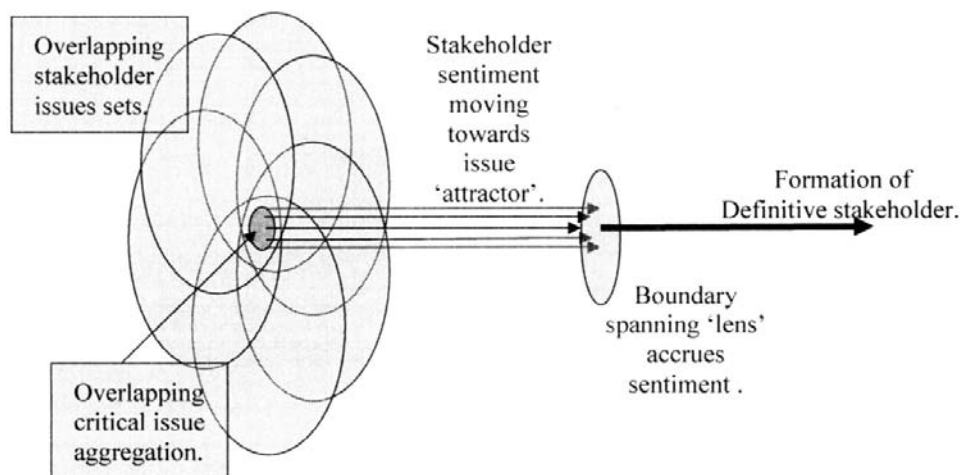
Figure 1.6   *Theoretical Framework*

Figure 1.6 shows the progression of sentiment from unconnected individual perspectives to the formation of an influential advocate. As shown in Figure 1.4, stakeholder sentiment is produced from the overlapping critical issues and is drawn through 'attractor type' attributes towards a boundary-spanning entity that, through the accrual of social capital, is imbued with legitimate power to influence organisational strategy.

1.3   Research Objectives

The purpose of this study is to investigate how dispersed individual stakeholder sentiment about organisational issues aggregates and how boundary-spanning relationships and negotiations are generated. To achieve this purpose the research objectives driving the study are based upon Carroll's model and focus upon the James Hardie asbestos issue as a case study to:

- Explore the nature of relationships between organisations and their stakeholder environment or constituencies from a stakeholder-centric perspective.

- Quantify this relationship in size, scope and intensity and examine the links between strength of relationship and shared social capital.

- Explore patterns of social capital aggregation within the organisation's broader constituency around boundary-spanning individuals.

- Develop an alternative way of understanding the stakeholder environment, potentially leading to improved outcomes for both organisations and stakeholders.

1.4   Expected Outcomes

A number of outcomes can be expected from the completion of such research to provide a clearer picture of the organisation/stakeholder relationship. Most importantly, the results of such a study can point to the types of relationships and expectations that stakeholders have of the organisations that they are involved with, as well as illuminating the range and intensity of those expectations. The research

can also provide a set of indicators that compare the relative value of the multiple stakeholder issues. This can provide a valuable tool for decision makers in identifying organisational options and outcomes.

1.5 Significance

The research is significant because organisations will increasingly be impacted by stakeholder perceptions and actions. The study makes a contribution towards improving organisational understanding of the expectations of their stakeholders. Until now stakeholder management has been viewed from an organisational perspective, with the decision making process skewed by organisational imperatives towards shareholder primacy and profit realisation. This study will inform managers and decision-makers so that they are able to construct more appropriate strategies to meet the needs and expectations of a wider caucus of stakeholders and improve strategic direction. While these findings can potentially provide an organisation with information that can improve their outcomes in social and environmental areas, they may also provide resources that can contribute to improved planning for corporate governance where 'the voice of the stakeholder' is integrated into policy and strategy formation.

1.6 Background – the rationale underpinning this study

This background statement introduces the environment that led the researcher to identify anomalies in business theory, business practice and outcomes, and to focus on the theoretical concepts that led to this research study. Real world examples of cause and effect prompted the researcher to examine whether the existing frameworks and theories explained all the behaviours that occur around us. Finding that they 'fell short,' the researcher then began to examine how the frameworks and theories were deficient and what form of study would be useful in extending the existing knowledge base.

For a multitude of reasons society is undergoing one of its greatest periods of change. Not only is there a change in interests and aspirations, but the underlying

structures which support society are being shaken to their foundations. Concepts of the world order as a monolithic, heterogeneous structure of unlimited resources is being undermined by the realities of daily living in – and responding to – a complex pluralistic system; one that is increasingly uncertain and very definitely limited. There is an inevitability about the direction of these changes and as the world's resources diminish, individuals and society as a whole are looking for answers. The desire to develop systems with inherent sustainability – both at an organisational *and* a societal level – are gaining momentum.

Despite these changes the fundamental relationship between the organisation, its stakeholders and society remains mostly un-changed. There is a growing need to develop strategies that align organisations with societal expectations. Organisations still live in an inconstant and unreliable environment and are subject to the rollercoaster of disparate interests, all pulling in different directions. It could even be argued that despite their stated objectives of engagement with community, society and environmental issues, companies are further removed from a connection with their communities and society than ever before (T. Friedman, 2000).

Exacerbating the dilemma is an ever increasing number of complex outcomes that organisational decision-makers must factor into their operations to satisfy an increasing number of special interest groups. In many cases the resulting 'gap' between expectations and outcomes for the organisation and its stakeholders leads to a 'value dissonance' between the participants, which is potentially damaging to all. There is a need to develop new practices that not only support the traditional objectives of a company such as financial performance, but also give legitimacy to other less tangible aspects of organisational performance, such as reputation and trust, ethical behaviour and the environment. Of increasing importance is the need to understand the changing and emerging relationship between organisations and their stakeholders, and to understand the collective stakeholder perceptions about whether the organisation is satisfying their expectations. Enhancing such understanding may lead to strategies that transform stakeholder relationships.

As a starting point therefore, this investigation contests the traditional notions of stakeholder management theory, which is organisation-centric and focuses upon a more pluralistic (but as yet ill-defined) model of relationships between the organisation and its stakeholders which is issue-centric, and based on a democratisation of knowledge. A major goal of this research is to identify the organisational position in a 'whole of stakeholder environment' context, and to inform new methods of understanding the relationship dynamics. If organisations are moving towards becoming knowledge systems, then the potential for reciprocity with stakeholders is high.

> *"We may need an entirely new theory of the firm to manage knowledge effectively – and to link it properly with enterprise strategy, tactics and daily operations – while recognising that in most organisations people and their behaviours contribute much more to the enterprise success than do the assets that conventionally are targets of management focus."*
> *(Despres & Chauvel, 2000 p. 25).*

If knowledge management has the potential to be a key organisational resource, it is the identification and understanding of the issues that act as drivers of stakeholder disposition which can add value to the process. Many stakeholders do not directly share the core organisational aspirations of the 'entity' and are not part of the organisational structure - they are in effect secondary or involuntary constituents. To understand the process of stakeholder relationships it is therefore necessary to identify a way of taking advantage of these relationships for the mutual good of all parties. There are a number of elements common to the relationship and environment that direct such an exploration: the size and scope of the stakeholder environment; the strength of relationships; saliency and inclusiveness and power relationships.

Organisational decision-makers have few recognised mechanisms to collect stakeholder views, let alone synthesize them into practical strategies that fit the organisation's resources. This study will explore stakeholder relationships by suggesting quantifiable methods of defining and mapping them for the purpose of stakeholder relationship development and negotiation. The focus of this study is to develop a conceptual model which can, through a 360 degree perspective, explain

the complexity of the relationships, while also describing direction and strength. Illuminating such relationships will uncover nuances which span political, conscious and unconscious behaviours, potentially improving transparency and honesty.

> *"The nature of interaction between people depends upon the*
> *extent to which those people are aware of the nature of their*
> *own and each other's behaviour" (Stacey, 2000 p. 203).*

There has been considerable media commentary about socially responsible activity that improves the perception of the organisation in the eyes of its stakeholders. It is however unclear how well such benevolent action by the organisation translates into stakeholder goodwill and strategic support. While each socially responsible action may develop social capital for the organisation, there is little direct evidence of the nature and direction of that capital as a benefit to the organisation's current activities and future strategic development. If harnessed, stakeholder social capital could provide the framework for developing the concept of a 'virtuous circle/spiral' of action and reward for both the organisation and its stakeholders.

Is social capital important? Companies appear to think so. Consider the recent effort and cost Telstra has committed to increasing its acceptance (social capital) through paying for advertising, sponsorship and the more oblique 'cash for comment' by radio personalities such as Alan Jones and John Laws (Cunningham & Turner, 2002). The reason for the desired enhancement of corporate social capital is that research suggests it is reciprocal in nature, indicating positive (virtuous) or negative (vicious) interaction between the organisation and its stakeholder constituencies. In this context the value of social capital is that it provides organisational advantage, thereby contributing to the bottom line through reduced transaction costs and the addition of more complex forms of social capital for the organisation's future benefit (Hazleton & Kennan, 2000). But ultimately such decisions are made by individuals. Their perceptions of an organisation are deeply rooted in intangibles like reputation and trust. This study explores these issues.

It is well accepted (Lesser & Storck, 2001) that individuals form Communities of Practice (CoP) (Lave & Wenger 1998) within their organisational work groups and

externally, from social clubs through to political parties. Such communities of practice are characterised by the consensus of attitudes and perceptions – that is they group behind cornerstone concepts or beliefs. While many CoP groups develop in formal business, social, community, environment and political environments, there is limited understanding of why and how groups form for social activism (Fukuyama, 1996).

The relationships of structural networks with hierarchies, such as political parties, action groups and companies are easier to understand. Unstructured movements such as rumour-driven sentiment run on stock markets and banks. Those driven by 'people power' lack traditional organisational structure and hierarchy but can nevertheless amass incredible social power and achieve surprising outcomes. While there is an existing body of literature about organisational behaviour and social group behaviour, the new phenomenon of social groups being drawn together by their values in relation to an organisation's actions, is an area that requires further investigation.

Major companies have for a long time understood the need for a public relations presence, a strategy and actions that can influence public perceptions about their activities to raise their organisational social capital in order to improve organisational outcomes. Some use these publicly stated organisational positions as a substitute for trust, artificially manufacturing that which is essential to the existence of social capital (Fukuyama, 1996). However this thesis would argue that organisations often do not fully understand the strategy underlying their actions and are acting instinctively to 'work on' the wider community's perceptions through a 'scatter-gun' approach. What such organisations are attempting to do is gain social capital through aggregation, attaching themselves to persons or programs. In turn they attach their own social capital to such groups in order to identify with and influence them.

Currently, organisations employ considerable resources to influence public perceptions and resources. The underpinning relational strategy appears to be uni-directional and uses charismatic personalities and statistical arguments to contest and

influence public perception about the value of organisations such as Telstra or activities like logging old growth forests in Western Australia. Eden and Ackermann, (1998) suggest that organisations use 'context setters' to generate organisational trust within their communities. According to Eden and Ackerman 'context setters' are:

> " *independent actors who fundamentally affect the context*
> *within which the strategy must work and yet have no stake in the*
> *organization ... For the most part the unaffected bystander -*
> *'crowd' are unimportant for stakeholder analysis, unless they*
> *can be encouraged to become interested and powerful." p. 122.*

While these context setters may seem to fit Mitchell et al's (1997) model (Figure 1.3), in acting as definitive stakeholders they, by definition, lack the 'urgent interest' to play the role in an issue-aggregation context if they are considered to have 'no stake'. There are however actors who, within a wider definition of stakeholder connectedness, do seem to be able to act from a position of remoteness and are most closely described as intra-organisational 'boundary spanners'. They have relationships with and access to wider stakeholder groups and through communication and interaction, can become focal points for either positive or negative group sentiment (for examples see Chapter 4).

For many years individuals who are pivotal in social aggregation have been identified and studied in an intra-organisational and inter-organisational context under the label of 'boundary spanners.' However because of their immediate hierarchical/organisational context, the definition has seldom been widened to encompass stakeholder or society-wide groupings. Boundary spanners within the context of this study, do not have to be employees or public relations people, but may be detached social actors whose sentiments and values actually resonate with the community network on a more personal level. The aggregated sentiment networks and hierarchies that are produced provide organisational actors with a significant tool for negotiation and mediation (Kijima, 2001), an opportunity that appears to be little used in current organisational strategies.

Relationship psychology suggests that as individuals, we hold private conversations as a way of generating opinion (Stacey, 2000). It is important to understand how boundary spanners influence these private social conversations. For this purpose the concept of 'attractors' [1], individuals who draw people concerned about the same social value issue, is analogous to the boundary-spanning roles employed by members of organisations. Attractors generate similar aggregation and momentum around social/organisational issues. What is it that gives boundary spanners the authority to influence and sometimes define such processes? It may be the ability of organisations to identify issue-related boundary spanners and to mobilise them in a timely fashion, for the benefit of the organisation.

The value of the social capital of powerful actors in the stakeholder spectrum is often evident in more recent social/organisational issues. This investigation focuses on mechanisms by which such stakeholders through networks of collaboration, combine to share their influence and focus their individual power for a specific purpose. It explores how such individuals can develop an extremely powerful and political coalition that successfully promotes a chosen agenda. Often such coalitions of individuals appear to 'box above their weight', and this thesis explores whether or not in this case, they could be classified as 'boundary-spanning individuals', as they appear to have the ability to attract stakeholders, individuals, public opinion and media to their point of view in an issue-based decision event. Such 'boundary spanners' have particular currency, especially when well charged with aggregated social capital.

To explore this emerging phenomenon, this research study investigated a number of stakeholders in relation to one organisation to try and identify their connectivity and potential for aggregation in the context of social capital and boundary spanning. To focus the research resources, the researcher decided to concentrate on a purposeful and revelatory case study of a company with activities in socially and environmentally sensitive areas, and involved in strategic decision-making that is socially and environmentally controversial. The researcher chose the James Hardie Group and the asbestos compensation issue as the research subject because the

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[1] The concept of attractors will be fully explored in chapter four.

controversy surrounding the company and the evident coalition of public/societal perceptions, provided a fruitful platform for deep single case study.

The organisation provided a highly publicised profile relating to past and present performance and its current actions had been controversial and well documented in the media[2]. This case therefore provides sufficient relational tensions with stakeholders for a study that seeks to explore the relationship between the expectations and outcomes of the organisation and its stakeholders.

Through exploring the stakeholder relations and the disposition of the organisation to stakeholders, this thesis intends to develop a matrix model that that will map these relationships and explore the mechanisms that have generated social capital. In addition, the study aims to explore how stakeholders aggregate and how they mirror the boundary-spanning qualities exhibited by organisational employees. Such outcomes can add to current theoretical understanding and provide models that can inform organisational interactions with stakeholders.

1.7   Summary

In conclusion, society has experienced a period of significant change where technology and communication channels have made it possible for everyone to be informed. This has forever altered the way individuals and groups act when issues arise in which they have an interest. Where organisations develop a strategy and take substantive action that leads to stakeholder or societal consequences, individuals and groups can, through enhanced communication, organise themselves into interest groups.

There are indications that group formation is moving away from the more formally organised group as the driver of issue formation and enactment, towards looser coalitions of individuals who choose to aggregate for 'one off' issues, despite expressing divergent opinions on other issues. The mechanisms underpinning such

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[2] Full details of the case study organisation will be explored in chapter five.

coalitions need to be understood better, and this aim lies at the heart of this study.

In this emerging environment, inter-stakeholder relationships appear to be taking on a more important role. Such a social environment exhibits the characteristics of an open system where social and business activities intertwine. It appears that this system of relations strives for a new equilibrium where a firm's response to social events needs to match public perceptions in a complex and changing environment. To avoid conflict with the social environment, organisations need to be responsive and act quickly to reduce the expectation gap. Where such gaps occur, an informal aggregation of stakeholders can develop and this study suggests that such situations lead to individual empowerment and spontaneous coalitions of stakeholders.

It also appears that this changing environment is developing, or at least empowering, a new set of actors in the decision-making process and power dynamics of organisations. Individual stakeholders with enhanced social capital are more likely to become 'attractors' for disparate groups. In this expanded context, active stakeholders may become 'boundary spanners' and take on an active role in the decision-making processes of an organisation by being 'definitive stakeholders'.

Due to the influence of mass communication and enhanced interpersonal communication systems, individuals increasingly champion specific organisational/social issues and become significant actors within the formal organisational decision-making processes. More and more, the activities of organisations are judged by the community. Individual perceptions are aggregated though new communication technologies into communal sentiment, best described as social capital. This thesis focuses on how the power of such stakeholder capital contrasts with the existing social capital of the organisation, and how it is able to mediate the decision-making processes and positions taken by organisations.

Currently most organisations address this external stakeholder environment in a rather superficial way. This study aims to illuminate the importance of these developing power relationships and to provide a framework that will assist

organisations to integrate the values expressed by such social groups within their decision-making processes.

The research component of this study is a case study of the issues relating to the asbestos compensation activities undertaken by the James Hardie Group, the reaction to those events by the community and their impact upon corporate social capital. It explores the landscape of action groups that formed around the fight for compensation and assesses their impact relative to James Hardie and the wider community. It is a field study that explores the first stage of the re-conceptualisation of stakeholder management as postulated in this thesis.

1.8   Key Definitions

The Open System

"The open system view of organisational structure stresses the complexity and variability of the individual parts – both individual participants and sub-groups – as well as the looseness of connections among them. Parts are viewed as capable of semi-autonomous action; many parts are viewed as, at best, loosely coupled to other parts. Further, in human organisations, as Boulding emphasises, the system is "multi-cephalous", many heads are present to receive information, make decisions and direct action. Individuals and subgroups form and leave coalitions. Coordination and control become problematic. Also, system boundaries are seen as amorphous and transitory; the assignment of actors or actions either to the organisation or to the environment often seems arbitrary and varies depending on what aspect of systemic functioning is under consideration" (Scott, 2003).

Social Capital

Social capital has been described as a variety of entities that have aspects of social structures and facilitate certain action of actors within the structure (Coleman, 1990)

and the aggregate of resources linked to a durable network of relationships (Bourdieu, 1985). Putnam (2000) describes it as essential to all social structures up to and including the process of democracy. The central tenet of social capital is that "networks of relationships constitute a valuable resource for the conduct of social affairs" (Nahapiet & Ghoshal, 1998 p.243) creating a 'pool' of capital which can be accessed amongst the members. "The touchstone of social capital is the principle of generalized reciprocity" (Putnam, 2000 p.135).

Corporate Social Capital

Corporate social capital is described as the organisational value gained from the behaviour of doing the right thing, that value being the gain of reputation and trust (Hazleton & Kennan, 2000). Therefore organisational social capital potentially gives an organisation a significant advantage over other organisations in a competitive market.

Stakeholder Theory

There are many theoretical constructs that define the stakeholder environment. The size and scope of the stakeholder environment varies from those who consider stakeholders to be parties with a direct relationship as described by organizational boundary, Grey et al. (1997), the 'accounting entity' where relationships are limited to those with a direct organisational 'closeness' to the whole environment model (Wheeler & Sillanpaa, 1997) and includes all stakeholders who have an interest in the strategic future of the organisation (Eden & Ackermann, 1998).

Boundary Spanners

Boundary spanners according to Kostova & Roth (2003) are actors who serve strategic rolls in an organisation. They have direct access and form relationships with other organisational members, gathering information and obtaining feedback from stakeholder networks. Through this contact they can develop perceptions and attitudes which they interpret and communicate back to the organisation. Effective boundary spanners can lead innovation in all aspects of the organisation's activities. They reach across organisational roles or levels as well as outside the organisational

structure.

Context Setters

Eden and Ackermann (1998) see context setters as independent actors who are able to influence the context within which organisational strategy works. They may have little or no stake in the organisation.

Corporate Social Performance

Corporate Social Performance as described by Wartick & Cochran (1985 p. 758) comprises the "three-dimensional integration of corporate social responsibility, corporate social responsiveness and social issues" and provides a framework for evaluating organisational behaviour in relation to the surrounding environment. Wood (1991a) takes it further with her definition: "a business organisation's configuration of principles of social responsibility, processes of social responsiveness and policies, programs and observable outcomes as they relate to the firm's societal relationships".

Corporate Social Responsibility

Corporate Social Responsibility is defined by Joyner (2002) and Carroll (1979) as categories or levels of economic, legal, ethical and discretionary activities of a business entity as adapted to the values and expectations of society.

Attractors (Strange)

Attractors are model representations of a preferred position for a system (state of equilibrium). Strange attractors represent an ensemble of an infinite number of preferred (equilibrium) points and long-term unpredictability, while a system displays typical patterns or recognisable behaviour. As such they are mathematically deterministic but their descriptive equations cannot be solved – a complex, mostly unpredictable weather system in the Atlantic may become a more predictable, less chaotic cyclone and then become a highly predictable storm for which local warnings can be issued. Mapping the results produces a two-lobe map called the

Lorenz Attractor, which shows that events tend to be attracted to the two lobes and that everything outside those is statistically unlikely. The Lorenz attractor represents a relatively steady system because it restricts itself to two conditions (lobes) (Marion, 1999).

Social Attractors

Social activity can be metaphorically described with a strange attractor if proper indices can be identified. Many macro level social behaviours can be physically described with an attractor (Marion, 1999).

1.9   Thesis Structure

This thesis is divided into nine chapters which cover the following:

Chapter One: An *introductory chapter* that provides an overview of the thesis and outlines the critical concepts that underpin the intention of the study. This is followed by a statement of the purpose and objectives of the study and a discussion of the expected outcomes and significance of the results from the study. Finally, the structure of the thesis is outlined and key definitions are stated.

Chapter Two: An overview of the *organisational and stakeholder environment* within which the research questions are formed. Elaborating on current stakeholder theories and models, it describes the topography for presenting the concepts addressed in this study.

Chapter Three: An examination of the situational atmosphere in which the *'sentiment'* of the participants is overlayed on the stakeholder topography. It explores how, through an analysis of the structural elements of social capital, the participants' direction and strength of sentiment can be understood.

Chapter Four: An examination of the context within which *sentiment aggregation* can occur through boundary-spanning elements.

Chapter Five: A profile of the subject of the study, the *James Hardie Group* and the asbestos compensation issue.

Chapter Six: A summary and conceptualisation of the *research literature* related to this specific study.

Chapter Seven: A discussion of the *methodology* used to frame the study and operationalize the research questions.

Chapter Eight: A report on the *results of the research* carried out for the purposes of this thesis. It examines and analyses the empirical data collected with the aim of identifying attitudinal changes by the respondents that have developed over the course of the research period.

Chapter Nine: A summary and conclusion of the thesis with specific reference to its contribution to existing knowledge.

Appendix One:	Research questionnaire
Appendix Two:	Research participants' letter
Appendix Three:	Jackson Royal Commission Report
Appendix Four:	Explanation of quotes from the Jackson Report
Appendix Five:	Qualitative responses from the field study
Appendix Six:	Ranking of CSR elements

Chapter Two

The Stakeholder Environment

2.0   Introduction

This chapter examines the *stakeholder environment* in relation to current academic frameworks and sets out the criteria according to which the research methods used in this study have been developed from accepted stakeholder models. In this chapter, organisational structure and sustainability are explored to introduce the values that enhance the organisation's performance, and the stakeholder environment is examined to provide the basis for the development of the study.

2.1   The organisational structure

This study is an exploration of the processes and values according to which organisations must operate in a responsible and positive manner for themselves and the community. Not only must they act responsibly to achieve their own organisational outcomes, they must also attempt to balance their actions with the needs of the community and the environment. It is the marrying of these processes that are so important to the theory of sustainable future development. Carroll (1979), supported by Wartick & Cochran (1985) and Joyner & Payne (2002), believes that there are four levels of activity in which an organisational entity must be involved: economic, legal, ethical and discretionary. While the first three are 'positive and normative,' the fourth - discretionary activity - gives the organisation the power to act outside its organisational norms and constraints and more in the areas of developing social capital through right/creative decision-making.

As a part of this negotiation process, the social capital of constituents can have an impact upon the outcome of decisions. If, as can be expected, organisations normally act in a "positive (legal) and normative (moral)" (Gray et al., 1997 p. 167) fashion, then the discretionary behaviour (Joyner & Payne, 2002) should include mainly corporate social performance aspects which create corporate social capital for the organisation.

While this social capital has value it is restricted because of its attachment to the organisation, which may be seen to be directly connected to the organisation's outcomes. It could be suggested that the social capital of an organisation (Corporate Social Capital) is therefore important and worthwhile for an organisation to develop, but does not have a direct influence on its wider stakeholder constituency. It is from this wider stakeholder perspective that stakeholder disposition and potential stakeholder aggregation may be determined by aspects of social capital that extend far beyond the organisation's reach.

Vinten (2000 p. 381) states that organisations are increasingly finding stakeholder issues "omnipresent in the business community", but where there is an 'expectation gap' (Gray et al., 1997), dissonance occurs when dealing with stakeholder issues. This happens most especially at the more conceptual end of the stakeholder issues range – for example the environment. Despite resistance, some current stakeholder managements attempt to address this by giving weight to the requirements of the stakeholders and by broadening the range of stakeholders to fit current expectations (Gray et al., 1997; Ruf, Muralidhar, Brown, Janney, & Paul, 2001). This perspective includes recognising wider responsibilities to the environment and society (Vinten, 2000), which are reflected in processes like triple bottom line accounting and AA1000 quality assurance; processes which appear to be in an upward trend in Australia (Raar, 2002).

2.2   The sustainable organisation

Organisations exist because of the goodwill of the community/society they exist in. Without that goodwill it is most likely that organisations will be short-lived. So how can an organisation produce operational, organisational and societal sustainability in this very complex environment? Is it possible for them to measure all of the competing organisational, operational, community, societal and environmental issues to develop a balanced approach that will allow for continued organisational growth and development?

In considering these activities, the organisation must assess three outcome streams. The first is organisational outcomes; the second is the stakeholder environment and

the third is the societal environment. To be successful on an ongoing basis, organisations cannot allow the 'environment' (stakeholder or societal) to be significantly at odds with organisational outcomes. While it may be impossible to operate in a manner wholly in line with the needs of the environment, it is important that the goals of the organisation, the stakeholders and society are generally congruent. To achieve this and in accordance with Ashby's law, organisations use processes of social responsiveness, most commonly environmental assessment, as well as stakeholder and issues management (Wood, 1991a). These actions bridge the expectation gap that exists in this ever-changing relationship. A measure of this gap is the corporate social performance (Carroll, 1979) of the organisation. Furthermore, while many organisations research the attitudes of their stakeholders deeply, they do so within the context of a bounded and hierarchical construct. This provides for the analysis of stakeholder needs along the lines of pair-wise stakeholder/organisational closeness. This makes sense administratively but it does not mean that remote stakeholders are uninterested in aspects of the organisation's activities and don't wish to influence how they are enacted.

While there are many attributes that can be incorporated in the description of a successful organisation, this study focuses on aspects that relate to the sustainable nature of the organisation. Sustainability can be assessed from two aspects: operational and environmental, and the author proposes to focus on four elements which represent the fundamentals of organisational sustainability. These elements are: Financial Performance, Reputation and Trust, Ethical Standards and Environmental Responsibility. The last three are functions of Corporate Social Performance with the elements as a whole forming a measure of Corporate Social Capital (Hazleton & Kennan, 2000). These elements of an organisation should resonate strongly with organisational stakeholders throughout the entire environment and this thesis suggests that it is the balance that organisational leaders achieve between these elements that drives stakeholder sentiment.

2.3   The Stakeholder Environment

There are many theoretical constructs that attempt to define the stakeholder environment. The size and scope of the stakeholder environment is diversely defined by academics. Grey et al. (1997) considers stakeholders to be parties who have a direct relationship linking them to the organisational boundary. This 'accounting perspective' includes stakeholders only where a direct organisational 'closeness' exists. In contrast, Wheeler and Sillanpaa (1997) include the whole environment in their model, including all stakeholders who have an interest in the strategic future of the organisation (Eden & Ackermann, 1998). In addition, academics such as Crane and Matten (2010) consider that different regions within the global context consider and manage their stakeholder environments (both size and scope) differently due to "differing cultural, economic and religious histories" (p.29). That being so, this thesis lacks the scope to examine those differences which the researcher considers relevant but marginal to the central hypothesis of remote stakeholder reach.

While stakeholder theorists argue about the boundary of stakeholder 'saliency' and the value of 'inclusion', the decision-making dilemmas that organisational leaders currently face are overtaking these academic distinctions. In the current social environment we can see the dichotomy of organisation and society diminishing as new and unforseen social pressures emphasize the organisational need to align organisational expectations with those of society. The influence of power within these emerging stakeholder relationships is still unclear, primarily due to the complexity of managing multiple and competing perspectives between players (McKenna & Martin-Smith, 2005). However, for stakeholder relationships to be effective and for stakeholder issues to have traction, it is critical that the size, scope and strength of these relationships be mapped. Exploring and understanding these coalitions will be critical to organisations in the future as these coalitions gain 'voice' and assert their power.

There are many constructs and theories that examine and explain the behaviour of actors (stakeholders) and the formation of networks. Several fields of theory were

examined to ascertain their relevance to the direction of this study. While some of the major fields have significant currency in the focal area of the study, in many cases their relevance was tangential to the thrust of this study or they added a theoretical perspective that significantly added to its complexity and complicated the research process. The following sections note the contributions of these theories and states the reasons why they do not form a significant role within this research.

Agency, the ability of actors to "innovate upon received cultural categories and conditions of action in accordance with their personal and collective ideals, interests, and commitments" (Emirbayer & Goodwin, 1994 p. 1442), is a useful concept for understanding motive retrospectively but, within a matrix-style analysis is somewhat one-dimensional, as self-interest "agents enter and leave the exchange like strangers" (Callon, 1997 p. 3). It does not explore the interpersonal dynamics of group behaviour or network formation and is difficult to superimpose over *sentiment and aspiration*-driven behaviours that are suggested by this research.

Social movement theories provide useful insights into many aspects of network theory. They account for the potential agency of peripheral actors by exposing network position and political opportunity and clarifying the mobilisation of actors, organisations and resources (Greenberg, 2000). While McAdam, McCarthy and Zald (1996) suggest that there is an ongoing convergence of concepts by theorists that focuses upon understanding how network action accomplishes outcomes, research into understanding the mechanisms of how it develops is still in its infancy (Greenberg, 2000).

Actor Network Theory (ANT) has sound value in explaining the acts of social aggregation and is a useful perspective when trying to understand patterns of association that not only link persons, but also persons and things (Stark, 2001). This perspective has important attributes that might underpin a deeper study following this project, to examine the mechanisms that support attraction and aggregation. However ANT as it is currently explained, may not be a suitable framework from which to take the leap from explaining the relationship of organisational actors to explaining the influence that informal relations may have as an active part in the

process of relational calculation (Callon, 1997). However what Callon (1977) does indicate, is that although ANT presents actors as driven by power and only interested in expanding their own networks and interests, more informed framing (for example political representation) will enable more varied and inventive configurations of ANT calculations in the future. Murdoch, (2001) emphasises this by recognising the inherently co-constructionist modelling, but then points directly to the weakness of such a perspective as an 'ecological sociology' which ultimately must bring actors' motivations together with complex network interrelations. So while ANT does not appear to provide an immediate framework for this current research, it may in the future provide a relevant framework for the development of this form of research. While the researcher is cognisant of these theories, the decision was made that adding an ANT analysis, a theory that currently does not accommodate informal external relations effectively, would add undue complexity to this Master's study.

Mitchell, Agle and Wood (1997 p. 854) indicate that "what is needed also, is a theory of stakeholder salience that can explain to whom and to what managers actually pay attention". This study therefore concentrates on specific aspects of stakeholder theory and social capital accumulation as a vehicle for developing this research, rather than using an ANT perspective.

2.4   Relational power - the 'voice' of the stakeholder

While there are many models for stakeholder management, there is currently no clear mechanism to gather together the often diverging interests of organisational leaders and stakeholders. Shareholder interests are of great importance, yet there are many other stakeholders who currently have little or no "voice" (Mintzberg, 1983 p.23) within an organization's strategic process. It is important that within a dynamic environment, all are included in the strategic process. In particular (Berman, Wicks, Kotha & Jones, 1999; Cutting & Kouzman, 2000; Gray et al., 1997; Ruf et al., 2001) agree that what Vinten (2000 p. 381) calls the "voice of the stakeholder", should be a present and persistent moderating influence in the decision-making processes of any organisation. It is potentially the most important factor in bringing about the paradigm shift required to refocus organisational activities on new, socially

acceptable objectives. The 'voice of the stakeholder' represents a change in focus for the organisation, rejecting strictly profit and performance driven objectives (M. Friedman, 1962) to negotiating shared, but less specific outcomes as enunciated through stakeholder dialogue and empowerment.

2.5   Stakeholder involvement and support

As discussed previously, actors have specific dispositions towards strategic directions and organisational outcomes. These dispositions could be most easily managed at an individual level, but given the wide variety of stakeholders in the current paradigm, it is not possible to negotiate with all of them on an individual basis. They do however rely on persuasive procedures to develop support – for example, the use of company publications to disseminate information and organisational sentiment - "the simplest example of managing the perceptions of shareholders, as players, is through the annual report" (Eden & Ackermann, 1998 p. 129). Here organisations are persuading the stakeholder to support their strategy, not develop strategy which is inherently attractive to the stakeholder. The relational intent is uni-lateral.

Further complicating the relational pattern is the fact that stakeholders may form a network group, but underpinning this broad group are a range of specific interests within the wider strategic picture that have very different values to the sub-groups of stakeholders. These 'pay-off positions' of individual stakeholders have a wide-ranging effect on the scope and scale of negotiations that are subsequently entered into within a network, and results in sentiment positioning, leading to the unexpected impact of such relationships upon the company.

Understanding these relations is best done, not through mapping their strength and direction, but through understanding and utilising stakeholder values and influence (Brenner & Cochran, 1991). Tools such as the Analytical Hierarchy Process (AHP) (Hosseini & Brenner, 1992) which uses multi-attribute techniques to analyse multi-dimensional problems and consider decision alternatives, are used for this purpose. However, while there are tools to understand some aspects of stakeholder relations

such as attitude, mapping strength and direction and other methods assisting decision-making from an organisation-centric perspective, there are none that investigate or explain the *aggregated* stakeholder perspective and its *value*. Further methods are needed to explore and understand this stakeholder environment. This study intends to make an exploratory contribution to understanding in this field.

Eden and Ackermann (1998 p. 120) acknowledge that there are a "large array of actors who have a 'stake' in the strategic future of the organisation" although many do not have significant power to negotiate with the organisation. If, as Eden and Ackerman suggest, power is *issue-specific* for the player or actor, then it is critical for strategic development, to understand the position of individual players and actors on issues that raise their attention. This is true for individually powerful players as well as potential networks of influence. Organisations need to understand that there is a point where individual interest may reach a level where the exercise of individual power can be combined with others, to develop a significant collaborative impact (Rowley & Moldoveanu, 2003). Bird (2001 p. 298) goes on to point out that most organisations are "not simple, clearly bounded entities" but rather have boundaries that are "often flexible and permeable by different groups in varied ways". These constituents or stakeholders have been variously described by him as "groups which can affect or be affected by the organizations (Freeman, 1984), those whose interests are put at risk by these organizations (Clarkson, 1995b), or those with legitimate claims on these organizations (Hill & Jones, 1992)" (Bird, 2001 p. 304). That is, its stakeholders – both internal and external, its shareholders and the wider societal environment (Gray et al., 1997). While many stakeholder relationships are formalised through regulation or contract, many others are not. In the absence of formal structures or acute self-interest (Fukuyama, 1996), trust built through social capital is necessary to provide the social connections which lead to the cumulative aggregation of actors into networks involving shared values and mutual obligation (Putnam, 2000).

While peripheral stakeholders may be disadvantaged by their position on the stakeholder landscape, they also have some advantages. They lack ties and obligations to the organisation. This may mean that they have less power, but it also

means that they are less constrained by organisational imperatives when making their voice heard (Greenberg, 2000). This makes them a potential threat for organisations as they lie outside their locus of control. Indeed, their lack of power is not always the case. Stakeholders do have the ability to band together and mobilise action in networks which have the effect of multiplying their individual power and enabling their 'voice' (Mintzberg, 1983) to be heard, hence impacting upon the organisation.

Due to the current perspective of organisation-centric stakeholder management, organisational decision-makers appear not to appreciate that actors can be enabled or constrained by their network position. Therefore the position of peripheral actors does not always explain power inequalities represented by stakeholders who hold little direct power but speak for an empowered network (Greenberg, 2000).

Eden and Ackerman (1998) use the Power/Interest Model (Figure 2.1) to explain that the variability of power displayed by a player is a matter of the disposition of that player over their *interest* in the issue. Players can choose to be passive or dominant (Mintzberg, 1983) in relation to their interest, regardless of their inherent power. Many subjects and players have little choice in their specific interest as they do not voluntarily participate in the organisational activity:

> *"...the point about stakeholders is that (contrary to shareholders) they cannot put their interests in companies up for sale… Reliability and predictability have their own value in business relations across the globe. Recognition and involvement of stakeholders is the practical answer' (Ralph Dahrendorf, The New Statesman and Society, 15/12 December 1995)", as quoted by Eden & Ackerman (1998 p. 121).*

To keep stakeholder disposition positive, organisations need to understand the interests of their stakeholders and harness the negotiating power and influence of all stakeholders, not just "the most powerful *and* the most interested" (Eden & Ackermann, 1998 p. 126).

INTEREST
in the strategy
making
organization

	Subjects	⟷	Players
Stakeholders			↕
Unaffected	Crowd		Strategy Context Setters

Bystanders   Actors

POWER in relation to strategy realization ⟶
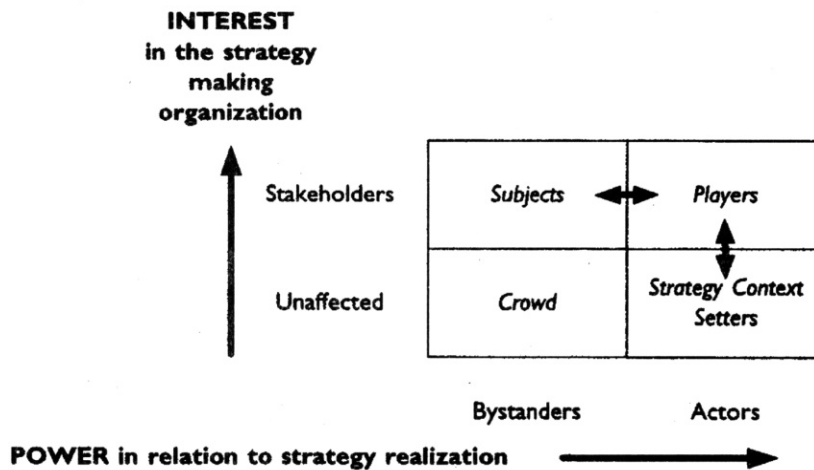
Eden, C., & Ackermann, F. (1998). *Making Strategy.* London: Sage Publications. p. 121.

Figure 2.1   The Power/Interest Grid

The Power/Interest Grid depicts the environment in which stakeholders can become engaged in the strategies and operations of an organisation. Many influences, some unexpected, can increase individuals' power or interest, repositioning them within the organisational decision-making structure.

Further research is needed to understand how networks are established from common and converging perspectives, and then lead to joint collaborative action. What is important to understand is that the relevance of the bifurcation or segmentation of stakeholders along the lines of organisational closeness is diminishing. Stakeholder intentions are increasingly *issue-based* and 'negotiation' should be the strategy of choice in resolving conflicting expectations. Distant stakeholders may become very powerful and mediate organisational dispositions where there is intense sentiment surrounding an issue that enables them to coalesce into an active pressure group. In this case, their distance from the organisation becomes a benefit as they are unrestrained by any vestiges of former relations. Given such potential situations, the stage is set for organisations to develop improved stakeholder involvement strategies.

2.6 Exploring spanning the stakeholder environment

Synthesizing stakeholder-organisational outcomes and expectations into agreements which include emerging societal and environmental expectations, may often be regarded by the external market as contradictory to the organisation's best business interest (M. Friedman, 1962). It is therefore necessary to create a mechanism to 'span' the differences and contradictions of these disparate perspectives.

Kostova and Roth (2003) and Manev and Stevenson (2001) describe this process as consisting of the development of boundary-spanning elements within the organisation and stakeholder/societal environment. These create negotiation channels that result in compromises and alternatives, and ultimately dictate final choices for the organisations that lead to new organisational practices and behaviours. Berman et al (1999) argue that in the past, there was a lack of mechanisms and will to develop an extra-organisational model of inclusiveness. Organisations often lacked enthusiasm to "explore the antecedent conditions of stakeholder group mobilization" (Rowley & Moldoveanu, 2003 p. 206), but this pattern appears to be changing.

> *"Almost everyone now is feeling - directly or indirectly - the*
> *pressures, constraints and opportunities to adapt to the*
> *democratisation of technology, finance and information that are*
> *at the heart of the globalisation system."*
> *(T. Friedman, 2000 p. 73)*

By combining saliency and inclusiveness through "the organisation's, society's and the stakeholders' negotiations of closeness" (Gray et al., 1997 p. 175) and coupling this closeness with the use of tools to identify and prioritise the concerns of stakeholders and society, more effective outcomes may be achieved. Existing accounting methods will make way for 'new accounting' systems that incorporate the assessment of previously intangible relationships and combined with the transparency and accountability derived from the democratisation of information and capital, more ethical decision-making processes will be encouraged. This movement should increasingly lead to "reflexive mutual understanding between the organisation and its stakeholders" (Gray et al., 1997 p. 161). Organisational

processes which build social capital, allow trust to develop and boundary-spanning to emerge.

2.7   Conclusion

If we are going to understand the relationships and interactions between society, organisations and individuals, we need to examine the environment in which they exist. Depending on which theorist is selected, the environment can be viewed as either a narrow range of related actors, a universal spectrum of all of the community or perhaps, something somewhere in between.

This research is aimed at increasing understanding of the relationship between stakeholders and organisations, specifically those stakeholders with tenuous and informal connections to organisations. Stakeholders have diverse perspectives and expectations of organisations, some of which may be in conflict with current organisational strategies and intent.

In responding to the question: "how can individuals or groups outside an organisation make an impact on the organisation's outcomes", the current response must be that stakeholders are not external to organisational relations and for the purpose of strategy formation, should be considered as part of the broader organisational environment. This is the perspective of more inclusive stakeholder theorists like Wheeler and Sillanpaa (1997) who consider the whole environment and the organisational environment as the potential organisational mediating landscape, where organisational 'closeness' is the result of issues and connections, not formal relations.

In a stakeholder environment, the substantive actions of the organisation in corporate social performance elements can be considered as the building blocks of corporate social capital. However, stakeholders now have an expectation of how organisations should behave, and in many cases the ability to monitor organisational actions actively or passively.

Following Carroll's four levels of activity, organisations that act responsibly and behave in a sustainable way within their communities have a greatly increased chance of prospering in the long term. However, many organisations choose to be reactive and primarily respond to threats, thereby avoiding the risks associated with exploring opportunities. The boundaries between organisations and the community are shifting as stakeholder salience is being redefined. The voice of the stakeholder is emerging as an increasingly mediating influence on organisational strategy and activity. The question for the organisation and the community is, which stakeholders do they listen to?

Chapter Three

Social Capital

3.0   Introduction

This chapter outlines the mechanisms available for examining the major dimensions investigated by this study. It develops an understanding of corporate social performance and explains the use of Carroll's 1979 Three-Dimensional Conceptual Model of Corporate Performance in the research pathway. It further links corporate social performance elements with corporate social capital formation and examines those elements in detail.

3.1   Organisational Social Performance and Social Capital

In this chapter it is suggested that two of the most important elements in an extended (sustainable) organisational life-cycle are Corporate Social Responsibility (CSR) and Corporate Social Capital (CSC), both being aspects of Corporate Social Performance (CSP). By developing real trust and reputation, organisations are able to trade on their position and posture within society to continue operating. Bowie and Freeman (1992) see 'trust-honour', which is a production of reputation, as the ability of both sides to develop a culture of cooperation and commitment.

Corporate Social Performance is still a developing field of research where "conceptual developments have not been systematically integrated with each other, but usually have been treated as free-standing, implicitly competing ideas" (Wood, 1991a p. 425). While theorists such as Preston and Post (1975), Carroll (1979), and Wartick and Cochran (1985) developed aspects of the whole academic stakeholder landscape, it is Wood's (1991a) model that has become the standard for CSP. While not accepted as complete, it is according to Carroll (1994 p. 24), a work of "evolutionary theory building" which "presents a more sophisticated and comprehensive model". Wood's (1991a) contention that CSP should become the central paradigm in the field is endorsed by Carroll (1994, p. 24) who further posits that CSP "lends a "bottom line" focus for academic, corporate and management

initiatives" and can be used to improve "the principles, processes and outcomes of corporate behaviour in the social realm to include all stakeholders". Carroll goes on to suggest that the CSP model needs to be "embedded in a systems and stakeholder framework" to "encompass the totality of the interactions between the organisation and its stakeholder environment". This study focuses on this interaction to expose some of its dynamics and subsequently explores its potential for giving values to such aspects of the 'bottom line' focus as previously expressed by Carroll.

Corporate Social Performance as described by (Wartick & Cochran, 1985 p. 758) is the "three dimensional integration of corporate social responsibility, corporate social responsiveness and social issues", and provides a framework to examine organisational behaviour in relation to the surrounding environment. Wood (1991a) takes this assertion further with the definition: "a business organisation's configuration of principles of social responsibility, processes of social responsiveness and policies, programs and observable outcomes as they relate to the firm's societal relationships".

Table 3.1   *The Corporate Social Performance Model*

Principles of corporate social responsibility
Institutional principle: legitimacy
Organisational principle: public responsibility
Individual principle: managerial discretion
Processes of corporate social responsibility
Environmental assessment
Stakeholder management
Issues management
Outcomes of corporate behaviour
Social impacts
Social programs
Social policies

   (Wood, 1991a). p. 428.

While Wartick (1985) views corporate social performance as an organisation-centric progression of principles, behaviours and outcomes, Wood (1991a) goes one step further, considering the potential for analysing the degree of intent underpinning organisational action and its relationship to the value of the outcomes. This strongly supports the core intent of this research study - that it may be possible to measure organisational actions against such relative intangibles as corporate social performance and corporate social capital.

While CSP provides a theoretical design for organisational action, it is neutral in nature and provides no imperative for the organisation to act in a good or bad way. To give 'value' to organisational performance within the CSP model, there needs to be a narrowing of values to allow for a research method to express "observable outcomes of corporate and management actions relating to the firm's relationship with its external environment" (Wood, 1991a p. 427). The goal of this research study was to implement such a survey in order to gather evidence of such outcomes.

To provide values for observable outcomes, Carroll's 1979 Three Dimensional Conceptual Model of Corporate Performance offers a framework that is useful in the context of this research. The cube provides a blueprint for the examination of the attitudes of stakeholders towards the James Hardie Group. The three faces of the cube: Social Responsiveness, Social Responsibility and Social Issues, indicate three important issues for a research study.
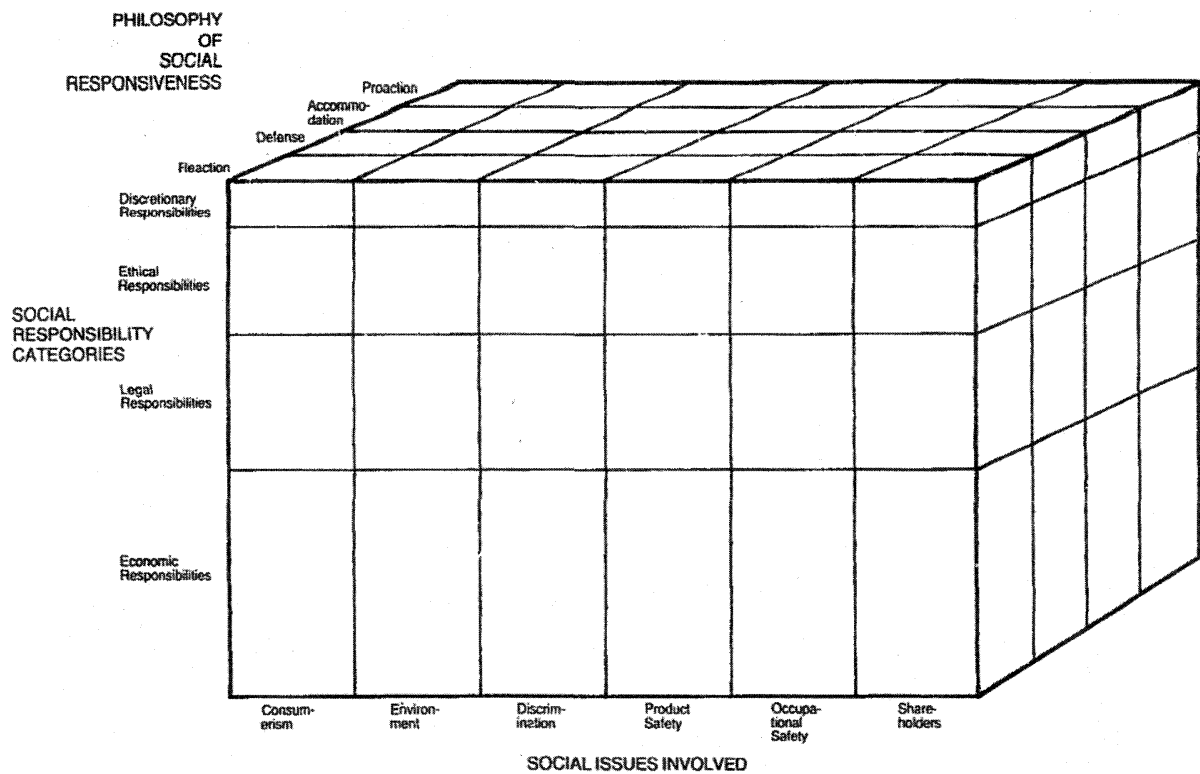
Figure 3.1   *The Corporate Social Performance Model*

Carroll, A. B. (1979). A Three-Dimensional Conceptual Model of Corporate
Performance. Academy of Management Review, 4(4), p. 503.

As this is an historical case study, the stages of response by the James Hardie Group
and stakeholders are a matter of public record. This enables a gathering of data and
examination of the survey respondents' attitudes that will illuminate how their
sentiment towards the organisation's corporate social performance was repositioned
and realigned. The study will focus on aspects associated with asbestos disease, with
the survey results matched to a range of historical documents to further understand
what happened in the attitudinal shifts of the stakeholders and the organisation.
Finally, the study confines the issues under quantitative examination to those that
specifically relate to the concept of social responsibility.

Corporate Social Responsibility is defined by Joyner (2002) and Carroll (1979) as
the adaptation that occurs in categories or levels of economic, legal, ethical and
discretionary activity of a business entity to adjust to the values and expectations of

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society. Davis (1973) points out that the firm must consider and respond beyond the economic, technical and legal activities to produce not only economic gain but also social benefits. Frederick (1986) summed it up well when he stated that corporations have a fundamental obligation to consider the betterment of society. That is, an organisation should by their nature be doing the right thing for society, both through its decision-making process and organisational activities.

There are diverging opinions about whether an organisation should have to consider its responsibility in either a social or moral context. As Friedman M. (1962) suggests, stockholders are an organisation's sole constituency and its (the organisation's) only concern is financial return to them and no other. This philosophy is currently losing favour to the 'whole of environment' perspective (Chapter 2). One purpose of this thesis is to take the concept of social and moral responsibility a step further and examine its value to the organisation in considering the impact of the community's response towards the organisation's behaviour. This stance challenges the previous notion that the community has no influence over the ongoing wellbeing of an organisation, because as individuals they have no power to make an impact. However, if the former perspective is correct, then the community (society) has the right and obligation as a stakeholder, to engage the organisation in the strategic decision-making process.

Furthermore if the 'whole of environment' perspective is increasingly relevant, then as a stakeholder, the attitude of the community towards the organisation must have some bearing on the behaviour and decisions that the community generates towards the organisation. These social attitudes could be described as the value of the social capital owned by the organisation within the community.

3.2   Social Capital

Adam Smith (1723-1790) suggested that the economic life of a community is an important part of the social culture and must be understood in the context of society's customs, morals and habits, therefore embedding the economic activities of the community into the social fabric. The theory of social capital provides a

descriptive framework to partly understand this relationship. As Nahapiet and Ghoshal indicate (1998, p.243), social capital is based upon "networks of relationships constitute a valuable resource for the conduct of social affairs" These relationships generate a 'pool' of capital. This pool of capital can in turn be accessed by community members. As Putnam explains (2000, p. 135) it is this generalised reciprocity, that lies at the heart of social capital theory.

Social capital has been described by Coleman (1990), as a variety of entities that have aspects of social structures and facilitate the action of certain actors within that structure. Bourdieu (1985) indicates that social capital is the aggregation of resources linked to a durable network of relationships. Putnam (2000) describes social capital as essential to all social structures up to and including the process of democracy. But probably the best definition comes from Nahapiet (1998 p. 243).

> 'The sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit. Social capital thus comprises both the network and the assets that may be mobilized through that network".

While the elements of social capital are somewhat amorphous, there are, according to Coleman (1990), two consistent characteristics:

- They constitute some aspect of social structure.

- They facilitate the actions of individuals within the structure.

These are important elements within the context of this paper as they are consistent with the development of aggregation and boundary-spanning as discussed in Chapter four.

Other characteristics of social capital identified by Nahapiet (1998) are that it is:

- Owned jointly by parties in the relationship – no exclusive ownership.

- Has value in use but cannot be traded easily. Friendships and obligations do not readily pass from one person to another.

- Allows achievement of ends that would be impossible without it or would be achieved at an extra cost.

These elements further support the focus of this thesis by confirming that social capital disposition can involve formation around an issue and involves the strength and value of that sentiment.

To understand how the research questionnaire at the heart of this study was generated, it is necessary to explore the dimensions of social capital. In conjunction with the elements of corporate social performance, they provide the basis of the investigative framework of this thesis. Nahapiet (1998 p. 244) identifies three 'clusters' of attributes that clarify the dimensions of social capital. They are the structural, relational and cognitive dimensions.

- **Structural dimension:** Overall patterns of connections; the how and who you reach, the presence or absence of network ties, density, connectivity and hierarchy; and networks used for other than intended purpose.

- **Relational dimension:** Assets created and leveraged through relationships and behavioural patterns; actor bonds, trust and trustworthiness, norms and sanctions, obligations and expectations, identity and identification.

- **Cognitive dimension:** Shared representation, interpretation and systems of meaning, shared language and codes.

Hazleton and Kennan (2000) see the dimensions slightly differently and include a *content* dimension in place of the cognitive dimension. Their rationale is that if social capital is going to be created and operationalised, then communication behaviours need to be included.

- **Content dimension:** Communication: physical, psychological and social objects, exploit social capital through information exchange, problem/solution identification, behaviour regulation and conflict management, public relations that aid acquiring relational goals and instrumental goals.

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While there appears to be friction between the dimensions of Nahapiet and Ghoshal (1998) and Hazleton and Kennan (2000) they can be reconciled, as Nahapiet and Ghoshal are considering social capital within the social context and Hazleton & Kennan are working towards an understanding of social capital within the organisational context, that is, corporate social capital. It could therefore be suggested that they are working on the same set of dimensions but within different contexts.

3.3   Corporate Social Capital and Corporate Social Performance

Corporate social capital could be described as the organisational value gained from the behaviour of doing the 'right thing', that value being organisational reputation and trust (Hazleton & Kennan, 2000). Therefore organisational social capital potentially gives an organisation significant advantage over other organisations in a competitive market. It could further be argued that social capital is most effectively produced at the aspirational level of corporate social performance, where social perceptions that an organisation is doing more than is strictly necessary and is socially and environmentally proactive, position the organisation as a good member of society. This is not to suggest that such acts are just public relations exercises. Hazleton (2000) sees communication and exploitation of social capital as both potentially positive and negative. The public and commentators are becoming too sophisticated to accept organisational pretence in the current social context. To create value, corporate social performance must actually be consistently enacted and with real value for society.

Social capital is built on the concepts of honesty, trust and generalised reciprocity (Putnam, 2000). These are the bonds, the glue, which build and hold together the networks of social connections that pull individuals together into social movements. These social groups are mainly self-organising. It is these self-organising groups that (Fukuyama, 1996) refers to as those with "spontaneous sociability" (p. 27). He sees such groups as a sub-set of social capital which is not formed by the family or formal structured organisations, but exists because of a common set of ethical norms. Such groupings are the primary focus of this research.

The aim of this study is to see if social capital can be quantified within a specific case study and tracked as an element of the social movement against the James Hardie Company, in order to identify and understand the path and influence of such groups within the case study events.

3.4   Elements of the Corporate Social Performance Model

This study uses the social responsibility dimensions set within Carroll's (1979) three dimensional cube to explore the developing attitudes of a population set and examines how such sentiment can move and aggregate into informal influence groups. As described in Chapter two, Carroll's dimensions are the economic, legal, ethical and discretionary activities of a business entity, as adapted to the values and expectations of society. The researcher has followed the recommendations of Carroll (1979) supported by Wartick and Cochran (1985) and Joyner and Payne (2002) and has chosen elements of each category to test within the research framework. This provides quantifiable values of social capital which, within the scope of this research, indicates whether the research direction is in itself valuable. The four elements are:

- Financial Performance

- Ethical Behaviour

- Reputation and Trust

- Environmental Sustainability

The research focuses on each of these elements within the case study framework to assess the movement of sentiment amongst the research population. Using an adaptation of Carroll's Three Dimensional Model of Corporate Performance (below) the framework indicates where the intersection of stakeholder responsiveness and issues meet organisational responsibility categories. This point of intersection is where this thesis suggests *social capital* will *aggregate* around a specific issue, and that this aggregation then has the potential to attach itself to an individual or group of stakeholders who may be boundary-spanning 'attractors'.

Point of intersection of dimensions of CSP and stakeholder disposition indication points of sentiment aggregation between dissimilar stakeholders
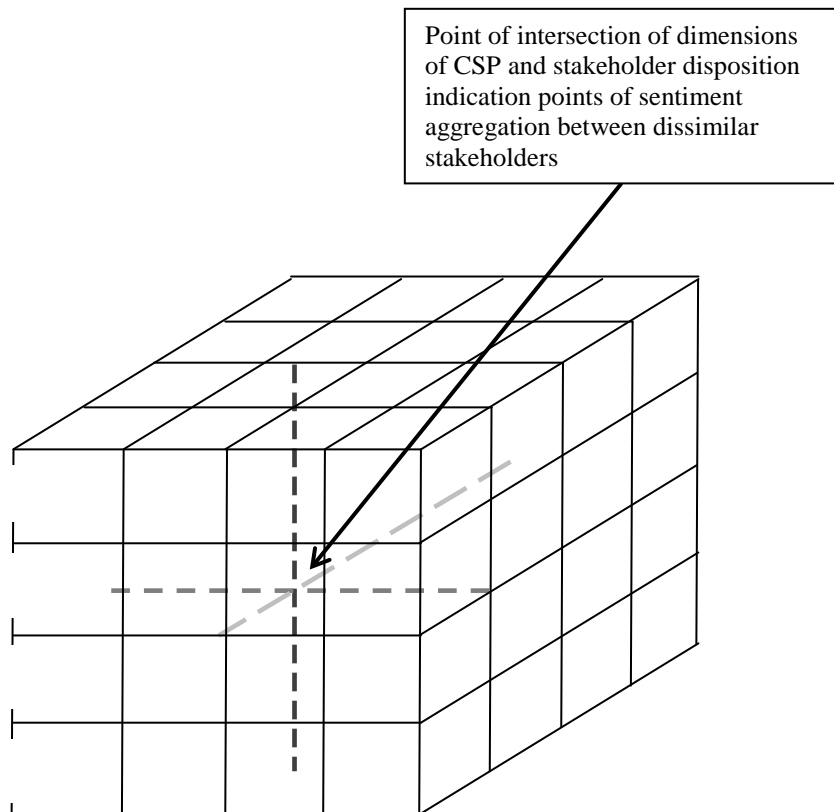
Figure 3.2   ***Corporate Social Performance Intersection of Dimensions***

Adapted from: Carroll, A. B. (1997). A Three-Dimensional Conceptual Model

of Corporate Performance. Academy of Management Review, 4(4), p. 503.

This adaptation of Carroll's Three-Dimensional Conceptual Model indicates how the concept can be used in a real world situation. The point of aggregation where the elements intersect and sentiment develops is a product of mobilisation by individuals, as each element reaches a level of awareness for the stakeholder that they will or can no longer ignore. Mapping the growth in awareness of these issues provides a perspective of strength and direction of sentiment that would be useful for decision-makers in situations where social capital should be considered.

3.5   Corporate Social Responsibility

As discussed earlier, one of the cornerstone issues in building social capital is Corporate Social Responsibility (CSR). Current constructs of stakeholder inclusiveness models suggest a matrix relationship between the company and stakeholders within the CSR definition, with the company attempting to share

resources and outcomes amongst them for the best possible benefit. Joyner and Payne's (2002) profile of two organisations show that corporate social responsibility can have a positive outcome. They explore the relationship between values, business ethics/morality and CSR to examine the success of two organisations incorporating such goals into their culture and management to demonstrate how good ethics can have a positive social and business impact. The CEO of each organisation was interviewed and the content analysed to extract three specific concepts. Each was categorised and analysed for links to financial performance. Using a framework provided by Carroll (1979) and Joyner and Payne (2002), the findings fell into four categories: Economic, Legal, Ethical and Discretionary responsibilities. The details of this research are interesting and inform this current study. Their study found that the link to financial performance can be direct or indirect but is not necessarily considered causal. Furthermore benefits can be immediate or later, sometimes after significant time lags. By showing ways of linking changes in culture to positive financial performance, a stronger case can be made for such changes. Therefore, by identifying the expectations of specific stakeholder groups, a more informed model of outcomes can be constructed to provide an enriched context within which corporate financial decisions can be made in relation to CSR. These outcomes will be used to inform the analysis in this study.

3.6   Financial Performance

As suggested in the introduction, the idea that companies engage with business in a stakeholder 'vacuum' is rapidly diminishing. Stakeholders, and in particular shareholders, are recognising and exercising their power in far more prominent ways than in the past. Companies have tended to focus inward not outward, and have never shown a great commitment to social or environmental issues. It has been up to regulators to fashion legal, though not always moral, standards of corporate behaviour.

Until recently the majority of companies focused on one set of key success factors and these were all about the financial 'bottom line' (Ruf et al., 2001). They paid very little interest to events that did not directly affect them and showed little enthusiasm

for looking at the 'big picture'. The acceptance of Corporate Social Performance (CSP) is gaining momentum through the convergence of financial, environmental, moral and ethical dimensions as organisations are empowered by individuals or activist groups.

To understand CSP it is important to understand the context and environment within which it currently exists and the relationships that propel it. (Wood, 1991a) defines Corporate Social Responsibility as:

> *"A business organization's configuration of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships" (p. 693).*

Ruf et al (2001) tried to make sense of a definition by comparing CSP and financial performance within companies from a stakeholder theory perspective. They point to the fact that little research is being done into the nature of this relationship or its potential benefits to the company, either through reputation or profit motivation. Ruf et al's (2001) study develops some interesting aspects, having taken a macro approach to investigating the relationship. Using Kinder, Lydenberg, Domini; individual (KLD) databases of companies taken from the Standard and Poors 500 and choosing a range of company sizes and industries, they were able to undertake a substantial study over a range of issues that were previously unexplored. By choosing stakeholders with both financial and social expectations of the firm's value, and by measuring growth (sales) profitability (return-on-investment and return-on-sales), a useful profile can be made of the company. While their findings were limited, they had significant implications. Firstly, that further study in this area is important for developing an understanding of CSP. Secondly, that there is an apparent relationship between CSP and financial performance. Thirdly, that corporate executive choice determines how much weight is given to CSP and lastly, they confirm that the concept of profit motive or shareholder primacy is an imperative, a positive for companies, and CSP must be integrated with the primary goal of profitability.

It is the ambiguity in the mix of CSP and corporate profitability that represents a potential point of conflict, possibly a position of dissonance for organisations. Currently, the relationship between CSP and financial performance is generally managed by corporate executives. Under such circumstances it is their positional power that will determine the point of resolution, convergence or dissonance between these dual outcomes. This issue has become increasingly important as recent decisions by several corporate leaders led to the diminishment, and in some cases destruction, of the company, its reputation or the surrounding environment, leading to the loss of value for shareholders, stakeholders and society[3].

3.7   Stakeholder relationships and financial performance

To enhance organisational outcomes and protect stakeholder interests, the relationship between stakeholders and companies needs to be explored to better understand the pluralistic nature of the co-dependent relationships involved. Berman, Wicks, Kotha and Jones (1999) identify that little empirical work has been done to correlate stakeholder management with corporate performance. In their study, also using the KLD database for related research, they compare the accuracy of the two most common views of stakeholder management: the Strategic Stakeholder Management Model and the Intrinsic Stakeholder Commitment Model. The Berman, Wicks, Kotha and Jones (1999) study advanced stakeholder management understanding in three ways; by further formalising the stakeholder models, by testing the theoretical models using longitudinal data and by including new perspectives (firm strategy and operating environment) into the model environments. Berman et al (1999) focus on five major stakeholder areas related to firms' operations, examining the links between stakeholder relationships and firm strategy and describing how each relationship may affect financial performance. Those areas are: Employees, Natural Environment, Customers and Product Safety, Workplace Diversity and Community Relations.

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[3] Most recently corporate cases involving responsibility for oil spills and price fixing have been strongly reported in the media with significant negative outcomes for those organisations involved.

The results showed that two of the five variables tested, (employees and product safety/quality, show strong effects and therefore directly enhance corporate financial performance. Further, the moderated model identified nine of twenty interactions as significant and indicated that all five stakeholder relationship variables moderate the strategy-performance relationship. Results for the Intrinsic Stakeholder Commitment Model used a mediated regression model to show that there was no support for this relationship. Berman et al (1999) suggest that this is not conclusive as more complex models may be required.

Berman et al (1999) further suggest that management behaviour is assumed to be an expression of the organisational objectives imposed upon them. Corporate governance regulation and shareholder primacy are seen as two of the most prominent influences. Cutting & Kouzmin (2000) show this is not always the case as individual pressure can dictate the types of decisions made. Because power is so important to organisational outcomes, it is necessary to understand the process by which organisational decisions are made. Ruf et al's (2001) concept of neo-classical decision-making supports the organisational hierarchy, but this does not necessarily provide for a negotiation-based decision process. If a decision-making process is going to be shared, it is important to understand how it will operate. Cutting and Kouzmin (2000) provide a description of emerging patterns in behaviour to offer an understanding of the decision-making process and the reasons why the concentration of politics, management and leadership cannot provide wide stakeholder satisfaction. If the concentration of decision-making in executives is a negative influence as Cutting and Kouzmin (2000) suggest, and the relationship between stakeholder management and financial performance is positive (although tenuous), then the case for a shift towards stakeholder inclusion in the decision-making process is evident. This study looks in part at the fundamental issues that represent the cornerstone of functional stakeholder inclusiveness. It is structured from an individual stakeholder perspective to identify their attitudes towards a range of issues and analyse the strength of those sentiments in relation to corporate financial performance.

3.8   Ethical behaviour and ethical decision-making

While managers are under a great deal of pressure to achieve results within an organisational context, they are also influenced by their own motivations and perspectives in making decisions. Most decisions are operational and part of the procedures of a company's activities, and therefore of little overall significance in relation to corporate outcomes. Strategic decisions are however highly significant in the development of a company's outcomes, future direction and behaviour. Cutting & Kouzmin (2000) point out that where leaders are super-empowered decision-makers, the result is often the destruction of the relationship with shareholders/stakeholders, and in some cases the destruction of the company. All stakeholders must consider the paradox which currently gives corporate leaders enormous referent power and influence within a societal context to advance their corporate goals (T. Friedman, 2000) and where, by the very nature of that power, they can subvert organisational decision-making processes to the detriment of those same stakeholders.

To be consistent in managing CSR and stakeholder expectations, organisations need to actively manage their CSP in relation to CFP and stakeholder issues, and put management structures in place, such as ethical policies, which actively intervene in the management process. This provides consistency and stability to the organisational decision-making process. Furthermore, operating within socially acceptable ethical norms has a positive effect on reducing transaction costs, that is, the cost of doing business (Fukuyama, 1996).

A Corporate Code of Ethics is one way of ensuring continuity and consistency in the enactment of corporate decision-making. Schwartz (2002) states that ethics consist of a set of "moral standards which help guide employee or corporate behaviour" (p. 27). He challenges the concept that corporate codes of ethics are in fact ethical and proposes a set of universal moral standards by which companies can be ethically audited to see if they comply. While business environments can be fluid, changing often and unpredictably, ethical behaviour must be constant and governing reaction

and response to those changing situations, universal.

Schwartz (2002) studied four of Canada's largest companies and distilled information from four areas: employees, company codes, global codes and business ethics literature. A set of six universal moral standards were developed: Trustworthiness, Respect, Responsibility, Fairness, Caring and Citizenship. These formed a normative foundation for developing a code of ethics for corporate codes. Parameters for minimum code content were also developed. By definition, within the code creation, wide stakeholder inclusion would be beneficial, however according to Schwartz (2002), an interpretation of contractual requirements to comply with code could limit stakeholders to employees and only some contractors. Near universal distribution of the code would aid implementation, and training for employees would be highly beneficial. By implication this set of universal moral standards would also have an important role in managing the CSR of an organisation. They could further be used in the development of policies to align stakeholder expectations with organisational CSR policies, thereby reducing the 'stakeholder expectation gap'.

3.9   Trust and reputation

The social contract is the reputation and trust that stakeholders attach to the organisation, supported by the legal framework to punish wrongdoers. It is the intangible value (Mahon & Wartick, 2003) of an organisation that lifts it above the status of a merely functionalist organisation. By giving aspirational value to its culture, the organisation makes an agreement with the stakeholders that ideally describes the positive aspects and limits the negative aspects of the organisation's activities. Mahon and Wartick (2003) indicate that there are three categories of reputation and trust.

- Legal obligation (law and regulation)

- Social agreement (contract)

- Betrayal (acts of self-interest)

While the idea of a social contract has been discussed from the perspectives of Hobbes, Rousseau, and Kant (Boucher & Kelly, 2005), the reality is that developing these relationships requires a network of contacts to create the relational pathways to build sentiment. This is unlike the relations of the previous era where such networks were geographically based and limited by expensive and lower quality communication channels. There are now few limits on information reach and high standards of information available to those who wish to look. This provides a fertile environment for the social agreement aspect of reputation and trust to be developed for all stakeholders.

Successful reputation and trust generation is based upon co-operative activities ranging conceptually from Hobbes 'foole', highlighting the problem faced in Humes's 'farmers harvest dilemma' (Boucher & Kelly, 2005) to the 'prisoners dilemma' of modern game theory where self-interest is paramount[4]. While both of these examples lead to a penalty if co-operation is lacking, there is the alternative proposed by Hume (Boucher & Kelly, 2005). He suggests that people naturally understand the advantages of co-operation and are (partially) predisposed to trust and will. They enter into a social contract (not bound by law) if the conditions are propitious. While people for the most part, expect that organisations will do right, they are not completely surprised when they are betrayed. This betrayal can be of a minor nature, such as free-riders who contribute nothing but take where possible, or it may be betrayal of a catastrophic nature, such as the management decisions that led to the demise of the Enron Corporation (Barnhart & Burke, 2002).

If we were all to act in the way the 'prisoners dilemma' suggests, that is self-interest as the path to the best outcomes, then we would all make those decisions for ourselves alone. This world would be fine if such dilemmas were always just 'one-off' situations, but we live in a complex society where our lives consist of continual multi-relational exchanges. It is unlike Hobbes's state of nature where war is a constant, and universal trust and co-operation are essential for day-to-day existence. We are repeatedly required to co-operate in almost all our activities which 'require'

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[4] In the Prisoner's Dilemma, defecting is always the dominant strategy regardless of the opponent's strategy.

us to accept social contracts. That is, we will help the farmer next door to harvest his crop because he knows that he must reciprocate if he wants help next year. In the 'prisoners dilemma' we recognise that both must co-operate if there is trust or punishment for defecting, as free-riding does not work in repeating cycles. Because all activities in life are repeated or repeatable networks of co-operation, reputation and trust become important tools of judging whether actions and directions are to be taken. The philosophical 'prisoner's dilemma' has practical implications for the recognition of organisations as an open system, the inclusion of broader stakeholder sentiment and current business decision-making.

While trust can be largely viewed as a passive state, reputation is more aggressive and adversarial. It is better to have the *best* reputation. Thomas Hobbes sees this as the third reason why the state of nature would lead to a permanent state of war, that is, people would understand the value of a reputation for strength and then attack others, for no other reason than to maintain the top position. This philosophy certainly carries through to the corporate environment where there is a high degree of competition between organisations for 'scarce' investment.

It can be said that reputation is a 'reservoir of goodwill' (Mahon and Wartick, 2003) and as an organisational resource it is an intangible asset. Organisations with good reputations are better able to weather economic and political cycles as they receive some support from the community (Jones, Jones, & Little, 2000) due to their credibility that has developed over time. Most research into reputation has focused on its value as an asset in a competitive, market-based context and there has been little research into the interaction of reputation, stakeholders and political issues (Mahon & Wartick, 2003). However, Social Issues in Management (SIM) (Carroll, 1994) looks at areas that touch on reputation and stakeholder issues, management in particular. It examines existing and emerging issues, the impact of non-market events and processes and stakeholder management during these events.
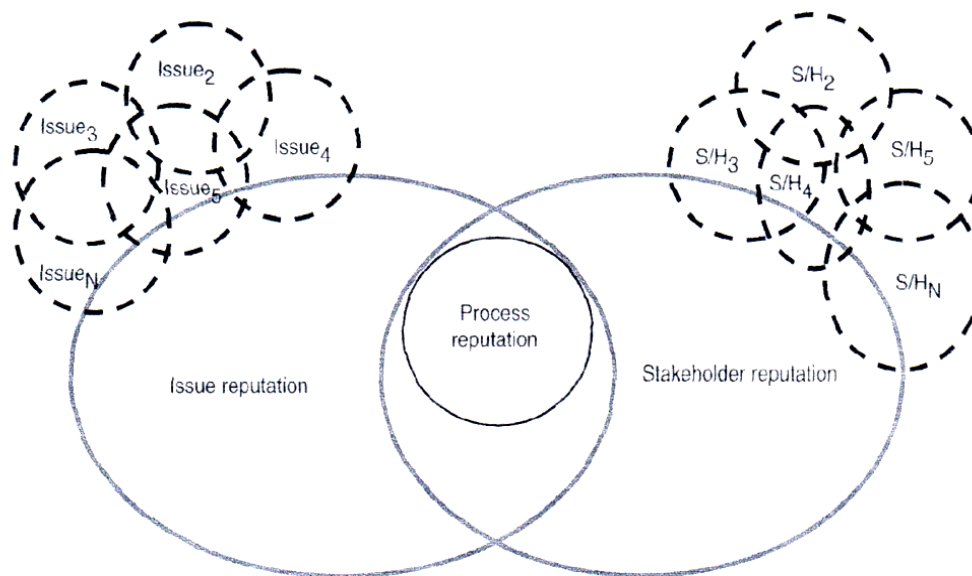
Note: the dotted circles show the added complexity of additional issues and stakeholders in unfolding reputations and public policy contests. In these situations there are different issues/stakeholder interactions impinging on reputation and on the components of reputation.

Figure 3.3   **Reputation interactions issue-stakeholder-process**

Mahon and Wartick. Dealing with Stakeholders: How Reputation, Credibility and Framing Influence the Game. Corporate Reputation Review. (2003), Vol 6, No 1, p.21.

The preceding diagram shows reputation as "viewed from three different perspectives: the reputation of the issue under consideration; the reputation of the stakeholders involved including their individual reputation, their reputation in regard to the given issue and to the process chosen for resolution; and finally the reputation of the process itself" (Mahon & Wartick, 2003 p. 21). Reputation develops as a result of the type and value of relationships between stakeholders and the issues and context surrounding ongoing past and/or present events.

Reputation developed over time and as "a consequence of a series of complex relationships and actions" can develop what Mahon and Wartick (2003 p. 23) call reputational expectations. That is, stakeholders who have had a positive or negative relationship with an individual or organisation over a period of time, develop specific expectations of their behaviour. The reputation gives positive or negative value to the stakeholder. In some specific cases Mahon and Wartick suggest that reputation expectation can lead to 'issue ownership' where the organisation can be

seen to be responsible for the development or management of an issue. They suggest that the nexus of reputation and stakeholders has some important results:

- Stakeholders advance organisational goals in non-market environments,

- Stakeholder support can fast-track issues and re-energise other actors to be involved through issue-framing.

- Individual stakeholder reputation can potentially assume significant influence in the formation of the organisation's reputation.

- Framing can help form stakeholder and public opinion.

> *"The framing of an issue is a powerful tool. Framing of issues suggest where the issue will be resolved (the process choices). Framing impacts on stakeholder views of the issue or problem and whether or not they will engage in the debate and what level of commitment and resources they will bring to bear. Framing also has powerful influence on the involvement of the larger public in the issue" (Mahon & Wartick, 2003 p. 31).*

Because many stakeholders don't have direct experience with organisations, their reputational expectation is developed through contact with other stakeholders, media, organisations, government and other sources. That is, they will be influenced by the framed perspective of those that hold sufficient reputation and will form their own reputation expectation. This reputational build-up can also be enhanced by the organisation's actions in performing according to their public statements and by being consistent. They develop credibility through such actions which in turn develops reputation. An act of consistency in word and deed represents a 'credibility transaction' (Mahon & Wartick, 2003 p. 27), the basis for developing reputation. Therefore organisations can affect the way competitors and stakeholders view issues. Stakeholders will take into consideration the credibility and reputation of an organisation as they assess its past behaviour in relation to the public position it takes on specific issues, and will then consider their response in relation to the organisation's consistency.

If as Putnam (2000 p. 19) suggests, "social capital refers to connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them" and it can simultaneously be a private and public good, then norms of reciprocity and trustworthiness are not abstract concepts, but must be considered valued and valuable within a group structure. Reciprocity and trust provide a fundamental structure on which social capital (Hazleton & Kennan, 2000) and social interaction is based - they sustain the rules of conduct within the social group. They engage the transactions of mutual obligation, providing all members with the opportunity to 'see or be seen' within the networks of community engagement.

While trust is not a pre-requisite for group development and co-operation, it is more effective than other modes of facilitation which are in some way 'paid for', such as legal contracts and self-interest (Fukuyama, 1996). However as Coleman (1990) states, trust is not always enough. It does not, in itself, provide adequate force to ensure compliance and negative sanctions may prove effective in strengthening communities to build trust and reciprocity. However, individuals may see themselves as members of multiple social groups, not 'rational utility maximisers' who constantly balance their own interests against other individuals and social groups. They make their choices not just on material utility, but on issues of right and wrong, just or unjust practices.

3.10 Social and environmental sustainability

The World Commission on Environment and Development (1987) defines sustainability as "forms of progress that meet the needs of the present world without compromising the ability of future generations to meet their needs". The test is that the wider society uses, develops and protects resources to meet the current and future needs of this and future generations relating to environmental, economic and community expectations. Barbier (1987) considers that the more these three elements overlap in our world, the greater sustainability is achieved.

In a utilitarian interpretation (Sheng, 2004) of this model (i.e. the greatest happiness principle; getting the most preferred underlying outcome with certainty; the greatest

good for the greatest number of people) within the corporate sector of the community, it can be redefined within the context of triple bottom line accounting – that is, improved profit and performance, rejuvenating the planet and improving the lives of the people on it. The intersection of these outcomes represents positive organisational performance in a sustainable way (Hart, 1997).

> *"Socially sustainable companies add value to the communities within which they operate by increasing the human capital of individual partners as well as furthering the societal capital of these communities. They manage social capital in such a way that stakeholders can understand its motivations and can broadly agree with the company's value system." (Dyllick & Hockerts, 2002 p.134).*

For the purposes of this thesis, these three dimensions are 'bundled' under the title of '*social sustainability*'. Social sustainability is the idea that future generations should have the same or greater access to social resources as the current generation. These include aspects of sustainability which encompass human and labour rights and corporate governance.

Environmental sustainability refers to the actions or impacts that we have on the natural world when we draw on the finite resources of the environment in a way that depletes them, or when we consume at a level that is neutral or beyond the planet's ability to replace and replenish. Generally, environmental sustainability is considered as a positive framework for managing these resources in a sustainable manner. Environmental sustainability is defined by Hart at its most basic level as: "companies' acceptance of their responsibility to do no harm to the environment" (1997, p. 67). While this definition is a starting position, it generates some conflict with those who believe that it is a charter for environmental exploitation. Working from this definition, it is environmentally acceptable to use all the world's oil and gas if other energy forms, such as nuclear and solar energy, can replace them. Consumption in this definition is allowable because there are other assets with which to meet future needs.

However, sustainability in a biosphere such as the earth, requires more than replacement upon extinction of assets, it requires the management of assets in a sustaining way so as to exclude the potential for depleting oceans, earth and atmosphere. Meadows (1996) cited by Hart (1997) suggests our actions now require us to behave in a way that reduces our footprint on the resources of the planet to the point where we are no longer depleting its assets.
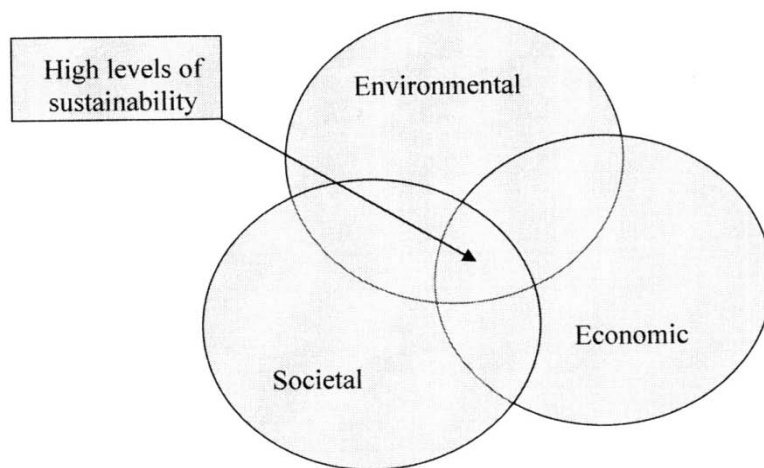
Figure 3.4   ***Elements of Dimensions of Sustainability***

Adapted from Barbier. 1987, p. 104.

Organisations achieve the best results for Corporate Social Performance at the point of intersection between the societal, environmental and economic activities undertaken by that organisation. It must be considered that the larger the area of intersection of the activities, the stronger the Corporate Social Capital of the organisation and therefore a reduction in the expectation gap between the organisation and the community. A small or non-existent intersection suggests significant discord between the organisation and its wider stakeholder environment.

Given the synergistic connections of society, the environment and organisations, it can be understood that there are complex, inter-relating dependencies between these entities. Our economic base is dependent upon the availability of resources, markets and services. Being interwoven with the environment and society as an open system presents a challenge for organisations to generate social capital and behave

responsibly in the areas of corporate social performance, hence social and environmental sustainability which leads to the creation of corporate social capital. Failure to act in such a way may well impact negatively on the environment, on society and thus upon the organisation.

Sustainability in a business context has been defined by Dyllick and Hockerts (2002, p. 131) as "meeting the needs of the firm's direct and indirect stakeholders… without compromising its ability to meet the needs of future stakeholders as well'. Galbreath (2009, p. 306) is more specific: "sustainability [is] a business approach that seeks to create long-term value for stakeholders by embracing opportunities and managing risks associated with economic, environmental and social developments". A sustainable organisation according to Benn and Dunphy (2004), in addition to focusing on economic performance, actively supports the ecological viability of the planet and its species and contributes to equitable and democratic practices and social justice.

There are however a number of issues relating to policy and performance which affect sustainability outcomes. Firstly, the intent of the organisation is critical - whether it is truly committed to the processes of sustainability or exploiting it for reputational purposes (Livesey, 2002). Organisations must resist espousing sustainability targets when they have little expectation of meeting them (Stead, 1994). Even with the best of intentions, there is evidence that there is a considerable gap between expectations and outcomes in this area. James, Ghobadian, Viney, & Lui, (1999) suggest that little consideration is currently given during policy development by organisational decision-makers to ensure the organisational values and capabilities have the capacity to achieve stated outcomes. Stead and Stead (1994) consider that a fundamental paradigm shift would be required to change business assumptions and values to meet the needs of social and environmental sustainability. This has happened in some cases. Livesey and Kearins (2002), in their study of sustainability reporting by the Body Shop and Royal Dutch/Shell, found that they could improve environmental responsiveness and stakeholder communication through more transparent, values-based reporting. However, while these examples should inspire other organisations to include sustainability into their organisational

structure, there is as yet no easy way to implement sustainability strategies. There are no universal models for sustainability that can be overlaid onto an organisation to make it conform. In fact, while existing organisational examples such as the Body Shop may inspire decision-makers to have the confidence to incorporate sustainability into their own organisations' activities, the unique paradoxes and ambiguities of each and every distinct environment, business and natural, suggest that organisations will be required to develop social and environment-specific strategies for themselves (Ryan, 2003).

3.11 Conclusions

When we examine organisations in the context of a wider stakeholder environment, it becomes apparent that social performance is a specific value placed upon companies by wider stakeholders - a value that may have significant implications for corporate performance where social and ethical issues raise public sentiment, and issues of trust and reputation are affected. While such concepts represent 'intangibles' and are difficult to quantify, it is increasingly acknowledged that organisational behaviour can enhance or undermine community disposition towards the organisation.

It is clear that for an organisation's stature to grow within a community, organisations must act within a range of behaviours, which, at the very least do no harm and at best, add to their corporate reputation. When organisations step out of this range of desired outcomes, they may generate an expectation gap within the community that may lead to a devaluation of sentiment towards the organisation. When organisations act in an environmentally positive manner to improve the environment, developing corporate social performance expectedly leads to an accumulation of corporate social capital for the organisation. Where organisations consider and act to improve their corporate social responsibility, corporate social responsiveness and understanding of social issues as outlined by Carroll's (1997) three-dimensional conceptual model of corporate performance, they may enhance social trust, corporate reputation and eventually, corporate performance (Wartick & Cochran, 1985).

For this study the dimensions of Carroll's model have been refined to specific quantifiable elements: Financial Performance, Ethical Behaviour, Reputation and Trust and Social Sustainability. The rationale for this decision is based upon the premise that where there is a significant intersection of these elements in practice, it is likely to be the point at which social or stakeholder sentiment can aggregate, even amongst diverse stakeholders. To examine the value of social capital within the context of this Masters study, the dimensions of corporate social performance and social capital as detailed in this chapter, will become the basis for framing the questions within the research instruments.

What is particularly interesting about this research is that this specific form of aggregation can be considered to be extra-organisational as it is not a function of organisational activity. Furthermore, as organisational social capital is reduced by a specific social issue and the expectation gap between stakeholders and an organisation widens, there is the potential for an 'individual' with enhanced social capital to bind stakeholder sentiment into a social movement.

To meet the needs of such groups aggregating around sentiment towards a social issue, a specific 'individual' who binds the social sentiment into a social movement can only enter into organisational negotiation where they exhibit boundary-spanning attributes. Such capabilities are discussed in Chapter four.

Chapter Four

Boundary-spanning and Networks

4.0   Introduction

In this chapter the mechanisms that operationalize the thrust of this thesis will be discussed. It explores how the concept of boundary-spanning can be re-positioned to explain the extra-organisational relationship between organisations and detached social stakeholders.

In particular, this chapter will focus on the accumulation of social capital by the boundary spanner, how that aggregation can occur and what value may be attached to it. Within the concept of this thesis the *attractor* that allows this aggregation is enabled by existing relationships and resources. This text will also explore how these attributes become publicly identifiable at some point in the stakeholder/ organisational relationship, leading to the suggestion that such capability should be harnessed by the organisation, stakeholders and society.

Finally, a discussion of the environment in which such behaviour is probable, is undertaken. It is suggested that for aggregation to be of value, the environment is unlikely to be in equilibrium. That is, an environment in a state of chaos and complexity provides the uncertainty and expectation gaps which have the potential to generate significant sentiment, aggregation and the formation of social movement.

4.1   Understanding boundary spanning

According to Kostova and Roth (2003) boundary spanners are actors who in the past and present have direct access and relationships with other organisational members, and through this contact, develop perceptions and attitudes which they communicate. Further, they develop social capital through the depth and strength of their

interactions with others. They see them as organisational members who reduce the 'cultural gap' within the organisation.

Boundary spanning is of little importance in areas of stasis where the organisational and societal forces are in some form of balance and little or no conflict exists. The crucial pre-requisites for boundary spanning is where there is dissonance between society and the organisation about expectations and outcomes. These 'expectation gaps' have important consequences for the organisation in terms of reputation, for society in terms of resources (employment, taxes etc) and for the environment in terms of sustainability. Examples of boundary-spanning- type individuals can best be found in organisational contexts where teams have been intentionally selected for specific tasks (Kostova & Roth, 2003). Societally there are few multi-lateral, multi-dimensional individuals identified as boundary spanners. They are mainly identified as 'players or context-setters' (Eden & Ackermann, 1998) facilitating the relations within and between interest groups.

This research aims to explore how individual sentiment about contentious social issues is aggregated into societal special interest groups that are organisationally detached stakeholder networks, and how these networks accumulate the power to impact upon organisational corporate social capital. This study is interested in how dissonance between entities is resolved and how pro-active organisational policy can be developed.

In this context, boundary spanners would therefore be organisational, institutional and societal agents who at times, bridge organisational boundaries to improve mutual outcomes. While boundary spanning can be described as reaching out across the organisation, stakeholders and society, it cannot necessarily be understood in just those terms. Boundary spanners need to have multi-disciplinary knowledge, either as individuals or as groups. It is unlikely that they would be able to generate corporate social capital through single issue scenarios, as a single issue may not affect the expectation gap sufficiently. This research will attempt to show that a boundary spanner may attract aggregation on a single issue, due to his or her track record of multiple issues or position (in the community) strength.

4.2　Boundary spanning: Interaction, extent and efficacy

Kostova and Roth (2003) suggest that there are two factors which influence the development of social capital by a boundary spanner. They are the extent and efficacy of the interactions.

The *extent* of the interactions relates to the number and intensity of contacts made by the boundary spanner. It seems self-evident that in the process of building trust, increasing interaction develops increased trust. However, where interactions occur around specific issues and where the actors come together for a single intense negotiation, they are often hampered by the very nature of the meeting. For example, sitting a CEO down with an environmental activist to agree on organisational, operational, conservation issues is unlikely to succeed because of the politicised nature of the problem and the many non-co-operative influences affecting each player. This often leads to a confrontational type negotiation where parties duck each other's strengths and snipe at their weaknesses (Marion, 1999), ultimately leaving the way open for the most powerfully placed actor to produce the final result.

Therefore, in the context of this study, the extent of boundary spanning social capital is particularly defined by the *efficacy* of the relationship between the actors. Kostova and Roth (2003) see efficacy partly as a reflection of the perceived utility of past interactions, but specifically defined by the degree to which an interaction produces a desired effect. So successful negotiation between actors trading on social capital requires a history and trust of not just the actors, but also the acknowledgement and support of society at large to validate it. This therefore implies that for the actors to be successful boundary spanners, they must in some way be continuous players in society across wide boundary negotiations.

4.3　Boundary spanning and the stakeholder

To understand the possible enactment of a boundary-spanning framework, one needs to look at current stakeholder frameworks. Mintzberg (1983) suggests that there are two stakeholder coalitions, internal and external. Grey et al. (1997) further refine this

concept in their discussion of 'prioritising the stakeholder relationship', and Wheeler and Sillanpaa (1997) extend the total stakeholder paradigm by dividing it into more descriptive sections to give a more clearly defined direction to the needs and position of stakeholders. Mintzberg (1983) talks about there being power in the external relationships, with that power generally taking dominated, divided or passive forms. Developing this perspective, Grey et al. (1997) talk about the priority of those relationships which in themselves give power, while Lesser and Storck (2001) describe bilateral and multi-lateral relationships between stakeholders and the corporation. However, none of these explanations provide an understanding of the power relationship that exists between organisations and stakeholders.

Mintzberg (1983), while accepting that there is a power relationship, states that the power depends on the circumstance, the attention of the power gravitating to the most important needs. Grey et al. (1997) look at direct relationships between the entity and its stakeholders and try to quantify and prioritise those relationships. Wheeler and Sillanpaa (1997) suggest that there is a raft of needs which require the constant attention of the organisation as part of its social responsibility. None of these explanations move beyond a description of bilateral-type interactions. There is no evidence that these descriptive typologies encompass the type of relationship that extends across the breadth of stakeholders, providing the organisation or the decision-making process with information about complex outcomes in relation to those bilateral relationships.

It appears that existing analysis tools used to qualify and quantify these relationships, such as the Analytic Hierarchy Process (AHP) which uses 'pair-wise comparisons' of criteria and choice (Hosseini & Brenner, 1992), do not encompass the whole stakeholder range. However Grey et al. (1997) do give an indication of how this might be extended through a technique of mapping the relationships in terms of their reach and their strengths. Nevertheless, this mapping is only an outward-looking map and consequently does not provide the full information that an organisation may need in order to interact with distant stakeholders. What is needed to achieve the latter is a reflective image of the weight and reach of the organisational interests that looks horizontally (inter-relationally) as well as in towards the centre from a

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stakeholder-centric perspective. Such a perspective can provide a view of the opposing issues in the relationship and reflect the three dimensions of Carroll's Corporate Social Performance Model 'cube' (1979). It would be most revelatory to ascertain where the three sets of dimensions intersect in such modelling, as it would enhance our understanding of the stakeholder relationships (Joyner & Payne, 2002) (Figure 3.1), and in doing so, express a definition of boundary-spanning elements. In the context of this research the suggestion is that the enactment of boundary-spanning action by stakeholders is based upon the accumulated social capital of the stakeholders and the existing social capital of the organisation. Developing a 'cube' which allows for the valuation of intersecting dimensions of stakeholder relationships, would offer a new direction for examining stakeholder disposition (see Figure 3.2). This study hopes to inform this concept.

4.4   Attractors in boundary spanners

Understanding the interactions that develop the relationship between organisations and stakeholder networks/groups is one of the most complex aspects of developing an extended theory of stakeholder aggregation. Such relations are both deterministic and yet unpredictable, complex and yet chaotic, as described by Marion (1999) and Stacey (2000). Additionally Morgan (1996, p. 263/265) sees the relationship as complex multiple systems of interaction both ordered and chaotic, where the systems have a natural tendency to fall under the influence of different 'attractors'. These attractors "define the contexts in which detailed system behaviours unfold". That is, system behaviours will shift from random fluctuations towards self-organising coherent forms where the "detailed behaviour of the system depends on which context dominates". What we need to understand is that the boundary is often far from equilibrium and may be at the edge of chaos, in all its diversity. Marion (1999) asserts that we need to be able to recognise the emerging bifurcation points, the issues of substance and the associated attractors. Marion (1999) goes on to discuss the need to identify the emergent significant players, formal and informal, who can potentially develop coalitions of sufficient strength at the right time to take on boundary-spanning roles that encompass corporate social performance and enhance corporate social capital.

According to Rowley and Moldoveanu (2003), interest intensity is not enough for group mobilisation. Organising group action also requires resources. What is needed for stakeholder groups to form and act is density of ties and access to resources. While aggregation can appear to be spontaneous, it is most likely to be focused where an individual or small boundary-spanning group is willing to incur the majority of the costs. This suggests that those who 'nominate' themselves to be boundary spanners are willing participants, yet they may not fully understand the potential responsibilities of their commitment. The analogy of 'attractors' is useful in this study, as it clearly describes the process of creative concepts gaining momentum through shared understanding and inclusion and aggregating into networks.

4.5   How chaos and complexity help

It has been suggested that organisations are generally 'morphing' in terms of structure and relations, from fixed-type rational systems towards open systems. In doing so, they are changing from simple to complex forms and from compact and closed forms to loose and porous systems (Scott, 2003). The drivers of such change must be explored in order to understand the resulting 'new' systems. Stacey (2000 p. 249) describes these as dynamics – the effect of tension on the system. That is, dynamics that create the energy that causes the tension and drives the resulting behaviour. This creates the instabilities of moving between equilibrium and dis-equilibrium. Another way of describing this phenomenon in a more normative fashion would be that the 'expectation gap' between stakeholders and organisations is the dynamic that instigates subsequent organisational action. In biological (Capra, 2002) and organisational (Stacey, 2000) terms, this suggests that the whole change process revolves around a feedback system which is rational and to an extent natural, indicating that such movement should be predictable and linear. However, in an enriched open system where technology, information and social empowerment are intertwined and when increased pressure from those enriching elements is introduced, the system struggles to maintain equilibrium and structural integrity. It becomes unsteady. The organisational environment in the presence of complex and chaotic positive feedback, becomes non-linear and non-prescriptive (Stacey, 2000), creating both intended and unintended consequences that have the potential to effect

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structural and cultural change.

In the context of this thesis, this suggests that social capital aggregation could be an unintended aspect of such dynamics and boundary-spanning could negotiate pathways or be the driver of such outcomes. System metamorphosis is exemplified by Boulding's system types (Scott, 2003 p. 82), where types 1-6 are systems of physical and biological predictability while types 7-8 represent systems of self-learning and change.

Contingency theory helps to explain the struggle between equilibrium and dis-equilibrium within a system. While systems strive for certainty, it is the size and complexity of their environment that are key factors in their uncertainty. The more open a system becomes, the more it mimics the higher orders of Boulding's Social Systems typology (Scott, 2003). Due to increasing system complexity, this change process leads to multi-layered contradictions in behaviour and expectations. What are the boundaries of an organisation? How does a system deal with the definition of that boundary? And most importantly, how can the competing interests of individuals be reconciled? Pfeffer and Salancik (1997) cited in Scott (2003 p. 90) indicate that "individual persons are not enclosed within the boundaries of organisations, only certain of their activities and behaviours". Each day these stakeholders bring knowledge of new dilemmas into the framework of the organisation. The challenge is how organisations deal with those contradictions.

Scott (2003 p. 91) suggests that open systems are subject to the 'law of limited variety'. "A system will exhibit no more variety than the variety to which it has been exposed in its environment". This perspective supports the premise underpinning this research which suggests that organisations may increase their generative capability by greater inter-reaction with the enriched stakeholder environment. Technology enables these new 'varieties' to establish themselves and bear influence on the system. Scott (2003 p. 91) asserts that "general system theorists also stress that hierarchy is a fundamental feature of complex systems, not so much hierarchy in the sense of status or power differences, but hierarchy as a mechanism for clustering". As organisational systems comprise many sub-systems and these systems are

themselves part of greater social systems, this indicates that the aggregation of individuals into valid groups as stakeholder sub-systems, will be a naturally occurring phenomenon as they will establish hierarchy for the purpose of clustering for subsequent action. The 'law of limited variety' and general system theory appears to support this basic assertion.

Scott (2003) suggests that the open system perspective points to the significance of the wider environment. Indeed, where organisations recognise and utilise their wider relations with society as open systems, the opportunities for system development through greater inter-relations with detached stakeholder groups may add to the capacity of the organisation to sustain and grow.

4.6   Chaos and complexity

Chaos and Complexity theory represents a new paradigm of scientific inquiry. This form of study primarily focuses on the order hidden in chaotic systems, their nature and predictability, the patterns (fractals) within systems, their characteristics (simple and power laws) and complexity, as well as the process of adaptation and evolution under which new system order emerges. This exploration is directly related to the premise underpinning this study, as it likewise focuses upon areas of instability that are open to emerging social movements.

Part of systems theory, Complexity and Chaos theory, examines the behaviour of non-linear dynamic systems where deterministic relationships have the ability to produce patterned yet unpredictable outcomes. This study also seeks to explore how distant or remote social groups, analogous to non-linear dynamic systems, can impact in patterned and unpredictable ways upon organisation actions and strategy.

Models of such interactions have been applied to the behaviour of firms and the economy where chaos theorists insist that much order emerges naturally because of unpredictable interactions (Scott, 2003). Chaos and Complexity theory supports our

understanding of how order emerges and may increasingly assist in the prediction of the strength, direction and performance of that order.

4.7 Chaos - order from disorder

Chaos cannot be described as pure randomness. It actually represents a different form of order, referring to a deterministic, non-random system, where special properties make the predictability of outcomes very difficult to determine. While organisational behaviour may appear random or lacking in order, it has the characteristics of bounded instability, where it obeys specific constraints, laws and rules, regardless of the level of complexity, and relies on an underlying order. This results in systems that express predictable behaviours in both the short-term (detailed and quantitative) and the long-term (approximate and qualitative) environment (Stacey, 2000). With further research, this may in future enable prediction of the trajectory of social movement sentiment by mapping the boundary of the bounded instability. That is, to generate organisational plans according to the probable, the improbable and the near impossible. The characteristics of a chaotic system are non-linear relationships and it is hard to establish these relationships and make predictions. However not all non-linear equations produce chaotic behaviour through positive and negative feedback. Positive feedback amplifies the changes, while negative feedback maintains the stability (Morgan, 1997 p. 274). Sensitive dependence on initial conditions, very simple or small systems or events, can therefore cause complex behaviours or events.

Chaos is never random and lacking in order. The perceived randomness obscures the hidden order that is generated by the interactions within complex systems. Stacey (2000) suggests that this hidden order is represented by:

- Attractors - model representation of preferred position for a system (state of equilibrium);

- Strange attractors - ensemble of an infinite number of preferred (paths to equilibrium or equilibrium) points; and

- Long-term unpredictability while system displays typical patterns or recognisable behaviour.

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Chaotic systems are mathematically deterministic but due to their nature their descriptive equations cannot be solved. While this appears to be inconsistent with the concept of predicting social movements, many theorists (Stacey, 2000; Marion, 1999; Lissack, 1999; Capra, 2002) see this as a metaphorical (Lissack, 1999) or analogous (Marion, 1999) organisational self-organising process. It could therefore be considered that while there is always a range of alternative outcomes for organisational systems, the environment is chaotic. However, with consideration for the hidden order and the natural movement towards stability, social movements will organise (if the pressure warrants it) and continue to form into more predictive patterns. For example, a complex, mostly unpredictable weather system in the Atlantic may become a more predictable, less chaotic cyclone and then become a highly predictable storm for which local warnings may be issued.

In observing the progression of a self-organising feedback system, Marion (1999) and Stacey (2000) suggest that tracking the results produces a two-lobe map called the Lorenz Attractor, illustrating that events tend to be attracted to the two lobes and everything outside that is statistically unlikely. This perspective supports the concept that unplanned and unstructured aggregation can occur within a societal context. The Lorenz Attractor represents a steady system because it restricts itself into two conditions (lobes) (Marion, 1999). Therefore, within the context of this thesis, the attractor indicates that a chaotic self-organising system (in this case a social movement) will, given time and resources, stabilise into an organisational structure for its own ends. Marion (1999) sees these as social solutions which can take the form of acts such as collective behaviour and crowd mentality.
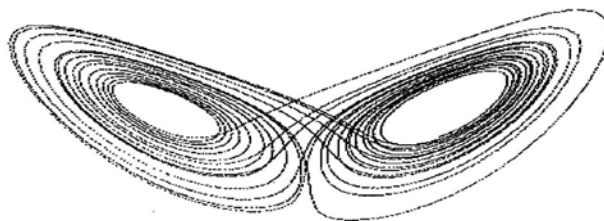
Figure 4.1   *Lorenz Attractor*

Marion, R. The Edge of Organisation: Chaos and Complexity Theories of Formal Social Systems (1999) p19.

Chaotic stability: the lines of the attractor represent the trajectory of air currents and the wings represent two different patterns of convection – warm or rain. The formation of patterns represents the clustering of social sentiment around an issue which so far has no formal organisation. As the organisation forms, the pattern compresses, shedding its chaotic nature and becoming a more formal structure.

4.8   Social Attractors – a path to aggregation

Marion (1999) suggests that 'strange attractors' are a critical concept in understanding the relations of chaotic systems and cites several properties that define how they operate relationally:

- Steady but never repeats exactly;

- Capacity to change, grow or shrink – includes broader or narrower range of behaviours;

- Alters its appearance;

- Converts to dramatically different attractor

- Can learn, carry past information, anticipate the future and reproduce

These attributes may also fit aspects of 'sentiment aggregation' around a boundary-spanning individual where the trajectory of that sentiment cannot be anticipated in anything other than broad terms.

4.9   Complexity – the emerging organisation

Complexity is the process of adaptation where properties are generated by complex interactions within a complex system and where the non-linearity of circular causation and feedback effect creates the conditions under which these new orders or ideas emerge (Stacey, 2000). Complexity theory layers Chaos theory on top of more traditional theories of stability, but the result is a unique theory in its own right. Complex systems are more steady and predictable than chaotic systems, even so, they border on the state of chaos. Complex systems possess sufficient stability to carry memories and sufficient dynamism to process that information. This balance

between order and chaos enables organisations to reproduce, to change in an orderly fashion and to self-organise, finally emerging without outside intervention (Scott, 2003). There, at the critical point in such a system, where a small change can either push the system into chaotic behaviour or lock the system into fixed behaviour, is where those emergent properties appear. Because of the complex interaction of social agents, there is a convergence of elements that creates an environment susceptible to mediation by boundary-spanning individuals.

Groundswell organisations for example, often develop along these lines, self-organising from disparate groups into social movements with some formal structures and objectives being generated that are commensurate with group sentiment. In many situations membership is not a function of exact alignment with the group sentiment, but a compromise position based on strong, specific, shared values of a single issue. Lissack (1999) indicates that the characteristics of a complex system include the following:

- Dissipative structures that pass through states of instability and reach critical points spontaneously, self-organising to produce different structures or behaviours that cannot be predicted from knowledge of the previous state;

- Synergies in the interaction of many parts of a non-linear system that co-operate to create different forms;

- Complex adaptive systems that consist of a large number of agents, each of which behaves according to some set of rules; and

- Self-organising capability with agents adjusting their behaviour to that of other agents, interacting with and adapting to each other, bringing about yielding emergent order for the whole system. With the collapse of chaos, organisations often experience change as an emergent process. Emergence can be defined as an overall system behaviour that comes out of the interaction of many participants – behaviour that cannot be predicted or even envisioned from knowledge of what each component does in isolation.
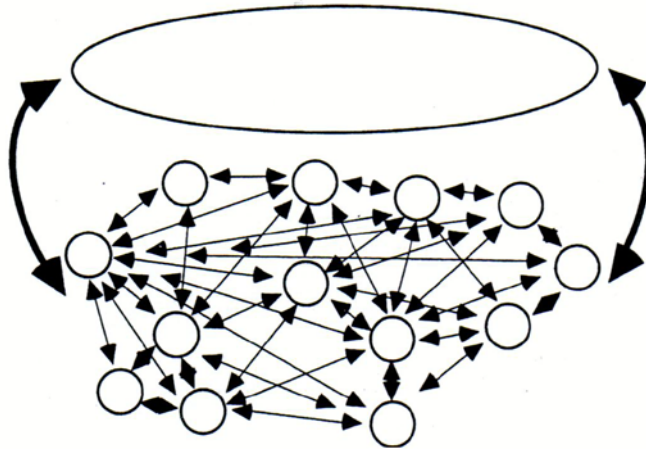
Figure 4.2   **Complexity**

Complexity: Life on the Edge of Chaos (1992) (Marion, 1999) p28.

"A system, shown as the large structure at the top half of the figure, emerges from the interactions of individual units shown as small circles. The units in this depiction are driven by local rules rather, and are not globally coordinated."

4.10   Structure in social systems

Stacey (2003) considers there are two approaches to analysing and understanding complex events which he refers to as systems and process. Specifically, he refers to their attributes in human terms which is relevant to this research. Firstly he considers system thinking where individuals proceed from the assumption that "in their interaction, people either actually produce a system or they understand their interaction as a system". They see themselves as part of a whole, whereas "in process thinking, the interaction between people is understood to provide further interaction between them" (p.312). Simply put, he sees individuals as another cog in a much more complex system, or as individuals in relationships who, through interaction, are producing more relationships.

On the other hand, from a systems perspective, individuals are tied to the creation of novelty through design, a process perspective which posits that "the theory of causality is unitary and transformative in that patterns of interaction emerge as continuity and potential transformation in the iteration of interaction itself". The

future is thus under perpetual construction through the interaction of people, and it is the process of interaction between their differences that amplifies these differences into novelty" (Stacey 2003, p.313). This proposition fits in with the notion of open systems as previously discussed. In such systems, attractors would draw individuals to solid system components (i.e. unions), whereas in a process environment, the development of relationships creates or amplifies relationships to a point of novelty aggregation.

Stacey (2003, p. 316) explains this further by indicating: "instead of starting with a problem situation as system thinkers do, it is people communicating and relating to each other in conversations and other forms of interaction that is the focus of attention". What they are doing is evoking and provoking responses from each other. In doing so they are creating their reality, including their very identities. These identities emerge continually and have the potential for transformation. For Stacey (2003, p.331), a form of relational psychology is the answer. Neither the individual, group or society has primacy.

> "individual minds are formed by and from relationships at the same time. The energy and the motivation for individuals and joint action arise simultaneously in relationship. Relationship immediately constrains and so establishes power relations. Relationship is communication and it is this communication that forms and is formed by power relations".

At the heart of understanding self-organising processes is the proposition that understanding the behaviour of individuals towards each other is driven by enacted behaviours and responses (symbols) that then cycle into further behaviours and responses. These responses can produce emergent collective patterns or attractors which are themselves producing emergent patterns of interaction through self-organisation.

In orthodox theory such as cybernetics and cognitivism, the whole supports the system. That is, individuals act as a group in carrying out tasks or goals that are generated at system level. There is no notion of self-organising or emergent thinking. This is analogous with society if it is considered to be run through an orthodox system of "top down" power. However in an open (complex-adaptive) system there are choices. Stacey (2003) suggests that there can be two outcomes from self-organisation. Firstly, participants may gather around an attractor and will only shift if the attractor is changed by an authority. Secondly, where there is sufficient diversity within the participant population so that there is either an internal capacity to move or the ability to develop through self-organising novelty, attractors may therefore be unpredictable from their previous iteration. What this means is that participants are interacting with each other through locality or communication channels from the basis of past experiences (symbols), in a self-referential, self-organising manner which creates new paths for future development. These new paths are a direct result of the diversity of symbols of the participants, providing a rich environment for new concepts to emerge and lending support to the explanation that this is what happens when dispersed stakeholders generate sentiment about a specific issue and begin to interact, integrate and negotiate.

4.11 Conclusions

Using the perception of organisations as 'chaotic', a system striving for order and direction with chaotic relations continually mediating the direction and order of structures, is both useful for understanding why organisations need to pay attention to external and detached stakeholders and for understanding how distant individual stakeholders may aggregate around issues of sentiment and self-organise.

As we move away from traditional orthodox theories of organisational behaviour, we can see that human interaction is not just a system with structures and fixed direction, but a process of relationships between participants driven by acts of relating and communicating. Because of the absence of hierarchy in relations and communication, the resulting interaction can go in any and many directions. Whether we consider the stakeholder relationship to be 'inside' or 'outside' the organisation is

irrelevant, as there is no inside or outside to speak of - there is a whole environment which spans all participants. It can be argued that there are many groups within the whole environment with a wide diversity of symbols and cultures and that they build an enduring connection based on the continuing self-referential, self-organising interaction in which they co-exist.

While it is generally accepted that these groups are part of the 'whole' society they are also distinct in character, each with their own cultures. They also have cultural gaps amongst their membership when it comes to certain activities or issues. These 'gaps' have the characteristics of boundaries within the group, dividing them into sub-groups with stronger self-referential and self-organising ties. It is in this 'space' that the boundary spanner, with strong relating and communicating qualities, reaches across to harness sentiment and act like an attractor. It is also in this space where aggregated sentiment can 'flip over' to a new attractor given new and convincing influences by a resourceful boundary spanner. It is the exploration of these concepts that lies at the heart of this study. The next two chapters will outline the specific case study upon which the field research is based and summarise the literature that was reviewed to clarify the conceptual framework for this study.

Chapter Five

Asbestos use in Australia

5.0   Introduction

This chapter discusses the use of the James Hardie Group and the asbestos compensation issue as the case study for this research project. It also provides a history of asbestos mining in Australia, and in particular, a background to the mining issues and compensation aspects of the case study subject. All facts about the James Hardie Group are taken from the NSW Jackson Royal Commission Report (Appendix III).

5.1   Comments on the case study

While James Hardie was always a potential target for this study, this researcher could not initially visualise the case as having the 'legs' to provide an appropriate database for the study. However, in late 2006 the company was forced to settle the compensation question once and for all. This settlement enabled an historically longitudinal study to take place which included all the components previously discussed as the core of this thesis, the issue – attractor – aggregation – boundary spanner – and action.

Because of the recent legal settlement it is possible to map the events and stakeholder sentiments that led/forced James Hardie to the negotiation table and resulted in a final settlement. As a case study it included all the elements required for this research investigation and the case provides an excellent 'fit' for such an examination using the elements of the Corporate Social Performance Model.

- Financial Performance

- Ethical Behaviour

- Reputation and Trust

- Environmental Sustainability

All of these factors can be researched through multiple instruments and subjects. In this case, documents relating to action groups, investors, media and the company have been placed in the public domain when under normal circumstances, an enormous amount of such documentation would be confidential. Furthermore, such a study does not require the participation or assistance of the company as their attitudes and behaviours have become matters of public record.

When we reflect upon the history of asbestos and James Hardie in WA and nationally, it is immediately evident that the narrative stretches back a long way in time and takes many twists and turns. For many years asbestosis action groups struggled against corporate might and public apathy and did not progress their case significantly. While there was some early media exposure, it never generated enough momentum to produce results. In fact, asbestos was removed from the market because of issues of insurance and liability, not because of public action. The public as stakeholders trusted James Hardie and considered that there was no risk. They believed that James Hardie was 'doing the right thing'. Simultaneously, the public was slowly developing trust in the asbestos action groups who increasingly gained acknowledgement as the 'David' in battle with the James Hardie 'Goliath'. The public appears to have believed that the issue was a just cause, but was only about a few people from whom they were removed. This positioned particular stakeholder attractors within an environment that enabled an escalation of sentiment and changed everything for the James Hardie Company.

While there was a balance between stakeholders and the organisation, public opinion was benign. This situation changed when James Hardie lost public trust by under-resourcing the compensation fund and attempting to take itself out of the legal jurisdiction of Australian courts. This action tipped public sentiment into an aggregation around the attractors, those opposed to James Hardie. It generated significant social interest in the behaviour of the James Hardie Group, creating a media and political circus that accelerated the flow of trust away from James Hardie and towards the action groups and sufferers. The outcome was that public sentiment became so negative towards James Hardie, that the case grew in newsworthiness and led to subsequent media and political scrutiny. Having created such momentum in

the media, it became a political imperative for some Australian authority to take action.

The Jackson Commission was formed by the NSW government and led to the appointment of Greg Combet as the negotiator and 'boundary spanner' for the parties, who facilitated the final settlement between James Hardie and the claimants. The case therefore provides a pragmatic example that includes all of the concepts introduced by the literature as significant relations for exploration: issue - attractors - aggregation - boundary spanners - and action concepts.

This case provides ample data from which to explore the linked concepts of attractors - aggregation - boundary spanners - and action concepts through research based on both quantitative and qualitative explorations of stakeholder perceptions. The study sought to explore the issue through stakeholder questionnaires that probed attitudes towards organisations, and specifically the James Hardie Group.

5.2   Asbestos use in Australia

The mining and manufacture of asbestos and asbestos-related products took place in Australia for most of the 20th century and was widespread until the 1980's. During the 1950's to 1970's Australia was the highest per capita user of asbestos in the world - every third domestic dwelling built before 1982 is thought to contain asbestos. Asbestos was used in asbestos cement sheet or 'fibro' until the mid 1980's and was only finally banned in Australian workplaces in January 2004. Companies in the James Hardie Group were major participants in the manufacture and distribution of these products right up until 1987 when the last production ended in Western Australia and Queensland.

James Hardie was Australia's largest manufacturer of asbestos-containing products throughout the 20th century, including asbestos-containing insulation products, asbestos cement sheet or 'fibro' pipes and friction materials, particularly brake and clutch linings. Throughout this period James Hardie had a dominant market position,

particularly in fibro, and was effectively the only commercial supplier of fibro in SA and WA. Evidence presented at the Jackson Inquiry suggests that James Hardie had knowledge of the dangers of asbestos as early as the 1930's, however no warnings or directions were placed on Hardie's fibro until 1978 and the company continued to use asbestos in the manufacture of cement sheets until 1987.

From 1937 the Hardie Group structured its operations so that the manufacture and supply of asbestos products was undertaken by subsidiary companies, most importantly James Hardie & Coy Pty Limited (Coy) and Hardie-Ferodo (later Jsekarb). Coy was the principle source of income for James Hardie Industries until the mid 1990s.

The James Hardie Group prospered with substitute products (particularly in the United States market) and with the passage of time, the Group's liabilities in regard to asbestos came to be regarded as something reflecting the past. They came to be described and assessed within the company as "legacy issues", a source of "management distraction" that it was desirable to "separate" from. Although the manufacture and distribution of asbestos products had ceased years before, the liabilities caused by such negligence were mounting and would continue to mount for many more years.

Until 1996 the Group's asbestos liabilities – judgements, settlements and legal costs – were met as they fell due. The amounts had been such that they were manageable for a business the size of the James Hardie Group. But the Group was undergoing change. Between 1995 and 2000 the James Hardie parent company undertook a process of stripping assets from Coy but left it with the bulk of the Hardie Group's asbestos liabilities. This restructure separated James Hardie & Coy Pty Ltd from other James Hardie companies. Its activities became limited to those of a landlord and lender to other James Hardie companies and a company defending and settling the asbestos-related claims.

Furthermore, under a scheme of arrangement before the Supreme Court, other members of the James Hardie Group, now JHA, became a subsidiary of a new Dutch company, James Hardie NV. The change was allegedly to position the Group for further international growth and to improve the after-tax returns to shareholders. The Netherlands is one of only two countries with which Australia does not have a treaty for the enforcement of civil court judgements.

The company also decided that a 'trust' would be the best vehicle to separate and manage its asbestos liabilities, so the trust became responsible to claimants for asbestos-related liabilities. In February 2001, James Hardie established the Medical Research and Compensation Foundation (MRCF) with $293 million in assets, including what was left of the asbestos manufacturing subsidiaries Coy and Jsekarb. As part of this move Coy and Jsekarb indemnified the James Hardie parent company for any asbestos liabilities. Ownership of James Hardie & Coy Pty Ltd then passed to a new company named JHIL, unrelated to the James Hardie Group, and with assets roughly equal to the actuarial assessment of future liabilities plus a guarantee of further funds through a part-paid shares scheme. Hardie CEO, Peter Macdonald, announced to the ASX and Australian public that the trust was fully funded and would be able to meet all legitimate asbestos compensation claims in the future.

The Medical Research and Compensation Foundation (MRCF) was established in February 2001 and was accompanied by this media release from the James Hardie Group.

> *"In establishing the foundation, James Hardie sought expert advice from a number of firms, including Price,Waterhouse, Coopers, Access Economics, and the actuarial firm, Trowbridge. With this advice supplementing the company's long experience in the area of asbestos, the directors of JHIL determined the level of funding required by the Foundation... When all future claims have been concluded, surplus funds will be used to support further scientific and medical research on lung diseases."*

Confidence in the Foundation was short-lived. By August 2001, actuarial firm Trowbridge reported that the value of all future payments had increased by 65 per cent to $574.3m. The difference appeared to be focused on the figures provided by JHIL which did not include data for the nine months to December 2000, figures which showed escalating claims and would have made the total liability figure much higher. In September 2001, the Foundation communicated their concerns to the James Hardie Group about the inadequacy of the initial funding and because it was not "fully funded", it would not be able to meet the claims of all asbestos victims.

In October 2001 the NSW Supreme Court approved an application from James Hardie to move to the Netherlands and set up as a Dutch company, taking with it $1.9 billion in assets from its former Australian companies. The court was assured these assets would be available if needed to meet the claims of Australian creditors, including asbestos victims.

Between late 2001 and March 2003, the Foundation made a number of endeavours to persuade the James Hardie Group to recognise an obligation to provide further funds and to pay a substantial amount to the Foundation. James Hardie was unwilling to pay anything, but did offer several sums, effectively providing $20m to try and achieve a "negotiated settlement" with the Foundation.

Simultaneously there was considerable pressure within the Group to distance itself even more from the Foundation and asbestos claims, as it was perceived that the mere existence of the arrangement with the Foundation caused anxiety among certain lenders and prejudiced the position of and the terms available to the company. In March 2003, the Dutch based James Hardie severed its last links with its former Australian asbestos-producing entities and cancelled their capacity to call on the $1.9 billion to pay asbestos victims in the event that this was required. James Hardie did not advise the NSW Supreme Court, the NSW Government or the ASX of the cancellation of the $1.9 billion lifeline.

By September 2003, Trowbridge had estimated the Foundation's potential liabilities at $1,089.8m and climbing. Litigation costs were way exceeding previously estimated figures and the ability of the Foundation to continue compensation payments would have been exhausted within a few years. By mid 2004 concern had escalated about the constitution of the Foundation and the actions of the James Hardie Group. Following campaigning by the unions and anti-asbestos groups in NSW on the 27th February 2004, the NSW Premier authorised Mr David Jackson to conduct a Special Commission of Inquiry into MRCF, the adequacy of its funding and the circumstances around its separation from the James Hardie Group.

What the Commission found was that while the management and board of the James Hardie Group did not appear to have breached their respective duties in relation to the separation of the company from its asbestos liability, considerable planning had gone into the advantageous outcomes achieved by the company, so that from August 2001 it had no legal responsibility towards victims. It was further noted that there were considerable inconsistencies in the behaviour of individuals and chronology of events during this period which left several areas open to potential scrutiny in the future. The conclusion was that while the Group claimed to be protecting victims of asbestos disease, they were in fact carefully planning to 'bolt' to the USA and take as many assets as possible with them. They were leaving behind two generations of already sick victims, two further generations of victims still to come and an asbestos liability of $1,500m dollars for which the people and government of Australia would have to pick up the cost.

5.3   Final funding agreement

James Hardie and the NSW Government signed an Amended Final Funding Agreement on Tuesday, 21 November 2006. The final condition before the money flowed was James Hardie shareholder approval, achieved at an extraordinary general meeting in the Netherlands on 7 February 2007 where 99.6% of shareholders approved the compensation package. Following this approval, the first payment of $184.3 million into the new Fund took place on 12 February 2007.

5.4   Asbestos related diseases in Australia

The compensation fund has and will continue to fund the care of employees and associates who continue to suffer from a range of asbestos-related diseases.

- *Mesothelioma*. Cancer caused by exposure to asbestos. Time of first exposure to the onset of mesothelioma averages 37 years and is fatal within about 9 to 12 months of diagnosis. There is currently no cure for the disease.

- *Asbestosis and Asbestos-related Pleural Disease.* Severely disabling respiratory diseases for which there are currently no effective treatments or cure.

- *Lung cancer and other malignancies.* Also implicated in asbestos exposure.

5.5   Summary

In summary, the James Hardie narrative provides a recent, intense and focused case study that demonstrates how social sentiment can aggregate through boundary spanners and have significant social and organisational impact. It provides an excellent example for a research study concerned with exploring such concepts.

Chapter Six

Literature Summary

6.0   Summary

Many see the stakeholder/societal relationship as being relatively fixed in the popular diagrammatic form of a hub and spoke array. However, it is possible to re-conceptualise these relationships as something akin to a kaleidoscope, where changing values, environments, financial imperatives and management all have an effect on changing perceptions of organisations, not with a single monolithic action but through a myriad of smaller inter-related events. These events are time and place sensitive, but individually or in aggregated form can be important to organisations and their outcomes.

These relationships are all about connectivity and communication. One voice or a thousand voices can represent a powerful influence on an organisation and society at large. A compelling research issue is to identify in a verifiable, reliable and practical manner, the ways in which the territory and boundaries of influential stakeholder relationships develop and how they impact upon organisations.

Previous research has demonstrated how the organisational aspects of stakeholder relationships, where stakeholders are directly or indirectly associated with an organisation, can be relatively easily and accurately defined. However there is little research that investigates how stakeholders with less formal contact with organisations become engaged with issues and aggregate around them. This is a more difficult area to study due to the transitory nature of the focal populations in their local territories and environments, but an understanding of this phenomenon would make a significant contribution to existing theory.

This study focuses on those stakeholders who inhabit local territories or environments that relate to specific moral and ethical perspectives. Specifically, this study has an interest in stakeholders who are peripheral to formal organisational

relations but can have profound ongoing effects upon organisations when ethical dissonance develops between organisational actions and stakeholders' individual and collective sentiments about that action. Socially detached, they move to organisational boundaries when roused by specific ethical issues.

Gray et al. (1997 p. 175) suggest that the organisational boundary can be defined "by the organisation's, society's and the stakeholders' negotiations of closeness". He states that those coming into the relationship must be part of the negotiation and included in the account. He appears to be suggesting a pragmatic stakeholder management model that describes, defines and develops the size, scope and strength of such relationships. However, such a definition potentially limits the range of stakeholders and the size of the environment, creating an inward perspective that excludes potential stakeholders who may otherwise become close and cross boundaries. If, as has been argued by many, organisations have a responsibility to the wider society and to the environment, then the way organisations currently work, as described by Gray et al's model, does not include the relational width to encompass broader social groups whose potential impact on a company's sustainability may be crucial in the 21st century.

There appears to be a need to change and develop new processes and procedures, perceptions and paradigms for stakeholder management that incorporate the relationships between organisations and informal groups who aggregate around ethical issues. The thrust of this study is to explore some of these relations through a case study, to initiate modelling of these relations and to offer directions for future exploration.

Gray et al. (1997) and others suggest the organisation – the accounting entity – has a boundary which includes a number of direct and indirect stakeholders, each playing a part in strategy formation. What is interesting to explore are the mechanisms by which specific stakeholders achieve greater power, weighting of their perceptions and priority attention from organisations. Current models appear to favour existing stakeholder relations and virtually exclude informal stakeholders from the wider society. The picture of stakeholder relations that develops from this perspective is

one based upon finite closed relationships. This study postulates that further research is required to develop a more inclusive model.

Eden and Ackerman (1998) and Gray, et al (1997) argue that relationships exist within organisational boundaries and that decisions are made through these relationships that translate into strategy and subsequent action. From this perspective, sentiment, voices and action from individuals and groups in wider society are imported from the wider community, and have little real weight; their influence is through the grace and favour of the organisation's decision-makers. It is the premise of this thesis that there must be an improved weighting of salient attitudes towards wider social issues within stakeholder management theory. More effective mechanisms are required to include these wider perspectives into the decision-making processes and indeed into the culture of organisations. This study informs such an exploration.

Currently shareholder-driven decisions are perceived to have a short term focus on rates of return in the share market, pressuring organisations to be more aggressive in terms of organisational survival, consumption and growth. To develop a more unified approach to the stakeholder process it is necessary to develop a paradigm which includes all immediate and internal relationships as well as all external relationships, in a way that values them with appropriate priorities and weights according to their importance. This empowers decision-makers as it increases their knowledge and understanding of what is socially acceptable and desired.

Where organisations take substantive action that leads to a widening of the expectation gap between the organisation and the wider stakeholders, a 'pool' of sentiment forms that is deeply felt but often has no outlet and nowhere to go. Over time, if the conditions are suitable, this situation may lead to the formation of a social movement. In this situation, the social capital of the organisation and the strength of sentiment towards the issue become competing interests, one outweighing the other, or in some cases stripping the other of value as they become more prominent. The specific issue acts as an attractor for 'aggregation of sentiment' where interested parties will put aside difficulties to act together on an issue-based

platform. At this point, given the right resources, a definitive stakeholder may develop. The definitive stakeholder may begin by collecting sentiment and riding on pre-existing and developing social capital to aggregate a social issue into a social movement and action group. Through these actions the definitive stakeholder displays the ability to attract disparate individuals and to lead those individuals in organisational-influencing activity or negotiation, exhibiting properties of boundary-spanning in an extra-organisational situation. In such a situation the boundary spanner has the power and moral authority to, where possible, act as advocate and drive issue responses to a resolution.

From this research, the expectation is to develop an understanding of the concept of boundary-spanning in a way that creates value for an organisation and for society. Kostova and Roth (2003) talk about this value as social capital, and although they discuss it within an organisational context, it can also be perceived as a social-environmental concept. This thesis is based upon the premise that there is an increasing need for organisations to create a portfolio of boundary-spanning extra-organisational relationships that can add value and be incorporated within the decision-making process. Such relational actions have the potential to be of enormous referent value to the organisation, as they not only import knowledge and opinion but also export goodwill and perspective to the wider community, thus improving the organisation's reputation and standing within that community.

Understanding the relationships that span the stakeholder environment is critical. It demands continued research of the changing relational pattern of attitudes, interests and expectations of all the members within the stakeholder spectrum. The investigation is aided by the fact that many interest groups have strong, well developed positions on many issues pertaining to their specific interest areas. Organisational, government, community and societal groups also have many clearly developed or emerging attitudes and policies towards social and business issues. The challenge is to study how these social sentiments aggregate into powerful social movements and impact upon organisations, and how organisations can integrate such environmental scanning and relations within their decision-making processes so that they are better informed. How can organisations generate informative social

databases which are multi-lateral in their application, with significant stakeholder sentiment being accommodated to inform organisational strategising? This study aims to illuminate such questions.
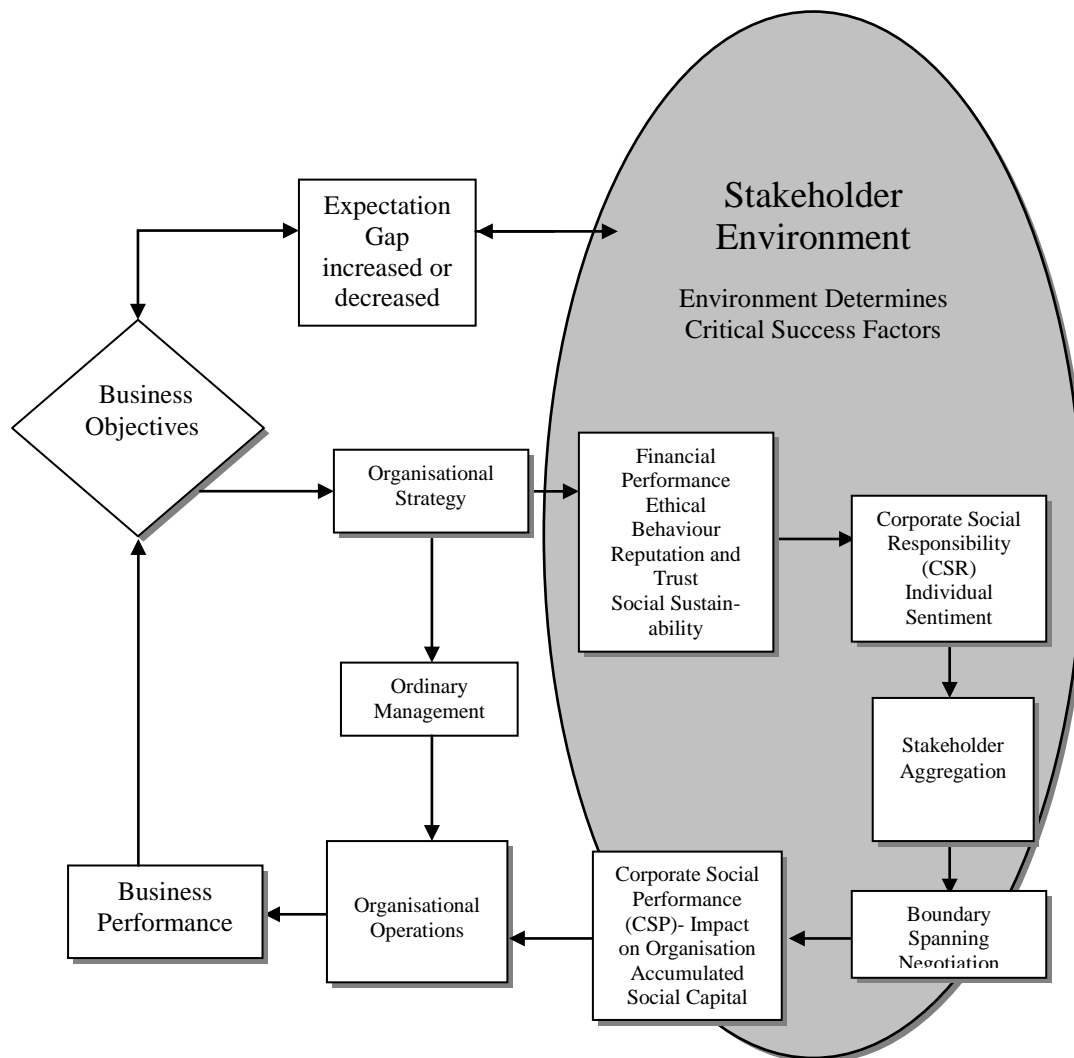
Figure 6.1   Study Conceptual Framework

Figure 6.1 shows, on the left hand side, the progression of ordinary management processes leading to business performance. It further expands the construct according to the concepts outlined in this thesis on the right hand side, developing a parallel 'stakeholder environment' decision-informing process as outlined in Figure 1.1.

Chapter Seven

Methodology

7.0   Introduction

This study seeks to explore the impact of stakeholder relations and the associated social capital on organisations in an environment where advanced communication processes have enabled individuals to pursue personal issues, such as organisational ethics, and aggregate around those issues as they become important to the individual. Specifically, the purpose of this study is to investigate how dispersed individual stakeholder sentiment about organisational issues aggregates and to postulate about how boundary-spanning relationships and negotiations are generated. The investigation is based upon Carroll's model of CSR and focuses on a case study of the James Hardie asbestos issue. The James Hardie case study was selected because it offered a well-publicised example of CSR and stakeholder action.

This study is based upon the premise that there is a change developing in the way we as a society are living our lives. The focus of 'social movement' is shifting away from the group towards the individual (individuals are, through new technology channels, able to 'cherry pick' issues they wish to align themselves with), changing the context of issue-formation within society from those with close and immediate relations with organisations, to including those with more distant connections.

This research suggests that there are several drivers of this change. Primarily, individuals have more personal freedom to associate themselves with and develop sentiment about social and environmental issues. Instantaneous and specifically targeted communication enables the aggregation of such individuals into movements, enabling group formation through the actions of an empowered 'individual' who exhibits the attributes of a boundary-spanning actor. Perhaps most importantly from an organisational perspective, companies have begun to recognise that even remote

stakeholders, when aggregated, can have a significant impact upon organisational performance.

The accumulation of social capital is now being recognised as an intrinsic part of the resources, strategies and actions of an organisation. The stakeholder dynamic has shifted from the management of direct relations to encompass a greater mutuality of relations with deeper sentiment about issues and a wider, broader and more distant population in society.

This study argues that organisationally detached individual sentiment can lead to social movements that may impact significantly upon organisations. In addition, this study postulates that organisations require more effective tools to locate, open relations with, understand and negotiate with aggregated groups who have strong social sentiment about organisational issues. The research questions are designed to explore the *first step* in understanding the nexus of issue aggregation and social capital and the development of research techniques to achieve this aim.

The research design uses the social responsibility elements set within Carroll's (1979) three-dimensional cube to explore the development of attitudes in a specific population set, and how intersecting individual sentiment aggregates into a social movement. Carroll (1979) indicates that such a study should focus on the economic, legal, ethical and discretionary activities of a business entity, as it is company strategies and actions in these areas that may need to be adapted to the values and expectations of society. This study is based upon Carroll's categories of Corporate Social Performance and focuses on specific elements within those categories to provide a framework for the collection of empirical data. Four issues have been chosen for their relevance to the case in question and the social period under review. These are:

- Financial Performance

- Ethical Behaviour

- Reputation and Trust

- Social Sustainability

To assess the movement of sentiment amongst the research population, a case study research design is used to focus on each of these elements. The four issues chosen provide a basis for the study that has meaning as a whole in mapping the broad movement of sentiment. It also provides data concerning the inter-relationships between the four issues.

7.1   Research Objectives and Questions

The purpose of this study is to investigate how dispersed individual stakeholder sentiment about organisational issues aggregates and to postulate about how boundary-spanning relationships and negotiations are generated. To achieve that purpose and explore the related issues, the following research objectives were constructed to guide the design of this study:

- To explore the nature of relationships between organisations and their stakeholder environment or constituencies from a stakeholder-centric perspective.

- To quantify this relationship in size, scope and intensity and examine the links between strength of relationship and shared social capital.

- To examine patterns of social capital aggregation forming around boundary-spanning 'individuals' within the organisation's broader constituency.

- To develop an alternative way of understanding the stakeholder environment that leads to improved outcomes for both organisations and stakeholders.

The research objectives were then translated into a set of research questions designed to explore the central concepts postulated by this thesis.

7.1.1 Research Questions

The research questions were developed from the research objectives using Carroll's model and focusing on the James Hardie case study that was selected for the

investigation. These research questions were then developed and expanded to form the field questions that were used in the survey instrument for this study.

1. Is the social capital of the organisation valuable within the wider stakeholder environment?

2. Does social capital change, given the behaviour of an organisation?

3. Can organisational social capital be harnessed by either the organisation or by stakeholders?

4. Can individual sentiment developed from organisational social capital behaviours aggregate into a social movement that can influence the activities of an organisation?

5. Can a boundary-spanning individual or organisation play a role in the aggregation of social capital into a social movement?

6. Can social capital elements be developed into research questions?

The research questions are based around the five stages of Corporate Social Performance, and bounded by the stakeholder environment as outlined in the conceptual framework (Figure 6.1, p.103).

Research questions 1 and 2 were embedded in a survey instrument to gain participant perspectives that could be used to respond to these questions. The latter research questions 3, 4, 5 and 6 required both the gathering of secondary data from media reports and associated literature as well as the results of the survey to respond to the research questions.

7.2   Research Design and Methodology

In planning an appropriate research design and methodology for this thesis, the main factors considered were the research objectives, the research scope, the nature of the empirical study that forms part of this thesis and the resources and time available. As noted earlier, the principal objective of this thesis was to review and re-conceptualise the stakeholder management theory presented in the literature. However, having

developed the concept of a more plural stakeholder management theory, the scope of the empirical study was restricted to conducting *an exploratory investigation* into how specific organisational actions might change attitudes, and induce the aggregation of community stakeholder sentiment.

The empirical study was designed to be a field study of one specific organisational case. The rationale for this approach was the apparently changing social relations as revealed by the literature review, that indicated some inadequacies in traditional models of stakeholder management. The researcher determined that the emerging trend of distant stakeholder sentiment aggregation and subsequent boundary-spanning actions required further investigation to understand the trend and its impact upon organisational social capital. The decision was made that, in order to explore the first stage of this conceptualisation, the study should attempt to map what individual stakeholders perceived, how they felt and how they acted, by focusing on a specific organisational case. The James Hardie case was selected as a purposeful, revelatory and well-known Australian case – a case that would likely have impacted on a wide range of individual stakeholders. The investigation of the case study was based upon using existing theoretical concepts and categories for the instrument design. Record scanning and questionnaire instruments were used to gather the relevant data.

This study sought to explore a complex and emerging series of relationships concerning stakeholder impact on an organisation. However, to achieve useful outcomes from this research process, it was important to recognise the limitations of a Masters project in relation to the data collection process. While this thesis proposes *a broad extension to stakeholder management theory*, this case study focuses specifically on *the first stages* of this re-conceptualisation: the development of stakeholder sentiment. The survey instrument was designed to respond to this specific area of inquiry.

To gain the most useful results from the analysis of the data, multiple analysis processes were used. Each phase of the analysis process was chosen for its specific usefulness in interpreting the specific data collected.

7.3 Type of Study

The study that forms the empirical research for this thesis is exploratory in nature, as it develops 'untested concepts' where little is known about the environment under examination and there are no benchmarks for examining this area. The study used existing theory as a base and proposed that social and technological changes may be cause for a re-examination of stakeholder relations and possibly expansion of existing theory, to reflect more recent patterns of social change. The research is also exploratory as it is intended to increase our understanding of social capital and the stakeholder. While this study focuses only on the *first phase* of the re-conceptualisation of stakeholder management, it could also be viewed as a pilot study, paving the way for a further, linked study to gather evidence in support of this re-conceptualisation.

The study is based upon a specific *case study* as the "methodology usually investigates a contemporary phenomenon within its real-life context" (Perry, 1998. p. 786) and is a research strategy which is focused on exploring the dynamics present within single issues (Eisenhardt, 1989). This research study evolved from the review of existing theoretical paradigms describing instrumental and normative principles and suggest that individuals will act in logical ways, primarily driven by factors associated with self-interest. However, deductive theory-building does not explain some expressed behaviours in stakeholder-based relationships as seen in the real world. By using inductive reasoning, case studies can explore the unobservable phenomena of perceptions that are at the centre of this study. The decision was therefore made to explore what appeared to be emerging patterns of stakeholder relations through the examination of a specific case study. Such a study required the investigation of individual sentiment and actions over a period of time. If the resources of a Master's study had been spread over several case studies, the depth of data would have been inadequate, so the decision was made to focus on one revelatory and purposeful case study that had generated considerable social reaction.

While the research questions have wider relevance to both business and society, in this study they are confined to one company with substantial operations in Western Australia, the James Hardie Group. The choice of case study provided ready access to knowledgeable participants and documentary data for the researcher. More importantly, such a case study provided a palpable connection between the participants of the study in Perth, Western Australia, and a contained social environment where there had been engagement in the community over the asbestos contamination and compensation issue.

The research study was framed to use both public documents and a stakeholder questionnaire (Appendix I) to examine the participants' relationships; to map and identify the strength of potential networks and to examine whether statistical tests and multi-attribute analysis can further explain the diverse interests of the constituents, either at a particular issue-based level or at a strategic level. As Sekaran (1992 p. 95) suggests, "Exploratory studies are done to better comprehend the nature of the problem". Because of the exploratory nature of the research and its scope, the limitations on precision and confidence will be those expected in non-probability sampling (Cavana, Delahaye & Sekaran, 2001 p. 257).

7.4   Nature of Study and Instrument Design

The study is designed to describe relationships between organisations and stakeholders in the context of the asbestos compensation debate that was taking place in Australian society at the time. It is a case study limited to one company, the James Hardie Group, whose actions and the community response have been examined in some detail over the years by government, media and interest groups. Ideally the study could have taken place over the six critical years of the James Hardie case, using data gathered at several points during that period. Since this was not feasible within the constraints of this study, the decision was made to use a retrospective quasi-longitudinal questionnaire as the basis for gathering data from the population who would reflect on their sentiments at specific times during the past decade. In describing the research as quasi-longitudinal, the researcher acknowledges that the study encompasses aspects of both *longitudinal* (asking respondents to answer

questions as if they were in two different times) and *retrospective* (using information from reviews of material published over time) research methods, compressed into a single questionnaire collection event.

Longitudinal research provides correlational data and involves studying one or more groups of individuals over a period of time. Data is collected at the start of the study and repeated at later times. Longitudinal studies look at changes over time and have some use in detecting causal relationships. However, they require a significant period of time and as they are often comprised of small groups, it can be difficult to generalise the results across broader populations (Sekaran, 1992). The type of study used in this research is also indicative of a panel-type approach as it involves a cross-section of participants reporting on events that occurred at different points in time.

Retrospective studies are longitudinal studies that look back over time:

> *"A retrospective study uses existing data that have been recorded for reasons other than research... A retrospective study contains many of the same study-design elements as a prospective study ... a retrospective study can serve a useful purpose. A particularly useful application of a retrospective study is as a pilot study that is completed in anticipation of a prospective study. The retrospective study can help to focus the study question, clarify the hypothesis, determine an appropriate sample size, and identify feasibility issues for a prospective study." (Hess, 2004. p.1171)*

By combining the elements of retrospectivity and longitudinal perspective in a questionnaire that is answered in one session, the term quasi-longitudinal study seemed most appropriate for the research process and this thesis.

The research questionnaire was the principal data collection instrument. It was specifically designed to break the participants' responses into two time periods by providing information sequentially, with the questions relative to specific times and behaviours of James Hardie. This survey response process was appropriate for the type of research undertaken in this study as the results are limited to being indicative and require validation by future research.

7.5   Time horizon covered by the study and survey

While the research instrument was designed as a quasi-longitudinal questionnaire (as explained in section 7.4), the actual study was undertaken between late 2006 and early 2007. The case study history used to develop the quasi-longitudinal questionnaire covered the period of 2000 to 2006 and provided the timelines and actions of James Hardie and other organisations. The Jackson Royal Commission Report was used to provide a reliable source of background information and testimony of specific actions by James Hardie within a reliable timeline.

The questionnaire examined the participants' sentiment from 2001 to 2006. The first part of the three-part questionnaire explores the participants' feelings towards either a real or hypothetical 'best practice' company. The second part focuses specifically on James Hardie up to 2001 and summarises the company's behaviour as described by the Jackson Royal Commission, with the expectation that participants would answer the questionnaire within the time-related context. The third part related to actions post 2001 and up to 2006 when the Royal Commission was completed. The summary for this part was separated from the first and second parts of the survey instrument in order to provide the participant with a time-relevant information base so that they could consider and then respond to the issues.

7.6   The sample and sampling process

Since the empirical research component of this thesis was intended to be essentially exploratory and descriptive in nature, it did not deliberatively try to acquire a representative sample. Instead, it sought to gain data from people who might be knowledgeable and could provide insights into the phenomenon of interest. This approach underpinned the researcher's decision to employ a single case study that included contrasting situations and benchmarking of stakeholder sentiment, and gathered data using a quasi-longitudinal survey of stakeholders likely to have knowledge of the topic under investigation. It enabled the researcher to simultaneously meet the objectives of the field study and address the resourcing and time constraints of a Masters program.

The survey technique employed was therefore essentially a non-probability, purposive (judgemental) sampling procedure. It is recognised that purposive sampling precludes the researcher from making inferences about the total population as is the case with probability sampling techniques, but this was not the intention of the study. A purposive sampling approach was therefore deemed suitable given the scope and exploratory nature of the study being undertaken. This study aimed to use a 'different' perspective in researching a phenomenon of interest, to advance theoretical knowledge (Sekaran, 1992). Specifically, this study applied an established framework, namely the Quality Function Deployment (QFD) matrix, to a different context and problem in an effort to gain new insights and understanding of the formation of stakeholder relationships, to advance our knowledge of stakeholder management theory.

- The target population for this study were residents of Perth, Western Australia. The population was sampled from the Perth residential and business telephone directories with questionnaire recipients directly mailed through the Australia Post network. There was no contact by the researcher other that through the Participant Letter (Appendix II) and the questionnaire to avoid any suggestion of influence or bias from the researcher in the responses. All participation was voluntary and participants were able to refuse to participate, partially complete, or complete the questionnaire before returning it.

- The population was segmented into two sections – professional/business residents and the general population. This was in anticipation that professional/business residents may have a stronger interest than the general public in the actions of companies and therefore respond to these (i.e. more likely to form sentiment that will aggregate with others). It was also anticipated that they might be more inclined to respond to the survey, thereby increasing the probability of an adequate response rate to gain insights into the phenomena of interest. This rationale guided the purposive or judgemental aspect of the sampling procedure.

- The sampling frames used were the Perth residential and business telephone directories. It was recognised that there could be an overlap between these two sampling frames (precluding a 'true probability sample'), but this was

not the intention of the chosen sampling process. Thus, the sample for this study is a 'non-probability' sample, with the participants being randomly selected from the two sampling frames.

- A sample of 182 resident were selected from the residential telephone directory and a sample of 261 from the business telephone directory, giving an overall sample size of 443 residents. The sample size was largely constrained by budgetary considerations; the actual number of responses was 47. This included 16 responses from the general public (a response rate of about 9%) and 31 responses from professional/business residents (a response rate of about 12%), giving an overall response rate of nearly 11%.

The professional/business group was chosen at random from the professional pages of the Perth business telephone directory and could be considered a stratified random sample (Cavana, Delahaye & Sekaran, 2001 p. 258) producing a judgemental and non-representative sample of the population. The non-representative nature of this part of the sample is derived from the targeted choice of sample participants from the professional pages of the Yellow Pages telephone directory. While it is recognised that this process may have an impact on the results of the survey, the researcher's expectation of a higher rate of return from this group outweighed the issues of sample homogeny in what was an exploratory study. In defense of choosing the subjects 'judgementally' and undermining the rigor for confidence in the results, the researcher would propose that such an action is consistent with the exploratory nature of the project, that is, understanding the phenomena of interest and advancing theoretical knowledge (Sekaran, 1992).

7.7   Sample Size

The sample size was restricted by the size and scope of the research project, the research budget and the exploratory nature of the research. The sample size of 443 was considered adequate for a pilot study aiming to gain insights about a concept, rather than draw specific inferences.

While Sekaran (1992) indicates that for multivariate research, the sample size should be up to ten times the number of variables in the study, she suggests that for most quantitative business research projects a respondent sample size of over 30 is sufficient (p.297). (*She further provides generalised guidelines for sample sizes that suggest a sample size of 384 or more for a population of 1.5 million, i.e. the population of Perth. A 95% confidence level and an error level of less than +/- .05 placed this well outside the scope of a Masters thesis.*)

Because of the scope and exploratory nature of the study, the decision was made to mail out 443 questionnaires so that sufficient responses could be returned to gain an insight and provide a database for statistical analysis. A good response to the surveys would provide useful data for the analysis. Using a sample size calculator and with a sample of 443 with a 95% confidence level and a margin of error of 5%, the resulting responses would need to be 206. However the researcher considered it unlikely to receive such a high response and accepts that a higher margin of error would most likely occur.

From the 443 questionnaires mailed out there was a response of 47, a return rate of 10.6% which provides a margin of error of 14.3% at a 95% level of confidence in the data. The result was too small to be statistically useful and given the non-probability method of drawing the sample, external validity is not assured as it is not possible to determine the level of sampling error. As a pilot study however, it did meet the needs of the research project by showing a positive collaboration between the social capital elements, the research instrument and the analysis tools.

Despite the limited number of respondents there was no attempt to follow up the unreturned questionnaires to increase the number of responses. This was for two reasons. First, there was a concern that the participants who received the questionnaire and decided not to participate may well have looked through the whole questionnaire, viewed all the parts and therefore undermined the quasi-longitudinal nature of the questions. Second, budgetary constraints curtailed further follow up.

7.8   Data Collection Method

Having identified the purpose and objectives of the investigation through the literature review and designed the research process and research questions, a research instrument was developed to operationalise the study constructs and collect the appropriate data to address the research questions. Initially record scanning was used to brief the researcher, provide statements to research participants and help structure the analysis process. The main form of data collection was a self-administered survey used to collect data from members of the public to indicate their knowledge of, sentiment towards and potential behavioural patterns in relation to the focus organisation.

The survey comprised both qualitative and quantitative questions and took approximately 30 minutes to complete. The questions were a combination of open-ended and multiple choice (including ordinal and interval scale), to provide data suited to an exploratory case study and a directional QFD Matrix analysis (see section 7.10). The instrument was designed to gather data for a quasi-longitudinal analysis, that is, respondents were not only asked about their sentiment towards specific issues, but were also asked about their specific knowledge and sentiment at the time of particular events in the history of the case study.

As far as possible, participants were not informed in advance about the specific purpose of the research so as to avoid potential biases. The sequencing and phrasing of questions were designed to avoid structural bias as well as bias in question content, such as leading or loaded questions, or social desirability in responses.

The questionnaire began with an introductory group of five demographic questions designed to get a 'feel' for the background of the participants. The researcher then divided the questionnaire into three parts. The first part was designed to provide general responses to specific attitudes of companies in general. The second and third parts related to events and behaviours surrounding the James Hardie Group and the asbestos compensation groups. This was done to maximise event-specific responses

from participants in relation to their personal dispositions. A short history of the period in focus was placed at the head of both the second and third sections. These were summaries taken from the Jackson Royal Commission Report. Appendix III and Appendix IV explain how they were summarised to avoid distortion or bias. While there is some variation in the layout of the instrument, most questions were repeated in each section to present the participants with a consistent format and provide a framework for comparing responses between sections during the analysis process. The questions were structured to provide three outcomes:

1. Questions designed to provide data for the development of a relational matrix (QFD analysis) of primary actors and the events (see section 7.10).

2. A question-and-answer section to develop quantitative data for analysis.

3. A series of open-ended questions that provided qualitative responses to the issues presented.

Part one of the questionnaire was designed to determine the disposition of respondents to Australian companies in general by considering how companies should behave and how 'best practice' companies are currently behaving. This was aimed at developing benchmarks for comparison with the later parts. Parts two and three of the questionnaire specifically centred on the issues of the James Hardie Group and asbestos compensation. It was designed to give responses that could be analysed to identify correlations between the timeframes of those parts and the shift (if any) in attitudes and sentiment.

To contain the scope of the research to a manageable level, four issues were chosen as specific criteria for examination. This was done to provide a wide sample of elements that could be considered individually and cross-matched within the framework of the research theories and paradigms underpinning the investigation. The framework for the questionnaire was developed by: i) using the elements of Social Capital as laid out by Nahapiet and Ghoshal (1998) and Hazleton and Kennan (2000); ii) cross-matching these social elements against Carroll's (1979) Corporate Social Performance elements; and iii) deductively analysing the Corporate Social Responsibility issues as stated by Ruf et al (2001) to refine specific items. A suite of questions was developed to examine the specific research questions.

The process used to construct the instrument is outlined below. It indicates how the template for constructing the instrument incorporated the intersection of organisational activities and social capital dimensions. This created a framework for cross referenced elements to emerge from the questionnaire and provide, when analysed, relative values for the components under investigation during each part of the questionnaire. Table 7.1 shows the cross-referenced relationships between elements of social capital and corporate social responsibility in developing the questionnaire. The left hand column shows the social capital dimension from which the questions were structured, while the top two rows show which elements of corporate social performance and then responsibility they relate directly to. The highlighted areas show the intersection of the elements and which questions they relate to in Parts 2 and 3 of the questionnaire. This table shows how the questions were developed to perform within the context of the project.

Table 7.1   *Summary Table of Selected Criteria for the Measurement of Individual Social Capital Sentiment*

	Corporate Social Performance	Economic	Legal	Ethical	Discretion	Part Two - 2001 time period	Part Three - 2006 time period
	Corporate Social Responsibility	Financial Performance	Ethical Behaviour	Reputation and Trust	Social Sustainability	Questions	Questions
Social Capital Elements	Structural Dimension	XXXXXX XXXXXX				1,2&3	1,2,3&15
	Relational Dimension				XXXXXXX XXXXXXX	4,5&8	4,5,8,13 &14
	Cognitive Dimension		XXXXXX XXXXXX			9,10&11	9,10,11 &12
	Content Dimension			XXXXXX XXXXXX		6&7	6&7

The questions were developed through a process of combining the element of social capital with a specific corporate social responsibility element. For example, question 1 in Part two, which was based on the 2001 time period and in Part three, on the 2006 time period asked, "*Did you consider the James Hardie Group to be a successful and influential company in the 1990s?*" This question combines the

structural dimension of social capital (p.50) and the economic element of the Corporate Social Performance model (Figure 3.1) specifically refined to the aspect of financial performance (chapter 3.4, p. 52). That is, it combines the social capital issues (structural dimension) of patterns of connections – how and who you reach - with the social responsibility category of economic responsibility and specifically economic performance. The respondent is therefore making a multi-faceted decision in answering the question (a determination of both fact and sentiment) which is commensurate with the focus of the research. The respondent is at once comparing the issues within the question as well as weighting them into a single value. This method of framing questions through a social capital lens suggests that a different perspective is in 'play' and represents a novel way of exploring the relationship between the Corporate Social Performance Model and Social Capital by demonstrating that social capital elements can be operationalised into quantifiable values for valid research.

Due to their construction, many of the questions are of a double-barrelled nature. While this is not considered a usual approach to developing questions, there are some exceptions. It is accepted that double-barrelled questions are used in attitudinal studies where two attitude targets are asked as one construct (Lavrakis, 2008). Because they are framed around attitudes, this avoids the basic problem of most double-barrelled questions, where the questions can give rise to an internal conflict, resulting in misleading results. This would be apparent where a respondent agrees with one part of a question but disagrees with the other part.

As previously stated, this research study is primarily about exploring the potential for a sentiment-orientated examination of an issue to reach into the wider community, in order to identify pathways for further research. While many questions are set within the construct of a standard one-question-one-answer format usual for a questionnaire, the researcher in line with the exploratory and experimental nature of the project, has attempted to stretch the parameters of the research to show by example, one of the ways in which the research might be developed in the future.

Specifically, the survey uses the QFD matrix as an example of how to frame questions that will synergise the required Corporate Social Performance Model and Social Capital elements into a usable combined research framework. The researcher emphasizes that this research element is experimental in nature and should only be considered an example. The researcher acknowledges that the development of a useful prototype for this research process (whether using QFD or other analytical tools) is beyond the scope of this project. Further discussion and explanation of the QFD model and its development within this project can be found later in Section 7.10.

7.9   Data Analysis Methods

7.9.1   Quantitative Data Analysis

The quantitative data from the questionnaires were coded and put through several analytical procedures to produce data that could be explored and used to respond to the research questions. The statistical analysis program used for the data analysis was SPSS 11.0 student version. The analyses conducted included the calculation of averages and standard deviations. Paired t-tests were conducted to test for differences between the average ratings on items relating to the two periods represented in the quasi-longitudinal sections of the questionnaire and participant attitudes towards specific issues.

The t-tests exposed significant differences in the means between two groups of 'independent sample t-test' or two separate ratings by the same group of participants 'paired sample t-test' (Sekaran, 1992). It is useful to know whether two groups differ from each other on a particular variable by taking into consideration the mean and standard deviation of the two groups. In this analysis, the t-test was used to evaluate differences in repeated measures by the same respondents in a 'paired sample' t-test. This examined the differences in the same group on a particular issue at separate points in time using the data from the quasi-longitudinal questionnaire. The testing procedure considered the correlations between the two scores. It also tested

for true differences between the means. Due to the potential for family-wise error and the low response rate, there are significant problems with developing a meaningful comparison between the time-framed response sets in the questionnaire. This could lead to Type 1 (alpha) errors, resulting in a false claim of significance. To counter this issue in some measure, the analyses were conducted using the Bonferroni correction with a 0.005 level of significance. The Bonferroni correction is used to reduce Type 1 errors – rejecting Ho when Ho is true – in cases where multiple tests or comparisons are conducted (Cabin and Mitchell, 2000; Cooksey, 2007).

To enhance understanding of the results, a measure of the effect size is included in the analysis. "Effect size is simply the way of quantifying the size of the difference between two groups…..it is particularly valuable for quantifying the effectiveness of a particular intervention, relative to some comparison." (Coe. R, 2002). Rosenthal and Rosnow's (1991) measure of effect size $r^2 = t^2 / (df+t^2)$ is used in this analysis.

7.9.2 Qualitative Data Analysis

The qualitative data gathered via the open-ended questions in the questionnaire were analysed using thematic analysis. The answers to the open-ended questions were firstly summarised to clarify the meaning of the data. A frequency analysis of the results was undertaken to provide inductive analysis, allowing themes to emerge from the data (Sekaran, 1992). The results were compared and contrasted between respondents to gain a 'feel' for the results in an effort to identify key themes that could potentially lend support to the research questions.

7.10 Quality Function Deployment Matrix

Another research analysis tool used for this study was the Quality Function Deployment model (QFD) (Rao, 1996). The QFD is a descriptive multi-attribute matrix which provides a value to elements such as relationships, importance,

specificity, synergies, trade-offs and cross-functional communication. It therefore has the potential to provide a rich source of information directly related to the key research questions of multiple relationships, clustering and shifting points of aggregation. In particular, it allows for scenario modelling around the research questions to provide answers to 'what if' questions that are issue-based and influenced by shifting stakeholder disposition. It also allows the research questions to be answered on a stakeholder-by-stakeholder basis, examining the array of stakeholder dispositions around each issue.

The Quality Function Deployment (QFD) matrix is a tool for the analysis of multi-attribute matrix relationships. Carroll's elements of financial performance and social performance previously described were used as a basis for part of the instrument design and analysis process. Each of the key components chosen: **Financial Performance; Reputation and Trust; Ethical Behaviour and Social Sustainability** was valued in relation to stakeholders' disposition towards the organisation and towards each other. The nature of the QFD tool magnifies the values of the issues to provide the researcher with strong comparative values. This provides insights into stakeholders' views of organisational activities from a multiple perspective, and may be developed into an exposition of stakeholder disposition. This may also be useful in explaining stakeholder aggregation, and can potentially identify those boundary-spanning elements which can support or sabotage the organisational activities of a targeted entity.

As discussed earlier in the Literature Review (Section 2.4), the 'voice of the stakeholder' needs to be heard by organisations. To adapt the QFD model for this research, the voice of the stakeholder was substituted with the voice of the customer. In traditional QFD model applications the 'voice of the customer' is an essential part of understanding customer needs, their intentions and sentiment.

A powerful tool to explore and explain the 'voice of the customer' is the House of Quality, which is the major component (Rao, 1996) of the QFD model. While QFD is commonly used for quality management and new product development, the nature

of this tool is to develop and understand multi-attribute matrix relationships. According to Hauser (1993) the House of Quality has evolved with use and combines sophisticated market measures with an ability to work within corporate cultures. Quality Function Deployment and the House of Quality have been further developed and are now being used to extend these frameworks to strategy development (Crowe & Cheng, 1996; Fehlmann, 2003; Hunt & Xavier, 2003; Philips, Sander, & Govers, 1994). They have also been used in the design and development of organisational structures (Walden, 2003). Lu & Kuei's (1995) discussion of strategic marketing indicates that QFD is an ideal approach for maximising long term benefits for customers and companies alike, identifying corporate goals and marketing objectives, and developing and implementing tactics to ensure that both customer needs and company objectives are met. In terms of this research, the focus on customers in the original matrix has been substituted with a shifting focus on stakeholders, resulting in a similar mapping of 'sentiment' that is beneficial for understanding stakeholder relationships. By utilising a QFD framework approach, this research trials its usefulness for future research in this area.

The QFD framework and analysis used in this study are based upon the principle of Game Theory. This theory "suggests determining *who is involved in a particular situation, what they can do, what their aims are* and hence *their preferences* for various outcomes" (Eden & Ackermann, 1998 p, 133). Koford and Penno (1992, p. 127) indicate in their "inside/outside principle that far from all agents being self-interested, they may form complex co-operation models". The QFD framework should clarify if the relations in this study appear to conform to the same equilibrium patterns.

The layout in Table 7.1 explains how the survey questions were structured. Similarly, Tables 7.2 and 7.3 below provide an explanation of how the four elements of corporate social responsibility are laid out for ranking the information in the QFD matrix-style model analysis. This provides further information for analysing the data. The tables were designed to support and cross-reference each other when used in the QFD matrix.

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Table 7.2   *Relative importance of characteristics for large companies*

Good corporate governance	Financial Performance
Shareholders profits	Financial Performance
Contribute to the community	Financial Performance
Company Code of Ethics	Ethical Behaviour
Acts lawfully	Ethical Behaviour
Acts responsibly	Ethical Behaviour
Good reputation	Reputation and Trust
Community trust in a company	Reputation and Trust
Responsible management	Reputation and Trust
Long term sustainability	Social Sustainability
Consideration for the community	Social Sustainability
Consideration for the environment	Social Sustainability

Table 7.3   *Rating of Corporate Social Responsibility elements of a company*

1. Adherence to the principles of good corporate governance is an important aspect of a company's operations	Financial Performance
2. Profit as expressed by returns to shareholders is the most important aspect of a company's operations	Financial Performance
3. Contributing to the community is an important aspect of a company's operations	Financial Performance
4. Adherence to the principles of a company Code of Ethics is an important aspect of a company's operations	Ethical Behaviour
5. Adherence to all laws and regulations is an important aspect of a company's operations	Ethical Behaviour
6. A company should take responsibility for the decisions of its managers even if it was against ethical or governance standards or in the past	Ethical Behaviour
7. A company's reputation is a valuable asset that should be protected in the same way as other company assets	Reputation and Trust
8. For a community to trust a company it must do more than produce good profits for its shareholders	Reputation and Trust
9. Integrity from the officers of a company is an important element in a company's success	Reputation and Trust
10. To be successful a company should plan to operate for the long term performance of its activities	Social Sustainability
11. To be a successful a company should plan to operate for short term results	Financial Performance
12. To be successful a company must plan for a positive impact on the community	Social Sustainability
13. To be successful a company must plan for a positive impact on the environment	Social Sustainability

The process of analysis of the QFD model is discussed in more detail in section 8.3.

7.11 Ethical considerations

This project conforms to all aspects of the Edith Cowan University (ECU) code of ethics as expressed in the 'Policy for the Conduct of Research involving Humans' and was given clearance by the University Ethics committee: Ethics approval number 05 – 154 (http://www.ecu.edu.au/GPPS/ethics).

7.12 Reliability and validity

Within the confines of the exploratory and primarily descriptive nature of the study, attempts were made to ensure the reliability and validity of the research process. Reliability is concerned with the consistency and stability of measures used in research. It indicates the extent to which measurements can be administered repeatedly and gain the same results. Validity concerns the extent to which differences in measurement by instruments accurately reflect differences in the phenomena of interest in the particular sample. As the research is essentially an exploratory and descriptive study, its purpose is to gain insight into the phenomena of interest, clarify concepts, define the problem more concisely and develop alternate perspectives. The study was not aimed at using multi-measurement scales for which reliability and construct validity are needed to make predictions or identify causal relationships, and for which predictive validity needs to be considered. It was also not the aim to generalise the findings to the wider population as the study lacks external validity due to the use of a non-probability sample. Rather, the study focuses on trying to ensure applicable, trustworthy and consistent results. This was achieved by the rigour of the research process: an extensive review of the literature and the use of an established theoretical framework for the investigation and the data gathering instrument, thereby ensuring congruency between the *purpose* of the research, the *research method* and strategies.

Validity

In terms of *face validity,* the survey was designed to include statements that orientated the respondents to the focus of the survey. Their subsequent responses indicate that the focus of the survey was clear, as each comment made by participants in their completed questionnaires was relevant to the study.

The questionnaire achieved *internal validity* by adopting appropriate measures coupled with the design of the instrument, which guided participant responses so that they were consistently recorded and subsequently analysed from clear participant response categories. It is accepted that the quasi-longitudinal nature of the questionnaire would result in some degree of memory and sentiment overlap by participants. Cavana et al (2001, p.291) consider that internal validity addresses the question of "to what extent does the research design permit us to say that independent variable A causes a change in dependent variable B?" which in this case represents *time* over *sentiment*. Due to the small sample and exploratory nature of the survey, it was not intended for the research to make predictions about wider social sentiment and stakeholder relations, but to provide sufficient evidence to justify further research.

Content validity refers to the extent to which the instrument measures all the facets of the constructs represented in the research proposal. The research design process ensured that existing measurement scales and criteria were matched with the intent of the research, and that they were then embedded within the questionnaire. The researcher has used novel methods of question construction to express the concepts proposed within the questionnaire. These methods were exploratory and while they provided useful results in the context of this thesis, in the absence of stronger statistical support they cannot be considered valid. Due to the small sample size it is difficult to infer *content validity* without further research across a larger sample.

Construct validity is a measure of how well the instrument is actually measuring what it purports to measure. In this case it is difficult to determine *construct validity*

and whether the questionnaire successfully measures the concepts explored by the thesis, as the survey is exploratory in nature and 'single shot' and does not allow for any cross-check verification. However the researcher believes that, despite its unorthodox construction, the questionnaire provides a basic foundation to explore the concepts of the thesis. Significant efforts were made to construct the questionnaire in such a way that it guided participants logically through the experience with a minimum of presentational bias. Further attempts to avoid researcher bias also included peer review.

Reliability

Due to the exploratory, experimental and single-case nature of the study, it is difficult to judge the reliability of the research process. Being a sole case study, the survey questions were developed using single item descriptive measures to reduce ambiguity and increase the reliability of respondents' answers. While considerable effort was made to generate questions that provided consistency and stability in measuring concepts with a degree of 'goodness', the survey was not repeated with different populations, therefore no comparisons can be made between different group responses. However, the researcher received no negative comments or requests for clarification about the questions in the survey. Indeed, the questionnaire retained structural integrity over time as it referred to a fixed time period in the past and past emotions. The weakness of the survey was its reliance on the respondents' recollection of the period referred to in the questionnaire.

7.13 Research Limitations

All research has limitations. While this study has maximised the exploration of emerging stakeholder theory, it has limited the scope of the field research to focus on only the first stages of the re-conceptualisation. The limitations of this study were principally associated with the research design, a limited sample size and the reduced extent of a Masters thesis.

- The non-probability, purposive nature of the sampling design resulted in several limitations including the following:

- As a probability sampling procedure was not employed, it is not possible to evaluate the extent of the sampling error associated with this research.

- As the findings are limited to a non-probability sample group of participants, the study lacks external validity and cannot be predictive of relations in the wider population.

• The relatively small sample size limited the type of analysis that could be conducted and therefore the results are not representative of the wider community or even of the sample.

• The limited sample size means that participants' responses may exhibit some bias, increasing the margin for error or rogue results due to magnification of strong or weak individual attitudes.

• The qualitative research analysis is inductive and interpretive due to the nature of thematic analysis and the relatively low response rate. The results of the research can therefore not be generalised to the overall population.

It would be imprudent for a study based upon a single case and limited data collection to make definitive theoretical claims. In the interpretation of the data, the emphasis has been placed on indicating whether the data supports the postulated relationships and what clear patterns, if any, appear to be emerging from this specific case. It is not the intention of this study to offer any conclusive findings that can be generalised to the broader population. Rather, its findings are tentative, exploratory and limited. The study's aim was to suggest whether the proposed relationships and concepts mapped within this thesis are worthy of subsequent, larger scale and more detailed investigation to fully test the ideas postulated in the more plural stakeholder management theory in order to extend existing theory.

Chapter 8

Results and Discussion

8.0 Introduction

This chapter presents the results of the empirical study carried out to explore the concept postulated by this thesis. The *specific aim* of this investigation and analysis was to evaluate the occurrence of attitudinal changes by the survey respondents towards the case study company, James Hardie Group, and the associated asbestos action group, over the timeframe under consideration.

Of the 443 questionnaires distributed for this study, 41% was distributed to participants drawn from the general public through a random selection taken from the Perth White Pages telephone directory, and 59% was distributed to professional/business residents of Perth, randomly drawn from the Yellow Pages telephone directory. The response rate from the general public sample was approximately 9% and from the professional/business group almost 12%, giving an overall response rate of almost 11% across the full sample. The findings reported in this chapter relate to the 47 survey participants who completed and returned the questionnaire. As the relatively small number of total respondents precluded a separate analysis of the general public and profession/business groups amongst survey participants, all of the findings are reported in aggregate.

The key findings of this empirical study are presented in four parts:

8.1 Sample profile and asbestos-related injury awareness.

8.2 Benchmarking and comparing sentiment towards different industry or company groups.

8.3 Quality Function Deployment matrix and social capital.

8.4 Shift in sentiment based on aspects of social capital.

8.1   Sample profile and asbestos-related injury awareness

8.1.1   Participant demographics

This section provides a brief profile of survey respondents.

Table 8.1   Respondent demographics

Participant Characteristics		Percentage of participants responding
What is your gender? n = 46	Male	73.9
	Female	26.1
Sample group n = 46	General Public	43
	Professional/Business	57
What is your age? n = 44	< 31	4.5
	31-40	20
	41-50	32
	51-60	32
	> 60	11.5
What is your education level? n = 46	Incomplete secondary	8.7
	Secondary	6.5
	Graduate	58.7
	Post-graduate	26.1
Know much about the issue of asbestos related injuries and the James Hardie Group? n = 47	Little knowledge of the issues	8.5
	Well informed of the issues	91.5
Have you, your family or friend been in any way involved with asbestos related injuries? n = 47	Yes	8.5
	No	91.5

8.1.2   Participant awareness of asbestos-related injuries

Prior to completing the main parts of the questionnaire that were specifically related to the James Hardie case, survey participants were asked about their level of awareness of the asbestos-related injury issue and whether they had any friends or relatives involved with an asbestos-related injury. These preliminary questions were asked to identify the issue, warn respondents of

the issue and allow them to discontinue if they chose to do so[5]. They also helped the researcher to identify the participants' perceived level of knowledge of the issues that was the focus of the study, before commencement of the James Hardie research.

The survey results revealed that there were no respondents who were unaware of the asbestos-related injury issue and just under 9% considered that they knew little about the subject. The vast majority (91%) considered that they had an average to well-informed knowledge of the issue in question. Similarly, only a small proportion of participants (just under 9%) indicated that they had some personal experience with an asbestos-related injury issue. When offered the opportunity to withdraw from the survey after the topic of interest had been revealed, two respondents chose to discontinue. The survey participants came from a wide range of professional and business occupations, with almost 85% of respondents having completed a graduate or higher degree.

With the vast majority of respondents having some knowledge of the asbestos-related injury issue, this sample of survey respondents, although relatively small, was considered a useful cohort for examining the issues that they were being asked to reflect on.

8.2   Benchmarking and comparing sentiment

8.2.1   Descriptive comparative analysis of sentiment

To provide some benchmarks against which stakeholder sentiment towards James Hardie and the asbestos compensation groups could be compared, the survey participants were initially asked to rate their level of trust in five different categories of organisations: a self-selected 'best practice' organisation, other companies in general, government regulatory bodies, the media and action groups in general. This data enabled the movement and

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[5] The researcher recognised that this issue might be particularly emotive for certain people and wanted to ensure that they had the opportunity to discontinue their participation at this point.

direction of the respondents' sentiment to be charted and compared for the different time periods under consideration. It shows participant attitudes towards the various 'players' in the environment and gives an indication of what the respondents actually focus on when considering these specific issues. The results have been divided into two tables below for clarity of analysis (Tables 8.2 and 8.3).

In the first instance, survey respondents were asked to consider a known or hypothetical business that they considered a 'best practice' company and to rate their level of trust in this company as well as four other categories of organisations. This was aimed at determining their disposition or 'attitude' towards Australian companies that are large enough to have some kind of impact on Australian society and the way we live. The term 'best practice' was used as it is a commonly used and recognised term to describe top performers. The 'best practice' company rating provided a level of sentiment that the respondents thought was deserving of a company that displayed a high level of corporate social responsibility, thereby providing a benchmark (control) rating against which the James Hardie Group could be compared. The trust rating for action groups in general similarly provided a benchmark against which the asbestos compensation groups could be compared.

Next, the respondents were asked specifically about their attitudes towards the James Hardie Group and asbestos compensation groups in relation to their actions leading up to the period of 2001. Their responses were sought after being provided with information relevant to this period. Participants were then asked the same set of questions for the period between 2001 and 2006. This data provided time and sentiment-related responses. The average trust ratings for each of these sets of data are presented in tables 8.2 and 8.3. These results display the direction and strength of stakeholder trust towards a 'best practice' company, an organisation from each of the other four categories, the James Hardie Group and the asbestos compensation groups.

While these two tables present a set of values relating to a proposed timeline, the display is designed to clearly see the movement of sentiment from one set of average trust ratings to the next. The set of benchmark or control average trust ratings (part one in Table 8.2) represent the respondents' unattached and current sentiment. By contrast, the sets of average trust ratings for the 2001 (part two in Table 8.2) and 2006 (part three in Table 8.2) timeframes, represent points within the quasi-longitudinal study that depict the context of the James Hardie Group case study at each of these points in time. These average trust ratings therefore relate to respondent sentiment at these specific times and towards specific events as they occurred in the general environment and in relation to the James Hardie Group case study.

Table 8.2   Average trust ratings of James Hardie, companies and stakeholder groups

Column 1	Part 1	Part 2	Part 3
Organisations	Control or Benchmark	2001 Timeframe	2006 timeframe
Best Practice company	3.89		
James Hardie		2.34	1.93
Government regulatory bodies	3.13	3.2	3.09
Other companies in general	2.89	3.16	3.09
Media coverage	2.51	2.48	2.42
Action groups	2.23	2.36	2.4
Asbestos compensation groups		3.48	3.4

Rate from 1 being least trusted through to 5 being most trusted

The results in Table 8.2 show that for the set of benchmark or control ratings (Part 1) the most trusted organisation rated by the survey participants was the respondents' selected 'best practice' company. These 'best practice' companies had an average trust rating of 3.89, where one represented least trusted and five represented most trusted. This was followed by government regulatory bodies (3.13), other companies in general (2.89), the media (2.51) and action groups in general (2.23). These benchmark ratings can be compared against the same ratings for the five categories of organisations as well as the James Hardie Group and the asbestos compensation action groups in the subsequent timeframes across which this sentiment is being charted – 2001 (Part 2 and 2006 (Part 3).

In Table 8.2 there was little trend movement (around 2%) in the average level of perceived trust of government regulatory bodies and media coverage between the control/benchmark ratings and the average ratings in 2001 and 2006. There was slightly more movement (around 4%) in the average ratings of action groups – e.g. unions, single issue groups etc. This shows that there was little change in sentiment towards these groups, suggesting that the respondents had a fairly steady attitude towards them and in Parts 2 and 3 did not specifically link these players to the asbestos-related injury issue under consideration or attribute an altered sentiment value to them.

Table 8.3 gives a range of average trust ratings that reveal the change in sentiment within the respondent group to different, but related groups of organisations. This gives the researcher a comparison between sentiment for non-case study organisations, asbestos compensation groups and James Hardie, and identifies where the case study subject lies in the wider range of respondent sentiment to the general environment. The results demonstrate the difference in the respondents' sentiment towards the general environment and to that of the case study.

Table 8.3   *Average trust ratings of James Hardie, companies and Asbestos Compensation Groups*

Part 1	Part 2	Part 3
Control or Benchmark	2001 Timeframe	2006 Timeframe
Best Practice 3.89	James Hardie 2.34	James Hardie 1.93
Other companies in general 2.89		
Action Groups 2.23	Asbestos compensation groups 3.48	Asbestos compensation groups 3.4

Rate from 1 being least trusted through to 5 being most trusted

The results in Table 8.3 show that there are general trends in the trust rating of participants which are specific to the organisations in focus. They indicate a downward trend in participants' perception from Best Practice (3.89) and Other

Companies (2.89) (both Part 1) to James Hardie (2.34) and (1.93) (Parts 2 & 3). The opposite was the case with the general level of trust for all Action Groups (2.23) (Part 1) with the trend increasing for the Asbestos Compensation Groups (3.48) and (3.4) (Parts 2 & 3).

8.2.2 Discussions on the comparison of sentiment, the assessment of the company and other stakeholder groups

In considering respondents' sentiment towards companies, the consideration of a 'best practice' company in Part 1 was expectedly higher than 'other companies' as it reflects attitudes to a company that is well thought of. This was well above the sentiment towards 'other companies in general' which were valued just below medium and demonstrates a slightly negative view of companies on the part of the respondents. The 2001 average rating results (Part 2 in Table 8.2) show that James Hardie is well below the mid-point rating of three. A further decrease in its average trust rating in 2006 is also evident. This occurs at the same time as sentiment towards other companies improves and they are rated above the mid-point level, suggesting that James Hardie's actions may have had a bearing on the level of trust of the respondents in the James Hardie Group, while their average level of trust in 'other companies in general' appears to remain relatively unchanged.

The average trust ratings for the asbestos compensation action group as a single-issue action group, is comparatively higher than for the benchmark rating level of a generic action group, suggesting that the actions of the asbestos compensation action groups fostered a higher community trust level.

Table 8.3 shows the issue-specific nature of the respondents' sentiment.They indicate that specific issues or actions can produce changes in social/individual sentiment towards action groups and the focus of their lobbying. It could also be suggested (supporting the previously cited literature) by the data that such issues have the potential to influence a significant number of individuals who then have the potential to affect organisational outcomes related to that issue.

In summary, there was little or no movement in the areas of government and media action groups. However, there was a change in the James Hardie Group (down) and Asbestos Compensation action groups (level) over the timeline, with a lower sentiment for the James Hardie Group inversely corresponding with a movement towards higher sentiment for the Asbestos Compensation action groups.

This data provides an overall perspective of the environment surrounding the case study and enables sentiment movements to be mapped accordingly. If the sentiment of the respondents can be interpreted as an indicator of their assessment of social capital value, then the results can be considered in the context of the Research Framework (Figure 6.1) – and that of individual sentiment in relation to Corporate Social Responsibility. These findings help to at least partially address research questions 1, 2 and 5.

8.2.3 Insights from the comparative analysis in relation to the research questions

Research question 1 relates to whether the social capital of an organisation is valuable within the wider stakeholder environment. The findings outlined in the previous section show a disconnect between the wider stakeholder environment and the two players in the case study – James Hardie and the Asbestos Compensation action groups. Stakeholder attitudes towards James Hardie were significantly below that of the benchmark 'best practice and 'other companies in general', suggesting that they were the least trusted organisation. 'Asbestos Compensation groups' were well above 'action groups in general', supporting a higher level of trust. Trust as an outcome of corporate social capital (p. 17) is an important asset for an organisation in gaining support for future activities. It is particularly so in an environment where community trust is the mid-point for most of the researched sectors below and can therefore be an asset that can be used for differentiation.

The second research question relates to whether social capital changes the behaviour of an organisation. There is a strong indication that the performance of the Asbestos Compensation group is tied to the perception of the respondents who perceived them as performing a valuable function. Sentiment was accordingly higher for the Asbestos group, relative to the average rating of JHG and 'action groups in general'. James Hardie's behaviour appears to have resulted in a strongly negative sentiment response. The company's actions between 2001 and 2006 could be considered to have eroded its corporate social capital.

Research question five examines whether a boundary-spanning individual or organisation can play a role in the aggregation of social capital into a social movement. The Asbestos Compensation action groups elicited comparatively strong sentiment amongst the respondents in 2001 and 2006. Due to their activities as described in Chapter 5, they raised their profile to become more visible than other groups and informed the population about the issues around asbestos. Their actions led directly to increased exposure of the issue and heightened sentiment and positive social capital while exposure of the issues in the public domain may have contributed to the development of negative sentiment and a 'loss of trust' in James Hardie, thereby eroding its social capital and position in the community. Further research is needed to verify the results, but they indicate that emotive events can considerably reduce the social capital of companies within the wider community and increase the visibility and social capital of groups developed from and aggregating around such issues.

8.3 Quality Function Deployment and social capital development

8.3.1 Evaluation of the relative importance of corporate social responsibility characteristics

The QFD Matrix was used to analyse the relationship between CSR values. This analysis specifically addresses research question 6: whether the social capital elements can be developed into research questions to assist the practical exploration of measuring social capital amongst stakeholders of

organisations. This was achieved by combining social capital elements and corporate social responsibility aspects into questions about the case study to elicit participant responses. In this analysis the respondents' rating of company performance in relation to the corporate social responsibility characteristics were weighted by their perceived importance to provide a measure of the strength of sentiment attached to each social capital element.

To enable a comparison of sentiment, three sets of data were used. Initially respondents were asked to consider a known or hypothetical 'best practice' company to rate their disposition or 'attitude' towards this business and other Australian companies that are large enough to have an impact in some way on Australian society. This 'best practice' assessment provided a benchmark of sentiment for companies deserving of the respondents' assessment of behaving with a high level of corporate social responsibility. It also provided a benchmark (control) sentiment value against which the James Hardie Group could subsequently be compared. The assessment was done using three sets of group ratings: i) company and stakeholder groups ii) corporate social responsibility elements and iii) relative importance of characteristics for large companies. The process is described in detail in section 7.10.

Table 8.4 **Relative importance of large company characteristics**

Corporate Social Responsibility characteristics.	Ranking of importance of activities (1)	Average importance of activities (2)	Percentage of importance of activities (3)	Element of Corporate Social Responsibility (4)
Good corporate governance	4	6.39	8.5	Financial Performance
Shareholders profits	7	6.91	7.8	Financial Performance
Contribute to the community	10	7.59	6.9	Financial Performance
Company Code of Ethics	9	7.39	7.2	Ethical Behaviour
Acts lawfully	1	4.09	11.4	Ethical Behaviour
Acts responsibly	3	4.73	10.6	Ethical Behaviour
Good reputation	12	8.05	6.3	Reputation and Trust
Community trust in a company	11	7.68	6.8	Reputation and Trust

Responsible management	2	4.57	10.8	Reputation and Trust
Long term sustainability	5	6.59	6.4	Social Sustainability
Consideration for the community	7	6.91	7.8	Social Sustainability
Consideration for the environment	8	7.16	7.5	Social Sustainability

Rank from 1 to 12 counting through from most important being 1 to least important being 12 and using each value only once. On this table the lower the **average** the higher the ranking of importance. However for use in the QFD the values have been inverted so that the highest **percentage** reflects the highest level of importance.

The collective corporate social responsibility elements of the tabulation below were calculated by adding the aggregated averages of the research CSR characteristics from Table 8.4 for each social capital group.

Table 8.5   *Relative Importance of Corporate Social Responsibility Elements for Large Companies*

Corporate Social Responsibility elements	Collective average values Table 8.5 column 2
Ethical Behaviour	16.21
Reputation and Trust	20.3
Social Sustainability	20.66
Financial Performance	20.89

There were two important results relating to the participants' perspectives on the relative importance of the characteristics. The combined values in Table 8.5 show the most important (lowest score) elements generally had a reference to Ethical Behaviour, suggesting a strong expectation by the respondents for organisations to behave ethically in the execution of their organisational activities. Secondly, the lowest value (highest score) was for organisations to consider Financial Performance including elements such as shareholder profits.

Financial Performance was not alone. It was closely grouped with the other two corporate social responsibility elements (Table 8.5), Reputation and Trust and Social Sustainability. While this research was limited, the results suggest that the respondents considered Ethical Behaviour as the most important factor by far in a large, generic organisation's hierarchy of corporate social responsibility behaviours.

While these results are informative, the main application of these values is in ranking the importance of the activities and percentages, as they are used in the calculations for the QFD matrix. The results in column one of Table 8.4 were used to rank the Corporate Social Responsibility elements for the QFD matrix (Table 8.6). The highest individual rankings were given to acting lawfully and having responsible management, followed by acting responsibly, good corporate governance and long-term sustainability. These results indicate that wider stakeholder sentiment is tied to non-financial issues for the most part.

The analysis of the QFD matrix which combines the percentage of sentiment in column three of Table 8.4 with the results of the Corporate Social Responsibility (CSR) rating questions, provides a set of sentiment values which represent the respondents for:

1. Corporate Social Performance (CSP) for a generic company

2. CSP for James Hardie in 2001

3. CSP for James Hardie in 2006

The CSP for a generic company is included to provide a benchmark for comparing the stakeholder ratings of the James Hardie Group case for 2001 and 2006 against a standard that the respondents regard as an acceptable organisation. While this approach does not follow accepted business research methods, it enabled the researcher to assess the potential usefulness of this framework for investigating the formation of stakeholder sentiment in the wider environment, an essentially explorative approach.

8.3.2   Evaluation of the strength of sentiment using a Quality Function Deployment Matrix Framework

The results from the QFD matrix-derived questions were obtained by multiplying the percentage of 'relative importance of characteristics for large companies' in column three of Table 8.4 with the average 'rating of Corporate Social Responsibility' elements Parts 1, 2 and 3 Appendix VI. This provides a value that represents the

triangulated sentiment of the respondent as a combination of how strongly they rank the CSP elements in relation to each other and how they rated the CSP elements in relation to the aspects set out in the benchmark, 2001 and 2006 sections of the questionnaire.

Table 8.6   *Quality Function Deployment Matrix - House of Quality*

Corporate Social Responsibility elements Table 8.4	Relative Importance	Ranking scale Part One	Part One Control ratings of sentiment	Ranking scale Part Two	Part Two 2001 rating of sentiment	Ranking scale Part Three	Part three 2006 rating of sentiment
			Control and Quasi longitudinal time responses				
Column	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
1 FP	**4**	**5**	**33.7**	**5**	**26.7**	**5**	**24.9**
2 FP	**7**	**11**	**23.6**	**2**	**35.3**	**2**	**35.9**
3 FP	**10**	**12**	**22**	**8**	**17.4**	**11**	**15.6**
4 EB	**9**	**8**	**27.7**	**10**	**17.6**	**12**	**15.2**
5 EB	**1**	**1**	**51.3**	**1**	**37.7**	**1**	**38.7**
6 EB	**3**	**3**	**43.3**	**4**	**27.4**	**7**	**21.9**
7 RT	**12**	**10**	**24.3**	**9**	**21.2**	**8**	**18.6**
8 RT	**11**	**7**	**28.6**	**6**	**25.2**	**4**	**25.8**
9 RT	**2**	**2**	**47.6**	**7**	**24.1**	**6**	**22.2**
10 SS	**5**	**4**	**35.3**	**3**	**28.9**	**3**	**28.8**
12 SS	**7**	**6**	**29.2**	**11**	**17**	**9**	**15.8**
13 SS	**8**	**9**	**27.6**	**12**	**16.2**	**9**	**15.8**
Absolute Weights			**394.2**		**294.5**		**279.2**

FB = Financial Performance; EB = Ethical Behaviour; RT = Reputation and Trust; SS= Social Sustainability.

Table 8.6 has been constructed using the House of Quality component of the QFD Matrix (section 7.10). It provides an indication of the strength of sentiment movement. This process magnifies the relative values and provides a clearer indication of respondent sentiment in relation to each of the quasi-longitudinal situations to which the survey participants responded, and to the CSR elements. The table also identifies the elements of social capital as they relate to each question and each group of questions (see Figure 7.1).

8.3.3   QFD ranking of corporate social responsibility elements and social capital dimensions

The analysis of the QFD matrix hinges on understanding the results as laid out in Table 8.6. Until now the results have been tied to a comparison and timeline associated with the quasi-longitudinal nature of the data collected. The values under consideration in the QFD matrix represent a shift from that perspective to an analysis of the comparison of the individual values in each part of the questionnaire. By making this comparison the researcher is looking to see if there is a change in the response values and if they are related to the events portrayed in the two timeframes under consideration. As previously explained, the benchmark for making comparisons is a 'best practice' company and 'action groups in general' against which the responses about James Hardie and the Asbestos Action groups can be compared. The use of ratings and rankings allows the researcher to see the *order of importance* and the *corresponding value* of that importance for each CSP element and to see not only the order, but also the change in sentiment reflected in the results.

8.3.3.1 QFD matrix at a glance

The first results evident from the QFD matrix (Table 8.6) are the rankings of the CSP elements (column two) for the benchmark organisations. Although there is some variation in the rankings of the individual CSP elements, they are relatively consistent with column one (Relative Importance), with the largest variation a change of four ranking positions over the issue of profit. The ranking of these elements for the 2001 and 2006 timeframes however, are quite different from the benchmark ranking which suggests a difference

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in sentiment between this benchmark and the 2001 and 2006 timeframes. This is perhaps not surprising given the parameters that the respondents were asked to consider and would have resulted in sequential considerations of the issue over the 2001 – 2006 timeline.

The second key result to consider is the variation in the Absolute Weights values (bottom row) from the benchmark of 394 through to the 2001 timeframe at 295 and finally to the 2006 timeframe at 279. This comparison supports the notion that sentiment levels can change when an organisation is perceived to be doing the wrong thing by key stakeholders. It is compounded by the continued decline in sentiment from the 2001 to 2006 timeframe, indicating that sentiment will continue to fall as further adverse events occur.

The questionnaire was designed to develop a value for sentiment through the social capital and CSR elements within a research instrument (Table 7.1). The QFD matrix endeavoured to do this by structuring questions around the elements of social capital and CSR. In doing so, a set of items was developed for each of the four CSP dimensions. The responses to these items are considered individually and in composite for each CSP element. While the sentiment ratings in the QFD matrix could be analysed individually, the grouping of these values to form composite scores around social capital dimensions and each CSR element is useful for suggesting that sentiment can be measured in this way. This provides a model for subsequent research in this area. If it is accepted that these sets of items and the QFD analysis represent a sentiment value, then the composite sentiment scores should inform the researcher about the strength and direction of that sentiment.

Table 8.7   *Changes in Social Capital Dimension Values*

	Part 1 Benchmark	Part 2 2001 timeframe	Part 3 2006 timeframe
Structural Dimension - Financial Performance	79.2	79.4	76.3
Cognitive Dimension - Ethical Behaviour	122.3	82.7	75.8
Content Dimensions - Reputation and Trust	100.5	70.5	66.6
Relational Dimensions - Social Sustainability	92.1	62.1	60.4

Results achieved by combining CSR elements from QFD table 8.6

Structural Dimension - Financial Performance. In Table 8.6 individual sentiment declined from the control rating of sentiment to the 2006 rating of sentiment, except in question 2, where in the control value, respondents accepted the need for profits. The respondents considered that James Hardie was much more concerned with returning profits to the shareholders than they would expect from the control large company. This attitude pushed the average response value higher for JHG in the 2001 and 2006 timeframes. However in this context the increase in the average rating for question 2 '*Profit as expressed by return to shareholders was important to James Hardie*' represents a negative sentiment. A change in the scale to reverse the values would be useful in this context to bring it into line with the other questions – negative value 1 to positive value 5. Furthermore the ranking of importance scales columns 2,4 and 6 give a good indication of how the respondents perceive the activities of the control and James Hardie. As a control or benchmark company the stakeholders considered profits not to be important. However, given James Hardie's actions they raised their levels of importance considerably, suggesting that in the eyes of the respondents, James Hardie was pursuing profit over its responsibility to consider the compensation issue.

Cognitive Dimension - Ethical Behaviour. The sentiment values for ethical behaviour were the highest value for any group in the control company, suggesting that the respondents considered these elements to be the most important. In the 2001 timeframe the sentiment towards James Hardie was lower than the benchmark or control company. Sentiment towards James Hardie deteriorated further in the period 2001 to 2006 indicating that the respondents judged the actions of the company harshly. This dimension of social capital was considered the most valued element by the participants in terms of relative importance. However, this outcome appears somewhat contradictory for, when participants were asked to rank the importance of a company's code of ethics, this company characteristic was ranked eighth out of a possible 12 (column two). There was a comparative decrease in sentiment for Code of Ethics over Parts one, two and three, as the respondents considered that adherence to ethical principles was being eroded within the company suggesting that

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at difficult times the respondents expected the company's internal controls to mitigate organisational behaviour.

Content Dimensions - Reputation and Trust. This produced some of the highest and lowest relative importance (Table 8.6) and composite scores (Table 8.7) and was perceived as the second most important set of company characteristics. The benchmark or control company showed that participants had judged aspects of reputation and trust quite differently, giving widely spread values. The respondents placed a lower rating on these qualities within James Hardie (Table 8.6, columns five and seven), viewing James Hardie's reputation in 2006 as an asset that was declining from an already low base. The respondents expected integrity from the organisation's officers and that they would 'do the right thing'. At the same time their rating of the JHG on these issues indicated that they considered the officers of the company were not acting with integrity or responsibility. The participants perceived acting with integrity as a very important company characteristic but when it came to rating the performance of the JHG officers in this area in the 2001 timeframe against the benchmark, it was substantially lower. This aspect of JHG performance deteriorated further in the 2006 timeframe.

Relational Dimensions - Social Sustainability. The control or benchmark rating of this social capital dimension was third highest out of four. Once again, James Hardie was perceived not to be performing well in these areas with stakeholder sentiment deteriorating slightly from 2001 to 2006. However while the respondents considered that James Hardie was considering the environment and the community in the long term, they also considered that they were more important elements than planning for the long-term survival of the company. While sentiment dropped for this element, it was at no point highly ranked as an important company characteristic by the respondents.

8.3.4 Results of QFD Rating of Corporate Social Responsibility Elements and Social Capital Dimensions

In conclusion, the results reported in Table 8.6 show that in all areas, the sentiment of the respondents towards the James Hardie Group became increasingly negative when presented with information about the organisation's recent activities. Such an erosion of sentiment in the context of this limited study might suggest that there may have been wider erosion of Corporate Social Capital, potentially reaching all sectors of the community. Such a general loss of social capital within a community might impact upon subsequent corporate performance or provide a trigger for re-negotiating corporate social responsibility strategies within a company.

The primary focus of the QFD analysis was to examine whether the social capital elements of the QFD could be developed into a usable format to research the position of an organisation within the social capital spectrum of a community. This was done to address research question 6 which asked 'Can social capital elements be developed into research questions?'

The results of the analysis, within the limitations of this study, are consistent with confirming that proposition. There is evidence to suggest that the construction of the questions within the questionnaire generated statistical values that could be analysed in a number of ways to provide useful insights into the underlying social capital health of the company. As stated previously, this format is not considered by the researcher as anything more than a tentative first step in operationalising social capital elements within a research framework as an initial guide to the future development of research methods that will improve this process. This analysis suggests that there is value in considering social capital elements in relation to corporate social responsibility as outlined in Figure 3.2, Corporate Social Performance Intersection of Dimensions.

8.4   Changing events and shifting sentiment from 2001 to 2006

8.4.1   Shifts in sentiment between 2001 and 2006

To further evaluate changes in sentiment about the James Hardie Group and the issues surrounding asbestos-related injuries and compensation, a series of paired sample t-tests were conducted to evaluate if the average ratings under the 2001 scenario differed significantly from the average ratings under the 2006 scenario. These t-test results are presented in Table 8.8.

8.4.2   Results of quantitative analysis of shift in sentiment

Table 8.8   *Sentiment in 2001 and 2006*

Items		2001		2006				
	n	mean	s.d.	mean	s.d.	t-value	p-value	r^2
JHG considered a successful and influential company in 2001-2004 (1 = strongly disagree; 5 = strongly agree)	43	4.00	0.86	3.20	1.27	3.991	<.001*	.27
Knew that the JHG and asbestos compensation issue were related at that time (1 = not at all; 5 = very much connected)	44	3.36	1.42	4.33	0.85	5.164	<.001*	.38
Interest and opinion of the asbestos compensation issue at the time (1 = no opinion; 5 = very interested)	44	2.96	1.06	3.27	1.05	-2.095	.042	.09
Believed that the JHG was doing the right thing in relation to the asbestos compensation issue (1 = strongly disagree; 5 = strongly agree)	44	2.60	1.03	2.02	0.84	3.406	.001*	.21
Agreed with asbestos action groups that asbestos victims should be fully compensated by the company (1 = strongly disagree; 5 = strongly agree)	44	4.11	1.15	3.96	1.22	1.360	.18	.04
Read, heard or saw much about the issue of asbestos contamination and compensation in the media (1 = not at all; 5 = a great deal of coverage)	42	4.02	0.89	3.86	1.01	1.226	.227	.024
Media was neutral or favoured the JHG or the Asbestos action group (1 = favoured JHG; 5 = favoured asbestos action groups)	44	3.93	1.01	3.8	.92	1.29	.204	.036

Expect that the JHG would accept responsibility for their actions (1 = strongly disagree; 5 = strongly agree)	43	3.66	1.1	3.23	1.24	2.635	.012	.14
Believe that the Asbestos compensation action groups were making reasonable demands (1 = strongly disagree; 5 = strongly agree)	43	4.00	1.03	3.59	1.23	2.86	.006	.16
Who did you most believe was telling the truth (1 = JHG; 5 = Asbestos action groups)	44	3.87	.84	3.89	.77	-.24	.811	.001

* Significant at p < .005 with a Bonferroni correction for multiple analyses

The respondents' ratings of a paired sample t-test "**successful and influential**" with respect to the James Hardie Group were significantly lower for the 2006 period as compared with the 2001 period. Public sentiment of the respondents therefore indicated that when thinking about James Hardie in 2006 compared to 2001 there was a significant decrease in sentiment with the average attitude dropping from an average of 4.0 in 2001 down to 3.2 in 2006 (p < .001) indicating that respondents considered James Hardie less successful and influential in 2006 than in 2001.

In the paired sample t-test comparing the outcomes from the 2001 and 2006 respondents ratings of "**James Hardie Group and the asbestos compensation issue were related at that time**" were significantly higher for the 2006 period compared with the 2001. Public sentiment of the respondents showed that when thinking about whether the James Hardie Group and the asbestos compensation issue were related in2001 compared to 2006, there was a significant increase in sentiment connecting James Hardie and compensation issues from an average of 3.36 in 2001 to 4.33 in 2006 (p < .001) suggesting respondents had developed a much stronger perception that the two issues were linked.

In the paired sample t-test comparing the outcomes from the 2001 and 2006 respondents' ratings of "**your interest and opinion of the asbestos compensation issue at the time**" were not significantly different for the 2006 period compared with the 2001 period. Public sentiment of the respondents therefore showed that when thinking about 'your interest and opinion of the asbestos compensation issue at the

time' in 2006 compared to 2001, there was no significant change in sentiment with respondents' interest and opinion rising from an average interest rating of 2.96 in 2001 to 3.27 (p = .042) in 2006 suggesting that the issue was not considered highly by the respondents.

In the paired sample t-test comparing the outcomes from the 2001 and 2006 respondents ratings of "**James Hardie Group was doing the right thing**" were significantly lower for the 2006 period compared with the 2001 period. Public sentiment of the respondents therefore showed that when thinking about "James Hardie Group was doing the right thing" in 2006 compared to 2001, there was a significant decrease in sentiment from 2.6 in 2001 to 2.02 in 2006 (p < .001).

In the paired sample t-test comparing the outcomes from the 2001 and 2006 respondents ratings of "**agree with asbestos compensation action groups that asbestos victims should be fully compensated**" were not significantly lower for the 2006 period compared with the 2001 period. Public sentiment of the respondents therefore showed when thinking about "agree with asbestos compensation action groups that asbestos victims should be fully compensated" in 2006 compared to 2001 there was no significant change in sentiment and that in 2001 (4.11) and 2006 (3.96) (p = .18) there was a strong, continuing opinion that victims should be compensated.

In the paired sample t-test comparing the outcomes from the 2001 and 2006 respondents ratings of "**read, hear or see much about the issue of asbestos contamination and compensation in the media**" were not significantly lower for the 2006 period compared with the 2001 period. Public sentiment of respondents therefore showed that when thinking about "read, hear or see much about the issue of asbestos contamination and compensation in the media" in 2006 compared to 2001, there was no significant change in sentiment but that at 4.02 in 2001 and 3.86 in 2006 (p = .227) the respondents felt that they had a lot of information about the issue.

In the paired sample t-test comparing the outcomes from the 2001 and 2006 respondents ratings of "**that the media was neutral or favoured the James Hardie Group or asbestos compensation action groups**" were not significantly lower for the 2006 period compared with the 2001 period. The public sentiment of the respondents therefore showed that when thinking about "that the media was neutral or favoured the James Hardie Group or Asbestos Compensation action groups" in 2006 compared to 2001 there was no significant change in sentiment but at 3.93 for 2001 and 3.8 for 2006 (p = .204) the respondents' sentiment was that the media favoured the Compensation action groups.

In the paired sample t-test comparing the outcomes from the 2001 and 2006 respondents' ratings of "**James Hardie Group would accept responsibility for their actions if it was shown that they were responsible**" were not significantly lower for the 2006 period compared with the 2001 period. Public sentiment of the respondents therefore showed that when thinking about "James Hardie Group would accept responsibility for their actions if it was shown that they were responsible" in 2006 compared to 2001 there was no significant change in sentiment and that at 3.66 in 2001 and 3.23 in 2006 (p = .012), respondents expected James Hardie to accept responsibility.

In the paired sample t-test comparing the outcomes from the 2001 and 2006 respondents' ratings of "**the Asbestos Compensation action groups were making reasonable demands for compensation**" were not significantly lower for the 2006 period compared with the 2001 period. Public sentiment of the respondents therefore showed that when thinking about "the Asbestos Compensation Action groups were making reasonable demands for compensation" in 2006 compared to 2001 there was no significant change in sentiment, but in 2001 at 4.0 and 2006 at 3.59 (p = .006) there was a drop in what respondents considered reasonable.

[This result challenges the strict use and interpretation of the Bonferroni correction as it can be argued that in close results the possibility of a type two error (that the result is considered to have no effect when there is an effect) is possible.]

In the paired sample t-test comparing the outcomes from the 2001 and 2006 respondents' ratings of "**who of the involved parties did you most believe was telling the truth**" were practically equal for the 2006 period compared with the 2001 period. Public sentiment of the respondents therefore showed when thinking about "who of the involved parties did you most believe was telling the truth" in 2006 3.87 compared to 2001 3.89 ($p = .811$) there was no significant change in sentiment. Respondents tended to believe the Asbestos Compensation groups.

8.4.3 Results of qualitative analysis of shift in sentiment

In a specific section of the questionnaire questions were developed to explore whether organisational behaviour can change stakeholder sentiment by asking participants to respond in their own words. In the survey, participants were asked if they had changed their attitude towards the JHG and Asbestos Compensation action groups during the focus period under investigation and, if so, what specific moment or act contributed to this change. Survey participants provided open-ended responses explaining the circumstances surrounding any change in opinion. These responses were coded and synthesized according to whether they were positive or negative in nature. The findings are outlined in this section.

Table 8.9 summarises the extent to which survey participants changed their attitudes towards James Hardie and the Asbestos Compensation action groups.

Table 8.9   *Change of Attitude towards James Hardie and the Asbestos Compensation Action Group*

Change in attitude	James Hardie Group		Asbestos Action Groups	
	Frequency	Percentage	Frequency	Percentage
Disagree (rated 1 or 2)	9	20	16	36
No opinion (rated 3)	13	29	16	36
Agree (rated 4 or 5)	23	51	13	28

Slightly more than half (51%) of survey respondents indicated that they had changed their opinion towards JHG during the 2001 – 2006 timeframe, while just over one-

quarter (28%) of respondents stated that they had changed their opinion about the Asbestos Compensation groups. The remaining participants either stated that they had not changed their opinion or retained a neutral position. Similar proportions of survey respondents identified that their change in opinion could be attributed to a specific event or act (see Table 8.9)

Table 8.10   *Moment or Act Changing your Opinion towards James Hardie or Asbestos Compensation Action Group*

Act causing change in opinion	James Hardie Group		Asbestos Action Groups	
	Frequency	Percentage	Frequency	Percentage
Disagree	11	25	19	44
No opinion	15	34	16	37
Agree	18	41	8	19

The frequency chart shows the respondents' opinion on whether they changed their attitude towards the James Hardie Group and suggests that a large group (34%) neither agreed nor disagreed. There was however a high proportion of respondents who strongly agreed (rated 5) that their change in opinion could be attributed to a specific event or act on the part of James Hardie.

When they explained the circumstances around changing their opinion, 41% of respondents were able to identify a specific time or action by James Hardie as a point where their sentiment either changed or substantially solidified. As reflected by the comments in the open-ended responses, this always resulted in a *negative sentiment* towards the company. In the written response (Appendix V) 43%, almost half the respondents, were influenced by actions of the company or other specific events. This suggests that for many people, sentiment is moveable or transferable under specific conditions. Certainly in this circumstance the increase in negative information, much of it emanating from a trustworthy source (Jackson Royal Commission), appears to have had a substantial influence on the respondents' sentiment.

While there was substantial coverage of the conditions of those injured and the claims of the Asbestos Compensation action groups against the James Hardie Group were also examined, they do not appear to have generated a positive sentiment

needed for reform by their actions alone. Indeed, the limited responses to this question suggests that the action groups' activities gained little traction by itself in the eyes of the respondents. Table 8.9 also shows that only 19% of respondents related their change of opinion towards the Asbestos Compensation groups to a specific time or act during the 2001 – 2006 period. However previous results in the research (Table 8.3) shows that the Asbestos Compensation action groups were already held in high regard by respondents, suggesting that there was little room for further aggregation of positive sentiment towards them.

8.4.4 Respondents' attitude to the James Hardie Group and the asbestos issue.

As part of the qualitative data collected, survey participants were asked to describe their attitude to the James Hardie Group and the asbestos issue in their own words. The purpose of these qualitative responses was to gain insight into the sentiment of the respondents in relation to the time frames described for the periods under investigation. While there is considerable room for further analysis using thematic condensation, the primary interest of the researcher at this time was to classify the responses into positive or negative responses for comparison between the 2001 and 2006 time periods and to identify any shift in sentiment in relation to specific times or events. These answers directly support the purpose of the research and suggest whether behaviours, events or actors within the case study have influenced the sentiment of the respondents. The responses are simply catalogued in accordance with the specific requirements of the researcher. Further development of the responses into forms such as a conceptually clustered matrix (Miles and Huberman, 1994) could be used in the future to enrich the results with a deeper investigation to identify some of the root causes of change in sentiment.

Table 8.11   *In your own words describe what you thought of the James Hardie Group and the asbestos issue at the time.*

What you thought of JHG and the asbestos issue	2001		2006	
	Frequency	Percent	Frequency	Percent
Positive to James Hardie	13	28	12	26
Negative to James Hardie	22	47	23	49
No comment	12	25	12	25

In reporting their sentiments towards James Hardie and the asbestos issue in 2001, 28% of participants gave responses that reflected a positive sentiment towards the company while almost half (47%) of the respondents indicated a negative sentiment towards to the company's behaviour. The positive responses appear to offer mitigation for the company's subsequent actions while the negative responses appear to indicate respondents' sentiment of an abrogation of responsibility by the company. In 2001 these respondents already had an opinion of the issues involved and tended to be polarised in their attitudes to the issue, considering one side or the other to be more right or wrong. Most had already decided that for whatever reasons James Hardie was doing the wrong thing.

In answering the question about how respondents felt about James Hardie and the asbestos issue now (2006), 26% of respondents took a positive or neutral position and 49%, a negative response. While there was little change in the positive to neutral responses from those to the previous (2001) question, there was a significant change in the negative replies, from perceptions of minimising or avoiding responsibility to not caring, should be forced to act, and run by scoundrels. In the eyes of the respondents, James Hardie's position as a respected company was eroded during the period 2001 to 2006, with negative sentiment hardening due to actions taken on behalf of the company by its officers.

The qualitative data in this research was designed to address research question 2 "Does social capital change, given the behaviour of an organisation?" as well as the responses relating to 'change in attitude' and the 'moment or event that changed opinion'.

During the period 2001 to 2006 There is strong evidence that respondents had changed their attitude towards the James Hardie Group during the period 2001 to 2006. During the same period, only 28% of respondents had changed their attitude towards the Asbestos Compensation Action groups. This is a strong indication that a specific moment or act caused a change in opinion. Study participants associated this with negative behaviours on the part of James Hardie. There were fewer changes in

attitude towards the Asbestos groups, indicating a high regard and less sentiment mobility.

While sentiment towards James Hardie and the Asbestos groups underwent some changes, there was very little movement in respondents' attitudes towards James Hardie and the asbestos issue itself. For both periods, respondents held a steady view of the issues and did not change sentiment by moving from one group to another. Most respondents considered the issue important and in need of a resolution, both in 2001 and 2006, and there was little movement in that regard. The problem for James Hardie was that, between 2001 and 2006, respondent sentiment moved in a negative directionsignifying a hardening of sentiment towards the company in response to their actions. This suggests that the social capital for an organisation can be affected by its behaviour and that organisations should consider social capital outcomes when making decisions about the future.

8.5   Conclusions and discussion

8.5.1   Conclusions and discussion of results

The aim of the research was to investigate the first stages of the re-conceptualisation of stakeholder theory put forward in this thesis, primarily through a stakeholder survey and statistical analysis. This was to be achieved through the development of statistical data, further refined within the field research questions, that would either support or contest the ideas encapsulated in the Conceptual Framework (Figure 6.1). The questionnaire was designed to gather data to respond to the initial field research questions, with the later questions answered through an analysis of the literature and media reports associated with the case.

The researcher sought an appropriate, informed and purposeful sample for the study, with the final participants displaying diverse demographics. The study was constructed to meet the needs of reliability and validity within the limited resources of the data collection. The survey instrument was constructed from an extensive literature review, used existing frameworks to ensure adequate validity and was

trialled to ensure field reliability. While the study collected both quantitative and qualitative data, the findings and analysis have been expressed in the form of a narrative, describing the movement of individual and group sentiment of the respondents. This addresses the central purpose of the study and the thesis.

The survey was designed with sensitivity for the emotive issue in question. Before addressing the issues of the case study, a set of control questions were asked to provide a 'blind' value for sentiment with which to compare results over the time-line - these have been expressed in the results as 'benchmark' values. The participants were then informed of the research subject and given the choice to continue or not. The participantsconsidered themselves well informed about the issues involved in the study, with 8.5 percent having family or friend/s directly involved and with asbestos-related injuries.

The first point to note from the findings is that there was little change in attitude towards regulatory bodies, media or other action groups over the duration of the research timeframe. There was however a *significant change* in attitude towards the relationship between the James Hardie Group and the Asbestos Compensation Group, with the Asbestos Compensation Group showing a relatively high, steady and positive sentiment, inversely mirrored by James Hardie's decline in sentiment. There is no evidence that this change in sentiment would generate action by the participants. However, it is possible to speculate that when goodwill is withdrawn from an organisation (James Hardie) and if there is an entity representing an effective alternative (Asbestos groups), that goodwill may migrate to that entity. These assertions would be consistent with behaviours associated with Social Capital as laid out in Chapter 3.

The House of Quality questions within the survey instrument were developed to test whether social capital elements could be used to explore the corporate social capital of an organisation in relation to community standards and expectations. The results from the survey shows a clear and consistent decline in the Corporate Social Performance measures of James Hardie over the research timeframe and were

particularly punishing in the areas of *ethical behaviour*. The decline in sentiment clearly shows the damage that can be done when an organisation embarks on activities that are 'at odds' with community expectations. This could also be described as *a loss* of Corporate Social Capital.

These results demonstrate that more detailed research into operationalising social capital elements within organisations could be beneficial, both in expanding our understanding of the area and in furnishing organisations with useful feedback and a potential monitoring tool. The evidence from this small study therefore supports the assertion that social capital can change due to organisational behaviour, and that social capital elements can be used to develop research questions to explore organisational social capital issues (research question 2).

8.5.2   Discussion of sentiment shift and social capital aggregation

The quantitative and qualitative research was designed to examine the assertions that social capital is valuable and can be harnessed and aggregated as outlined in research questions 1, 2, 3 and 4. Over the period described by the research, respondents broadly considered that the James Hardie Group had become less successful and influential and many of the respondents had changed their attitude towards the company. Responses were divided over the issue of the James Hardie Group accepting responsibility and this was consistent over the timeframe of the research. By 2006 there was a substantial drop in belief that the James Hardie Group would 'do the right thing', and many respondents considered that there was a moment or event that changed their opinion of the James Hardie Group, reinforcing the proposition that the behaviour of organisations has an impact upon sentiment and therefore on corporate social capital.

Most respondents were aware of the asbestos-related injury issue and their awareness increased over time. By 2006 they understood that the James Hardie Group and asbestos compensation were closely related. During the period of the research, participants believed that the company should pay compensation to injured parties, but by 2006 they considered that Asbestos Compensation Group claims were

becoming unreasonable.

Respondents considered themselves to be well informed by the media and while they believed that the Asbestos Compensation Action groups were telling the truth, they also felt that the media was favouring them. Their attitude towards the Asbestos Compensation Action groups was positive and relatively steady over the research period. For most there was no moment or event that changed their opinion of the Asbestos groups.

Results showed that by 2006 the community had a better understanding of the Asbestos compensation issue and felt that James Hardie was not doing the right thing in relation to compensation. Furthermore, James Hardie was considered to be a less successful and influential company by 2006.

The research indicates that James Hardie's behaviour did affect its social capital, with many respondents recognising an event or time that changed their attitude towards the company. Sentiment towards the Asbestos groups was much more steady, with consistent support for their actions.

Most responses indicated no significant changes in participants' perceptions between 2001 and 2006, but they do provide insights into the sentiment of the respondents and confirms that they were in general, well informed, interested and had an opinion about the issue. The findings also confirm that the asbestos groups were making reasonable demands, victims should be compensated, and that if James Hardie was found responsible it would provide that compensation. Respondents considered that the media was favouring the Asbestos groups but also accepted that they, the Asbestos groups, were telling 'the truth' about the issue.

These results indicate the strength and direction of the social capital of the community, or in this case the respondents, in relation to the issue, James Hardie and the Asbestos compensation groups.

In summary, in 2001 the environment was much less turbulent for James Hardie, the community accepted that mistakes had been made but that it would be put right by the company. The issues on where there was no difference between 2001 and 2006, were mostly issues of value judgements, about right and wrong and taking responsibility. While these values didn't change, it appears that the decisions made by James Hardie did, and in so doing, created an environment that produced a change in sentiment where most respondents considered that James Hardie was not 'doing the right thing'.

While most respondents thought that the media was biased towards the asbestos groups and that the asbestos groups' demands were increasingly unreasonable, they also suggested that as social sentiment deserted the James Hardie Group, it did not appear to have attached further social capital to the asbestos groups. This may be explained in a number of ways. The respondents may have regarded the asbestos groups as being more trustworthy than James Hardie so there was little room for migration of sentiment, only potential for a hardening of their individual positions. Such a change in sentiment was not part of the scope of the research and therefore cannot be gauged by this study. However the comments from participants in the qualitative responses suggest that a hardening of sentiment did occur.

The literature scanned for this case implies that the increasing sentiment indicated by the respondents in relation to the asbestos compensation issue was harnessed by a *specific boundary-spanning individual*. Where increasing social sentiment exists, it is likely that organisationally-related stakeholders will aggregate around attractors. For such a social stakeholder group, boundary-spanning actors seem to materialise out of the tensions of the relationship. In this case the records indicate that the primary boundary-spanner could be considered to be Greg Combet, who was able to utilise the resources of the ACTU (Australian Council of Trade Unions) and a considerable public profile, to jolt the NSW government into commissioning the Jackson Inquiry. Combet was aided in this purpose by leaders of state-based Asbestos Diseases organisations who combined their local resources and social

capital to unite with and support the ACTU action. Leaders such as Bernie Banton and Robert Vojakovic of state-based action groups could be considered 'attractors' and perhaps even boundary spanners within their own spheres of influence. They however, lacked the resources to escalate the issue into a 'social movement' , but were crucial in its formation. Understanding the development of social movement around such individuals, further allows for informed decision-making in a organisational context. The frictional cost of social capital dissonance can be managed more effectively through understanding the consequences of organisational behaviour and the elements of social movement formation specific to the issue. The associated literature and media reports support the assertion that where stakeholder sentiment develops, boundary-spanning individuals may act as attractors for that sentiment, aggregating community feelings into collaborative action. It is important to note however, that this is a single case study and while it supports the re-conceptualisation or extension of stakeholder management theory postulated in this thesis, further investigation is necessary to verify the findings.

Chapter 9

Conclusions and implications

9.0   Introduction

This chapter includes a final discussion of the study and the conclusions drawn from the research results. First the study is reviewed. Second, the research questions are addressed and the theoretical framework expanded to reflect the findings. The chapter reiterates the central themes of the study and focuses on the key conceptual findings that contribute to the theoretical and practical landscapes of stakeholders and social capital.

9.1   Review of the study

This thesis explores a theory that has been little examined and developed by academics in associated fields. It is exploratory in nature, as there is little academic writing on the subject and the approach taken by the author could therefore be considered significant. The associated field study is presented as a 'pilot study' as it only provides empirical evidence about the initial stages of the extended theory postulated. While stakeholder opinions are often measured and used for analysis they have not previously been viewed through the prism of social capital theory, or been explored in terms of generating a social movement. Central themes and leading research related to the issues were examined and considered in this project. At its core is an understanding of the changing profile and role of stakeholders in an information and communication-rich environment.

The main elements of this proposition are laid out in the Conceptual Framework (Figure 6.1) where ordinary management processes of strategic development and decision making are bypassed by events that take place in the stakeholder environment. This external environment becomes a platform where an alternate process for the development and implementation of organisational strategies and

objectives can be created, through pressure applied by the combined will of aggregated stakeholders. This combined will is, for the purpose of this thesis, wrapped up in the concept of social capital as the literature focuses on the interaction of stakeholders and social capital. Furthermore the survey instrument is specifically designed to generate responses that are structured through the social capital dimensions and attached to corporate social responsibility elements. The results are therefore expected to reflect the respondents' social capital posture, described in this thesis as *sentiment*.

Academics including Eden and Ackerman, (1998) and Wheeler and Sillanpaa, (1997) consider that the stakeholder role is changing because of the change in societal dynamics as outlined by researchers such as Scott, (2003) and Stacey, (2003) and social commentators such as Thomas Friedman (2000). While there are many facets to these social changes, this researcher considers social capital a fundamental element in how the societal dynamic reconfigures in organisational, community and societal perspectives. The researcher has used established social capital elements as developed by Nahapiet and Ghoshal, (1998) and Hazleton and Kennan, (2000) to frame a questionnaire that was intended to illuminate the connections and relationships hypothesised at the start of this research. Furthermore, in an attempt to make practical sense of these relationships and connections, this paper examines the possible consequences and connections of these relationships when harnessed or 'operationalised' through an expanded definition of boundary spanners.

This thesis set out to explore the potential links between Social Capital; aggregation of sentiment in the wider stakeholder constituency; boundary-spanning individuals who act as attractors for that sentiment and the potential to harness the sentiment and the boundary spanner by aggregation to support organisational objectives. As a Masters study the focus of the data collection has been upon a specific and purposeful case study where data gathered from the public has been used to track the changing patterns of social sentiment. The accompanying literature has been used to map the critical events of how such a sentiment aggregated around attractors and a boundary-spanning individual.

Furthermore this study has used the dimensions of social capital in a novel way to formulate research questions exploring the relationship of the actors in the study. The results examine whether social capital may indeed be measurable in a way that can be useful, from future societal and organisational perspectives. The nexus for social capital formation appears to be at the point where individual values and judgements coincide with organisational behaviour (Figure 3.2). Any dissonance between these positions will generate friction. These sentiment positions appear to be context sensitive, so organisations would do well to understand their social capital position when making decisions. The critical area for organisations appears to be in the more intangible areas of the social responsibility spectrum, as ethical behaviour, reputation and trust were most valued by respondents.

Aggregation of sentiment appears to be very much about context and behaviour. The Corporate Social Responsibility measures in Table 8.6 show that behaviour which conflicts with respondents' values and judgements will erode positive sentiment. This could mean that specific organisational actions can potentially detach social capital, leaving it free to be mobilised when the right situation arises. This suggests that organisations need to improve their understanding of their relationship with the wider environment and develop contextual models that fit with their decision-making processes to avoid or minimise negative outcomes.

In this case study, the James Hardie Group should have considered the consequences of their actions when they used a legal loophole to try and avoid responsibility. Ultimately their 'smart move' destroyed the careers of the 'smart executives' who came up with the plan and had a detrimental impact on the Australian activities of the company. In hindsight, given the findings of the Jackson Royal Commission, it could be suggested that James Hardie would never get away with such a bold move - to abandon their responsibility and go offshore. It is the contention of this study that, had they more effectively examined the context of the asbestos compensation issue through a model that would have exposed the potential outcomes of social capital harnessed by aggregated stakeholder sentiment, they would have come to a different decision about how best to deal with the issue. This paper is a first step in developing such a model for just such a purpose.

The research, both literature and survey, are designed to develop a narrative to discuss the issues outlined in the research framework (Figure 6.1). It is the expectation of the researcher that the combined results will provide a platform for future research in this area.

The research questions themselves developed a theme to create a narrative that stretches across the scope of the thesis. Each question addressed a specific issue within the theme, and within limitations associated with the research scope, informs the thesis. Each of the research questions will now be addressed in sequence in light of the evidence from the field study and the review of associated literature.

1. **Is the social capital of the organisation valuable within the wider stakeholder environment?**

In the comparisons of sentiment between the organisations in focus there was a clear difference in sentiment between groups. In questions that were structured around social capital, the James Hardie Group came out negativelyin relation to 'best practice' or 'companies in general'. Conversely the Asbestos Compensation Action groups received positive sentiment in relation to other 'action groups in general'.

An observation of the relative importance of the CSR elements of large companies and the social capital dimension values of James Hardie, indicates that the JHG values reflected *negative sentiment* towards its activities in relation to what the respondents considered to be the level for companies in general. This, in conjunction with the literature, suggests that subject to further development of analysis tools, social capital may be a useful indicator of the acceptance of a company's activities within the wider stakeholder environment. It may also be considered to be a potential driver within the stakeholder environment for strategic and operational direction.

2. **Does social capital change, given the behaviour of an organisation?**

The field study indicates that sentiment towards the James Hardie Group was low compared with other companies and continued to erode towards 2006. The shift in

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sentiment suggests that it was the behaviour of the JHG that participants reacted to in a negative way. In the QFD, rating of sentiment dropped in relation to the actions of the JHG. This coincided with the shift in sentiment results.

In all parts of the survey the results for the JHG show an increasingly negative sentiment while sentiment towards the Asbestos Action groups was steady. The difference can be identified as *the difference in actions* taken by the two organisations. The JHG took strong action but this was deemed to be negative, whereas the Asbestos groups consolidated their behaviour through consistent, positive activity. Social capital appears to change in relation to the organisational actions.

3. **Can organisational social capital be harnessed by either the organisation or by stakeholders?**

The comparison of sentiment in the findings provides evidence that in this case, sentiment and social capital re-positioned stakeholder attitudes toward organisations. It provides further evidence that when considered in conjunction with the QFD and the shift in sentiment results, support for the JHG eroded and that this impacted upon the company's position within the stakeholder environment. This conclusion was supported by a converse shift towards the Asbestos Action group. In this case, the comparison and shift in sentiment maintained or increased the positive profile of the Asbestos groups within the community. Indeed, it can be argued that it was this increase in social profile that enabled the Asbestos groups to gain the critical support needed to get government involved in the issue which eventually led to the Jackson Royal Commission.

4. **Can individual sentiment developed from organisational social capital behaviours aggregate into a social movement that can influence the activities of an organisation?**

This research looked at individual sentiment within the stakeholder environment but, due to the limited nature of the thesis could not undertake the lengthy field study

necessary to produce the empirical research results to respond to this question. However, this question is a logical extension of the proposition within this thesis and as such is discussed at length both within the literature and media reports about the case. While the literature suggests the social aggregation of stakeholders around issues of sentiment, media reports confirm that it was a groundswell of individual sentiment that led to the appointment of the Jackson Royal Commission and underpinned subsequent social action that influenced the activities of the organisations, i.e. the JHG and the NSW government. This has also been supported in the thesis by references to other examples of action groups, such as the 'Stop Old Forest Logging' movement, and 'Get Up', which like the Asbestos groups developed from a grass roots movement into effective organisations with a social impact. This suggests that, at least in this case, individual sentiment instigated by specific organisational behaviour has aggregated into a social movement that influenced the activities of an organisation.

5. **Can a boundary-spanning individual or organisation play a role in the aggregation of social capital into a social movement?**

Again, due to the limited nature of the thesis, the field study was not constructed to respond to this specific question and therefore the empirical data does not provide evidence in response to this question. However, the literature and media reviews indicate that there were a number of leaders of the Asbestos groups that developed high profiles in the community. The media also assisted the groups with activities such as fundraising and advocacy for their members. By raising the profile of the organisations and broadcasting the issues to the wider population, the exposure could have been instrumental in generating positive sentiment towards the groups and their cause. Furthermore it was the pressure from these groups that eventually led to the ACTU using its influence and resources to bring about a settlement (of sorts). The social capital of the Asbestos groups was high in comparisons with other groups while participant sentiment towards JHG 'doing the right thing' was increasingly negative. There is therefore evidence that in this case that boundary-spanning individuals and organisations may play a role in the aggregation of social capital into a social movement, although the mechanism by which this occurs requires more extensive research.

The Sentiment Aggregation and Boundary-Spanning Formation Framework displayed in Figure 9.1 shows how the process of sentiment aggregation can develop into a group action (which resembles a social movement). It is at the point of critical issue aggregation that an issue comes to the attention of enough stakeholders and sufficiently motivates them to take an emotional position as happened with the James Hardie Group case study. The Conceptual Framework suggests that this stage occurs when corporate social responsibility elements, as demonstrated by the organisation, translate into individual sentiment.
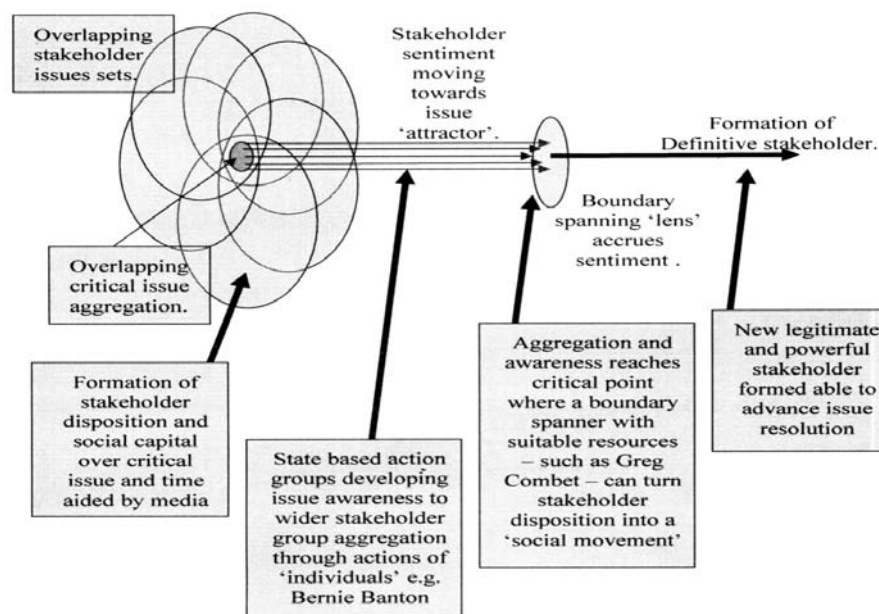
Figure 9.1   Sentiment Aggregation and Boundary-Spanning Formation

6. Can social capital elements be developed into research questions?

In developing the QFD matrix framework into questions for this study, the questionnaire utilised a framework developed by the researcher to directly interface social capital dimensions with corporate social responsibility elements. This was done to trial this framework for potential corporate or further research use by applying the framework to a real world example, and test its potential to be developed into a practical application of the emerging concept. The purpose of the survey was to test the concept and to generate useful and revealing data. While the methodological weaknesses of the approach have already been acknowledged and

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will be further reviewed under the limitations of the research, this field study does provide evidence that these social capital dimensions might, following further research of the instrument design, be used to investigate stakeholder sentiment in field studies.

The results of the survey show that the JHG ratings of sentiment were well below that of the control rating. According to the qualitative and quantitative research, the respondents' attitude towards James Hardie became more negative over the period of 2001 to 2006 and for many there was a moment or act by the company that helped to drive that change. The ranking of relative importance of the CSP elements produces a hierarchy displaying the importance of speciic Social Capital dimensions that, with future research, could develop into an instrument and a processes by which organisations could *examine the position of their stakeholder environment.*

9.2   Discussion of findings

This research project has used the four elements of Carroll's Corporate Social Performance Model to examine the value of Social Capital to an organisation and its wider stakeholder constituency, through a review of literature and case study of the James Hardie Group and the asbestos compensation issue. This was an exploratory or 'pilot' examination. It was not designed to provide hard statistical evidence to inform specific hypotheses, but to provide data that will illuminate the research questions and indicate the value of this particular research direction. Therefore while there is a statistical element to the research findings, the final conclusions are mostly interpretative, informing the researcher and readers of the 'feel' of the research results rather than a quantitative or predictive solution.

The findings have illuminated the original research objectives and these are reviewed below:

- **To explore the nature of relationships between organisations and their stakeholder environment or constituencies from a stakeholder-centric perspective.**

In this study, stakeholders from a wider (remote) environment were canvassed about their attitudes to the case study and were questioned in a manner designed to expose their opinions and sentiment to the issues in focus.

Recent theory, as covered in the literature review, supports the hypothesis that stakeholder environments are becoming wide-reaching overlapping matrices reflective of open systems. Stakeholders from a 'remote' position have the ability to gather information and formulate their own opinions of an issue in which they have an interest. In the case study, respondents agreed they had good media coverage but favoured the Asbestos groups and while they were not especially interested or opinionated on the subject, they did expect JHG to 'do the right thing' and properly compensate the victims. Current information about the state of the issue ultimately led respondents to reassess the value of the relationship, altering their sentiment.

This suggests that it is likely that organisational activities, good or bad, have the potential to enter into stakeholders' 'line of sight' through media exposure, and suggests that stakeholders will develop opinions and eventually firm positions in relation to those issues. The nature of relationships between organisations and their stakeholdersare increasingly shaped by the availability of information surrounding an issue, not only sourced from the organisation, but also from several media sources with differing views on the organisation's activities. A *plural approach* to the management of stakeholders appears justified.

- **To quantify this relationship in size, scope and intensity and examine the links between strength of relationship and shared social capital.**

Using elements of Corporate Social Responsibility (Table 7.1) the questionnaire exposed quantitative and qualitative results relating to Social Capital formation, broadly indicating that issues can move stakeholder sentiment in a positive or

negative direction.

In quantifying the size, scope, intensity and links to shared social capital, the data compared the organisation and stakeholder groups to each other, and in relation to four social capital elements[6]. The respondents considered, in priority order, that ethical behaviour, reputation and trust, social sustainability and financial performance were important. Furthermore, in considering James Hardie in particular, the social capital dimensions in the data collection statistically showed a consistent drop in social capital value for James Hardie over the case study period of 2001-2006. The methodology for quantifying the organisation's social capital was exploratory in nature, but ultimately showed an overall, but inconsistent decline in positive sentiment towards the company. This suggests that there is potential to use social capital as a 'measuring stick' for sentiment within the community.

The relationships of JHG, the Asbestos groups and others were measured, and although there are limitations associated with the survey, they did produce some results that could be considered to support these as a pilot study. The QFD matrix provided values and direction and shows what effect behaviour can have on a company's goodwill. While there were few significant shifts in sentiment from 2001 to 2006, the results show that respondents were taking sentiment positions. Most of those sentiment positions were positive towards the asbestos groups and negative towards James Hardie. Two significant shifts related to the company's success and influence and a belief that they were doing the right thing. These results show direction, strength and significance in supporting the objective.

The research method used by the researcher is original in its combination of CSR and social capital and there is scope to develop similar forms of this approach to improve the process of researching organisational management. If corporate social capital is an asset to an organisation and social capital sentiment towards the

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[6] as expressed by academics outlined in Chapter 3.

organisation is its landscape, then statistical value about that asset will be a useful tool in itsoperations and decision-making process. The study has indicated the value of using CSR and social capital indicators to assess stakeholder sentiment.

- **To examine patterns of social capital aggregation forming around boundary-spanning individuals within the organisation's broader constituency .**

Due to the constraints of a Masters thesis, this study was only able to explore the initial development of stakeholder sentiment. The formation of that sentiment around a boundary spanner is evident in associated literature and media reports, but not a specific focus for the field study. Elements of social capital were examined through the research questionnaire from multiple perspectives to observe changes in the relationship brought about by the events of the case study. With a quasi-longitudinal study, influences and changes in respondents' attitudes were exposed in relation to an event line. Their responses were matched against social capital theory and their movements analysed for further understanding of direction and strength of 'sentiment' which may lead to some form of aggregation. By understanding the direction and strength of sentiment formation in relation to the event line and by considering the company, government, groups and individuals who directly participated in the events described, boundary-spanning options and boundary-spanner characteristics and conditions may be identified. This would help to extend and unify the concept of aggregation around individuals that have boundary-spanning qualities.

While the patterns of social capital movement were identified as they deserted the James Hardie Group, it was difficult to identify from the research results how they would aggregate support around a boundary spanner. This perspective on the case was gathered from the literature. Ultimately it was the actions of individuals in the local groups who had been working on this issue for many years and who developed the database of injuries that could no longer be ignored. However the local groups lacked the attributes (resources) that allowed them to take the issue to a critical point

where it could be acknowledged on a societal basis. That critical point came when Greg Combet and the ACTU became involved, not as an issue about its members, but as a 'social good' issue – and brought the resources of the ACTU and its political strength to bear – moving the issue into the national forum. The actions of James Hardie instigated such a process, as the company's social capital became depleted and Combet amassed the moral authority to use union action to force the government to remedy the situation. Social capital did not migrate from the James Hardie Group to the action groups as they were already well endowed with social capital. In this case it appears to redirect to an 'outside' player who, with no direct connection, pursued a social cause that resulted in asubsequent political profile. Combet took this position as a boundary spanner and harnessed the existing social capital to develop a social movement. These suppositions are beyond the data collection scope of this Masters thesis and cannot be substantiated from the core data. However, as an exploratory exercise, it strongly suggests that such conceptualisation of relationships could form the basis of further research in this area. The empirical evidence from the survey confirms the development of social sentiment towards the organisation. Aggregation of such sentiment around a boundary spanner was not 'tested' by the survey but is supported by the associated literature and media reports of this sole case study.

- **To develop an alternative way of understanding the stakeholder environment leading to improved outcomes for both organisations and stakeholders.**

The research process, while limited, has been developed in a previously untried method to prompt an understanding that social capital could be a new and useful conduit to an increased appreciation of the stakeholder environment. The survey was designed in four parts (as outlined in 8.1 through 8.4), the last three with specific functions considered important by the researcher to showcase different directions in which the development of social capital and corporate social performance could be researched. The results do not in themselves support the potential for improved outcomes but when used in conjunction with the literature, suggests that better understanding of social capital elements in the stakeholder environment by

organisational decision makers could lead to better decision-making and more acceptable outcomes.

An increased understanding of these links will help all stakeholders understand and come to terms with the broader environmental relationship that organisations operate within and how this environment influences the activities, processes and planning of organisations.

The case study illustrates a process by which a company held in high esteem by the community, made decisions that led to the destruction of its credibility and it's near extinction in the Australian market. The study indicates that by including and using social capital assets, previously considered intangible, as part of the decision-making process, and by including wider perspectives on the consequences of those decisions, organisations can potentially   strengthen maintain stronger and more sustainable positions within communities and society as a whole. The survey results support the initial assertions of this thesis about an alternative way of understanding the stakeholder environment, and the review of the associated literature and media reports about this case study suggest that further research in this area would be valuable.

9.2.1   Contribution to Knowledge

As an exploratory thesis contributing an extensive analysis of the related literature and postulating about an extended model of stakeholder management, this study makes a contribution to existing theory at three levels.

First, the study extends existing stakeholder theory by re-conceptualising the relational process of stakeholder aggregation and boundary-spanning though a plural model, one that reflects social changes where individual sentiment and social media have the capacity to interact and produce a groundswell of social sentiment about organisations. The study indicates that stakeholder management theory and practices need to be adapted to accommodate activity and initiation by stakeholder groups.

Second, in the case study, the thesis provides a pragmatic example of stakeholder aggregation and how social sentiment can develop around emotive organisational issues.

Third, the study indicates how CSR and social capital dimensions can be used in field research to assess stakeholder sentiment about specific organisational issues. This provides a model that academics and organisations might use to explore future stakeholder relations.

Furthermore this study provides a case study that anchors the re-conceptualisation of stakeholder 'management' as a plural relational engagement where social capital is valued. It also supports the assertion that the aggregation of sentiment in dispersed stakeholder groups can have a significant impact on organisations. Finally, it proposes that boundary-spanning individuals may be critical in this process and recommends further research in this area.

In terms of further research, this study focuses on the first stages of the emerging theory and concentrates on exploring the development of stakeholder sentiment. Subsequent research into additional case studies should focus on exploring how this sentiment generates boundary spanners and organisational action.

9.3   Limitations

The author acknowledges that there are several limitations associated with this thesis, stemming from the research design and decisions made during the research process. The following paragraphs explore the main limitations, their origins and their implications for readers of this thesis.

One of the main limitations of this study is the conflict between the size and scope of the Masters program and the intent of the thesis (see section 7.13). Rather than focus on a specific and limited organisational issue, this researcher chose to address a perceived emerging change to existing theory and to conduct initial, exploratory and tentative research to form a platform for more extensive research to follow. Indeed, the purpose of the study was to see if the new and emerging re-conceptualisation of stakeholder theory *appeared valid* and deserved further research. The decision was

made to expend considerable resources on the literature review and on extending the theoretical re-conceptualisation. This inevitably reduced the resources available for the field study.

In addition as the author of this thesis, the researcher was not looking for specific and focused evidence as in a traditional research process, but was intending that the thesis reflect the research question in its broadest sense, that is, asking a question and providing supporting information to substantiate the value of the issue. There are a number of themes within this thesis, any one of which could have been made the subject of a Masters research program, but it was the researchers choice that this paper take on the extended narrative to explore the re-conceptualisation of stakeholder management that the writer believes is at the core of the issue and initiates an important contribution to knowledge. While research could have been developed to examine any one of corporate social responsibility, social capital, aggregation or boundary spanning, it is the combination of these attributes that provides an understanding of a new and evolving social environment from a continuing examination by academics and theoreticians in these fields. If this thesis can be viewed, as intended by the author, as an over-arching framework prompting future research in this area, then it has achieved its intended aims.

As a result of this approach, the structure of this thesis does not entirely conform to the usual structure for an academic work. There is a strong leaning towards the theoretical reconstruction and a more limited focus on both the depth and scope of the associated field study. The author acknowledges this criticism but in defence of the work reiterates points made in previous chapters - that these processes were designed to provide examples of how to examine constructs proposed by the author and not to provide concrete evidence that the re-conceptualisation is validated. The latter was always beyond the scope of a Masters thesis and will require several further extensive studies. Indeed, some important aspects of the re-conceptualisation such as boundary spanners, were developed through the literature and not explored through the field survey, but remain an important integral part of the story and are well supported by secondary data. The author recognises that while this thesis

proposes an extension to existing theory, the field study is limited and provides only tentative evidence to support the initial components of that theory and exploratory frameworks upon which further research can be undertaken.

The *retrospective nature* of the survey is a limitation of this research study. The researcher recognises that requesting participants to respond to questions about two different past events on one questionnaire is less than an ideal method to explore sentiment. For a Masters programme it was not possible to locate an alternative and current case study and use two surveys, so the concept of a quasi-longitudinal survey was developed. While this has been a limited study, it has also been a very purposeful case to explore an example of the national issues being investigated.

The use of a single case is a limitation of this study. However, given the limited resources of a Masters thesis, a single case enabled those resources to be focused on a single, revelatory issue. The chosen case study had the advantage of being a well known Australian issue, increasing the validity of the survey instrument to the participants.

There are a number of issues concerning the survey design, specifically where it does not conform to design standards for statistical analysis. These revolve around the use of *double-barrelled questions* and the way questions are grouped. The double-barrelled questions were deliberately included to make the respondent consider CSR and Social Capital aspects simultaneously when giving a response to sentiment. Furthermore, the grouping of questions to gain responses, such as rankings, were aimed at specific analysis sets such as the QFD Matrix. The author recognises these limitations in the instrument design and hopes that the intent of the framework: combining CSR and SC components, provides at least an initial framework for other researchers to explore the same issues so that they may develop their own direction and research tools.

Furthermore the author acknowledges that as a Masters thesis this study represented a complex set of themes that was difficult (to say the least) for the writer to navigate as he developed his knowledge of research methodology. The author hopes that these limitations do not undermine the thrust of the concepts discussed in this thesis and that future researchers will embrace the ideas developed here and find the findings of the study useful. There is significant scope for research in this field to further explore the concepts and to develop practical applications for use in organisations and society.

9.4   Implications for the Future

This research suggests that while this is an emerging area of theory and understanding, it is clear that such organisational intangibles as social capital have a significant role in the wellbeing of the organisation and its interaction with the environment. The fact that such intangibles do not appear as a bottom line entry on the balance sheet simply acts to obscure their ultimate value for organisations. Future research should consist of studies to analyse, map and quantify the strength and direction of such 'intangibles', to build on this exploratory work.

Further research into these aspects of the organisation could provide some insights and positive direction for the design of intangible asset profiling through existing or newly-developed analytical tools. This would lead to better informed decision-makers and better developed decisions.

The implications of this research for organisations and practitioner managers are that positive and negative attitudes to organisations' activities can be generated through the strategic and tactical decision-making process within the organisation. Managers need to understand the consequences of their actions in both an organisational and societal context in order to make the best decisions for the future development of that organisation. Development of readily available tools to gauge these attitudes in a timely and effective manner would allow managers to further consider the implications and consequences of their decisions and achieve improved outcomes for both the organisation and the community. The extension of this research to develop a

multi-attribute analysis tool would advance this area of research and potentially lead to the development of new paradigms in the stakeholder/organisation relationship mapping.

9.5   Concluding remarks

While past chapters and paragraphs have discussed the utility and uses of harnessing social capital into social movements from a business perspective, the concepts that underpin this paper have much wider ramifications for communities and society as a whole. While at the business activity level social capital can provide practical, moral and ethical guidance in the decision-making process, the attitudes developed by stakeholders towards specific organisations may well have their roots in established or developing societal mores which in themselves may define the direction in which societal expectation is moving. This may suggest that where sentiment exists in one area such as the environment, on a societal level, it may be reflected in the formation of attitudes towards specific issues. Such specific issues may move both faster and stronger in terms of sentiment formation than would otherwise be expected, producing an accelerated and aggregated acquisition of resources that builds a significant social movement.

This study therefore emphasises the need for organisations, on all levels of activity whether they be societal, political, governmental or business, to catch the mood of the people and respond to their 'voice' rather than react to it, so that they are better placed to meet those expectations for the mutual benefit of all concerned. The dynamics of stakeholder management need to be re-conceptualised as a mutually interactive system. The theory and tools needed to meet such expectations will require further research to develop a greater understanding of this issue. This researcher hopes that this thesis will in some way contribute to that future.

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Appendix I   Research Questionnaire

Office use only

Response Code Number	

Stakeholder and Community Disposition Survey

Research Questionnaire

There are three parts to this questionnaire please answer each part in order not referring to or changing answers in previous parts after you have completed them. Do not look at the next part of the questionnaire before completing the answers in the part you are currently working through.

What is your occupation	
What is your age	
What is your education level	
What is your gender	
What is your residential postcode	

Part One: What is your attitude towards companies

Part 1 is designed to determine your disposition or 'attitude' to Australian companies that are large enough to have an impact in some way on the Australian society and the way we live. Companies have the ability to behave well, badly or indifferently depending on the way that they see their responsibility to their shareholders and to the wider community. It is useful for us to understand how the community responds to their behaviour. The research focus in this part of the survey is to see what you as an individual think of large companies and organisations, or most especially what you think of one company real or idealised that does behave responsibly towards society. For this part of the questionnaire I ask you to visualise a real company that you know is what you, as an individual, consider to be doing the 'right thing'. Please answer the questions below in part 1 as if it was about that company you would consider to be performing at a high standard.

1. Rate your assessment of the company and other stakeholder groups

Rate from 1 being least trusted through to 5 being most trusted

Your chosen 'best practice' company	1	2	3	4	5
Other companies in general	1	2	3	4	5
Government company regulatory bodies	1	2	3	4	5
Media coverage of business and current affairs	1	2	3	4	5
Action groups – eg unions, single issue groups etc	1	2	3	4	5

2. Relative importance of characteristics for large companies

Rank from 1 to 12 counting through from most important being 1 to least important being 12 and using each value only once.

A hint for filling in this table is to rank the most important as 1 and then the least important as 12 then repeat ranking the most important of the remaining as 2 then the least important as 11 and then on down the list.

Good corporate governance	
Shareholders profits	
Contribute to the community	
Company Code of Ethics	
Acts lawfully	
Acts responsibly	
Good reputation	
Community trust in a company	
Responsible management	
Long term sustainability	
Consideration for the community	
Consideration for the environment	

3. *Rating of Corporate Social Responsibility elements of a company*

Rate from 1 being strongly disagree (low) value through to 5 being strongly agree (high) value

Adherence to the principles of good corporate governance is an important aspect of a companies operations	1	2	3	4	5
Profit as expressed by returns to shareholders is the most important aspect of a companies operations	1	2	3	4	5
Contributing to the community is an important aspect of a companies operations	1	2	3	4	5
Adherence to the principles of a company Code of Ethics is an important aspect of a companies operations	1	2	3	4	5
Adherence to all laws and regulations is an important aspect of a companies operations	1	2	3	4	5
A company should take responsibility for the decisions of its managers even if it was against ethical or governance standards or in the past	1	2	3	4	5
A company's reputation is a valuable asset that should be protected in the same way as other company assets	1	2	3	4	5
For a community to trust a company it must do more than produce good profits for its shareholders	1	2	3	4	5
Integrity from the officers of a company is an important element in a companies success	1	2	3	4	5
To be successful a company should plan to operate for the long term performance of its activities	1	2	3	4	5
To be a successful a company should plan to operate for short term results	1	2	3	4	5
To be successful a company must plan for a positive impact on the community	1	2	3	4	5
To be successful a company must plan for a positive impact on the environment	1	2	3	4	5

Warning to all participants

The rest of the questionnaire deals with events that are associated with asbestos related diseases and with the James Hardie group of companies.

Do you know much about the issue of asbestos related injuries and the James Hardie Group?

1, Not at all   5, I am well informed

1	2	3	4	5

Have you, your family or friend been in any way involved with asbestos related injuries?

YES	NO

If continuing with this questionnaire has the potential to cause distress you may stop now leaving the remaining sections unanswered and return the questionnaire in the pre-paid envelope supplied, however if you chose to continue you will be contributing to an understanding of the events as described in the following sections.

If you choose to discontinue this questionnaire please acknowledge by checking the box below.

I choose to discontinue completing this questionnaire	

Thank you for your participation.

If you chose to continue please proceed with Part 2.

Part Two: What is your attitude to these events described below

Summary of the actions of the James Hardie Group up until September 2001

All background for this summary is taken from the report of the Special Commission of Inquiry into the Medical Research and Compensation Foundation; D.F. Jackson Q.C. Commissioner.

Asbestos was used in Australia during a large part of the last century in the manufacture of building products, companies in the James Hardie Group were major participants in the manufacture and distribution of these products right up to 1987 when the last production ended in Western Australia and Queensland. James Hardie Group prospered with substitute products and with the passage of time, the Group's liabilities in respect to asbestos came to be regarded as something reflecting the past and regarded, as "legacy issues" which it would be desirable to "separate".

Until 1996 the Group's asbestos liabilities - judgements, settlements and legal costs - had been met as they fell due, the amounts had been such that a business the size of the James Hardie Group had regarded them as manageable. But the Group was undergoing change, under a scheme of arrangement before the Supreme Court, some member of the James Hardie Group, now JHA, became a subsidiary of a new Dutch company, James Hardie NV, and a trust (formed of the remaining companies) would be responsible to claimants in respect to asbestos-related liabilities.

The Medical Research and Compensation Foundation (MRCF) was established by James Hardie in February 2001 and was accompanied by a media release from the James Hardie Group from which these quotes were taken.

> *"In establishing the foundation, James Hardie sought expert advice from a number of firms, including PricewaterhouseCoopers, Access Economics, and the actuarial firm, Trowbridge. With this advice supplementing the company's long experience in the area of asbestos, the directors of JHIL determined the level of funding required by the Foundation."*

> *"James Hardie is satisfied that the foundation has sufficient funds to meet anticipated claims," Mr Macdonald said.*

> *"When all future claims have been concluded, surplus funds will be used to support further scientific and medical research on lung diseases."*

In this part please answer these questions in relation to what you have read in the above synopsis and what your knowledge of the company was at that time of the reported actions (February 2001).

1. Did you consider the James Hardie Group to be a successful and influential company in the 1990s?

   1, Strongly disagree   5, Strongly agree

1	2	3	4	5

2. Did you know that the James Hardie Group and the asbestos compensation issue were related at that time?

   1, Not at all   5, Very much connected

1	2	3	4	5

3. What was your interest and opinion of the asbestos compensation issue at the time?

   1, No opinion   5, Very interested

1	2	3	4	5

4. Did you believe that the James Hardie Group was doing the right thing in relation to the asbestos compensation issue?

   1, Strongly disagree   5, Strongly agree

1	2	3	4	5

5. Did you agree with asbestos compensation action groups that asbestos victims should be fully compensated by the company?

   1, Strongly disagree   5, Strongly agree

1	2	3	4	5

6. Did you read, hear or see much about the issue of asbestos contamination and compensation in the media?

    1, Not at all   5, A great deal of coverage

1	2	3	4	5

7. Did you think that the media was neutral or favoured the James Hardie Group or asbestos compensation action groups?

    1, Favoured James Hardie   5, Favoured asbestos compensation action groups

1	2	3	4	5

8. Did you expect that the James Hardie Group would accept responsibility for their actions if it was shown that they were responsible?

    1, Strongly disagree   5, Strongly agree

1	2	3	4	5

9. Did you believe that the asbestos compensation action groups were making reasonable demands for compensation?

    1, Strongly disagree   5, Strongly agree

1	2	3	4	5

10. During this period who of the involved parties did you most believe was telling the truth?

    1, James Hardie Group   5, Asbestos compensation action groups

1	2	3	4	5

11   In your own words describe what you thought of James Hardie and the asbestos issue at the time.

_____

_____

_____

_____

Please continue to answer these questions only on the information provided in the introduction to part 2.

12. Rating of Corporate Social Responsibility elements

Rate James Hardie from 1 being strongly disagree (low) value through to 5 being strongly agree (high) value

Good corporate governance was important to James Hardie	1	2	3	4	5
Profit as expressed by return to shareholders was important to James Hardie	1	2	3	4	5
James Hardie was returning profit to the community	1	2	3	4	5
A Code of Ethics was important to James Hardie	1	2	3	4	5
James Hardie complied with all laws and regulations	1	2	3	4	5
James Hardie took responsibility for the decisions of its managers	1	2	3	4	5
James Hardie's reputation was a valuable asset	1	2	3	4	5
The community trusted James Hardie to 'do the right thing'	1	2	3	4	5
The officers of James Hardie were acting with integrity and responsibility	1	2	3	4	5
James Hardie was planning for the long term	1	2	3	4	5
James Hardie was planning for short term results	1	2	3	4	5
James Hardie was planning to help the community	1	2	3	4	5
James Hardie was planning to help the environment	1	2	3	4	5

13. Rate your assessment of the company and other stakeholder groups

Rate from 1 being least trusted through to 5 being most trusted

James Hardie Group	1	2	3	4	5
Other companies in general	1	2	3	4	5
Government company regulatory bodies	1	2	3	4	5
Asbestos compensation action groups	1	2	3	4	5
Action groups – eg unions, single issue groups etc	1	2	3	4	5
Media coverage of business and current affairs	1	2	3	4	5

Part Three: What is your attitude to the changes in this event

Summary of the actions of the James Hardie Group after September 2001

All background for this summary is taken from the report of the Special Commission of Inquiry into the Medical Research and Compensation Foundation; D.F. Jackson Q.C. Commissioner.

Confidence in the Foundation was short lived, by August 2001 actuarial firm Trowbridge reported that the value of all future payments had increased by 65 per cent to $574.3m. In September 2001 the Foundation communicated to the James Hardie Group their concerns about the inadequacy of the initial funding and that as it was not "fully funded" it would not be able to meet the claims of all asbestos victims.

In the period after the implementation of the scheme of arrangement in late 2001 until March 2003 the Foundation made a number of endeavours to persuade the James Hardie Group to recognise an obligation to provide further funds to it and to pay a substantial amount. James Hardie was unwilling to pay anything but was prepared to offer sums effectively reaching $20m in order to arrive at a "negotiated settlement". By September 2003 Trowbridge had estimated the Foundations potential liabilities at $1,089.8m and climbing and with its current litigation costs – its actual outgoings – much exceeding the previously estimated figures the ability of the Foundation to continue to pay would be exhausted within a few years. By mid 2004 such concern had been raised about the constituting of the Foundation and the actions of the James Hardie Group that the Government of the state of New South Wales formed the Jackson Commission to get to the truth of the matters raised.

What the commission found was that while the management and board of the James Hardie Group did not appear to have breached their respective duties in relation to the separation of the company from its asbestos liability, the foundation was massively under-funded and would not have sufficient funds to meet all compensation claims anticipated for people injured by asbestos products. It was anticipated that the net assets of the fund were approximately $180 million and the expected value of asbestos-related liability of $1,500m dollars for which the government and people of Australia would have to pick up the cost as, due to James Hardie's moving overseas, there was no legal obligation for them to provide greater funding.

In part 3 please answer these questions in relation to what you have read in the above biography and what your knowledge of the company is at this time.

1. Did you consider the James Hardie Group to be a successful and influential company in 2001-2004?

   1, Strongly disagree   5, Strongly agree

1	2	3	4	5

2. Did you know that the James Hardie Group and the asbestos compensation issue were related at that time?

1, Not at all   5, Very much connected

1	2	3	4	5

3. What was your interest and opinion of the asbestos compensation issue at the time?

1, No opinion   5, Very interested

1	2	3	4	5

4. Did you believe that the James Hardie Group was doing the right thing in relation to the asbestos compensation issue?

1, Strongly disagree   5, Strongly agree

1	2	3	4	5

5. Did you agree with asbestos compensation action groups that asbestos victims should be fully compensated by the company?

1, Strongly disagree   5, Strongly agree

1	2	3	4	5

6. Did you read, hear or see much about the issue of asbestos contamination and compensation in the media?

1, Not at all   5, A great deal of coverage

1	2	3	4	5

7. Did you think that the media was neutral or favoured the James Hardie Group or asbestos compensation action groups?

    1, Favoured James Hardie   5, Favoured asbestos compensation action groups

1	2	3	4	5

8. Did you expect that the James Hardie Group would accept responsibility for their actions if it was shown that they were responsible?

    1, Strongly disagree   5, Strongly agree

1	2	3	4	5

9. Did you believe that the asbestos compensation action groups were making reasonable demands for compensation?

    1, Strongly disagree   5, Strongly agree

1	2	3	4	5

10. During this period who of the involved parties did you most believe was telling the truth?

    1, James Hardie Group   5, Asbestos compensation action group

1	2	3	4	5

11. During this period did you change your attitude towards the James Hardie Group?

    1, Strongly disagree   5, Strongly agree

1	2	3	4	5

12. During this period did you change your attitude towards the asbestos compensation action groups?

     1, Strongly disagree   5, Strongly agree

1	2	3	4	5

13. Was there a specific moment or act that caused you to change your opinion of the James Hardie Group?

     1, Strongly disagree   5, Strongly agree

1	2	3	4	5

If yes please explain the circumstances

_____

_____

_____

14. Was there a specific moment or act that caused you to change your opinion of the asbestos compensation action groups?

     1, Strongly disagree   5, Strongly agree

1	2	3	4	5

If yes please explain the circumstances

_____

_____

_____

15. In your own words describe what you think of James Hardie and the asbestos issue now.

_____

_____

16. Rating of Corporate Social Responsibility elements

Rate James Hardie from 1 being strongly disagree (low) value through to 5 being strongly agree (high) value

	1	2	3	4	5
1. Good corporate governance was important to James Hardie	1	2	3	4	5
2. Profit as expressed by return to shareholders was important to James Hardie	1	2	3	4	5
3. James Hardie was returning profit to the community	1	2	3	4	5
4. A Code of Ethics was important to James Hardie	1	2	3	4	5
5. James Hardie complied with all laws and regulations	1	2	3	4	5
6. James Hardie took responsibility for the decisions of its managers	1	2	3	4	5
7. James Hardie's reputation was a valuable asset	1	2	3	4	5
8. The community trusted James Hardie to 'do the right thing'	1	2	3	4	5
9. The officers of James Hardie were acting with integrity and responsibility	1	2	3	4	5
10. James Hardie was planning for the long term	1	2	3	4	5
11. James Hardie was planning for short term results	1	2	3	4	5
12. James Hardie was planning to help the community	1	2	3	4	5
13. James Hardie was planning to help the environment	1	2	3	4	5

17. Rate your assessment of the company and stakeholder groups

Rate from 1 being least trusted through to 5 being most trusted

	1	2	3	4	5
1. James Hardie Group	1	2	3	4	5
2. Other companies in general	1	2	3	4	5
3. Government company regulatory bodies	1	2	3	4	5
4. Asbestos compensation action groups	1	2	3	4	5
5. Action groups – eg unions, single issue groups etc	1	2	3	4	5
6. Media coverage of business and current affairs	1	2	3	4	5

Appendix II   Participants Letter

Stakeholder and Community Disposition Survey

Participants' Information Sheet

Supervisor: Dr Scott Gardner	**Research student: Brett Martin-Smith**
School of Management	PO Box
Edith Cowan University	Perth WA 6000
Churchlands WA 6018	
Phone: (08) 9273 8735	Phone: (08) 9227 7434
Email: s.gardner@ecu.edu.au	Email: bmartin_smith@hotmail.com

Dear Recipient,

Firstly I would like to thank you for taking the time to read this letter and I hope that as a consequence you will consider completing the questionnaire attached. You have been randomly chosen from the phone book to participate in this survey which is being undertaken as part of the requirement for the completion of a Masters by Research Degree in the School of Management at Edith Cowan University. Your cooperation is entirely voluntary and you are free to choose not to participate at this or any point in the process, if you agree to continue this questionnaire will not take much time to complete, approximately 20 to 30 minutes.

Questionnaire responses will be anonymous and confidential. Information gathered will be used for purposes directly related to the above research project and general findings may subsequently appear in published papers. For distribution analysis purposes your response will be identified only by a code number and will be analysed in part by your profession and the region of WA in which you live. The completed questionnaires will be securely stored for 5 years and while an electronic version of the data will be retained long term the originals will then be destroyed.

Your decision to complete and return the questionnaire is taken as consent that you have read the information provided and wish to participate, if you wish not to participate then disregard this package and destroy it. The study is being conducted under the supervision of Dr. Scott Gardner School of Management, Edith Cowan University and should be completed mid 2006. If you have any questions or comments about the study or are interested in viewing the results of the study you are most welcome to contact Brett Martin-Smith at the above address or email.

Research Purpose

The purpose of the research for which this questionnaire has been developed is to explore gaps between community expectations and company behaviour in relation to corporate ethics and corporate social responsibility. This study will advance the understanding of this expectation gap by investigating the attitudes of a wide range of individuals within the community on the company's response to high profile issues such as the one used as an example in this questionnaire.

This survey explores these sentiments through the examination of one example and asks for you to contribute your considered attitude to the situation described by completing the attached questionnaire and returning it to the researcher in the envelope supplied. Taking the time to fill this questionnaire out will provide researchers with important data in further understanding these relationships and inform future practice in the area of corporate social responsibility.

As previously stated this questionnaire should take approximately 20 to 30 minutes to complete and you are in no way obliged to participate in this survey; however the validity of the survey will increase in proportion to the number of responses. If you do choose to continue your contribution will be greatly appreciated by the researcher so please complete the questionnaire and return it in the pre-paid envelope provided.

Warning: In part 2 of the questionnaire the subject of the study is revealed and you will be asked to answer questions that relate to a specific company and the events that are associated with its activities. It is not the intention of the researcher to cause distress to anyone who has been directly or indirectly physically or emotionally affected by the activities of the company or the events as described in the questionnaire or with those associated with the company. While it is desirable from the research aspect that the company is not known to the respondents at the beginning of the questionnaire if, when understanding what the company is, you experience sadness or anxiety about answering questions about your attitude towards it and the events described then please feel free to not continue with the questionnaire.

Thank you for your involvement

Brett Martin-Smith

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This project has the approval of the Human Research Ethics Committee of the Edith Cowan University.

If you have any concerns or complaints about the conduct of this research project and wish to talk to an independent person you may contact:

Research Ethics Officer
Edith Cowan University
270 Joondalup Drive
JOONDALUP WA 6027
Phone: (08) 6304 2170
Email: research.ethics@ecu.edu.au

Appendix III   Jackson Royal Commission Report

Report of the Special Commission of inquiry into the Medical Research and Compensation Foundation

Available at:

http://www.dpc.nsw.gov.au/_data/assets/pdf_file/0020/11378/PartA.pdf

Appendix IV   Explanation of quotes from Jackson Royal Commission Report

Attachment

Quote sources for Jackson Report summary

It has been discussed during the development of the questionnaire that there may be a concern about the summaries included, and that they may be open to challenge on points of fact. In developing the summaries I have used the Jackson Royal Commission Report to quote and paraphrase from as the researcher believes it is regarded as a record of statement of fact and therefore incontesteady.

Provided below is the breakdown of the attribution for the summaries by paragraph number taken from the report and in Attachment III is a link to the relevant section of the Report.

All parts of the summary are taken from Chapter 1 – Principal Conclusions and Chapter 2 – Background to the enquiry.

The writer has taken great care to ensure that all quotes are used in context so that the summary directly reflects the meaning in the original report.

Part Two: What is your attitude to these events described below

Summary of the actions of the James Hardie Group up until September 2001

All background for this summary is taken from the report of the Special Commission of Inquiry into the Medical Research and Compensation Foundation; D.F. Jackson Q.C. Commissioner.

1: *2.1* [Asbestos was used in Australia during a large part of the last century in the manufacture of building products], **2:** *2.2* [companies in the James Hardie Group were major participants in the manufacture and distribution of these products] right up to **3:** *2.4* [1987

when the last production ended in Western Australia and Queensland]. **4:** *2.7* [James Hardie Group prospered with substitute products] and **5:** *2.8* [with the passage of time], the **6:** *2.8* [Group's liabilities in respect to asbestos came to be regarded as something reflecting the past and regarded, as "legacy issues" which it would be desirable to "separate"].

7: *2.11* [Until 1996 the Group's asbestos liabilities – judgements, settlements and legal costs – had been met as they fell due, the amounts had been such that a business the size of the James Hardie Group had regarded them as manageable]. But the Group was undergoing change, **8:** *2.43-44* [under a scheme of arrangement before the Supreme Court], **9:** *2.47* [some member of the James Hardie Group, now JHA, became a subsidiary of a new Dutch company, James Hardie NV], **10:** *2.27* [and a trust (formed of the remaining companies) would be responsible to claimants in respect to asbestos-related liabilities].

11: *2.35* [The Medical Research and Compensation Foundation (MRCF) was established by James Hardie in February 2001 and was accompanied by a media release from the James Hardie Group from which these quotes were taken.

> *"In establishing the foundation, James Hardie sought expert advice from a number of firms, including PricewaterhouseCoopers, Access Economics, and the actuarial firm, Trowbridge. With this advice supplementing the company's long experience in the area of asbestos, the directors of JHIL determined the level of funding required by the Foundation."*

> *"James Hardie is satisfied that the foundation has sufficient funds to meet anticipated claims," Mr Macdonald said.*

> *"When all future claims have been concluded, surplus funds will be used to support further scientific and medical research on lung diseases."]*

Part Three: What is your attitude to the changes in this event

Summary of the actions of the James Hardie Group after September 2001

All background for this summary is taken from the report of the Special Commission of Inquiry into the Medical Research and Compensation Foundation; D.F. Jackson Q.C. Commissioner.

12: *2.37* [Confidence in the Foundation was short lived, by August 2001 actuarial firm Trowbridge reported that the value of all future payments had increased by 65 per cent to $574.3m]. In 13: *2.50* [September 2001 the Foundation communicated to the James Hardie Group their concerns about the inadequacy of the initial funding and that as it was not "fully funded" it would not be able to meet the claims of all asbestos victims.]

14: *2.53* [In the period after the implementation of the scheme of arrangement in late 2001 until March 2003 the Foundation made a number of endeavours to persuade the James Hardie Group to recognise an obligation to provide further funds to it and to pay a substantial amount. James Hardie was unwilling to pay anything but was prepared to offer sums effectively reaching $20m in order to arrive at a "negotiated settlement"]. 15: *2.40-41* [By September 2003 Trowbridge had estimated the Foundations potential liabilities at $1,089.8m and climbing and with its current litigation costs – its actual outgoings – much exceeding the previously estimated figures the ability of the Foundation to continue to pay would be exhausted within a few years]. 16: *2.61* [By mid 2004 such concern had been raised about the constituting of the Foundation and the actions of the James Hardie Group that the Government of the state of New South Wales formed the Jackson Commission to get to the truth of the matters raised].

What the commission found was that while the management and board of the James Hardie Group did not appear to have breach their respective duties in relation to the separation of the company from its asbestos liability **17: *1.2* [**the foundation was massively under-funded and would not have sufficient funds to meet all compensation claims anticipated for people injured by asbestos products. It was anticipated that the net assets of the fund were approximately $180 million and the expected value of asbestos-related liability of $1,500m dollars**]** for which the government and people of Australia would have to pick up the cost as, due to James Hardie's moving overseas, **18: *1.8* [**there was no legal obligation for them to provide greater funding.**]**

Appendix V   Qualitative Responses

Figure 8.19   Part Three, Question 13

Was there a specific moment or act that caused you to change your opinion of the James Hardie?

- James Hardie Group was OK but positive attitude lessened
- When revealed that James Hardie Group was aware of effects for some time but did nothing
- Understood how long James Hardie Group had known of effects and did nothing
- Could have done more
- Change in policy not to fully compensate
- Seeing people suffering and James Hardie Group refusing compensation
- No compassion to dying claimant and delaying responsibility to avoid payment
- Group watching death of innocent workers
- Mother-in-law died of asbestosis
- Watching media coverage
- Set up company overseas with inadequate compensation
- Set up company overseas with inadequate compensation
- Set up company overseas with inadequate compensation
- Set up company overseas with inadequate compensation
- Set up company overseas with inadequate compensation
- Set up company overseas with inadequate compensation
- Set up company overseas with inadequate compensation
- Set up company overseas with inadequate compensation
- Commission findings
- Chairwoman on TV trying to explain company's dishonest actions

Figure 8.20   Part Three, Question 14

Was there a specific moment or act that caused you to change your opinion of the asbestos compensation action groups

- Saw victims and effect of illness

- Some victims died before receiving compensation

- Continued push for better compensation

- Set up company overseas with inadequate compensation

- Commission findings

- Interview of chairperson Hellicar on ABC 7.30 Report

Figure 8.21   **Part Two, Question 11**

In your own words describe what you thought of the James Hardie Group and the asbestos issue at the time (2001).

There were 13 positive responses:

- James Hardie Group was a responsible company

- Not much known about effects of asbestos

- Became gradually aware of health issues

- Hazard not well understood

- Appeared to be doing right thing

- Doing right thing but badly advised

- Desire to compensate but limit to manageable amount

- Responsible company making provision to compensate

- Trying to deal with and end compensation issues

- Not much attention paid until medical issues

- Asbestos accepted until health issues became prominent

- Excessive media coverage

- Many employees knew risk

- Knew product harmful but continued to produce

There were 22 negative responses.

- Lied to their employees

- James Hardie Group knew ill effects addressed minimum level of compensation

- Limiting liability but some claims are ambit

- Appalled that they continued to produce and supply

- Sceptical that James Hardie Group would meet claims
- Stalling hoping claimants will disappear
- Stalling the issue
- Company needs to acknowledge tragedy
- Surprise at admission of liability
- Covered up issues
- Attempted to diminish financial obligations
- Not fully meeting their commitments
- Compensation more that predicted took steps to mitigate liability
- Trying to minimise impact by legal means
- Trying to avoid compensation payment
- Avoiding or minimising responsibility
- Avoiding responsibility
- Abrogated responsibility
- Profits before responsibility
- Profit before people
- After ownership change willingness to compensate diminished
- Criminally negligent focus on bottom line

Figure 8.22   Part Three, Question 15

15. In your own words describe what you think of James Hardie and the asbestos issue now.

There were 12 positive type responses

- Not convinced they knew it was damaging
- Storm on a teacup
- Smart business move but sorry for individuals
- No ongoing resentment
- Reluctantly did the right thing
- Learn by past mistakes
- Officers acted legally to protect assets without moral or ethical concerns
- People are being compensated
- Has now agreed to compensate

- James Hardie Group will pay what they have to
- Complicated and drawn out
- James Hardie Group let issue drift and media lost attention

There were 23 negative type responses

- Targeting James Hardie Group is best prospect for compensation
- Whatever it takes to avoid responsibility
- Morally wrong to not take responsibility
- Intentional neglect
- Getting away from their responsibilities
- Set up company overseas with inadequate compensation
- James Hardie Group needs to be accountable
- Not genuine about compensation
- Maximised profit decreased liabilities
- Used minimise or avoidance actions
- James Hardie Group doesn't care for people and environment
- Need to take more action for compensation
- Should be forced to return and work issues out
- Acted poorly should have met compensation liability
- James Hardie Group should compensate to fair level
- Should have paid more compensation and quicker
- Assets of James Hardie Group should be nationalised
- Long way to go to build trust by Australians
- Raped and pillaged for profit
- How do you compensate dying person
- Treat associated companies with suspicion
- Run by scoundrels
- James Hardie Group pathetic

Appendix VI   Average Ranking of Corporate Social Responsibility Elements

The results from the responses reflect the average value of the respondents' sentiment towards the various elements of Corporate Social Responsibility, and their weighting of their relative importance for each individual element.

QFD results	Part One	Relative importance		Part Two	Part Three
	Average for large company	Rank		Average James Hardie 2001	Average James Hardie 2006
1. Adherence to the principles of good corporate governance is an important aspect of a companies operations	3.96 Sd-1.1	4	1. Good corporate governance was important to James Hardie	3.14 Sd-1.05	2.93 Sd-1.12
2. Profit as expressed by returns to shareholders is the most important aspect of a companies operations	3.02 Sd-1.19	7	2. Profit as expressed by return to shareholders was important to James Hardie	4.52 Sd-0.63	4.6 Sd-0.54
3. Contributing to the community is an important aspect of a companies operations	3.17 Sd-1.03	10	3. James Hardie was returning profit to the community	2.52 Sd-0.93	2.25 Sd-0.87
4. Adherence to the principles of a company Code of Ethics is an important aspect of a companies operations	3.85 Sd-1.06	9	4. A Code of Ethics was important to James Hardie	2.41 Sd-1.0	2.11 Sd-0.91
5. Adherence to all laws and regulations is an important aspect of a companies operations	4.49 Sd-0.8	1	5. James Hardie complied with all laws and regulations	3.3 Sd-1.15	3.39 Sd-1.15
6. A company should take responsibility for the decisions of its managers even if it was against ethical or governance standards or in the past	4.09 Sd-0.98	3	6. James Hardie took responsibility for the decisions of its managers	2.59 Sd-1.09	2.07 Sd-1.03
7. A company's reputation is a valuable asset that should be protected in the same way as other company assets	3.83 Sd-1.0	12	7. James Hardie's reputation was a valuable asset	3.34 Sd-1.1	2.93 Sd-1.14
8. For a community to trust a company it must do more than produce good profits for its shareholders	4.19 Sd-1.17	11	8. The community trusted James Hardie to 'do the right thing'	3.7 Sd-1.05	3.78 Sd-1.2
9. Integrity from the officers of a company is an important element in a companies success	4.4 Sd-0.65	2	9. The officers of James Hardie were acting with integrity and responsibility	2.23 Sd-1.03	1.87 Sd-0.92
10. To be successful a company should plan to operate for the long term performance of its activities	4.3 Sd-0.83	5	10. James Hardie was planning for the long term	3.52 Sd-1.32	3.51 Sd-1.47
11. To be a successful a company should plan to operate for short term results	1.87 Sd-1.11	0	11. James Hardie was planning for short term results	3.02 Sd-1.36	2.84 Sd-1.36
12. To be successful a company must plan for a positive impact on the community	3.74 Sd-0.92	7	12. James Hardie was planning to help the community	2.18 Sd-1.06	2.02 Sd-0.87
13. To be successful a company must plan for a positive impact on the environment	3.68 Sd-1.08	8	13. James Hardie was planning to help the environment	2.16 Sd-0.96	2.11 Sd-0.87