A Positive Approach to Sustainability

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Abstract

Sustainability is a complex term that is becoming increasingly used. While extremely important, sustainability is often misused and misunderstood, yielding undesirable effects. Furthermore, many organizations promote the image of being sustainable without embracing it, otherwise known as greenwashing, yet those that truly are sustainable face difficulty communicating their sustainability practices and distinguishing themselves as such. Despite its complexity, sustainability remains an important term that necessitates a greater conceptualization.

In this dissertation, three topics in sustainability (sustainability performance, sustainability innovation, and sustainable development) are explored through a positive approach. A positive approach, also referred to as an abundance approach, is one that espouses a greater understanding for how the highest ideals and fullest potential can be achieved as opposed to one that focuses on fixing immediate problems. Borrowing from positive organizational scholarship (POS) theory and the positive organizational ethics (POE) literature, a framework for capturing sustainability performance is developed in Chapter 2 that shifts the emphasis from minimizing negative externalities to maximizing positive outcomes. Extending upon POS theory, the crisis-PEN-innovation framework advanced in Chapter 3 aligns various literature on innovation to postulate that sustainability innovations are achieved through the formation of positive ethical networks (PENs) that arise in response to external crises. Finally in Chapter 4, a PEN analysis is conducted to foster a greater understanding of project trajectories and outcomes in the sustainable development field. It is therefore through the lenses provided by the POS and POE literatures that new frameworks for conceptualizing topics in sustainability can be developed.

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Chapter 1

Introduction

Sustainability is a complex term that is becoming increasingly used. While extremely important, sustainability is often misused and misunderstood, yielding undesirable effects. Furthermore, many organizations promote the image of being sustainable without embracing it, otherwise known as greenwashing, yet those that truly are sustainable face difficulty communicating their sustainability practices and distinguishing themselves as such. Despite its complexity, sustainability remains an important term that necessitates a greater conceptualization.

In this dissertation, three topics in sustainability (sustainability performance, sustainability innovation, and sustainable development) are explored through a positive approach. A positive approach, also referred to as an abundance approach, is one that espouses a greater understanding for how the highest ideals and fullest potential can be achieved as opposed to one that focuses on fixing immediate problems. Borrowing from positive organizational scholarship (POS) theory and the positive organizational ethics (POE) literature (described in Section 1.2), a framework for capturing sustainability performance is developed in Chapter 2 that shifts the emphasis from minimizing negative externalities (i.e. CO2 emissions and water usage) to maximizing positive outcomes (i.e. improving society). Extending upon POS theory, the crisis-PEN-innovation framework advanced in Chapter 3 aligns various literature on innovation to postulate that sustainability innovations are achieved through the formation of positive ethical networks (PENs) that arise in response to external crises.
Finally in Chapter 4, the PEN construction developed in Chapter 3 is applied to the sustainable development field to foster a greater understanding of project trajectories and outcomes. It is therefore through the lenses provided by the POS and POE literatures that new frameworks for conceptualizing topics in sustainability can be developed. Each of these frameworks is described in full detail in the three independent papers that compose this dissertation. The following sections provide a detailed overview of the two primary disciplines these studies are entrenched in: sustainability and POE.

1.1 Sustainability Overview

Although sustainability is a relatively modern definitional construct, sustainability-oriented concepts have been espoused by many religions, modern and ancient, Eastern and Western, that promote respect towards nature, people, and society at large (Gottlieb, 1996; Mebratu, 1998). Traditional African and Polynesian religions in particular advocated for a balanced harmony between humans and nature in order for life to flourish and thrive (Dudley, 1996; Matthiessen, 1984; Mbiti, 1996; Mebratu, 1998). While sustainability ideals can be traced to various religious texts and teachings, the modern sustainability movement is demonstrated by Kidd (1992) to have derived from six different roots: the carrying capacity root, the resource root, the biosphere root, the critique of technology root, the “no growth” or “slow growth” root, and lastly the eco-development root. Due to the similarity between the first two movements Kidd (1992) identifies (i.e. the carrying capacity root and the resource root) and the normative emphasis of the latter four (i.e. the biosphere root, the technology root, the “no growth” root, and the eco-development root), for purposes of simplicity, it can be argued that there are two major branches from which the modern construction of sustainability is derived.

The carrying capacity approach has arguably been the most dominant in evolving the concept of sustainability, beginning with Malthus’ (1798) *Essay on the Principle of Population*, which stresses the limits to growth caused by resource scarcity (Kidd,
Although the notion of carrying capacity is not formally used by Malthus, a common definition is provided by Riddell (1981) as “the population that can be sustained by an ecosystem.” Beginning with Malthus and continuing with various scholars, including David Ricardo (1772-1823), the main premise of “limits to growth” theories is that the human population is growing, along with the average consumption per person, at a faster rate than the Earth’s resources can supply (Kidd, 1992; Malthus, 1798). Later scholars built upon these early theories by taking into account the role of technology in increasing total production; although arguing that even with technical innovations, population growth is exceeding resource availability (Kidd, 1992; Meadows et al., 1972; Ordway Jr, 1956). Through the many calculations and models that have been developed, there exists a strongly rooted scientific approach to capturing sustainability and sustainable development.

As early as 1905, however, normative claims began to be linked to scientific pre-conceptions of sustainability. Perhaps the first normative stance was made by Shaler in 1905 when he emphasized the moral obligations of each generation to future generations—a theme that is rooted in the most commonly accepted definition of sustainable development many decades later (discussed below). Other scholars extended this line of reasoning by pointing out the role of man in not only consuming too many resources but also degrading them (Kidd, 1992). These arguments became precursors of the global warming movement, juxtaposing the ethical duty of mankind alongside scientific observation of its negative impacts. Soon, the notion of “development” came into question, as scholars began to focus on what progress looked like. Many pointed to the pitfalls of technology in creating undesirable outcomes when taking into account its ecological and socioeconomic impacts. Two main contributions include Schumacher’s (1973) publication, **Small is Beautiful**, and the book resulting from a Conservation Foundation funded conference—**The Careless Technology: Ecology and International Development** edited by Milton and Farvar (1972). Another group of scholars, including philosophers such as John Stuart Mill, extended the “limits to growth” arguments by questioning the importance of growth in society (Kidd, 1992). Consistent with the wide range of normative narratives, when sustainability
first appeared in print in *Blueprint for Survival*, it was grounded in normative ideals.

The association of normative ideals with sustainability has since led many authors and practitioners to adopt the term in a variety of contexts. As an ideal target and state (Bell & Morse, 2008), sustainability began to encompass much more than merely environmental goals and was expanded into the economical and social domains. In 1978, Sachs perhaps developed the most comprehensive view of sustainability and sustainable development (which he coined “ecodevelopment” instead) at the time, advocating for a variety of social, economic, and environmental goals that were all grounded in the “central idea that values are an inherent element of sustainability” (Kidd, 1992). The Brundtland Commission closely adapted Sachs’ (1978) definition for ecodevelopment (“an approach to development aimed at harmonizing social and economic objectives with ecologically sound management, in a spirit of solidarity with future generations”) to define sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland & W.C.E.D., 1987). This definition of sustainable development is the commonly accepted one that is also used in this dissertation. It captures a comprehensive view of sustainability, extending beyond the environment and into the socioeconomic domains, that has been strongly influenced by the values-based approaches that precede it (Kidd, 1992; Mebratu, 1998). Most definitions for sustainability are also catered around this definition. Through a historical analysis, Bell and Morse (2008) clarify the relationship between the two terms by identifying sustainability as both a descriptor and target for sustainable development. Due to the emphasis on sustainability at the organizational level, this dissertation adopts Dyllick and Hockerts’ (2002) definition for corporate sustainability (CS) as “meeting the needs of direct and indirect stakeholders without compromising the needs of future stakeholders.”

Despite the strong values-based underpinnings of sustainability, current frameworks rely on the Triple Bottom Line (TBL) approach for measuring and communicating sustainability performance. Grounded in accounting theory, the TBL draws upon an input-output analysis approach introduced by Gray (1994) to account for
the first-order, or direct, impacts of an organization. Although the initial focus of sustainability accounting was to account for environmental impact, Elkington (1999) coined the term TBL to capture the three domains of sustainability he identified: environmental, social, and economic. The TBL, based upon the notion of “sustainability auditing,” relies on the aggregation of key performance indicators within each sustainability domain to gauge performance. The two assumptions that the TBL approach relies upon however, namely the measurement claim and aggregation claim, have both been critiqued by authors, who demonstrate that not all elements of sustainability can be measured nor can they all be aggregated (Becker, 1998; Hueting & Reijnders, 2004; Keeble et al., 2003; Morse et al., 2001; Norman & MacDonald, 2004). In addition to failing to capture sustainability effectively, current approaches further hinder the field of sustainability by also enabling greenwashing practices to flourish (Norman & MacDonald, 2004; Schaltegger & Burritt, 2010). By purchasing carbon offsets and focusing on specific performance indicators, or “playing to the numbers,” non-sustainable companies are able to be perceived as more sustainable than they really are while companies that truly espouse sustainability have difficulty differentiating themselves. The most significant setbacks from current frameworks is not their inefficacy at measuring performance but rather their focus on satisfying legal regulations, reducing harm, and meeting the societal expectations of a “good citizen” (Carroll, 1991, 1999; Caza et al., 2004; Hubbard, 2009; Morse et al., 2001; Nijhof et al., 2003; Payne & Raiborn, 2001; Salzmann et al., 2005; Sebhatu, 2009; Simons et al., 2001). Moreover, a review of sustainability reports will uncover indicators such as “tons of CO2 produced,” “water usage,” and “management diversity.” This critique is in no way meant to discount the improvement in business practices as a result of such socially responsible and ethical movements, which have been nothing short of significant. It is only meant to push the field of sustainability further, consistent with a positive or abundance approach, in order to better understand and recognize the behaviors and practices of organizations who strive to meet their highest potential in improving society. Before transitioning to the discussion of a POS-inspired approach, it is important to understand the impetus for reporting non-financial performance
and the literature it is grounded in.

The primary motivation behind sustainability reporting and the development of sustainability frameworks has been the increasing demands on organizations for "transparency, accountability, and responsibility" (Caza et al., 2004, p.171) from shareholders (Wood, 1991), employees (Bartel, 2001; Turban & Greening, 1997), and members from broader stakeholder groups (Mitchell, 2001). Such pressures have been the direct result of the many illegal and unethical infractions by businesses. These include the popularized cases in the 1990s and 2000s such as Nike's sweatshops and Enron's accounting scandal but date back to the 1970s, when nearly two-thirds of Fortune 500 companies committed a moderate legal violation between 1975-1976 alone (Clinard et al., 1980). These infringements led to a surge in the business ethics and corporate social responsibility (CSR) disciplines as researchers began to study causes, behavior, and outcomes of unethical behavior in addition to propose frameworks for greater corporate responsibility. Despite being formalized in the 1970s and 1980s, business ethics literature and CSR literature date back to the early 1900s (for literature review on CSR, see Carroll (1999); for literature review on business ethics, see Tsalikis and Frtzsche (1989)). While many definitions for ethics exist, they closely resemble Raiborn and Payne's (1990) definition: "a system of value principles or practices and a definition of right and wrong" (Joyner & Payne, 2002; Tsalikis & Fritzsche, 1989). The field of business ethics emerges by applying ethics to an organization. As Caza et al. (2004) state "business ethics typically involve the imposition of specific standards of moral corporate behavior and a cohesive set of rules for appropriate action" (Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Swanson, 1995). Based on this definition and the origins it shares with CSR in the management literature, business ethics is often considered a parallel or adjoined movement with CSR (Carroll, 1999; Joyner & Payne, 2002). According to Carroll, "the CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen" (Carroll, 1991, p.43).

The state of current frameworks in capturing CS can therefore be attributed to the influence of business ethics and CSR literatures in developing standards and require-
ments for business practices that are ethical and responsible. Although some scholars consider CSR and CS to have converged, this research is consistent with the literature that “consider[s] Corporate Sustainability as the ultimate goal; meeting the needs of the present without compromising the ability of future generations to meet their own needs” (Van Marrewijk, 2003, p.101). As referenced by Van Marrewijk (2003) and Kaptein and Wempe (2002) respectively, Lassi Linnanen and Virgilio Panapanaan from Helsinki University of Technology and The Erasmus University’s Business Society Management view CSR and CS through a hierarchical relationship as reproduced in Figure 5-2, where CSR, driven through the TBL approach, is perceived as an intermediate step towards CS. Van Marrewijk and Werre (2003) offer an alternative approach, proposing six levels of CS: pre-CS, compliance-driven, profit-driven, caring, synergistic, and holistic. Transposing these levels to the distinction drawn in this dissertation, the first three levels correspond to CSR while the last three move towards CS.

Stated earlier, the improvement in the transparency and accountability of organizations has been significant and widespread, much to the credit of TBL-based frameworks. However, as illustrated in Figure 1-1, CSR is a step towards CS and not the quintessential end goal. Moreover, CS is contextual and an ever-moving target (Bell & Morse, 2008). It is not a science, but rather an abstract, normative ideal (Brundtland & W.C.E.D., 1987; Goldsmith et al., 1972; Kidd, 1992; Mebratu, 1998; Sachs, 1978; Shaler, 1905). This is precisely the backdrop that motivates this dissertation: if sustainability is not a science but rather a complex, normative ideal that is contextual, then it must be conceptualized as such. The positive approach advocated for by this dissertation encourages the advancement of frameworks from those that currently capture CS through a set of guidelines and baseline requirements to those that instead focus on CS as the attainment of sustainable development ideals. Such positive frameworks for conceptualizing sustainability are capable of capturing values-driven organizations, innovations, and movements that aim to create a better, thriving society.
Figure 1-1: Through a hierarchical relationship, CS is perceived as the ultimate goal, with CSR as an initial step that is driven through the TBL approach.
1.2 Positive Organizational Scholarship Overview

The need for a positive approach to frame topics in sustainability, specifically at the organizational level, motivates the adoption of positive organizational scholarship (POS) theory to develop new frameworks. In doing so, this research expands the positive organization ethics (POE) literature, which applies a POS lens to business ethics and management literature—the two fields in which CS currently resides. POS is grounded in positive psychology theory and applies it to study the positive behavior and outcomes of organizations (K. S. Cameron et al., 2003; Verbos et al., 2007). The positive psychology movement was founded in 1998 by Martin Seligman in response to the heavy focus of psychology literature on mental illness and pathology (Seligman, 1998). Moreover, research in psychology during the latter half of the 20th century was focused primarily on curing mental illness; ignoring an important tenet of its mission: “making the lives of all people more productive and fulfilling” (Seligman & Csikszentmihalyi, 2000, p.6). While the research on mental diseases has led to the treatment of many disorders and yielded important theory, Seligman and other scholars make the case for an equally rigorous study of the positive emotions and outcomes exemplified by humans (Baumgardner & Crothers, 2009). As a “science of positive subject experience, positive individual traits, and positive institutions,” positive psychology draws upon well-grounded theory from the social and behavioral sciences to study not what makes humanity endure or survive, but rather what enables it to thrive (Seligman & Csikszentmihalyi, 2000).

Briefly mentioned earlier, at the core of positive psychology and POS literature is an abundance approach. Whereas a deficit approach is characterized by identifying problems and generating solutions (i.e. problem-solving and filling deficits), an abundance approach starts by identifying the highest potential and understanding enablers of such potential (K. S. Cameron et al., 2003; Linley et al., 2010). Applying positive psychology to the organizational unit of analysis, POS aims to better understand what causes organizations and their members to strive towards such descriptors as “excellence, thriving, flourishing, abundance, resilience, [and] virtuous-
Figure 1-2: A positive ethical organization can be distinguished as such based upon a positive deviance continuum.
1.3 Motivation

Walking down the infinite corridor, I heard a distinct “Aha” that belonged to only one person I knew.

\[Zahir, I was just thinking about you. Well about myself and then about you. What you need to do is find what drives you. Not what you’re interested in but something you hate... something you completely don’t believe in, and spend your entire life and career fighting for something better. - Alice Amsden\]

For Alice, it was colonialism. For me, it is capitalism—or an economic system where profitability is prioritized above all other factors.

During my internship at McKinsey and Company in the summer of 2007, I came across an article featuring a virtual real estate mogul in the online virtual world: Second Life. Users of Second Life create avatars to explore their virtual environment, and spend Linden dollars to experience it. Published as the cover of BusinessWeek magazine on May 1st the year before, the article discussed the success of avatar Anshe Chung who purchases virtual land wholesale in Second Life and develops, rents, or resells it in the virtual world. However, there is nothing virtual about the money earned from these transactions. The Linden currency used in the game can actually be traded for US Dollars. Amassing $250,000 in assets at the time of the article, the “Rockefeller of Second Life” became the first “virtual world millionaire” (Robinson, 2010).

As I read the story, I began to question the disparity between capital accumulation and value creation. In the film Wall Street, Gordon Gekko demonstrates this dichotomy through the value of a painting hanging in his office, which is worth ten-times its original value due solely to speculation. As Gekko argues, “the illusion has become real and the more real it becomes the more desperately they want it. Capitalism at its finest.” Such an argument mirrors Marx’s critique of capitalism when he argues that the abstraction of a valued good by a paper bill causes individuals
to become more concerned with getting “paper” and less concerned about attaining the value it was intended to create.

A month into my internship at McKinsey, the illusion we had created disappeared. The seemingly unstoppable growth of the housing market came to a sudden halt and then crashed. The causes for the crash were multi-fold, triggered by defaults in the sub-prime mortgage sector but fueled by predatory lending practices, complex financial abstractions such as bundled derivatives and securities to intentionally mask risk, over-speculation on the stock market, and other capitalism-driven factors. The sup-prime mortgage crisis soon extended over to other sectors and eventually caused a global financial crisis that still has not be resolved.

Some academics will argue that the financial crisis resulted from the failure of neoliberalism and de-regulation of markets, but it should actually be traced back to capitalism, and the greed that can result from the prioritization of capital accumulation before anything else. While there is a growing literature on the “business case” for CSR and CS, non-financial objectives in these framings are pursued only to achieve greater profitability. If the ultimate goal of capitalism is indeed capital accumulation, what happens when pursuing CSR and CS practices results in a negative “return on investment?” One of the greatest proponents of capitalism, Milton Friedman, argued that “the [one and only] social responsibility of business is to increase its profits” (Friedman, 1970). The housing bubble is not the first bubble to have been created through capitalistic behavior and it will not be the last. Although “sweeping” regulation may have been passed to try and avert future sub-prime crises, will such regulation really thwart future crises in the sub-prime market and beyond? If the original problems for the crisis were ethical in nature, then regulation, by definition, will prove futile. Capitalism will find a way.

We need a new system altogether to transcend our capital-driven economy with a value-driven one, which is precisely where the concept of sustainability emerges. It is a perpetual, ever-evolving ideal that is concerned with the creation of true value and thriving societies. I therefore do not subscribe to the “business case for sustainability” because sustainability cannot be achieved through capitalistic motivations alone.
Sustainability is a POE-based phenomenon that requires value-oriented actors, networks, and systems. This is what drives me, the topics of this dissertation, and the work that follows.

1.4 Structure of Dissertation

This dissertation consists of three independent essays that demonstrate how a positive ethics framework can be applied to gain a better understanding of sustainability performance, sustainability innovation, and sustainable development. The first two studies were graciously funded through the National Science Foundation Graduate Research Fellowship Program and the Paul and Daisy Soros Fellowships for New Americans, while the third and final study was supported by the Bill and Melinda Gates Foundation. The first paper is based upon a three-year study that commenced in August, 2011 and has not been published. A very preliminary version of it, however, was published in the Global Alliance for Banking on Values report on “Financial Capital and Impact Metrics of Values Based Banking” (Korslund & Spengler, 2012). It was also presented at two different conferences on sustainable banking. The final version is being disseminated across 22 sustainable banks. A previous version to the second paper was co-authored with Katrin Kaeufer and has been conditionally accepted for publishing by the Journal of Business Ethics. I also presented it at an international conference on sustainability hosted by the IMD in Lausanne, Switzerland. Lastly, an early version of the final paper was published by the European Research Institute on Cooperative and Social Enterprises, or Euricse. I earned a monetary award for submitting the most favorably-reviewed paper, which was subsequently published, and I was flown out to Venice, Italy to present the article at an international conference entitled “Promoting the Understanding of Cooperatives for a Better World” (Dossa, 2012). Two social initiatives have resulted from the action research engagement that followed, The Argan Tree\(^1\) and Argania\(^2\). They have been featured

\(^1\)Visit http://theargantree.com
\(^2\)Visit http://arganiagourmet.com
in numerous online articles, blogs, and in a book featuring leading cooperative models sponsored by the United Nations (Askew, 2012). These action research engagements also contributed to my Masters of Engineering in Computer Science thesis entitled, 

*A Development Strategy for Connecting Consumers to Producers: Integrating Value Chain Transparency into E-Commerce Design* (Dossa, 2010). An abstract from each of the papers is below. The final chapter of the dissertation summarizes the research contributions and applications.

1.4.1 Understanding Sustainability Performance through a Positive Organizational Ethics Framework

Sustainability is a complex term that an increasing number of organizations are subscribing to. However, the level of sustainability across organizations differs significantly. Some organizations encapsulate sustainability into their DNA while others greenwash, or promote the image of being sustainable without fully embracing it. Based on the growing demand by stakeholders for sustainable practices, measuring sustainability is important in order to distinguish sustainable organizations from non-sustainable ones. As demonstrated in this paper, current frameworks fail to provide this distinction due to a heavy emphasis on the Triple Bottom Line (TBL) approach and an absence of a positive approach. Moreover, while current frameworks are entrenched in a deficit approach, or one aimed at fixing immediate problems and meeting minimum requirements, a positive approach shifts the focus to understanding how organizations can tap their highest potential and achieve the greatest possible sustainability outcomes. Over a 3-year study consisting of 3 focus groups, 57 interviews, and 1857 surveys across a network of 22 sustainable banks worldwide, this research assesses stakeholder conceptualizations of sustainability to test how effectively sustainability can be measured and communicated through a positive approach. Borrowing from the positive organizational ethics (POE) literature, a framework is developed based upon stakeholder conceptualizations. The initial results suggest that stakeholders prefer a POE-based framework for capturing sustainability over the current
1.4.2 Understanding Sustainable Innovation through Positive Ethical Networks

In this paper, a positive organizational ethics (POE) based framework is proposed to capture the process of sustainable financial innovations based upon the microfinance and socially responsible investing movements. Both of these pivotal financial movements are uniquely characterized by the formation of positive ethical networks (PENs) to develop sustainability innovations in response to external crises. The crisis-PEN-innovation framework developed makes four contributions to the POE literature: 1) positions corporate sustainability through a POE-lens; 2) formalizes the PEN construction through POS theory; 3) proposes PENs are mobilized to respond to external crises; and 4) demonstrates how PENs cultivate and facilitate the sustainability innovation process. The theoretical framework is tested through an in-depth case study analysis of sustainability innovations in the sustainable banking sector using theory-guided process tracing to understand how innovations were realized. The findings are consistent with the crisis-PEN-innovation framework proposed.

1.4.3 Understanding Sustainable Development through Positive Ethical Network Analysis

This paper assesses the strategy of promoting cooperatives to foster sustainable development through a six-month case study analysis of argan oil cooperatives in southwestern Morocco and a four-year action research engagement that followed. Based upon the 35 interviews conducted and a thorough document analysis of the cooperative movement, a positive organizational ethics lens is employed to understand and analyze its trajectory. Specifically, through a positive ethical network (PEN) analysis, the success of the cooperative movement can be attributed to the formation of a PEN while its shortcomings can be accredited to the lack of scaling the network with positive ethical actors. Furthermore, the role of donor organizations and coopera-
tive associations were critical in creating the argan oil cooperative movement, which rapidly grew to dominate 50% of the market in two years. However, the inclusion of non-positive ethical actors led to various setbacks when expanding the movement. To expand the research insights further and understand an alternative PEN-based trajectory, a cooperative was developed through a four-year action research engagement and scaled through the sole inclusion of positive ethical actors. This applied research further demonstrates the critical role that PENs play in promoting sustainable development while also cautioning against the inclusion of non-positive ethical actors in sustainability movements.
REFERENCES


Chapter 2

Understanding Sustainability Performance through a Positive Organizational Ethics Framework

Abstract

Sustainability is a complex term that an increasing number of organizations are subscribing to. However, the level of sustainability across organizations differs significantly. Some organizations encapsulate sustainability into their DNA while others greenwash, or promote the image of being sustainable without fully embracing it. Based on the growing demand by stakeholders for sustainable practices, measuring sustainability is important in order to distinguish sustainable organizations from non-sustainable ones. As demonstrated in this paper, current frameworks fail to provide this distinction due to a heavy emphasis on the Triple Bottom Line (TBL) approach and an absence of a positive approach. Moreover, while current frameworks are entrenched in a deficit approach, or one aimed at fixing immediate problems and meeting minimum requirements, a positive approach shifts the focus to understanding how organizations can tap their highest potential and achieve the greatest possible sustainability outcomes. Over a 3-year study consisting of 3 focus groups, 57 interviews,
and 1857 surveys across a network of 22 sustainable banks worldwide, this research assesses stakeholder conceptualizations of sustainability to test how effectively sustainability can be measured and communicated through a positive approach. Borrowing from the positive organizational ethics (POE) literature, a framework is developed based upon stakeholder conceptualizations. The initial results suggest that stakeholders prefer a POE-based framework for capturing sustainability over the current TBL-based approaches.

**Keywords:** sustainability, corporate sustainability, sustainable development, sustainable banking, Triple Bottom Line (TBL), positive organizational ethics

**Abbreviations Used**
- CS: Corporate sustainability
- POE: Positive organizational ethics
- POS: Positive organizational scholarship
- SRI: Socially responsible investing
- TBL: Triple Bottom Line
- TBTF: Too-big-to-fail

### 2.1 Introduction

Sustainability is a complex term that an increasing number of organizations are subscribing to. However, the actual sustainability of organizations differs significantly. Some organizations encapsulate sustainability into their DNA while others greenwash, or promote the image of being sustainable while disguising business-as-usual practices. Such sustainability propaganda not only permits non-sustainable organizations to undermine accountability to stakeholders, but also prevents sustainable organizations from distinguishing themselves as such. Due to the growing usage of sustainability, measuring sustainability performance is important in order to highlight real sustainable practices and distinguish them from non-sustainable ones.
Current frameworks, based upon the Triple Bottom Line (TBL) approach, fall short of capturing sustainability performance and often propagate greenwashing practices (Norman & MacDonald, 2004). Grounded in accounting theory, the TBL framework assumes that sustainability can be measured and compared by aggregating various indicators that quantify performance in the social, environmental, and economic domains. As detailed in Sections 2.2.2, 2.2.3, and 2.2.4, there are four fundamental flaws with the TBL approach: 1) there are many tacit aspects of sustainability that cannot be quantified; 2) it is not possible to aggregate indicators, which have different units of measurements; 3) a firm-centric approach is not meaningful or relevant to the majority of stakeholders whom organizations are accountable to; and most importantly 4) the TBL approach relies on a deficit approach to capture a fundamentally positive concept.

Sustainability frameworks need to be re-formulated in order to effectively capture the "sustainable DNA" of sustainable organizations while identifying how non-sustainable or partially sustainable organizations can improve. The theoretical development in this paper urges for a shift from the deficit approach that current frameworks are entrenched in to a positive approach. Whereas a deficit approach is characterized by identifying problems and generating solutions (i.e. problem-solving and filling deficits), a positive, or an abundance, approach starts by identifying the set of greatest, possible outcomes and understanding enablers of such potential (K. S. Cameron et al., 2003; Linley et al., 2010). The adoption of a positive approach will enable the focus of sustainability frameworks to move beyond meeting regulations and minimizing negative impacts on society (i.e. reporting CO2 emissions and paper usage) to instead capturing how organizations actively improve society in pursuit of attaining sustainable development ideals. This paper argues that such an approach is more consistent with stakeholder conceptualizations of sustainability.

Concerned with the application of sustainability at the organizational level, the theoretical framework developed within this study draws from stakeholder theory and positive organizational scholarship (POS) theory to advance positive organizational ethics (POE) literature and the corporate sustainability (CS) field at large. Stake-
holder theory defends the importance of stakeholder conceptualizations of CS while the POS literature, which applies the positive approach to studying organizations, provides a theoretical grounding for operationalizing stakeholder conceptualizations through a POE lens. The field of POE, which this work is positioned in, is specifically concerned with the application of POS theory to the management and business ethics literatures where current sustainability frameworks are grounded. The overarching research question guiding this study is: how can stakeholder conceptualizations of sustainability inform sustainability performance frameworks? I hypothesize that stakeholders conceptualize sustainability through a POE lens and as such, a POE-driven framework is more meaningful and relevant than existing TBL-based frameworks for measuring and communicating sustainability performance. The constructs used so far (sustainability, CS, and stakeholders) are defined in the following section, along with a review of the relevant literature and underpinning theories this research draws upon. An important note of clarification going forward is the distinction in usage of the terms construction and conceptualization in this paper. Construction, in the context of a definitional construct, is the scientifically-grounded definition, establishment, and development of a term, while conceptualization is the operationalization and perception of a construction.

In order to develop and later test the efficacy of a POE framework for sustainability performance, I conducted a 3-stage study across a network of 22 sustainable banks worldwide. The findings are based upon the outcomes from 3 focus groups, 57 in-depth interviews, and 1857 surveys over the course of 3 years. One important reason for selecting the sustainable banking sector as the focus of this study is the current global financial crisis, which highlights the pivotal role of financial institutions and instruments in toppling the global economy. The global financial crisis also demonstrates the inability of current sustainability frameworks to capture the “real” sustainability of financial institutions. Many CS rankings, such as the Global 100\(^1\), included the very financial institutions responsible for causing the global financial crisis of 2007/2008 in rankings published directly before and after the crisis. CS therefore

\(^{1}\)Visit: http://global100.org
needs to be re-framed, beginning with the financial sector, to accurately assess and communicate the impact of organizations on society.

There are four major implications of this study. First, as defended by legitimacy theory, sustainable organizations are likely to move towards stakeholder-informed conceptualizations of CS in order to more effectively measure and communicate their sustainability performance and be legitimized as sustainable. Second, stakeholder management literature emphasizes the importance of stakeholder relationships, demonstrating that sustainable organizations can leverage a stakeholder-oriented reporting framework to improve upon stakeholder relationships within and across the boundaries of the firm. Third, the amplifying effect in POS literature suggests that the espousal and communication of CS will align stakeholders on positive approaches and will also attract non-stakeholders with similar value functions to sustainable organizations. Finally, according to stakeholder-agency theory, once sustainability frameworks that better cater to stakeholders are implemented within sustainable organizations, stakeholders from other organizations will begin to demand similar practices to hold managers accountable for statements of sustainability. Greenwashing strategies that enable organizations to currently escape accountability in the current TBL-approaches will therefore be discredited, enabling sustainable organizations and non-sustainable organizations to be identified as such (Laufer, 2003).

2.2 Literature Review

Sustainability frameworks should be reformulated to more closely match stakeholder conceptualizations of sustainability in order to be more informative and to hold managers accountable to stakeholders. Before defending this statement, I first review the literature on CS and the TBL approach that is currently used to measure and communicate sustainability performance. Upon exploring the shortcomings of the TBL approach and defending the need for sustainability frameworks that better cater to stakeholder conceptualizations of sustainability, I propose sustainability frameworks incorporate a POE lens.
2.2.1 Corporate Sustainability

CS is the field concerned with applying sustainability to the scale of the firm. Before defending the definition of CS adopted in this paper, it is important to define and contextualize sustainability. Principles of sustainability can be found in early religious texts and teachings, which stress the harmony that needs to exist between mankind and the environment for a thriving society to exist (Dudley, 1996; Gottlieb, 1996; Matthiessen, 1984; Mbiti, 1996; Mebratu, 1998). When concepts of sustainability were reinvigorated at the end of the 18th century, they were void of such normative underpinnings, and discussions instead focused on the limits of growth and carrying capacity (Kidd, 1992; Malthus, 1798; Mebratu, 1998), or “the population that can be sustained by an ecosystem” (Riddell, 1981). Normative positions towards sustainability were later re-introduced when scholars from international development and philosophy disciplines shifted the focus of debates from long-term survival to thriving societies, returning sustainability to a values-oriented ideal that spanned beyond the environmental sector to encompass social and economic domains as well (Brundtland & W.C.E.D., 1987; Kidd, 1992; Mebratu, 1998; Riddell, 1981; Sachs, 1978). Such values and tenets are embraced in Sachs’ 1978 definition for “ecodevelopment,” which he defines as “an approach to development aimed at harmonizing social and economic objectives with ecologically sound management, in a spirit of solidarity with future generations.” Influenced by Sachs’ work, the World Commission on Environment and Development (commonly referred to as the Brundtland Commission) arrived at the definition of sustainable development that is most often quoted today: “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland & W.C.E.D., 1987). Most definitions for sustainability are also catered around this definition. Through a historical analysis, Bell and Morse (2008) clarify the relationship between the two terms by identifying sustainability as both a descriptor and target for sustainable development.

When applying sustainability to the firm, firms can be argued to support one of two prominent approaches. The first captures CS as an obligatory duty for
long-term firm survival, focusing primarily on compliance and resource conservation (Payne & Raiborn, 2001). This approach fails to capture the notion of development as emphasized in the construction of sustainable development, and instead harks back to the carrying capacity perspective of sustainability. While proponents of this approach may argue that elements of sustainable development are implicit in achieving long-term firm survival, the “tragedy of the commons” (Garrett, 1968) and “free-rider problem” (Grossman & Hart, 1980) demonstrate the existence of situations where sustainability is not always necessary for long-term survival. Such situations mute arguments for the “business case for sustainability” (see Salzmann et al. (2005) for a literature review), of which there is not always one (Dyllick & Hockerts, 2002).

The alternative perspective of CS is the one this paper aligns with, concerned with a firm’s active pursuit and embracement of sustainable development goals (Dyllick & Hockerts, 2002; Payne & Raiborn, 2001). As proposed by Dyllick and Hockerts (2002), CS is formally defined as: “meeting the needs of a firm’s direct and indirect stakeholders without compromising its ability to meet the needs of future stakeholders.” Through the employment of stakeholder theory (described in Section 2.2.3), Dyllick and Hockerts (2002) specify the boundaries of a firm’s sustainability function to the stakeholder system that its activities and operations (both direct and indirect) produce.

2.2.2 Sustainability Accounting and the Triple Bottom Line

Grounded in the sustainability accounting literature, the TBL approach aggregates internally measured indicators in the social, environmental, and profitability domains (or the 3 P’s: people, planet, and profit) to gauge sustainability performance. Gray pioneered the field of sustainability accounting by assessing environmentalism through an accounting lens to develop three environmental accounting frameworks: the sustainability cost method, the natural capital inventory accounting method, and an input-output analysis method (Gray, 1992, 1994; Gray & Bebbington, 2001). While each model is briefly summarized and critiqued below, Lamberton (2005) provides a more complete discussion.
Gray’s first framework, the sustainability cost method, is an attempt to measure the cost for returning the earth to its original state before a firm’s detrimental impact on it. Two obvious critiques emerge, which Gray puts forth himself: 1) it is difficult to value external cost (Mathews, 1993, 1995; Pearce et al., 1990); and 2) some costs cannot be recuperated (Gray, 1994; Holland & Petersen, 1995). The natural capital inventory accounting framework, Gray’s second framework, relaxes the sustainability cost scheme and instead focuses on measuring stocks of natural capital over time to illustrate the declining environment surrounding an organization (Lamberton, 2005). The ability to measure the entire stock of natural capital longitudinally is also a considerable task, particularly due to the difficulty in placing boundaries on the “environment surrounding an organization.” The final methodology introduced by Gray (1994) is the input-output analysis, which assesses the complete set of inputs (materials, energy, natural resources, etc.) that go into manufacturing a product along with all the outputs over its complete lifecycle (emissions, disposal, etc.). Under this scheme, sustainability is limited to the first-order, or direct, impacts of an organization, and not the second or third-order impacts, which are often the most critical. An input-output analysis also does not translate well when attempting to gauge the performance of service-oriented organizations—an important limitation when measuring the sustainability performance of financial services organizations.

It is Gray’s (1994) third framework, the input-output analysis, that informs the TBL approach for conceptualizing sustainability commonly utilized today. Perhaps the most popular application is the Global Reporting Initiative, or the GRI, that many large organizations subscribe to. The TBL was first coined by Elkington (1999) to capture what he argued were the three domains of sustainable development: environmental, social, and economic. Championing transparency, mutual partnerships, functional technology, universal values, longer time horizons, and inclusive governance, Elkington (1999) urges corporations to pursue CS and utilize sustainability auditing as a tool. At the core of sustainability auditing is the development of key performance indicators to measure sustainability. A vast array of literature has evolved from the performance indicator space to formulate strategies behind developing sustainability
indicators (Carer, 1991; Dias-Sardinha et al., 2002; Epstein & Roy, 2001, 2003; Harger & Meyer, 1996; Izac & Swift, 1994; Keeble et al., 2003; Reed et al., 2006; Simons et al., 2001; Valentin & Spangenberg, 2000).

Despite the intentions and rationale behind the TBL approach, Norman and MacDonald (2004) critique the notion of a “triple bottom line” based on two underlying assumptions it relies upon: the measurement claim and the aggregation claim. The measurement claim assumes that components of the social, environmental, and economic domains can be measured objectively while the aggregation claim assumes that there is a bottom line that can be calculated from combining the objective measures (Norman & MacDonald, 2004). Due to the normative stances bolstering sustainability (see Section 2.2.1), subjectivity and value judgements reinforced through qualitative measures are necessary when measuring sustainability performance thereby debunking the measurement claim (Keeble et al., 2003; Morse et al., 2001; Norman & MacDonald, 2004). Authors have also criticized the aggregation claim, contending that it is infeasible to select appropriate indicators, weight/scale them, and combine different units of measurement (Becker, 1998; Hueting & Reijnders, 2004; Morse et al., 2001; Norman & MacDonald, 2004). Moreover, there is no objective method to combine tons of CO2, gallons of water, and pounds of paper into one comprehensible figure to determine a “bottom line” of performance. The rejection of both claims demonstrates that the TBL approach, despite its objectivity and simplicity, is not an effective representation of sustainability performance.

2.2.3 Stakeholder Theory

In addition to the flawed assumptions it is based upon, the TBL approach also suffers from a firm-centric approach. CS requires a stakeholder approach and should be measured in a way that is consistent with stakeholder conceptualizations of sustainability—the focus of this dissertation. Understanding stakeholder conceptualizations can inform organizations how to improve sustainability measurement frameworks and improve their accountability to stakeholders. To derive at a stakeholder approach to sustainability, this section first references stakeholder theory and legitimacy theory to
justify the “stake” of stakeholders in CS frameworks before exploring the stakeholder-agent problem to reveal the necessity of measuring and reporting sustainability performance according to stakeholder conceptualizations of sustainability.

**Stakeholder Theory and Legitimacy Theory**

CS is a systems issue (Gray, 1992, 1994; Gray & Bebington, 2001; Morse et al., 2001), where the system can be construed as the stakeholder network surrounding a firm (see Figure 2-1 for a stakeholder view of the firm). A stakeholder, as defined by Freeman (1984), is “any group or individual who can affect or is affected by the achievement of the firm’s objectives.” The definition of CS prescribed to above incorporates stakeholder theory, stating that a sustainable firm meets the “needs of direct and indirect stakeholders without compromising the needs of future stakeholders.” By defining CS through a stakeholder approach (as opposed to a firm-centric approach), the important parallel between CS and sustainable development (Payne & Raiborn, 2001) is clearly articulated.

Legitimacy theory further strengthens the importance of stakeholder conceptualizations towards sustainability. Defined as the desire by organizations to “establish congruence between the social values associated with or implied by their activities
and the norms of acceptable behavior in the larger social system in which they are a part of" (Mathews, 1993), legitimacy theory explains that organizations who claim to be sustainable will want to pursue sustainable practices and measure sustainability based on stakeholder conceptualizations of sustainability to appear "legitimate" (Tilling, 2004). In the absence of effective frameworks for measuring CS, as is currently the case, organizations can easily adopt greenwashing practices to accomplish the congruence they aim to achieve with stakeholder perceptions. However, in the presence of sustainability frameworks that mirror stakeholder conceptualizations of what "real" sustainability translates to, organizations who wish to market themselves as sustainable will be pressured to adopt and work towards sustainable development goals, thereby mitigating the efficacy of greenwashing practices.

**Stakeholder Conceptualizations and the Stakeholder-Agent Problem**

Having demonstrated the importance of understanding stakeholder conceptualizations, stakeholder-agent theory is now discussed to illustrate why stakeholder conceptualizations of sustainability may vary by stakeholder group and why some stakeholder conceptualizations will most likely differ from current conceptualizations of sustainability in the TBL approach. Stakeholder-agency theory (Hill & Jones, 1992), rooted in stakeholder theory (Freeman, 1984) and agency theory (Eisenhardt, 1989), applies stakeholder theory to the principal-agent relationship. Essentially, Hill and Jones (1992) argue that many stakeholder groups (the principals) have different utility functions from the manager (the agent), who is "hired" by the principals, albeit not always directly or willingly. As a result of their own utility functions, agents (i.e. managers) can be expected to have a bias towards measuring sustainability through the TBL approach (an objective stance, grounded in accounting methodology, that utilizes readily available or easily attained data). Through implementing the TBL approach, managers are also appealing to certain stakeholder groups who prefer TBL-based conceptualizations. One sample stakeholder group is the media, specifically segments that focus on environmental news. The media has been shown by authors engaging with legitimacy theory to play a significant role in increasing
and improving voluntary, TBL reporting practices (Brown & Deegan, 1998; O'Donovan, 2002). Focusing on the latest developments and responses to recent events, media streams often champion a deficit-approach and gather data through TBL reports to conduct analyses. Another stakeholder group with considerable leverage is institutional investors, who favor quantitative indicators in order to more easily select investments and communicate impacts. Nonetheless, while managers and certain sets of stakeholders prefer a TBL approach to measure sustainability, stakeholders belonging to other groups are likely to differ in their conceptualizations of sustainability based on their own utility functions. These stakeholders, including customers, employees, and future or silent stakeholders, represent a significant proportion of the larger stakeholder system an organization belongs to and are often impacted most by its actions. It is therefore important for organizations to measure and communicate sustainability in meaningful and relevant ways to all of its stakeholders.

**Stakeholder Management**

The importance of reporting and communicating effectively to the full gamut of stakeholders is well documented in the stakeholder management literature. Stakeholder management, which bridges stakeholder theory and management strategy, is a theoretical framework concerned with assisting organizations to identify stakeholders, build relationships, and incorporate stakeholder objectives into strategic planning (Carroll & Buchholtz, 2011). Perrini and Tencati (2006) propose a new stakeholder-based framework for measuring and reporting CS performance. The authors contend that despite the TBL approach and tools such as the Global Reporting Initiative which are based upon it, organizations have not changed their perspectives significantly. The sustainability evaluation and reporting system that Perrini and Tencati (2006) propose links CS performance to stakeholder requirements. While the authors discuss a stakeholder engagement process and the development of indicators

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2 The inclusion of future and silent stakeholders in stakeholder theory is important to capture those segments of society who do not have a voice but who are still impacted by organizations. Various social and environmental non-profit organizations therefore exist (among others) to give voice to these stakeholders.
organized based on stakeholder categories, the reporting scheme developed fails to capture the value-based notions of sustainability and is instead based upon sustainability accounting frameworks—relying on a three-pronged dissection of sustainability (an annual report, social report, and environmental report) from which integrated indicators are derived.

Based on the stakeholder management literature, this paper argues that organizations should tailor sustainability frameworks to the variety of stakeholders they are accountable to and therefore adopt multiple approaches. This means that a TBL-based conceptualization of sustainability can still be applicable to certain groups as identified above (i.e. institutional investors, shareholders, and the media) but that a positive approach may be more effective with other stakeholder groups (i.e. customers, employees, non-profits, and civil society).

2.2.4 Positive Organization Scholarship

The most significant setback of current frameworks is not their inefficacy at measuring performance but rather their reliance on a deficit approach focused on satisfying legal regulations, reducing harm (such as minimizing resource usage), and meeting the societal expectations of a "good citizen" (Carroll, 1991, 1999; Caza et al., 2004; Hubbard, 2009; Morse et al., 2001; Nijhof et al., 2003; Payne & Raiborn, 2001; Salzmann et al., 2005; Sebhatu, 2009; Simons et al., 2001). Moreover, a review of sustainability reports will uncover indicators such as "tons of CO2 produced," "water usage," or "management diversity." This critique is in no way meant to discount the improvement in business practices as a result of such reporting, which was largely motivated by the increasing stakeholder demands for "transparency, accountability, and responsibility" (Caza et al., 2004, p.171) as a result of the many illegal and unethical infractions by businesses dating back to the 1970s (Bartel, 2001; Clinard et al., 1980; Mitchell, 2001; Turban & Greening, 1997; Wood, 1991). It is only meant to push the field of sustainability further through a positive approach in order to better understand and capture the behaviors and practices of values-driven organizations that strive beyond what is required to meet their highest potential in improving society (K. S. Cameron, 65
The need for a positive approach to frame topics in sustainability, specifically at the organizational level, motivates the adoption of positive organizational scholarship (POS) theory to develop a sustainability framework that is consistent with stakeholder conceptualizations of sustainability. In doing so, this research expands the positive organization ethics (POE) literature, which applies a POS lens to business ethics and management literature— the two fields in which CS and sustainability reporting currently reside. POS is grounded in positive psychology theory and applies it to study the positive behavior and outcomes of organizations (K. S. Cameron et al., 2003; Verbos et al., 2007). The positive psychology movement was founded in 1998 by Martin Seligman in response to the heavy focus of psychology literature on mental illness and pathology (Seligman, 1998). Moreover, research in psychology during the latter half of the 20th century was focused primarily on curing mental illness; ignoring an important tenet of its mission: “making the lives of all people more productive and fulfilling” (Seligman & Csikszentmihalyi, 2000, p.6). While the research on mental diseases has led to the treatment of many disorders and yielded important theory, Seligman and other scholars make the case for an equally rigorous study of the positive emotions and outcomes exemplified by humans (Baumgardner & Crothers, 2009). As a “science of positive subject experience, positive individual traits, and positive institutions,” positive psychology draws upon well-grounded theory from the social and behavioral sciences to study not what makes humanity endure or survive, but rather what enables it to thrive (Seligman & Csikszentmihalyi, 2000).

Applying positive psychology to the organizational unit of analysis, POS aims to better understand what causes organizations and their members to strive towards such descriptors as “excellence, thriving, flourishing, abundance, resilience, [and] virtuousness” (K. S. Cameron et al., 2003). The field of POE bridges POS, business ethics literature, and management literature to understand the behavior, dynamics, causes, and impacts of a positive ethical organization, or one that aims to not merely reduce harm but to improve society. A POE perspective transforms CS into a values-oriented ideal that is positively deviant from the norm, as demonstrated through the
positive deviance continuum (Caza et al., 2004; Spreitzer & Sonenshein, 2003, 2004) captured in Figure 2-2. As illustrated by the positive deviance continuum, compliance and reducing harm are ethical characteristics, while sustainable practices are virtuous and benevolent, targeted at creating positive outcomes. By positioning sustainability as being positively deviant from the norm, a POE lens also enables sustainability to be contextualized and more aligned with stakeholder conceptualizations. Moreover, rather than encouraging the development of minimum requirements to capture the wide gamut of sustainability approaches as is attempted by current deficit approaches, a POE framework is capable of representing sustainability through different ideals in different contexts. Therefore by capturing sustainability through POS theory, a POE-based framework for measuring and communicating sustainability can overcome the identified shortcomings prevalent in current approaches and remain more consistent with stakeholder conceptualizations. Before discussing the methodology for testing this hypothesis, the sustainable banking sector is briefly reviewed.

### 2.2.5 Sustainable Banking

According to Peter Blom, the CEO of Triodos Bank (a pioneer in the sustainable banking industry), sustainable banks are “value-driven banks” that “prioritize people before profits.” Consistent with sustainability, sustainable banking can refer to different activities depending on the context. Weber and Remer (2011) and Scheire and de Maertelaere (2009) identify two main categories for modern sustainable banks:

<table>
<thead>
<tr>
<th>Organizational Practices</th>
<th>Non-compliant or harmful</th>
<th>Socially responsible</th>
<th>Sustainable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethics</td>
<td>Unethical</td>
<td>Ethical</td>
<td>Benevolent</td>
</tr>
<tr>
<td>Integrity</td>
<td>Dishonest</td>
<td>Dutiful</td>
<td>Virtuousness</td>
</tr>
</tbody>
</table>

Figure 2-2: A positive ethical organization can be distinguished as such based upon a positive deviance continuum.
poverty-alleviation banks in the Global South and ethical banks in the Global North. The poverty-alleviation banks primary focus on combating poverty through microfinance programs while ethical banks conduct positive screening criteria to invest in sustainable initiatives and enterprises. Although ethical banks are further divided in the next section, the primary distinction between sustainable banks highlights the two movements that sustainable banks emerge from: microcredit and socially responsible investing.

**Microcredit Movement**

The modern microcredit and microfinance movements have their roots in the Irish microcredit funds that emerged in response to extreme poverty during the 1720s to provide banking services to the poor in order to help them offset a bad harvest or illness (Hollis & Sweetman, 1998; Seibel, 2003). Until this point, banking services were unavailable to the poor, who arguably required them the most. Similar problems were prevalent throughout Europe, which spurred the creation of credit cooperatives beginning in Germany during the mid-19th century. *Raiffeisenbanken* and *Volksbanken* originated as savings and credit cooperatives in Germany to serve the unbanked poor in rural and urban areas, respectively (Raiffeisen, 1866; Seibel, 2003). Although many credit unions have scaled, the recent poverty crises in the Global South has urged for a renewal in microfinance practices beginning with BRAC and Grameen Bank in Bangladesh during the 1970s. Since then, there has been a rapid explosion of microfinance institutions along with the creation of instruments to finance them. Although not all of these modern microfinance institutions are considered sustainable organizations, which as designated in this paper are organizations that meet the POE criteria explored above, it is banks from this group that Weber and Remer (2011) classify as poverty-alleviation banks in the Global South.

**Socially Responsible Investing**

The socially responsible investing (SRI) movement is a much older movement that dates back to Biblical times. Each of the three major monotheistic religions ban usury,
or exorbitant interest rates. While this rule in Judaism only pertains to loans among Jews, the practice is wide-sweeping for Catholics (as ordained by the Roman Church’s law) and Muslims (Milano, 2011). The modern SRI movement is also grounded in religious jurisprudences with the Quakers and Methodists in the mid-1700s, who are responsible for developing the first negative-screening criteria for investments (Schueth, 2003). The first two negative-screens they applied for their investments were products enabled by the slave trade and war-related activities (Hutton et al., 1998; Kinder et al., 1993; Schueth, 2003). This movement resurfaced in the 1960s in response to the Vietnam War and civil rights injustices before becoming formalized in the late 1980s to help end Apartheid in South Africa (Guay et al., 2004; Hutton et al., 1998; Schueth, 2003). The emergence of sustainable banks based in the Global North, beginning in Europe during 1970s, has driven the sector further to create an entirely new field by extending beyond negative-screening criteria to develop positive-screens. While not the case across all sustainable banks (as discussed in the next section), many European sustainable banks will only invest in companies and projects that produce positive outcomes for society.

**Challenges Facing the Sustainable Banking Sector**

In addition to its historical underpinnings, it is useful to explore the current challenges facing the sustainable banking sector and situate the importance of effectively capturing sustainability performance. Informed through background interviews and the edited volume by Weber and Remer (2011) on sustainable banking, sustainability performance can be argued to be at the core of the major challenges facing the sustainable banking sector, which are explored below. Note that sustainability performance is listed as the fourth challenge and discussed last:

1. Scaling sustainability

2. Prioritization between sustainable impact and financial return

3. Project selection criteria
4. Sustainability performance

A major concern affecting sustainable banks and the sector at large is how to scale while remaining true to sustainability ideals. An important question is: can sustainability scale? As sustainable organizations scale, it becomes more difficult to maintain a consistent set of core values throughout the organization and a cohesive stakeholder network. Consequently, the tacit rules governing suitable and unsuitable projects for the organization to focus on begin to break down. Perhaps a more important question sustainable organizations may need to ask themselves is whether or not expanding is necessary. Based on the works of Ernst Schumacher, John Stuart Mill, and other “limits of growth” or “no-growth” theorists, we may need to challenge the preconceived notion that growth is good (Kidd, 1992; Milton & Farvar, 1972; Schumacher, 1973). As a sustainable organization, there is an inherent desire to maximize impact, and therefore to expand. Understanding the tradeoffs becomes important, as the next challenge explores, in addition to scaling strategically with sustainability ideals intact—denoting the importance of performance measurement.

While many scholars argue for the “business case of sustainability,” it can be argued that this primarily applies to “low-hanging fruit.” In many cases, sustainability costs money, making it essential for a sustainable bank to derive an appropriate balance between the financial and sustainability returns on investment. Moreover, if a bank is going to forego a certain level of profitability in order to achieve non-financial returns, it becomes necessary to understand and consistently evaluate the tradeoff between the two entities. It can be expected that a certain portfolio of products that is not highly lucrative should be providing a very high level of sustainable impact (along some system of measurement), while one that is more lucrative may be associated with a lower level of sustainable impact. Understanding the lower-bounds for each of these and the relationship between the two is critical. Alternatively stated, before investing in a project, a bank needs to know: 1) how profitable a portfolio needs to be, 2) how sustainable a portfolio needs to be, and 3) the sustainability performance requirements of a portfolio given its profitability.
Based on the issues of scaling and performance tradeoffs, developing a criteria for project selection is very important. As the CEO from a small, European sustainable bank succinctly proclaimed, “money is scarce. If you have limited resources, it is important to prioritize projects with the biggest impact.” The inherent complexity of sustainability makes it very difficult to create a tangible set of requirements with which to prioritize financing. As different bankers decide on different projects, a common framework for assessing projects is important to maintain consistency and efficacy across each branch. Such a framework requires an appropriate lens with which to understand sustainability and sustainability performance, leading to the final, most important challenge identified, and the topic of this paper.

Explicitly described in the project selection criteria challenge and underlining the other challenges, effectively measuring sustainability performance is at the root of the primary challenges affecting the sustainable banking sector. Until sustainable banks can better understand how to measure and communicate sustainability, the other challenges cannot be tackled. Furthermore, a sustainable bank needs to know how to measure sustainability performance in order to determine if it is scaling while maintaining its core sustainable DNA intact or determine whether it should scale at all. Similarly, in order to understand the tradeoffs between financial performance and sustainability performance, a sustainable bank needs to be able to measure sustainability performance. Therefore, measuring sustainability was nearly unanimously declared by interviewees to be the most critical challenge facing the sustainable banking sector. After all, if a set of organizations forego financial profits in order to promote sustainability, these organizations need to be able to effectively measure and communicate sustainability performance.

2.3 Methodology

This research is a three-stage, mixed-methods study. The first stage of the research was a participatory action research engagement consisting of 41 interviews (background and semi-structured) and 3 focus groups to understand the satisfaction with
current sustainability frameworks used in the sustainable banking sector and related industries. The second stage was also qualitative, involving 16 in-depth interviews with different stakeholders of a pioneer in sustainable banking to understand how stakeholders conceptualize sustainability and test if such conceptualizations can be captured through a POE-based framework. The final stage involved surveying 1,859 stakeholders across three different sustainable banks to quantitatively test the findings in the previous stage on stakeholder conceptualizations.

2.3.1 Case Selection Rationale

This study primarily focused on stakeholder conceptualizations of sustainability within the sustainable banking sector. As detailed below, sustainable banks are ideal cases to study for the following reasons: 1) financial institutions play a pivotal role in markets and society; 2) the unsustainable nature of financial institutions is not captured in current sustainability frameworks; 3) there is a gap in the literature on sustainable banks; and 4) owing to the lack of research conducted on their sector, a group of sustainable banks issued a request for proposals to spur academic engagement with the sector. The Global Alliance for Banking on values (GABV), a growing network of 22 sustainable banks, facilitated access to the banks approached in this study. Located in a variety of global contexts with balance sheets ranging from 66-million USD to 14-billion USD in assets, these 22 banks provide a rich variety of cases to study.

As intermediaries in an economic system, financial institutions hold a unique role. By offering financial services to both hold and lend money, banks serve as large-scale intermediaries in the economy, enabling the flow of money and securing the functioning of the overall economy. The critical role of the financial sector in the economy became visible during the recent global financial crisis, which began in 2007 as a result of the mass default of loans that banks were providing to the sub-prime mortgage market in the U.S. The defaults in the U.S. markets spilled over to other economies causing a global financial crisis, particularly devastating the economies of many countries in Europe. These crises highlight the pivotal role banks play in the global economy, attesting to their importance but also to the implications of their
failures. In the backdrop of the damaging results caused by profit-seeking behavior from financial institutions, a variety of sustainable financial institutions have emerged over time, beginning with cooperative banks in the 1800s. It is this movement that gave rise to the sustainable banks examined in this paper.

One of the most compelling reasons to study sustainable banks is the current unsustainable behavior of many financial institutions and systems. Responsible for the global financial crisis, these institutions have not changed in many ways to prevent similar events from happening in the future. The Occupy Wall Street and broader “99-percent” movement were spawned from this grim reality to represent the 99-percent of America that is adversely affected by the 1-percent who control a significant share of the wealth and an overwhelming leverage on policy outcomes. These problems, and their sources, are masked by current TBL-based sustainability frameworks, which enable them to propagate. As a result of the failure of current frameworks to capture true sustainability, many sustainability lists included the very financial institutions responsible for causing the global financial crisis of 2007/2008 directly before and after the crisis. One example is Goldman Sachs, which appeared on the 2007 and 2009 Global 100 Lists. Goldman Sachs not only propagated the sub-prime mortgage crisis but also benefitted from it (Kelly, 2007; Quinn, 2007; Sloan, 2007). Despite being more sustainable than mainstream financial institutions, sustainable banks are absent from such rankings. Although this is in large part due to their smaller scale, a transformation in the way sustainability is measured would at least cause “too-big-to-fail” (TBTF) institutions to also be precluded from such lists.

In addition to sustainability rankings, sustainable banks are also largely absent in academic literature, despite their importance in fostering a sustainable society. While some authors discuss concepts of sustainable finance and banking, most focus their discussions on the environmental domain (Bouma et al., 2001) or socially-responsible banking (Cherneva, 2012) rather than focusing on organizations that embrace sustainable development goals and ideals. One refreshing exception is an edited volume by Weber and Remer (2011) that explores the space of social or sustainable banking and provides a thorough overview. Nonetheless, there are many challenges that
the sustainable banking movement faces that need to be assessed alongside many innovations and best practices that can be applied to the broader financial sector.

The gap in the literature on sustainable banking has also caused an absence of frameworks available for sustainable banks to measure and report their impact in a meaningful and relevant way. Although the Global Impact Investing Network has developed a framework for impact investors, namely the Impact Reporting and Investment Standards\(^3\), catered to the related field of impact investing, sustainable banks have expressed their desire to develop a common framework that is specific to their sector. As a result, the GABV issued a request for proposals to engage academics with sustainable banks on a variety of topics, including sustainability measurement frameworks tailored to banking. Through the GABV’s approval of this study, all 22 of its member banks have enthusiastically participated in this ongoing research.

### 2.3.2 Evaluating Current Sustainability Frameworks

Aimed to understand the current state of sustainability frameworks, the initial stage of the research consisted of conducting interviews with stakeholders in the sustainable banking and impact investing sectors. I first conducted a total of 20 background interviews with executives and employees across 14 sustainable banks and 3 impact investing networks. The primary focus for the background interviews was to understand the importance and need for developing a new sustainability measurement framework while also understanding problems with existing frameworks. After analyzing the background interviews and confirming the importance of improving sustainability performance frameworks, I conducted 21 semi-structured interviews with employees managing sustainability impact metrics at 14 different sustainable banks. David Korslund from the GABV assisted me in carrying out these interviews. Figure 2-3 highlights the protocol used during the semi-structured interviews.

In addition to the semi-structured interviews, I also ran three focus groups. During a sustainable banking conference, I conducted one focus group with 30 leaders of sustainable banks and impact investing institutions and another with 20 of their

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1. **Defining and Categorizing Sustainability:** One definition of sustainability is proactively improving upon society, the environment, and the economy. A sample categorization is the triple-bottom line: people, planet, and profit. Another is ESG: environment, society, and governance. How does your company define and categorize sustainability?

2. **Measuring Impact:** Although measuring the impact of a sustainable bank is a complex task that often requires many metrics, what are the key performance indicators for your bank? How could you make these indicators better?

3. **Qualitative and/or Quantitative Impact Measures:** Although quantitative data can be very compelling, there is also evidence that story-telling and capturing qualitative data can be powerful tools. How easy and effective are each of these to implement in your bank and why?

4. **Client Sustainable Impact:** We have discovered that to truly understand the impact of a sustainable bank, it is important to measure the impacts of the clients it serves. What is the feasibility for your bank to gather this data? How do you think you could leverage client impacts for the impact metrics of your bank?

5. **Impact Measurement Stakeholders:** Our research on sustainability frameworks has informed us that the majority of metrics and benchmarks are designed with institutional investors in mind. Towards what target stakeholders are your current metrics directed? What stakeholders would you like to be able to better address?

6. **Reporting and Communicating Impact:** What do you think would be the most effective way to report and communicate your impact to your stakeholders? Some sustainable banks use Google Maps and other tools to provide full transparency of where their money goes. Is this something that is feasible at your bank? Would you consider it? What roadblocks do you see to this approach? Are there any other tools or methodologies you think would be effective?

7. **Developing a Shared Framework:** We would like to have a common framework across all the banks, while still allowing flexibility in having different banks measure specific performance indicators more pertinent to their niche/mission. What are the benefits/disadvantages with a joint GABV approach to developing a sustainability performance framework for sustainable banks? What is your ability to provide support to a joint effort?

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aVisit: http://maps.google.com
employees. The final focus group was held in Washington, D.C. after an impact investing conference. While the first two focus groups were loosely structured, they followed a similar format as the protocol shown in Figures 2-4 and 2-5 of the final focus group held amongst 18 impact investing practitioners.

2.3.3 Developing a POE-Based Sustainability Framework

Based upon the findings from the first stage of the research, I developed a protocol (shown in Figure 2-6) to interview individuals belonging to a variety of different stakeholder groups of Triodos Bank. The purpose of these interviews was to understand how stakeholders conceptualized sustainability to inform a new measurement framework (as deemed necessary in the first part of the study). Differentiating Triodos Bank from numerous other sustainable financial institutions is its widely-recognized distinction as a pioneer in the sector, driven by ethical objectives to innovate. Founded in 1972 in the Netherlands, Triodos Bank operates in four European countries today with a total balance sheet in 2010 of 4.8-billion USD, a net profit of 15.5-million USD, and an average growth rate of 30-35%. Triodos Bank’s loan portfolio, which it publicly shares, is invested solely in initiatives that improve the environment, society, and culture. By selecting stakeholders from the epitome of a sustainable institution, conceptualizations of “real” or “dark-green” sustainability can be captured, as opposed to greenwashed versions of it.

Conducting full-length, in-person interviews was critical for the second stage of this research to break down the complex ideas surrounding sustainability and clarify them. I carried out 16 in-depth, semi-structured interviews with employees, borrowers, depositors, students, and affiliated institutions of Triodos Bank. Former stakeholders (those no longer affiliated with Triodos) and potential stakeholders (informed individual not currently affiliated with Triodos) were also included in the interview pool. Each interview lasted roughly an hour. The coded analysis from this portion of the study was used to compare common themes with POE-grounded ideals and to develop a POE-based framework for sustainability performance.

76
<table>
<thead>
<tr>
<th>Time</th>
<th>What</th>
<th>Instructions</th>
<th>Logistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>0:00</td>
<td>Settle in</td>
<td>Allow 5 minutes to meet guests and help them get seated</td>
<td>Arrange flip-charts and post-it notes</td>
</tr>
<tr>
<td>0:05</td>
<td>Welcome</td>
<td>Provide overview of focus group</td>
<td></td>
</tr>
<tr>
<td>0:10</td>
<td>Intro</td>
<td>Ask each person to give a brief bio about him/herself including his/her name, organization, title, and affiliation with the impact metrics field.</td>
<td></td>
</tr>
<tr>
<td>0:20</td>
<td>GABV Overview</td>
<td>Introduce the Global Alliance for Banking on Values (GABV) and sustainable banking (if necessary).</td>
<td></td>
</tr>
<tr>
<td>0:25</td>
<td>Problem Statement / Aim of Focus Group</td>
<td>“We are from the GABV. You all are the consultants. While our member banks measure their financial performance reasonably well, they have not developed a meaningful and relevant set of non-financial indicators to measure their success. We are attempting to create a common framework to be implemented across all GABV members. Our aim is to measure performance (financial and non-financial) in a meaningful and relevant way.”</td>
<td></td>
</tr>
<tr>
<td>0:30</td>
<td>Question 1 (Ice-breaker)</td>
<td>“Discuss: 1) The challenges of this task (see above); and 2) the overall guidelines that should be followed.”</td>
<td>Participants should spend 5 minutes on this icebreaker with someone seated next to them. Pairs will write findings on flipcharts.</td>
</tr>
<tr>
<td>0:45</td>
<td>Question 2</td>
<td>“What are non-financial indicators or mixed-indicators that measure performance? Focus on direct impacts and activities. For example, the investment of $1 billion dollars into renewable energy projects is a direct impact/activity. The resulting GW of clean power produced from these investments is an indirect activity. Sample indicators include: total members served, % of capital invested in the ‘real economy’, amount of money invested in socially responsible initiatives, and the amount of diversification (assessed through asset allocation). We are also interested in mixed indicators, or those that connect financial performance to non-financial performance.”</td>
<td>Split into 3 groups. Groups will be given 10 minutes to write indicators onto post-it notes and stick on wall. Participants will be given 5 minutes and 3 stickers to place on their favorite indicators.</td>
</tr>
</tbody>
</table>

Figure 2-4: Focus Group Agenda and Protocol
<table>
<thead>
<tr>
<th>Time</th>
<th>What</th>
<th>Instructions</th>
<th>Logistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1:05</td>
<td>Question 3</td>
<td>&quot;In addition to direct impacts, there are also indirect impacts of sustainable banks through the projects they invest in. How can these impacts be measured and quantified to make them significant and relevant (keeping to the guidelines we discussed in the opening activity). One strategy is to develop industry-specific indicators that can be aggregated, such as MW of clean energy produced, acres of organic farming, etc. Another strategy is to link the non-financial indicators from indirect impacts to financial indicators of direct activities. An example of this would be a measure of eco-efficiency where one assesses the MW of clean energy produced in relation to the financial investment required to produce it. This can be helpful in selecting projects and in benchmarking the eco and socio-efficiencies of banks to each other.&quot;</td>
<td>Split into 3 different groups. Groups will be given 10 minutes to write indicators onto post-it notes and stick on wall. Participants will be given 5 minutes and 3 stickers to place on their favorite indicators.</td>
</tr>
<tr>
<td>1:25</td>
<td>Question 4</td>
<td>&quot;Thus far we have focused on quantitative indicators for the direct and indirect impacts of a sustainable bank. These offer a strong centralized approach for measuring impact. What are qualitative tools and methodologies that can be used to measure impacts in a decentralized way, focusing on the project-level? These could be in the form of client-based storytelling, client-reported impacts, or making all clients transparent&quot;</td>
<td>Split into 3 different groups. Groups will be given 10 minutes to write indicators onto post-it notes and stick on wall. Participants will be given 5 minutes and 3 stickers to place on their favorite indicators.</td>
</tr>
<tr>
<td>1:45</td>
<td>Open Ended</td>
<td>Discuss any final thoughts on sustainability performance measurement</td>
<td>Round-table discussion.</td>
</tr>
<tr>
<td>1:55</td>
<td>Final Remarks</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 2-5: Focus Group Agenda and Protocol (continued)
1. **Introduction:** Tell me about yourself. What is your story?

2. **Relationship with Triodos Bank:** How did you learn about Triodos Bank? What are your thoughts about Triodos Bank? Why / why not Triodos Bank?

3. **Perception of Sustainability:** Before learning about Triodos Bank, what were your initial perceptions on sustainability? What did it mean to you? What does sustainability mean to you now?

4. **Ranking Sustainability:** If you had to rank Triodos on a scale from 1 to 10, 1 being not sustainable and 10 being as sustainable as possible, would you give it? What about Rabobank? ING? ABN Amro? (Triodos' main competitors)

5. **Improving Sustainability:** What are two things Triodos can do to give it a 10?

6. **Understanding Sustainability:** How do you know Triodos is sustainable/unsustainable?

7. **Measuring Sustainability:** Are numbers or quantitative indicators meaningful to you? Please explain.

8. **Communicating Sustainability:** How does Triodos most effectively communicate its sustainability to you? What can it do to improve this?

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**Figure 2-6:** Triodos Stakeholder Interview Protocol
2.3.4 Assessing the POE-Based Sustainability Framework

Upon mapping stakeholder conceptualizations to POE-grounded ideals, the third and final stage for this study was to quantify the findings in order to more rigorously support the findings from the previous stage. I therefore devised a survey to collect the responses from stakeholders across three different banks to more accurately measure how closely stakeholder conceptualizations of sustainability aligned with a POE-based framework and how they compared with existing frameworks.

I selected three banks to mirror the primary contexts that sustainable banks are situated in. While scholars identify two different types of sustainable banks (as described in Section 2.2.5), namely poverty alleviation banks (located in the Global South) and ethical banks (in the Global North), ethical banks can vary significantly between the North American and European contexts. Moreover, North American sustainable banks exercise negative screening criteria resulting in loans to businesses across the sustainability spectrum whereas European sustainable banks employ positive screens to only bank with sustainable companies. I therefore selected a sustainable bank from each of these contexts to study a more diverse set of stakeholders. In order to minimize confounding variables when comparing stakeholder conceptualizations across different contexts, I controlled for the size of the bank, selecting only large banks (relative to other sustainable banks in the same context). The 3 banks studied were: Mibanco, based in Peru (2-billion USD in assets); GLS, based in Germany (3-billion USD in assets), and Vancity, based in Vancouver, Canada (16-billion USD in assets). I was unable to control for the ownership structure of banks. While GLS and Mibanco are privately owned, Vancity is a credit union and therefore owned by its members. Due to the large size of Vancity, the effect of its cooperative structure should not have significantly influenced the results by much in any direction.

The structure of the surveys was similar across each bank, with the exception of Vancity, which added additional questions to further understand stakeholder conceptualizations of sustainability. The surveys for Mibanco and GLS stakeholders were
translated by native Spanish and German speakers, respectively. Test surveys were launched to a small number of stakeholders in order to ensure question clarity. Based on the feedback from these initial surveys, the stakeholder surveys to Mibanco’s depositors and borrowers had to be adjusted as some concepts were difficult for them to understand. The basic structure and questions of the surveys is shown in Figures 2-7 and 2-8.

Although not all stakeholder groups were equally represented at each bank and across banks, most findings are significant at the 95% confidence level. A total of 1,858 surveys were collected across the three banks. Figure 2-9 provides the precise profile of stakeholders surveyed. All surveys were conducted online with the exception of the surveys administered to borrowers at Mibanco. These surveys were conducted in-person by Datum International across 8 branches after being trained by Mibanco personnel on the goals of the survey. The average online response rate was between 15 and 20% while the average in-person response rate (for Mibanco borrowers) was 70%. While the response rate for online surveys was quite low, this is primarily due to the blanket email sent to various electronic mailing lists as opposed to personalized requests.

2.4 Findings and Discussion

In this three-stage study, I assess the critiques of current sustainability frameworks, analyze stakeholder conceptualizations of sustainability to develop a POE-oriented framework, and test the efficacy of the proposed framework.

2.4.1 Shortcomings of Current Sustainability Frameworks

Informed by the 41 interviews and 3 focus groups I conducted with personnel responsible for developing sustainability metrics and communication tools across 14 sustainable banks, I explore the shortcomings of current sustainability frameworks. Namely, these are:
BANK_X STAKEHOLDER SURVEY ON SUSTAINABILITY

* Required

1a. How would you describe your relationship with Bank_X? *
Please select all that apply.

- Depositor
- Borrower
- Employee
- Investor
- Shareholder
- Other: 

1b. How long have you been an investor or shareholder of Bank_X? *

- Less than 1 year
- 1-2 years
- 3-5 years
- 6-10 years
- More than 10 years

2. To what extent do you believe Bank_X is a sustainable financial institution? *
Please use a 10-point scale, where 1 means "Not at all sustainable" and 10 means "Completely sustainable".

1 2 3 4 5 6 7 8 9 10
Not at all sustainable □ □ □ □ □ □ □ □ □ □ Completely sustainable

3. How important is sustainability to you? *

1 2 3 4 5 6 7 8 9 10
Not at all important □ □ □ □ □ □ □ □ □ □ Extremely important

4. Overall, how satisfied are you with the value Bank_X has created for you? *

1 2 3 4 5 6 7 8 9 10
Not at all satisfied □ □ □ □ □ □ □ □ □ □ Completely satisfied

5. When you think about sustainability, how important are the following factors to you? *

<table>
<thead>
<tr>
<th></th>
<th>Not important</th>
<th>Slightly important</th>
<th>Moderately important</th>
<th>Important</th>
<th>Extremely important</th>
</tr>
</thead>
<tbody>
<tr>
<td>People / Society</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Planet / Environment</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Profit / Economy</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>

Figure 2-7: Stakeholder survey template
6. How important are each of the following in determining the sustainability of a financial institution? *

<table>
<thead>
<tr>
<th>Factor</th>
<th>Not important</th>
<th>Slightly important</th>
<th>Moderately important</th>
<th>Important</th>
<th>Extremely important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency (showing where money goes)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantitative impact metrics</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Case studies and structured storytelling</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationships with employees of the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How well employees live/integrate sustainability in their lives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term vision of the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decision-making rationale of the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The true intentions of the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. Are there any other factors that help you determine how sustainable a financial institution is? If so, what?

8. How hard do you believe Bank_X is trying to become completely sustainable? *

   1 2 3 4 5 6 7 8 9 10

   Not trying hard at all  Trying extremely hard

9. Why do you think Bank_X is aiming to become sustainable? *

   ○ It pays to be sustainable.
   ○ It is the right thing to do.
   ○ Both of the above.

Figure 2-8: Stakeholder survey template (continued)

83
<table>
<thead>
<tr>
<th></th>
<th>GLS</th>
<th>Mibanco</th>
<th>Vancity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depositors</td>
<td>153</td>
<td>0</td>
<td>455</td>
<td>608</td>
</tr>
<tr>
<td>Employees</td>
<td>25</td>
<td>482</td>
<td>465</td>
<td>972</td>
</tr>
<tr>
<td>Borrowers</td>
<td>2</td>
<td>190</td>
<td>36</td>
<td>228</td>
</tr>
<tr>
<td>Potential Customers</td>
<td>12</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Investors</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Non-Profits</td>
<td>0</td>
<td>0</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>Total</td>
<td>195</td>
<td>673</td>
<td>990</td>
<td>1858</td>
</tr>
</tbody>
</table>

Figure 2-9: Stakeholder survey demographics

1. Sustainability cannot be quantified

2. First-order impacts do not share complete picture

3. The TBL approach fails the “Goldman Test”

4. Sustainability requires full transparency

5. Stakeholder engagement is critical

**Sustainability Cannot be Quantified**

As expected, nearly every bank currently utilizes a TBL-based conceptualization for sustainability, some of which “do[ ] it without thinking about it” as the impact metrics manager from one bank remarked. In line with stakeholder-agent theory, another bank, which primarily caters its sustainability framework to its management and board of shareholders, commented that it is “easier to implement quantitative metrics.”

Despite the nearly universal adoption of the TBL approach and its facilitation with measuring sustainability performance, each person interviewed noted the setbacks from current measurement frameworks and expressed a desire to improve them. The concentration of critiques were directed towards the emphasis on quantifiable metrics in current frameworks. While one employee admitted that “qualitative metrics are sometimes too soft,” she went on to note that quantitative indicators “are too stiff.”
She continued, "sometimes it feels like [they are] not related to people." Another interviewee candidly expressed, "we are not even sure if our metrics are telling the right story. We need to determine what success looks like." This sentiment was held by employees across many of the banks studied. One mentioned that "the main impact of our bank is not covered very well in the Global Reporting Initiative indicators" and another that "quantitative data cannot give the social importance of what the impact of our organization is." Perhaps this is mainly because, as one impact metrics manager said, "sustainability is not able to be measured in a quantity. It's about the quality." However, quantifying sustainability is a tempting feature of the TBL admits one personnel, whose organization is "trying to avoid the trap of using key performance indicators for benchmarking and playing to the numbers." He goes on to say that "it is a complicated process and we are trying to avoid suddenly jumping straight to targets." Consistent with the literature, the TBL's reliance on quantitative metrics is insufficient for effectively capturing sustainability.

First-Order Impacts do not Share Complete Picture

Another major critique of the TBL approach is its reliance on internally-measured metrics. As defended in the literature review, sustainability is a systems issue that expands beyond the boundaries of an organization. Therefore, the sustainability performance of a bank is not only based solely upon its first-order impacts, such as energy savings and the amount of paper recycled, but rather the second-order and even third-order impacts it has on its surrounding stakeholder system. Alternatively stated by a manager at one sustainable bank: "we want to pay attention to the non-economic consequences of [our] economic actions." Capturing such impacts is a taxing effort for banks however. One major problem cited in the interviews is the inability to gather certain data. As one bank employee informed us, banks need to "be able to develop more indicators for [impacts on] the social domain" such as measuring the impacts of "what [their] customers are doing" and how cultural projects they fund "helps take care of the next generation." While the two examples provided represent variables that are quite evasive, even straightforward ones are difficult to measure.
One manager demonstrates that “when we have a $5-million Suisse Franks loan for a social housing for 20 to 30 people, we cannot quantify this.” To complicate things further, a manager at another bank noted that “if [a bank] finance[s] a small part of a large project, such as towards the expansion of an organic farm, there is not always a concrete indicator to represent this.” As many loans finance only a portion of a project, one interviewee stated that “double-counting is another problem” that arises when trying to measure impact.

The TBL Approach Fails the “Goldman Test”

Even if a sustainable bank is able to capture its second-order impacts, how can it distinguish itself from a big bank, such as Goldman Sachs? I often asked this question during interviews to help employees brainstorm solutions towards an improved sustainability measurement framework. Furthermore, despite sustainable impact being a lower priority for “too-big-to-fail” (TBTF) banks, their sheer size and magnitude makes even a small percentage of their efforts go a lot further. That is, the positive impacts from 5-percent of a TBTF bank’s portfolio are still greater than the positive impacts from 100-percent of a sustainable bank’s portfolio, while the negative impacts from the remaining 95-percent are never accounted for. One example is Goldman Sachs’ $4-billion per year initiative in clean energy for the next 10 years, which is roughly 5% of its $70-billion market capitalization. In addition to being only 6% of its portfolio, it is also important to mention that the primary motivation behind this commitment is the bank’s view that investment in renewable energy is “one of the biggest profit opportunities” (LaCapra, 2012).

To help distinguish themselves from TBTF banks, a few sustainable banks have begun developing ratios to demonstrate “sustainability efficiency.” Moreover, for a given amount of money or portfolio, a sustainable bank can publish the positive impacts it creates or the percentage that goes towards sustainable outcomes. For example, a sustainable bank with a clean energy fund could show that for each $1000 invested, one kilowatt of clean energy is financed. Alternatively, such a bank could show that 80% of all its funds finance projects that improve society. Naturally, the
difficulty in measuring second-order impacts as described above is one shortcoming of this strategy in addition to the downsides of quantitative metrics also mentioned previously. They also fail to capture the exact nature of the projects being invested in, which can vary quite significantly on a sustainability spectrum. The significance and relevance of such ratios therefore still need to be further explored.

**Sustainability Requires Full Transparency**

One solution to the complexity of measuring second and third-order impacts is to make all financing (particularly loans to industry) transparent. This is precisely the solution that the vast majority of European sustainable banks interviewed are successfully implementing. As one interviewee puts it, “there is a demand from customers to see what’s happening. There must be a relationship with the money that comes in from the depositors and where it goes.” Triodos Bank implements their solution on a Google Maps platform where customers can see where their money goes.\(^4\) While other banks also publish their entire business loan portfolio online, some banks release all new loans in their monthly or quarterly reports to stakeholders. Due to the complexity of quantifying sustainability through metrics, transparency is an alternative strategy sustainability performance frameworks can move towards. As one CEO proclaimed, “I think the three buckets [for a sustainability framework] are: where is a bank banking? what are its products? [and] who is it banking [with]?”

**Stakeholder Engagement is Critical**

In addition to improving measurement techniques, nearly all of the bank employees interviewed discussed improving stakeholder engagement. Consistent with stakeholder management theory, if sustainability is based upon improving the lives of stakeholders, then creating a strong collaborative process with stakeholders is essential. Furthermore, sustainable banks need to be able to effectively communicate their sustainability performance to stakeholders but also need to gauge from stakeholders exactly what sustainability performance should look like—the focus of this paper. Following from

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this discussion, a few managers discussed incorporating stakeholder relationships into new sustainability performance frameworks. One interviewee mentioned that “reporting would be much more powerful if we let customers tell their stories about their relationships with [our] Bank.” Another went further to suggest that “one very important thing that [our bank] thinks we should measure is the stakeholder engagement or the democratic participation of our stakeholders.” A new sustainability framework should therefore go beyond improving stakeholder engagement to incorporate a way of capturing it.

2.4.2 Stakeholder Conceptualizations Inform POE-Based Framework

Upon verifying the shortcomings of the TBL approach for measuring sustainability performance in the sustainable banking sector, I interviewed stakeholders from various stakeholder groups of Triodos Bank in the Netherlands to understand how sustainability could be better conceptualized. The hypothesis of this study is that stakeholder conceptualizations closely mirror POE ideals. The results from the 16 interviews conducted suggest that a POE lens does in fact capture stakeholder conceptualizations of sustainability.

Sustainability Through a POE Lens

The idea of improving society, which is a strongly nested POE claim, was mentioned by nearly every stakeholder interviewed when conceptualizing sustainability. A senior employee from BankTrack, a global network of civil society organizations that tracks the effects of the financial sector on people and the environment, remarked that:

BankTrack’s idea of sustainability goes beyond what is usually looked at as sustainability. It is not just minimizing impact on the environment and communities... but also improving on all these fronts. A sustainable bank seek[s] out business that maximizes all of this— having an explicit
call to help society... and a certain way of working by being accountable, transparent, and self-improving.

Triodos Bank, in fact, only invests in sustainable projects. When is a project sustainable? “When a project improves the quality of life. This could be the planet, our lives, etc.” responded one senior employee of Triodos.

The prioritization of society over profitability (discussed further in the sub-themes below) marks a clear departure from traditional, TBL-approaches. As an interviewee from a non-profit stakeholder organization mentioned:

[The TBL] has been abused and used by so many people that it has lost all its meaning... we need to come up with new words and new ways of talking about [sustainability] to make sustainability meaningful. The TBL suggests that everything can be combined but there are a lot of times when that’s not the case; when you need to forgo profit for the planet or for people.

A senior executive at Triodos expanded, “money is the thing that makes the world go round, but it needs to go into a direction that improves society.”

The role of sustainable banks, a borrower explained, is to therefore “do something good with the money. They are there for society.” “We don’t say we are a bank and look at what is profitable. We look at what are sustainable sectors in society and see how we can improve them,” remarked one Triodos employee. Another employee outlined how Triodos identifies a sustainable sector: “there are three relationships: one with the earth, one with others, and one that’s personal—a quality of life. For investing, we look at all three of these and find sectors that improve all three.” Improving society is therefore the primary goal, with profitability being a secondary condition—a stark contrast from the “business case for sustainability” where profitability is paramount and sustainability is encouraged in order to maintain or increase profitability. Although this nuance may be difficult to capture in current frameworks for sustainability, it is at the core of a POE-based approach.
As illustrated in Figure 2-2, the POE-based approach is adapted onto a positive deviance continuum. On the continuum, ethics is placed in the middle of the spectrum and consists of socially responsible practices that “do no harm,” while positive ethics (or benevolence) is on the far right and is concerned with sustainable practices that “create good.” Such a distinction was frequently made by the stakeholders interviewed to differentiate Triodos from less sustainable banks. One example is from a borrower who remarked, “the goal of many banks is to stay a bank and focus on what they don’t do like war, weapons, etc. but at Triodos, they focus on how to do good. They don’t only focus on getting their hands rid of dirty things, but [rather on] put[ting] their hands in things that are good.” The concept of sustainability being an ever-moving target as described by Bell and Morse (2008) earlier is also captured by the positive deviance continuum with the notion that a positive ethical or sustainable organization is one that is positively different from the norm. This norm changes over time and across places. As an employee phrased it, “sustainability is very contextual.” Providing examples of micro-loans provided by a sustainable bank in Peru, she explained that what is considered sustainable in one context isn’t sustainable in others. In this case, the featured micro-loans that helped low-income citizens develop a micro-brewery and construct a non-organic chicken farm would not have been financed by Triodos due to its negative screens on alcohol and inorganic farming, respectively.

The context of sustainability not only changes across different regions but also changes in the same region over a period of time. A farmer who borrows from Triodos explained:

Sometimes there are very risky entrepreneurs but with [projects that have] high impact potential. We need to get into these, since they will change things. If you invested in the first ten organic farms, you probably went bankrupt, but look at organic farming now. At this moment if you finish financing a company that just did organic farming, it’s not scary any more because there is a big organic market. You can calculate everything and easily mimic past initiatives. But there are people doing new things that
we need focus on.

This statement brilliantly captures the significance of placing sustainability on a positive deviance continuum because it enables the concept to remain dynamic and constantly improving. What is sustainable today may be the norm ten years from now, and therefore no longer sustainable. A great example of this is recycling paper and reducing energy. As more and more companies adapt their operations to include these conservation efforts, such efforts have slowly become the norm in the past few years; they are now expected of all companies and have become the ethical thing to do. But sustainability is positively deviant from the ethical norm and is therefore more demanding and rigorous. Only companies with a “sustainable DNA,” who choose to be sustainable because it is the right thing to do rather than because it pays to do it, will go beyond socially responsible norms and proactively pursue positive ethical activities despite their high risk or cost factors.

In developing a sustainability performance framework, a Triodos employee framed two different paths: “1) a normative or checklist approach... which is easy to explain but focuses on the lower limit, the status quo, and does not inspire me; or 2) a value-oriented approach... [that] dives into trust, relationships, and the long term.” Not by coincidence, the “inspiring” nature of positive approaches is well-documented in the literature, otherwise referred to as the amplifying effect. It is the values-oriented, positive approach of the second path towards framing sustainability that the following six POE-grounded measures I captured in the interview analysis build towards. A POE-based framework for measuring sustainability performance is first proposed based on the six measures before each one is independently examined.

Towards a POE-Based Framework for Sustainability

Stakeholders conceptualized sustainability through six different measures associated with POS theory: intentions, raison d’être, transparency, decision-making rationale, employee engagement, and stakeholder engagement. Based on the stakeholder interviews conducted (including those from the previous stage), I propose a POE-based framework consisting of the six identified measures being organized into
the following three themes: sustainable DNA, short-term indicators, and long-term determinants—the combination of which stakeholders actively use to conceptualize the sustainability of an organization and determine its performance. The sustainable DNA is captured by the intentions of an organization and its raison d'etre. Both of these reveal the vision and purpose of an organization, effectively communicating whether or not an organization adopts a positive approach. The short-term indicators, which reveal how an organization operationalizes its sustainable DNA and where it is positioned on a positive deviance continuum, are achieved through making operations transparent and revealing key decision-making rationale. These are therefore tools for both, assessment and communication. Finally, the long-term trajectory of sustainability performance is based upon engagement with employees and stakeholders. While employee engagement ensures that an organization maintains its sustainable DNA moving forward, stakeholder engagement guarantees that an organization’s actions remain sustainable (as determined by stakeholders) in an ever-changing context. Figure 2-10 captures the framework proposed, illustrating the overarching categories that compose the framework, the POE-based strategies for measuring and communicating the category, and finally the POS theory that the measures draw from.

It is important to reiterate that each of the identified measures are grounded in the POS and POE literatures. A sustainable organization’s intentions and raison d’etre establish its positive ethical stance and form its “sustainable DNA.” Referenced in the literature in Section 2.2.4, such a stance must adopt a positive approach, or the “emphasis on achieving the best of the human condition, striving for positive deviance, and working to fulfill the highest potential of organizations” (K. S. Cameron & Lavine, 2006). To demonstrate how such positive ethical stances are operationalized, transparency and decision-making rationale both indicate where on the positive deviance continuum an organization lies. In order to be deemed sustainable, an organization’s operations and decision-making must both reflect a positive variance from the ethical norm. Finally, employee and stakeholder engagement are both well-documented principals in the POS literature. In a phenomenon called the amplifying effect, the positive behaviors of employees propagate through an organization, driv-
Figure 2-10: POE-based framework for measuring and communicating sustainability performance

...ing an upward spiral of positive change and causing it to become a positive ethical organization, (Bolino et al., 2002; K. Cameron & Caza, 2002; K. S. Cameron, 2003; Caza et al., 2004; Frederickson, 2003; Sandage & Hill, 2001). This same phenomenon has been demonstrated to occur at a larger scale, stemming from a positive ethical organization onto a stakeholder system to create a positive ethical network (discussed further in Chapter 3). Both, employee and stakeholder engagement models, ensure that positive organizational ethics propagate into the long term. Each of the six measures, as communicated by the stakeholders interviewed, is discussed further in the sections that follow.

**Intentions**

Many of the stakeholders interviewed discussed the notion of “sustainable DNA” to differentiate sustainable companies from those that greenwash. One interviewee explained that “many businesses say they are sustainable so they go for the TBL. But it’s about DNA...A better system than the TBL would be to look at the DNA...
of companies.” Stakeholders often used “intentions” to describe what encompasses sustainable DNA. Having already noted the pitfalls of quantitative metrics, capturing intentions may become a more meaningful and relevant exercise. Moreover, one stakeholder remarked that “there is a difference between impact and intention... I don’t really need to have a lot of details about impact... the intention is a little bit more important to me. I need something [to] assess the DNA.” The stakeholder, who is an organic farmer, went on to provide an example that “the organic slaughterhouse for pigs [in the Netherlands] has been taken over by the largest slaughterhouse company in the world now.” While their “impacts” may remain the same, the farmer describes that their intentions are completely different and that “they’ve now lost the soul of the company.” Furthermore, he describes that the different intentions of the new ownership will play a major role in the long run. As one MBA student who was interviewed describes:

In Triodos they say sustainability is our business while [at] other companies, [they say] we’re sustainable because we have to be. They’ll do something for a one-time thing as opposed to regularly. If it’s a [sustainable] company, [it will] do something [sustainable] all the time.

A former client of Triodos adds that she “like[s] to see that banks have been around for a while and that over a longer period of time, they have really stuck with [being sustainable]. There are many organizations that jump on the bandwagon, such as microfinance.” Being sustainable over the long-term is one great indicator of the true intentions of a company and consistent with the positive deviance aspect of sustainability described above.
Raison d’Être

Directly translating from French as “reason for being,” raison d’être describes the sole purpose of existing. While it includes the mission and long-term vision of an organization, it also captures the essence that drives and motivates the organization. One employee states that “sustainability is in the DNA of the bank. It doesn’t require any explanation. They were founded for this very purpose. It’s mission and objective is to contribute to a more sustainable society.” Another stakeholder expresses his frustration with many companies in the organic sector who lack a mission and purpose:

You need your own vision and plan. It’s also not good for farmers to go organic if they don’t have an organic vision. Then they’re a regular farmer who uses organic rules to make money... Supermarkets for instance go organic not because they believe in it but because there’s a market for it. If it’s organic [that will make money], they’ll do organic...they have no vision.

Having a vision for a society that is positively different from the status quo and passionately pursuing it is therefore essential for a sustainable organization. It goes hand-in-hand with the intentions to make up an organization’s sustainable DNA.

Transparency

In response to “how do you know Triodos Bank is sustainable?” every stakeholder responded that it was due to Triodos’ transparency. An intern described that every stakeholder “can see all of Triodos’ investments on its website, [which] makes it very trustworthy. Even Peter’s (the CEO of Triodos Bank) salary is out there. It’s $270,000.” Perhaps the most convincing support for transparency came from two organic farmers. In an effort to understand what specific metrics could be gathered in a sector (for a sectoral approach to determining sustainability performance), I asked, “are metrics meaningful to you? Such as hectares of organic farming?” One responded with questions of his own: “Great, but what did you achieve? What is
the condition of the soil? The fertility of it? There is so much difference in organic farming that you can’t tell by this statement. This is not really an achievement.” In a separate interview, where the same questions were asked, another farmer responded:

Authentic is more important than organic for us...When we think about authentic, we think about the taste...A tomato should taste like a tomato. And meat, what’s really meat?... We look back to the native origin of the product. When you [analyze] this, [you understand that] you have to be good to nature. You can never have good tasting meat if you are far from nature and if animals don’t live the way they should... We could have a really good story but when the things we produce aren’t good to eat, no one is going to be happy. That’s really important for us. We let cows be cows. When they are inside the barn... we give them ten square meters. In Holland, [the legal requirement] is four. For organic it is has to be six... We planted trees inside the barn because the cow’s... original habitat is the forest...We have sunlight that goes through the roof. There are no walls, so [the cows] have fresh air... The feed is [also] very important. We give them a lot of different feeds. We don’t give them any soy beans. It’s bad for the environment... a lot of land gets cut down, such as in Brazil, for soy beans.

He goes on to summarize, “I’m organic, yeah, but I don’t have a license because it doesn’t say anything about the animals, about variety of the food stock. Therefore numbers don’t tell the story. With the Internet...everything is transparent. That’s what we’re really happy with.” He also runs a rehabilitation program on the farm to help people who have addiction problems or are homeless. As he frames it, “if you have work...you get your self-respect back.” The depth of such an initiative and the many sustainable others like it in Triodos Bank’s portfolio is not done justice by metrics such as hectares of organic farming. Similarly, the avoidance of harmful or even ethical-neutral acts, is also not captured by such metrics. Rather than summarizing the sustainable impacts from 5-percent of a bank’s portfolio through metrics, it would
be much more meaningful to see where the remaining 95-percent is being invested.

As suggested in the first stage of the research, transparency can be an effective alternative to the TBL approach and similar frameworks that attempt to break-down sustainability into a combination of quantifiable metrics. By making all loans transparent, Triodos Bank can show its stakeholders exactly where their money goes and the sustainable impact it is making. Through this strategy, the onus of interpreting sustainability performance is shifted to the stakeholders as it should be.

**Decision-Making Rationale**

In conjunction with showing "where the money goes" through full transparency, many stakeholders resonated with the reasoning of one employee that it would be equally effective to show "where the money does not go" and "explain [these] decisions better." Sustainability is not a cut-and-dry issue— "it’s not like we have a list of criteria to determine if a project is sustainable. It’s quite subjective. We have dilemmas often," she continued. One such dilemma was a loan for an eco-friendly paint-balling company. In addition to using environmentally-friendly paint, the company had a very strong community engagement strategy. After many debates among employees in the company, the company rejected the loan application because the primary aspect that Triodos must look at is, “what’s the core business and does this improve quality of life?” Such a decision powerfully demonstrates the extent of how sustainable Triodos Bank is. As one employee puts it, there are no tradeoffs: "it’s not either-or, it’s and-and." A Masters candidate in finance mentioned that “it would be cool to record some of these discussions and make them publicly available.” By featuring difficult decisions to demonstrate the calibre of sustainability that is expected and upheld, a sustainable bank can communicate its sustainability through the process by which it makes decisions.

**Employee Engagement**

As discussed in the POE literature, a positive ethical organization is born from positive ethical individuals. One interviewee, who sits on the GABV steering committee
and conducted an earlier survey on understanding sustainability in sustainable banks, proclaimed “employee engagement is critical for sustainability.” The ability to engage employees is how a sustainable organization is able to continue being sustainable and carry forth with its vision. One employee expressed, “it upsets me that we can create a society that hurts others. That people gain at other people’s loss. It’s greed. How are we treating ... ourselves, our family, our community, our planet? Money can be a great tool but can also do harm. I am proud to be a banker. I know that is a rare thing to hear these days but it’s because I work here.”

Ranging from “value sessions on Monday mornings” to “giving money to employees to buy bicycles,” Triodos Bank “really embeds [sustainability] in its culture while employees all across [the bank] embed it in their lives,” remarked an intern. “The difference between the highest and the lowest salary is 8.5,” she continued while another employee added that they “don’t work with bonuses because bonuses focus only on things you are measuring and not the values behind them.” In fact, the culture is so deeply embedded that an MBA student stated that the reason she was not interested in pursuing a career with Triodos Bank was because she had “a feeling that it [is full of] hardcore sustainable people.” She went on to state: “I’m very capitalistic because of my studies and I understand the world in a way that’s very economically oriented. I do appreciate and I do care about sustainability but it’s hard to combine with finance.” This is a striking difference from what one employee describes as zingeving—a Dutch term that is similar to raison d’être mentioned above. He argued that, “we should combine work with values and not separate ourselves into two different people.” To ensure the values of Triodos are not diluted, one manager expressed, “in all of our interviews we ask, what is your connection with the mission of Triodos?” Each employee I interviewed conveyed their appreciation for the “intrinsically motivated people” at Triodos, which stems from these hiring practices.

The level of employee engagement is therefore an important factor in considering the sustainability of an organization. While it may not be as indicative as transparency or the decision-making rationale in the short-term, it captures the sustainability trajectory of an organization going forward. As one stakeholder proclaimed,
“what kind of people work here? What is the way they perceive the world? On a personal level, how do they organize their lives? How do they walk the talk? I would rather know more about that than the tons of CO2 reduced.”

**Stakeholder Engagement**

While a strong level of employee engagement ensures the furthering of the sustainable DNA of an organization (captured through its intentions and raison d’être), strong bilateral relationships with other stakeholders ensures that efforts towards fostering sustainability continue to be relevant and progressive. The founder and director of a museum compared the relationship she had with Triodos in starting her museum with “talking to an older person, like an uncle, giving me advice...it was personal.” While she admitted the bank had expanded since her initial dealings with them, they recently asked her to conduct a lunch workshop with employees to make watercolor paintings. “Now, can you imagine a bank that would do that?” she asked. Another stakeholder described how Triodos was the first bank to offer loans for organic farming: “they really thought with us to get the best financing for us. That’s why we became customers. For practical reasons, but also because we like the vision and mission of Triodos.” By actively pursuing its mission, “Triodos has a model that its stakeholders can strongly relate to,” mentioned a depositor. He continued with Triodos’ mantra, “you can use money for good things. That’s what we believe.”

One stakeholder who was interviewed provided a borrower’s perspective of Triodos: “it is nice for me to know that my money is used in a sustainable way, in a good way, and that it’s not used for things I do not approve. It’s quite basic. I used to be with ING and then switched to Triodos.” One employee remarked that a core principle of Triodos is to “engage the people...to make things happen. Otherwise, people cannot invest in these [sustainable] ideas directly. They need the knowledge and expertise of a bank.” But there are many other groups than the borrowers and depositors that enable Triodos to fulfill its mission. Triodos therefore actively engages with a multitude of stakeholders, which includes hosting a sustainability lab at a university to train the next generation of leaders, working with politicians to pass laws
that promote sustainability, and consistently promoting the efforts of non-profit organizations. Although effectively communicating the sustainability performance of an organization is not an easy feat, many stakeholders describe knowing an organization is sustainable as a “gut feeling” based on its engagement with stakeholders.

2.4.3 Stakeholder Survey Results Validate POE-Based Framework

To test the importance and significance of the POE-based framework developed from the stakeholder interviews, I surveyed 1,858 stakeholders from three different banks: Vancity (Canada), Mibanco (Peru), and GLS (Germany). In addition to getting a quantitative-based assessment for how stakeholders conceptualized sustainability, the interviews aimed to also understand how context (stakeholder group and geographic location) affected stakeholder perceptions of sustainability.

Stakeholders Prefer Sustainability Frameworks Grounded by POE

When asked to rate the importance of various types of information on conveying the sustainability performance of an organization, stakeholders largely preferred POE-grounded metrics over existing ones. Stakeholders at Vancity, in fact, ranked each POE-oriented strategy for capturing sustainability performance as more important than the quantitative indicators and cases prevalent in traditional sustainability frameworks. Moreover, on a scale from 1 to 10, where 1 represented “Not at all Important” and 10 represented “Extremely Important,” the average of each proposed metric, as ranked by stakeholders, ranged from 8.2 to 9.0 out of 10. This is not to say that the current metrics, which averaged 7.8 and 7.9 out of 10 are not important, but that each of the POE-based strategies were perceived as more important and therefore provide a more complete reflection of sustainability. The factors deemed most important were transparency, intentions, and decision-making rationale, followed by stakeholder relationships and long-term vision. Employee values (the determinant

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5 Figure 2-9 shows a breakdown of the stakeholders in each stakeholder group surveyed across the three banks.
used in the surveys to represent employee engagement) was ranked last among the POE-based metrics but still ahead of traditional metrics. These findings are significant at the 95% confidence level, with the exception of employee values, which was preferred to current metrics for sustainability with a 90% confidence level. A staggered bar graph representing these data is shown in Figure 2-11.

While stakeholders at Mibanco preferred a positive approach to capturing sustainability over traditional approaches for the most part, there were a few differences in the results. Stakeholder relationships were considered the most important factor for determining sustainability followed closely by the remaining POE-grounded metrics in a staggering format. In descending order, these were long-term vision, true intentions, transparency and decision-making rationale. With the exception of decision-making rationale, the approaches listed were all ranked more important than traditional metrics at a 95% confidence level. With 90% confidence, decision-making rationale was also ranked higher. The exception in the survey results was that employee engagement and quantitative indicators were nearly tied (averaging 8.39 and 8.31 out of 10, respectively). Both of these were ranked more important than current, qualitative reporting methods, which stakeholders averaged 7.65 out of 10. The results are graphed in Figure 2-12.

The results from the last stakeholder segment were slightly mixed. It is important to note that only 195 GLS stakeholders were surveyed and the vast majority of these were depositors, although all stakeholder groups were represented (refer to Figure 2-9 for more precise information on stakeholders surveyed). Transparency and intentions yielded the highest averages across all the surveys at 9.5 and 9.4 out of 10, respectively. At the 95% confidence level, these were more important than the long-term vision (9.0/10), which was higher than the remaining factors. While the average for decision-making rationale (8.4/10) was greater than the story-telling and quantitative data averages (8.1 and 8.0 out of 10 respectively), due to the low number of responders, this difference could not be confirmed at a high enough confidence level to be conclusive. The most interesting findings from the survey results were that the average rankings of employee values (6.5/10) and stakeholder relationships
(6.1/10) were significantly lower than the other findings at the 95% confidence level. It can at least be concluded that these are still important factors, as they were above the middle-rank (5.0/10) denoting “important.” Interestingly, employee engagement had relatively lower averages at Mibanco and Vancity as well, although stakeholder relationships was the most important metric at Mibanco. One explanation for this discrepancy is that GLS, similar to Triodos Bank, already implements full transparency with all of its loans. Combined with metrics for the true intentions, long-term vision, and decision-making rationale of the bank, perhaps these two metrics are less important. As described in the POE framework proposed, employee and stakeholder engagement affect the long-term sustainability viability and may be less important than the short-term or present performance to certain sets of stakeholders. Without conducting stakeholder interviews and surveying a larger, more diverse sample, it is difficult to explain this. Figure 2-13 illustrates the findings from this stakeholder subset.
Figure 2-11: Stakeholder Preferences for Sustainability Metrics at Vancity. Surveyed stakeholders were asked to rank each metric on a scale from 1 to 10, where 1 is *not important at all* and 10 is *extremely important*. The darker regions illustrate the 95%-confidence interval.
Figure 2-12: Stakeholder Preferences for Sustainability Metrics at Mibanco. Surveyed stakeholders were asked to rank each metric on a scale from 1 to 5, where 1 is *not important at all* and 10 is *extremely important*. The results were scaled by a factor of 2 for ease of comparison. The darker regions illustrate the 95%-confidence interval.
Figure 2-13: Stakeholder Preferences for Sustainability Metrics at GLS. Surveyed stakeholders were asked to rank each metric on a scale from 1 to 5, where 1 is not important at all and 10 is extremely important. The results were scaled by a factor of 2 for ease of comparison. The darker regions illustrate the 95%-confidence interval.
Stakeholder Group Conceptualizations Align Closer with POE-Based Framework

In addition to understanding how stakeholders in general conceptualized sustainability, it is interesting to determine how stakeholders conceptualized sustainability based upon the stakeholder group they belong to. Stakeholders were surveyed on how important each aspect of the TBL framework is to them along with the importance of the POE-based factors put forth as discussed above. The results are most notable at Vancity, where stakeholders from four different stakeholder groups were surveyed. As displayed in Figures 2-14 and 2-15, stakeholder group averages were much more consistent across POE-oriented categories compared to TBL-grounded categories, where non-profit organizations and employees formed one cluster and retail clients and businesses formed another. Although averages were more consistent at Mibanco as well, the difference is not as notable. Sustainability metrics were nearly 10-percent higher for employees than they were for borrowers, similar to the groupings at Vancity. This can most likely be attributed to the difference between how strongly each stakeholder group valued sustainability. Employees at Mibanco ranked the importance of sustainability 9.39/10 while borrowers only ranked it 7.95/10, or roughly 15-percent lower. Unfortunately, the samples for stakeholder groups was too small at GLS to conduct any comparisons.
Figure 2-14: Stakeholder Group Preferences for TBL Categories at Vancity. Surveyed stakeholders were asked to rank each category on a scale from 1 to 10, where 1 is *not important at all* and 10 is *extremely important.*
Figure 2-15: Stakeholder Group Preferences for POE Categories at Vancity. Surveyed stakeholders were asked to rank each category on a scale from 1 to 10, where 1 is *not important at all* and 10 is *extremely important.*
Figure 2-16: Stakeholder Group Preferences for TBL Categories at Mibanco. Surveyed stakeholders were asked to rank each category on a scale from 1 to 10, where 1 is *not important at all* and 10 is *extremely important*. 
Figure 2-17: Stakeholder Group Preferences for POE Categories at Mibanco. Surveyed stakeholders were asked to rank each category on a scale from 1 to 10, where 1 is not important at all and 10 is extremely important.
Towards a Stakeholder-Driven Auditing Methodology

As discussed in Section 2.2.2, critiques of the aggregation and quantification claims of the TBL approach demonstrate that sustainability cannot be measured by aggregating quantifiable indicators. Moreover, sustainability cannot be assessed by deconstructing it into smaller subparts. Instead, it must be assessed holistically. Motivated by stakeholder and stakeholder-agent theory, which argue that stakeholders should be the assessors of sustainability (see Section 2.2.3), the surveys administered at Vancity also asked stakeholders how sustainable they found their financial institution on a scale from 1 to 10, where 1 is “Not Sustainable At All” and 10 is “Extremely Sustainable.” Based on stakeholder responses, the sustainability of a financial institution can be surmised. That is, a sustainable bank would receive a high average ranking consistent across different stakeholder groups. Alternatively, a low average ranking across stakeholder groups would most likely imply that a bank is not sustainable. Unbalanced responses based on stakeholder groups would imply that the bank either prioritizes stakeholder groups differently in terms of positive impact or is not effectively communicating its sustainability performance to certain stakeholder groups. A high volume of respondents selecting “I don’t know” would denote that the financial institution needs to provide more information on sustainability reporting (and ideally adopt the POE-based framework proposed).

The average assessments of sustainability at Vancity by four different stakeholder groups (businesses, non-profit organizations, retail clients, and employees) is illustrated in Figure 2-18. Based on the high averages that are relatively consistent across the different stakeholder groups, it can be confirmed that Vancity is a sustainable institution. That being said, non-profits and employees tended to perceive Vancity to be slightly more sustainable than than retail customers and businesses did, with rankings averaging 8.25/10 and 8.22/10 compared to 7.74/10 and 7.59/10, respectively. This small imbalance indicates that Vancity should strive to improve the ways they communicate sustainability performance to the businesses and individuals it banks with, particularly businesses. Furthermore, 5 out of 36 businesses were unsure of
Vancity’s sustainability performance. While the overall rankings denote that stakeholders find Vancity to be very sustainable, the fact that stakeholders do not rank its sustainability higher highlights that Vancity still has room to improve.
Figure 2-18: Stakeholder Assessment of Vancity's Sustainability. Surveyed stakeholders were asked to rank the sustainability of Vancity on a scale from 1 to 10, where 1 is *not sustainable at all* and 10 is *extremely sustainable*. The darker regions illustrate the 90%-confidence interval.
2.5 Conclusion

The present study was designed to understand how stakeholders conceptualize sustainability in order to develop an improved framework compared to the TBL-based frameworks that currently dominate sustainability reporting. The sustainable banking sector was selected due to the pivotal role of financial institutions in society, as demonstrated by the present global financial crisis. Rather than selecting cases across the entire financial sector, only the most sustainable banks from the three different identified contexts were chosen, consistent with the positive approach subscribed to, in order to understand how "real" sustainability is captured by stakeholders. A summary of the contributions from this research follows, proceeded by the limitations of the study and a call for further research. This paper concludes with the implications from the initial set of findings.

2.5.1 Contributions

The primary contribution of this paper is to make the case for sustainability being a POE-based ideal and therefore being measured and communicated as such. While sustainability has been very briefly mentioned in the POE literature, this is the first paper to study the relationship at length. Demonstrating this relationship required three parts: 1) demonstrating that existing conceptualizations of sustainability such as the TBL approach do not accurately capture sustainability and its complexity; 2) comparing stakeholder conceptualizations of sustainability with concepts grounded in POE; and 3) measuring the importance of POE-oriented approaches for capturing sustainability, particularly in comparison with existing measures. The three different stages of the study correlated to each of these three aspects. The first part of the research explored current frameworks for measuring sustainability, involving interviews with individuals and teams responsible for developing impact metrics and sustainability reports in the sustainable banking industry. The coded interview themes confirmed the setbacks of TBL-based conceptualizations raised in the literature. The
second part of the study then explored stakeholder conceptualizations of sustainabil-
ity and informed the development (and applicability) of a new, POE-based framework
for measuring and communicating sustainability performance. Finally, the last stage
of the research consisted of stakeholder surveys across three different contexts to
confirm the importance and significance of the POE framework proposed.

2.5.2 Limitations and Further Research

There are three immediate limitations of this survey. First, not all stakeholder groups
were adequately sampled across the three sustainable banks surveyed in the final
stage of the study. Expanding the surveys to fully capture each stakeholder group
at these sustainable banks is a pivotal next step. Second, only one bank from each
of the three identified contexts for sustainable banking was surveyed. Ideally two
cases from each context, for a total of six cases, should be studied. Based on these
preliminary results, the same surveys can be administered to one additional bank
from each context. Lastly, this research was confined to the sustainable banking
sector. Although many of the questions during the interviews and surveys focused
on sustainability in general and the findings suggest that a POE-based approach
can be translated to various other sectors, such a conclusion requires more rigorous
investigation. Expanding to the larger financial sector and other unrelated sectors
is therefore important to determine the applicability and limits of a POE-grounded
framework for capturing sustainability.

In addition to expanding the scope of the current research engagement, some of
the findings can be applied to related research initiatives on sustainable organizations.
Returning to the important challenges of sustainable banking identified by CEOs and
top managers in Section 2.2.5, the challenges of growth, determining the tradeoff be-
tween sustainability impact and financial return, and the criteria for selecting projects
can now be explored through a POE perspective. Such challenges can be argued to
extend beyond the sustainable banking sector to other sustainable sectors as well.
2.5.3 Implications

While it is too soon to confirm the hypothesis of this study, the promising results offer major implications to the measurement and communication of sustainability performance. The initial findings from this research expand the POE literature and make a significant contribution to the vast literature on sustainability through the application of a new, and arguably most appropriate, theoretical lens. A POE lens has been demonstrated to not only capture sustainability performance, but to also cater to the context-specific and constantly evolving characteristics attributed to sustainability.

Specifically, the findings suggest that sustainable organizations should adopt the sustainability framework presented in Section 2.4.2 in order to measure and communicate sustainability performance in a more meaningful and relevant way. As the traditional TBL approach is still an important one that may resonate more with certain stakeholder groups (i.e. institutional investors, shareholders, and the media), replacing it altogether may not be ideal (as partially supported by the survey results from GLS bank). Instead a positive framework can supplement traditional frameworks to appeal more closely with stakeholder conceptualizations not currently captured. Hopefully such a framework will assist in both, strengthening stakeholder networks in promoting true sustainability and combating greenwashing practices of non-sustainable organizations. Most importantly, this research encourages a shift in sustainability dialogues from indicators and targets to the underlying values and ethical stance of an organization, which drive real sustainability into practice over the short and long term. Such an approach encourages a fresh perspective towards sustainability and can improve our understanding on what it is and what it is not to promote a better society.

In addition to the POE-based framework, a stakeholder-driven auditing methodology is proposed in Section 2.4.3. Although further research needs to be conducted, a stakeholder-driven audit (that can be carried out by a 3rd-party organization) can offer a holistic approach to measuring sustainability. The methodology can be further improved by referencing the positive deviance continuum, which demonstrates that
a sustainable organization is one that is positively deviant from the norm. Therefore, the survey questionnaire can be improved by asking how sustainable a bank is compared to related financial institutions. Alternatively, the stakeholder rankings of banks that operate in the same context can be normalized to determine a norm and understand which institutions are positively deviant from it (and therefore sustainable). Refining this new approach may offer a solution to the problem of auditing sustainability.

A broader implication of this study is the shift from an objective view of sustainability towards a subjective conceptualization that depends on stakeholder beliefs. Through this approach, stakeholders become the determinants of what sustainability means, deciding what is sustainable and what is not. Post-modernists make a strong point in arguing that stakeholders ultimately make these decisions about sustainability based on what they believe, which may or may not be scientifically founded. Consequently, stakeholders are by no means uniform in their perceptions of sustainability and can therefore include actors who do not care about sustainability. Balancing and prioritizing these non-uniform perceptions will be a challenge when auditing sustainability but a more important one to tackle than the misconceptions hindering current approaches.
REFERENCES


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Chapter 3

Understanding Sustainability Innovations through Positive Ethical Networks

Abstract

In this paper, a positive organizational ethics (POE) based framework is proposed to capture the process of sustainable financial innovations based upon the microfinance and socially responsible investing movements. Both of these pivotal financial movements are uniquely characterized by the formation of positive ethical networks (PENs) to develop sustainability innovations in response to external crises. The crisis-PEN-innovation framework developed makes four contributions to the POE literature: 1) positions corporate sustainability through a POE-lens; 2) formalizes the PEN construction through POS theory; 3) proposes PENs are mobilized to respond to external crises; and 4) demonstrates how PENs cultivate and facilitate the sustainability innovation process. The theoretical framework is tested through an in-depth case study analysis of sustainability innovations in the sustainable banking sector using theory-guided process tracing to understand how innovations were realized. The findings are consistent with the crisis-PEN-innovation framework proposed.
3.1 Introduction

The impact of financial innovations in contributing to the global financial crisis of 2008 has raised discussion in the economics literature and the broader public (Crotty, 2009; Obstfeld et al., 2009). Receiving less attention are sustainable financial innovations, or financial innovations that “meet the needs and aspirations of the present without compromising the ability to meet those of the future” (Brundtland & W.C.E.D., 1987). What are the enabling conditions for sustainable financial innovations? Specifically, what are the triggers for a sustainability innovation in the financial sector and who are the actors that coordinate it? This is the question that motivates this paper and around which a body of research for better understanding sustainability innovations has emerged. Various theoretical frameworks including strategic niche management (Kemp et al., 1998; Schot & Geels, 2008; Verbong et al., 2008) and technology innovation systems (Bergek et al., 2008; Hillman et al., 2008) contribute to the discourse centered on these questions but the relevance of sustainability within these frameworks is unclear. The field of positive organizational ethics (POE), which focuses on the development and impact of “positive” traits in an organization, offers a new frame with which to extend established innovation theories and develop a novel theoretical framework for sustainability innovation. If sustainability is indeed a positive
ethical ideal, as is argued in Section 3.2.3, then a better understanding of financial innovations towards sustainability requires a POE lens. Through a POE lens, the process for achieving sustainable financial innovations, such as microfinance (MF) and socially responsible investing (SRI), can be accurately depicted as the formation of positive ethical networks (PENs) in response to crises.

The long history of the MF and SRI movements informs the theoretical framework developed in this paper. Examples in MF are manifold. The formation of microcredit institutions throughout Europe occurred in direct response to poverty crises. The microcredit funds of Ireland emerged in the 1720s in response to extreme poverty and the lack of banking services to the poor who often needed loans to offset a bad harvest or illness (Hollis & Sweetman, 1998; Seibel, 2003). Raiffeisenbanken and Volksbanken in Germany originated as savings and credit cooperatives to serve the poor in rural and urban areas, respectively, after the hunger year of 1846-1847 (Raiffeisen, 1866; Seibel, 2003). In each of these cases, a variety of actors collaborated as a network to develop innovative financial products to serve the poor. The majority of actors within these networks were not directly afflicted by the crises but rather, were motivated around and united through a positive approach to improve the conditions of those who were.

A similar phenomenon can be identified in the SRI movement, which has ties to various religious jurisprudences including Judaism and Islam but more formally began in the mid-1700s with the Quakers and Methodists (Schueth, 2003). Consistent with the innovation patterns in the MF movement, innovations in SRI were also triggered by crises. The rise of the slave-trade in the 1700s led Quakers and Methodists to develop the first negative-screening criteria in investments by refusing to invest in slave-trade enabled products and war-related activities (Hutton et al., 1998; Kinder et al., 1993; Schueth, 2003). The modern SRI movement has been traced to the political crises of the 1960s including the anti-Vietnam war protests and civil rights movement—particularly the race riots that ensued after the assassination of Martin Luther King, Jr. (Hutton et al., 1998; Schueth, 2003). This movement was further shaped and formalized in the late 1980s with an innovative financial response by churches, universities, and community groups to the Apartheid movement in South
Africa (Guay et al., 2004; Schueth, 2003).

As briefly demonstrated in each of the developments behind MF and SRI, crises created opportunities for positive change around which actors collaborated in PENs to innovate. This pattern yields the research question, *what are the triggers for sustainable financial innovations and who are the actors that coordinate it?* Based on a generalization of the MF and SRI movements, the underlying hypothesis of this study and framework put forth is that PENs, although being established and existing organically, are mobilized to develop sustainable financial innovations in response to external crises. The centerpiece of this framework is the PEN, which is theoretically constructed by expanding upon the amplifying effect documented in positive organizational scholarship (POS) theory and social network literature. After grounding the concept of a PEN in the literature, the pivotal role of an external crisis in mobilizing and strengthening PENs is explored; triggering them to cultivate and facilitate innovation to address the crisis.

Before developing the "crisis-PEN-innovation" framework, the application of a POE lens to understand sustainable financial innovation is defended. After theoretically positioning the framework, the 12-month research engagement with Triodos Bank is explored in which theory-guided process tracing (TGPT) is employed to understand the development of five sustainable financial innovations. The results from this study confirm the framework put forth in this paper. The paper concludes with a summary of the contributions from this research along with proposals for further research to better understand sustainability innovation.

### 3.2 Literature Review

This study is concerned with the conditions under which sustainable financial innovations occur. The literature on sustainable innovations, which primarily focus on the sustainability of the process itself, is first summarized. Due to the organizational level of analysis conducted in assessing the actors of PENs, the theoretical evolution of corporate sustainability is then explored. Defended as a values-based ideal that
requires a positive approach, corporate sustainability is reframed through the POE literature and distinguished from corporate social responsibility (CSR).

### 3.2.1 Sustainable Process for Innovation

The current research that relates sustainability to innovation focuses primarily on the sustainability of the innovation process, attempting to understand the dynamics of the “sustainability innovation journey” (F. W. Geels et al., 2008) rather than concentrate on how to promote sustainability innovations. Nonetheless, the theories developed by researchers from this space and the variety of lenses they use contribute greatly in supporting the efficacy of PENs in the proposed framework as being the mediums through which sustainability innovations occur. This paper adopts Thompson’s (1965) commonly accepted definition of innovation and incorporates it with the definition of sustainability stated above to define sustainability innovation as “the generation, acceptance and implementation of new ideas, processes, products or services” (Thompson, 1965) “that meets the needs and aspirations of the present without compromising the ability to meet those of the future” (Brundtland & W.C.E.D., 1987).

Two prominent lenses used to evaluate the sustainability of innovation processes are strategic niche management and technology innovation systems. The strategic niche management approach suggests that innovations are incubated in niche market segments that connect users, producers, and stakeholders to collaborate and develop an innovation before they are at a stage ready for release (Schot & Geels, 2008; Verbong et al., 2008). These innovations need protection, hence a niche, and a strong community of entrepreneurs and stakeholders to develop the innovation (F. Geels & Raven, 2006; Kemp et al., 1998). The technology innovation systems approach focuses more on this latter point by assessing the set of actors, networks, and institutions around which innovations spread (Hillman et al., 2008). In this literature, authors note the presence of virtuous cycles whereby innovations gain legitimacy through positive externalities and feedback loops (Bergek et al., 2008; Hillman et al., 2008). This is driven further by authors utilizing socio-political lenses who argue that the active
participation and collaboration among relevant stakeholders is necessary for innovation (Agterbosch & Breukers, 2008; Araujo et al., 2009). One strategy for achieving this collaboration is through discourse and the strategic framing of sustainability innovations to engage a larger group of actors (Lovell, 2008). An entrepreneurship lens also supports the importance of creating a strong network around an innovation (Larson, 2000). The public entrepreneurship network is an impressive framework developed by Laws et al. (2001) that combines an entrepreneurial lens with a socio-political lens to describe the process for developing innovations, emphasizing the role of government.

3.2.2 Corporate Sustainability Overview

While sustainability ideals can be traced to various religious texts and teachings (Dudley, 1996; Gottlieb, 1996; Matthiessen, 1984; Mbiti, 1996; Mebratu, 1998), the modern sustainability movement is demonstrated by Kidd (1992) to have derived from six different roots: the carrying capacity root, the resource root, the biosphere root, the critique of technology root, the “no growth” or “slow growth” root, and lastly the eco-development root. Due to the similarity between the first two movements Kidd (1992) identifies (i.e. the carrying capacity root and the resource root) and the normative emphasis of the latter four (i.e. the biosphere root, the technology root, the “no growth” root, and the eco-development root), for purposes of simplicity, it can be argued that there are two major branches from which the modern construction of sustainability is derived.

The carrying capacity approach has arguably been the most dominant in evolving the traditional concepts of sustainability, beginning with Malthus’ (1798) *Essay on the Principle of Population*, which stresses the limits to growth caused by resource scarcity (Kidd, 1992; Mebratu, 1998). In the early 1900s, however, normative claims began to be linked to scientific pre-conceptions of sustainability. Perhaps the first normative stance was made by Shaler in 1905 when he emphasized the moral obligations of each generation to future generations (Shaler, 1905). This ethical obligation is captured in Sachs’ definition for “ecodevelopment” (Sachs, 1978), which was closely adapted
in the commonly accepted definition for sustainable development proposed by the Bundtland Commission: “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland & W.C.E.D., 1987). This comprehensive, values-based approach extends beyond the environmental focus of early conceptions and into the socioeconomic domains (Kidd, 1992; Mebratu, 1998). Most definitions for sustainability are also catered around this definition. Through a historical analysis, Bell and Morse (2008) clarify the relationship between the two terms by identifying sustainability as both a descriptor and target for sustainable development.

Although sustainability innovations occur at the systems level, the PEN construction in this paper is based upon an organizational level of analysis on the actors that make up the network. Therefore, this research is specifically concerned with the field of corporate sustainability, which applies sustainability to the firm or organization. There is no agreed upon definition for corporate sustainability. One potential definition is offered by Dyllick and Hockerts (2002: 131), who apply the definition of sustainability referenced earlier to a stakeholder conceptualization of the firm: “meeting the needs of a firm’s direct and indirect stakeholders without compromising its ability to meet the needs of future stakeholders.” Although corporate sustainability is often times interchanged or confused with CSR (Montiel, 2008), the two constructs need to be distinguished, particularly from a POE standpoint.

CSR stems from a different literary trajectory than does corporate sustainability and is present in foundational works of management theory including Chester Barnard’s (1938) The Functions of the Executive. Although there is no definition for CSR, Carroll describes a CSR firm as one that “should strive to make a profit, obey the law, be ethical, and be a good corporate citizen” (Carroll, 1991, p.43) (for literature review on CSR, see Carroll (1999)). Due to its strong moral emphasis and common origins in the management literature, CSR literature is parallel to and often interchangeable with the field of business ethics (Carroll, 1999; Joyner & Payne, 2002) (for literature review on business ethics, see Tsalikis and Fritzsche (1989)). Dating back to the early 1900s, both fields resurfaced in the 1970s in response to increasing
stakeholder demands for “transparency, accountability, and responsibility” (Caza et al., 2004, p.171) due to the many illegal and unethical infractions committed by businesses (Bartel, 2001; Mitchell, 2001; Turban & Greening, 1997; Wood, 1991). These infringements led to a surge in the business ethics and CSR disciplines as researchers began to study causes, behavior, and outcomes of unethical behavior. As a result, CSR focuses primarily on satisfying legal regulations, reducing harm, and meeting the societal expectations of a “good citizen” (Carroll, 1991, 1999; Caza et al., 2004; Hubbard, 2009; Morse et al., 2001; Nijhof et al., 2003; Payne & Raiborn, 2001; Salzmann et al., 2005; Sebhatu, 2009; Simons et al., 2001). This focus is indicative of a deficit approach, however, and not consistent with the conceptualization of sustainability as an ever-moving target and values-driven ideal (Bell & Morse, 2008; Brundtland & W.C.E.D., 1987; Goldsmith et al., 1972; Kidd, 1992; Mebratu, 1998; Sachs, 1978; Shaler, 1905). Instead, sustainability, and corporate sustainability in particular, needs to be captured through a positive approach. A POE lens is therefore ideal for conceptualizing sustainability for its application of POS theory to the field of business ethics.

3.2.3 Corporate Sustainability through Positive Organizational Ethics

The positive approach of POE, which applies POS theory to business ethics and broader management literatures (Verbos et al., 2007), is the most appropriate lens through which to capture corporate sustainability. POS is grounded in positive psychology theory and applies it to study the positive behavior and outcomes of organizations (K. S. Cameron et al., 2003; Verbos et al., 2007). As a “science of positive subject experience, positive individual traits, and positive institutions,” (Seligman & Csikszentmihalyi, 2000) positive psychology draws upon well-grounded theory from the social and behavioral sciences to study not what makes humanity endure or survive, but rather what enables it to thrive (Baumgardner & Crothers, 2009; Seligman, 1998). Therefore, at the core of positive psychology and POS literature is a positive,
or an abundance approach. Whereas a deficit approach is characterized by identifying problems and generating solutions (i.e. problem-solving and filling deficits), an abundance approach starts by identifying the highest potential and understanding enablers of such potential (K. S. Cameron et al., 2003; Linley et al., 2010). Applying positive psychology to the organizational unit of analysis, POS aims to better understand what causes organizations and their members to strive towards such descriptors as “excellence, thriving, flourishing, abundance, resilience, [and] virtuousness” (K. S. Cameron et al., 2003).

The field of POE bridges POS, business ethics literature, and management literature to understand the behavior, dynamics, causes, and impacts of a positive ethical organization, or one that aims to not merely reduce harm but to improve society (Caza et al., 2004; Verbos et al., 2007). Through a positive deviance continuum, illustrated in Figure 4-2, a positive ethical organization can be equated with a sustainable one, positioned as being positively different from the ethical norm (K. S. Cameron, 2003; Caza et al., 2004; Spreitzer & Sonenshein, 2003, 2004; Verbos et al., 2007). A POE lens therefore affords corporate sustainability to be distinguished from CSR and business ethics, which Caza et al. (2004) state “typically involve the imposition of specific standards of moral corporate behavior and a cohesive set of rules for appropriate action” (Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Swanson, 1995). Moreover, while CSR is in the domain of ethics and focuses on reducing harm, corporate sustainability is a positive ethical ideal attributed to “benevolent” organizations that aim to improve society. The use of the term “positive ethical” in this paper refers to the positive deviance from the ethical norm, as adapted from the theoretical construction of positive ethical organizations (Verbos et al., 2007), the distinction between ethics and ethos (Caza et al., 2004), and the positive deviance continuum (K. S. Cameron, 2003; Caza et al., 2004; Spreitzer & Sonenshein, 2003, 2004). While many definitions for ethics exist, they closely resemble Raiborn and Payne’s (1990) definition: “a system of value principles or practices and a definition of right and wrong” that this paper aligns with (Joyner & Payne, 2002; Tsalikis & Fritzsche, 1989).

By moving beyond the minimum standards of CSR and towards the sustainabil-
Organizational practices

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<th>Non-compliant or harmful</th>
<th>Socially responsible</th>
<th>Sustainable</th>
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Ethics

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Integrity

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Figure 3-1: Corporate sustainability and corporate social responsibility can be distinguished on a positive deviance continuum.

...ity ideals of attaining the best possible outcomes for society, the positive deviance continuum provides a much needed structure to the literature framing CSR and corporate sustainability through a hierarchical relationship (Kaptein & Wempe, 2002; Van Marrewijk, 2003). Furthermore, in the approaches espoused by the Erasmus University’s Business Society Management and Lassi Linnanen and Virgilio Panapanaan from the Helsinki University of Technology, CSR is perceived as an intermediate step towards corporate sustainability, or “the ultimate goal; meeting the needs of the present without compromising the ability of future generations to meet their own needs” (Van Marrewijk, 2003, p.101). The POE literature therefore highlights sustainability through a positive approach, returning the focus to how organizations can attain optimal ideals as opposed to fixing problems as they appear and “getting by.” Most importantly, however, through its positioning of a sustainable organization as being positively deviant from the norm, a POE lens contextualizes corporate sustainability, enabling it to mean different things in different contexts.

### 3.3 Framework Development

Despite the variety of lenses used by authors in studying how to make the process for innovation more sustainable, there are very few studies that assess how sustainability innovations are developed. A POE-based framework is therefore proposed in this section to capture the process of sustainable financial innovations. In this framework, a PEN serves as the coordinating mechanism through which sustainable financial
innovations are developed in response to a crisis. The theoretical underpinning of this framework is divided into the following three parts: 1) the development of PENs through the amplifying effect and Appreciative Inquiry theory; 2) the role of crises in triggering PEN formation; and 3) the capacity of PENS for sustainable financial innovation in response to crises. The final framework is illustrated at the end of this section.

3.3.1 Development of PENs through the Amplifying Effect and Appreciative Inquiry

To date, much of the POS and POE literatures have focused on the individual, interpersonal, and organizational levels for units of analyses as opposed to the systems level. At the individual level, authors demonstrate the traits associated with positive individual ethics such as physical and mental health, high levels of positive energy, excellence, wisdom, creativity, humility, trustworthiness, and resilience (K. S. Cameron et al., 2003; Caza et al., 2004; Fredrickson, 2000; Park & Peterson, 2003; Ryff & Singer, 1998; Seligman & Csikszentmihalyi, 2000; Weiner, 1993). These traits then impact the interpersonal level, building strong, lasting relationships characterized by compassion, respect, loyalty, and honesty (K. S. Cameron, 2003; Caza et al., 2004; Haidt, 2000). The field of POS emerges through the same mechanism, known as the amplifying effect, when interpersonal positive ethics cause an organization to foster and exemplify positive ethical qualities such as virtuousness, purpose-driven, appreciation, safety, equity, humanity, dignity, and vitality (Bolino et al., 2002; K. S. Cameron, 2003; Caza et al., 2004; Frederickson, 2003; Gittell, 2003a; Park & Peterson, 2003).

Although grounded in POS literature, notions of the amplifying effect have also been discussed in the organizational citizenship behavior literature (see Podsakoff et al. (2000) for full review) where authors discuss the impacts of positive individual behavior on organizational behavior and performance (George, 1995; Koys, 2001; Walz & Niehoff, 2000). In this section, it is argued that positive ethical actors, who are aligned in a network around shared values and common goals, cause the network to
become a positive ethical one through the amplifying affect in a similar manner as at the organizational level.

Cameron (2003) and Caza et al. (2004) describe the amplifying affect as the phenomenon of positive individual ethics spreading throughout an organization, leading to a positive ethical organization. In such an organization, people are inspired by positive ethical behavior when they observe and encounter it (Bolino et al., 2002; Caza et al., 2004; Sandage & Hill, 2001). Haidt (2000) addresses this phenomenon as “elevation,” which occurs when people who witness human moral beauty or virtue are motivated to exemplify the same characteristics. Other authors agree with the intrinsic self-motivation or inclination to follow moral behavior when it is observed (K. S. Cameron et al., 2003; Cialdini, 2001). This contagious nature of positive ethical behavior leads to a positive upward spiral (Frederickson, 2003), spreading throughout an organization before eventually becoming part of the organization’s culture (K. Cameron & Caza, 2002). Also interesting is the mutually-reinforcing aspect of this process—while individual ethics impact organizational ethics, the reverse is also true: positive organizational ethics influence individual ethics (Bagozzi, 2003).

The amplifying process of positive ethical behavior, and its mutual-reinforcement, is not confined to the bounds of an organization and can instead occur in any network as evidenced by social network theory.1 Referred to as informal social control in the social network and psychology literatures, socialization mechanisms cause members of a network to be influenced by and to conform to the behavior and values dictated by the social norm, despite their own predispositions and beliefs (Brass et al., 1998; Erickson, 1988; Lindzey & Aronson, 1968; Zey-Ferrell et al., 1979; Zey-Ferrell & Ferrell, 1982). Social norms can be both, informal and ethically-founded, making them highly pertinent in PENs (Lindzey & Aronson, 1968; Phillips, 2010). The Appreciative Inquiry framework characterizes the process in which a social norm can be intentionally established in networks with positive ethical actors who share values and collaborate towards a common goal (Cooperrider & Whitney, 2005).

1While organizations can be argued to be networks, the reverse is not always true—primarily from a structural perspective.
Appreciative Inquiry is a four-stage process that activates the amplifying effect within an organization to create positive change by: 1) discovery of positive ethical behavior within an organization; 2) dream of an opportunity for positive change based on shared values; 3) design of a solution for desired state to be realized; and 4) delivery or destiny of the vision (Cooperrider & Sekerka, 2003). The first two stages of this framework inform the PEN theoretical construction that in order for a network to be considered a PEN, it must consist of positive ethical actors who share a common vision. A PEN can thus be formally defined as: a purpose-driven network of positive ethical actors aligned under a shared set of values and goals; where an actor can be any individual or group of individuals who may or may not represent an organization, institution, or smaller PEN. As the next section delineates, external crises serve as trigger mechanisms for PENs to form and mobilize around an opportunity for positive change (stages one and two of the Appreciative Inquiry process) while the third section of the framework discussion explores the innovative capacity within PENs (stages three and four).

3.3.2 External Crises Trigger PEN Formation

While the definition of a crisis depends on the context in which it is used, for the purposes of this paper, a crisis is defined as an event or process of critical instability in a system (Barton, 1969; Jaques, 2009). The current research in POS concerned with crises focuses on internal crises and the “buffering” effect (K. S. Cameron, 2003) or resilience (L. Sekerka et al., 2011; Sutcliffe & Vogus, 2003) that positive behavior affords. However, this study is concerned with external crises and the effect they have on PEN formation and mobilization as well as on the capacity of a PEN to address societal challenges through sustainable financial innovations. The notion of positive ethics as a state of virtuousness (K. S. Cameron, 2003; Caza et al., 2004) provides insight on how positive ethical actors may respond to external crises. Moreover, virtuousness fosters “prosocial” behavior, or individual behavior that is directed toward benefiting other people not due to reciprocity but out of self-motivation (Batson, 1991, 1994; Berkowitz, 1972; K. S. Cameron, 2003). External crises are therefore per-
ceived as opportunities for positive change by positive ethical actors exhibiting and acting upon prosocial behavior.

Some authors expand upon the dynamics of crises motivating positive ethical responses by focusing on transcendent behavior, which Bateman and Porath (2003: 122) define as "self-determined behavior that overrides constraining personal or environmental factors and effects extraordinary (positive) change." Consistent with the discussion on prosocial behavior, transcendent behavior is a positive ethical trait also argued to be stimulated through crises and based upon intrinsic motivation and virtues (Bateman & Porath, 2003; Hackman & Oldham, 1976; Ryan & Deci, 2000).

As discussed in the literature, external crises evoke prosocial and transcendent behavior from positive ethical actors. Due to the focus of this research on sustainability innovations, the primary external crises of interest for triggering PENs are those that affect the sustainability of society: social, economic, and environmental crises. The economic crises throughout Europe that triggered the microcredit movement and social crises that fueled the SRI movement revealed the heightened suffering of others and therefore served as calls-to-action for virtuous individuals and organizations. In each of the historical examples cited in the introduction, actors aiming to respond to a crisis needed to collaborate with other actors who shared similar values and goals. This response of forming a purpose-driven network can be in large part due to the severity of the crisis and, consequently, the complexity of the solution required. PENs are therefore argued to form in direct response to external crises and mobilize under a common set of virtuous goals. In doing so, PENs transform external crises into opportunities for positive change.

Scharmer (2009) supports this claim in his development of Theory U when he proposes that the most common stimulus for change is a crisis. Scharmer (2009) goes further to describe four levels from which this reaction or response can be evoked: reacting, redesigning, reframing, and presencing. Presencing is the deepest level, which "denotes the ability of individuals and collective entities to link directly with their highest future potential" (Scharmer, 2009: 52). It is at this deepest level, presencing, which we argue crises induce PENs to operate at; uniting positive ethical
actors in a position to achieve positive societal change.

### 3.3.3 Sustainability innovation through PEN Coordination

There are many facets of positive ethics that afford an individual and organization with a capacity to innovate. Based on the theoretical formulation of PENs in addition to the review of innovation literature and POS theory, PENs are argued to have an even greater capacity to innovate. Arnaud and Sekerka (2010) make a valuable contribution to the theoretical framework proposed by arguing that innovation for sustainability in an organization requires a positive ethical climate. Researchers attribute the role of positive ethics in cultivating this climate to two factors: heightened intellectual aptitude and improved coordination mechanisms.

Many authors discuss the new knowledge creation and flexible thinking that can be attributed to positive ethical behavior (Amabile et al., 1996; Hackman, 1992; Lee et al., 2003; L. Sekerka et al., 2011). Frederickson (1998, 2000, 2003) explains the psychological mechanics behind this association through the broaden-and-build theory she develops; demonstrating that positive attitudes broaden thought and thereby build the intellectual resources that an individual can summon to use.

Beyond increasing intellectual abilities, positive ethical behavior in a PEN facilitates the process of innovation through relational coordination (Gittell, 2003b,c). Relational coordination theory argues that the “coordination of highly interdependent work is most effectively carried out through high-quality communications and relationships, particularly through relationships of shared goals, shared knowledge, and mutual respect” (Gittell, 2003c). The focus of coordination through interdependence and shared goals supports the theoretical construction of a PEN (Saavedra et al., 1993; L. E. Sekerka & Stimel, 2011; Wageman, 1995). On stressing the importance of relational coordination, Gittell reconceptualizes organization design theory, which has traditionally focused on mechanistic coordination, through a POS lens that emphasizes high-quality relationships and shared goals (Gittell, 2003c; Lawrence et al., 1967).

The innovation frameworks and theories mentioned earlier further support the
critical role of a PEN in the framework proposed. As described in the second section, the strategic niche management, technology innovation systems, and public entrepreneurship frameworks all stress the importance of a strong collaborative network to incubate and spread innovations (Bergek et al., 2008; Hillman et al., 2008; Kemp et al., 1998; Laws et al., 2001; Schot & Geels, 2008; Verbong et al., 2008).

It is for this reason that PENs extend beyond an individual or organization and instead require collaboration among a diverse set of positive ethical actors. Discourse framing theory, Theory U, and authentic leadership development all defend the purpose-driven nature of PENs and the shared values within them by stressing the importance of shared goals and relationships as coordinating mechanisms within innovation networks (Lovell, 2008; Luthans & Avolio, 2003; Scharmer, 2009). These frameworks and theories thus support the claim that PENs are ideally positioned for sustainability innovation.

3.3.4 Proposed Framework

Figure 3-2 shows the complete framework that has been theoretically positioned and developed in this section.
Figure 3-2: Crisis-PEN-Innovation framework. Positive ethical actors with shared values and goals form a PEN in response to a crisis, which they view as a positive ethical opportunity for sustainable financial innovation.
3.4 Methodology

The proposed framework can be tested through theory-guided process-tracing (TGPT). TGPT is concerned with "seek[ing] to account for outcomes by identifying and exploring the mechanisms that generate them" (Bates et al., 1998, p.12). Moreover, in TGPT, researchers start with outcomes of interest and work backwards to understand causal links that contributed towards them. As defended in Section 3.4.1 Triodos Bank, a pioneer in sustainable banking, is an ideal case to study through a TGPT approach.

The in-depth case study of Triodos Bank covers its 38 years of operation in order to better understand how sustainable financial innovations are fostered. The study consists of 29 semi-structured interviews—23 with Triodos employees and 6 with relevant stakeholders external to Triodos Bank. Interviews were conducted across all four international branches (Belgium, Spain, the UK, and the Netherlands), including four members of upper management: the CEO, the CFO, and two directors who report directly to the CEO. The remaining employees, or "co-workers" according to Triodos’ terminology, were selected from lower levels of the organization. The stakeholders who were interviewed consisted of business clients and community members. 5 of the 29 people interviewed were female and 2 of the 29 people were under the age of 35. While this demographic may appear skewed, an intentional screen was applied to interview members of Triodos’ stakeholder network who had first-hand knowledge of the sustainability innovations Triodos was involved with (the first of which dates back to 1972).

Interviews lasted between 40 and 90 minutes and consisted of three parts: the role, background, and responsibility of the interviewee; the history and current situation of the bank; and the contribution of the bank towards the sustainable development of the financial sector. In addition to the interviews, participatory observations and focus group discussions were conducted. All interviews, observations, and discussions were transcribed, coded, and analyzed. Based upon their frequency and depth by which they were discussed, five sustainable financial innovations were identified as
significant from the coded data.

3.4.1 Sustainable Banking: the Case of Triodos Bank

Due to their pivotal role as intermediaries in the economic system, financial institutions have a significant impact on society. In light of the current problems that stemmed from the financial sector and the dramatic effects it has caused around the world, it is particularly interesting to understand the conditions under which sustainable financial innovations occur in this space to avert or mitigate future crises.

To paraphrase the opening line of Weber and Remer (2011): there is no single definition of sustainable banking. Bouma et al. (2001) attribute this to the ever-evolving nature of the sustainable banking field. Although not formally defined, sustainable banks can be described as “value-driven banks” that “prioritize people before profits” as remarked by Peter Blom, the CEO of Triodos Bank. Social enterprises, including for-profit and non-profit alike, forego decisions to maximize profits in lieu of more socially favorable ones and are often financed by sustainable banks. Promoting a more sustainable society is thus the core mission and purpose of a sustainable bank—their raison d’être.

Differentiating Triodos Bank from numerous other sustainable financial institutions is its widely-recognized distinction as a pioneer in the sector, driven by ethical objectives to innovate. Founded in 1972 in the Netherlands, Triodos Bank operates in four European countries today: Spain, the United Kingdom, Belgium and Germany; with a total balance sheet in 2010 of 4.8-billion USD, a net profit of 15.5-million USD, and an average growth rate of 30-35%. Through its positive ethical attitudes and action, Triodos is the epitome of a positive ethical organization and a collaborator in many PENs. Triodos Bank is consistent with the positive ethical organization construction put forth by Verbos et al. (2007) in that it embraces the living code of ethics, or “the cognitive, affective, and behavioral manifestation of an ethical organizational identity” (Verbos et al., 2007, p.22). Moreover, the value-driven or sustainable DNA of Triodos Bank not only encompasses its identity but is operationalized in every decision made. As employees describe it, sustainability is “the
<table>
<thead>
<tr>
<th>Date</th>
<th>Sustainable Financial Innovation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>Formation of Triodos Bank: a fully transparent bank that only finances sustainable projects</td>
<td>100% of the loan portfolio is transparent and only consists of projects that promote positive societal change</td>
</tr>
<tr>
<td>1986</td>
<td>Wind Energy Fund (first in Europe)</td>
<td>Funding mechanism for wind energy and later green energy</td>
</tr>
<tr>
<td>1994</td>
<td>Microfinance Investment Fund (first in Europe)</td>
<td>An investment option for socially-conscious customers in non-industrialized areas</td>
</tr>
<tr>
<td>1996</td>
<td>Fair Trade Fund (first in the world)</td>
<td>Fund the “missing middle”</td>
</tr>
<tr>
<td>2006</td>
<td>Sustainable Checking Account (first in the world)</td>
<td>Address the social challenge of consumer debt by providing checking accounts while not providing loans for consumption</td>
</tr>
</tbody>
</table>

Figure 3-3: Triodos Bank’s sustainable financial innovations

only way at Triodos Bank.” This has even led to some potential employees to not pursue employment opportunities, finding Triodos “too sustainable.” Triodos Bank’s loan portfolio is invested solely in initiatives that improve the environment, society, and culture. To increase accountability, it makes all of its loans transparent. In cases where it is unclear if a project actively improves society, dialogues are held and include senior-ranking employees. Through such practices, Triodos Bank is not only positively deviant from the ethical norm of the financial sector, but also positively deviant from the ethical norm of the sustainable finance sector.

3.5 Research Findings

Through the case study analysis of Triodos Bank, five sustainable financial innovations stand out to mark important milestones in the history of the bank and define core phases of development during its 38 years of operation. Each of these innovations is detailed in the subsections that follow through a TGPT analysis. Figure 3-3 outlines the sustainable financial innovations identified.

3.5.1 Sustainable and Transparent Banking

In 1960, four individuals formed a working group in the Netherlands around the idea of using money as a vehicle for social change. They invited 20-30 social activists to study the meaning and qualities of money along with the role of banking. These study
groups and social innovation meetings continued, eventually framing the conceptual and intellectual foundation of what would become Triodos Bank.

The 1968 riots in France spurred the Dutch group to transform these discussions into action. Says one interviewee: “When we learned about the uprisings in Paris, we felt we had to go ahead with our idea. It gave us a real push.” The protests in France were an arena to question the economic systems in both the West and the East; directed against Western capitalism and Stalinist totalitarianism. Starting with a series of student protests, the riots elevated into a two-week strike by 11-million French workers and almost collapsed the French government.²

It was during this time that Triodos’ founders considered how to go forward. Their first idea was to provide consulting services to help businesses support positive societal change but they soon discovered that these businesses did not have sufficient access to capital. They therefore realized that “what is needed is a new type of bank,” according to Adri Dijkstra, the Deputy Managing Director. The idea to initiate social change through positive, entrepreneurial activity is consistent with the PEN formation stage in the framework proposed. Through the coordination of the working group, companies, organizations, and foundations pooled their funds together to launch the Triodos Foundation in 1971. An early employee summarized this process:

This experience [taught us] that you could handle money in a different way and if you worked together you could benefit from being part of a group. In those days in the Netherlands, it was not possible to negotiate with a bank about interest rates. Only rich people did that. Because of this pool, all of a sudden we became an entity that could negotiate.

The Triodos Foundation deposited these pooled funds in a conventional bank in the Netherlands, which paid them a higher interest rate than they could have earned independently with smaller deposits. The depositors then relinquished a percentage of the interest, which Triodos Foundation used to finance social entrepreneurs with affordable loans. As described by one of the founding members, “we formed a circle

²Visit: http://news.bbc.co.uk/onthisday/hi/dates/stories/may/13/newsid_2512000/2512413.stm
of individuals who, together, then provided the guarantee for the loan. A number of small guarantees by individuals secured the loan.” This continued throughout the mid-1970s, as money became a vehicle for social change. Based on the success of its early experiments, the PEN, held together by a shared mission and set of ethical values, went further to apply for a banking license. After an intense 18-month screening process by the central bank of the Netherlands, Triodos Bank was established in 1980 with the equivalent of 540,000 Euros.

Triodos Bank was therefore founded under the positive ethical principle that its entire loan portfolio should be invested in sustainable initiatives. To uphold this shared mission and inform stakeholders, Triodos Bank adopts a complete transparency model to inform stakeholders where their money goes. Present technologies afford Triodos Bank to make this tenet even more prominent through the publishing of every administered loan on the Google Maps platform. The Director of Triodos Bank in the Netherlands summarizes the lending process as follows:

We think our core activity on the lending side is really to find the pioneers in business—those who are the frontrunners in making their sector more sustainable. In the energy sector, we have already financed renewable energy, but only the best in class. So we are quite strict in our criteria there.

3.5.2 Wind Energy Fund

In 1986, the worst nuclear power plant disaster in history occurred at Chernobyl in the Ukraine. Highly radioactive fallout escaped into the atmosphere over an extensive geographic area. The strength of the explosion was 400-times greater than that of the atomic bomb that exploded over Hiroshima (IAEA, 1992).

The Chernobyl disaster sparked a discussion about alternative sources of energy in Europe. The anti-nuclear movement in Europe that had fought for the nuclear weapon treaty between the U.S. and the Soviet Union began to join forces with the

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“green” movement. A third party, Triodos Bank’s depositors, also raised concerns about nuclear energy as a result of the Chernobyl disaster. Peter Blom, who started with Triodos as a volunteer and is now the current CEO of Triodos Bank, recalled in an interview: “Our depositors called and asked us, what are you going to do about this issue? Are you providing options for us to invest in alternatives?”

In 1986, wind energy technology was in the early stages of its technological development. No bank in Europe offered any investment products in “clean” energy. Triodos Bank identified a promising wind farm project in Denmark and a small engineering company in the Netherlands as partners. The engineering company developed the technology and oversaw the project management of the wind farm project. Partnering with these two organizations was a conscious effort to evolve the PEN and incorporate actors beyond NGOs and concerned depositors to address the energy crisis.

Peter Blom, reflecting on this step in Triodos’ development, emphasized that Triodos recognized that this investment would be too great a risk for the bank but that the societal need for a financial innovation in the field of renewable energy was important. In order to move the Dutch society towards renewable energy, Triodos Bank realized it needed a much larger depositor base to be invested. Using a discourse and framing strategy as prescribed by Lovell (2008), Triodos Bank calculated and communicated that every Dutch family would need to invest 1 ANG per kilowatt-hour/year in green energy in order offset their personal energy footprint, or an average of 3,000 ANG per year (about 1,700 USD). Peter Blom recalls:

People were very inspired by this calculation and took this very seriously. With the help of our calculation scheme, they made exact calculations of how much they would need to invest in order to clean up their personal energy record. The very conscious concept of being responsible for your own energy consumption enabled Triodos to start the first Wind Fund.

Thus, two years after the Chernobyl disaster, Triodos Bank was able to finance the first wind farm in the world—a five-megawatt plant off the coast of Denmark.
To further expand the Wind Energy Fund, which eventually grew into the Green Fund, a former Managing Director of Triodos Bank recognized the need to financially incentivize people. He therefore decided to organize a seminar with other bankers and members of parliament to propose a tax break for green investments. Inspired by the discussion, two members of parliament who were in attendance proposed a policy to create tax incentives for private investors in green funds. Even though Triodos was the only entity with an existing green fund at the time (which only totaled 10-million Euros), the press was highly enthusiastic about the endeavor and popularized Triodos Bank along with the proposed tax break throughout the Netherlands. As a result of the strong support and popularization of the green tax incentive, parliament passed the law one year later in 1995. The seminar also motivated the Dutch Banker’s Association to create a green investing committee that meets six times per year. Consequently, green funds became a popular financial product that is now offered by a majority of banks in the Netherlands, expanding the market from 10-million to 700-billion Euros in 2011.

This case demonstrates the evolution of PENs as the original PEN coordinated by Triodos Bank was expanded beyond the initial set of actors on multiple occasions to increase the impact of clean energy funds. In addition, the amplifying effect is witnessed at the PEN level as other organizations began to imitate the positive ethical actions initiated by Triodos Bank.

3.5.3 Microfinance Investment Fund

Not all crises are as sudden and prominent as the 1968 riots in France or the Chernobyl disaster. In the early 1990s, the growing North-South divide and lack of development success in many areas concerned two Dutch NGOs: the Hivos and Doen Foundations. Despite their in-depth knowledge about local challenges and opportunities for development in non-industrialized countries, they lacked the financial expertise necessary to advance their work and impact. Aware of Triodos Bank’s corporate objective to pursue positive social change, the Dutch NGOs contacted Triodos Bank in 1994 for a potential collaboration in the MF sector. Soon thereafter in the same year, Triodos
Bank made its first investment in microfinance through a South African bank. After further discussions, Triodos Bank became more interested in the microfinance sector and set up a meeting in 1995 between Marilou van Golstein Brouwers, Managing Director of Triodos Investment Management, and Muhammad Yunus, the founder of Grameen Bank in Bangladesh and eventual recipient of the Nobel Peace Prize for his contributions to the microfinance sector. After the meeting, Van Golstein Brouwers decided to focus international investments on microfinance, “because that’s where [Triodos] would add the most value.” Beginning in 1996, Triodos coordinated with the two Dutch NGOs to launch two closed MF funds: Hivos-Triodos Fund and Triodos-Doen Foundation; both aimed to produce a developmental return rather than a financial return.

After recognizing a stakeholder interest in MF investment opportunities, Triodos launched the first open MF fund in 2002— the Fair Share Fund. It remains one of the few funds in Europe that provides private individuals with the opportunity to invest in the MF sector. In 2009, Triodos Bank added a second open MF fund to its portfolio, the Triodos Microfinance Fund, that is geared toward institutional and other larger investors. Each of these funds is based on a combination of investments in various microfinance institutions, or MFIs, worldwide, ranging in size from 5-million to 1-billion Euros in assets. The process of selecting partner MFIs is based on a full review that includes an assessment of the targeted client group, the lending process, the risk profiling, and most importantly the vision and intentions. Moreover, each of the MFIs that Triodos Bank invests in are mission-driven institutions that aim to improve the lives of the poor that they bank with. There are now 23 dedicated co-workers in Triodos Bank focused on emerging markets in 40 different countries and in cooperation with 82 MFIs.

The development of Triodos Bank’s MF funds confirms the finding from the previous case: PENs are not static. They evolve over time to improve upon the sustainable financial innovation put forth. This case also reveals that crises, while at the root of PEN mobilization, are not always universally recognized as crises by non-positive ethical actors. Also interesting is the trajectory of PENs as they grow— an issue that
deserves further research. Furthermore, the senior manager of the MF department cautions the expansion of PENs, stating:

You really have to be selective about whom you do business with. You see soon enough who is a good partner, if you know the sector. You have to look at how transparent their procedures are... Basically, you sort of know by talking to management. It all comes back to values. You have to ask what is their main motive for getting into this business.

In the case of the MF movement at Triodos Bank, the common values and positive objectives between Triodos Bank and the Dutch NGOs established a high-level of trust and, consequently, the willingness to collaborate to develop the first MF fund in Europe. Triodos also works closely with the MFIs it invests in, and is a shareholder in 19 of them. As an example of its engagement with other positive ethical actors, Triodos hosts an annual workshop on microfinance for its partners, creating a space for reflection and sharing.

### 3.5.4 Fair Trade Fund

In the early 1990s, the debt crisis in South America initiated a debate in Europe about the responsibility of investors and banks to the economic development of non-industrialized countries, particularly those in South America. This crisis, which revealed the plight of producers in non-industrialized countries from not receiving a fair share of profits, served as the roots for the fair trade movement. Church groups hosted discussions and fund-raising events to address the situation in South America, thus becoming the space where the idea of fair trade commerce spread. Many churches even began to offer retail space for fair trade stores.

Through the church movement, Triodos Bank realized that it needed to finance producers in non-industrialized countries, which it considered the “missing middle”—a segment of society in need of loans that exceeded the cap of microcredit loans but were not large enough to be catered to by conventional banks. Triodos Bank actively began engaging with churches on these issues in addition to larger issues
such as the purpose of money in society. The following excerpt from an interview with Thomas Steiner, one of Triodos' early employees, captures this collaboration and PEN formation:

When I joined in '91, the church movement was concerned about the enormous debt in Latin America, and they were asking who was to blame... They had the feeling that a completely new way of banking could be the answer to the problem in Latin America and that people should put their money with Triodos Bank. For almost five years, from around 1988 until 1993, [Triodos was] approached almost weekly by churches and groups of people to discuss money and how money works in society... They were the same people who launched the Max Havelaar concept a few years later that is now called fair trade.

Churches became a new group of institutional investors for Triodos, focused on alleviating poverty through financial instruments aimed to empower the “missing middle.” Assisted by its engagements in the microfinance movement, Triodos began building relationships with cooperatives and fair trade exporters to finance exports and guarantee financing for fair trade or organic farms to sell their products at a fair share—a practice termed trade financing. In 2008, Triodos officially launched its Fair Trade Fund to finance the various actors in the fair trade movement, ranging from trade financing to loans for local organizations selling fair trade products. As Koert Jansen, the Manager of the Triodos Fair Trade Fund, remarks, “financing is often the weak link in the chain of fair trade or organic products. We enable the cooperatives to pay their farmers a good price.” In order to help finance the initiative, Jansen explains that “the fund has been set up as a foundation with guarantors covering part of the risk. For example, the NGOs Hivos and ICCO, and the G-Star Raw Denim Foundation... Triodos Bank provides the fund with loans of up to three-times the amount set aside by guarantors.” Triodos' consulting branch, Triodos Facet, has since developed a training program on value chain financing and presents its findings at conferences.

Again, the first innovative financial product to fund cooperatives in the fair trade
movement was launched via a PEN. Similar to the previous case, PEN formation was significantly based upon positive ethical actors (i.e. churches) drawn to the positive organizational ethics of Triodos Bank and expanded with other positive ethical actors in the fair trade movement.

3.5.5 Sustainable Checking Account

In the early 2000s, another crisis began to emerge and attract the attention of the general public: the growing consumer debt in Europe and the United States. During this same period, several customer focus groups and customer satisfaction surveys revealed a growing demand for customer checking accounts at Triodos Bank, a product not offered at the time. Throughout its years of operation, Triodos Bank had struggled with providing more retail products to its customers as its strict lending principles were in direct conflict with any type of financial products that would contribute towards unsustainable consumption. This positive ethical stance starkly contrasts the attitudes of other banks, which failed to identify or ignored the unsustainable impacts of credit cards and consumer debt on society. The challenge that Triodos Bank perceived for its operation was how to provide full-banking services, as being demanded by its customer base, but not contribute to consumer debt. Pierre Aeby, the CFO for Triodos, summarizes the internal debate among co-workers as follows:

Our principle is that we invest our money on sustainable projects. That is the basics. On the other hand, we want to serve our clients, and sometimes there is a dilemma because a client is not always fully sustainable. They don't [always] eat organic or... drive an electric car. But if the customers make a choice that's not sustainable, do you penalize them for that and say, 'Okay, you have to go to another bank?' In regard to consumer loans, we think about what customers are spending their money on and most importantly, we believe we have an ethical responsibility in regard to the debt position of our customers, which actually implies helping to avoid being a driver for consumption... We cannot support a five-year loan for
buying a vacation package and building up debt that way. So, how do you manage that?

Triodos Bank collaborated with a specific segment of Dutch consumers, termed “cultural creatives” (Ray & Anderson, 2000), to develop a sustainable checking account. “Cultural creatives” refers to a particular segment of Dutch consumers who are socially conscious and looking for an alternative bank. It is estimated that they make up to 15% of the Dutch society. Through the focus groups and meetings held, Triodos decided to offer a checking account without credit cards or consumer loans but with a credit line based upon the monthly income of the customer with a few exceptions for sustainable purchases such as an electric car. This decision was favored by all the members in the PEN in order to avoid directly contributing to unsustainable consumption. One interesting characteristic of this PEN that causes it to differ from earlier examples is its inclusion of a broader segment of society.

Implementing this innovative idea proved to be rather challenging. During the same period, legislation was passed in the Netherlands requiring Dutch banks to have one ATM for every 4,000 customers. Triodos worked with other sustainable banks, however, and successfully lobbied the EU commission to drop the law based on its discrimination against small banks. Instead, to avoid incurring a significant expense, Triodos Bank further expanded the PEN through an agreement with Rabobank, another sustainable bank in the Netherlands, to enable its customers to use a Rabo ATM as often as eight times per day to withdraw up to 1,500 Euros. Similar to the previous innovations, the press covered Triodos' new sustainable checking accounts. Dick Tichelaar, a manager at Triodos Bank, recounts:

I watched the report about Triodos Bank on TV on a Sunday when we had just launched the current account and I called my colleagues. We thought, ‘oh, something is happening here.’ Monday morning came the big surprise. It was fantastic. We had an application volume of about six-times what we expected.
Within three years, Triodos Netherlands had opened 30,000 checking accounts serving 36,000 customers. Checking accounts that lack credit cards or consumer loans are not profitable financial products but they are a sustainable solution for countering the growing consumer debt crisis. They also provide an avenue for increasing the funds that go towards Triodos’ sustainable loans and funds. Tichelaar explains:

We want to grow our impact in society. It sounds a little bit high spoken, but we want to make a difference... We want to provide more loans for innovative projects. That translates into more customers. But increasing these numbers is not our main goal, it is the means to get to our goals.

Through engaging in a PEN with a socially-conscious segment of society and expanding it to include other positive ethical actors, including another sustainable bank and positive media channels, Triodos Bank was able to achieve a financial innovation that met societal needs in a sustainable manner.

3.5.6 Summary of Findings

Employing the crisis-PEN-innovation framework proposed, the results from the case study are summarized in Figure 3-4. The data are consistent with the framework, suggesting that the emergence of a crisis and its urgency allows for a collective articulation of values through a PEN. In each of the five cases explored, various positive ethical actors collaborated within a PEN to develop sustainable financial innovations to address an external crisis. The PEN served as both a space to cultivate an idea and also a medium for facilitating the innovation that resulted from it.

3.6 Contributions and Further Research

The crisis-PEN-innovation framework makes four contributions to the POE literature: 1) positions corporate sustainability through a POE lens; 2) formalizes the PEN construction through POS theory; 3) proposes PENs are mobilized to respond
to external crises; and 4) demonstrates how PENs cultivate and facilitate the sustainability innovation process. An initial test of this framework was conducted through an in-depth case study of Triodos Bank, where the processes behind five sustainable financial innovations were analyzed through TGPT. The data imply that the role of PENs for advancing sustainable financial practices and innovations can be substantial. This research indicates that PENs are not only relevant for translating crises into positive opportunities, but also for the ability to take advantage of such opportunities and translate values into marketable products and services.

The importance of employing a POE lens to capture PEN formation, mobilization, and implementation of a sustainable financial innovation needs to be re-emphasized. The theoretical framework set forth changes the landscape of sustainable financial innovations—postulating that these innovations require positive ethical actors. Therefore to foster a sustainable society, financial groups, organizations, and institutions must adopt and exhibit positive organizational ethics if they are to develop the sustainability innovations they are capable of and ideally situated for. The MF, SRI, and sustainable banking movements demonstrate what relatively small PENs are capable of achieving. In contrast, non-positive ethical financial institutions
were responsible for causing the global financial crisis of 2008. The development of much larger PENs through a transformational change in value and ethics systems of larger financial intermediaries is therefore critical in developing the sustainable financial innovations required for a sustainable society.

Moving forward, further research needs to be conducted to better understand the potential of PENs in promoting sustainable financial innovations and sustainability innovations in general. The theory first needs to be rigorously tested in the financial sector. Do all sustainable financial innovations follow the crisis-PEN-innovation framework proposed in this paper or are there exceptions? If there are exceptions, what are the cases when the framework does not apply? Are there instances when PENs are triggered by other stimuli or when sustainable financial innovations are formed in the absence of PENs? It is also important to determine if the crisis-PEN-innovation framework can extend beyond the financial industry. Researchers are thus urged to test the proposed framework or variants of it on industries beyond finance in order to determine the constraints of the framework in applying it to sustainability innovations at large. If the framework is restricted to the financial sector, what makes the financial industry a unique case?

An additional area of research is to better understand the role of external crises in triggering positive reactions. As is evident from this paper, not all crises lead to the formation of PENs and sustainable financial innovations. Is there something specific about certain crises or certain responses that elicit the responses captured in this study? The timing of crises is likely to be important. For instance, the 1968 riots in France took place during the same time that the early founders of Triodos Bank began holding discussions around a new way of banking. Also critical are the members of a PEN. While crises can motivate a variety of positive responses, not all are realized into sustainable innovations. In the sustainable banking innovations identified, either Triodos Bank or another actor played the role of being a coordinator in the PEN. Therefore, it is important to study how PENs are formed and mobilized, focusing on the actors behind them. It may also be the case that PENs form organically and without a coordinator in response to a crisis, as is often the case with social
movements. Such an instance demonstrates that social movements are consistent with the definition of a PEN outlined in this paper—a purpose-driven network of positive ethical actors aligned under a shared set of values and goals; where an actor can be any individual or group of individuals who may or may not represent an organization, institution, or smaller PEN.

Equally important to determining the applicability of the framework is to better understand the trajectory of sustainable financial innovations. Specifically, the latest research on the MF and SRI movements informs us that sustainable financial innovations do not always remain sustainable. Further investigation is therefore required, through the framework proposed, to understand what happens in cases when sustainable financial innovations either fail to materialize or materialize but become less sustainable over time. One hypothesis is that as a PEN expands, it runs a greater risk of incorporating non-positive ethical actors who are capable of taking advantage of a sustainability innovation and using it to create self-centered, non-positive outcomes. If this holds, caution must be implored by PENs to ensure network entrants share the same positive values and goals. The spreading of these positive values through the amplifying effect, as observed by the development of the Wind Energy Fund at Triodos Bank, should also be studied more in depth to understand successful cases of PEN expansion or even conversion of non-positive ethical actors into positive ethical ones.

A prerequisite for many of these efforts to measure the trajectory of sustainability innovations is the development of frameworks for measuring the efficacy and performance of sustainability innovations. Why are some sustainability innovations considered successes while others considered failures? In attaining a greater understanding of the development of sustainability innovations, from their formulation to their trajectory and outcomes, practitioners and academics in this space can more effectively work towards developing a sustainable society. This topic is further explored in the next chapter of this dissertation.
REFERENCES


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Chapter 4

Understanding Sustainable Development through Positive Ethical Network Analysis

Abstract

This paper assesses the strategy of promoting cooperatives to foster sustainable development through a six-month case study analysis of argan oil cooperatives in southwestern Morocco and a four-year action research engagement that followed. Based upon the 35 interviews conducted and a thorough document analysis of the cooperative movement, a positive organizational ethics lens is employed to understand and analyze its trajectory. Specifically, through a positive ethical network (PEN) analysis, the success of the cooperative movement can be attributed to the formation of a PEN while its shortcomings can be accredited to the lack of scaling the network with positive ethical actors. Furthermore, the role of donor organizations and cooperative associations were critical in creating the argan oil cooperative movement, which rapidly grew to dominate 50% of the market in two years. However, the inclusion of non-positive ethical actors led to various setbacks when expanding the movement. To expand the research insights further and understand an alternative PEN-based tra-
jectory, a cooperative was developed through a four-year action research engagement and scaled through the sole inclusion of positive ethical actors. This applied research further demonstrates the critical role that PENs play in promoting sustainable development while also cautioning against the inclusion of non-positive ethical actors in sustainability movements.

**Keywords:** sustainable development, cooperatives, positive organizational ethics, positive ethical networks, international development, argan oil

**Abbreviations Used**

- EU: European Union
- EUR: Euro (currency)
- PA: Projet Arganier
- PEN: Positive ethical network
- POE: Positive organizational ethics
- POS: Positive organizational scholarship
- TAT: The Argan Tree
- VM: Volunteer Morocco

### 4.1 Introduction

Cooperatives employ over 800 million people worldwide and secure the livelihoods of roughly half the world’s population, a significant portion of which would otherwise be without employment. Cooperatives are in urban and rural settings and are utilized by marginalized populations not only in the global “South,” but all over the world. As both a strategy and an organizational form, they enable often under-privileged individuals to collectively compete in a market through joint-ownership agreements and democratic decision-making. As a testament to their form, cooperatives are increasingly heralded by powerful macro-planning entities such as the European Union (EU), the U.S. Agency for International Development, or USAID, and the United Nations, or UN. In fact, the year 2012 was declared by the General Assembly of the UN as the “International Year of Cooperatives.” Consistent with an endorsement by
the International Labor Organization dating back to 2002, many countries including those in Africa, Central America, and South America, are encouraging the growth of cooperatives as a broad poverty-alleviation strategy.

While cooperatives are promoted for their ability to achieve sustainable development, many often fail due to a variety of factors plaguing poverty-alleviation initiatives including a lack of accountability, low wages, and difficulty competing in high-end markets (these are explored more fully in Section 4.2.2). Research has been conducted on the various dynamics that cause cooperatives to fail from reaching their full potential, but no studies to date have applied positive organizational scholarship (POS) theory to better understand how to maximize the positive outcomes from sustainable development initiatives. Applying positive psychology theory to the organization, POS uses a positive approach to understand how organizations can achieve their greatest potential. Through a POS-grounded approach, macro-planning institutions can reform their current approaches toward sustainable development to optimize the outcomes of initiatives.

A POS-based perspective is more consistent with the notion of “sustainable development” based on the strong value-based underpinnings associated with the conceptualization of sustainable development. Moreover, this paper argues that in order for a sustainable development initiative to achieve its greatest potential, all stakeholders need to embrace sustainability goals and ideals. The positive organizational ethics (POE) literature, which is based on POS theory, provides a framework that situates sustainability ideals on a positive deviance continuum and can be applied to understand and gauge stakeholder stances. Therefore, the overarching research question for this study is: how can the trajectories of sustainable development initiatives be better understood through a POE-based framework? The hypothesis is that in order to drive sustainable development, a positive ethical network (PEN), consisting of positive ethical actors, is necessary. Therefore a PEN analysis that gauges the positive ethical stances of actors can be applied to understand the behavior and trajectory of initiatives. To test this hypothesis, this paper explores the argan oil cooperative movement in Morocco (a sustainable development initiative) through a case study
approach to understand the efficacy of a PEN analysis in capturing its behavior and trajectory.

4.2 Literature Review

This section begins with a contextual background of the argan oil cooperative movement before covering the literature on cooperatives and its application to this study. Finally, POE literature is discussed to provide further insight on how sustainable development initiatives can be better planned and assessed.

4.2.1 Context and History

"I realized argan forests are going to disappear so I wanted to study how to commercialize argan," remarks Zoubida Charrouf about the impetus behind spurring the argan oil industry. The constantly expanding cosmetic product lines and luxury culinary brands surrounding "liquid gold" therefore emerged from a movement with the primary goal of improving the status of the argan tree. The 80-million-year-old tree species once spanned all of North Africa, preventing desertification and providing numerous benefits to the people cultivating it (Charrouf & Guillame, 2009). Steadily declining over the ice age, argan trees can now only be found in the Sous Valley—a region in southwest Morocco. Charrouf and Guillame (2009) estimate that the argan forests further diminished by 50% during the 20th century due to a heightened demand for fuel, over-grazing, and conversion to exportable crops. As a result, the argan forest was declared a UNESCO Biosphere Reserve in 1998.

Charrouf aimed to incentivize local populations to protect the argan forests by commercializing argan oil. Moreover, an increased demand for argan oil would raise prices of argan oil and therefore financially incentivize local communities to preserve the forests. By using scientific processes to affirm local Berber knowledge of argan oil's medicinal and beautification properties, Charrouf was able to draw global attention to argan oil. Despite this, the process to produce argan oil was too arduous at the time to develop a significant supply. Mobilizing the mechanization of this process, Charrouf
addressed another important issue central to rural Morocco: the socioeconomic status of women.

The majority of women in southwest Morocco are uneducated and unable to speak Arabic, making it difficult for Berber women to leave the countryside. In addition, as is customary in traditional Islamic societies, the socially-conservative and tightly-woven family units often discourage employment opportunities for women. Families are therefore dependent on a single source of income, contributing to an approximate rural GDP per capita of 1325 EUR—60% less than the overall GDP per capita.

To ameliorate this situation, Charrouf developed the first argan oil enterprise and structured it as a female cooperative. The Amal cooperative was equipped with a mechanized system for pressing and filtering argan oil, procedures originally performed by hand. The efficient production process alongside the growing awareness for argan oil spurred an international market concentrated in Europe. This market growth led to the birth of other argan oil companies, which were primarily privately-owned. Due to their superior stock of managerial and technical skills, private enterprises outperformed cooperatives. An early study conducted by Lybbert et al. (2002; 2004) found that under this initial market mix, argan forests did not improve nor did local communities benefit from the growth of the argan oil industry. In fact many communities were negatively affected by the rising cost of argan oil sold locally while trees were over-harvested due to rising prices of argan fruit (T. J. Lybbert et al., 2002; T. Lybbert et al., 2004). Although cooperatives benefitted local communities considerably in comparison to private enterprises, these effects were negligible due to the minimal number of cooperatives and their capacities. If rural development was to occur, a strategy to promote the creation of new cooperatives and enable them to compete would be necessary.

4.2.2 Cooperatives and Development

Many scholars have written about the broad set of socio-political and economic objectives that cooperatives serve, which has led to their promotion as a development strategy (Attwood & Baviskar, 1987; Birchall, 2004; Gondolf, 1988; Lele, 1981; Tay-
lor, 2005; Tendler et al., 1983; Tendler, 1984). The association of cooperatives with development (in what would be considered sustainable development had the concept existed at the time) formally dates back to the Owenite movement in Britain during the 19th century. In the backdrop of harsh working conditions and low wages associated with the industrialization of Britain, Rochdale, England was the site of a strong socialist movement, which spurred the creation of labor unions and labor exchanges along with labor strikes and riots (Fairbairn, 1994; Oliver, 1958). Behind these movements were Owenites, followers of reformer Robert Owen, whose pioneering ideas were the “origins of socialism, trade unionism, social reform, and co-operation” at a time when these were not differentiated concepts (Fairbairn, 1994). His principal argument was that the value of a good should be based upon the labor that it took to produce the good and workers therefore deserve an equitable wage for their labor (Fairbairn, 1994; Oliver, 1958). Owen had a large following and was assisted by many other intellectuals in his movement. While he was not the originator of the Rochdale cooperative, the labor exchange he profusely argued for along with his view that communities thrive through a cooperation of individuals are the underpinnings of the cooperative movement.

In viewing a successful, thriving community as a cooperation of individuals, Owen argued that producers should view themselves as consumers and consumers as producers in a labor exchange where each laborer traded excess goods produced for another’s excess goods (Oliver, 1958). This is in essence a harking back to the original context of an economy. Thus the Owenites who helped found the first Rochdale cooperative created the cooperative form of organization to place the centrality of both the worker and the consumer in the production process as equal and contributive members of the larger community. The attitude towards workers is revealed in the Statutes of 1844 from the Rochdale Cooperative, which reads, “the objects and plans of this Society are to form arrangements for the pecuniary benefit and improvement of the social and domestic conditions of it members” (Bonner, 1961; Cole, 1945; Fairbairn, 1994; Lambert, 1963). In stark contrast to the critique of the view towards workers in corporations, the sole existence of the cooperative form of organization is to improve
the socioeconomic condition of workers.

What began as a small, successful cooperative in Rochdale soon expanded to thousands of cooperatives employing millions of members and promoting the goals of the founders. Cooperative-financed educational institutions, cooperative unions, and cooperative congresses (organizations completely foreign to those present today) flourished at the height of the cooperative movement (Bonner, 1961; Fairbairn, 1994). The six generally agreed-upon ideals that this movement is based on were proposed by the Rochdale Society and referred to as the Rochdale Principles. They are as follows:

1. Open membership
2. Democratic member participation
3. Fair and equitable investment by each member
4. Independent operations from governments, agencies, firms, etc.
5. Member education on the principles of cooperatives
6. Cooperation with other cooperatives

These principles have since been adopted by the International Cooperative Alliance and constitute most legal documents establishing cooperative principles. While many of the principles directly pertain to sustainable development ideals, the International Cooperative Alliance explicitly states the connection by appending a seventh clause cooperatives should follow: to protect the environment and promote sustainable development of the community. This final principle directly aligns with the promotion of cooperatives as a development strategy.

Not surprisingly, the principles of cooperatives as written in Moroccan law closely resemble the Rochdale Principles, but with one significant exception. Nowhere in Moroccan law does it state that cooperatives should remain independent from the government or other actors. While the intentions behind this omission are unclear, it represents a major departure from the traditional Rochdale cooperatives, and is
characteristic of the recent movement for governments and agencies to support cooperatives as a development strategy. For example, in June of 2002, the International Labor Organization released “Recommendation 193” to encourage the creation and growth of cooperatives and to make policy recommendations and implementation strategies for governments to actively promote cooperatives. Correspondingly, the major stipulation on the EU’s funding of the argan oil initiative was that all funded organizations must be organized as cooperatives. The most recent encouragement for the promotion of cooperatives by governing bodies was spurred by the UN, which established 2012 as the “International Year of Cooperatives.”

4.2.3 Pressures Affecting Cooperatives

As documented in the literature, there are a variety of external and internal forces that affect the behavior of firms. Both sets of pressures are explored below in their application to cooperative forms of organization before being summarized in a table at the end of this section.

External Pressures

While there is limited literature comparing the pressures affecting private businesses to those affecting cooperatives, there has been a multitude of research conducted on the effects of firms on local communities due to internal and external pressures. At the forefront of the debate on what drives firms to act socially responsibly is Milton Friedman (1970) with his simple logic that the only responsibility of a business is to make as much money as possible while conforming to the rules and regulations of society. However, Tendler (1983, 1984) offers a contrasting theory based on her extensive study on the dynamics of cooperatives in Bolivia. While cooperatives have been shown to act as selfish capitalist enterprises, thereby falling victim to the dynamics mentioned above, there are certain environmental factors specific to cooperatives that play an important role in their impact on communities (Taylor, 2005; Tendler et al., 1983; Tendler, 1984). An interesting aspect about the cooperatives Tendler
(1984) and Taylor (2005) studied was that each of them contributed back to their local communities. These ranged from community-wide benefits such as supporting infrastructure initiatives in schools, water sanitation, roads, etc. to an extension of their cooperative services and technical expertise to build social networks and encourage collective action among locals. In each of these cases, non-members and members alike benefited. Many of these positive outcomes can be attributed to the social pressure exerted by local communities, who perceived cooperatives as institutions that were meant serve the community (Tendler et al., 1983; Tendler, 1984). This pressure can be similarly applied from donors to ensure that that benefits spill-over and are shared with the community (Tendler et al., 1983; Tendler, 1984).

DiMaggio and Powell (1983) acknowledge both the coercive forces that Friedman (1970) maintains and also the normative forces that Tendler (1983, 1984) argues as two types of external forces that affect organizations. Coercive forces, which are not only isolated to legal regulations but can also extend to donors or other overseeing agencies, have been found to have a very strong effect on cooperative behavior and performance (Gyllstrom, 1991). While coercive pressure take the form of regulations or stipulations, normative pressures, which are less stringent, can be equally effective as demonstrated above.

DiMaggio and Powell (1983) also identify a third force, mimetic (or what other social scientists refer to as isomorphism), which is when an organization models itself after other organizations in the same sector. However, each of these pressures affects different forms of organizations in varying degrees. Cooperatives face different external pressures than ordinary firms and therefore contribute differently to local development. These forces also vary based on the context of organizations. For instance, Tendler (1983, 1984) attributed the positive view that locals held towards cooperatives to the strong Christian influence of the cooperative movement. It is natural to expect that there is a much weaker pressure on cooperatives from the rural community members in Morocco, who do not connect or attribute the cooperative movement to Islam.
Internal Pressures

In addition to the forces mentioned above, which tend to cause cooperatives to benefit society, there are internal dynamics that frequently cause adverse effects on communities. A common problem is the social equity dimension within cooperatives. Cooperatives are frequently managed and controlled by local elites, who control decision-making processes and, as a result, often hoard a large portion of profits returned to cooperatives (Guru, 1999; Hudson & Hudson, 2004; Kyriakopoulos, 1998; Philpott et al., 2007; Tendler et al., 1983; Tendler, 1984; Vitaliano, 1983). Cooperative membership is also frequently restricted to only include individuals who own a minimum amount of land or are willing to pay a high entrance fee (Chase, 2003; Taylor, 2005; Tendler et al., 1983; Tendler, 1984).

Aside from land, gender is another equity contention within cooperatives. When women are included in cooperatives, they often have little voice and rarely assume managerial positions (Lyon, 2008). The great extent of this inequality is captured by Lyon (2008) through the untruthful statements released by cooperative managers claiming women held positions of power when in fact they were marginalized members. Similar to other cases, cooperative managers attempted to appear as an organization benefitting the region through a fair and participatory process to maintain a strong public image (Chase, 2003; Lyon, 2008; Tendler, 1984). While argan oil cooperatives benefit from the communal land arrangements of argan tree enclaves, they are not absent from the gender dynamics.

An important cooperative principle that is often ignored, member education, is intended to overcome the inequities discussed above. As fostered by Rochdale and later in the cooperative schools of learning, members of cooperatives need to be aware of what cooperatives are, why they originated, and how they (members) should behave in order to exert internal pressure on management. However, such education is absent in many cooperatives, which subsequently leads to an inequitable distribution of wealth and power (Gyllstrom, 1991; Paul, 2005). Pressure from the membership is one of the few internal pressures that can have a positive impact on cooperative
Summary of Internal and External Pressures

Figure 4-1 summarizes the internal and external pressures affecting cooperatives as identified in the literature review above.

4.2.4 Positive Organizational Ethics Overview

While scholars from a variety of disciplines have explored the causes of cooperative behavior and performance, none have rooted their discussion in the positive organizational scholarship (POS) discipline. Focusing on the positive organizational behaviors and outcomes that result from positive behavior, POS extends positive psychology to the organizational level of analysis. As a “science of positive subject experience, positive individual traits, and positive institutions,” (Seligman & Csikszentmihalyi, 2000) positive psychology draws upon well-grounded theory from the social and behavioral sciences to study not what makes humanity endure or survive, but rather what enables it to thrive (Baumgardner & Crothers, 2009; Seligman, 1998). Therefore, at the core of positive psychology and POS literature is a positive, or an abundance approach. Whereas a deficit approach is characterized by identifying problems and generating solutions (i.e. problem-solving and filling deficits), an abundance approach starts by identifying the highest potential and understanding enablers of such potential (K. S. Cameron et al., 2003; Linley et al., 2010).
<table>
<thead>
<tr>
<th>Organizational practices</th>
<th>Non-compliant or harmful</th>
<th>Socially responsible</th>
<th>Sustainable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Negative Deviance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Normal</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Positive Deviance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ethics</strong></td>
<td>Unethical</td>
<td>Ethical</td>
<td>Benevolent</td>
</tr>
<tr>
<td><strong>Integrity</strong></td>
<td>Dishonest</td>
<td>Dutiful</td>
<td>Virtuousness</td>
</tr>
</tbody>
</table>

Figure 4-2: The notion of “positive ethics,” or benevolence, can be captured on a positive deviance continuum.

The field of positive organizational ethics (POE) bridges POS, business ethics literature, and management literature to understand the behavior, dynamics, causes, and impacts of a positive ethical organization, or one that aims to not merely reduce harm but to improve society (Caza et al., 2004; Verbos et al., 2007). Through a positive deviance continuum, illustrated in Figure 4-2, a positive ethical organization can be equated with a sustainable one, positioned as being positively different from the ethical norm (K. S. Cameron, 2003; Caza et al., 2004; Spreitzer & Sonenshein, 2003, 2004; Verbos et al., 2007). While many definitions for ethics exist, they closely resemble Raiborn and Payne’s (1990) definition: “a system of value principles or practices and a definition of right and wrong” (Joyner & Payne, 2002; Tsalkis & Fritzscche, 1989). Something that is “positive ethical” is not only concerned with doing the “right” thing but doing the “best” thing, captured as being positively deviant from the ethical norm.

As defended in Chapters 2 and 3, sustainability (and sustainable development from which the concept of sustainability is derived) is a positive ethical ideal. Concerned with the organizational level of analysis, corporate sustainability (or organizational sustainability in this case) is assessed through a POE lens. The theoretical framework put forth in Chapter 3 extends upon POE to describe the importance of a positive ethical network (PEN), which is defined as “a purpose-driven network of positive ethical actors aligned under a shared set of values and goals; where an actor can be any individual or group of individuals who may or may not represent an organization, institution, or smaller PEN.” The theoretical construction of the PEN is based upon
the amplifying effect, or the POS-grounded notion that positive individual behaviors can amplify throughout an organization and cause it to become a positive ethical one (Bolino et al., 2002; K. S. Cameron, 2003; Caza et al., 2004; Frederickson, 2003; Gittell, 2003a; Park & Peterson, 2003).

However, the opposite can also be true as argued in the “bad apple theory.” Furthermore, many researchers argue that the legal infractions and unethical behavior of organizations often results from the unethical behaviors of a few individuals (hence the common saying, “one bad apple ruins a barrell”) (Felps et al., 2006; Kish-Gephart et al., 2010; Kulik et al., 2008). From a PEN perspective, this means that the inclusion of non-positive ethical actors reduces the alignment around a positive goal and can prevent a PEN from reaching its fullest potential. This addition also makes it more welcoming for other non-positive ethical actors to join, suddenly hijacking the positive-ethical purpose of the network and replacing it with an ulterior motive. An example of a phenomenon would be the increasing problems faced by the microfinance movement, which began through the coordination of various PENs (as demonstrated in chapter 3) but eventually evolved to include actors with different objective functions.

The PEN analysis can therefore be applied to sustainable development initiatives to gauge the ethical stances of stakeholder actors over time to account for the outcomes that result. The efficacy of this approach is tested in this paper by conducting a PEN analysis to understand the behaviors and outcome in the argan oil cooperative sector. Specifically, when analyzing the findings (in Section 4.5), the progression of positive ethical stances and leverage of actors in the cooperative movement’s network are analyzed to determine which outcomes (both sustainable and non-sustainable) can be accounted for from a POE lens. If demonstrated to be effective, a PEN analysis can increase our understanding of why some aspects of a development initiative succeed while others fall short of their ideal outcomes.
4.3 Methodology

Through an in-depth case study analysis, one of the largest argan oil cooperatives in Morocco (located in the Agadir province) was assessed. The study consisted of more than 15 in-depth, semi-structured interviews among cooperative participants, employees, and managers. In addition, four in-depth interviews were conducted with individuals and agency representatives responsible for furthering the cooperative movement in southwest Morocco, including the founder of the first cooperative, Zoubidda Charrouf, the president of one of the largest cooperative associations, and the Director of Projet Arganier (the government agency that distributes and oversees donor funding). Lastly, 16 background interviews were carried out with non-cooperative-members in the local community, association leaders, local government officials, and government agency representatives to get a clearer grasp of the sustainable development outcomes. Alongside the interviews, a thorough analysis of legal documents and reports was performed. These included the Moroccan cooperative laws, donor agency reports, and filings on behalf of various government agencies on the argan forests, argan oil cooperatives, and the argan oil sector at large.

While the interviews with cooperative members and employees were largely consistent with the protocol shown in Figure 4-3, the remaining interviews were constantly iterated upon based on the person being interviewed, his or her responses, and previously recorded responses from other interviewees. The interviews were conducted in English, French, Arabic, and Berber, depending on the interviewee’s native language. A fluent speaker in all four dialects served as a translator during the interviews. Each interview was recorded, transcribed, and coded to identify themes based upon the literature review and the overarching research question.

4.3.1 Case Selection

Of the roughly 130 cooperatives in the four argan-rich regions of Morocco, one of the largest was selected for this study because it can most easily be compared to
1. **Introduction**: Please tell me about yourself.

2. **Access**: How did you get involved in the cooperative? Was it hard to get in? What was the initial joining cost?

3. **Motivation**: Why did you join the cooperative?

4. **Improvement**: How long have you been a member? How has the cooperative changed since you joined?

5. **Impact**: How has your involvement in the cooperative impacted you? What difference has it made? What services does the cooperative provide for you?

6. **Income**: What is your average income every month? What about your bonus at the end of the year? Are these amounts changing (increasing or decreasing)?

7. **Equity**: Are the profits fairly distributed?

8. **Transparency**: Do you know roughly how much the cooperative makes in total? How much do you know about where the argan oil goes from the cooperative and the final amount it sells for?

9. **Participation**: How much voice do you feel you have in cooperative decisions? What about during elections?

10. **Decision Making**: Who started the cooperative and who currently runs it? How often does voting take place in the cooperative? What positions do you decide?

11. **Social Capital**: What is the relationship between women in the cooperative? If the women came together to make a collective demand, would the management listen?

12. **Sustainability Perceptions**: How do you feel towards the environment? Towards community development?

13. **Overall Satisfaction**: How do you feel about being in the cooperative? Do you sometimes think about leaving and doing something else?

Figure 4-3: Interview protocol for members and employees of argan oil cooperative
the private enterprises previously studied by Lybbert, Barrett, et al (2002). Moreover, it served as a great comparison to the private producers that have entered the market due to: its size (private enterprises are generally larger than cooperatives), its mechanized process, the marketing of its products to international buyers, the quality assurances for each of its products, and its proximity to a major city.

4.4 Findings

Following is an in-depth summary of the findings, resulting from the 35 interviews conducted alongside the numerous legal documents, reports, and financial data analyzed. All financial figures are in Euros, or EUR.

4.4.1 Core Business Model

The value chain for argan oil cooperatives, shown in Figure 4-4, begins with procuring argan fruit. Initially purchased from local harvesters for 15 cents per kilogram, argan fruit can be priced as high as 35 cents per kilogram after factoring in distance, transportation, and demand. The price of this fruit has risen significantly. Ten years ago, argan fruit could be purchased for a tenth of its present-day price. As the argan oil market expands and the availability of argan fruit becomes more constrained, cooperatives will actually have a competitive advantage in the market. Furthermore, the high level of social capital that cooperatives share with suppliers often enables them to be more competitive than private or foreign-owned enterprises in markets with limited or volatile supply (Attwood & Baviskar, 1987; Ghorpade, 1973; Núñez-Nickel & Moyano-Fuentes, 2004).
## Materials

<table>
<thead>
<tr>
<th>Material</th>
<th>Quantity</th>
<th>Value Added</th>
<th>Labor Time</th>
<th>Processing Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argan tree</td>
<td>1</td>
<td>13 EUR</td>
<td>10 hours</td>
<td>4 weeks</td>
</tr>
<tr>
<td>Fruit</td>
<td>60 Kg</td>
<td>50 EUR</td>
<td>4 hours</td>
<td>16 hours</td>
</tr>
<tr>
<td>Nuts</td>
<td>50 Kg</td>
<td>2 Kg seeds</td>
<td>5 EUR</td>
<td>1 week</td>
</tr>
<tr>
<td>Seeds</td>
<td>2 Kg</td>
<td>1 Litre oil</td>
<td>50 EUR</td>
<td>173 EUR</td>
</tr>
</tbody>
</table>

Figure 4-4: Value chain of argan oil cooperatives
After being purchased from harvesters, argan fruit is set to dry for at least four weeks to facilitate members in removing the pulp. As briefly illustrated in Figure 4-4, members tear off the flesh and crack open the nut, obtaining anywhere from one to three kernels. These kernels are pressed into argan oil while the pulp is fed to animals and the nuts are used as fuel. Obtaining the kernels is the most painstaking process in the value chain, requiring 30 kilograms of fruit and a full day of work to attain one kilogram of kernels. The female producers are therefore vital in the value chain of argan oil. Members are compensated for each kilogram of kernels they yield. Aside from offering higher salaries than private enterprises, cooperatives provide Arabic classes, vacation days, and by-products of the production process to their members.

The remaining process after the kernels are obtained is usually mechanized, altering slightly depending on the type of argan oil. While both cosmetic and culinary argan oil are cold-pressed, culinary argan oil is derived from roasting the kernels beforehand. Both oils are filtered separately for approximately one week. Some cooperatives still use traditional tools instead of machines but the oil resulting from the process is of poorer quality and has a shorter shelf-life. Consequently, many associations will charge member cooperatives lacking machines a small fee to use their equipment, highlighting yet another benefit associations offer.

Cooperatives sell the filtered argan oil in bulk to their respective associations. While cooperatives are able to sell their oil directly to purchasers as well, their outreach ability is limited and the vast majority of oil is sold to associations. An association then uses its brand, or the cooperative’s, to sell argan oil to a variety of partners in the global market. As demonstrated in Figure 4-4, associations and retailers capture the most substantial value in the value chain: 71%. The failure of cooperatives to create and capture more value in the chain reveals their lack of vertical market integration—a significant setback that is not unique to the argan oil industry (Attwood & Baviskar, 1987; Ghorpade, 1973; Haller, 1992; Katz & Boland, 2002; Kyriakopoulos, 1998; Núñez-Nickel & Moyano-Fuentes, 2004; Peterson & Anderson, 1996; Taylor, 2005).
4.4.2 Life Cycle

The life cycle of cooperatives has significantly improved through two interventions: donor funding and the formation of associations. Initially, women earned less than 1 EUR per day and had to also supply the cooperative with raw materials. Due to the poor quality of argan oil produced from hand-presses, cooperatives were forced to sell argan kernels, a semi-processed product that captured little of the value chain. Cooperatives with the ability to purchase machines did not fare much better because of their inability to brand and market oil. Cooperatives therefore resorted to selling oil in local markets, earning marginal profits.

By petitioning the European Union (EU) and the Agence de Developpement Social (Social Development Agency) in Morocco for funds, government officials and community development leaders were able to establish Projet Arganier (PA)—a government agency responsible for the financing and expansion of cooperatives. The injection of donor funding into argan oil cooperatives attracted managers with strong business competencies to the countryside, where they organized groups of women into cooperatives. Managers then submitted funding proposals to PA in order to mechanize their oil production process while completing the legal steps necessary to export oil. The success of PA is evident from the hundreds of requests received, which far exceeded expectations. As a result, PA added the caveat that a cooperative had to be in existence for at least two years before it could be financed.

While donor funding surged the number of cooperatives, the birth of cooperative associations enabled their expansion. Internally, cooperatives lacked the technical knowledge and scale necessary to effectively brand and market their products. Consequently, nearly every cooperative joins an association soon after being formalized. Associations provide cooperatives with the sales, marketing, and branding capacities necessary to compete with private enterprises and therefore expand. Under this scheme, a cooperative effectively sells argan oil to its association, which resells it on the global market. Alongside donor financing, associations are responsible for the surge of cooperatives from 15 in 2003 to 154 in 2004 (Boussaid, 2011).
4.4.3 Institutional Structure

There are over 150 argan oil cooperatives in southwest Morocco. As mentioned earlier, nearly all cooperatives belong to an association, which range in size from 5 cooperatives to 22 (Projet-Arganier, 2008). Associations have been pivotal in promoting the cooperative movement, as was discussed earlier. All associations are advocated by the national association, "Association Nationale des Coopératives Arganires." The hierarchy described along with the roles of each institution is illustrated in Figure 4-5.

Although the cooperatives studied vary in size from 18 to 60 women, the average cooperative has 46 female members (Projet-Arganier, 2008). Six of these members compose the leadership board of the cooperative, which includes the president, vice-president, secretary, and treasurer. In addition to the members, each cooperative employs staff to operate the machinery, an employee to run the retail store, and a manager to oversee cooperative operations. Even though the organizational structure and proceedings of cooperatives are formalized under Moroccan law, their governance starkly contrasts that of an ideal cooperative based on internal and external pressures.

4.4.4 Governance

Consistent with the literature, cooperative managers dominate the decision-making of the cooperative. This unilateral governance prevalent among cooperatives is largely shaped by the absent internal pressures and unbalanced external pressures as di-
agrammed in Figure 4-1. Furthermore, while the primary internal pressure applied within cooperatives is meant to emanate from the membership, there are three external pressures that affect organizations as identified by DiMaggio and Powell (1983): coercive (regulatory pressures), normative (community/donor pressures), and mimetic (isomorphic pressures).

Gender dynamics and information asymmetry largely dictate the marginal internal pressure applied by the member base within the cooperative scheme. As stated above, the patriarchal society makes it difficult for women to actively participate in cooperative decision-making. In fact, while every cooperative is intended to be female-founded and run, cooperative managers are males who conduct business in the names of their wives and make unilateral decisions. Significant cooperative procedures such as elections, which are meant to put leadership in check, are reduced to ceremonies—a common trend in the bureaucratization of domestic enterprises within developing countries (Meyer & Rowan, 1977). When asked about the cooperative leadership a common response was: “I don’t understand all that... Every year we do elections. They ask, do you want to keep them [the managers and the leadership board]? We all say yes.” Intended to hold cooperative leadership accountable, male-run elections are transformed into quick, white-ballot procedures that maintain the status quo. As a result, neither the manager nor the board (which solely exists on paper) changes from the onset.

The dynamic of internal pressures is further exacerbated by the lack of member awareness towards the cooperative structure. Not a single member interviewed could describe what a cooperative was or their role in it. Members simply viewed their duty as they would any normal job, albeit being extremely appreciative for the rewards reaped. Although included in the formal bylaws of a cooperative, member education, which is meant to improve member knowledge of the cooperative structure, has been replaced with Arabic-language classes. Therefore, the lack of member awareness alongside gender inequities severely hinders the internal pressures that can affect cooperative behavior.

The unbalanced combination of external pressures outlined in Figure 4-1 also con-
tributes to the poor governance structure of cooperatives. Mimetic pressures over-
power normative and coercive pressures—reinforcing the power dynamics described. 
Isomorphism, a term mimetic pressures can be bundled into, is the force that acts 
on organizations operating in similar fields and causes them to be similar to each 
other (DiMaggio & Powell, 1983). Argan oil cooperatives, through the role of associa-
tions and PA, exemplify this phenomenon and consequently, are barely distinguishable 
from one another. All cooperatives studied are governed by an identical management 
structure and offer the same sets of benefits to their members in terms of salary, Ara-
bic classes, etc. This universality is encouraged by PA and the associations, which 
“streamline” cooperatives by imposing various practices upon them while implicitly 
condoning others—particularly the power dynamics.

Although there are cases identified by Tendler (1983, 1984) where local commu-
nities were able to affect the governance of cooperatives, the same was not evident 
in Morocco. Interviews with local community members not involved in the coop-
ervative industry revealed concern towards the “European political movement meant 
to disrupt the local traditions” in the countryside. The promotion of social equity 
and democratic processes, which are indeed foreign to the region, alienate local com-
munities from the cooperative movement rather than encourage them to influence 
cooperative behavior. Because donor financing was primarily focused on expand-
ing cooperatives and increasing employment, no further normative pressures affecting 
governance were placed on cooperatives. Consequently, the weak normative and coer-
cive pressures did not counter the strong mimetic pressures that dictated cooperative 
governance.

4.4.5 External Relations

Cooperatives primarily engage with donors and public authorities. While cooper-
avatives share a competitive yet distant relationship with their private counterparts, 
associations often look to private enterprises as role models. Observing best practices 
from the private argan oil sector, associations replicate and disseminate strategies to 
their system of cooperatives. Although cooperatives often falter on their principles
by adopting these practices, public authorities and donor organizations informally permit them due to the resulting community development outcomes.

Public authorities support cooperatives, particularly from the national level, but also from a local standpoint. Viewing the cooperative movement as a strategy to encourage rural development, the national government created a political environment and attracted donor funding to enable cooperatives to flourish. Officials at the local level assist cooperative efforts based on the community development benefits cooperatives deliver to their locales. Consistent with the literature, these officials conduct a balancing act of sorts by promoting cooperatives yet tolerating their faulty governance dynamics. To demonstrate this act, local officials are the personnel in charge of overseeing the “white-ballot” elections held by cooperatives every year. These officials confirm that there are no major issues members have towards the manager and the board before renewing the leadership through a quick, informal vote.

Donor organizations also share a similar relationship with argan oil cooperatives. Although in a position to levy wide-ranging controls over the cooperatives they provide grants to, donors such as the EU and the Social Development Agency rely on PA for funding oversight. PA was therefore founded to regulate argan oil cooperatives, with the imperative to improve the environment and create employment opportunities for women in rural regions of Morocco. Subsequently, the primary performance indicators PA aims to improve are the number of trees planted (performed through a government ministry) and the number of women employed. To ensure funds are used efficiently and the cooperative is economically solvent, a representative from PA makes monthly visits to each cooperative that receives financing. Understanding that women’s employment and education is dependent on the profitability of the cooperative, PA advises cooperatives in poor financial standing to join an association and adopt other known best practices. As will be discussed in Section 4.5.1, it is not due to a lack of resources but rather a different set of priorities and ethical stances that causes officials and agencies to not work more proactively towards improving cooperative behavior.
4.4.6 Economic Data

The economic performance of a cooperative strictly depends on the mechanization of its production process. Furthermore, the improved quality and greater shelf-life that mechanized oil presses provide in conjunction with strict industrial policies that enforce quality testing of exported argan oil have nearly eliminated hand-pressed oil from the market. In addition, the higher efficiency achieved through mechanized presses significantly reduces labor time. However, not all cooperatives are able to afford oil press and filtration machines, particularly in their early stages. Extensive financial data for periods before and after mechanization was collected from a cooperative in the Agadir province, which shall be referred to as the Agadir cooperative. This data is consistent with partial data gathered from other cooperatives.

The Agadir cooperative consisted of approximately 15 women in 2004 when it was formed. Initially, members of the cooperative had to collect the raw argan fruit themselves and break them to obtain the kernels. These kernels were then sold to other cooperatives or associations, yielding members only 1 EUR for every two days spent collecting and processing argan fruit. “Women didn’t even want to be in it,” recollects one participant. By transferring the cost of material procurement to individual members, the organization had no operational costs. In addition, the site of the cooperative was donated by a local community development association. No membership fees were charged in order to attract women to join.

Between 2006 and 2007, the cooperative received a grant of approximately 27,000 EUR from PA to purchase oil press, filtration, and bottling machines. PA provided 1.3-million EUR in grants to 41 other cooperatives during this period, financing 86% of their expansion costs. This infusion of money rapidly transformed the Agadir cooperative, expanding from 15 members to 60. It reported 124,000 EUR in profits for the 2008 fiscal year through the sales of approximately 4,500 liters of culinary and cosmetic argan oil—its sole source of income. Although an initial membership fee of 90 EUR is collected from new members, this is a negligent revenue stream considering that members are rarely added. The cooperative sustained a similar profit figure in
In steady state, the three main cost points for cooperatives are raw materials, member wages, and fixed salaries. Averaging 20 cents per kilogram and requiring 60 kilograms per liter of oil (see Figure 4-4); argan fruit is the most costly expenditure. In 2008, the cooperative purchased 275 metric tons of argan fruit totalling 60,600 EUR. During the same year, the salaries of women increased from 2,60 EUR per kilogram of kernels produced to 3,50 EUR. The resulting wages, including an average annual bonus of 75 EUR paid to each member, amounted to 37,000 EUR. The machine operator and retail store employee earned fixed salaries of 1,000 EUR and 1,600 EUR per year, respectively. The final salary is self-awarded by the manager of the cooperative and most likely captures a significant portion of the profits of the cooperative. The table in Figure 4-6 summarizes the economic data for the Agadir cooperative. It also includes extrapolated figures for the relative impact of each member along with that of the entire argan oil cooperative sector. These figures are discussed further in Section 4.5.1.
4.4.7 Policy Environment

Rural poverty is a significant problem in Morocco. 44% live in rural areas with an estimated GDP per capita of 877 EUR. The government has developed policies to tackle this problem by improving the services delivered to rural areas and by adopting industrial policies that benefit these regions. However, improving services such as rural electrification, education, and social welfare has been limited in scope and impact. Moreover, such an approach relies on one of two fundamental assumptions: 1) jobs exist or 2) jobs will be created through the improvement of human capital (otherwise referred to as Say's Law). Instead, the government’s industrial policies in these regions have been a much more effective approach to spurring local development. The industrial policies pertaining to cooperatives in the argan oil sector exemplify this.

Cooperatives, which were once completely foreign to Morocco, had been introduced by Europeans for the local development outcomes they often foster. In support of this movement, the government legalized the cooperative form of organization along with its bylaws, practices, and regulations in 1984, and further revised it in 1993 (Lamrani & Berrada, 1984). As a result of the protection cooperatives were guaranteed under Moroccan law, the government of Morocco and development leaders were awarded a grant from the EU to establish and finance a government entity, PA, responsible for the creation and expansion of argan oil cooperatives. The government’s aim was to counter the dominance of private and foreign-owned enterprises in the argan oil sector, which did little in furthering rural development as discussed above.

Occurring in the reverse order than usual, the government supported argan oil cooperatives before being able to regulate them. Cooperatives have not been regulated due to a disconnection between the practices championed by political offices and their execution among rural societies. As previously discussed, rural communities lack the adequate skill sets to effectively implement cooperatives with their principles intact. Therefore cooperatives are melded into the only form of organization that is understood, accepted, and feasible: a private enterprise, albeit a socially responsible one.
Local officials responsible for regulating cooperatives overlook these shortcomings due to the positive impacts cooperatives achieve. Thus, officials will legalize female argan oil cooperatives, which are actually run by males, and host annual elections, which are mere white-ballot ceremonies. It can therefore be argued that it is not the lack of support for cooperatives but the lack of regulation that is preventing argan oil cooperatives to reach their highest potential in contributing to local development. This argument is assessed in the following section.

4.5 Discussion

4.5.1 Towards Development?

Cooperatives in the argan oil sector, despite their setbacks, have contributed significantly to local economic development, social equity, and environmental preservation outcomes. As of 2009, roughly 150 cooperatives were directly employing 7,000 women with a market cap of over 26-million EUR as extrapolated in Figure 4-6. Based on the interviews conducted, the average member earns an annual income of 617 EUR from her enrollment in a cooperative. While 617 EUR is slightly lower than the rural GDP per capita of 877 EUR, it is important to note that each woman only works 30 hours per week. Therefore, the average earnings per day in a cooperative is nearly twice the daily average rural GDP per capita. Thus, the average rural GDP per capita in villages where a cooperative is present has risen dramatically.

Through employing women, the cooperative movement has also improved the social status of women and strengthened social capital. Although initially averse to the cooperative movement, many community members when interviewed a year later were appreciative of the secondary source of income cooperative membership provides to households. Due to the better lifestyles women are able to provide for their families, each member interviewed was extremely thankful (to God) for having the opportunity to work in a cooperative. Not a single complaint or further desire was expressed. This level of contentment also stems from member cohesion within a cooperative. Despite
not exercising their voice in election matters or salary increases, women speak up as a group on matters such as increasing supply or expanding membership when unsatisfied with their wages. Described as a "union," the female membership is capable of having a voice that is rarely heard in traditional, patriarchal societies.

Having discussed the economic and social development outcomes of argan oil cooperatives, it is important to mention the positive environmental conservation behavior that has resulted. The increasing value of argan fruit provides locals with a strong monetary incentive to conserve the forests and practice responsible grazing. Conservation practices are also enforced by cooperatives, which are directly impacted by waning supplies of argan. Accordingly, cooperative members, who are often responsible for endangering the argan forests, are educated on proper conservation schemes through PA's member workshop. Extending beyond conservation, the government has begun a replanting effort of Argan trees through the assistance of the foreign aid funds received from the EU. As of 2007, 212,033 had been planted from these efforts—33-times the amount planted in 2000 (Charrouf & Guillaume, 2009; Projet-Arganier, 2008).

4.5.2 PEN Analysis

Despite the positive development outcomes argan oil cooperatives afford, they have strayed from four basic cooperative tenets: 1) democratic decision-making; 2) equitable profit distribution; 3) open membership; and 4) member education on cooperatives (Fairbairn, 1994; Holyoake, 1879; Ortmann & King, 2007). As referenced throughout the paper, the setbacks uncovered are not unique to cooperatives in the argan oil sector. However, through a PEN analysis, this section offers a new vantage point for addressing cooperative shortcomings. A visualization for the PEN analysis is illustrated in Figures 4-7 and 4-8, where Figure 4-7 is a PEN analysis of the beginning stages of the argan oil cooperative movement and Figure 4-8 captures the current state. The center of the PEN is the organization or movement of concern (argan oil cooperatives) and surrounding it are its stakeholders, defined by Freeman (1984) as "any group or individual who can affect or is affected by the achievement
Figure 4-7: PEN Analysis of the *early* argan oil cooperative movement. Size of stakeholder ovals denotes leverage in network while color denotes ethical stance as indicated by the legend.

of the firm’s objectives.” The size of the containing oval denotes the leverage of the stakeholder in the PEN while the color denotes its ethical stance according to the color-coded positive deviance continuum illustrated in each figure. The various stakeholders represented, alongside their ethical stance, are discussed in the subsections that follow.
Figure 4-8: PEN Analysis of the current argan oil cooperative movement. Size of stakeholder ovals denotes leverage in network while color denotes ethical stance as indicated by the legend.
Initial PEN construction

The founders of the argan oil cooperative movement, particularly Charrouf, alongside the Moroccan government and EU donors, had a strong positive ethical stance that led to their initiative for promoting the argan oil cooperative movement. This included a desire to preserve and improve the argan forests while also improving the lives of women in rural areas. Despite retaining a positive ethical stance throughout the course of the movement, Figures 4-7 and 4-8 illustrate the diminishing power of these stakeholders over time. Initially, as coordinators of the PEN, the three sets of positive ethical actors were pivotal in aligning development initiatives with a tangible cooperative movement. However, as Charrouf points out, their leverage slowly eroded over time, as they involved other non-positive ethical actors into the network. Had they been able to have enough foresight to understand the shortcomings of scaling in this manner, they would have been able to incorporate more checks and balances in the system, she explains regretfully.

Erosion of PEN by non-positive ethical actors

In order to help scale the cooperative movement, the Moroccan government created PA. Mandated to measure development outcomes and oversee the distribution of donor funds, PA's two main focus areas were to increase the employment of women in the argan oil sector and to ensure that the argan forests were being preserved. Using indicators for each of these, PA focused its efforts on scaling the cooperative movement (to drive employment) and plant new trees (to increase the coverage of argan forests). As discussed, associations played a critical role with expanding the cooperative movement and therefore became key partners with PA. If a cooperative did not belong to an association, PA would encourage it to join one, particularly when the cooperative was undergoing any difficulty integrating in the market. As a result, nearly all cooperatives belong to an association. While PA and the associations are by no means unethical (and have been classified as ethical), their lack of positive ethical objectives caused the movement to fall short of achieving the potential outcomes.
it was poised to make including higher wages for members and more community development outcomes. Most importantly, the additions of these actors facilitated the entrance of unethical actors such as retailers, who would boast about being sustainable by sourcing argan oil from cooperatives and improving the lives and conditions of its producers. As diagramed in the value chain analysis (see Figure 4-4), these claims can be reduced to greenwashing propaganda, as retailers captured the greatest percentage of value while providing the least amount of inputs.

As a direct result of the dynamics from PA and the associations, cooperative members and local officials were not educated in the roles of cooperatives and the strong positive ethical underpinnings surrounding them. Elections were reduced to ceremonies and decisions were made exclusively by managers, who were more capital than value-driven. While local officials could have exuded some power, adverse dispositions from the local community (and the lack of proper motivation by the national government) led them to ensure that no harm was being done but nothing beyond that.

4.6 Prospects of Evolution: The Argan Tree

What would the trajectory of the cooperative movement in Morocco have been if the original members of the PEN had only allowed positive ethical actors to scale their initiative? In order to gain a better understanding, a four-year action research initiative was conducted to develop a new, Internet-based cooperative model that relies nearly entirely on positive ethical actors. Established with the help of Aziz El Madi and Volunteer Morocco (VM), The Argan Tree (TAT) began as a cooperative of 18 women with the intention of improving the lives of producers and their communities.

4.6.1 PEN Foundations of The Argan Tree

El Madi founded VM in 2007 with the charter of "improv[ing] the self-sustainability of under-privileged communities and their members in southwest Morocco by improving health care access, education, farming technologies, and assisting in the formation of
micro-enterprises” as quoted on VM’s website. VM relies on volunteer efforts from local Moroccans and international students who embody its goals. El Madi served as the translator during the interviews conducted in the previous part of this study and was motivated by the positive opportunity to establish TAT in order to return 100% of the profits to producers and the communities they come from. Instilled with El Madi’s values, VM was an ideal organization for TAT to partner with. Moreover, VM had a strong history with working with the local community of Riad Imsouane to improve the lives of its citizens. Consequently, members of the local community (who were initially wary of the cooperative model of organization) and local officials strongly supported the development of a new cooperative through VM. 18 women soon joined, with the enthusiastic encouragement of their families. Even further, VM helped appoint a manager and two part-time employees from the community who often volunteered with VM and strongly held to the positive ethical values being promoted. It is therefore from this strongly rooted positive ethical foundation that TAT was established.

4.6.2 Employing Internet-based Strategies for PEN Market Integration

Upon securing the production process for harvesting argan oil, the next area of focus was commercializing it in the U.S., where the market remained relatively untapped compared to Europe. As previously illustrated in the value chain analysis (see Figure 4-4), associations and retailers retain a significant share of the profits by branding and commercializing argan oil-based products for cooperatives. In the absence of positive ethical associations and retailers, the Internet became an ideal medium for bypassing traditional distribution networks and instead allowing TAT to achieve full vertical integration. By connecting socially conscious consumers directly with producers, the use of the Internet adds a new dimension to cooperatives, potentially strengthening their strategies and organizational forms towards real poverty.

1Visit http://volunteermorocco.org
Employing many of the proponents of the positive ethical framework proposed in Chapter 2 for capturing sustainability, TheArganTree.com conveys its sustainable DNA, reveals complete details of the value chain, and actively engages with employees and stakeholders in our PEN. Of these, the most unique aspect of TheArganTree.com is the value chain transparency it espouses. By publishing the cost breakdown and revenue distribution as shown in Figure 4-9, the model improves consumer purchasing behavior by informing customers where their money goes and the impact they are making. To foster a deeper relationship with consumers and increase positive behavior, biographical data with statements specific to each of the members are published as shown in Figure 4-10. A brief exploration reveals that one widow uses the money to pay for electricity and send her children to school, while another woman is replacing the broken door to her home as her husband is unemployed. Highlighting this rich, social impact through the Internet offers an advantage to Fair Trade and other certification labels due to the avoidance of expensive, lengthy procedures (Fridell, 2007; Hudson & Hudson, 2004; Lyon, 2008; Sick, 2008). Even further, consumers get a tangible understanding of the social impacts from their purchases. A pilot study performed in 2010 demonstrates the potential of this new model in improving consumer purchasing behavior. In this limited study, consumers who visited the “Meet the women” page purchased over twice the amount than consumers who did not (Dossa, 2010).

Extending beyond attracting positive ethical consumers, the cooperative model makes important strides to improve profitability through reducing market intermediaries. The women of TAT earn 40% of the revenues—over ten-times more than they would earn in a traditional cooperative scheme. Even further, consumers are able to purchase products at lower prices. Argan oil sold at The Argan Tree is priced 55% and 32% lower than the retail average for cosmetic and culinary oil, respectively.
Figure 4-9: "Your Impact" section on version 1.0 of http://TheArganTree.com"

Figure 4-10: "Meet the Women" section on version 1.0 of http://TheArganTree.com"
4.6.3 PEN Expansion Requires Expertise

Despite balancing social and economic outcomes, expanding a PEN through Internet-based strategies requires considerable expertise. Expanding the model proved to be quite challenging; requiring a great deal of technical assistance and design skills. While the principal investigator was able to provide the technical skills necessary for web development and deployment, TAT opted to hire designers to iterate over the initial two designs of the website in order to effectively position ourselves in the market. Andy Chen, a graduate student at the Rhode Island School of Design, was extremely motivated by TAT's initiative and offered to rebrand the cooperative at a discounted rate. In order to maintain consistency across TAT, Chen recommended the development of a second social enterprise focused on culinary argan oil in order for TAT to focus on cosmetics. Chen coordinated a team of four designers to deliver the final outputs. The two new companies are pictured in Figure 4-11 and Figure 4-12, the former illustrating TAT, a beauty cooperative, and the latter Argania, a gourmet cooperative. The strong positive ethical underpinnings of all of Chen's work were necessary in order to create new brands while retaining the sustainable development goals. The cooperative in Morocco is now 60-women large.
Figure 4-11: The new visual identity for The Argan Tree (coming soon to http://theargantree.com) is captured through the new product line.
Figure 4-12: Argania (recently launched at http://arganiagourmet.com), an offshoot of The Argan Tree, is one of the first Moroccan gourmet lines in North America.
4.6.4 **Limits of PEN Expansion**

Figure 4-13 illustrates the current state of the PEN surrounding The Argan Tree and Argania. Expanding a PEN and retaining the positive ethical tenets is not an easy feat. By including only positive ethical actors, the PEN that was coordinated required a significant amount of time and expertise to fully integrate into the market and is still relatively small in scale. Furthermore, the Internet is limited in its market penetration while the few positive ethical retailers and distributors that do exist capture a very small portion of the market themselves. Ironically, the model may require the creation of an association — albeit a socially responsible and economized one.
Figure 4-13: PEN Analysis of The Argan Tree and Argania stakeholder system. Size of stakeholder ovals denotes leverage in network while color denotes ethical stance as indicated by the legend.
Contrasting the two cooperative models in their current state, there is a trade-off that can be observed between maintaining cooperative ideals and scaling. Development practitioners championing cooperatives often face the difficult decision of either promoting ideal cooperatives that have a difficult time succeeding, or relaxing certain principles in order to let them thrive. Streamlining Internet-based models may provide the ability to achieve rapid expansion while upholding cooperative principles, but further research needs to be conducted and expertise gathered for such an undertaking. In addition, the existence of crowdfunding platforms and media channels holds exciting potential. To raise the necessary funding for launching Argania, a Kickstarter campaign was launched.2 Helping Argania exceed its humble 7,500 USD goal, 171 supporters pledged 8,843 USD to finance Argania’s startup costs. Once launched, various media channels, inspired by Argania’s sustainable development goals, publicized Argania’s mission and products. Due to the amplifying and attraction effect of POE, both of these avenues can enable a successful movement.

4.7 Contributions and Further Research

The case of argan oil cooperatives in Morocco as a sustainable development strategy has mixed results. While community development occurs, it does not occur in an idealized, optimal fashion. The PEN framework aids the analysis in highlighting precisely where the cooperative movement faltered and suggests an alternative path. Through an action research engagement, TAT and Argania were developed in a fashion that maintained and expanded upon the PEN as opposed to including non-positive ethical actors. Based on the early success of each of these, further research needs to be conducted and expertise gathered in finalizing a new model.

Another area of further research is the scalability of sustainability. What if the current argan oil cooperative movement was indeed a PEN? Would there in fact be an improvement in local development? It can be argued that the success of argan oil cooperatives is attributed to their abandonment of basic cooperative principles.

2Visit http://www.kickstarter.com/projects/1292956335/argania-a-gourmet-cooperative
Moreover, the inequitable profit distribution and unilateral rule was perhaps necessary to attract managers with business expertise to the cooperative movement and enable them to dictate cooperative decisions instead of the membership, which lacked basic business competencies. Similarly, closing new memberships after a certain point was optimal to protect the livelihoods of members. As a result of these “failings,” the growth of the cooperative movement has far exceeded the most aggressive expectations by donors. Should this expansion therefore be encouraged if cooperatives provide better community development outcomes than other forms of enterprises as demonstrated above? Alternatively, if positive ethical ideals were maintained during the evolution of the cooperative movement, would the same level of impacts been achieved? While TAT and Argania provide two examples in which stakeholders in a PEN-oriented movement have fared better, it is difficult to determine how well these two models themselves can scale.

The recent advent of Internet-based strategies, as demonstrated through the TAT and Argania models, holds potential for cultivating and scaling PENs. Furthermore, if positive ethical ideals are able to be communicated effectively, the reach of cooperatives (and sustainable initiatives in general) can increase significantly and attract positive ethical actors into broadening their PENs. The Internet also creates a strong medium for converting stakeholders into positive ethical actors through the variety and depth of information it is capable of seamlessly communicating. The new technologies that the Internet enables, however, require a great deal of expertise at the onset to harness. Further research into how these barriers of entry can be overcome would be very beneficial.

Most important to a PEN analysis, however, is the ability of gauging where on a positive deviance continuum actors lie. Although this was accomplished through an in-depth analysis of the various stakeholder organizations involved with the argan oil cooperative movement in this study, such rigorous analyses will not always be feasible. The POE-based framework for assessing sustainability performance presented in Chapter 2 is therefore one plausible strategy. However, other strategies and frameworks grounded in the POE field should be developed and tested.
In closing, while the ideal starting conditions of sustainable initiatives has been closely studied, the PEN analysis framework from this paper informs the development literature and practitioners alike on the optimal conditions that enable initiatives to scale. This study also calls for a shift in focus from organizational behavior to organizational ethics when assessing projects to not only account for what has happened but to also project what will come to pass. In order to achieve sustainable development, a positive approach and a positive ethical stance needs to be assumed by all the stakeholders of an initiative.
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Chapter 5

Conclusion

In this dissertation, a positive approach is applied to understand sustainability performance, sustainability innovations, and sustainable development. Based on the initial results, sustainability and its various topics should be conceptualized through a positive approach to transform discussions from the “right” thing to do to the “best” thing to do. As a values-based target and ideal, sustainability needs to be appropriately framed in the literature. Positive organizational scholarship (POS) theory and the positive organizational ethics (POE) field that it informs provide a strong grounding for the three frameworks proposed in this dissertation. In this final chapter, the contributions from this dissertation are briefly summarized before further research initiatives and implications of the study are explored.

5.1 Summary of Contributions

The subsections that follow highlight the contributions made by the three independent papers that compose this dissertation. Namely, these are:

1. Situating sustainability in the POE field
2. Differentiating corporate sustainability from corporate social responsibility through POE
3. Aligning a POE-based framework with stakeholder conceptualizations of sus-
tainability

4. Extending the POE literature to theoretically construct positive ethical networks (PENs)

5. Crisis-PEN-Innovation framework for understanding sustainability innovations

6. PEN analysis framework for understanding sustainable development trajectories

5.1.1 Situating Sustainability in the POE Field

Current frameworks, based upon the Triple Bottom Line (TBL) approach, fall short of capturing sustainability performance and often propagate greenwashing practices (Norman & MacDonald, 2004). Grounded in accounting theory, the TBL framework assumes that sustainability can be measured and compared by aggregating various indicators that quantify performance in the social, environmental, and economic domains. As detailed in Sections 2.2.2, 2.2.3, and 2.2.4, there are four fundamental flaws with the TBL approach: 1) there are many tacit aspects of sustainability that cannot be quantified; 2) it is not possible to aggregate indicators, which have different units of measurements; 3) a firm-centric approach is not meaningful or relevant to the majority of stakeholders whom organizations are accountable to; and most importantly 4) the TBL approach relies on a deficit approach to capture a fundamentally positive concept.

The most significant setback from current frameworks is the reliance on a deficit approach focused on satisfying legal regulations and reducing harm (such as minimizing resource usage) (Carroll, 1991, 1999; Caza et al., 2004; Hubbard, 2009; Morse et al., 2001; Nijhof et al., 2003; Payne & Raiborn, 2001; Salzmann et al., 2005; Sebhatu, 2009; Simons et al., 2001). The need for a positive approach motivates the adoption of a POE lens to frame sustainability performance in a manner that is consistent with stakeholder conceptualizations of sustainability. The field of POE bridges POS theory, business ethics literature, and management literature to understand the behavior, dynamics, causes, and impacts of a positive ethical organization, or one that
Figure 5-1: A positive ethical organization can be distinguished as such based upon a positive deviance continuum aims to not merely reduce harm but to improve society. A POE perspective transforms sustainability into a values-oriented ideal that is positively deviant from the norm, as demonstrated through the positive deviance continuum (Caza et al., 2004; Spreitzer & Sonenshein, 2003, 2004) reproduced in Figure 5-1.

As illustrated in Figure 5-1, compliance and reducing harm are ethical characteristics, while sustainable practices are virtuous and benevolent, targeted at creating positive outcomes. By positioning sustainability as being positively deviant from the norm, a POE lens also enables sustainability to be contextualized and more consistent with stakeholder conceptualizations. Moreover, rather than encouraging the development of minimum requirements to capture the wide gamut of sustainability approaches as is attempted by current deficit approaches, a POE-based framework is capable of representing sustainability through different ideals in different contexts.

5.1.2 Differentiating Corporate Sustainability from Corporate Social Responsibility Through POE

Due to the organizational level of analysis for sustainability, this dissertation strongly draws from and contributes to corporate sustainability, or the application of sustainability to the firm. Although corporate sustainability is often times interchanged or confused with corporate social responsibility (CSR) (Montiel, 2008; Van Marrewijk, 2003), the two constructs are distinguished in this dissertation from a POE standpoint.
Although there is no definition for CSR, Carroll describes a CSR firm as one that “should strive to make a profit, obey the law, be ethical, and be a good corporate citizen” (Carroll, 1991, p.43). Due to its strong moral emphasis and common origins in the management literature, CSR literature is parallel to and often interchangeable with the field of business ethics (Carroll, 1999; Joyner & Payne, 2002; Tsalikis & Fritzsche, 1989). Dating back to the early 1900s, both fields resurfaced in the 1970s in response to increasing stakeholder demands for “transparency, accountability, and responsibility” (Caza et al., 2004, p.171) due to the many illegal and unethical infractions committed by businesses (Bartel, 2001; Mitchell, 2001; Turban & Greening, 1997; Wood, 1991). These infringements led to a surge in the business ethics and CSR disciplines as researchers began to study causes, behavior, and outcomes of unethical behavior. As a result, CSR focuses primarily on satisfying legal regulations, reducing harm, and meeting the societal expectations of a “good citizen” (Carroll, 1991, 1999; Caza et al., 2004; Hubbard, 2009; Morse et al., 2001; Nijhof et al., 2003; Payne & Raiborn, 2001; Salzmann et al., 2005; Sebhatu, 2009; Simons et al., 2001). Similarly, as stated by Caza et al. (2004), “business ethics typically involve the imposition of specific standards of moral corporate behavior and a cohesive set of rules for appropriate action” (Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Swanson, 1995).

It is from this backdrop that current sustainability frameworks are problematically framed. While extremely important and necessary for all businesses to follow, CSR and business ethics use a deficit approach that is not consistent with conceptualization of sustainability as an ever-moving target and values-driven ideal (Bell & Morse, 2008; Brundtland & W.C.E.D., 1987; Goldsmith et al., 1972; Kidd, 1992; Mebratu, 1998; Sachs, 1978; Shaler, 1905).

The positive approach advocated for in this dissertation demonstrates the advancement of frameworks from those that currently capture sustainability through a set of guidelines and baseline requirements to those that instead focus on sustainability as the attainment of sustainable development ideals. Positive frameworks for conceptualizing sustainability are capable of capturing values-driven organizations, innovations, and movements that aim to create a better, thriving society. The dis-
Figure 5-2: Through a hierarchical relationship, corporate sustainability is perceived as the ultimate goal, with CSR as an initial step that is driven through the TBL approach.

**Figure 5-2**: Through a hierarchical relationship, corporate sustainability is perceived as the ultimate goal, with CSR as an initial step that is driven through the TBL approach.

Distinctly, a POE lens provides between sustainability and CSR (as demonstrated by the positive deviance continuum in Figure 5-1) is therefore consistent with the literature that “consider[s] Corporate Sustainability as the ultimate goal; meeting the needs of the present without compromising the ability of future generations to meet their own needs” (Van Marrewijk, 2003, p.101). As referenced by Van Marrewijk (2003) and Kaptein and Wempe (2002) respectively, Lassi Linnanen and Virgilio Panapanaan from Helsinki University of Technology and The Erasmus University’s Business Society Management view CSR and corporate sustainability through a hierarchical relationship as reproduced in Figure 5-2, where CSR, driven through the TBL approach, is perceived as an intermediate step towards corporate sustainability.
5.1.3 Aligning a POE-Based Framework with Stakeholder Conceptualizations of Sustainability

By repositioning sustainability through POS theory, a POE-based framework for measuring and communicating sustainability is proposed in Chapter 2 to overcome the identified shortcomings prevalent in current approaches and become more consistent with stakeholder conceptualizations. Section 2.2.3 defends the importance of stakeholder conceptualizations of sustainability through stakeholder theory and legitimacy theory while also identifying the stakeholder-agent problem that exists in current measurement and reporting frameworks.

Over a 3-year study consisting of 3 focus groups and 57 interviews across a network of 22 sustainable banks worldwide, stakeholders were discovered to conceptualize sustainability through six different measures associated with the POE literature: intentions, raison d'être, transparency, decision-making rationale, employee engagement, and stakeholder engagement. Each of these measures is grounded in POS theory and informs the framework proposed for measuring and communicating sustainability performance reproduced in Figure 5-3. The 1,857 surveys administered across 3 sustainable banks confirmed that this framework was preferred over current TBL-based frameworks that dominate sustainability reporting.

5.1.4 Extending the POE Literature to Theoretically Construct PENs

In Chapter 3, the definitional construct of a positive ethical network (PEN) is proposed and defended. To date, the POS and POE literatures have focused on the individual, interpersonal, and organizational levels for units of analyses as opposed to the systems level. At the individual level, authors demonstrate the traits associated with positive individual ethics such as physical and mental health, high levels of positive energy, excellence, wisdom, creativity, humility, trustworthiness, and resilience (K. S. Cameron et al., 2003; Caza et al., 2004; Fredrickson, 2000; Park &
Peterson, 2003; Ryff & Singer, 1998; Seligman & Csikszentmihalyi, 2000; Weiner, 1993). These traits then impact the interpersonal level, building strong, lasting relationships characterized by compassion, respect, loyalty, and honesty (K. S. Cameron, 2003; Caza et al., 2004; Haidt, 2000). The field of POS emerges through the same mechanism, known as the amplifying effect, as interpersonal positive ethics cause an organization to foster and exemplify positive ethical qualities such as virtuousness, purpose-driven, appreciation, safety, equity, humanity, dignity, and vitality (Bolino et al., 2002; K. S. Cameron, 2003; Caza et al., 2004; Frederickson, 2003; George, 1995; Gittell, 2003a; Koys, 2001; Park & Peterson, 2003; Walz & Niehoff, 2000). Cameron (2003) and Caza et al. (2004) describe the amplifying affect as the phenomenon of positive individual ethics spreading throughout an organization, leading to a positive ethical organization. Moreover, people are inspired by positive ethical behavior when they observe and encounter it (Bolino et al., 2002; K. S. Cameron et al., 2003; Caza et al., 2004; Cialdini, 2001; Haidt, 2000; Sandage & Hill, 2001), leading to a positive upward spiral (Frederickson, 2003) and spreading throughout an organization before
eventually becoming part of the organization’s culture (K. Cameron & Caza, 2002). While individual ethics impact organizational ethics, the reverse is also true: positive organizational ethics influence individual ethics (Bagozzi, 2003).

The amplifying process of positive ethical behavior, and its mutual-reinforcement, is not confined to the bounds of an organization and can instead occur in any network as evidenced by social network theory. Referred to as informal social control in the social network and psychology literatures, socialization mechanisms cause members of a network to be influenced by and to conform to the behavior and values dictated by the social norm, despite their own predispositions and beliefs (Brass et al., 1998; Erickson, 1988; Lindzey & Aronson, 1968; Zey-Ferrell et al., 1979; Zey-Ferrell & Ferrell, 1982). Social norms can be both, informal and ethically-founded (Lindzey & Aronson, 1968; Phillips, 2010), making them highly pertinent to the construction of PENs. Furthermore, the Appreciative Inquiry framework characterizes the process in which a social norm can be intentionally established in networks with positive ethical actors who share values and collaborate towards a common goal (Cooperrider & Sekerka, 2003; Cooperrider & Whitney, 2005). A PEN is thus formally defined as: a purpose-driven network of positive ethical actors aligned under a shared set of values and goals; where an actor can be any individual or group of individuals who may or may not represent an organization, institution, or smaller PEN.

5.1.5 Crisis-PEN-Innovation Framework for Understanding Sustainability Innovations

The crisis-PEN-innovation framework reproduced in Figure 5-4 is proposed to capture the process of achieving sustainable financial innovations in Chapter 3. This framework is informed by a historical analysis of the microcredit and socially responsible investing movements in Section 3.1 along with a literature review in Section 3.3 on how positive behavior causes positive ethical actors to view external crises as positive opportunities for change and strengthens their capacity to innovate around them. This framework is defended through a theory guided process tracing of the five
sustainable financial innovations that Triodos Bank, a positive ethical organization, contributed towards. The findings (summarized in Figure 3-4) are consistent with the framework proposed.
Figure 5-4: Crisis-PEN-Innovation framework. Positive ethical actors with shared values and goals form a PEN in response to a crisis, which they view as a positive ethical opportunity for sustainable financial innovation.
5.1.6 PEN Analysis Framework for Understanding Sustainable Development Trajectories

In Chapter 4, the PEN construction developed in Section 3.3.1 is applied to the sustainable development field through the PEN analysis framework to better understand project trajectories. Based on the establishment of sustainability as a positive ethical ideal in Chapter 2, it is demonstrated through the argan oil cooperative movement that a PEN (which consists of positive ethical actors) is necessary to achieve the full potential of sustainable development goals. The PEN analysis framework therefore deconstructs a sustainable development project into the various stakeholder groups affiliated with it to assesses their leverage and positive ethical stance. As evidenced by the argan oil cooperative movement in Morocco, the inclusion of non-positive ethical actors can erode a PEN and therefore the positive potential it is capable of attaining. The PEN analysis for the current state of the argan oil cooperative movement in Morocco is reproduced in Figure 5-5. To understand the optimal trajectory of the cooperative movement, a four-year action research initiative was conducted to develop a new, Internet-based cooperative model that relies nearly entirely on positive ethical actors (see Section 4.6). The PEN analysis for this sustainable development initiative, The Argan Tree, is reproduced in Figure 5-6.
Figure 5-5: PEN analysis example of the *current* argan oil cooperative movement. Size of stakeholder ovals denotes leverage in network while color denotes ethical stance as indicated by the legend.
Figure 5-6: PEN Analysis of The Argan Tree stakeholder system. Size of stakeholder ovals denotes leverage in network while color denotes ethical stance as indicated by the legend.
5.2 Further Research

As shared in each chapter, there are plenty of streams for further research. In terms of measuring sustainability performance, understanding sustainability innovations, and predicting sustainable development trajectories, the frameworks proposed need to be rigorously tested. While the focus in developing the frameworks was primarily on sustainable organizations, it is important to ensure that non-sustainable organizations are unable to continue greenwashing practices under the proposed schemes. In addition to extending the frameworks to non-sustainable organizations, it is also important to test cases outside of the financial sector. Similarly, while a PEN analysis was selected to analyze the cooperative movement in Morocco, it is important to determine the other types of initiatives it can be adapted to. These initiatives may not need to be limited to sustainable development projects either. Future studies could determine if a PEN analysis on sustainable organizations (such as the one conducted on The Argan Tree in Figure 5-6) is effective in determining trajectories or providing insights on how they should scale.

Beyond expanding the applications of the frameworks proposed, researchers are urged to ground future research on sustainability in the POE literature. Three challenges were identified in the sustainable banking that are applicable to sustainability movements at large: scaling sustainability, determining a tradeoff between sustainable impact and financial return, and the criteria for identifying sustainability. Scaling in a sustainable manner, or one that does not decrease the sustainability efficacy so to speak, is a significant challenge affecting sustainable initiatives. As asked earlier, can sustainability scale? The PEN analysis framework is one tool that can be used to focus on maintaining a PEN when expanding an initiative but the argan oil sector already demonstrates the lack of positive ethical actors to fulfill certain required roles in scaling. Can non-positive ethical actors be included and the construction of PENs be loosened? What strategies exist for transforming non-positive ethical actors into positive ethical ones through an adapted version of the amplifying effect?

Alongside scaling is the matter of balancing sustainable impact with financial
return. Because there is not always a “business case for sustainability,” initiatives that drive at sustainability will not be as financially viable as less sustainable initiatives. What is an appropriate return on investment? The Rochdale cooperatives included establishing a fixed, expected return rate as one of their core principles for precisely this reason. In addition, what is the balance between “quantity and quality?” As demonstrated by the argan oil cooperative movement in Chapter 4, although the ideal outcomes were not achieved, it can be argued that a greater population was more positively impacted as a result.

Finally, how can the sustainability of an organization be determined? While the POE-based framework proposed in Chapter 2 and the PEN analysis framework put forth in Chapter 4 are examples of how sustainability performance and trajectories can be determined, respectively, are these the only ways? Are these frameworks themselves always applicable? Are there perhaps more insightful or effective alternatives? Are they completely void of the fallacies in current frameworks that enable greenwashing and prevent real sustainability from being communicated?

Therefore, the frameworks put forth and the literature expanded upon provide significant areas of opportunity for researchers to investigate. In this rapidly growing field and topic, a positive approach can benefit academics in understanding how to achieve the best outcomes as opposed to avoiding the worst. The POS and POE literatures lend a strong grounding for new theoretical approaches and frameworks to be developed in order to more appropriately position sustainability and its related topics.

5.3 Implications

One of the most alluring aspects about research in the sustainability topics discussed, particularly the POE-based framework for measuring sustainability performance and the PEN analysis framework for understanding sustainability trajectories, is that they directly apply to real-world applications. Both frameworks are already informing The Argan Tree and Argania initiatives along with other social enterprises that have
expressed interest in replicating the model (including a tea cooperative in India and a moringa oil initiative in Ghana). They are also being presented to the 22 sustainable banks worldwide. While their broader application needs to be tested, they promise an improvement over current frameworks and can easily be implemented by sustainable organizations in addition to the current TBL-based approaches.

The theoretical constructions in this dissertation are also impactful. The ability for a POE lens to differentiate between corporate sustainability and CSR allows discussions to focus on what firms are required to do, in the case of CSR, and what they should strive to achieve, in the case of corporate sustainability. The current frameworks and discussions that attempt to align these two fields (Montiel, 2008; Van Marrewijk, 2003) result in the deterioration of both, reducing sustainability practices to minimum requirements and unsuccessfully enforcing all the requirements of CSR practices. Through the distinction provided in POE literature, CSR and business ethics can focus on what firms are expected to do for society (strengthened by stakeholder theory and stakeholder-agent theory), while sustainability and POE can focus on how firms can strive to improve society.

PENs are also a useful construction to bolster an intentional approach by diverse, positive ethical actors to align around shared goals. The mobilization of positive ethical actors should be particularly pursued in response to crises, due to the demonstrated efficacy of PENs in transforming crises into positive opportunities for change. The global financial crisis has already caused the formation of such alliances, including the “99-precent movement.” These initiatives require a great deal of expertise, as identified through the sustainable financial innovations (discussed in Chapter 3) and in the action research engagement for developing PENs in the cooperative movement (discussed in Chapter 4). Therefore, a conscious effort needs to be made by coordinating bodies to align positive ethical actors with diverse skill sets around positive goals (emphasized by the application of innovation frameworks and positive ethical behavior research in Section 3.3).

Based on the organizations they run and the policies they pass, managers and policy-makers, respectively, are critical in progressing society. Although sustainability
is a frequently championed ideal by each of these parties, this research demonstrates that there needs to be a shift from a deficit approach to a positive one. Due to the nature of their roles, managers and policy-makers are often looked towards to solve pressing problems and adopt “problem-solving” techniques to overcome them. The short time horizons that are often imposed on them propagate this, causing them to become short-term reactionaries as opposed to long-term visionaries. For instance, in response to the subprime mortgage crisis (and eventual global financial crisis), banks tightened their lending practices and increased their capital to debt ratios— the two immediate causes of the subprime crisis. These measures were largely influenced by the Dodd-Frank act, signed by congress in 2010, which increases regulation of the financial sector. While these measures have halted the financial crisis in the U.S., many critics argue that another financial crisis is inevitable because the fundamental structure and attitude of banks has not changed (Denning, 2011, 2013; Eisinger, 2013; Quirk, 2012). In order to move towards a more sustainable financial sector, managers and policy-makers need to therefore adopt a longer time horizon to provide “genuine value to the economy ahead of short-term profit” (Denning, 2011). Described in Chapter 3, this is the core mission of Triodos Bank, which invests its entire portfolio into activities that improve society and has developed “sustainable checking accounts” to not drive consumer debt further (the initial source of the subprime crisis). The POE-based framework proposed in Chapter 2 captures Triodos’ approach, demonstrating that sustainability ideals and positive intentions need to be at the core of managers and policy-makers, not merely afterthoughts. Making actions and policies completely transparent (along with their rationale) is critical in communicating sustainability in the short-term while fully engaging with stakeholders is essential for the long-term. Through embracing these stances and strategies, managers and policy-makers can more effectively align with stakeholders and realize sustainability goals. Although managers and policy-makers may sometimes adopt antagonistic stances towards each other (i.e. the present relationship between large financial institutions and congress in the U.S.), the PEN framework proposed in Chapter 3 illustrates the outcomes that can arise from aligning around shared, positive objectives. Therefore, mangers and
policy-makers need to balance the demands for deficit-seeking behavior with positive stances in order to become more accountable to all their stakeholders and work towards building a more sustainable society.

The broader implications of this research are more significant. Returning to the motivations of this dissertation, the positive lens used to approach sustainability reorients the concept as a values-oriented ideal. As demonstrated by the positive deviance continuum, sustainability is not the norm but is positively deviant from it, and “is expected to be rare across all organizations” (Verbos et al., 2007; Spreitzer & Sonenshein, 2003, 2004). Profitability may be one element behind sustainability, but it cannot be the cornerstone. It should be viewed as a means to improve society, not the other way around as is currently professed in the “business case for sustainability.” This repositioning of sustainability, which closely aligns with stakeholder conceptualizations, therefore argues that if we are to strive towards sustainability, then values must be placed in front of economic gain. That is, capitalism needs to be transitioned to an economic system that prioritizes “real” value creation. The same sentiments were echoed by Martin Seligmann, the pioneer of the positive psychology movement upon which POS and POE literatures are grounded, seven years prior to the global financial crisis (Seligman & Csikszentmihalyi, 2000, p.5):

Entering a new millennium, Americans face a historical choice. Left alone on the pinnacle of economic and political leadership, the United States can continue to increase its material wealth while ignoring the human needs of its people and those of the rest of the planet. Such a course is likely to lead to increasing selfishness, to alienation between the more and less fortunate, and eventually to chaos and despair.

The failure to heed the positive approach professed by Seligmann has since resulted in a financial crisis that spread to the rest of the world. Although the institutions responsible for the crisis (discussed in Chapter 1) fared better than the most vulnerable populations, they too are in a worse position compared to when they began prioritizing economic gains above all other factors. This is not to assign blame but rather
address the greater call to action for all members of society to prioritize value creation above capital accumulation in order to create a thriving society for this generation and future generations.
REFERENCES


