Sensemaking Corporate Social Responsibility, Reflexive Organisational Change and Moral Transpose, the Case of Volkswagen ‘Diesel Dupe’ Crisis

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Abstract

The world has witnessed corporate scandals of monstrosity magnitude. The Enron Scandal, the Nike Sweatshop scandal and the recent Johnson and Johnson baby talc in 2018 are some dishonors that reshaped the business world and reinvigorated the importance of business ethics. Indeed, supranational and national movements such as the Global Reporting Initiatives have responded to these scandals by imposing stricter corporate reporting to instill greater transparency and corporate responsibility. Ironically, despite unwavering efforts, corporations are still blatantly flouting regulations. The Volkswagen “diesel dupe” crisis is a stark reminder of the inherent weakness of current regulations. Despite Volkswagen’s staunch adherence to those stringent reporting guidelines, they breached ethics to the core, creating a tsunami of vehicle recalls, massive social, political and legal repercussions. Volkswagen’s cheat device is a ‘creative destruction’ that challenged the fundamental usefulness of corporate reporting. Corporate social responsibility has evolved tremendously, now taking the form of positivistic reporting patterns. Corporations are measured by their ecological, social and economic performance where they flamboyantly table those data and information to garner stakeholders’ support and legitimacy. However, a pragmatic approach towards corporate social responsibility is self-defeating. It erodes and dilutes a corporation’s ability to make sense, communicate and adapt to their externalities. Instead, corporations boast of their corporate prowess and triple bottom line. Using Volkswagen as a subject, this paper exposes the inherent weaknesses of a positivistic corporate reporting approach to social responsibility. A positivistic approach such as this cannot engender a truthful, honest and open posture in business corporations. Instead, this paper exemplifies that a meaningful sensemaking corporate social responsibility instills reflexive organisation change and moral transpose within corporations. This paper underlines this reflexive organisational change and moral transpose in Volkswagen as they encounter the diesel crisis. This study is novel and greatly enhances previous literatures in corporate social responsibility by instilling an appropriate model to underline these momentous reflexive organisational changes and moral transformations in Volkswagen.

Keywords: sensemaking CSR, reflexive organisational change, moral transpose

1. Introduction

The world has witnessed many major trepidations of unethical businesses. The 1984 Bhopal Disaster, the 1997 Nike Sweatshop Scandal, the Deepwater Horizon Oil spill in 2010, the Apple Foxconn scandal in 2017 and the most recent Johnson and Johnson (J&J) baby talc scandal in 2018 are some stark examples of unethical business. What do these scandals have in common? Other than the magnitude of social, environmental and economic impact, these corporations have one commonality. They are champions of corporate social responsibility (CSR) and displayed complex and highly standardised CSR reporting systems. They annually table attractive data and statistics to reflect their CSR ingenuity. Despite their flamboyant claims, these organisations breached ethics to the core.
The emerging emphasis on standardised corporate reporting presents a lacuna in current CSR momentums. A firm’s values are measured on the accuracy of CSR data they present their stakeholders. The advents of sustainability reporting instilled by the Global Reporting Initiatives (GRI) is an unembellished example. GRI requires firms to categorically exemplify their sustainability performance through numerical presentation. Established in 1997, the GRI comprises of organisations and representatives from the Coalition for Environmentally Responsible Economic (CERES). Their vision was to develop a universally acceptable guideline for reporting on environmental, economic and social benchmarks. The stakeholder council in the GRI prescribes the layout and manner of reporting styles. A standard GRI report includes among others the key performance indicators and a comprehensive report on the firm’s social, environmental and economic performances.

However, there are concerns that standardised reporting inhibits truthful CSR, risks masking transparency (Rhandony & Hanuman, 2012) and pays premium to lip service (Maclean & Rebennak, 2007). For example, The Wall Street Journal applauded apparel giant GAP Inc. in 2005 for reporting the inspection of 99% of their vendors to ensure their labour working conditions met the required standards. However, Gap Inc. at the same time was struggling to resolve discrimination and excessive workloads of their own workers (Ballou et al., 2006). The purpose of the paper is to examine the lacuna that mechanical CSR reporting may trigger a senseless and robotic CSR deployment. Conversely, a sensemaking approach produces a more open, reflexive and truthful corporate dialogue between a firm and its stakeholders.

The last four decades witnessed brewing emphasis on the pervasiveness of CSR. Although the prevalence of CSR has grown exponentially, corporate scandals at global scale prompted critics to dispute the usefulness of CSR as an appropriate tool for corporate legitimacy. Despite its extensive development, CSR remains a singular contradiction of overlapping theories and a labyrinth of confusion (Tan et al., 2018). For instance, CSR is regularly associated to disguise corporate misbehaviors (Lantos, 2001), mislead public perceptions (Harrison & Wicks, 2013) and charged for exhibiting a capitalistic stint (Rakesh et al., 2013). CSR became a convenient label to garner legitimacy for business firms. There is a need to reevaluate their conceptual vigorousness to inculcate business ethics.

CSR literatures are wide and varied and hence it is nearly impossible to provide an exhaustive categorisation of the theory. Despite varying CSR approaches, studies on CSR are fundamentally grounded on a positivistic regime. Positivism generally connotes any area of study, research that hail a quantitative approach to social inquiry. Under a positivistic approach, social inquiries are deduced from empirical data that are measurable, quantifiable and verifiable (Hammersley, 2018). Similarly, positivistic CSR requires their activities and outcomes measured and reported in sustainability and or annual reports, brochures and corporate web pages (Bittle & Snider, 2003). This positivistic methodology requires business firms to quantify their CSR advocacies through predefined parameters and standards (Carroll, 1998; Basu & Palazzo, 2008). Positivistic CSR resembles a content meta-analysis. It establishes a causal link between CSR implementations and corporate social performance (Orlitzky et al., 2003). The rise of positivistic CSR is largely due to increasing stakeholders’ demands for information and transparency. For example, investors heavily rely on firms’ strategies and their CSR commitments transpired in empirical statistics (Basu & Palazzo, 2008).

However, there are two lacunas in a positivistic approach towards CSR. The first lacuna is that a positivistic approach is often misconstrued as simply recording and documenting CSR activities without appreciating their real values (Bittle & Snider, 2003). It triggers homogeneous CSR deployment, standardised reporting patterns and misleads the public with a façade of compliance (Sims & Brinkmann, 2003). A purely positivistic CSR prompts superficial and manipulative reporting (Safraty, 2012). Firms apply a ‘box ticking’ approach towards compliance and superficial numerical analysis. A study on Swedish firms by Hedberg and Malmborg (2003) showed that business firms such as Swedish Meats Inc. and Schenker adhered to GRI to gain recognition from external audits. Milne and Gray (2013) argued that superficial and cosmetic reporting requirements are “insufficient conditions to establish true CSR”. Conversely, a mechanical box ticking approach engenders a “rigid, mechanical practice involving the use of needlessly detailed ‘standardized checklists’ and pursued without regard to weighing costs against benefits” (Safraty, 2013).

There are also concerns (Safraty, 2012) that overt emphasis on number churning conceals any meaningful corporate behaviours. It encourages firms to emphasise on generating impressive numbers at the expense of “doing good” for public’s interests. This dilutes the values of a purposeful CSR. Firms are often engrossed in producing data and numbers to raise their status by highlighting compliance. For example, Enron had in place very good CSR reporting mechanism showing off their corporate responsiveness and their exceptional corporate citizenship (Sims & Brinkmann, 2003). The process of generating data and numbers becomes an end rather than a means to an end. The 2018 criminal investigation on J&J pertaining to their allegedly cancer-causing baby talc is another
resounding example of mishap in a positivistic CSR enigma. Surely, J&J is renowned for their code of conducts. Their annual report reads “Complying with our Code is about creating an environment where we can do our best work and be proud of the work we do, the challenges we overcome and the successes we achieve all because we do these things fairly, legally and with integrity…” (J&J Annual Report, 2017).

The second lacuna is that positivistic CSR elicits pragmatic legitimacy. Many firms implement CSR to gain collateral business advantage (Vanhamme & Grobben, 2009). Firms are eager to deduce competitive advantage while concurrently deploying CSR (see Porter & Kramer, 2006). Others append CSR as part of a firm’s triple bottom line (Elkington, 1998). Firms devised CSR to gain competitive advantage measured through quantifiable outcomes. This sort of fusion is insufficient to instill an ethical core in business firms and often camouflages an ulterior business intent when applying their CSR activities (Rakesh et al., 2013).

Furthermore, Palazzo and Scherer (2006) lamented that positivistic CSR momentum enrich a firm’s egoistic self-interests. Pragmatic legitimacy derived from a capitalistic ideal, maximises both the corporate and their stakeholders’ interests. In pragmatic legitimacy, firms do everything in their power to persuade their stakeholders to ascribe to the firm’s legitimacy through executing CSR activities aimed at uplifting the interests of that group. The key driving factor in pragmatic legitimacy is to convince stakeholders that the leadership, corporate strategy and the output of the business firm are collaterally beneficial to the firm and the society (Palazzo & Scherer, 2006). Pragmatic legitimacy resembles a conscious cognitive sense where firms purposefully drive CSR initiatives to equalise their interests and the community they serve. Of course, there is upward pressure for firms to deploy a positivistic corporate reporting momentum. Global movements such as the GRI are powerful instigators propelling firms into a spiral of enigmatic sustainability reporting. Castello and Lozano (2011) correctly argued that firms are ‘colonised’ by overwhelming positivistic nuance paying premium to attaining a pragmatic legitimacy (Castello & Lozano, 2011).

While positivistic movements have improved corporate reporting styles and instilled sophisticated tabulations and data, overt emphasis on CSR contents prevents firms from truly appreciating and understanding the intrinsic intents of CSR (Brickson, 2007). This results in a vacuum for appreciating the underlying psychological and anthropological reasoning in CSR deployments. It leads to monotonous corporate reporting rendering it impossible to delineate any differences between various typologies of reporting patterns (Snider et al., 2003). Clearly, a positivistic CSR overtone diminishes a firm’s sensemaking and moral legitimacy. Sensemaking happens when organisations can no longer cope with turbulences with their standard regimes. Crisis, turbulence and disruptions trigger firms to reason, think and create new meanings (Bundy et al., 2016). Its story tells and accentuates the reasoning processes within organisations.

Sensemaking CSR also engenders moral legitimacy. Suchman (1995) defined moral legitimacy as “sociotropic”—it rests not on judgments about whether a given activity benefits the evaluator, but rather on judgments about whether the activity is “the right thing to do”. These judgements become a barometer, which reflect whether an activity of the business firm promotes social welfare determined by the society’s value system. Moral legitimacy relates to the subconscious mind of business firms. It reflects what the society deemed as imperative, inevitable and non-negotiable moral values firms must engender (Palazzo & Scherer, 2006). In the words of Hannan and Carroll (1992) “here is little question in the minds of actors that it serves as a natural way to effect some kind of collective action”. Any violation and or manipulation of this subconscious cognitive legitimacy risks firms rejected and defaced by intense social repugnance.

This paper theorises that positivistic CSR diminishes a firm’s ability to sensemake CSR and achieve moral legitimacy. A firm that sensemakes CSR attains moral legitimacy, which in turn spawns reflexive organisation change and moral transpose. Positivistic CSR and pragmatic legitimacy can never capture such reflexive organisational developments. Tan et al. (2018) clearly explored this CSR sensemaking, reflexive organisation change and moral transpose in the work titled “A Theorisation on the Impact of Responsive Corporate Social Responsibility on the Moral Disposition, Change and Reputation of Business Organisations”. Tan et al. (2018) explored the interface between CSR sensemaking, reflexive organisation change and moral transpose in the case of Shell’s mismanagement of the Brent Oil Spar storage buoy saga in the Atlantic in 1995. The saga triggered backlash and public discontent resulting in Shell’s share price decline and tattered reputation. The saga elicited Shell’s ‘awakening’ towards reflexive organisation change and moral realignment. One excerpt of Shell’s annual report clearly epitomises this phenomenon.

We believe that we acted honorably in both cases. But that is not enough. Clearly, the conviction that you are doing things right is not the same as getting them right. For us at least, this has been a very salutary lesson. We were ready to learn from experiences, however painful, because of a planned process of change begun in
Although sensemaking has long been a vital element in musicology research, it only became a popular tool for unfolding and the more overarching principles of relational continuity” (Dewey, 1922).

Sensemaking was originally an essential component in musicology research where the processual exposure of a person to music was perceived purely as a ‘human experience’ (Dewey, 1922). Dewey claimed that sensemaking allows the fullest experience of music in ‘heightened vitality’ and instils the researcher an ‘active and alert commerce with the world’ learning through their perspectives and a ‘complete interpretation of self and the world of objects and events’ (Dewey, 1922). This processual approach to musicology is an illuminating example of sensemaking where “a listener should bring together the particularities and idiosyncrasies of the sonorous unfolding and the more overarching principles of relational continuity” (Dewey, 1922).

Although sensemaking has long been a vital element in musicology research, it only became a popular tool for social inquiries in late 60s (Weick, 1969). Scholars generally agree that sensemaking relates to the construction and interpretation of meanings (Maitlis & Christianson, 2014) that underpin the justification and reasoning behind daily decisions. Weick (1995) argued that any decisions made through brainstorming or from an argument is a simple example of sensemaking. It captures the retrospective reasoning that justifies a person’s conduct. It rationalises an action and interpret the meanings behind those actions (Weick et al., 2005). Actions and beliefs are essential ingredients of sensemaking. They transcribe how one make sense of the actions that one has committed.

Sensemaking resembles a processual connection between beliefs and actions (Weick, 1995). Sensemaking reinforces one to act according to their beliefs and interpret the externalities in which they are engrossed resulting in older discourse replaced by newer ones. Therefore, Weick (1995) argued that there is no one singular paradigm of reality but conversely, realities are socially constructed. Weick (1995) argued that there is only one reality, which is the outcome from the cognitive interpretation and conative translation of that reality. To Weick, sensemaking involves:

… the ongoing retrospective development of plausible images that rationalize what people are doing. Sensemaking is constructing sense in order to rationalise both everyday happenings and out of the ordinary experiences. Sensemaking then exists in the interplay between “action and interpretation” (Weick, 1995; Weick et al., 2005).

The benefits of sensemaking are plentiful. They include developing an inferential leap from status, perceived justification for the leap, presents a choice of two or more competing options and an provides an informed, rational and logical choice amongst those options. Sensemaking studies the interpretation of an action rather than the choice of an action itself. Sensemaking is widely used in many spheres of social inquiries. A good example is Scott Snook’s investigation and analysis in 2001 of a friendly fire accident in Iraq April back in 1994. In that case, two F-15 pilots accidentally shot down two ally copters killing all the pilots and those 26 personnel on board. The following points in the case resembled good illustrations of sensemaking in that inquest:

I could have asked, “Why did they decide to shoot?” However, such a framing puts us squarely on a path that leads straight back to the individual decision maker, away from potentially powerful contextual features and right back into the jaws of the fundamental attribution error. “Why did they decide to shoot?” quickly becomes “Why did they make the wrong decision?” Hence, the attribution falls squarely onto the shoulders of the decision maker and away from potent situation factors that influence action. Framing the individual-level
puzzle as a question of meaning rather than deciding shifts the emphasis away from individual decision makers toward a point somewhere “out there” where context and individual action overlap.………..Such a reframing—from decision making to sensemaking—opened my eyes to the possibility that, given the circumstances, even I could have made the same “dumb mistake.” This disturbing revelation, one that I was in no way looking for, underscores the importance of initially framing such senseless tragedies as “good people struggling to make sense,” rather than as “bad ones making poor decisions” (Mair et al., 2012).

To Weick, sensemaking captures the core essence of decision-making. Weick argued that decision-making was never a linear decision but influenced by their externalities, the circumstances and uncertainties that follows. Weick in his article titled “The collapse of sensemaking in organisations, the Mann Gulch disaster” in 1993 provided another sensational example on how sensemaking was usurped to understand bizarre outcomes of decisions made during a crisis. In that article, Weick illustrated by using the Mann Gulch disaster as an analogy, how an organisation would interpret and make decisions during a crisis. The Mann Gulch disaster relates to the death of thirteen firefighters that responded as smokejumpers during a distress call at Mann Gulch on the 5th of August 1949. A team of sixteen firefighters boarded the Hercules C27 military transport plane and headed to the ring of fire.

Soon after they parachuted, they found themselves trapped in the middle of the firestorm. Wagner Dodge, the team leader upon seeing the perilous situation ordered his team to abandon their gears and lit a fire on their only exit path. Dodge then commanded the men to cross over the fire pathway he ignited but unfortunately, only two men followed his instructions while the other thirteen disobeyed and took another path. Those thirteen of them who took off died in the blaze while Dodge and the other two who followed him survived.

Weick questioned why the thirteen men took the decision they did on that treacherous day. By using a sensemaking approach, Weick argued that the decisions made by the thirteen firefighters that perished were not a simply a linear equation. Weick concluded in his study that the thirteen men simply failed to follow their leader’s order because the external environment distorted their decisiveness. The gushing wind, intense heat, rising flames made the men to perceive Dodge’s commands as being irrational despite the fact that they were regular safety protocols. Clearly, sensemaking provides an in-depth phenomenological study of how one decides. Instead of focusing on the outcome of those decisions, sensemaking provides a multi-dimensional scrutiny on how decisions are made and or a cause of actions, see for example the contribution of sensemaking in the Stockwell shooting restudy in 2005 (Cornelissen et al., 2014). It provides a useful phenomenological examination pertaining the retrospective values on how decisions are made.

3. Sensemaking CSR and Reflexive Organisation Change

Since Weick’s classical work titled “Sensemaking in Organisations” in 1995, the importance of sensemaking in organisation studies has grown exponentially. Sensemaking became pivotal to study organisation behaviour (Mattils, & Christiansen, 2014) which has then permeated into other areas of research including education (Smerek, 2009), healthcare (Jordan et al., 2009) and mass communication (Christensen & Cornelissen, 2011).

Sensemaking has also been influential in studying organisational behaviour. Weick (2005) maintained, “sensemaking and organisation constitute one another,” because both required interpreting, making decisions and acting on chaos and complexities. Weick earlier in 1969 scrutinised a similar connotation in his book titled “The Social Psychology of Organizing”, and examined how discontinuities, disruptions and crises impact the ecological balance within an organisation. Indeed, any factors that cause organisational change could trigger ambiguity and uncertainties, leading members to interpret those phenomena amidst uncertainties (Weick, 1979).

Other scholars have since studied the contributions of sensemaking on organisational cognitive dissonances, conflicts, confrontations and their reconciliations in organisations (Maitlis & Christianson, 2014). This prompted writers connecting CSR sensemaking, moral legitimacy and organisation change (Mattils, 2005; Mattils & Lawrence, 2007). Organisation change is inevitable in business. Literatures on organisation change is rich and dense. Organisations must change to adapt to social demands. Conventional and planned models in organisational change postulate a gradual and predictable change in business organisations. Earlier studies presuppose a triadic mode of planned organisation change (Gersick, 1991). Later organisation change models champion a more radical nonlinear approach. Gersick (1991) termed this as a punctuated equilibrium, capable of generating deeper structural alterations and revolutions within the organisation during the change process.

While literatures on organisation change are plentiful, studies on organisation change involving sensemaking CSR and moral discourse is scarce. Sensemaking CSR triggers a moral discourse in organisation change and business firms need to stretch their sociological and organisation imagination to capture the reflexive values rather than the
outcomes of the change (Mir & Mir, 2002). An anthropological sensemaking approach to studying organisation change deserves attention (see Yanow et al., 2011) so that there is adequate attention given on the reflexive ideals and making sense on the deeper values of organisational change (see Weick, 2001). When an organisation encounters dramatic disruptions or crisis, their culture and shared beliefs challenged, distorted and fundamentally deconstructed.

In sensemaking, the change process itself and the constructed meanings are scrutinised, studied and rationalised to generate a deeper appreciation of the change process and its impact on the firm’s moral legitimacy. A change through sensemaking generates a more pervasive and thrusting behavioural alterations. Within the sensemaking approach, organisations become deconstructed paying premium to study the process of deconstruction (Higgins, 2010). The likes of Shell reflexive organisational change is evidence of a sensemaking and reflexive change often reflected from their linguistic and conative expressions (Basu & Palazzo, 2008). The works of Tan et al. (2017, 2018) studied this form of reflexive discourse in organisation change and moral legitimacy. The examples of Shell’s repentance from its Brent Oil Spar saga in 1995 deeply construed an organisation change that reflexively transformed the business and altered its moral legitimacy. Sensemaking triggers organisation change that transcends regular structural change but one that fortifies a moral reboot and sensemaking the deeper derivatives of change (Maitlis & Sonenshein, 2010).

Despite those writings, there is a literature gap to identify an appropriate model, which could illustrate the mechanism of sensemaking and reflexive organisation change in practice. While writers support the notion of sensemaking and organisational change, there is a deficit in literatures to explain this sort of change using an appropriate model and framework. No authors have yet proposed a workable model that explains the mechanism of sensemaking and reflexive organisational change in practice. The current authors intend to fill this literature gap.

To fill the gap, the current authors adapt from other spheres of study. One particular theory that stands out in redefining crises and organisation change is the concept of ‘Strategic Dissonance Model’ (SDM). First coined by Burgelman and Intel Inc.’s CEO Andy Grove in 1996, the theory postulated the resonance of crises as an indicative barometer of organisational strategy misalignment and organisational renewal. Burgelman and Andy Grove theorised that a firm’s strategic intent and direction can swiftly expire amidst dynamic changes within an industry. A strategic dissonance occurs when a crisis or dynamic shift within the industry expires an organisation’s strategic intent. In the words of Burgelman and Andy Grove, “where it signals the impending industry or corporate transformation”.

Intel Inc. experienced many cycles of crises that have fundamentally redesigned their corporate strategies. One remarkable incident pertains to the advents of powerful Japanese competitors on Intel’s dynamic random access memories (DRAM) in the 1980s leaving Intel gasping for alternatives to tackle the new onslaught. The Japanese continuous assault forced Intel to reconsider the core values of their DRAM business and Intel ultimately switched from the DRAM industry to microprocessors.

Burgelman and Grove reckoned that crises could trigger an ‘organisational awakening’. Intel’s ‘Pentium processor crisis’ in 1994 is an example on point. CNN first detected the flawed chips in 1993 but Intel refused to replace the faulty chips except to their main professional clientele denying their end users who were enraged. End users were never Intel’s main target group but the intensity of their uproar escalated the issue into a full-blown crisis. Feeling the brewing pressure, Intel extended their chip replacement to include end users with just a simple request. Intel began to realise the emerging powers of end users thus forcing the firm to restrategise their focus from professional clientele to end users.

One major contribution of their SDM is that it conceptualises when a crisis can lead an organisation to experience what they termed as the ‘strategic inflection point’ (SIP). This theorem provided a powerful indicator when (if at all) an organisation’s strategy, direction, technological capabilities becomes obsolete, antithetical and redundant or replaced by newer ones. Firms are trapped in the ‘valley of death’ if they are unable to overcome this redundancy. Conversely, firms that are able to overcome the SIP cherish new markets and fresh developments. The SIP reflects the precise point in which firms need to determine the next course of actions, either to improvise and overcome the changes or maintain status quo. The SDM theorem is illustrated in Figure 1 below:
Figure 1 clearly shows that a firm, which fails to adapt and resolve the crisis, will experience negative growth that ultimately leads to their demise. The inflection point becomes a decisive moment where firms must decide to improvise and adapt to harness the opportunities or face destruction if they choose to relent their strategies. Conversely, if the firm adapts, it leads to new unexplored business frontiers. Grove’s theorem is powerful yet simple because it signifies when a firm should change in the event of a crisis. The SIP plays a pivotal role in predicting an incisive point where a firm must change radically so that they do not become obsolete.

What is a crisis then? Crises refer to those occasions that disrupts, distorts the function, structure, nature and cognitive content of a business firm (Siano et al., 2017). Naturally, organisations encounter increasingly challenging business environment depicted primarily by heightened stakeholders’ demands (see Kotler, 2009; Browne et al., 2015). There are amplified probabilities that the incongruences between business strategies and stakeholders’ demands generate conflicts that lead to crises. Crises are becoming regular due to the proliferation, publicity and politicisation of risks management (Hart et al., 2001). Organisational crises have always been a taboo for businesses as they disrupt organisations and expose them to non-linear and uncontrollable events leading to disorder (Sonja et al., 2002). Other authors (see Mainzer, 1994; Murphy, 1996) perceive that chaos and crisis delimits the conventional strategy for problem solving and subverts a planned approach in management. However, sensemaking enhances the ‘values’ of crises. Literatures (see Smith & Elliott, 2007; Carmelli & Schaubroeck, 2008) argued that organisations could learn through crises.

Despite the contributions of the SDM in depicting crisis and strategic dissonance, it does not represent sensemaking CSR and reflexive organisation change. To fill this literature gap, the current author modifies the SDM model to illustrate the relationship between a crisis, sensemaking and reflexive organisation change. The author terms this revised model as the ‘Ethics Dissonance Model’ (EDM). The EDM model is as shown in Figure 2 below.
Figure 2 clearly illustrates the mechanism of sensemaking in reflexive organisation change. Axis Y represents the ethical values of a firm. V is the moral disposition of a firm over time. Seen from the downward slope in V, the firm gradually reduced their ethical practices overtime. Point C reflects the ‘ethical inflection point’ (EIP) where during a crisis illustrated at in point T, the firm experiences backlash due to their ethical dissonance. Firms that sensemake the crisis and renew their ethical commitment will experience an upward organisation trajectory in point R leading to brand renewal, moral reboot and reflexive organisation change. They escape the ‘valley of death’. However, firms that fail to adapt will experience a downward spiral in point S where they will slump into a deeper crisis over time. This EDM model fills the literature gap by illuminating the mechanism of ethical dissonance, sensemaking and reflexive organisation change in practice.

To better illustrate this in practice, the current authors apply the theorem on Volkswagen (VW) “diesel dupe” crisis. The VW diesel scandal provides a good illustration of the EDM. Painter and Martins (2017) described VW’s diesel crisis as “specific, unexpected and non-routine”. The application of EDM in the diesel crisis is illustrated in Figure 3 below:

Figure 3. Volkswagen Diesel Dupe Crisis, sensemaking CSR and reflexive organisation change

Source: Adapted from Burgelman and Andy Grove, 1996.
Clearly, VW applied a triple bottom line positivistic approach for their CSR. It saw a gradual recession of ethical values over time and climaxed when their scandal exposed in 2015, which marked an ethical inflection point. VW experiences an ethical dissonance. VW then engaged in a reflexive organisation change that saw an upward trend of their refresh business ethics commitment of CS depicted as R.

At the inception of the crisis, VW displayed resistance and a defensive posture. They argued that the testing methods are outdated and results inaccurate. At the later stages of the crisis when pressures climaxed, VW began to sensemake and displayed indications of reflexive organisation change. Words and phrases such as repeated apologies, realigning their goals, restructure and organisation change in their annual reports are clear indicators of crisis leading to sensemaking and reflexive organisation change (Painter & Martins, 2017). Post the crisis in 2017, VW’s annual report illuminates such reflexive organisation change where it states:

In truth, our Company faces a dual challenge. We have not yet surmounted the diesel crisis for which we ourselves are responsible; its consequences will continue to weigh on us for the foreseeable future. We have taken significant steps to strengthen our internal processes and control mechanisms, and to refocus on compliance and integrity…. But all these initiatives, as well as the impressive commitment of our workforce to this process of change, must take a back seat when news of the misconduct and poor judgments that unfortunately took place within our Company once again becomes public. And it shows that both as a Company and as an industry, we must deal much more seriously and sensitively with ethical issues, and act even more decisively on sustainability issues” [Emphasis added] (Volkswagen Group Sustainability Report, 2017).

The italicised words are interesting because it evidenced VW’s retrospective and prospective reflection of their diesel crisis. The 2017 report reflected the reminiscence of the crisis and a clear indication of VW’s corporate renewal. Indeed, examples like Nike and Shell postulate how sensemaking empowers business firms to deduce retrospective and prospective opportunities in crises.

The EDM fills the literature gap by providing a framework to connect crisis, sensemaking and reflexive organisation change. However, this theory is not flawless. Other authors argue that the SIP is not mathematically precise and Grove’s notion merely enriches a metaphorical characteristic described by a deterministic chaos, disruption as well as an imaginary tipping point (Elliott & Patricia, 1994) and theorem lacks precision unsupported by empirical mathematical formulae.

Secondly, not all SIP occurs in a predictable curve and does not present itself in regular predictable momentums. Furthermore, not all inflections are SIP but some are ‘fads’ misleadingly disguised as SIPs. Firms are often entrapped to radar and being overly watchful on SIPs that may lead them to misinterpret those fads tipping them to wrong strategic implications (Modis & Debecker, 1992).

It is clear from the foregoing discussions that crises are not necessarily a taboo for business. Conversely, many theories expound the positive contributions of crises on organisational learning, strategic realignment and prevising a cognitive and mental shift in business firms. By using the EDM, the current author argues that a crisis can trigger sensemaking and reflexive organisation change. The EDM is novel, modified from Andy Grove’s SDM to provide a workable framework to illustrate the role of crisis, sensemaking and reflexive organisation change.

3. Sensemaking CSR and Moral Transpose

While many literatures explored the values of sensemaking in reflexive and responsive organisation change, very few literatures have connected sensemaking, reflexive organisation change and a firm’s moral dispose. This idea is novel, even with the span of developments in CSR literatures. To provide an effective discussion, the current authors answer two fundamental questions. Firstly, what is the fundamental role of ethics in business? Secondly, what kind of moral transpose do firms experience when they encounter a crisis? These two questions underline the foundation of this discussion.

The first question is contentious and much ink spilled on this debate. The notion of ethics has never seated well with scholars. Many rejected associating business and ethics. Milton Friedman (1970) in his influential work titled “The Social Responsibility of a Firm is to Increase profit” theorised that businesses have no social responsibility whatsoever owed to the society. Later in 2004, Joel Bakan published his work titled “The Corporation: The Pathological Pursuit of Profit and Power, which was later transcribed into an award winning documentary film. Bakan argued that business firms are pathologically programmed to maximise profits with lesser regards to law, ethics and compliance. This point spills over to the legal fraternity where the Michigan Supreme Court decision in Dodge v Ford (204 Mich. 459, 170 N.W. 668 (Mich, 1919)) remarked:

There should be no confusion …. A business corporation is organized and carried on primarily for the profit
of the stockholders. The powers of the directors are to be employed for that end. The discretion of the directors is to be exercised in the choice of means to attain that end, and does not extend to … other purposes.

A fundamental reason on the grounded resistance to associate ethics and business lies on the powerful grip of capitalism in business. Even the most avid CSR scholars did not advocate a capitalist reproach (see for example Keith Davis and Bowen). Many CSR precepts envision ethics as a collateral component of capitalism and strategic business advantage. Others append CSR as part of a firm’s triple bottom line (Elkington, 1998). The need to achieve environmental and social good coexists with the quest for profit.

This paper now addresses the second question, that is, what kind of ethical transpose do firms experience when they encounter a crisis? To answer this question, it is vital to address the trajectory of an organisation’s moral transposition i.e., transforming from what to what and from where to where? To address this point reader(s) must understand the fundamental theories of ethics.

For simplicity, there are two main theoretical divisions of utilitarianism and Kantianism often termed as ‘rival ethical principles’ (Shaw et al., 2015) conveniently labelled as the ‘consequentialist’ and ‘non consequentialist’ approach. Shaw et al. (2015) for example laments that such division is a common and simplistic measure and is capable of providing a clear resolution to specific ethical dilemmas. Shaw et al. (2015) argues that:

It is a common practice to group these theories as consequentialist and non-consequentialist. This is simply a way of separating those theories that are concerned primarily with outcomes (or consequences) and those theories that are primarily concerned with particular or general principles or rules on which to base our decisions or resolve dilemmas.

Simplistically, Kantianism is a purely deontological measure grounded on a duty-based ethics. Widely known as the non-consequentialist approach, its founder Immanuel Kant (1724–1804) lamented that the application of morality must be non-contradictory, consistent and based on good will. Kant insists that moral maxims must be categorically imperative so that their values must be without contradiction and presents its purest sense. A pivotal point is that one must treat “humanity as an end and never a means to an end” and that a rule must be universally acceptable (Tan et al., 2018).

Modern theorists approved this point. The book titled “Purpose, the Starting Point of Great Companies” written by Mourkogiannis in 2006 wrote that the ‘real value’ of business organisations is an altruistic sense to solve human and social problems. Thus, the purpose of an organisation is to provide solutions to existing human problems where profit is a collateral benefit. Clearly, this means that ethics are ingrained in business. Business organisations must fulfil their underlying ethical duty to society, which forms the cornerstone of a business foundation.

Utilitarianism expounded by Bentham (1748–1832) and Mill (1806–1973) conversely postulated that one should always act to produce the greatest ratio and balance of good (pleasure) over pain (sufferings). An action is moral if it produces the highest pleasure for the greatest number. Utilitarianism measures the validity and morality of an act wholly dependent on the “consequences as opposed to the circumstances or the intrinsic nature of the act or anything that happens before the act” (Armstrong, 2011). Utilitarianism, which is linked to self-interests, invariably propels the economic success of the society. Adam Smith in the Wealth of Nation (1776) precisely articulates the correlation between utility and capitalism that:

…pursuing his self-interest, he frequently promotes that of the society more effectually than when he really intends to promote it (Wealth of Nation, 1776).

The foregoing review illustrates a stark difference between the moral standards of universalism and utilitarianism. There appears an unbridgeable gap between the two diversity of moral values. Due to this immense difference on moral dichotomy, authors generally agree that it becomes impossible (or at least near impossible) to reconcile these moral controversies. Shaw (2015) explains these moral contradictions where he mentioned:

Theoretical controversies permeate the subject of ethics and, as we have seen, philosophers have proposed rival ways of understanding right and wrong. These philosophical differences in perspectives, emphasis and theory are significant and can have profound practical consequences…. but obviously it cannot settle all of the questions that divide moral philosophers… (p. 92) [Emphasis added].

Shaw’s opinion is misleading and a contradiction. Its deluded firms to believe that there is only ‘one best way’ of measuring ethics. Firms are misguided to undertake one perspective in the sacrifice of the other. Tan et al. (2018) in their work addressed the point that a crisis can trigger a firm’s moral transpose from utilitarianism to Kantianism. Their work specifically highlighted VW’s moral transpose during the diesel crisis. The authors wrote:

…despite the unembellished distinctions between the two concepts they can be inextricably linked in context.
While it is a common and regular assumption that business firms normally usurp a utilitarian business value, firms are estopped in protruding that value when they breach the minimal content of morality. That would result in a punctuated equilibrium which in turn forward serious business repercussions for the firm. Most firms will respond by resorting to embrace universalistic and categorically imperative moral values (Tan et al., 2018).

However, while Tan et al.'s work in 2018 argued the possibility of a moral transpose in business firms, they have not provided a model to illustrate how this transpose is possible in reality. This thesis fills this literature gap. This paper argues that Kantianism and utilitarianism are not mutually exclusive but mutually inclusive. This paper aims to examine the point of convergence and mutual inclusivity between utilitarianism and universalism. To explain this, the current author devices the EDM framework in Figure 4 below.

![Figure 4. Ethical Dissonance Model and organisational moral transpose](image)

Source: Adapted from Burgelman and Andy Grove, 1996.

The curve U represents the ethical values of a firm throughout different times X. One could observe that U is nonlinear but a presents an inconsistent curvature of utilitarian relative ethical values. U represents the utilitarianism and relative ethical values of the firm measured through the hedonism calculus of pain and pleasure. The standard and linear horizontal line denoted as K represents a categorically imperative and universally accepted Kantian value. K lays the fundamental and minimum content of moral values that a firm must adhere. Over time, a firm’s moral value dips and breaches the Kantian minimum moral content in K as denoted as C. In that case, an EIP ensues and a firm will experience backlash. In turn, the firm then increase their moral value as seen in the upward soar in U. The upward soar represents a sober renewal where firms experience reflexive change and rejuvenate their moral values. This revised model provides a succinct and practical amalgamation of utilitarianism and Kantianism. This EDM framework is novel and chartered an unprecedented connection between utilitarianism and Kantianism. Figure 5 below illustrates VW’s moral transpose using an EDM approach.

![Figure 5. VW’s Moral Transpose using the Ethical Dissonance Model](image)

Source: Adapted from Burgelman and Andy Grove, 1996.
Clearly, pre-crisis VW applies a utilitarian and relativistic triple bottom line approach where CSR was perceived as part of management strategy. Clearly also, VW experienced a moral decline connoted as the downward slope in U pre-crisis. At the ethical inflection point C, VW breached the minimum moral content in 2015 when their diesel scandal was exposed. The magnitude of ecological and environmental impact breached the minimum moral expectations depicted under Kantian’s categorically imperative values and goodwill. VW experiences backlash and external pressure causing them to usurp an upward soar of moral standards in U post crisis. This is where VW experienced organisation change and moral transpose by thoroughly revamping their corporate values. It is at this stage where VW sensemake their externalities and apologise for their mistakes and attains moral legitimacy. A snippet of their 2015 Annual Report proves this point:

…preferred addressing in more auspicious circumstances: result of irregularities diesel engines contradicts very essence Volkswagen stands for, midst greatest challenge in the history company. I apologise trust placed Volkswagen broken… doing everything overcome crisis, trustful cooperation responsible authorities… above all learn past mistakes and draw right consequences something like this never happen again… rebuild trust…Volkswagen working diligently great commitment rebuild high esteem… present crisis very significant impact … indicated by the financial performance… (Annual Report, 2015, p. 7).

VW’s apologies are an example of apologetic ethics, a term Keith Michael Hearit coined in his book titled ‘Crisis Management by Apology: Corporate Response to Allegations of Wrongdoing’ in 2006. The book studied circumstantial features of corporate apologizing including their execution manner and their contents. Hearit’s social legitimacy theory depicts how a firm changes their cognition when they face a crisis. When a firm breaches the sociocultural order, they transgressed the ethics boundaries, and those firms go through a cycle of social legitimisation. They begin to reconstruct their communication styles often including timely, voluntary, sincere and truthful information deployment to satisfy their stakeholders’ demands. All these rhetorically display a firm’s changing trajectory of ethical intuition from utilitarianism to a Kantianist purview. VW transpires this form of moral transpose during and post the crisis. This paper critically scrutinises three inherent limitations of sensemaking CSR as an agent of reflexive organisation change and moral transpose. The first limitation is that sensemaking does not define nor refine the CSR concept. Instead, it invites business firms to adopt an open posture in addressing circumstantial ethical nuances. As Frederick stated in 1978, “it does not offer a consensual criteria of social performance or a system of social priorities”. In one sense, it required firms to simply respond and comply with social demands. It does not set a precise course of actions but relatively dependent on the firm’s interpretation of the circumstances. This model clearly postulates the close loop relationship between Kantianism and utilitarianism. Instead of maintaining their dichotomy, it is more fruitful to draw their linkages and connections between the two ideals. The EDM is novel and provides a fresh approach to examine a firm’s moral transpose.

4. Sensemaking CSR: Organisation Change and Moral Transpose a Critique

Despite the usefulness of sensemaking CSR in depicting the reflexive values of organisation change and a firm’s moral transpose, they suffer from some inherent limitations. This paper critically scrutinises three inherent weaknesses of sensemaking CSR as an agent of reflexive organisation change and moral transpose. The first limitation is that sensemaking does not define nor refine the CSR concept. Instead, it invites business firms to adopt an open posture in addressing circumstantial ethical nuances. As Frederick stated in 1978, “it does not offer a consensual criteria of social performance or a system of social priorities”. In one sense, it required firms to simply respond and comply with social demands. It does not set a precise course of actions but relatively dependent on the firm’s interpretation of the circumstances. It no longer provides a definitive description of CSR but requires firm to accept continuous changes and adapting to social needs (Frederick, 1978). However, this initiative is insufficient to satisfy the needs of the public as well as the firms themselves who wish and deserve to know the specific parameter of acceptable business behaviours and social actions. CSR sensemaking fell short of instilling a directed, strategic and intentional CSR momentum that is beneficial to the firm and society. Firms risk attempting to satisfy and or pacify stakeholders’ needs at large which is an impossible feat.

The second limitation is rhetoric gap. This relates to the gap between what an organisation say and what they eventually do. This rhetoric gap is protruding especially in greenwashing where firms manipulate their linguistic expressions and their embellished CSR claims. These are mainly “unsubstantiated and unverified social and environmental disclosures often amount to little more than public relations issued to manage public perceptions, to respond to public pressure, or to react to perceived public opinion” (Laufer, 2003). There is inherent danger in placing over emphasis on sensemaking and their linguistic tone and many times there are significant differences
between what a firm projects through their advertisement and communication forums and what they actually commit to do. It may also refer to the gap between the projected CSR philosophy of a firm and their actual beliefs and internal management and leadership styles.

Rhetoric gap raises skepticism, devalues CSR contributions, and causes consumers to be suspicious of the true intention and motive of a company’s CSR. This leads to repercussions instead of improving the image of the company. Greenwashing CSR activities may not only be inefficient but also self-defeating and backfire. This causes company to suffer further reputational loss. For example, Philip Morris anti-smoking campaign for the youths backfired as critics questioned and criticized the organization’s intention of the CSR campaign (Budinsky, 2011).

Thirdly, sensemaking assumes a deep reflexive organization change. However, a more intriguing question remains. Will firms ever exhibit a reflexive change and an open posture managerial discourse? Do all firms experience a similar pace of change? This is a perplexing matter because many firms regularly respond defensively in denial and refuting criticisms especially when they have no experience on how to deal with those problems (Basu & Palazzo, 2008). The ‘threat rigidity effects theory’ presumed that firms which encounter brewing external pressures usually suffer a contraction of authority and presupposes that managers will proactively seek control and implant habitual responses which they are most familiar with (Staw et al., 1981). The authors cited examples of Chrysler Corporation that continued manufacturing fuel inefficient cars despite the oil crisis in the 70’s or the Penn Central Railroad that continued paying dividends until its reserves ran dry in 1969. Consider the more recent response of United Airlines defensive posture relating to the incident where a passenger was injured when being dragged off the plane of the 9th April 2017. When confronted, their CEO Oscar Munoz defended United Airlines stating that they adhered to relevant protocols and procedures before evicting the passenger (Zdanowicz & Grinberg, 2018).

Staw’s ‘threat rigidity effects theory’ is functionally powerful because firms are regularly entrapped in initial denial and resent stakeholders’ demands. However, other writers observe that this is not true. Mirvis and Googins (2006) argue that firms experience multiple stages of development before they achieve an open and receptive posture of corporate citizenship. Using Jean Piaget’s cognitive development theory in children, they argue that corporations do not achieve altruism and corporate citizenship instantly but instead they experience a phaseology of cognitive development. They perceive that firms at elementary stages behave defensively but at the final stages, firms transpose into open posture, receptive to criticisms and shared opinions.

This view was preceded earlier by Simon Zadek in 1982 where he similarly argues that corporations cannot achieve citizenship overnight but must endure a journey of development. Zadek (1982) argues that there are two dimensions of organisation learning that are organisation and societal or ‘civil learning’. Zadek opines that at initial stages, corporations partake a defensive posture of resisting social demands. At later stages, corporations develop maturity due to increasing influx of extrinsic pressure and gradually accepts social pressures. Zadek terms this as the ‘final civil stage’ where firms become self-actualised and design ‘metastrategy’ (Zadek, 1982) to fulfil their altruistic role. Zadek cites Nike Inc. as an example. Entrapped in labour abuse and animal testing, Nike’s initial responses was very much defensive. As the propulsion of critics overwhelms, Nike resorted to a subtler and receptive role of institutionalising civil duties within their business framework.

5. Conclusion

Despite rich writings on CSR, there are literature gaps within this scope of study. In this paper, the current authors fill this gap by addressing the issues of sensemaking CSR on reflexive organisation change and their moral transpose. The current authors instilled a model and framework derived from other spheres of management study to postulate reflexive organisational change and their moral transpose in reality. By improvising Burgelman and Andy Grove’s SDM in 1996, the current authors clearly depict the notion of ethical dissonance using the improvised EDM. By doing so, this work enriches previous literatures by using VW diesel scandal to contextualise crisis and its impact on reflexive organisation change and moral transpose in VW pre-crisis, crisis and post crisis stages. The EDM is novel and there has been no previous studies of this sort in the realm of CSR discussions. This paper illuminates an unchartered frontier by articulating and enriching the contextual connections between sensemaking, reflexive change and moral transpose in the context of VW diesel crisis.

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