A paradox perspective on responsible investment mainstreaming

FIR Breakfast, OFI AM
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Is responsible investment paradoxical?
Paradoxes are part of organizations, and come in different types

Paradox
Contradictory yet interrelated elements (dualities) that exist simultaneously and persist over time; such elements seem logical when considered in isolation, but irrational, inconsistent, and absurd when juxtaposed.

Dilemma
Competing choices, each with advantages and disadvantages

Smith and Lewis (2011)
Classifying organizational paradoxes according to Smith & Lewis (2011)

**Learning::Belonging**

Conflicts between the need for adaptation and change and the desire to retain an ordered sense of self and purpose

(e.g., Fiol, 2002; Ibarra, 1999; O'Mahony & Bechky, 2006)

**Belonging**

Identity fosters tensions between the individual and the collective and between competing values, roles, and memberships.

(e.g., Badaracco, 1998; Brewer, 1991; Huy, 2002; Markus & Kitayama, 1991; Pratt & Pateman, 2000)

**Performing::Belonging**

Clash between identification and goals as actors negotiate individual identities with social and occupational demands.

(e.g., Dukerich, Golden, & Shortell, 2002; Kreiner, Hollensbe, & Sheep, 2006)

**Organizing**

Structuring and leading foster collaboration and competition, and direction, and control and flexibility.

(e.g., Adler, Goldtis, & Levine, 1993; Denison, Hoojber, & Quinn, 1985; Flynn & Chatman, 2001; Ghemawat & Costin, 1999; Lusch & Lewis, 2008; Siggelkow & Levinthal, 2003)

**Learning**

Efforts to adjust, renew, change, and innovate foster tensions between building upon and destroying the past to create the future.

(e.g., March, 1991; Senge, 1990; Weick & Quinn, 1993)

**Learning::Organizing**

Organizational routines and capabilities seek stability, clarity, focus, and efficiency while also enabling dynamic, flexible, and agile outcomes.

(e.g., Eisenhardt & Martin, 2000; Teece & Pisano, 1994)

**Belonging::Organizing**

Tensions between the individual and the aggregate, individuality vs. collective action.

(e.g., Andriopoulos & Lewis, 2009; Dweck, 2006; Tushman & O'Reilly, 1996)

Building capabilities for the future while ensuring success in the present.

(e.g., Murnighan & Conlon, 1991; Smith & Berg, 1987)

**Perfoming**

Plurality fosters multiple and competing goal as stakeholders seek divergent organizational success.

(e.g., Denis, Langley, & Bouleau, 2007; Donaldson & Preston, 1995; Jermkobiski & Sillince, 2007; Margolis & Walsh, 2003)

**Performing::Organizing**

Interplay between means and ends, employee vs. customer demands, high commitment vs. high performance.

(e.g., Eisenstat, Beer, Foote, Fredberg, & Norrgren, 2006; Gittell, 2004; Kaplan & Norton, 1996)
Paradoxes = frustrations?

- Identifying (Lewis, 2006)
- Accepting or rejecting (Poole & Van de Ven, 1989)
- Simplify (Pratt & Foreman, 2000)
- Differentiating – Integrating (Raisch, 2009)
- Linguistic hooks (Jay, 2013)
Research question

What is the role of tensions and paradoxes in ESG mainstreaming?

Paradoxes...

What tensions are embedded within Delphi, and how are these tensions experienced by participants?

... and coping mechanisms

How are the paradoxical tensions resolved (or not)?
Agenda

Data and Method: the Delphi Group

Paradoxes of RI
In your practice
At Delphi

Managing paradoxes
In your practice
At Delphi

Conclusion and Perspectives
Method: participant observation

Delphi is our laboratory
Initial « Straw-man » hypothesis drawn from VNFP Laboratory (including corporate and initial asset owner input) – tested by G30 group

Technical Group
Representatives from 3 work-streams
Establish framework:
Value Levers, Value Drivers, Factors, KPIs (generics and sector specific)

Recommended Framework for ESG investment criteria, relative importance and metrics to be included in VNFP Collaborative Venture report
Paradoxes encountered at Delphi: in the process, in ESG integration, in the framework

<table>
<thead>
<tr>
<th>Belonging</th>
<th>Judgment and metrics</th>
<th>Time horizon</th>
<th>Stability and transformation</th>
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<tbody>
<tr>
<td>• Who are we: ESG or mainstream analysts?</td>
<td>• How can we agree on indicators in a fragmented RI sector?</td>
<td>• How can I reconcile economic rational and sustainability rational?</td>
<td>• How can we standardize ESG while keeping it flexible?</td>
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<td></td>
<td>• How can we combine granularity with parsimony?</td>
<td></td>
<td>• How to give a static picture of ESG which is dynamic?</td>
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<td>• How can we make fair evaluation with incomplete information?</td>
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<td>• How judgment can we apply if we are lacking objective measure?</td>
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What about you?
Paradoxes encountered in your practice

Go to: www.socrative.com
What about you?
Coping mechanisms in your practice

Go to: www.socrative.com
Coping mechanisms at Delphi: 4 constructs emerge from the data

- **paradoxes**
  - Belonging
  - Stability and transformation
  - Time horizon
  - Judgment and metrics

- **Either/or framing**
  - Accepting the paradox
  - Shifting
  - Transcending
  - Defending

- **Preserving the paradox**
Conclusion

RI is full of paradoxes....

Working through the paradoxes rather than eliminating or resolving

*Is RI mainstreaming compatible with maintaining paradoxes?*
Constant back and forth between paradoxes that are managed but not resolved.

*Where are we in the process of RI mainstreaming?*
Not linear. Constant back and forth.
### What do do....

<table>
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<th>Embrace paradoxes</th>
<th>• shifting form the ‘tyranny of the or’ to the ‘genius of the and’</th>
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<td>Engage in social interaction</td>
<td>• negotiated understanding</td>
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<td>Take the time</td>
<td>• explore tensions, critique current frame, make sense of paradoxes</td>
</tr>
<tr>
<td>Display specific capabilities</td>
<td>• acceptance, differentiation, integration (Smith et al, 2012)</td>
</tr>
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</table>
How mild and how picante is your ESG?
References

Articles:


Pictures:
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