

A paradox perspective on responsible investment mainstreaming

FIR Breakfast, OFI AM

18 November 2015

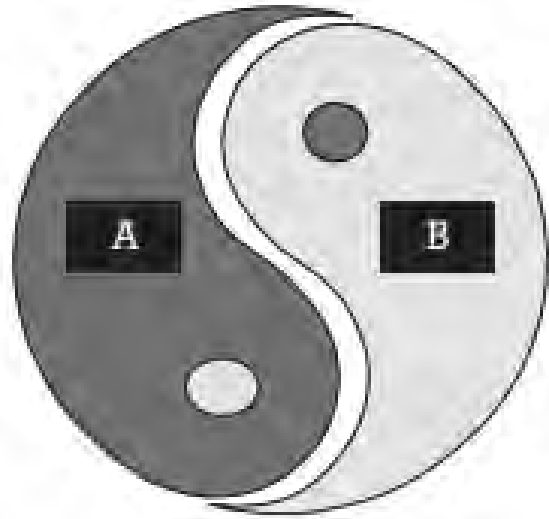
Christel Dumas | christel.dumas@ichec.be

Céline Louche | clouche@audencia.com

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

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)

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; Sege, 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

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

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

Belonging::Organizing

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

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

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

Building capabilities for the future while ensuring success in the present

Organizing

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

(e.g., Adler, Goldoftas, & Levine, 1993; Denison, Hojberg, & Quinn, 1985; Flynn & Chartman, 2001; Ghamawat & Costa, 1993; Lusch & Lewis, 2008; Siggelkow & Levinthal, 2003)

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)

Performing

Plurality fosters multiple and competing goals as stakeholders seek divergent organizational success

(e.g., Denis, Langley, & Bouliou, 2007; Donaldson & Preston, 1995; Jarnalowski & 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, 2008; Gittel, 2004; Kaplan & Norton, 1996)

Learning::Performing

Paradoxes = frustrations?

Accepting or rejecting
(Poole & Van de Ven, 1989)

Identifying
(Lewis, 2006)

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

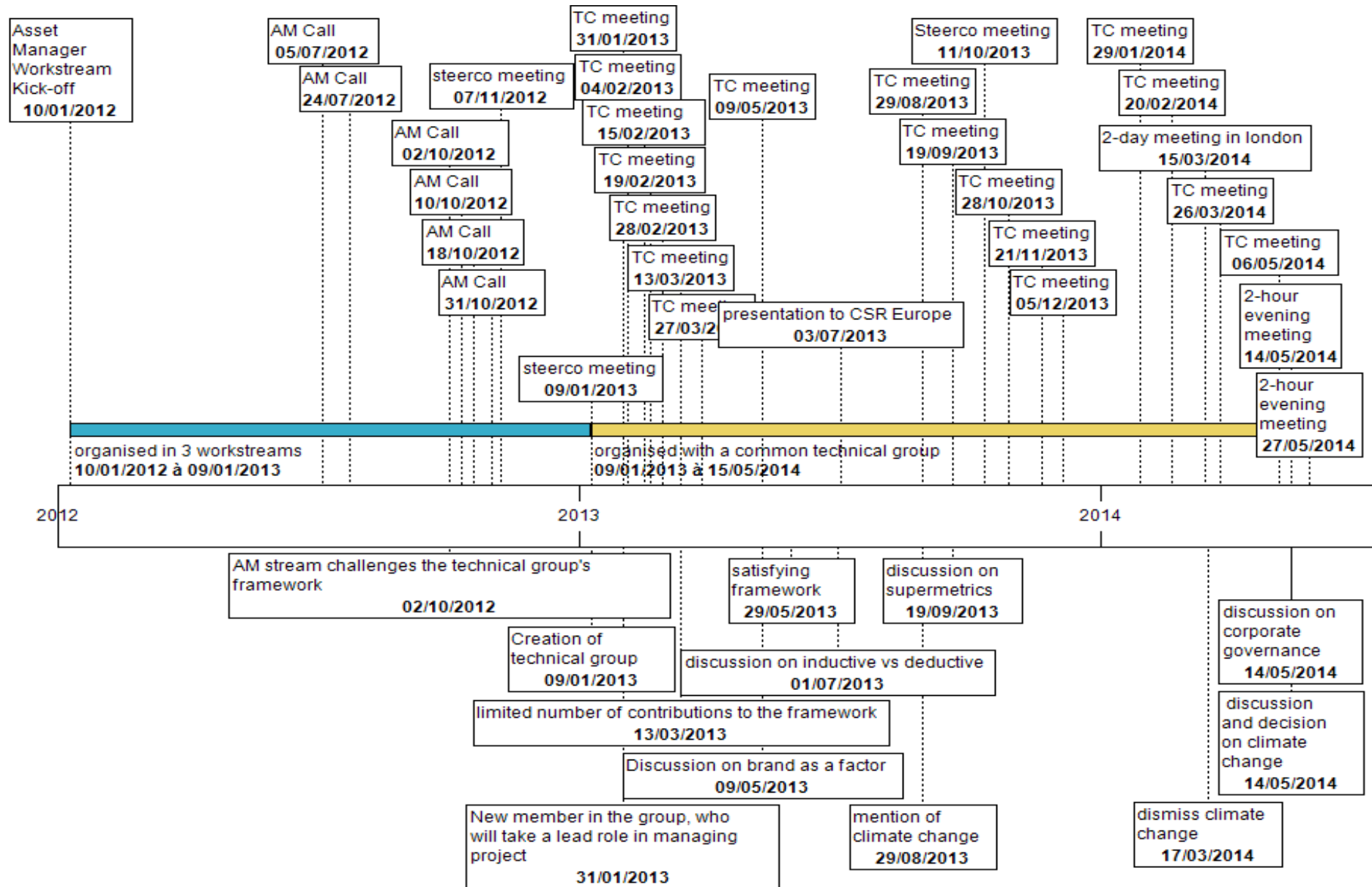
In your practice

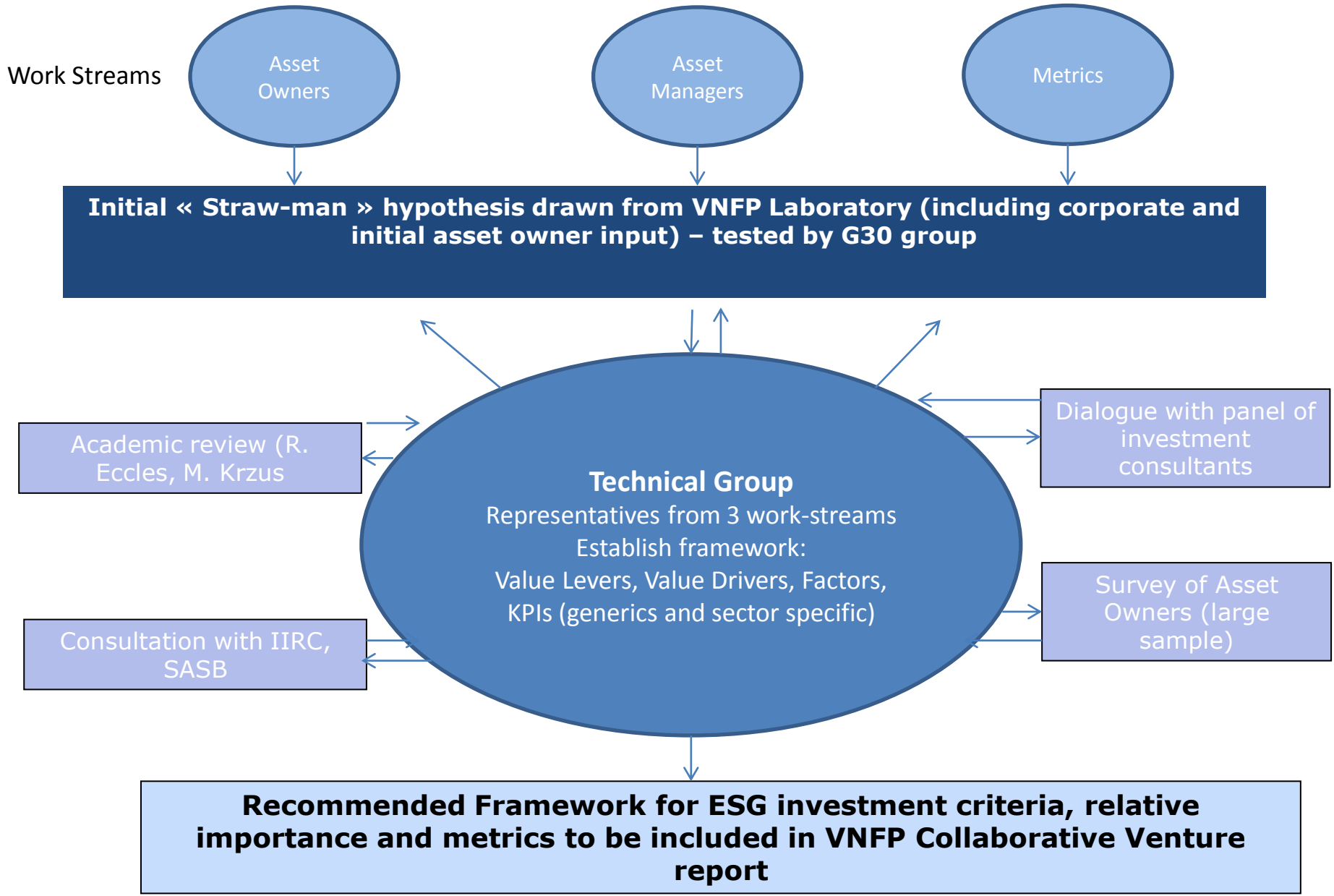
At Delphi

Conclusion and Perspectives

Method: participant observation

Delphi is our laboratory





Paradoxes encountered at Delphi: in the process, in ESG integration, in the framework

Belonging

- Who are we: ESG or mainstream analysts?

Judgment and metrics

- How can we agree on indicators in a fragmented RI sector?
- How can we combine granularity with parsimony?
- How can we make fair evaluation with incomplete information?
- How judgment can we apply if we are lacking objective measure?

Time horizon

- How can I reconcile economic rational and sustainability rational ?

Stability and transformation

- How can we standardize ESG while keeping it flexible?
- How to give a static picture of ESG which is dynamic?

What about you?

Paradoxes encountered in your practice

Go to: www.socrative.com



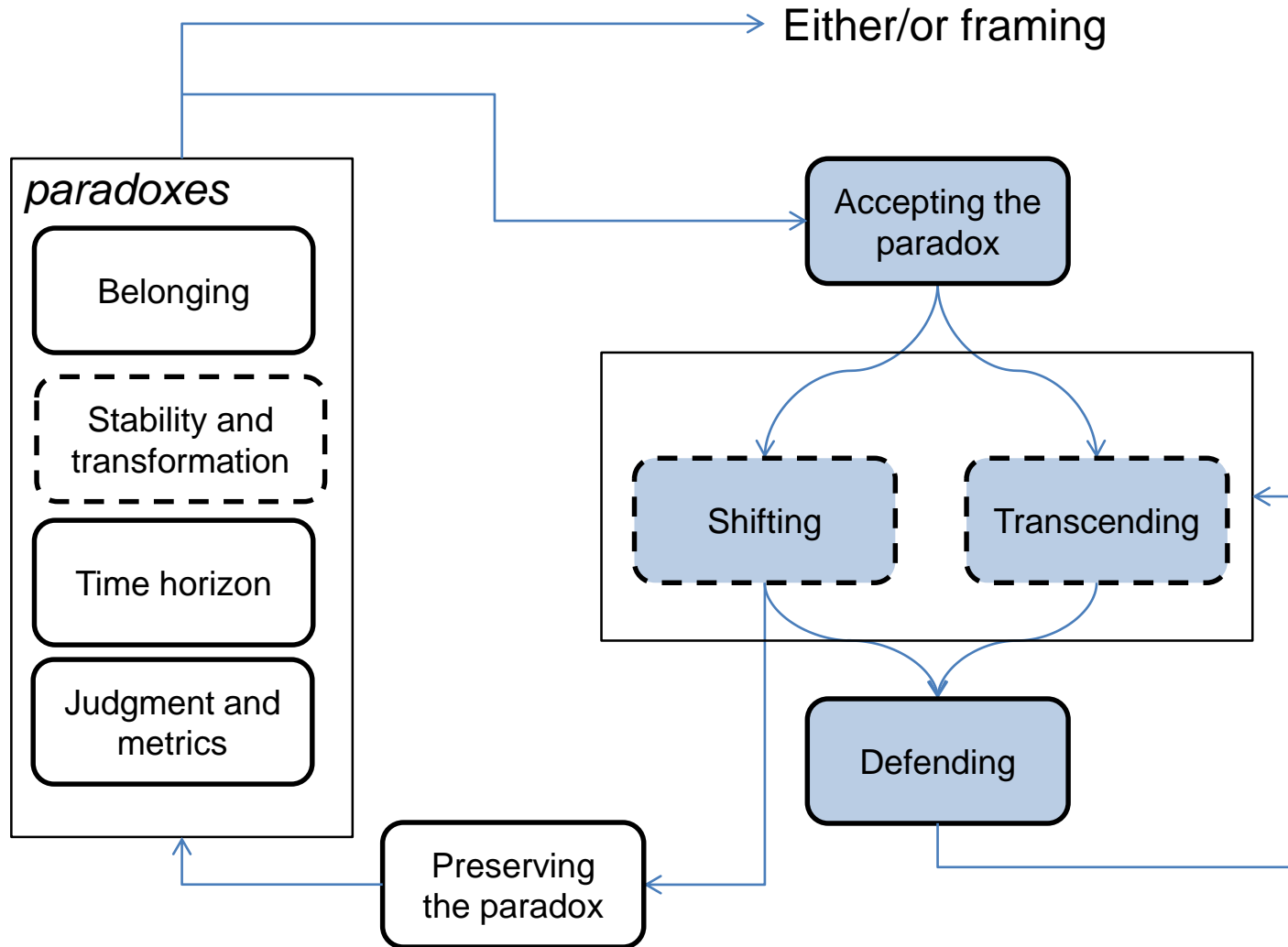
What about you?

Coping mechanisms in your practice

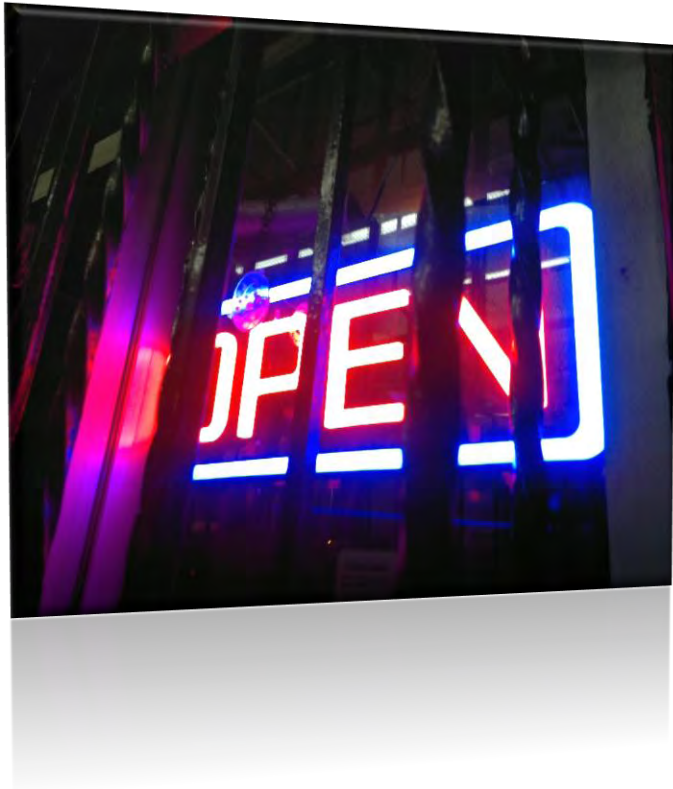
Go to: www.socrative.com



Coping mechanisms at Delphi: 4 constructs emerge from the data



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....

Embrace paradoxes

- shifting from the 'tyranny of the or' to the 'genius of the and'

Engage in social interaction

- negotiated understanding

Take the time

- explore tensions, critique current frame, make sense of paradoxes

Display specific capabilities

- acceptance, differentiation, integration (Smith et al, 2012)

*How mild and how picante
is your ESG?*



References

Articles:

Smith, W. K., & Lewis, M. W. (2011). Toward a theory of paradox: A dynamic equilibrium model of organizing. *Academy of Management Review*, 36(2), 381-403.

Smith, W. K., Besharov, M. L., Wessels, A. K., & Chertok, M. (2012). A paradoxical leadership model for social entrepreneurs: Challenges, leadership skills, and pedagogical tools for managing social and commercial demands. *Academy of Management Learning & Education*, 11(3), 463-478.

Pictures:

Slide 2: jumbo shrimp [CC by 2.0 (<https://creativecommons.org/licenses/by/2.0/>) (<https://flic.kr/p/biVTBv>)

Slide 2: Mild picante sauce [CC by 2.0 (<https://creativecommons.org/licenses/by/2.0/>) (<https://flic.kr/p/9g2CdN>)

Slide 25: locked up open [CC by 2.0 (<https://creativecommons.org/licenses/by/2.0/>) (<https://flic.kr/p/cjttzQ>)

Slide 40: affichage interdit [CC by 2.0 (<https://creativecommons.org/licenses/by/2.0/>) (<https://flic.kr/p/ecY3FB>)

Slide XX: cutting the pie [CC by 2.0 (<https://creativecommons.org/licenses/by/2.0/>) (<https://flic.kr/p/ecY3FB>)

<https://flic.kr/p/a5xDT7>

A paradox perspective on responsible investment mainstreaming

FIR Breakfast, OFI AM

18 November 2015

Christel Dumas | christel.dumas@ichec.be

Céline Louche | clouche@audencia.com