

Explicating the Cognitive Microfoundations of Responsible Management: A Policy Capturing Study

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ABSTRACT

In the nascent interdisciplinary subfield of responsible management, researchers have approached the rapidly escalating climate emergency and growing global inequalities afflicting the world primarily from macro-institutional and political economy perspectives, often overlooking micro (and meso) level factors that have the potential to offer more nuanced, person x situational explanations of why some organizational stakeholders are seeking to address these major dysfunctions, whereas other stakeholders are continuing to make choices that are fueling them. To help rectify this scholarly imbalance, the aim of the present study is to illuminate the cognitive bases of decision-makers' judgments and choices regarding (ir)responsible management practices. Using policy capturing techniques, our study is investigating how decision makers with varied values, chronic information processing preferences, and senses of agency, arbitrate between choices that require them to strike delicate balances pertaining to ethicality, sustainability, responsibility, and financial viability — the defining pillars of this new specialty.

Track

Sustainable and Responsible Business Track

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OVERVIEW OF RESEARCH

Research Topic and Research Question

In the wake of the ongoing climate emergency, the rise of modern slavery, and growing global inequalities, scholars (e.g., Agle et al., 2008; Laasch et al., 2023) and public commentators (e.g., Hutton 2024) alike are increasingly critical of the role of present forms of capitalism. Garnered under the umbrella of responsible management, researchers are developing new bodies of work with a view to addressing the imbalances at the heart of these dysfunctions (Davis 2009), calling for a fundamental resetting of the capitalist system (Gray 2002; Harvey 2005; Mazzucato 2021), through the development of constructive alternatives to the shareholder value mantra that dominates present day management practices (Friedman and Miles 2002). Predicated on the four pillars of ethics, responsibility, financial viability, and environmental sustainability (Langmead, Land and King 2020; Nonet, Kassel and Meijs 2016; Smith 2018), scholars are approaching these issues primarily from a macro perspective, analyzing the role of institutional, structural, and cultural arrangements (Gherardi and Laasch 2022; Schüßler, Lohmeyer and Ashwin 2022). Although valuable, this approach typically downplays micro (and meso) level factors that have the potential to offer more nuanced, person x situational explanations of why some organizational stakeholders are actively addressing the major dysfunctions presently afflicting the world, whereas others are continuing to make choices that are fueling them.

While acknowledging the significance of the macro context, our study aims to advance understanding of the basic cognitive and affective mechanisms through which individuals comprehend contemporary challenges of the sort outlined above, thus shedding light on the microfoundational constraints and enablers of adaptive success, thereby adding to the growing body of research addressing the broader question of how individual-level cognition, emotion, and behavior contribute to emergence and causality at organizational and societal levels and vice-versa (cf. Eckardt *et al.* 2019; Felin, Foss and Ployhart 2015). Our most immediate concern is the all-important question of how decision makers factor ethicality, social responsibility, and sustainability into their judgment and decision-making, alongside more traditional financial considerations.

Conceptual framework

Predicated on the fundamental notion of bounded rationality (March and Simon 1958), our study seeks to explicate the cognitive bases of organizational decision makers' judgments and choices in respect of (ir)responsible management practices, using policy capturing — an especially powerful set of techniques for investigating topics of a sensitive nature (Nokes and Hodgkinson 2018). Unlike many of the standard tools employed by researchers, which rely on direct methods of assessment to reveal participants' representations of reality (cf. Fiol and Huff 1992; Huff 1990; Walsh 1995), policy-capturing techniques aim to unveil the underlying policies individuals adopt in their decision processes, often without their conscious awareness (Aiman-Smith, Scullen and Barr 2002). Combining the rigors of experimental control with high fidelity decision scenarios, these techniques require participants to confront dilemmas that closely mimic the realities of their everyday task environments, thus ensuring high ecological validity. Over the course of multiple scenarios, in which key features of the overarching decision dilemma (known as cues) are manipulated systematically, participants

are invited to make a series of decisions, the results of which are amenable to multiple regression analysis, using the cue variations as predictor variables.

It is well established that macro-level constituents variously constrain and enable human agency at the individual level (cf. Child 1972; Healey and Hodgkinson 2014; Junge, Luger and Mammen 2023; Whittington 1988); however, individuals internalize stimuli differently due to varied background characteristics and individual differences that lead to marked variations in beliefs, interpretations of reality, and behavior (Hambrick and Mason 1984; Walsh 1995; Weick 1979; Weick 1995). Hence, a second goal of this study is to investigate individual differences that might have a bearing on (ir)responsible decision-making. To this end, the present study theorizes and then empirically investigates three sets of individual differences — varied attitudes and values, chronic information processing preferences, and varied senses of agency — that might moderate, systematically, the cue weightings in participants' policy models.

Core Self-Evaluation. Core Self-Evaluation (CSE) is composed of a set of traits that reflect variations in self-esteem (Rosenberg 1965), self-efficacy (Bandura 1982), locus of control (Spector 1982), and emotional stability (Costa Jr and McCrae 1992), which collectively define higher-order variations in a more general sense of human agency (Judge *et al.* 1998). It is important to avoid assuming that individuals with a greater sense of agency will invariably favor responsible management practices or, conversely, that individuals with a lower sense of agency will inevitably succumb to irresponsible practices. To illustrate, high CSE individuals who are profit-driven might use moral appeals to promote irresponsible practices, especially if those practices stand to yield superior financial returns (Simsek, Heavey and Veiga 2010), despite the risk of potential negative repercussions. Conversely, high CSE individuals often make quick decisions based on personal insight (Hiller and Hambrick 2005), which can lead to a lack of ethical reflection (Hibbert and Cunliffe 2015). This overconfidence might result in risky choices, calculated to attract better earnings. Conversely, lower CSE individuals tend to avoid risks (Hiller and Hambrick 2005; Simsek, Heavey and Veiga 2010); hence, they may prefer a cautious approach, favoring market value-aligned strategies over responsible management alternatives.

Cognitive style. Cognitive style refers to enduring variations in how individuals process information during thinking, reasoning, and decision-making. According to CognitiveExperiential Self Theory (CEST), people vary in their preferences for rational-analytic and experiential-intuitive processing (Epstein 1994; Epstein *et al.* 1996). This dual-process theory suggests decisions stem from the interplay between deliberate reasoning and automatic intuition. However, Epstein and colleagues maintain that in weak or stressful situations, decision-makers revert to their preferred cognitive styles.

Excessive contemplation in decision-making can obscure intuitive checks on unethical conduct (Pennycook *et al.* 2014) and diminish altruistic motives (Zhong 2011, p.1). Overdeliberation may lead to rationalizing choices and becoming overwhelmed by details (Hodgkinson and Clarke 2007), resulting in "paralysis by analysis" (Langley 1995). Consequently, it is uncertain if decision makers who favor rational processing will make responsible or irresponsible choices when faced with conflicting alternatives.

Perceived Role of Ethics and Social Responsibility (PRESOR). The PRESOR framework differentiates individuals who adopt a stakeholder orientation from individuals who adopt a more traditional stockholder/shareholder orientation toward firms. Individuals adopting the former view are more likely to embrace responsible management practices because they typically regard ethics and social responsibility as crucial determinants of organizational effectiveness (Singhapakdi *et al.* 1995; Singhapakdi *et al.* 1996; Singhapakdi *et al.* 2001). Conversely, individuals adopting the latter view are more likely to prioritize financial viability ahead of these considerations (Friedman 2007; Wurthmann 2013), making them less likely to embrace such practices.

Environmental Attitudes (EA). EAs reflect variations among individuals in terms of how they tend to evaluate the natural environment, viewing it with varying levels of favor or disfavor (Hawcroft and Milfont 2010). These attitudinal variations are linked to variations in the extent to which individuals express pro-environmental behaviors in the workplace (Khan and Khan 2022). Positive attitudes toward protecting the environment are correlated with the adoption and implementation of pro-environmental strategies and environmental management practices (Milfont and Duckitt 2004; Roxas and Coetzer 2012; Stern 2000), and serve as a moderator of leadership practices (Cosma *et al.* 2021). Leaders with stronger proenvironmental beliefs and attitudes are thus more likely to exhibit greater concern for responsible leadership and management than their less environmentally conscious peers.

Methods

Responsible management and decision-making are socially and morally sensitive issues. Direct methods of assessment based on self-report procedures risk confabulated responses, due to lack of self-insight and social desirability bias (Aiman-Smith, Scullen and Barr 2002; Nisbett and Wilson 1977). To address these concerns, and thus gain deeper insights into the cognitive bases of (ir)responsible decisions, it is important to analyze decision makers' actions (i.e. their 'theories in use') rather than their mere verbal expressions (i.e. their 'espoused theories'). Policy-capturing is an especially powerful technique for this purpose (Nokes and Hodgkinson 2018). Hence, it is our method of choice.

Successful policy-capturing studies require participants with relevant work experience. Our large-scale online survey will target leaders in the European clothing industry, presenting decision scenarios about strategic alliances. Under pressure from stakeholders and regulators to conduct business responsibly throughout the supply chain (Kabeer, Huq and Sulaiman 2020; Schüßler, Lohmeyer and Ashwin 2022; Soundararajan and Brown 2016), the clothing industry faces challenges in addressing ethical, sustainability, and social responsibility issues alongside traditional market-based considerations. It is thus an ideal setting in which to conduct the present study.

Anticipated contributions to research

In examining the crucial role of individual differences and their interaction effect, in shaping how leaders balance the core elements of responsible management with market values when tasked with managing business responsibly, our study will generate much needed psychological insights into this complex and sensitive topic. Specifically, it will contribute to the rapidly growing literature exploring the micro-foundations of responsible management, which seeks explain how micro-level phenomena contribute to the emergence of macro-level outcomes and vice-versa (cf. Felin, Foss and Ployhart 2015; Healey and Hodgkinson 2014;

Maak, Pless and Voegtlin 2016). In so doing, it will also demonstrate the value of ecologically valid experimental methods for explicating the microfoundations of the responsible management decision-making.

Plan for further development

Based on feedback from the conference, we plan to refine our construct selection by incorporating additional literature and, if necessary, adjusting our framework. Regarding terminology, we will explore how different scholarly and practitioner communities engage with 'responsible leadership and management' through targeted discussions.

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