

Introducing A Relational Approach When Theorising The Organisation

by

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Declaration

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Abstract

This thesis investigates the modelling and theorising of the organisation in social theory. It is situated in the broader context of complex social systems with its specific application to theories of the firm. The thesis starts by presenting selected theories of the firm and how they are conceptualised by making use of metaphors. The thesis contends that current social modelling practices are primarily situated in the dominant social framework of individualism, and the extent of this dominance limits our view of the organisation. The thesis proposes that we retake a critical position to better acknowledge the limitations of our theories that attempt to understand social phenomena. From such a position, theorists can include a fuller framework to model the organisation and include social theories traditionally placed as secondary or derivative.

The thesis suggests that when modelling the organisation, a relational social theory should be placed alongside that of individualist social theories. The thesis believes that relationalism provides a framework that has the potential to inform the task of theory creation. This relational emphasis will allow theories of the firm to more fully account for an organisation's relational dependence. Moreover, the thesis investigates how relational mechanisms move past the traditional individualist/collectivist divide and therefore serve to connect the one and the many. To provide an example, the thesis investigates the relational ideas that function in the theories of the Triple Bottom Line, The IR Report and the Social Enterprise.

The thesis then incorporates the argument that when theorising complex social phenomena, it inevitably requires making normative decisions. Here the thesis sees the decision on where to designate the borders of an entity as reliant on an individualist normative framework. In contrast, the thesis argues that a relational normative framework provides guidance when moving between different levels of theoretical abstraction. The thesis makes use of the ethics of care as a relational ethic in order to incorporate care as a central guiding practice to societal construction. To provide an example of the relational mechanism of care, the thesis makes use of the distinction between caring-about and caring-for that translates abstract concepts into specific relations and our everyday practices.

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INTRODUCTION

1. Introduction

This thesis will investigate the modelling and theorising of the organisation in social theory. It is situated in the broader context of complex social systems with its specific application to theories of the firm. The thesis contends that current social modelling practices are primarily situated in the dominant social framework of individualism, and the extent of this dominance limits our view of the organisation. The aim of the thesis is thus to propose that we make use of a fuller framework to model the organisation by taking up a critical position to allow for the incorporation of social theories traditionally placed as secondary or derivative. When modelling the organisation, the thesis suggests that a relational social theory should be used alongside that of individualist social theories. The broad argument of the thesis is that we need to more comprehensively include a relational network view of social existence in our questions of ontology, epistemology and ethics. This chapter will introduce the thesis by first discussing the background and context, followed by the thesis aims and objectives, the limitations and the structural outline.

2. Background and Context

When looking at complex social phenomena such as the firm, how do we go about creating the fullest theoretical picture possible? Faced with overwhelming complexity, our first step may be to distinguish the specific thing or entity we are looking at from its environment. By drawing analytical boundaries, we are able to simplify social complexity into an understandable theoretical construct, and from here, we can classify and departmentalise the specific entity we are working with.

At the same time, this comes at a cost; by drawing boundaries to form an entity, we risk placing the analytical lines over informationally dense areas. This means we might exclude critical information about the social phenomena we are attempting to account for. When modelling social phenomena, we, therefore, find ourselves in a balancing act between deductive simplicity and overwhelming complexity.

Decisions on how we model complex social phenomena may have significant consequences. For example, the firm is one of the key economic mechanisms and actors of change in society today (Constanza *et al.*, 2012). Because of its importance, we have created theoretical frameworks that attempt to capture how the organisation functions, what it consists of and how to distinguish between successful and unsuccessful businesses. However, there is a growing consensus that our traditional models of the enterprise are missing key linkages to society and the environment.

In her book, Eisler (2016:6) stresses the need to realise that we are at a tipping point in our planet's history where fundamental change is needed. She believes life as we know it will no longer be possible if we continue to exploit and pollute our natural environment. It needs to become clear that our global economy is running at a gigantic loss despite all the talk of progress (Eisler, 2016:7). Eisler holds that we should use the resources we have today to find an alternative way of doing things tomorrow.

Constanza *et al.* (2012) frame the situation as that it is not forging a new vision of economics that is the utopian fantasy, but rather the fantasy is that it can remain business as usual. They urge us to acknowledge that we no longer live in an empty world on which our economic models were initially built; instead, we have entered the 'Anthropocene' (Constanza *et al.*, 2012:iv). Therefore, to create sustainable prosperity, we need a new vision of the economy and its relationship with the rest of the world.

Elkington argues that "the challenge is to develop a sustainable global economy: an economy that the planet is capable of supporting indefinitely" (Elkington, 1997:71). However, appropriately defining sustainability remains a highly contested concept. The thesis makes use of the formulation from Nicholson and Kurucz (2017:25), who define sustainability as the pursuit of human development within the limits of the biosphere and with the ultimate goal, the increase of individual and societal well-being. They view sustainable issues as complex problems that operate in many dimensions simultaneously. Nicholson and Kurucz (2017:25) believe if we want to address issues of sustainability, we should replace the view of ourselves as consumers with a view of being socially engaged relational human beings.

To date, significant advances have been made to better account for the environmental and social factors of the organisation. For example, the study of economic externalities attempts

to better account for costs not reflected in market price (Pindyck & Rubinfeld, 2005:641). As described by Molz (1995:793), the pluralist board has been hailed as the answer to increasing social responsibility and acknowledging stakeholder interests in the corporation. Corporate social responsibility occupies a prominent place in the contemporary global agenda (Du, Bhattacharay & Sen, 2010:8). Stakeholder-oriented theories see the borders of the organisation as increasingly permeable (Jamali, 2008:217). In corporate legal theory, the pluralist approach holds that the only way to maintain cooperative and productive relationships is when the company balances shareholder and stakeholder interests (Blackman, 2004:25).

The need to apply these ideas to the firm has also seen the formation of significant new ideas around the views of the organisation. For example, Elkington's (1997) triple bottom line attempts to place the organisation in an interdependent structure where society depends on the economy, and the economy, in turn, depends on the global ecosystem (Elkington, 1997:73). The International <IR> Framework (2013, 2021) aims at making integrated thinking a corporate norm and is intended as a force for financial stability and sustainability (IIRC, 2013:2). The model of the social enterprise is a framework that sees the organisation achieving its financial mission by means of its social mission in order to create value for the societal structures surrounding it (Grassl, 2012:51).

These theoretical models all attempt to more fully account for the social and environmental situatedness of the organisation. With this, they have set out to redraw the analytical boundaries to include the critical informationally dense areas in the model of the firm. However, as more complexity is introduced into the framework, these models become increasingly difficult to understand when looking at the day-to-day operations of the firm. This results in abstract concepts that firms struggle to place in the practical management of the organisation.

Therefore, the thesis believes that if the shift in how we conduct business is not fundamental to how our world operates presently, any change will be swallowed by the deep currents of our prevailing institutions. Nicholson and Kurucz (2017:33) see the necessary shift as returning economic concerns to their rightful place as integrated with environmental and social concerns, in a scope that includes the emphasis on well-being today and for future

generations. Such a shift is important if we are to have any chance of an economy that serves well-being within the boundaries of our biosphere.

3. Aims and Objectives

Given the fundamental shift needed in business, the thesis aims to show how the inclusion of a relational framework to social modelling practices will create an image of the organisation that more fully accounts for environmental and social concerns. To do this, the thesis makes use of a number of key objectives:

First, the thesis will identify current models of the firm as dominantly situated in individualist-based social frameworks. The argument will be made that the dominance of the individualist-based theories of the firm has led to critical factors being omitted. It is, therefore, necessary to take a critical position when modelling complex social phenomena in order to include a wider scope of approaches.

Second, the thesis will introduce relationalism as a theoretical framework, followed by placing the theory in the context of economics when modelling the organisation. The argument will be made that the inclusion of relationalism should accompany the individualist task of drawing analytical boundaries around relationally dense areas. From here, the thesis will show how relational constructs are already prominent in contemporary models of the firm. The thesis believes that a more prominent account of relationalism works to advance the application of contemporary theories of the firm. Yet, the thesis does not attempt to introduce a fully-fledged relational theory of the firm, nor does it simply engage with the existing elements of relational theory, and the current practical challenges such theories of the organisation hold. Rather, the point here is to show how such a theory adds to the practice of model creation.

Third, the thesis will put forward the argument that when modelling the firm, it consists of a normative decision and therefore requires the guidance of an ethical framework. Here the thesis will introduce the ethics of care as a relational normative framework. The argument will be made that individualist and relationalist normative decisions answer different questions when modelling the firm, where it is the individualist framework that designates the entity and the relational framework that links different levels of abstraction. The thesis believes it is an ethics of care that should be placed as the guiding relational framework when

modelling social phenomena as it introduces care as a central function of societal constructions.

Fourth, the thesis will argue that the introduction of a relational framework, together with that of individualism, allows us to construct models of social phenomena that are guided by a normative framework in both designating the entity and linking different levels of abstraction. The thesis believes that such a view will provide social theorists with the normative guidance in both their understanding of the entity and the relational network which the organisation forms a part of.

The thesis sees the theories of individualism and relationalism as sitting alongside each other in the sense of the tools available to construct models of the organisation. The thesis does not argue that these two perspectives can be accorded equal status or that one comes before the other in a philosophical sense. At a practical level, the thesis believes that translating such a model into practice will help the organisation to understand itself in a broader relational framework of society and nature.

4. Thesis Limitation

The most notable limitation of the thesis is the scope of the project. As it argues for a conceptual shift in how we understand and model business operations, the subject of investigation is too broad to include all relevant theories, and the thesis had to be selective in order to accommodate the specific aim and nature of this project. This means that the scope of the thesis condensed into a suitable structure has inevitably left gaps when including existing theory and applicable concepts across the spectrum of academia.

The thesis is also limited in the breadth of its relationalist methodology. Relationalism has a long history and is argued for from various fields, including, to name but a few, Greek philosophy, African philosophy, and Eastern philosophy. Our understanding is therefore limited to the specific project of this thesis.

The thesis only provides a limited view of the relationship and interaction between individualism and relationalism. For the specific project the thesis undertakes, the two theories are simply seen in the sense of how useful they are to social model creation. Any attempt to reconcile these theories is beyond the scope of the thesis.

The thesis hopes that these elements are sensibly brought together with the specificity of the approach it takes.

5. Structural Outline

In order to reach the thesis aim, the document will take the following route:

In *Chapter 1*, the thesis will explore ideas of the firm relevant to its investigation. Here, the chapter sets out to bring to light differing opinions of the organisation as seen in the form of a rational entity. The chapter will focus on the business model of the corporation as it provides a number of examples of concepts that are problematised in current theory. In this, the chapter will attempt to discuss the critical dialogue while not assuming a preference for any one view. The aim of the discussion is to ultimately place the presented theories of the firm within the framework of the metaphors they employ. In this context, the chapter will show how mechanical and individualist conceptions dominate our understanding of the organisation in current economic theory. The chapter will argue that it is the extent of the use of this model that contributes to our current social crisis, and to move forward, we need to retake a critical position that allows other theoretical frameworks into our understanding.

Chapter 2 will introduce the theory of relationalism as an alternative theoretical framework that can be employed once a critical position is taken up. To start, the chapter will briefly look at the problem of the individual/collective divide as put forward by Callon and Law (1997). The chapter will argue that when we see the relation as one of the building blocks of a theoretical model, it offers an illuminating view of society as a relational web or network. To understand how we look at complex social phenomena, the chapter will place social modelling and theorising in the context of complexity theory. From here, the chapter will focus its attention on the application of relationalism in economics and the results of such a framework. While the focus of the chapter is on relationalism, the argument maintains that it is when it is added alongside an individualist framework that it provides us with a fuller picture of the organisation. In this sense, by employing both the individualist and relationalist views into the model of the firm, each theory serves to more fully illuminate what the other has left out in a complex social environment.

Chapter 3 will aim to demonstrate that relational theories are already key structural features of current environmentally and socially conscious views of the organisation. To do this, the

chapter will look at the frameworks set out by the Triple Bottom Line, The IR Report and the Social Enterprise. The chapter will provide an outline of each theory, followed by identifying the entities and relations that operate within these theories. The chapter will argue that we can better advance the aims of these theories by more fully taking account of how relational concepts function alongside the individualist frameworks. Here the belief is that a relational account of informationally dense areas allows us to model the firm as more fully connected to aspects of the environment and society.

In *Chapter 4*, the thesis will introduce the ethics of care as a form of relational ethics. The chapter starts by expounding the view that modelling and theorising complex social systems inevitably requires making normative decisions and therefore necessitates the use of an ethical framework. The chapter will then put forward the ethics of care as a normative framework because of the practical specificity presented by the practice of care. More specifically, the chapter will introduce Tronto's (1993) four practices of an ethic of care, from which it will further develop its argument. The chapter sees the individualist normative framework as serving the separation of entities and drawing analytical boundaries in order to create categories. In contrast, the chapter will argue that the relational ethical framework operates from fundamentally different premises and is seen as providing a normative guide when connecting different analytical levels, such as the micro and macro. The thesis hopes that by employing both individualist and relationalist normative frameworks in our modelling decisions, it will allow for more informed decision-making practices in the business world.

CHAPTER 1

The Organisation and Corporation

1. Introduction

This chapter will briefly discuss selected economic and social theories of the organisation relevant to the thesis aim. Here the chapter intends to show how our understanding of the organisation in current economic theory is based on mechanical and individualist conceptions, which because of their scientific usefulness, have become the norm in economic thinking. The thesis holds that it is the extent of the use of this model that contributes to our current economic crisis. As with all models, it simultaneously highlights and obscures aspects of reality. Therefore, as the individualist based theory forms, our most widely held view of the organisation, that which has been obscured, has remained in the dark for quite some time.

To start, the chapter will look at several broad views of the theory of the firm, which will serve as a point of investigative departure. This will be followed by a brief overview of the general organisational types as often legislated. The thesis will then turn to the concept of externalities seen in economic theory as the effects of production and consumption activities not directly reflected in the market.

The thesis makes use of the terms organisation, business, firm, enterprise and company interchangeably unless stated otherwise. Conversely, the corporation will be treated as one specific example of the organisation as it involves its own set of specific legislation, which in turn, creates the practical manifestations of these types of organisations. As a business model, the corporation provides a number of useful concepts which are still problematised today and speak to the thesis question. Here the chapter will investigate Molz's (1995) framework for differentiating corporate boards and how it highlights different organisational pursuits. This will be followed by a brief overview of corporate social responsibility and the problem of translating abstract terms into everyday operational language. From here, the chapter will present the stakeholder debate as argued in corporate law. Here the pluralist approach is seen

as an alternative to shareholder-centric frameworks, however, it remains to be viewed as unrealistic and overwhelmingly complex.

With the groundwork laid out, the thesis will then take a step back and look at the theoretical lenses we use to make sense of the social world. To do this, the chapter will investigate how we make use of metaphors when modelling the organisation. Here the thesis will specifically note the use of the metaphors used in the ‘rational’ economic organisation, along with what is highlighted and obscured. To conclude, the argument will be made for the necessary inclusion of other metaphors and models in our understanding of the firm.

2. The Business Organisation

2.1 Theorising The Organisation

Contemporary society is organisational society (Smelser & Reed, 2012:185).

Coase is credited as one of the first economists to synthesise a theory of the firm (Spulber, 2009:3). He believed that any definition of the firm has to relate to formal relations that we can conceive of exactly (Coase, 1937:387). As a point of departure, Coase makes use of a metaphor from D.H. Robertson, who describes the firm as “islands of conscious power in this ocean of unconscious co-operation like lumps of butter coagulating in a pail of buttermilk” (Coase, 1937:388). He then asks the question, how do these ‘islands of conscious power’ exist at all? Coase believes that the distinguishing mark of the firm is the mechanism of price-suppression, which results in the creation of the firm.

The firm stands in relation to an outside network, and there is an important distinction between resources allocated in the firm and those in the economic system (Coase, 1937:388). On Coase's observation, the distinction is necessary as the mechanisms of price do not operate in the firm as they do in markets. Inside the firm, effective resource allocation is much more important than factors of supply and demand.

Coase (1937:404) argues that a firm is created when the costs of the internal entrepreneurial mechanisms are lower than the costs of the pricing mechanisms within the market. The firm would get larger when the entrepreneur incorporates more additional transactions and smaller when such transactions are abandoned. This mechanism makes use of the economic principle

of marginalism as the firm grows until the cost of incorporating another transaction is equal to the cost of the price mechanism.

Moving to a more contemporary view, Spulber (2009:1) presents us with a general theory of the enterprise, which includes entrepreneurs, enterprises, markets, and organisations as endogenous into its microeconomic framework. He recognises that as a social science, economics rests upon the individual consumer and their relationships. Therefore, to find the underlying basis for a general theory of the firm, Spulber argues that we need to start with the individual and exclude any aspect of firms themselves or markets. Here it is the entrepreneur who spends their time, effort, and resources establishing a firm. As a result, the entrepreneur will receive the returns that an enterprise might make if successful.

Spulber (2009:2) argues for the endeavour to be successful, the value created must be greater than the cost of establishing the enterprise. The firm exists as consumers need enterprises and markets in that they function as essential institutional devices to lessen transaction costs. He, therefore, defines the enterprise as a “particular type of social institution that can improve the efficiency of transactions” (Spulber, 2009:3). The bigger an economy and the more consumers it has, the greater efficiency realised by establishing enterprises. They can do this as they enhance the net gains of trade by offering methods of trade that would not be available if it only happened between individual consumers or even groups of consumers. The most important of these mechanisms are markets, where the enterprise forms a vital part of carrying out transactions.

Spulber (2009:3) believes the transactional efficiency of the enterprise is possible because its objectives are different from those of its owners. Here we find an iteration of Fisher's (1930) Separation Theorem, which sees the enterprise as distinct from its customers, suppliers, managers and employees. As soon as the entrepreneur becomes an owner, they are separated from the entity. It is this separation, Spulber (2009:3) argues, that makes the enterprise more efficient than direct forms of exchange between consumers. He continues by stating, with the extension of the neoclassical separation theorem, separation implies that the firm maximises profit. The enterprise becomes an independent economic actor and a player of its own in the economic game. What the entrepreneur has done is give the economy additional degrees of freedom and new institutional instruments. The new economic player can handle multilateral

transactions simultaneously and functions unavailable to direct transactions between consumers. It acts as a contracting hub and matchmaker by linking trading partners.

In order to give some idea as to the scope of the enterprise, Spulber (2009:12) makes use of the intermediation hypothesis, which sees the economy as a complex landscape of interconnections. Here, the consumer is economically linked in their role as entrepreneurs, managers, owners, workers, sellers and buyers. These economic relations are embedded throughout the different elements of the consumer's life. However, “despite the many connections, there remain economic forces that divide individuals - these forces are transaction costs” (Spulber, 2009:12). Similar to the theory of the firm as theorised by Coase (1937), the argument goes that the enterprise comes in as a mechanism to mitigate these transaction costs, improving efficiency.

LaBelle and Waldeck (2020:40) describe the organisation differently by identifying four dimensions applicable to all organisations. The first is that any organisation is made up of people who interact with each other. Here, a line is drawn whether people have either an internal or external affiliation with the organisation. It is necessary for all internal members of an organisation to communicate with other members to some extent. Social relationships that make up the business are created where people communicate with one another in ways that are relevant to the organisation.

The second dimension is that all organisations are embedded within external environments that necessitate the movement of information across the boundaries of an organisation (LaBelle & Waldeck, 2020:41). LaBelle and Waldeck describe this as a dynamic interdependence without which an organisation would not succeed. For example, the relationship between the organisation and its customers is critical to the organisation's success. The organisation is seen as an entity that works to bring relevant and critical information and resources over its boundaries in order to act upon it in the structures of its organisational design. The organisation navigates its way through its environment, similar to a ship at sea.

The third is that all organisations affect their internal and external environments (LaBelle & Waldeck, 2020:42). The hope is that, ideally, this impact is positive in that they try to make some contribution of value to their stakeholders. In other words, this is a descriptive,

structural feature that we hope in a normative way for a favourable outcome. LaBelle and Waldeck's final dimension of the organisation is that they need to have goals that serve as the binding force between their members. These are described as umbrella goals that belong to a specific group of individuals. Here, any member of an organisation needs to buy into the larger organisational goals. This means when people form an organisation, they “develop a mutually understood vocabulary or terminology, and slowly establish specific patterns of communication” (Brown, 2006:12). This provides us with an ontology of the organisation as “a communicative, social enterprise with shared goals that are interdependently linked with its external environment” (LaBelle & Waldeck, 2020:43).

The structure of an organisation is the “overall pattern according to which work gets done, and objectives are pursued and accomplished” (LaBelle & Waldeck, 2020:52). It serves as a guide or template for allocating work, assigning roles, and distributing power and control. As a result, there is a link between the structure of the organisation and the specific organisational culture. Here, culture is an indicator of what form life, work, and relationships take in an organisation (LaBelle & Waldeck, 2020:57). It distinguishes it from its environment and is a reflection of its mission and vision that lead to its goals and objectives. An organisation’s culture is practised both internally and externally as it is not just a way of conducting work but also an ethos for engaging with its stakeholders. Today, many companies intentionally construct their organisational culture in the search for some form of organisational success.

The above-mentioned views provide us with a starting point to further investigate theories of the organisations. The organisation is seen as coming into existence because of the mechanism of price suppression. With its creation, the business becomes an entity of its own creating institutional depth in the economy. The organisational entity is embedded in an environment, and by lowering transaction costs, it improves the efficiency of the market mechanism. Its internal environment consists of members speaking the same organisational language who buy into the larger goals of the entity.

2.2 Legal Forms of the Organisation

Organisations typically fall under three well-known categories that align with the legal forms they can take, i.e. for-profit, nonprofit and governmental entities (LaBelle & Waldeck,

2020:44). The thesis will differentiate these briefly based on a basic framework from LaBelle and Waldeck (2020).

For-profit organisations function with the primary purpose of generating profit for the owners, who then decide what to do with the profit. They are distinguishable from other forms of business by the primary duty and obligation to the shareholders of the organisation. It is classified as having its primary responsibility to itself, rather than, for example, the welfare of society or any other social or environmental cause. For-profits are usually thought of as rational entities that are interested in bringing new products to the market to maximise their sales and reach goals related to their financial bottom line. However, economists often move past such a simplistic framework and acknowledge that very few successful organisations are solely motivated to generate revenue and profit (LaBelle & Waldeck, 2020:44). Many organisations are also dedicated to meeting some form of corporate social responsibility (CSR), which involves putting into place policies and practices that better the enterprise's impact on social and environmental well-being.

Nonprofit organisations are traditionally seen on the other side of the spectrum and function to promote a particular cause, advocate a viewpoint or promote a philanthropic mission (LaBelle & Waldeck, 2020:45). Unlike the for-profit, any profit earned is necessarily reinvested into the organisation to advance its mission. They can receive funding in the form of donations, and many of them rely on a volunteer workforce. Nonprofits, therefore, engage in fund-raising to obtain the revenue required for the organisation to operate. Building partnerships with potential donors is central for the nonprofit to survive. Instead of measuring their success based on the amount of profit earned, they measure their success based on the extent to which the organisation fulfils its mission. Their target market is much broader than the for-profit's focus on customers and includes a variety of stakeholders.

The third broad form of organisation is that of governmental organisations. These organisations can take a wide variety of forms but usually function to regulate the environment other forms of organisations are situated in (LaBelle & Waldeck, 2020:45). This includes organisations that regulate vehicle and licence registration, collect income taxes, oversee education, maintain infrastructure, and so on. Their purpose is to serve external stakeholders by providing goods and services. They tend to be large and bureaucratic in form and have multiple levels of operation. However, a thorough investigation of governmental

organisations is beyond the scope of the thesis, and the focus will primarily be on the for-profit and nonprofit forms of organisation.

Yet, we should be cautious about identifying organisations solely based on their legal charters. For Nelson (2006:114), there is no way to tell what an organisation's goals would be based on which one of the broad categories is written into its legal charter. Being a for-profit does not mean profit is the company's only interest, and being a nonprofit does not mean that an organisation is run with good motives or directed to desirable outcomes. For example, nonprofits and government-run programs also have budgets they have to meet, and these are often stringent, with no room for mistakes. Nelson argues that the only way to evaluate organisations is to look at *what* they do.

Nelson (2006:87) also notes that many still believe that ethical and caring sensibilities do not suit the for-profit organisation that needs to have its purpose centred on making a profit. Here the efficiency of the for-profit enterprise is often glorified, and nonprofits are seen as wasteful in comparison by pro-business advocates (Nelson, 2006:87). On the other side of the spectrum, you have the antimarket advocates who favour nonprofits and the state, and see for-profit organisations as greedy. However, regardless of their legal form, there is no way to say any of these generalisations are indeed the case definitively. Today, many for-profit organisations are willing to make the necessary changes within their industries on employee, community, or environmental concerns; some of them even take the lead on these matters (Nelson, 2006:87). For Nelson, organisations are too complex and varied to be placed within the simplistic formulas of for-profit and nonprofits.

The basic legal forms an organisation can take are, therefore, only useful in a mostly theoretical sense. Different sets of legislation form broad guidelines, and organisational goals can take many positions from these. However, how we define organisations remain important. Concepts like for-profit and nonprofit carry with them a variety of assumptions, formal and informal, positive and negative. For example, for-profits are seen as efficient, but they are also seen as greedy. Nonprofits are seen as well being oriented, but they are also seen as wasteful. We tend to see them as opposites, and this view translates into theory, law and practice. In summation, these classifications do not tell us much about any specific

organisation, but remain important as theoretical concepts such as these influence our practices.

2.3 Externalities

As our theoretical models are the concepts we use when understanding business, they also guide and shape how we conduct business. These models allow us to draw lines between what is deemed to exist in the sphere of business and what is not. However, our models of business sometimes place the analytical lines in such a way that informationally dense areas are severed. This can result in the business not including a larger framework of social costs in the price of their goods and services. These costs are known as externalities.

Externalities are the effects of production and consumption activities not directly reflected in the market (Pindyck & Rubinfeld, 2005:641). In other words, the existence of externalities means that a price of a good is not reflected in social value. Pindyck and Rubinfeld (2005:641) describe the result of externalities as market inefficiencies from firms producing either too much or too little. In their framework, externalities are regarded as either positive or negative. Here they see the remedy to negative externalities as encouraging firms to produce less by means of an output tax, which will, in turn, incentivise firms to substitute their means of production for greener technologies. This can be done through either the employment of a set emission standard or a variable emission fee. However, simply seeing externalities as either positive or negative when modelling the firm can sometimes be too blunt, and a bit more nuance may be required.

Marshall (1920) developed a concept of economic externalities as the cost imposed or benefits conferred on others that are not taken into account by the person taking the action. In the context of the theory of the firm, something is taken into account when it is added to the price of production. Pigou further developed the concept of externalities in a rational framework as the impact of a firm's actions that distorts the market mechanism away from its ideal state (Liebowitz & Margolis, 1994:3). Later, critics of Pigou saw the need to make a distinction between pecuniary and technological externalities. Here, pecuniary externalities are the external effects that result from the price system, and technological externalities are framed as market failures, such as pollution (Liebowitz & Margolis, 1994:3). McClure and Watts (2016:159) argue that, unlike technological externalities, pecuniary externalities should be

seen as ‘market successes’. They are the necessary unintended effects that result from the process of creative destruction or the losses that need to be incurred for economic efficiency. For example, the proliferation of media content streaming services made the existence of the video rental store obsolete. The losses incurred are the unintended pecuniary externalities.

On the other hand, technological externalities, such as pollution, exist as these costs are not included in what business believes forms part of the price of production. Instead, these costs are seen as part of a larger definition of social cost, and it falls on government regulation and taxation to include these costs into the market. However, here the thesis will eventually argue that more specific action should be taken by companies themselves which will better serve the specific nature of an organisation’s externalities. The thesis proposes in the following chapters that an emphasis on the firm’s relational features may provide a scope of price that more fully accounts for its social costs.

However, the thesis will first narrow its investigation to the corporation. This will provide us with useful terminology in our investigation, such as corporate social responsibility (CSR) and the stakeholder debate in corporate law. At the same time, the corporate model provides contrast to the soon to be explored theories of the organisation.

3. The Corporation

3.1 Theorising The Corporation

The term corporation is a designation given to a specific subset of organisations. According to Molz (1995:790), in corporate chartering, there are four actors implicitly recognised. The first is the state that grants the corporation its charter and puts in place the formal guidelines of its environment. The other three parties, designated by Molz as the corporation’s internal structure, are the shareholders, the board of directors, and the corporation’s officers. Typically, the shareholders are the firm’s owners, which appoint a board of directors to manage and govern the firm. However, it is the board of directors, and not the shareholders, that form the legally recognised unit of the firm. The corporation’s officers serve at the pleasure of the board of directors to carry out the tasks given to them by the board.

Molz (1995:791) points out that the traditional corporate view sees the rights of broader society as already represented by the state in chartering. The argument goes that even though corporations are chartered first of all to mobilise economic resources to produce goods or

services to meet the demand of consumers while earning enough profits to satisfy investors, there is an implicit obligation to serve society. Molz (1995:791), for example, argues that the state charters corporations to benefit all of society and not only the shareholders. It is this tension that creates the focal point of corporate legitimacy.

However, one often revisited critique of the corporate structure is that it creates a preoccupation with short-term financial performance, which overwhelms any consideration for broader social issues in the decision-making process (Molz, 1995:791). For example, Elkington (1997:282) describes how the business is managed over the short-term only, quarter by quarter, providing strong incentives to turn a blind eye, cut corners, and bend the rules. However, this type of formulation serves the other extreme and should also be handled as an abstraction or an emphasis on one part of a more complex phenomenon. Such a view, when taken too literally, provides us with a partial image of the business world. For example, it does not account for an investor's interest in growth stock. Companies such as Amazon have been seen as a premier growth stock over the past ten years because of its holdout on paying dividends and reinvesting its earnings back into the business (Ciura, 2021).

3.2 A Framework for Differentiating Corporate Boards

To further differentiate from a one-sided view of the corporation, it is necessary to briefly distinguish between the different formations a corporate board can take. The corporate board of an organisation is generally viewed as the centre of power from which strategic and directional decisions of the corporations are made (McLaughlin, 2013). The shareholders elect the board members to represent their interests and navigate the company's direction. Molz (1995:792) describes several different forms that boards can take depending on their structure. He acknowledges that these different typologies are theoretical extremes describing boards which do not actually exist. However, they remain useful as they indicate the multitude of objectives that can be pursued from within the corporation.

Molz's (1995:792) first structure is the 'managerial board', which primarily consists of managers who direct the company's objectives from a manager's position and goals. The managerial dominated board is what many believe contemporary corporate governance looks like. However, Molz (1995:792) points out that the lack of clarity in corporate law has enabled professional managers to structure the board to be an ineffective body. He argues that

the aims of management direct the firm, and shareholders, along with other stakeholder interests, are positioned as secondary.

In contrast, the 'collegial board' serves as a strong countervailing power to the management and officers of the corporation (Molz, 1995:793). This is, in desired instances, combined with a multilevel limited rationality board that consists of directors who represent the different interests of the stakeholders. Here each board member has a function: to serve a specific role to meet particular objectives. Molz describes this as a socially controlled board which is seen as the opposite extreme of the managerial board as it is composed of a large number of the significant stakeholders of the corporation. A collegial board can also be described as a pluralist board in cases where strong stakeholder influence exists (Molz, 1995:793).

The pluralist board has been hailed by many as the answer to increasing social responsibility and acknowledging stakeholder interests in the corporation (Molz, 1995:793). It has an active role in the creation of normative goals and the objectives of the enterprise. It is a board that is sensitive and responsive to society and then to shareholders. The pluralist theory of corporate governance places an additional requirement on the functioning of an organisation. Along with mobilising scarce economic resources to meet the demand of consumers and generating profit to support the investment of shareholders, the firm is required to act in a socially responsible manner and be responsive to stakeholder interests (Molz, 1995:794). To do this, the organisation must include in its governance function the stakeholders and representatives from the larger society in which it operates.

Molz (1995:794) believes that the pluralist board will be better suited to improve the function of corporate social responsibility. However, even if we can bring the stakeholders of the corporation to the table, the corporation still needs to formulate an actionable approach to corporate social responsibility.

3.3 Corporate Social Responsibility

Corporate social responsibility (CSR) is the formalisation of the corporation's duty to improve the environment in which it operates. It is an umbrella term that reflects the social imperative and social consequences of business operation (Matten & Moon, 2007:2). CSR consists of clearly articulated business policies and practices that reflect the responsibility business has to the wider social good. Here, the formulation and direction of these

responsibilities often lie at the discretion of the corporation, and it is differentiated from the business's core profit-making responsibility.

CSR occupies a prominent place in the contemporary global agenda (Du *et al.*, 2010:8). Du *et al.* (2010) argue that the proliferation of CSR practices is not just driven by a new type of ideological thinking; instead, businesses are realising the multi-faceted business returns that they can collect from their CSR endeavours. Here, they cite an increasing body of research that key stakeholders are increasingly likely to take positive action to reward good corporate citizens. In this framework, one of the biggest difficulties facing CSR today is how to minimise stakeholder scepticism. Du *et al.* (2010:9) argue that stakeholders place CSR as either extrinsically or intrinsically motivated. Extrinsic is when consumers see it as an attempt to increase profit, and intrinsic is if they believe organisations act out of genuine concern. The aim of a company should be to communicate their CSR in such a way that stakeholders believe it is intrinsically motivated.

The framework set up by Du *et al.* (2010) is useful for providing management of companies with a practical guide to setting up a 'successful' CSR campaign. However, it seems that grounding CSR on business returns, even though a strong incentive, situates their argument inside the rational framework of profit-maximisation. This makes it a conversation not about how companies can act to positively impact their social environment, but rather how companies should manage CSR to have stakeholders believe that a company is acting out of genuine care. The thesis does acknowledge that the framework is set as a practical guideline. However, it does point to an underlying problem of only attempting to find the best response in terms of business and does not provoke a sense of genuine care.

Jamali (2008:214) sees the root of the problem stemming from what we understand as 'social' and how it is linked to business activities. The 'social' element in CSR is a highly abstract concept which is difficult for a business to put in terms of management and how they should evaluate their contribution to the social as a whole. Jamali puts forward the argument, made by Clarkson (1995), that "society is a level of analysis that is more inclusive, more ambiguous and further up the ladder of abstraction than a corporation itself" (Jamali, 2008:214). The result is that the term society is often used interchangeably with lower levels

of analysis that speak in more specific terms to stakeholder groups. For this reason, Jamali questions whether putting the abstraction at the level of society is helpful or justified.

To some extent, Du *et al.*'s (2010) framework is an attempt to manage CSR given the abstract nature of the social. However, to another, it is this type of simplified guidelines that have resulted in a negative view of CSR. For example, Mason and Simmons (2014:78) argue that concepts of CSR are currently nothing more than emancipatory rhetoric that does not go beyond the scope of narrow business interests, which only serve to curtail external stakeholder interests. They see the need to redefine CSR as a process "to optimise returns to shareholders while satisfying the legitimate demands of stakeholders" (Mason & Simmons, 2014:78).

Elkington (1997:71) takes a more extreme stance and remains sceptical of the reach of CSR. Instead, he sees the root of the environmental and social crises we face as political. He argues that the social issues exceed the mandate and capabilities of any corporation. According to him, CSR as a mechanism simply does not have the reach to speak to the breadth and depth of societal issues. But here is the paradox: "At the same time, corporations are the only organisations with the resources, the technology, the global reach, and, ultimately, the motivation to achieve sustainability" (Elkington, 1997:71).

However, much remains to be said about the possibilities CSR holds if our abstract understanding of the 'social' can be translated into everyday operational language. Luckily, this is a current endeavour in theories of the organisation, and the thesis hopes to add to this work.

3.4 Corporations, Legal Mandates, and the Stakeholder Debate

Corporate law has a long and complicated history and takes many different forms worldwide (Nelson, 2006:96). The purpose of a business is generally stated in law as simply to engage in business or trade. For example, in terms of common law, directors are obliged to act honestly in the interest of the company (Blackman, 2004:22). Many have interpreted this as both the short-term and long-term interests of the shareholders, and the interest of the company is the interest of its members. However, conversations around the stakeholder debate remain ongoing, asking in whose interests should the company be run.

The theoretical underpinning of the traditional shareholder-centric approach holds that in order to have a claim on a company's profits, you need to invest capital to become a shareholder (Blackman, 2004:22). At the same time, because of this interest, the shareholders are situated in the best position to police the efficiency of a company. Broader society is brought into the picture in that if a company succeeds, it will deliver social benefits to its stakeholder constituencies.

In company law, the purpose of the company is provided in vague terms, with the intent to give a greater degree of legal flexibility for companies to operate. However, Blackman (2004:22) argues that with such vague terminology comes the opportunity to interpret legislation to the advantage of a select few. Another important question is just what shareholders' interests are. For Blackman, when placed in the lens of profit-maximisation, their interests are assumed to be that of financial gain, which is preferred as soon as possible. This may lead to the view that shareholder interests leave no space for long-term interests, such as decreasing environmental and social degradation.

For example, Nelson (2006:100) argues that economists talk of profit maximisation as if it is written into law and the sole mechanism of survival of companies in the market. She believes the reason for this comes from their interest in mathematical optimisation and an avoidance of the messy world of the social. Nelson (2006:100) sees it as a view that has been enshrined in the neoclassical model of economics, and as lawmakers have been relatively vague about the purpose of business, the image of the firm as a single, simple and quantifiable unit has remained popular within company law because of its mathematical convenience.

The stakeholder debate gave rise to a different school of thought which emerged in response to the limits of shareholder-centric theories where directors should be obliged to benefit not only shareholders but also groups affected by the company's activities. According to Blackman:

There is a considerable body of opinion, which strongly endorses the idea that corporate governance is concerned with holding the balance between economic and social goals with the results that corporate governance should be seen as the system by which organisations are or ought to be governed and controlled with the

contribution of and for the benefit of all stakeholders, including shareholders, employees, creditors, suppliers, and society at large (Blackman, 2004:23).

In other words, organisations should operate as communities that are in partnership with their stakeholders. The approach seeks to include the entire network of formal and informal relations that makes up and controls the company, including decisions on risks and returns. It points to the interests of the company being inextricably intertwined with the interests of its stakeholders.

Molz (1995:791) sees a stakeholder oriented approach as:

(A)ll persons having a legitimate interest in the corporation have a right to be heard and considered in the corporate decision making context. This includes not only shareholders and officers of the corporation, but a wider group composed of consumers of the corporation's products, employees, creditors, neighbours and suppliers, among others (Molz, 1995:791).

Mason and Simmons (2014:78) see these types of stakeholder oriented theories as usually containing three important elements: First, they are descriptive as they attempt to describe how the organisation operates; second, stakeholder theories are instrumental as they investigate how organisational objectives can be achieved by proper stakeholder management; third, these theories are normative as they include a rationale based on a system of ethics. From a stakeholder perspective, the organisation is expected to manage responsibility for an extended web of stakeholder interests. Here the borders of the organisation are seen as increasingly permeable, and the company has the duty of care toward their stakeholders (Jamali, 2008:217).

However, this raises the question as to the course of action when different interests conflict. To resolve this, the general rule has been that stakeholder interest can only be taken into account through the prism of shareholder interests (Blackman, 2004:24). This formulation, called the 'enlightened shareholder value' approach, represents the norm in most countries (Goddard, 2003:405). As opposed to the traditional shareholder-centric model, appropriate relationships with stakeholders need to be maintained, but shareholder interest retains primacy. In other words, the company should promote the interest of stakeholders as long as they align with shareholder interests or promote the success of the company as a whole.

A third approach in the stakeholder debate that attempts to incorporate affected parties more fully is the pluralist approach. It holds that the only way to maintain cooperative and productive relationships is when the company balances shareholder and stakeholder interests (Blackman, 2004:25). Where the enlightened shareholder value approach sees the company as primarily associated with its shareholder, the pluralist approach sees the company as associated with stakeholders, which includes shareholders. This means that the company is able to choose other stakeholder interests above that of shareholders. Blackman (2004:26) holds that if we were to implement a pluralist approach, the necessary inclusion of other stakeholders would need to be explicitly written into company law.

The pluralist approach has largely been rejected when legislating company law. For example, Goddard (2003:405), in reviewing current company law, rejects pluralism in favour of the enlightened shareholder value approach. They cite the reason as a primarily practical one, as a pluralist approach will burden company legislation with complexity and also make it possible for directors to frustrate a potential takeover bid. Ultimately, the pluralist approach leaves open too many questions that go beyond the interpretation of law. Determining who has what interest to what extent will tie the company up in the complexity that results from a constant flow of normative questions and no clear guidance on which stakeholder's interests to prioritise. In this context, it is hard to see how that which justifies the creation of business organisations, lowering transaction cost, could be maintained.

The pluralist legal framework, along with other more stakeholder centric ideals, seem like positions that get lost in abstraction or complexity. To see why this is the case, we need to take a step back and look at the theoretical lens we use to make sense of the social world.

4. Metaphors When Modelling the Organisation

4.1 Metaphors and Understanding the Organisation

With the preliminary building blocks of the thesis laid out, the chapter will now turn to the formation of the theories, frameworks, and models themselves as they are constructed to make sense of our world. Our understanding of the organisation is itself based on a number of layers of theoretical constructions. The thesis suggests that if we were to move to a more fundamental construction of the social, on which the concept of the organisation is built, we might have a better chance to understand the business in terms of the social.

When attempting to model the organisations, a foundational element is the metaphors and stories we use to understand and base decisions on. As Morgan (2006:4) notes, all theories or models of the organisation are based on implicit images or metaphors that allow us to understand organisations in distinct, yet partial ways. In other words, the metaphor is a way of thinking, and we make use of it to make sense of our world in general. The basic structure of a metaphor forms when we attempt to understand one element in terms of another; for example, A is like B (Morgan, 2006:4).

Even though useful, the metaphor produces a one-sided insight as it emphasises certain aspects while pushing others to the back (Morgan, 2006:4). This means a metaphor is always a distortion of reality. Morgan describes them as ‘constructive falsehoods’ that become absurd if taken literally or pushed to an extreme. For example, saying, “you’re as light as a feather”, does not mean you are the same weight as a feather. This might seem quite obvious; however, more complex metaphors may, with regular use in society, become confused as an aspect of reality.

Regardless of the explanatory depth, when we create a theory or model of the organisation, we make use of metaphors (Morgan, 2006:5). Most views of the firm that we put forward may lead to valuable insights but will always be an incomplete description and potentially misleading. As Baskin states, it remains “tempting to think of organisational models as either metaphors that enable managers to translate whatever they find attractive in a model to their organisation, or literal rendering that translates every detail of the model into their organisation” (Baskin, 1998:39).

When looking at the organisation, a variety of different metaphors are used to provide a wider scope of ontological insight. For example, Bolman and Deal (2017:15) provide four broad models that attempt to make sense of how organisations work. Each is based on its own set of concepts, assumptions and interpretation of scientific evidence. For them, the most prominent organisational metaphors are that of ‘factories’, ‘families’, ‘jungles’, and ‘temples’.

Morgan (2006:5) selects a larger set of useful metaphors in that the organisation can be seen as a ‘machine’, an ‘organism’, a ‘brain’, a ‘culture’, a ‘political system’, a ‘psychic prison’, ‘flux’ or ‘transformation’, and as ‘instruments of domination’. However, the focus of the thesis is not on the different metaphors we use but rather the realisation that we use them, and

how they provide both insight and obscure our world. We can formulate any type of theory, model, or metaphor, which brings out underlying aspects of the organisation; however, this should always be accompanied by a sense of criticality in that our abstraction is only a partial view. There is no one right way, and sometimes it is necessary to switch lenses. For Morgan, as metaphors are useful abstractions of reality, “the challenge is to become skilled in the art of using metaphors” (Morgan, 2006:5).

To provide an example, the metaphor of the factory or machine comes from an extensive tradition of explaining the organisation, and underpins the development of bureaucracy (Morgan, 2006:6). This metaphor often makes its appearance in the fields of sociology, economics and management sciences where “the structural frame depicts a rational world and emphasises organisational architecture, including planning, strategy, goals, structure, technology, specialised roles, coordination, former relationships, metrics, and rubrics” (Bolman & Deal, 2017:17). Here organisations are made up of interlocking parts, each with a clearly defined role in the functioning of the whole (Morgan, 2006:6). The mechanical worldview is attractive as it gives us a sense of order, purpose and control (Boulton *et al.*, 2015:1). In order to reach a unified effort, the organisation needs to create rules and procedural systems that coordinate functions across a hierarchical landscape. Objective indicators measure progress, and if a problem arises, it is seen as a mismatch between structural features and the environment.

For Boulton, Allen, and Bowman (2015), when the organisation is seen as similar to a machine, we are able to “analyse the facts, predict the future, decide how to intervene, make and execute plans, and control and measure outcomes” (Boulton *et al.*, 2015:1). The world is understandable by breaking it down into its constituent parts, where we can make sense of each part independently (Boulton *et al.*, 2015:1).

Here the problem is not that we, for example, draw up a theoretical image of employees as cogs or as interchangeable parts in a machine. At times this metaphor can be insightful. Instead, problems arise when we no longer recognise this as one of many abstractions, a spotlight that both illuminates and blinds. The pervasiveness of the mechanical theory means that it has come to underpin the process of management and policy making (Boulton *et al.*, 2015:1). In more general terms, it is often how we view the world and our place in it. The mechanistic metaphor is culturally entrenched to the extent that it is challenging to organise

our image of the organisation in another way, and we are not always aware when we use it (Morgan, 2006:6).

The use of the metaphor when talking about the organisation is therefore central to the thesis project. It is not, for example, that neoclassical theories of the firm are wrong and that the relational view, proposed in Chapter 2, of the firm is correct. Instead, as metaphors and models, both highlight specific aspects of the firm, while obscuring others. What the thesis argues in the ensuing chapters is that together with the rational individualist framework, we need to make use of other frameworks when formulating models of the organisation. However, as all theories make use of metaphors, a critical self-perspective should be maintained throughout. To set the stage, the chapter will investigate the metaphors used in the framework of individualism and the rational organisation.

4.2 The Rational Organisation and Individualism

In neoclassical economic theory, we find the image of the rational agent or homo economicus. At an extreme level of abstraction, it sees the rational agent as, when presented with an array of choices, they will always choose to act to maximise some utility function (Standish & Keen, 2015:102). Rational theories of the firm are based on the larger framework of individualism, which focuses on a rational discourse of human development (Nicholson & Kurucz, 2017:34).

Nicholson and Kurucz (2017:33) argue that the rational metaphor in individualist base theories sees development as happening through the pursuit of autonomy and separateness from others. For example, early models of the firm “propose a rational process of setting objectives, followed by an internal appraisal of capabilities, an external appraisal of outside opportunities leading to decisions to expand or diversify based on the level of fit between existing products/capabilities and investment prospects” (Fahy, 2000:95). Here, the internal and external environment of the firm is separated and appraised by different sets of tools that allow specific action of the internal environment on its broader external environment.

For Nicholson and Kurucz (2017:30), a rational logic of effectiveness places the primacy on the individual and is where we find images of the ‘heroic’ entrepreneur leading the organisation to overcome challenges from its environment. They argue that the rational logic of the organisation sees the most important element to achieve effectiveness as the output of

the organisation that serves the accumulation of financial profit for the company's shareholders. Here, accountability is served on an individual basis, and communication takes the form of one-way orders.

An example of an individualist based theory of the rational firm is the resource-based view (Fahy, 2000:95). The view sees all exchanges between the firm and its environment as economic in nature and includes the assumption of rational profit-maximising entities. What makes the theory useful is the extent to which it is generalisable, increasing its mathematical and scientific leverage. Its basic internal logic starts with the assumption that the desired outcome of the firm is a sustainable competitive advantage (Fahy, 2000:96). This will allow the firm to earn economic rents or above-average returns and place the focus on sustaining its achieved advantages. The theory holds that the key to sustainable competitive advantage lies in possession of certain key resources that carry value and are not easy to duplicate or appropriate. In other words, it is by means of the successful separation of their resources that the firm will maintain a competitive advantage, and for a firm to maximise its returns, it needs to manage these crucial resources effectively. Here, the theory holds that the higher competitive pressures, the higher rationality and the more suited the metaphor (Fahy, 2000:96).

Similar neoclassical theories of the firm have found it useful to make use of more moderate concepts of rationality, such as bounded rationality (Simon, 1979:508). They depart from the assumption of perfect rationality in firm decision making and replace the idea of profit maximisation in the short run with assumptions based on goals and targets. Bounded rational firms satisfice instead of maximise; in other words, they make satisfactory decisions based on limited information (Simon, 1979:509). Satisficing, a combination between sufficing and satisfying, means a decision is made when something is good enough (Simon, 1956:132). This contrast with the more traditional economic concept of optimising, where an actor always chooses the best decision with the most utility.

Most bounded rational frameworks use metaphors that include some type of mechanism preventing maximisation from being attained. Simon describes this as 'organisational slack' that produces an extra level of complexity in the model of the firm and creates an informational buffer between the firm and its environment. In other words, the firm responding to its environment can no longer be predicted by simply looking at what Simon

calls the ‘requirements of the situation’, but are instead based on the specific decision processes of the firm. However, the firm can still attempt to approach profit maximisation and this potential increases the longer the environment stays stationary (Simon, 1979:509). This means that even though the framework does not assume rational profit-maximisation, it illuminates how firms can get closer to achieving such an aim.

Both of these theories represent some form of the classic economic view of the firm, and the primary concern of the organisation remains to be profit maximisation and financial value. The rational logic places the organisational aim on achieving efficiency from inside the organisation. In order to know how valuable a business is, we simply need to measure its economic value. Here Nicholson and Kurucz (2017:33) also point to the rational individualist organisation as having a short-term trade-off horizon that typically results in efficiency being chosen over effectiveness. “A focus on short-term profit, production and immediate goals over the value created over the longer term is inherent in this logic” (Nicholson & Kurucz, 2017:33).

As with all metaphors, the rational logic illuminates the assumption that the way forward in any management discourse is by means of rational or cognitive reasoning, but also obscures through the same reasoning. For example, it illuminates that in order to maintain rational discourse, we should be careful not to cloud our vision with influences drawn from emotion or intuition (Nicholson & Kurucz, 2017:3,4). It, therefore, obscures the complexity of emotions. That which should be resisted so as not to interfere with our judgments and sees being vulnerable as ineffective and weak. There is only space in business for neutral theories, such as agency and transaction cost approaches, combined with objective evidence-based practices. The individual as an entity needs to rely on itself completely.

4.3 What an Individualist Theory of the Firm Obscures

For Boulton *et al.* (2015), the mechanical metaphor can be contrasted with a complexity worldview. They describe the social world as:

(E)ssentially interconnected, and rich with forms and patterns that have been shaped by history and context. A complexity worldview reminds us of the limits to certainty, it emphasizes that things are in a continual process of ‘becoming’ and that there is

potential for startlingly new futures where what emerges can be unexpected and astonishing (Boulton *et al.*, 2015:1).

In this sense, we need to recognise that there are limits to certainty as things are in a constant state of becoming (Boulton *et al.*, 2015:1).

Boulton *et al.* (2015:2) see the mechanical metaphor as deeply entrenched in the way we view the world, and for them, this is why there is a crisis facing our economies, ecologies, and societies. What is more, most solutions to the issues simply prop up the status quo. For Boulton *et al.* (2015:2), we can only break out of this by questioning the underlying assumptions.

Economists and other social theorists do often question the underlying assumptions by bringing the factors obscured by the dominant theory of the firm to light. For example, the study of externalities attempts to bring the obscured social cost into the spotlight of market price. In this case, the dominant framework is maintained, and the metaphor is inverted to specifically highlight externalities.

Elkington (1997:268) describes individualist theories of the firm as that of the ‘self-made’ Victorian manufacturer, a pragmatist who measures success in material terms and focuses on the ‘bottom line’ (Elkington, 1997:268). This is an organisation based on an individualistic personal strategy that supports the free operation of the market as a means for increasing wealth and sees human skill, enterprise, and risk-taking as the keys to success.

Nelson (2006:93) points out that what is obscured through individualist models of the firm, based on a rational logic, has been standardised to the extent where it seems that mainstream economists neglect the human and social nature of the business. She stresses that even though it is generally acknowledged that organisations are complex social entities made up of real people who face many logistical problems, this is often not portrayed in the theories we use to explain them. Instead, on her account, it is much easier to choose the mathematically simple path that provides the clearest profit function result. According to Nelson, pursuits like saying what firms ‘are’ and ‘do’ are avoided as they only muddy the waters and make the sophisticated calculations of economics near impossible.

Nelson (2006:94) continues by arguing that the concept of maximising profit was not born out of observations of what firms actually do and has no basis in company law. Instead, it is

chosen as it serves a useful function in applying economic calculus. Along with ideas such as perfect competition, it creates an image of the economy running like clockwork. She argues that the rational image of the organisation has been taken up by the more qualitative fields in economics as the basis for the construction of theories. It only takes everyday observation to notice that this is by no means the case.

If a company does not stick to the rational model, the argument is made that the nature of the market will force out any resulting inefficiencies, such as taking greater social and environmental responsibilities (Nelson, 2006:94). In these arguments, the mercantile interest is directly opposed to human interests, which Nelson believes gives corporations the image of being alien to the rest of society. Socially responsible behaviour is seen as merely public relations stunts or only temporary until the market forces catch up and force the firm to get back in line.

For critics, it is, therefore, the human and social elements of organisations that are obscured by the focus on individualistic rational theories of the organisation. Advantages are given to separate autonomous entities, obscuring aspects of connectedness in the larger social network. Even though the rational elements remain important, the dominance of the rational framework has mostly silenced the critical perspective we need to take when utilising any framework. This does not mean that the thesis does not recognise the large body of critique against individualist and capitalist theories. Instead, the thesis argues for the individualist framework to be placed back alongside the other views of society, which make up the toolbox we use to construct theoretical models.

4.4 The Need for an Alternative Framework of the Firm

As a social organisation, business involves real people, ethics and social relations. Nelson (2006:108) points out how the use of the rational framework tends to obscure the full scope of the firm and operates against the success of a business. She starts from the premise that organisations function by people communicating information with each other. This means that how these informational flows are designed influences whether the information is transmitted well or poorly. Mechanisms, such as incentive systems, that work to include people's extrinsic and intrinsic motivations into the informational system, are set up by managers. These incentive systems can also be either designed well or poorly. Informational

channels are both formal systems that are given as the ‘rules’ of the organisation and informal systems such as informational cues in everyday interaction amongst employees. Nelson argues that the rational model does not take into account these layers of complexity that stand between individual intention and organisational action (Nelson, 2006:109).

In this sense, we need a view of the firm that, even though complex, highlights that the linkages between business action and individual intention exist. For Nelson, this is done by setting up the organisation's internal systems and structures of information flow in the context of ethical oversight that is geared towards social and environmental responsibility, which makes it possible to steer the actions of an organisation. Nelson states it as such:

Corporate responsibility is not just a matter of individuals inside having moral standards, but creating a whole context in which ethical business decisions are facilitated and encouraged (Nelson, 2006:109).

Ultimately, if we use a theory of the firm which goes beyond individual morality and place this theory at the heart of the information flows of an organisation, the moral agency should be evident to all. For Nelson, such a theory would highlight the need for ethical feedback loops to be in all parts of the organisation. In other words, in her view, the informational feedback loops that exist in the organisation need to be endowed with a stronger ethical element. She holds that such a structure will help a business achieve both moral and financial goals.

5. Conclusion

This chapter has set out to show how our understanding of the organisation in current economic theory is based on mechanical and individualist conceptions, which, even though useful, have become the norm in economic thinking. The chapter's aim was not a criticism of the qualities of the rational individualist model used in the social sciences. Instead, it sees the dominance of these theories as a limiting factor to our understanding of the organisation.

The chapter set out to bring to light different opinions surrounding the organisation. In this, attempts were made to maintain a critical conversation between what we understand as business and that which has fallen to the backdrop of its operation. In other words, rather than

being a conversation about what is ‘good’ and ‘bad’ about business, it is a display of the highlighted and obscured elements of the individualist theoretical framework of the firm.

To move forward, the thesis will argue the need to retake a critical position and allow other theoretical frameworks into our understanding. The following chapter will discuss the theory of relationalism and how it should be formally included in the theoretical toolbox of social theories. The thesis holds that this will help to provide a fuller view of the social and, therefore, the firm.

CHAPTER 2

Relationalism and a Framework for Conceptual Analyses

1. Introduction

The aim of this chapter is twofold. The first is to introduce the theory of relationalism, and the second is to situate the theory within economics. This chapter will argue that if we see the relation as having its own ontological root and use relations as the building blocks of a theoretical model, it offers an illuminating view of society as a relational web or network. The relational and individualist views each serve the construction of theoretical models in their own way, and it is when we make use of them both that we can maintain a critical position, while providing a fuller view of the social and, therefore, the firm.

To do this, the chapter will start by contrasting the theory of relationalism with individualism. The chapter will then briefly look at the problem of the individual/collective divide as put forward by Callon and Law (1997). Here, the separation between individualism and collectivism is seen as creating a dualism that stifles our understanding of the social world.

The following section will then introduce the theory of relationalism as a proposed theoretical model that moves past the traditional understanding of the individual/collective divide. The belief is that as a model of the social, relationalism could shed some light on those areas that remain obscured by dominant models in society.

The chapter will then turn to an investigation of what we understand as the unit of analysis in the context of individualism and how this translates to relationalism. To do this, the chapter will look at the unit of analysis from the view of complexity theory, which holds that there is no way to definitively allocate the object of analysis when constructing theoretical frameworks. From here, the chapter will make use of the theory of cognitive ecology to show how individualist and relationalist theories are able to work together in the face of social complexity.

The thesis will then focus its attention on the application of relationalism in economics. Here the thesis will look at relationalism in the firm, complexity theory in the organisation, and designating the unit of analysis of the firm.

2. Theorising the Social

2.1 Making Sense of the World

To contextualise the theory of relationalism, we will briefly contrast it to the theory of individualism. Both of these theories can be approached from multiple different angles, found in the different questions they attempt to answer. For example, it is often believed that the dispute between individualism and relationalism is about ontological priority, however, these theories can also dispute epistemological priority or normative priority.

If we were to look at a given social setup, how would we understand what is going on? Put another way, how do we choose the metaphors we use to understand the world? We may choose to use a framework that divides a social phenomenon into its constituent parts, providing an explanation by looking at each individual separately and then how their intrinsic attributes interact with all other elements in a framework. Alternatively, we may decide to view a social phenomenon in light of larger groups and the institutions situated in and around them. Here we might find an explanation by analysing the attributes these groups express and viewing the whole and not the parts as the primary focus of analyses.

At the same time, we need to remember that once we decide to use a certain metaphor, these methods of description also obscure certain aspects. This may create problems that seem insurmountable from within the frameworks a theory has established. One example of such a problem is connecting the micro and the macro, the one and the many.

2.2 The Theory of Individualism

As described by Hayek (1948:6), individualism is, first of all, a theory of society which looks at the forces that determine our social existence. In basic terms, individualism is the principle according to which the ultimate constituents of the social world are individual people (Soares, 2018:25). This means that any complex situation or institution is the result of a specific configuration of individuals, and any broader explanation of social phenomena is unfinished or partial if we have not reached the most basic element of the individual (Soares, 2018:25).

Essentially, when dealing with large scale social phenomena, an adequate explanation can be provided by only looking at individuals.

Individualism is said to be most significantly contracted by properly collectivist theories, which argue that we can get all facts about social phenomena by only looking at the wholes (Hayek, 1948:6). Here, ontological, epistemological or moral priority inheres not in properties internal to an individual, but rather those of a group. For the collectivist, it is not the distinct parts but the wholes that ultimately matter and merit moral treatment for their own sake (Metz, 2020:8). However, in the context of the thesis, collectivist theories are similarly used to individualist views as they serve to draw boundaries in entity formation. Collectivism essentially only places the boundary at a different level. This does not mean that individualism and collectivism are the same, rather, as the scope of the thesis is theory creation, the two projects perform a similar task. For brevity's sake, we will focus on the more dominant theory of individualism.

Koons (2019:532) explains how the individualist framework can take varying forms, from the extreme to more moderate interpretations. For example, 'eliminative individualism' sees nothing else except the individual and their intrinsic states in existence. 'Ontologically reductive individualism', on the other hand, sees collectivist concepts as theoretically indispensable. Still, ultimately they do not correspond to an actual entity in the world or express the structure of reality. 'Grounding individualism' holds that collectivist societal entities do exist, but they are wholly grounded by individual facts. Here collectivist facts supervene on individualist facts, and if a collectivist problem needs fixing, all we need to do is fix the individualist ones. We also have 'substantial individualism' that acknowledges the existence of collectivist facts; however, where individuals are substances, collective entities are not.

Uhl-Bien (2006:655) describes the individualist orientation as an 'entity' perspective as it makes use of the Cartesian notion of a clear separation between mind and nature. Simply put, an individual or an entity can be clearly separated from other entities and the environment. The result is that "the 'knowing' individual is understood as the architect and controller of an internal and external order which makes sense with respect to the array of their personal 'possessions' (their mind contents)" (Uhl-Bien, 2006:655).

2.4 Problems from the Individual/Collective Divide

Callon and Law (1997:167) argue the tendency to account for the world in either individualist or collectivist frameworks has created a dualism, each side according to its own set of rules. For them, it is because of these dividing dualisms that western social sciences have mostly been games of bridge-building. In other words, the work set out for social disciplines has thus far been done in the space of the collective/individual divide. This, they argue, has led to the creation of hybrid objects which attempt to explain the simultaneous composition of the individual and the collective, such as rules, conventions, tacit knowledge and apprenticeship.

Furthermore, Callon and Law (1997:168) assert that these hybrid concepts only displace the problems they attempt to answer. For example, when we try to decide whether social rules are an emergent product of individual decisions or if they exist independently, acting as a resource and constraint for agents, our answer is simply a change in the terminology of the original individual/collective problem. This means the same problems remain after these concepts are mobilised because they maintain a logic of dualism. We merely give new renditions of the vocabulary for the same dialectical framework.

For Callon and Law (1997:169), instead of having divisions in the form of dualisms, there exist continuities between the collective and the individual. However, the addition of any such continuity to our models of understanding brings forth another problem; the problem of complexity. On Callon and Law's account, understanding how such fundamentally different and complex concepts should relate to each other is the central guiding problem of the social sciences.

3. Relationalism

3.1 A Relational Theory as Social Ontology

Fortunately, there is another way to recontextualise these problems, and this alternative exists in the theory of relationalism. It is a theory that promises to bridge the gaping divide between the one and the many by providing a fuller picture when we attempt to analyse the social world. Here, through a relational theory, it becomes possible to find unification alongside diversification. In the case of our investigation, this means opening up the business to its environment through the application of a relationally situated world.

As a social ontology, relationalism allows us to cast our nets over any social phenomenon. Here, it introduces the relation as a key principle of an ontological investigation of social phenomena.

In its broadest sense, relationalism "signifies that things and events in the universe and society are interrelated, or to put it simply, that things and events exist in relations" (Kaipayil, 2009:8). Here, a relation can be seen as the 'holding' between two or more things. The theory is grounded on the premise that "every human being is relationally constituted as a person, and the same holds true for any social institution" (Donati, 2011:xvi). Therefore, the philosophy of relationalism does not attempt to do away with entities, and notably, if entities disappear, relations will also disappear. Both the relations and entities work to give meaning to each other.

For Kaipayil (2009:10), the theory of relationalism means that reality is irreducibly pluralistic and inescapably unitary. He believes that relationalism is the search for "ontological principles that account for the unity and diversity of the world" (Kaipayil, 2009:10). In this sense, it is a theory that attempts to reconcile the one and the many. This means that no entity can claim absolute structural simplicity, and every entity is a unity. Moreover, the identity of an entity is defined by its relations and its intra-relations. Relationality, therefore, transcends any perceived borders an entity may have and both structures groups of entities and the entities themselves.

Donati holds that "if one truly wants to accept the challenge and hence to understand 'relational society', which is being born under our eyes, it is necessary to place relationality at the level of a first general presupposition in the metaphysical environment of theory" (Donati, 2011:11). Unless we place relations as an initial presumption, we cannot adequately deal with the complex relational nature of society (Donati, 2011:12). This form of primacy allows us to more fully understand and, therefore, provide the opportunity for better conceptual analyses of the social. The relational paradigm gives us a way to analyse any social relation in a complex environment with subjective and objective elements and explains social phenomena as 'relational facts' (Donati, 2011:xv). According to Donati, society is not a framework that hosts relations, nor is it a space-time where relations happen; instead, society *is* relations. It is from this point of view that new relational concepts can and should be elaborated.

To better understand society's dynamic historical process, we should not look at it as an object, but rather as how social relations are configured (Donati, 2011:1). To say that social relations have their own reality is to acknowledge that they are not simply derived from other elements. Relations have internal dynamics that require theoretical and practical conceptualisation (Donati, 2011:13). Moreover, relations are not only a medium but also a point of view from which to study social nature (Donati, 2011:14). Donati sees the way forward as the guidance of a process where every social object is redefined in relational terms.

What this means is that to make use of the relational framework, we require a symbolic code that not only refers to the poles of the relations but views the relation itself as the mediator that cannot be reduced to what they are connected to (Donati, 2011:15). When used as a guideline, relationalism is an explanatory framework in social interventions that show contributions from particular elements in the relation, and the contribution of the relation should be viewed as an 'emergent effect' (Donati, 2011:15).

For Donati (2011:18), the only way we can know social facts are through relations, and it is the relation that allows us to enter reality at all. At the same time, "the relation does not eliminate the terms which it connects; instead, it reclaims, explores and expresses them" (Donati, 2011:18). The relation is a concrete reality, not an abstraction or some pure form of communication. Donati believes "the relation, not the duality or the ambivalence or anything else, is the game of games" (Donati, 2011:19).

For Nicholson and Kurucz (2017:27), relationalism provides us with the process of 'growth-in-connection', and a positive relational interaction is seen as mutual 'growth-in-connection'. They argue that these practices are made possible by incorporating a relational logic of effectiveness. Here a logic of effectiveness is described as how we believe growth and effective social practices will be achieved. For them, this directly contrasts the individualist assumption that holds a rational logic of effectiveness enabled by individual action.

Here the difference between individualist based relational theories and theories of relationalism should be noted. In an individualist based relational theory, relational processes are described as derivative of individual characteristics (Uhl-Bien, 2006:656). For example,

even theories such as ‘social networks’ and ‘relational-self theories’ remain situated within the individualist paradigm. The relational-self theory argues that your individual self-concept is based on others. The social networks view places the social network within the context of individual perception. A social networks theory such as the ‘socially extended mind’, as argued by Gallagher (2013), expands the border of individual cognition to the structures of society. Therefore, even though it sees social reality in the form of a network, it situates the entirety of this network in individual cognitive states.

Donati (2011:xv) explains that even though scholars frequently refer to the idea of social relations, they are often seen as projections of the individuals who are assumed to make up the only real entities. When social scientists look to incorporate more rigorous theories, relations remain a derivative category and the relatedness of social phenomena as a background problem (Donati, 2011:3). The result is that in most approaches, relations seem like an opaque or distorted phenomenon. Out of fear of moving into the realm of indeterminacy, most theories will focus on the objects and the link between them, but not the relationality of their relation. Thus, when relations are used in a theory, they are seen as a derived way to explain the specific situation and not as the foundation of the situation itself (Donati, 2011:4). They exist only through the subjects or structures, which are seen as the 'real' phenomena.

In contrast, the relational perspective views knowledge as socially constructed through the different relations that occur in the cultural and historical setting (Uhl-Bien, 2006:655). Social reality exists in the context of relations which warrants our analytical focus, instead of that of abstract and discrete phenomena from the point of view of the individual.

3.2 The Process-Relational Perspective

The process-relational perspective provides an account of a relational theory that shifts our framework of understanding to move past the theoretical boundaries constructed by individualism. The individualist function of creating entities is useful for categorising and making sense of the world. However, if we cannot suspend our analytical constructions, critical relations remain suppressed.

The process-relational perspective places the primary constituents of reality on relational processes instead of objects (Garcia, Hertz, Schluter, Preiser & Woermann, 2020:1).

"Processes can be understood as patterns, and their properties and functions are defined by the set of relations that constitute them" (Garcia *et al.*, 2020:1). Garcia *et al.* (2020) use this framework to shed an alternative light on the theoretical boundaries placed between the social and ecological. Here, the process-relational perspective is helpful for reflecting on the ontology of social-ecological systems as the relations are seen to span across different realms.

As argued, from a substance perspective, objects with well-defined properties are viewed as more fundamental than processes and relations. According to Garcia *et al.* (2020), the result is that the social and ecological spheres are seen as separate, and any integration is limited. The substantive perspective places elements within rigid boundaries and thus further divides the social away from the ecological. This provides epistemological simplicity but, at the same time, locks elements into categories. For example, if an analytical line is drawn between two phenomena, no matter their influence on one another, they are viewed as external and, in extreme cases, as opposites.

Instead, the process-relational perspective does not see the ecological or social as separate realms. Here, the social, economic and environmental only exist through virtue of their interactions. In other words, they can only be understood ontologically with respect to each other. For Garcia *et al.* (2020:5), relations stand prior to objects whose identities are formed by relations.

Through this lens, what we see as systems and environments are merely "conceptual demarcations of sets of relations that affect one another" (Garcia *et al.*, 2020:5). In this regard, the unit of analyses can be on a single scale or spread across all scales. The concept of scale can even be limiting as it suggests the existence of fixed boundaries between scales. "Such porosity is the consequence of processes unfolding at different rhythms and tempos, and in different spaces, while still being interlinked" (Garcia *et al.*, 2020:6). Acknowledging the fluid cross-scale interaction is the foundation of the capacity to understand our world.

Garcia *et al.* (2020:6) argue that our understanding of complex systems will remain limited until a paradigm shift occurs. They believe that current approaches still struggle to accommodate change as an integral part of the system. If we prioritise the process or relations, a paradigm shift becomes possible as one can now study social phenomena as an integrated system from one point of view and as isolated nodes from another.

3.3 Relationalism and Bridging the Individual/Collective Divide

In order to leave behind the individual/collective divide, proponents of science, technology and society (STS) propose we should no longer ask about the origins of action and instead ask how ‘knowledges’ or devices are distributed or disseminated (Callon & Law, 1997:167). They put forward a relational framework that they believe will be the end of the ‘great divides’, such as the division between subject and object, human and non-human, and agent and structure. To this end, STS argues for the incorporation of three key arguments in which the relational view operates.

The first argument made by STS to support a relational framework is that entities are networks of heterogeneous materials (Callon & Law, 1997:168). This means that when viewing a person alongside the network on which they act, there are no discernible differences. This includes any part of the heterogeneous network: “People are networks. Devices are networks. But so, too, are texts” (Callon & Law, 1997:170). Including all entities in a network as homogeneous results in a view where:

Entities - human, non-human, and textual - aren’t solid. They aren’t discrete, or clearly separated from their context. They don’t have well-established boundaries: They aren’t, as the jargon puts it, distinct subjects and objects. Instead, they are sets of relations, for instance in the form of networks. And they are co-extensive with those networks (Callon & Law, 1997:170).

The second argument made by the proponents of STS to support their move away from dualistic thinking is that what we find in the social network is not given in some type of order of things, but rather, they are relational effects (Callon & Law, 1997:171). This means that their properties, their content, and form are never static or fixed. Instead, through the course of interaction, their identities emerge and continually change. For example, my Master's thesis at each of its stages is, was and will be a network. The argumentative structure of this document reflects the shape of the network and, therefore, the interactions from which it was composed. This thesis was thus shaped by its network, but equally as important is that the thesis itself also acted upon the network. Here, it shaped other entities in the network in both their actions and projects.

The third argument follows from the first two, where STS holds that in a relationalist framework, all networks or distributed entities are also points (Callon & Law, 1997:172). Over time a network may become stable enough to reach a certain degree of durability. Here, a relatively stabilised network starts giving the impression of a 'black box' that appears as an entity, a single product. Thus entities are stabilised networks themselves, which in turn form part of a network. What we understand as the entity, then stand in and translate what we understand this network consists of. The entity now portrays a consistent identity and can be distinguished from its environment. In other words, for the moment, the fronted network acts as a single unit.

In this view, what we regard as the unit is, therefore, spaces on the network where the variable geometry has stabilised. However, even though entities have variable geometry, not all variations are equally feasible (Callon & Law, 1997:172). The only way to distinguish the feasible from the non-feasible is by means of interaction. As a result, there is no way to be sure what will happen until we've tried it out in practice. This highlights an important technical feature when creating models. The unit of analysis tends to take the form of a feasible geometry, which can only be known to be feasible once applied in practice. When drawing the analytical parameters of a model, we, therefore, follow the traditional method of theorising, testing, adapting and testing again, but now guided through a relationalist logic.

Callon and Law conclude the argument by stating that actors are both network and point and are both individuals and collectives (Callon & Law, 1997:174). Put differently, any part of this network can be seen as both individual entities and networks in themselves. This means that our relational network contains entities such as the cell, the individual, the organisation, the economy, society and nature. At the same time, each of these entities makes up a network. These entities may have a sense of autonomy, or they may not. However, should it be necessary, we can view the individual as a network, existing of its own individual entities, which can then be viewed as a network, and so on.

Therefore, when conducting an investigation, it is sometimes useful to think in terms of individual entities, discrete objects in an environment; however, it is equally useful to think of them as patterned networks (Callon & Law, 1997:174). Callon and Law see this as a patterning that transcends the division between the individual and the collective, and by

means of relationalism, we can explore the character of this patterning. In practice, it is sometimes necessary to examine the network of an entity to see what has eroded away.

At this stage, it might seem that we are arguing that the individual only exists in the form of being designated as such, and being part of a heterogeneous network, the individual is only differentiated by our senses or reason. At its extremes, it is similar to the dominant argument of individualism, which views relations as simply emergent from the actual entity. However, the argument of the thesis is that all social phenomena can be seen as both entities and networks and these theoretical models serve different functions when theorising the world. The thesis makes use of these concepts only as far as metaphors of understanding, even though the thesis believes that both individualist and relationalist phenomena are portrayed in the real world.

Therefore, the thesis will make use of relationalism and individualism as applied when modelling social phenomena. Here, it provides us with both the view of the entity and network. To see something as an entity, we need to place analytical boundaries, which are easiest placed around stabilised networks. Ultimately, the thesis hopes that complementary individual and relational terms allow us to more fully understand and, therefore, provide the opportunity for better conceptual analyses of the social.

4. Determining the Unit of Analyses

4.1 Dividing Nature At Its Joints

When approaching the problem of the unit of analysis, Plato suggests that we should divide “things again by classes, where the natural joints are, and not trying to break any part, after the manner of a bad carver” (Phaedrus, 265e). In other words, we should cut and draw our boundaries in spaces where connectivity is relatively low. However, the issue remains as to how we should designate these areas of low connective density.

As a classification mechanism, the unit of analysis, otherwise known as the individualist entity, forms part of how we make sense of the world. The issue of what constitutes the unit of analysis only comes to the fore if we feel that something has gone amiss in our system of classification or when we attempt to present a model or theory of something. In the latter case, we need to make assumptions to simplify our complex world, and by placing analytical boundaries, we hope to understand, in some cases, the ontology, and in other cases, the

functional parameters of social phenomena. Ultimately, the unit of analysis is an individualist concept and is a framework based on the idea of separation, which is fundamentally different from relationalism.

4.2 Complexity Theory and the Unit of Analyses

Complexity theory “studies how the interacting elements in a system create overall patterns, and how these overall patterns in turn cause the interacting elements to change or adapt” (Arthur, 2015:3). Cilliers (2000:28) describes the building blocks of the complex system as that of the relation. In this sense, any model that fully wants to describe such a system would need to reflect all of the relations. These relations are nonlinear and can, therefore, not be compacted into understandable parts to ease the description of the system (Cilliers, 2000:28). Any social system we attempt to understand is open to the entirety of its network, and there is no way to definitively determine where to place the analytical boundaries. This creates a problem, which Cilliers words as:

In order to model a system precisely, we, therefore, have to model each and every single interaction in the system, each and every interaction with the environment - which is, of course, also complex - as well as each and every interaction in the history of the system (Cilliers, 2000:28).

This means if we want to model any system, we would need to fully model the entirety of the universe in all its instances in each case. Of course, there is no practical way that this can be achieved. This does not mean that these systems are chaotic, as complex systems have robust structures; there is just no way to comprehend the extent of the system (Cilliers, 2000:29). Therefore, the development of formal models is not in vain, as we can gather in-depth information from social phenomena if we were to limit complexity by means of assumptions and other delimitations.

Even though the limitations of a model lead to generalised predictions, these predictions are better than no predictions at all. At the same time, we’ll never be able to escape the need to get as close as we can to the particular nature of a system at any point in time (Cilliers, 2000:30). Finally, we’ll never know if we have taken enough into account when drawing any boundaries; unfortunately, we just don’t know where they should go. Simply put, no model or method will therefore be able to predict the exact outcome.

Here, we reach a significant consequence of complexity theory, as no theory, framework, or metaphor can help us take an all-encompassing position from which we can make exact predictions. Cilliers (2000:30) holds that to make a decision on what to include in a theoretical framework, we should recognise that analytical boundaries are, in part, mental constructions and, therefore, have normative implications. In this way, complexity theory provides useful guidance when looking at the unit of analysis.

Here it should also be noted that there is a difference between something that is merely complicated and something that is complex (Bryne & Callaghan, 2014:4). Where a complicated thing can be taken apart into its bits and can then be reassembled from this by using a mathematical system found in linearity (Bryne & Callaghan, 2014:4). “A complex one can’t be analysed and integrated either in reality or in mathematical representation” (Bryne & Callaghan, 2014:4). In this sense, it means that the whole is greater than the sum of its parts.

Having complex systems means that no amount of calculation will ever be sufficient, but this does not mean that these calculations are unnecessary (Cilliers, 2000:30). We should calculate as much as we can in all ways possible. Even though we do not have all the information, it does not follow that we don’t have vital information. All models and metaphors are limited, and it is when making the decision where they should be limited that the normative component comes into play. However, knowing how our models are limited is difficult. Hence, the boundary problem is not something that we exert full and conscious agency over.

Ultimately, the question of what should be included in an investigation when looking at social phenomena is not only a technical one. As we never have enough information, it is also an ethical one. The thesis suggests that the incorporation of a relationalist theory into our models will serve to highlight the openness of the system, allowing us the necessary critical position when analysing social phenomena. In other words, relationalism points to implications of complexity and compliments the individualist activity of theorising entities.

4.3 Relationalism and Individualism when Determining the Unit of Analysis

The field of cognitive ecology presents us with a useful way to understand the interaction between relationalism and individualism when constructing the unit of analysis. Hutchins

(2009:705) describes cognitive ecology as the study of cognitive phenomena in context. Here, the world is made up of connections, where everything is connected to everything else; however, not all areas are equally dense. According to cognitive ecologists, this variation of density across the social network is what makes science possible. At the same time, this also makes choosing the boundaries for a unit of analysis in science a problem central to every scientific pursuit.

However, each time we place a boundary, it illuminates certain aspects of the network while obscuring others. Putting a boundary in the wrong place might leave critical phenomena unexplained or inexplicable (Hutchins, 2009:706). All theories have a set of ontological commitments, and each of these commitments places the emphasis differently, elevating one connection above another. This means that “what looks like low connectivity under one theory may look like a region of high connectivity to another theory” (Hutchins, 2009:706). However, Hutchins (2009:706) warns that as our areas of interest are given focus through our theories, the same lenses we use to look at the world may result in corroborating these theories. In other words, the analytical lines we have placed to delineate an aspect of the social become the very reason for its own existence - a self-fulfilling prophecy.

The relational view of social phenomena, therefore, serves to highlight the informationally dense areas. When placed with an individualist framework that seeks to simplify and divide, relationalism acts to provide critical information to the project of theorising the social world. The thesis holds that this will act as a counterbalance to the danger of seeing the unit of analysis as the only explanatory structure.

In what follows, to bring practical clarity to the concepts argued for in a relationalist theory, the chapter will focus on the social sciences of economics, and then discuss the implication of a relationalist theory on how we understand and model the firm.

5. Relationalism in Economics

5.1 A Relational View of Economics

The chapter has thus far argued that to describe any social phenomenon, we need to take a critical position facilitated by a similar regard for individualism and relationalism as modelling tools. At the same time, complexity theory shows how the process of theorising and modelling is a two-pronged endeavour that consists of both technical and normative

decisions. The chapter will now investigate the consequences of these principles in the social science of economics and, more specifically, the entity of the firm.

For complexity economists like Arthur (2015), the economy is not necessarily in equilibrium. “The economy is a vast and complicated set of arrangements and actions wherein agents—consumers, firms, banks, investors, government agencies—buy and sell, speculate, trade, oversee, bring products into being, offer services, invest in companies, strategise, explore, forecast, compete, learn, innovate, and adapt” (Arthur, 2015:3). Following Cilliers, this complex system, which is often in a state of disequilibrium, has its most basic building blocks in the form of relations. Therefore, to adequately theorise the economy, we need a theory such as relationalism.

As suggested by Donati (2011), a theory of relationalism requires that we recontextualise social facts, and this includes what is known in the field of economics. It is not that economics is void of relations or relational theory; rather, as with the other social sciences, it lacks the emphasis of the relation being a starting point of analysis. Donati argues that well-known concepts in economics receive fuller meaning when we incorporate a relational framework. The result is that:

Society, in this approach, becomes understood according to a paradigm which is neither that of the whole and its parts, nor that of system/environment, nor that of autopoiesis, but that of the social net (Donati, 2011:17).

In other words, society should be understood and studied as a net or web of relations. Here systems can be seen as parts of networks and the networks as the conductors of reality (Donati, 2011:17). The economic system, for example, has its features in being a specific part of the more extensive network. And the organisation, a part of the economy, which remains in relation to the more extensive network nonetheless. The focus here is not on the parts, but rather on a complex form of interconnectedness. The relational paradigm reformulates the dualistic, oppositional and complimentary within the logic of social webs (Donati, 2011:18).

We use individualist theoretical models to make concepts understandable by reducing complexity to a point where we can isolate the specific variables that represent the simplest function of that concept. For the social science of economics, this means building models that include a number of assumptions to better understand what we see in reality. However, when

relationally dense areas are not accounted for, we run the risk of losing critical informational connections by drawing lines over areas of high density.

To avoid analytically severing informationally dense areas, we need to start acknowledging the relational nature of our economy. Eisler, in her book, *The Real Wealth of Nations* (2007), provides us with one such attempt. Here, she suggests that in economic thinking, we do not include the full spectrum of economies (Eisler, 2016:6). This results in distorted views and policies as we do not account for the entirety of the network. Eisler (2016:6) holds that if we want a fuller picture, we need to include the household, unpaid, community, market, illegal, governmental and natural economies.

Another attempt to incorporate a relational logic into economics is argued for by Constanza *et al.* (2012). For them, we first need to realise the extent to which our material economy is embedded in society, which is, in turn, embedded in the ecological life-support system. In this way, we cannot manage or understand our economy if we do not understand it as an interconnected system. They argue that such an understanding will help us acknowledge that growth and development are not always positively linked. Development is not merely the improvement of material consumption, instead, the concept will be more valuable if we understand it as the improvement of sustainable well-being (SWB) (Constanza *et al.*, 2012:vi). Garcia *et al.* frame this approach practically:

Based on such understanding, new governance approaches can be devised. Those approaches would aim at managing relations between and among people and the natural system, instead of managing people and ecosystem elements separately (Garcia *et al.*, 2020:7).

According to Constanza *et al.* (2012), if we were to understand the social as an interconnected system, it is possible to find a ‘healthy’ balance between the different types of capital used in an economy. Here, in order to expand what we understand as the economy, they seek a broader definition of capital that displays a fuller view of the complex interactions. To do this, we need to centrally situate natural and social capital along with financial capital in the economy. Moreover, as natural capital provides ecosystem goods and services or the benefits we derive from the ecosystem, natural capital is the basis for all the essential goods and services we need in order to survive.

Depending upon natural capital is social and cultural capital which forms the web of interpersonal relations that include “social networks, cultural heritage, traditional knowledge, trust, and institutional arrangements, rules, norms, and values that facilitate human interactions and cooperation between people” (Constanza *et al.*, 2012:v). Social capital differs from our current construction of human capital, which takes on a more individualistic form, consisting of human beings and their attributes. This includes their mental health, knowledge and other similar capabilities that contribute to being productive members of society.

As all forms of capital are dependent and feed on natural capital, it is, therefore, non-substitutable by any other forms of capital (Constanza *et al.*, 2012:vi). This is where ecological economists argue that what sustainability means is living off the interest that natural capital generates and not depleting the capital itself.

Ecological economists see the way forward by employing full-cost accounting measures that will internalise externalities (Constanza *et al.*, 2012:viii). They believe that this will ensure that prices reflect the actual social and environmental costs of production. Here, mechanisms like ecological tax reforms can be used to penalise behaviour that decreases environmental well-being and compensation mechanisms that serve as an incentive and do not overburden low-income groups.

5.2 Relationalism and the Firm

In the context of economics, relationalism provides an alternative view that is able to cross the traditional analytical border as seen between the firm and society and the firm and the individual. Here, the theoretical emphasis is placed on the enterprise's relation to the individual, institutions, society, and nature. It opens the black box of the firm into the world and sees any perceived border of the individualist unit of analysis as dependent on the characteristics of the relational social web. The thesis believes that by situating the borders as constructs informed by relationalism, we can better place the firm as a social organisation in the context of planetary boundaries, creating value in the areas it operates. In its relational investigation, the thesis chooses the firm as the starting point of analysis. Still, the theory of relationalism could start at any relational space in the network, including that which links the individual, society, institutions, or the planet and its boundaries. From a relational point of

view, social reality has no starting point to speak of and no universal boundary real enough to function as a limit.

To take a relational perspective of the firm, we need to recognise that organisational phenomena “exist in interdependent relationships and intersubjective meaning” (Uhl-Bien, 2006:655). Donati (2011:15) holds that in a relational framework, what the business *is* depends upon understanding the proper, and its own kind of, reality of business relations, namely formulating them in fully relational terms. He continues that this should be understood as specific forms of symbolic exchange, operating simultaneously across different levels. Here, the initial presupposition is the existence of certain relationships that connect the elements we observe. Donati argues that we already do this when looking at social forms. For example, we see people, but we think in terms of relationships. This means the word business indicates relationships and what it is, is not a place but rather a relationship itself. This includes all social processes which “proceed through, with and across relations” (Donati, 2011:17).

Donati argues that we can introduce relational thinking to organisations by means of company law. To do this, when creating policy or law in the context of the relational paradigm, Donati (2011:18) holds that we need to take the following into account: no subject and object exist in an isolated state; instead, they exist in a complex relational network where both are defined relationally. This means that when one intervenes, it is “necessary to work on the relational web in which what is observed is maintained, that is, to consider other relevant subjects and surroundings objects plus the effects of the network, which the action can involve” (Donati, 2011:18). In this regard, all interactions should be conducted to be aware of the relatedness between the observer and observed, which entails the double hermeneutic loop (Donati, 2011:18). With this, Donati attempts to provide us with a simple guideline for applying the relational paradigm to policymaking and law.

This stands in stark contrast to individualist theories of the firm, as presented in Chapter 1. For example, Uhl-Bien (2006:656) argues that in individualist theories of the firm, the organisation is seen as an individual entity, and its features are based on the actions of the entity. Similar to individuals, the organisation is seen with a clear separation between their internal and external environments. As an entity, it acts upon its environment, and how it does so is a result of its internal capacities. Relationships are still recognised; however, they are

based on the properties of entities interacting, and the focus is placed on what each entity brings to the table (Uhl-Bien, 2006:656).

Nevertheless, just as with a relation view, the notion of the firm based on individualism remains an abstract concept, and no organisation will neatly fall into this framework. What is more, many contemporary theories of the firm have embraced relational guidelines, even if not explicitly stated. For example, Jensen and Meckling (1976:310) point to the relationality of the firm by seeing it as a nexus for contracting relationships and the sole regard of viewing it as an entity is simply a form of legal fiction. They place emphasis on the contractual nature of the firm or, in other words, the formal relations that make up the organisation.

Viewed this way, it makes little or no sense to try to distinguish those things which are ‘inside’ the firm from those things that are ‘outside’ of it. There is in a very real sense only a multitude of complex relationships (i.e., contracts) between the legal fiction (the firm) and the owners of labour, material and capital inputs and the consumers of output (Jensen & Meckling, 1976:311).

Another example of relational structures found in more traditional views of the enterprise is presented by Spulber (2009:117), who sees the enterprise’s economic role as heavily influenced by its social context. When transactions take place, it is done so in the already established networks of social relationships. The social element of economics serves to promote trust, which makes forms of exchange more efficient. A high trust society can also increase the level to which information gets distributed through markets, lessening the risks of adverse selection problems and costs associated with time. It, therefore, serves to reduce transaction costs across a network of high prices.

There has also been a growing understanding of the importance of the relational capacity of the enterprise in stakeholder theories (Nicholson & Kurucz, 2017:25). It has led to the need to redefine what we understand as organisational success with metrics that take into account aspects of well-being and sustainability. Nicholson and Kurucz (2017:33) hold that the growth of the firm is a distinctively relational process as the creation of well-being is distributed throughout the network. However, it is not that economic concerns are unimportant; instead, they take their rightful place as integrated with environmental and social concerns, in a scope that includes the emphasis on well-being today and for future

generations. Here the meaning of value includes a temporal dimension to contain the well-being of present and future generations. This would be an important shift if we were to have any chance of an economy that serves well-being within the boundaries of our biosphere.

However, even though relational thought exists to varying degrees in these theories, the relational structures are not placed as a first general principle of analysis alongside that of the entity. The individualist assumption maintains its priority. In contrast, the relational view of the firm sees its existence in a space of relationally structured influence. It is when this complex and fluid space, in constant interaction with the entire structure, is accounted for alongside the concept of entities that a fuller view of the firm is possible.

5.3 Complexity Theory and the Organisation

According to Cilliers (2000:25), complexity theory has several key implications for how we understand complex organisations and their general framework. As the nature of an organisation is determined by the interaction of its members, relationships are again seen as fundamental. These relationships exist in open systems, and as they are the conductors of information, they are constantly changing. It is even undesirable for these relationships to be too stable as the organisation will struggle to adapt to the informational network that surrounds them. Existing in a complex open system “means that the boundaries of the organisation are not clearly defined” (Cilliers, 2000:25). This means that statements such as the mission and vision, which attempt to define the borders of an organisation, when taken too literally, may impede the functioning of an organisation. In other words, the lines that are drawn may unrealistically separate the organisation from its environment, cutting it off from its informational vitality.

These relations include the historical context of an organisation. Even though two organisations might be similar in their objectives and environment, their relation as structured by their histories may render completely different formations (Cilliers, 2000:25). Their historical relations are distributed throughout the system and are contained in the micro-interactions that constantly take place.

For Cilliers (2000:26), organisations are known to self-organize; however, it seems that complex systems also organise themselves towards a critical state. Furthermore, complex

systems self-organise themselves to be most sensitive towards events or information flow essential to the system's survival. This organisation happens over time and is based on the history of the system. For example, environmental changes in the network that have the most significant effect on a business would have a higher relational density to receive as much information as quickly as possible. It follows that rapid novel changes to the network that do not allow self-organisation may lead to complete failure.

In summation, we want organisations with loosely defined borders to easily respond to changes in their network by building relationally dense areas around issues critical to the organisation. This makes a relationalist theory worthwhile as it illuminates the importance of these networks.

5.4 The Unit of Analyses and the Firm

Stacey, Griffin, and Shaw (2000:71) describe the problem with placing the unit of analysis when constructing models of a system as that:

(T)here is always an observer, that is, someone who delineates a system of interacting parts and identifies or designs rules of interaction from those parts (Stacey *et al.*, 2000:71).

This means when examining a social organisation, such as the firm, it is the observer that determines how the unit of analysis will be constructed. Too small, and one leaves out critical information that might have business-ending implications. Too large, and one gets lost in complexity, and the theory remains up in philosophical air.

Strategy scholars have traditionally approached the problem of the unit of analysis by making use of two prominent views. The first is the 'industry structure view' which suggests that "supernormal returns are primarily a function of a firm's membership in an industry with favourable structural characteristics" (Dyer & Singh, 1998:660). In this view, the relevant unit of analysis to establish the performance of the firm is thus the industry, where the analytical lines are drawn around groups of businesses. However, this comes at the cost of being mostly blind to all the relations within this large unit.

The second is the 'resource-based view' (RBV) of the firm, which argues that the performance of the firm is due to the firm's qualities rather than industry structure (Dyer &

Singh, 1998:660). Here competitive advantage is derived from resources and capabilities that are rare and difficult to imitate. The firm is thus the primary unit of analysis, and the focus is on deriving a competitive advantage within the firm. The lines of analysis are drawn around the unit of the firm, and priority is given to the relations that exist inside this boundary. However, this leaves us with a very narrow understanding of the firm's interactions that cross the analytical boundary.

Dyer and Singh (1998:660) present a relational alternative. Here, the advantages and disadvantages of a single firm are linked with the advantages and disadvantages of the network of relations in which the firm is situated. The firm's critical resources extend beyond the traditional boundaries of the firm. For example, Dyer and Singh assert that "productivity gains in the value chain are possible when trading partners are willing to make relation-specific investments and combine resources in unique ways" (Dyer & Singh, 1998:661).

However, this relational framework of the firm does not provide us with any indication as to what extent we should include the relational network in order to understand the organisation. To create an entity when modelling, we need to make use of an individualist framework. A relational view should be used alongside, for example, the industry structure view and the resource-based view of the firm. Giving a fuller account of relationalism when modelling, will provide us with the necessary information to distinguish the firm, while still seeing the firm as highly interconnected to society and the environment.

6. Conclusion

The aim of this chapter was to present the theory of relationalism, followed by situating it within economic theory. While the focus of the chapter was on relationalism, the argument is made that when relationalism is accounted for alongside an individualist framework, it provides a fuller understanding of social phenomena. Here, the theory of relationalism serves to highlight the relationality of social phenomena and the importance of taking relationally dense areas into account when choosing the unit of analysis in social modelling practices.

This construction allows us to view the placement of the individualist unit of analysis as the practice of locating stabilised areas of a network. At the same time, when necessary, the

boundaries of the entity can again be disregarded for a view that makes sense of social phenomena as a relational network.

Ultimately, we will always leave out information when modelling the firm. However, the hope is that when we make use of theories that complement each other, each illuminating what the other has left out, we should be able to create fuller models of the firm. The belief is that the inclusion of relationalism will highlight the firm's connectedness to society and the environment. As theory translates into practice, this opens up the way for organisations to create societal well-being within the limits of our biosphere.

In the following chapter, the thesis will investigate theories of the firm where relational concepts are most prominent, and how these theories maintain a balance between individualism and relationalism.

CHAPTER 3

The Organisation in A Relationalist Framework

1. Introduction

The aim of this chapter is to demonstrate that relationalist theories are already key structural features of current environmentally and socially conscious views of the organisation. Even though a diverse landscape of terminology is used, there exists an underlying logic of relationalism in each of the frameworks reviewed in this chapter. The chapter will argue that we can better advance the aims of these theories by more fully taking account of how relational concepts function.

The theories presented are all seen as contemporary steps towards a business world that better accounts for social and environmental stakeholders. Here, we will look at the frameworks set out by the Triple Bottom Line, The IR Report and the Social Enterprise. The chapter will provide an outline of each theory, followed by identifying the entities and relations that operate within these theories.

The chapter will start its investigation with the Triple Bottom line as described by Elkington (1997). Here Elkington's 'shear-zones' are seen as relational concepts that merge the different elements of the triple bottom line.

This will be followed by the International Integrated Reporting Council's (IIRC) *International <IR> Framework* (2013, 2021). Here, the structure of the 'six capitals' indicates relationally dense areas relevant to the firm.

The chapter will then investigate the Social Enterprise, which has a relation between financial and social missions at its heart. Here the chapter will also look at the theory behind the social enterprise and how it is applied in practice.

The chapter will conclude with a discussion on the relational devices utilised in these frameworks and how maintaining a critical position when modelling provides a fuller view of the firm.

2. The Triple Bottom Line

2.1 Elkington's Triple Bottom Line

According to Elkington (1997:75), the traditional concept of the bottom line is associated with cut-throat capitalism and making scrupulous decisions based on the sole guiding principle of profit. Luckily, this caricature of business has mostly been far removed from actual business practices. Today, it is rare to find a company that does not also account for the people, society, and environment surrounding it. "Business remains business", but at the very least, we can say that we have entered an 'enlightened' form of capitalism. It is also increasingly evident that accounting concepts, such as the bottom line, are manufactured conventions that change over space and time (Elkington, 1997:76). Bottom lines are the product of the institutions and societies in which they have evolved (Elkington, 1997:76).

The triple bottom line is the addition of social and environmental bottom lines to the traditional economic bottom line. This forms an interdependent structure where society depends on the economy, and the economy, in turn, depends on the global ecosystem, whose health represents the ultimate bottom line (Elkington, 1997:73). The three bottom lines are not rigid or statically linked and are "in constant flux, due to social, political, economic and environmental pressures, cycles and conflicts" (Elkington, 1997:73). This means that no element can be treated in isolation as this will inevitably omit crucial details. Elkington believes that most of us are still ignorant of the extent of these interdependencies and our influence on the ultimate bottom line of the environment.

On the one hand, the triple bottom line can be seen as the recognition that business needs stable markets in an efficient and effective environment in coordinating the distribution of resources. On the other, the triple bottom line sees the business environment as consisting of three interrelated elements, the economic, the social and the environmental. The idea is not new and first came to the fore in the 1990s as the addition of bottom lines that are drawn alongside the traditional profit-loss statement (Elkington, 1997:44). The triple bottom line and other similar standards incorporate some of the most important elements that have driven

dramatic change in the business environment (Elkington, 1997:70). In order to set the parameters of the theory, we'll need to explore the key concepts in more detail.

2.2 The Economic Bottom Line

To start from a space where traditional business feels most at home, Elkington (1997:94) first provides a description of the economic bottom line. A bottom line as it is used in business is “the profit figure used as the earnings figure in the earnings-per-share statement, part of standard accounting practice” (Elkington, 1997:74). This is put together by analysing a range of numerical data sets and provides an everyday operational guideline for conducting business. We have expanded from the economic model by creating environmental and social accounting systems—however, each results in several challenges of its own.

To determine the economic bottom line, we should first define economic capital. At its most basic, your capital is the total value of your assets minus your liabilities (Elkington, 1997:74). This seems straightforward when talking about financial or manufactured capital but becomes more challenging to measure with other capitals, such as intellectual, human, social and environmental. Moreover, when placed in a longer-term framework, the complexity of demarcating the bottom line drastically increases (Elkington, 1997:75).

2.3 The Environmental Bottom Line

Placing the structure of accounting used in the economic bottom line onto the environmental bottom line has been part of the auditing agenda since the 1970s (Elkington, 1997:79). For Elkington, this begs the question of whether this inclusion in the auditing agenda made any difference to how we think of natural capital today. This is an evolving and complex issue and is unfortunately not as easy as counting quantities of natural resources available to us. Instead, any measurement device would need some way to account for the underlying natural wealth that supports our earthly ecosystem (Elkington, 1997:79).

On this point, Elkington makes an observation: as the environmental bottom line forms the basis of all other activity, “the carrying capacity in most ecosystems varies in relation to the number - and behaviour - of the economic actors operating within them” (Elkington, 1997:80). There is, therefore, no single set bottom line as it varies across time and space.

2.4 The Social Bottom Line

Social capital is the capability of people to work together in groups and organisations that arise from the prevalence of trust in society (Elkington, 1997:85). It is built from virtues such as loyalty, honesty and dependability, which lower the transaction cost that results from social friction. When people work together, it will cost less if they share a common set of ethical norms and allow more space for organisational innovation (Elkington, 1997:85).

However, Elkington sees social capital as going beyond the internal structure of groups and organisations to those affected by the organisation, both directly and indirectly. It is essential for there to be relations of trust throughout organisations for the production of social capital. If a business does not meet the social bottom line, usually by not accounting for social capital, it will be taxed on levels of distrust (Elkington, 1997:85). In other words, if the firm fails to manage its social capital, it will lead to low levels of trust towards the organisation, which in turn will negatively affect its business operations.

2.5 Elkington's Relational Shear-Zones

To integrate the three different forms of capital with each other, Elkington (1997:70) sees each capital moving into the others in what he calls "sheer-zones", a term traditionally used when continental plates move into each other. Each of these shear-zones, Elkington argues, has given rise to more inclusive mechanisms in society. For him, the project is thus to provide concepts that are situated in this relational space created by the triple bottom line. Here we can see Elkington's most prominent use of relationalist thought. For example, Elkington states that:

Some of the most interesting challenges are not found within but between the areas covered by the economic, social, and environmental bottom lines (Elkington, 1997:70).

To meet these challenges, the relational shear-zones have provided us with relational concepts such as economic prosperity, environmental equality and social justice (Elkington, 1997:70). Let us briefly investigate each of Elkington's shear-zones.

Elkington's (1997:87) first shear-zone is 'eco-efficiency', and he describes it as being situated between the economic and environmental bottom lines. It has delivered valuable tools such as

environmental cost accounting and ecological tax reform. Eco-efficiency involves "the delivery of competitively-priced goods and services that satisfy human needs and brings quality of life, while progressively reducing ecological impacts and resource intensity throughout the life cycle, to a level at least in line with the Earth's estimated carrying capacity" (Elkington, 1997:78). It marries concepts that traditionally have been viewed as sitting in opposite aisles and satisfies all forms of capital.

The second sheer-zone is environmental justice and is situated between the environmental and social bottom line. This shear-zone speaks to problems such as how to maintain intra- and intergenerational equity (Elkington, 1997:83). The intra-generational agenda is mostly concerned with the problems faced by the people currently alive, and the intergenerational agenda concerns the balance between people currently alive and those that still need to be born. Therefore through the interaction of the bottom lines of the environment and society, it highlights both our environmental problems today and the environmental problems of tomorrow.

The third sheer-zone, is situated between the bottom lines of the social and the economic and where we encounter business ethics. Elkington states that the business ethic shear-zone is currently "throwing up a range of issues revolving around such areas as downsizing, unemployment, minority rights, and business ethics" (Elkington, 1997:91). He argues that these items have obtained greater potential energy, and if mismanaged, are much more destructive than in the past.

In summation, the triple bottom line theory sees three bottom lines, the relation between them forming relational shear-zones. In this sense, if the triple bottom line agenda is pursued, the necessary interaction between the bottom lines gives rise to various relationally conscious mechanisms as described in the shear-zones.

2.6 The Triple Bottom Line, Relationalism, and the Unit of Analyses

The triple bottom line framework makes use of an individualist logic in its concept of bottom lines and a relationalist logic in the form of Elkington's shear-zones. An essential aspect of the theory is that the notion of a bottom line provides us with actionable guidance in the day-to-day operations of an organisation. In other words, if in doubt on a specific issue, and if relatable to a quantifiable figure, we could use the triple bottom line to guide our decisions. If

viable, businesses would be able to act with more certainty, while also having these actions fall in line with the organisation's social, environmental and profit objectives. The triple bottom line, therefore, serves as a balanced limit to the organisation.

Elkington's shear-zones function as the relational concepts that merge the different elements of the triple bottom line with each other. Each relation works to bring the informational lines of the environmental, social, and financial closer to one another. Following Elkington, it is from these relational elements that the field of eco-efficiency, environmental justice and business ethics have grown.

Elkington's triple bottom line, therefore, makes use of both individualist and relationalist concepts as the basis of his view of the firm. As a theoretical model, it is able to account for both the entities and the network they form a part of. This enables a fuller understanding of the firm as both entity and the network receive prominence and analytical attention.

However, it is important to see Elkington's shear zones as but one set of relational aspects of the firm. Even with the larger scope of the three bottom lines, many other critical relations exist, that positively and negatively affect the firm. Placing a limit on relations is necessary to avoid an overly complex model; however, we need to maintain a critical position that allows the inclusion of other relationally dense areas.

3. The International <IR> Framework

3.1 Integrated Thinking

The International Integrated Reporting Council (IIRC) introduced Integrated Reporting (<IR>) in their 2013 *International <IR> Framework*, with the newest update to the work being released in early 2021. Their vision was that this framework would become the corporate norm, alongside integrated thinking, which would act as a force for financial stability and sustainability (The IIRC, 2013:2). They aim to enable a more efficient and productive capital allocation and promote corporate values that stress the creation of value over time. This can only be done by enhancing accountability and stewardship for the existence of a broad base of capitals and understanding the depth of the interdependencies of different capitals (The IIRC, 2013:2). The argument is made that this type of framework will

enable value creation over the short, medium, and long term. It is precisely this temporal focus that differentiates the *International <IR> Framework* from similar reports.

According to the IIRC, integrated thinking is the:

Active consideration by an organisation of the relationships between its various operating and functional units and the capitals that the organisation uses or affects. Integrated thinking leads to integrated decision-making and actions that consider the creation of value over the short, medium and long term (The IIRC, 2013:2).

This places the focus on relationships and expands the creation of value over different periods of time. Here, integrated thinking provides a shift to focus on the connectivity and interdependencies between capitals and provides organisations with a framework to respond to the needs of key stakeholders. The deeper embedded integrated thinking is in an organisation's structure, the better integrated information flows to managerial analyses and decision making. In other words, if an integrated approach is taken towards organisational action, it allows for a flow of information that is already in an integrated context.

An integrated report "benefits all stakeholders interested in an organisation's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers" (The IIRC, 2013:4). Its value creation process is thus geared towards the outcomes across the spectrum of capitals that an organisation makes use of.

3.2 The Six Capitals of Integrated Reporting

The IR Framework (2013) expands the definition of capital even further than the triple bottom line by differentiating between six forms of capital. In a somewhat traditional manner, the capitals remain seen as stocks of value that can be increased, decreased, or transformed by the activities and outputs of the organisation (The IIRC, 2013:4). The six capitals consist of financial, manufactured, intellectual, human, social, and relationship and natural capital. Still, none of these forms of capital can be analysed independently. For example, the ability of an organisation to create value for itself in the form of financial capital is interrelated with the value the organisation creates for stakeholders and society at large.

As we move down the list of capitals, it is apparent that they increasingly become more abstract and less quantifiable. As the more traditional and most quantifiable member, financial capital can be described as the pool of funds available for the organisation to conduct its business and is obtained through various forms of financing (The IIRC, 2013:11). Second, we have manufactured capital which includes infrastructure, buildings and equipment and can be described as the manufactured physical objects that an organisation uses to provide goods and services (The IIRC, 2013:11). Third, intellectual capital forms the knowledge-base or intangible aspects of the organisation and includes intellectual property and knowledge such as procedures and protocols. Fourth, human capital comes in the form of people's competencies, experience, and motivation to innovate (The IIRC, 2013:11).

When looking at the last two capitals, it is clear that a jump is made in the level of abstraction. If we were to define these capitals in a traditional account of the firm, they would be viewed as the environment of the organisation. The fifth combines social and relationship capital, which are the institutions and the relationships that exist as a network around the organisation. They include the ability of communities and groups of stakeholders to communicate and share collective well-being (The IIRC, 2013:12). This includes key stakeholder relationships and also intangibles such as the brand of the business. The sixth, natural capital, is all renewable and non-renewable environmental resources that support the organisation's past, present and future prosperity (The IIRC, 2013:12). This includes physical resources, such as air, water, land, minerals and forests, and natural processes, such as biodiversity and ecosystem health.

However, caution should be exercised when making use of a framework that includes six capitals, as they can easily be lumped together. It is a mistake to see the capitals having similar structures or that we can understand any one of the capitals with the same logic. For example, Costanza *et al.* (2012) argued in the previous chapter that natural capital is the fundamental capital that all other forms draw on. Similarly, Elkington (1997) places the natural bottom line as the basis for maintaining the other bottom lines. Natural capital cannot be swapped out, and the relations between all the capitals are nothing less than astoundingly complex.

3.3 The Value Creation Process

The six capitals function inside the framework of the value creation process of an organisation (The IIRC, 2013:13). Here, the value creation process of the IR report is given as the structural theory of the firm, which shows the flow of all six capitals throughout the organisation. The organisation is described as an entity that is created and maintained by its mission and vision. For the IR report, this forms the analytical border of what elements are included inside the structure of the organisation (The IIRC, 2013:13). The organisation's business model operates within this area and includes its strategy, resources allocation, risks, responsibilities, performance, and outlook. This means it is the business model of the organisation that determines how its internal network is structured.

The six capitals are portrayed as inputs that flow into the organisation (The IIRC, 2013:13). From here, it depends on the structure of the business model as to the flow and use of the capitals. The capitals are then transformed by the mechanism of the business and delivered again as outputs. However, the organisation is not interested in the outputs as such; rather, they aim to direct the outcomes of these outputs (The IIRC, 2013:13). In other words, the business is not necessarily interested in the actual product they bring to the market. Instead, it is the outcome of the products, such as profit made, environmental and social impact and increased market share, that forms the focus of the organisation. The IR report describes the outcomes again in the form of the six capitals, now transformed by the organisation.

The model seeks to highlight the scope of capital which, if taken up by the organisation, enables the formulation of a vision and a mission that attempts to maintain all organisational capital. By carefully managing all capitals, which are then distributed into its network, it serves to strengthen both the organisation as an entity and its network. However, this requires that a business acknowledges its relational existence in a network with no rigid boundaries. With this, the full scope of capital can be included in its business model.

3.4 The IR Report, Relationalism, and the Unit of Analyses

The IR report seeks to increase the scope of the network the organisation accounts for. The hope is that making these elements explicit and actionable in a reporting framework will drive organisations to better manage a broader range of critical relations in their network. The framework makes use of a relational logic in its formulation of the value creation process.

Here, value is not created by or within an organisation. Nor is it solely influenced by its environment. Instead, value is created through relationships with stakeholders and depends on various resources or capitals (The IIRC, 2013:10). In other words, value creation is seen as a relational process that entails the strengthening of the firm's relational network.

The framework also provides a good example of a shift between a relationalist and individualist framework in an attempt to stabilise networks in order to formulate entities. First, the structure of the six capitals is argued for as relationally dense areas relevant to the firm. The description of the six capitals in the framework and their inclusion into a reporting structure serves to stabilise the networks. This is especially necessary with the more unconventional forms of capital. Even though social and environmental aspects are much more complex, placing them as capitals, not only makes them more understandable in a conventional sense, but also serves to bring the relations that exist between the entities of capital to the fore.

For example, value creation happens over different time horizons and for different stakeholders by means of different capitals. Here, it is unlikely that value would be created by maximising one capital while disregarding the other forms of capital (The IIRC, 2013:11). When placed in this light, a business's understanding of the relation between capitals, as well as the entire system's relation to time, helps it to conceptualise and create value, specifically over the longer term.

In this model, the analytical lines of the organisation are designated by the mission and vision of the organisation itself. In other words, it is up to the business to what extent the six capitals are included. The IR report hopes that increasing the scope of what is seen as capital will positively influence the business to recognise a larger scope of the network its operations involve, which will be taken up when formulating its mission and vision.

The logic of relationalism is apparent in the IR report, even though not fully recognised. Here the thesis argues that making its inclusion in the model explicit, it will provide a deeper insight into the model itself and promote the necessary critical stance when thinking about the organisation. The organisation is situated on a relational value creation network with no hard borders of where the organisation starts and ends, and by stabilising the informationally dense areas of the network, we can use them as operational entities in everyday use of business. The

only potential pitfall is that in an individualist dominated model, we may lose the necessary criticality to regularly open up the entities to a relational network view.

4. The Social Enterprise

4.1 Views of The Social Enterprise

The social enterprise is seen as a “social business or business venture that exists to fix a social welfare, socio-economic or environmental problem, earns a significant proportion of its income through the sale of goods and services, and uses its profits to fulfil its purpose” (Coetzee, 2021:11). The social enterprise is a descriptor or type of organisation and not an assigned legal form (Coetzee, 2021:11). However, even though interest in the social enterprise has grown significantly, there remains little consensus on defining it (GIBS, 2018:16). This is mainly due to an assumed tension between pursuing financial gain and pursuing social benefits. Regardless of this tension, the consensus remains that the focus on achieving a social or environmental mission, alongside profit, is a defining feature of the Social Enterprise (GIBS, 2018:16).

Proponents of the social enterprise model hold that with its focus on social problems and economic sustainability, the Social Enterprise has the ability to strengthen both the economic and social conditions in society (GIBS, 2018:14). The revenue earning Social Enterprise is different from both traditional non-profits, focusing on creating social value, and for-profit organisations, focusing on creating economic value (Alter, 2006:205). This is based on the enterprise's ability to bring together the two dichotomies of social and economic value in a new type of institution.

As a social mission drives the social enterprise, the apparatus of the organisation should be geared towards creating value for the societal structures surrounding it. According to Grassl (2012:51), this will allow the social enterprise to generate positive ‘externalities’ for society. Also, the social enterprise is not freed from market forces as it remains in a highly competitive network. It must therefore achieve competitiveness in markets through effective planning and management (Grassl, 2012:51). Here, innovation is seen as a key component in creating and managing a social enterprise (GIBS, 2018:19). Alter argues that this high level view of innovation has produced a diverse landscape of social enterprises worldwide (Alter, 2006:205).

Alter (2006:205) sees the creation of the social enterprise as being driven by two forces. The first is that “the nature of desired social change often benefits from an innovative, entrepreneurial, or enterprise-based solution” (Alter, 2006:205). The second is that “the sustainability of the organisation and its services requires diversification of its funding stream, often including the creation of earned income opportunities” (Alter, 2006:205). With this, the Social Enterprise is seen as situated in a new paradigm that has its justification for existence in creating sustainable value for people and planet.

Grassl (2012) argues that the social enterprise needs to consist of certain key corresponding elements to function. The first is that the social enterprise needs to be an ecosystem. The "social enterprise must be built as a robust, integrated network of nodes and connections with the knowledge of who the constituents of the business are and where they can find value individually and together as a whole" (Grassl, 2012:44). Second, the social enterprise needs to function like a hivemind, where it can rely on collaboration in the workplace which translates into intensified stakeholder contacts. The third is that the flow of information in the social enterprise should be that of a dynamic signal of the strength and frequency their customers send information about changes in markets. The social enterprise must then pick up these signals by acting as a metafilter where processing information efficiently leads to the required social action. These features collectively apply to the social enterprise and illuminate factors such as community, culture, collaboration, and content (Grassl, 2012:45).

For Grassl (2012:42), the key to the success of the social enterprise is the entrepreneurial function. Entrepreneurial motivation is unfortunately beyond the scope of the thesis; however, it remains useful to note the following aspects. As with the social enterprise, social entrepreneurship is seen as having a dual goal, at the microeconomic level, to pursue projects that address specific social needs, and at the macroeconomic level, to advance the civil economy within the economy as a whole (Grassl, 2012:42). "Social entrepreneurs place a clear emphasis on value creation over value appropriation; they typically maximise on the creation and sacrifice on the appropriation of value" (Grassl, 2012:42). The emphasis on the social entrepreneur is based on an individualist logic, where the rational entrepreneur is key to the organisation's success.

4.2 *Forms of the Social Enterprise*

As argued, the crux of the social enterprise lies in its specific form of dual objectives: financial profit to be earned and the value added to the social. The enterprise's value creation properties are so intertwined that its purpose and mission are inextricably linked. Alter describes it as:

Financial need and market opportunities drive economic value creation, which is delivered through business models. As a result, money and mission are intertwined like DNA in the social enterprise, yet they are not always equal partners (Alter, 2006:206).

Notably, Alter sees money and social value as not always being equal partners. From this, he constructs a framework based on this tension between financial and social missions. To do this, Alter uses the differences in the amount of integration between money and social value as a starting point to distinguish different forms of the social enterprise (Alter, 2006:207). Using these metrics, the social enterprise can now be divided into three categories on the basis of the compatibility between the social and business elements of the social enterprise.

The first category is the mission-centric or embedded social enterprise and is where a business's mission and its self-funding programme strategy are similar (Alter, 2006:207). This means that it accomplishes its financial goals and its mission goals simultaneously. These are financially self-sufficient enterprises *because* of their mission of societal value creation (Alter, 2006:208). Their business activities and social programmes are synonymous, embedded in each other, and they have one mission that is incentivised both financially and socially. The mission-centric social enterprise has an unconventionally broad target market that includes its clients, direct beneficiaries, owners, employees and society as a whole.

The second is the mission-related or integrated social enterprise which has its social mission related to its business activities (Alter, 2006:209). The organisation's activities are in the same line as its social mission, where the former subsidises the latter. For example, by meeting the needs of an affluent market, the enterprise can also meet the needs of the economically disadvantaged in a similar sector. This means that social programs overlap with business programs as the former is integrated into the latter's functioning (Alter, 2006:212).

This overlap creates a synergistic link where social and financial benefits complement each other for the overall better performance of the enterprise.

The third, and most traditional in the area of for-profit enterprises, is the external social enterprise, which has its social mission unrelated to its operation. The social program is funded by dissimilar financial operations, for which the social side then provides the financial side with positive societal opinions (Alter, 2006:213). For example, corporate partners invest in a social mission to boost their image and attract socially conscious consumers.

4.3 The Social Enterprise and Not-for-profits

There is a noteworthy assumption with Alter's form of the social enterprise that is not necessarily self-evident. Alter sees the social enterprise as an institutional framework for not-for-profit enterprises to establish independent means of financing (Alter, 2006:206). We should clarify this starting position in a bit more detail.

Even though the argument is made for a combined profit and social mission, Alter still sees the social enterprise as existing, in its entirety, in the realm of not-for-profit organisations. The social enterprise is thus another type of a not-for-profit, which is only distinguished by placing a more significant focus on generating a self-sustaining financial profit. For example, each of Alter's three forms of the social enterprise is framed in this way.

However, the thesis argues that this is not necessarily the case. Grassl (2012:40), for example, believes that the essential characteristic of the social enterprise is its hybridity across several dimensions. It crosses several key divides: for-profit vs nonprofit, market vs civil society vs state, goods vs services, producers vs consumers, and private vs cooperative vs public (Grassl 2012:40). Therefore, it is this very ability to cross these divides, being able to have for-profit businesses that have a social mission, that makes the social enterprise what it is.

By limiting the social enterprise to the not-for-profit realm only, Alter places a greater emphasis on the elements of social value creation. This is, by the very definition he provides, erroneous. Alter sees the defining feature of the social enterprise as its combination of both financial and social missions (Alter, 2006:206). Yet, he places the existence of the social enterprise on the side of the societal, as this is where he believes such change would come

from. However, a one-sided view that does not address the whole space the enterprise exists in leaves a large area of societal organisation unexplored.

Therefore, if the framework of the social enterprise is to work, it is essential that the creation of economic and social value do not diverge, and the latter must not be understood to correct the results of the former (Grassl, 2012:51). If the two elements are not wholly combined, they can under the same flag just as easily be swapped around. Alter already hints at this in his explanation of the external social enterprise form.

Here the thesis takes direction from Grassl (2012:41) in that the social enterprise differs from traditional nonprofit organisations because its earned income is directly tied to its social mission. The social enterprise also differs from the other widely tottet form of socially conscious organisation, the cooperative. Unlike cooperatives, the social enterprise benefits not only its members but also a larger community (Grassl, 2012:41). The social enterprise operates beyond the scope of not-for-profits. To fit its definition in the box of not-for-profit negates the positive societal change this novel form of business has to offer.

To put it boldly, all enterprises should be social enterprises. All programs are social programs, in one way or another. Creating any perceived distance between a program's financial and social side is to move away from any semblance of reality.

4.4 The Social Enterprise in Practice

As the social enterprise has been applied in various forms across the world, it is useful to see how the framework has been applied in real life. As its defining feature, the social enterprise is given the objective of maintaining a balance between commercial objectives and outcomes. In practice, this means they need to strike a balance between serving the community and managing costs to optimise profits. Competing with all forms of business, the enterprise needs to focus on operational logistics and capture market attention to survive (GIBS, 2018:18).

However, there is no single set practical example of the social enterprise, and the descriptor has taken many forms across the world. In South Africa, for example, social enterprises are distinguished as enterprises that either prioritise their social and environmental mission or strike a balance between purpose and profits (GIBS, 2018:7). In line with the theory, most social enterprises do not depend on grants and donations; instead, their capital formation

comes from profit incurred from goods and services. They are seen to be situated closer to non-profit organisations and further from for-profit enterprises, religious organisations and community organisations.

It has become the norm to see the social enterprise as community-based entities that focus on meeting basic needs such as education, health and housing (GIBS, 2018:7). With this, they are characterised as being more inclined to orientate their goods and services around disadvantaged groups in society. In this view, social enterprises are designated as primarily small enterprises, with only twelve percent of them in South Africa generating an income of over a million Rand (GIBS, 2018:7). This means the majority do not make a profit or a surplus, and those that do tend to reinvest these back into the enterprise.

Social Enterprises are seen to operate in “highly complex and severely resource-constraint environments, which means they are likely to develop unique ways of operating that for-profit enterprises could learn from” (GIBS, 2018:18). However, to what extent this environment is more complex than any other form of enterprise remains to be seen.

4.5 A Critique of what it is in Practice

Unfortunately, even with the best intentions, the initial thrust of the theory has fallen flat and has been relegated to a notion on the sideline of “real” business. Today, there exists a gap between what the social enterprise is said to be and the practical application of the social enterprise. The thesis believes that the reason for this is that the depth of its application barely skims the surface.

Social enterprises are praised for being small grassroots-style organisations that have their ear to the ground to be responsive to all their stakeholders. However, there is no reason that features such as size or being local should give an actual indication of the enterprise's social and environmental performance. As Nelson states, “one should, however, be leery of touting the benefits of businesses simply being local, non-profit, or small, as structural ways of assuring good behaviour” (Nelson, 2011:50). For example, in some cases, being “local” might mean that an enterprise can be community responsive. However, in others, it can also simply mean they are parochial and narrow-minded. Nelson provides an example, as a small-scale organisation, the family is often idealised as being based on love and connection;

however, there are many women and children that are the victims of domestic violence (Nelson, 2011:51).

The classification of social enterprise also does not present us with any indication of how an enterprise will perform. An enterprise being certified to have a dual financial and social mission does not tell us much as it does not speak to the complex behaviour of an enterprise or its actual motivation. Small, local enterprises committed to goals other than profit are not, by default, well-behaved.

To be designated a social enterprise has become an easy way to have an organisation capitalise on social capital. The list of social enterprises across the world keeps growing, and in some cases, it has become as simple as completing a quick online course to have your company form part of the movement. However, there are more legitimate ways to certify your company as a social enterprise which include audits and reviews. Here, the underlying principles of the social enterprise seem to get lost in translation to the practical. It is a worthwhile form of enterprise, but has unfortunately become a fad in practice.

4.6 The Social Enterprise, Relationalism and the Unit of Analysis

The social enterprise has at its heart a relation between financial and social missions. As seen with Alter's (2006) formulation of the social enterprise, how exactly these missions should be combined is still contested. However, the linkage between a for-profit framework of operation and its mission being aimed toward societal well being is seen as the clearest distinction of the social enterprise (Grassl, 2012, GIBS, 2018, Coetzee, 2021).

Therefore, the framework of the social enterprise sets out to highlight the relation between financial and societal elements. The emphasis sees the relation as positive, where if an organisation were to excel in societal value creation, the business would be more profitable. From the for-profit perspective, this shifts the function of the organisation towards the social network it operates. From a nonprofit standpoint, it provides a linkage to a financial agenda to better reach the organisation's mission.

The central relational aspect of the social enterprise can also be extended to link for-profit to nonprofit organisations. When theorising the model of the enterprise, this emphasis allows us to better understand the relation between corporate law and nonprofit legislation. For example, linking the nonprofit, incorporated for a public benefit objective, to the purpose of

the business when engaging in business or trade. Here, the thesis suggests, that the loosely defined objective of business can just as easily be directed toward a social mission. The thesis believes that by opening up these boundaries, we can start creating a vision of organisational legislation aimed at societal well-being, not only for specific causes, but to meet the full scope of business activities.

The relation also opens up the analytical lines between the academic schools concerned with for-profit theories and those concerned with nonprofit interpretations. Here, for example, aspects of financial and social missions can be placed on par with each other, creating a more extensive academic vocabulary on both sides of the aisle. If we start clearing up the unnecessary conceptual delineations, it is indeed the case that any organisational mission is a social mission, and all company outcomes have a social dimension that should be acknowledged in their operation in the social network.

For the most part, the social enterprise has its borders traditionally drawn around the organisation. Here the relation between the financial and social missions has been stabilised and therefore incorporated into one entity. However, what makes this formulation unique is that the relation highlighted is situated at the fundamental level of the enterprise. Unlike the triple bottom line, where relations between the bottom lines lead to enlightened practices and the IR framework that uses a relational framework to influence business action, the social enterprise relation places its emphasis on a company's social mission being the company's financial mission.

However, if this project was to live up to its philosophy, any endeavour to understand the social enterprise should continuously maintain a critical position where the entity is opened up to be viewed as a network. What is meant to pursue a social mission remains abstract, and it is only by having the organisational model open to the complex network of society that we will be able to recognise the informationally dense areas which we need to account for if we were to recognise an opportunity to increase well-being within the limits of the environment.

5. The Critical Position when Theorising the Firm

Each of the models discussed in this chapter makes use of relational concepts as part of their framework. However, even though it might seem that the different theories make use of relational ideas in wholly different ways, they are all grounded in the same process of

theorising the firm as both an individual entity and a relational network. The thesis believes that by making such a critical position apparent, that the usefulness of its application can be extended to our future endeavours of thinking about the firm, and other social phenomena.

The triple bottom line sees profit, people and planet as relationally linked, and then continues to expand on the relationality itself through Elkington's shear zones. This relational insight attempts to open up the traditional entities into a shared relational network. Elkington sees the most prominent relations between the bottom line as being: *environmental-eco-efficiency-economic*; *environmental-environmental-justice-social*; *economic-business-ethics-social*. By constructing these already well-developed fields as relationships, it goes beyond just connecting the bottom lines, as each field also gets connected to the other fields in the modelled network. Elkington, however, does not mention or elaborate on this relational working, and as such, these concepts and relations remain abstract.

The IR report makes use of a relational understanding in its view of value creation. Here, value creation over time serves to connect the six capitals in a relational network that exists within the firm. Even though happening within the boundaries of the firm, the capitals extend into and out of the firm as they are relationally situated between input and outcomes. This is similar to the relational view of Dyer and Singh (1998), who sees the competitive advantage of the firm as a result of its critical resources extending beyond its boundaries. In the IR report, within the individualist entity model of the firm, value creation is constructed as a relational network consisting of the six capitals. The six capitals are then relationally connected to the environment of the firm through the inputs and outcomes. As a broader scope of capital is used, it gives a better indication of the relational network outside the firm. The IR view of the firm, therefore, allows us to designate the entity of the firm, while still accounting for internal and external networks. The model is simplified and understandable and, at the same time, provides us with insight into the relationally dense areas.

The social enterprise, as argued in the previous section, places a relational framework at the fundamental level of its operation, the organisation's mission. Here, the social-profit relation transforms a basic function of the firm. The social mission becomes more than a normative goal as it comes to co-define the profit function of the organisation. In other words, the profit function of the social enterprise can be described as the relationship between a firm's total

profit and its social output. The social enterprise model, therefore, highlights a relationally dense path between a social mission and a profit mission. At the same time, the concept of the social element points to the social network the firm is a part. This is, however, in the theories of the social enterprise discussed above given in the form of a stabilised entity. If we were to open up the network and highlight the informationally dense areas, a better entity formulation could be given, for example, the six capitals in the IR report.

Even though not explicit, the above models of the firm all chose to employ relational constructs to highlight informationally dense areas. To do this, they needed to open up the networks stabilised by the dominant model of individualism. From a relational perspective, the obscured social phenomena could be brought to light, and by then employing an individualist framework to simplify the framework, they could draw new analytical boundaries in fuller models of the firm. However, a critical position needs to be maintained to recognise the limits of both individualism and relationalism if we were to continue in our pursuit of modelling the firm as a social organisation reliant on our biosphere.

6. Conclusion

The aim of this chapter was to demonstrate that relationalist theories are already key structural features of current environmentally and socially conscious views of the organisation. Here the thesis argued that by utilising both relational and individualist concepts, the different frameworks were able to provide a fuller model of the firm. As a better account was given of informationally dense areas, the firm could be more fully connected to aspects of the environment and society.

The above was demonstrated by the chapter looking at the frameworks set out by the Triple Bottom Line, The IR Report and the Social Enterprise. In each case, the relational device was seen as a critical feature in the construction of these theories. However, the progress made in our understanding of the firm by these theories, along with future endeavours, is only made possible by taking up a critical position. If this is not maintained, we may once again be limited by an entity dominated world.

The following chapter will look at the implications of the ethical constructs of individualism and relationalism when theorising the firm. When deciding on the extent of inclusion of informationally dense areas into an entity, a normative element will always be present. Here

direction is provided by utilising an individualist ethical framework. With this, the argument will be made that a relational ethics serves to guide our actions when understanding social phenomena as a network.

CHAPTER 4

Relational Ethics and Theorising the Organisation

1. Introduction

This chapter will introduce the ethics of care as a form of relational ethics. The argument will be made that a relational ethic, in the form of care ethics, should be placed alongside individualist based ethical frameworks when modelling complex social phenomena. The purpose of this is to show how the different normative frameworks serve as guidance to the different premises set out by individualism and relationalism. Ultimately, the chapter will argue that when modelling, an ethic of care serves an element of choice that cannot be justified objectively when we attempt to connect the one and the many.

The chapter will start by looking at how normative decisions serve to theorise complex social phenomena and, therefore, necessitates an ethical framework. From here, the chapter will introduce the concept of relational ethics and how it contrasts with the normative frameworks of individualism and corporatism.

The chapter will then put forward the framework of the ethics of care. Here the chapter will discuss what we understand as care and how it functions in an ethical framework. The chapter will also look at Tronto's (1993) four practices of an ethic of care, from which the argument will be developed further. The thesis chooses to use an ethic of care as a relational normative framework because of the practical specificity presented by the practice of care, as will be demonstrated.

From here, the chapter will turn to a discussion on placing care as an ethical guide in social life, followed by looking at the ethics of care in the specific context of the organisation. The chapter will conclude by investigating the use of care and individualist ethical frameworks

when modelling complex social phenomena. This includes a short discussion on the practical nature of the proposed framework of corporate social responsibility and corporate law.

2. Ethics and Complexity

As soon as we attempt to make sense of a complex environment, such as the social, we have to decide on certain limiting modelling decisions (Woermann & Cilliers, 2012:448). These decisions ultimately determine the nature of a system, and since there is no final objective way to calculate appropriate choices, we cannot shift its basis to something else. “Our decisions always involve an element of choice that cannot be justified objectively but are, in part, based on normative judgements” (Woermann & Cilliers, 2012:448). Cilliers (2000:29) sees it as the inevitability of choices we need to make that cannot be backed up scientifically or objectively, and he argues that this, in a relatively lean sense, is ethics.

This means that when theorising in the social sciences, we do so by making both technical and normative decisions. For example, when deciding what social phenomena to include when looking at an entity, such as the organisation, we make use of an ethical framework to guide the technical modelling decisions. In other words, even though it might seem that such a decision is mainly technical at first sight, it still consists of an initial assumption that cannot be empirically verified, a decision that we make because we believe it is the best one.

Ethics within the organisation are often seen as a type of sideline politics that must be contained from the business’s ‘real’ operation (Cilliers, 2000:30). However, as Cilliers argues, ethics is not something external to the operation of an organisation and the ethical question which presents itself needs to be dealt with in some way. That is, ethics is integral to the proper working of an organisation. Cilliers summarises it as follows:

The ethical position is not something imposed on an organisation, something that is expected of it. It is an inevitable result of the inability of a theory of complexity to provide a complete description of all aspects of the system (Cilliers, 2000:30).

In other words, an ethical framework comes into play not only as a chosen guide to business actions but as a necessary function when determining our understanding of the firm. In the language of the thesis, this means that when modelling the firm, the decision on the inclusion

of a stabilised network into the framework of an entity is ultimately a normative one. To guide us, we, therefore, need an ethical framework.

However, Woermann and Cilliers (2012:449) argue that even though complex decisions involve ethics, complexity theory does not provide us with any indication of what form of ethics we should make use of. After all, this would introduce the same problem of what to include in your ethical framework and what to leave out. “As such, the logic which informs the ethics of complexity commits us to accepting the complexity of ethics” (Woermann & Cilliers, 2012:449). The only path forward is taking up a critical position to guide us through complex thinking.

Even though theorising complex systems contain a normative dimension, the specific ethical framework is not given or unchanging, and neither presents us with preconceived notions of ‘good’ or ‘bad’. It remains a matter of choice of what value system we use. In terms of the organisation, our decisions are guided by what we believe the organisation should be, and it is here where the ethical dimension enters (Cilliers, 2000:30). As the organisation is complex, we cannot have complete knowledge to determine its behaviour in its entirety. This means when we decide to draw the analytical boundaries, it will always be based on what we subjectively believe should be included. For example, if a business decides its main priority is its bottom line, which defines the type of organisation it is, it will be. And if the business’s main focus is on strengthening its relational network, it will be that type of organisation.

The thesis holds that the normative decision of delineating the boundaries of our understanding is provided by making use of an individualist ethical framework. This, the thesis argues, is only half of the ethical mechanism needed when looking at normative aspects of the social. As we have an individualist framework that involves an individualist ethics, so too, for a relational framework, do we need a relational ethics. The chapter will elaborate on why this is believed to be the case in the subsequent sections.

3. Relational Ethics

A relational ethics is seen as situated somewhere between individualist and corporatist ethical theories and views "moral status as constituted by some kind of interactive property between one entity and another" (Metz, 2020:8). For Metz (2020:4), most normative theories found in

the social sciences can be broadly placed into three camps; individualism, relationalism and corporatism.

An individualist normative theory is one that "implies that properties intrinsic to an individual are what ground moral status" (Metz, 2020:5). What entitles a being to moral treatment are the features of the individual, with no essential reference to anything outside (Metz, 2020:5). In Western tradition, this is by far the most prominent theory, and most theories of economic justice are individualist in this way (Metz, 2020:5). Broadly speaking, this includes the egoist view as theorised by Hobbes, utilitarianism, natural rights theories, ideas inspired by Kant and theories that appeal to capabilities (Metz, 2020:7).

Individualist systems of ethics attempt to provide abstract and universal principles to apply in moral judgements in order to simplify situations. As argued by Cilliers (2000:29), this necessitates the decision of which moral principle to include in an ethical framework that will determine the unit of analysis. It justifies separation and sees the self and other as independent.

Individualism is most starkly contrasted with that of corporatist ethics, "according to which moral status inheres not in properties internal to an individual, but rather those of a group" (Metz, 2020:8). For the corporatists, it is not the distinct parts but the wholes that ultimately matter and merit moral treatment for their own sake. For Metz (2020:8), two prominent examples are Leopold's land ethic, where ecosystems are ascribed moral status, and specific interpretations of Hegel's spirit.

Conversely, in relational ethics, morality is seen in the sense of being shared and responsibility is viewed as a relational feature (Urban 2015:126). According to Urban, this is mainly ignored by mainstream approaches, which focus on the individual instead of human relationships. For him, individualist approaches are seen as being insufficient to understand how people exist in relation to one another.

A prominent and current relational normative theory is an ethic of care, as first fully presented by Carol Gilligan (1982). Here the underlying logic of an ethic of care is described by Gilligan (1982:74) as that of relationships, and as a relational ethic, it sees the self and other as interdependent. Urban (2015) describes ethics of care "as an approach based on a relational, moral ontology and epistemology with focus on care as the core value" (Urban

2015:126). Put differently, to take a position in the framework of an ethic of care means that we understand the world as relational, and we are informed about this relationality through the practice of care.

An ethic of care does not have its moral scope limited by the individual and extends to groups, organisations and institutions. These relational extensions go beyond any perceived boundaries, and it carries the action of care at its heart. It does not give us universal rules to abide by, instead, it simply asks us that when we act, we do so with care. Care is not a rule but an action, and by acting with care, we maintain and strengthen the relational network we form part of. Its function is, therefore, different from that of individualist or corporatist ethical theories.

The ethics of care is one form of relational ethics, and many other ethical frameworks, such as African, East Asian, and Latin American normative theories, tend to prize relationality (Metz, 2020:1). Metz (2020), for example, makes use of the concept of ubuntu, as described in a sub-Saharan African worldview, to argue for a relational economics as a form of distributive justice.

The thesis, however, will place its focus on the ethics of care as a relational normative framework because of two reasons. First, as it recognises the uniqueness of each moral deliberation, it embraces complexity and serves as an effective, ethical counterpart. For example, as argued by Nicholson & Kurucz (2017:31), an ethics of care is able to highlight the complexity that arises with the particularity of contexts in the social world. Second, an ethics of care introduces care into the environment. It strengthens the relational network, while also enabling caring actions to the specific contexts of moral situations. The chapter will, therefore, argue that the inclusion of care is a necessary addition to the environment, which, in turn, adapts regardless of complexity to the specific situations in the social realm.

4. The Ethics of Care

4.1 An Ethic of Care as a Relational Normative Framework

To Gilligan (1982), moral problems are problems of human relationships. For this reason, we require a relational ethics that goes beyond the believed opposition of selfishness and selflessness, which has been the centre of moral discourse for some time. A relational ethic sees the solution to a dilemma as activating the network by communication and securing the

inclusion of those involved rather than severing connections (Gilligan, 1982:31). Gilligan (1982:55) sees it as the extension of an ethic of responsibility to a broader vision of societal connection that is found in an awareness of interconnection.

Thus “the logic underlying an ethic of care is a psychological logic of relationships, which contrasts with the formal logic of fairness that informs the justice approach” (Gilligan, 1982:73). In this way, an ethic of care is informed by a more adequate understanding of relationships and dynamic social interactions. For Gilligan:

This ethic, which reflects a cumulative knowledge of human relationships, evolves around a central insight, that self and other are interdependent (Gilligan, 1982:74).

The ethics of rights justify a separation, while care ethics support attachment (Gilligan, 1982:164). Where ethics of rights justifies equal respect and the balancing of claims between self and other, the ethic of care relies on the concept of equity and the recognition of different needs. This recognition of the ethics of care gives rise to compassion and care (Gilligan, 1982:165). The thesis holds that both are equally important.

4.2 Defining Care

Tronto (1993:102) believes that care at its most general level implies some kind of engagement. Here, care can be described as "the ongoing concern for the well-being and the constructive development of the one caring, the one or ones cared for, and the relationship – is the core value" (Hawk, 2011:4). It is more than taking an interest in something and includes reaching out to something other than the self, which, at the same time, leads to some kind of action. Tronto (1993) points out that semantically ‘to care’ is the acceptance of some form of burden. Therefore, care holds the needs and concerns of others as grounds for action and also acts as a starting point for what must be done.

As care is best thought of as a practice, Tronto’s (1993:108) conception of care is not only that of an emotion. For her, a practice has to involve thought and action, directed to some end. Here, care is viewed beyond its more narrowly understood definition, as a response to pain and suffering (Nicholson & Kurucz, 2017:29). From this distinction, Tronto (1993:105) puts forward four phases of caring: ‘caring about’, ‘taking care of’, ‘care-giving’ and ‘care receiving’.

Caring-about is the expression of an overarching concern, not necessarily directed to the specific need of care (Tronto, 1993:105). It is the recognition that care is, in the first place, necessary. Caring-for is the establishment of a person-to-person caring relationship. It is taking on the responsibility of identifying needs and then determining how to respond to them. Care-giving is the work of directly meeting the needs of care. Tronto (1993:107) sees it as almost always in the form of the care-giver coming into direct contact with what is cared for. Tronto's final phase is care-receiving, and is the recognition that the cared for will respond to the care received. It is important as it provides an indication of whether the caring process has actually met the caring needs.

Tronto (1993:124) sees care as both a complex cultural construction and the tangible work of care. In one way, we can look at highly abstract questions about meeting the needs of society. In another, it is a way to put the abstractions into their embodiments of power and relationships. As we are thinking in concrete terms about how to meet people's needs, it also puts the question of what we value in everyday life differently.

However, care also involves conflict, and unlike the image of ideal smooth relations, conflict exists at every level (Tronto, 1993:110). For example, the care-giver might come into conflict with care needed by others and care for themselves. At other times, care-receivers might have a different idea as to how their needs should be met than what is provided by care-givers.

For Tronto (1993:110), the ethic of care provides a standard by which we can judge inadequate forms of the practice of care. She suggests that this is done by considering how well integrated the process of care is in a relational network. For example, when viewing an organisation as a relational network and by looking for caring practices sustained throughout the network, it should give us an indication as to what extent the environment is structured to allow care. However, she acknowledges that the ideal situation of care will probably never be met.

4.3 An Ethic of Care

Care as the basis for an ethical framework holds, among other things, that to be morally good is to strive to meet the demands of caring that present themselves (Tronto, 1993:126). Put in another way, a society is morally admirable when it is able to provide care to its members. Tronto (1993:122) holds that when we critically examine organisations of care, a pattern

emerges that distinguishes those in power and those who are powerless. Those in power can deploy care to preserve their positions, but care is also one of “the powers of the weak” (Tronto, 1993:126). Tronto argues that in order to place care in society, we must recognise that care is powerful and is an essential support for life.

Care ethics is seen as offering a counterbalance to theories that stress the rational as it sees people as embodied and emotional beings (Urban 2015:126). Instead of assuming the ultimate ideal of independence and separate autonomy, an ethic of care acknowledges the primacy of relationships. It is situated in the concrete and practical life experiences that take account of both reason and emotions. The care ethic can only be understood in the embodied dimension and is sensitive to the specificity of different experiences. Urban (2015:126) believes that the act of care is only really described when it is done through a relational model. After all, care cannot be achieved by the individual alone.

An ethics of care starts from "the fundamental position of the relationality of all humans with each other and the environment, and the interweaving of multiple relationships as the basic condition throughout life" (Hawk, 2011:4). It recognises that no two situations can be alike, and we must acknowledge the uniqueness of each case. As a relational ethic, it does not draw rigid boundaries around different domains. For example, it sees the public and private domains as interwoven, where the moral and political are always present (Tronto, 1993).

Gilligan describes the ethics of care as:

After caring for self and a sense of responsibility to the other, the third perspective focuses on the dynamics of relationship and dissipates the tension between selfishness and responsibility through a new understanding of the interconnection between other and self. Care becomes the self-chosen principle of a judgment that remains psychological in its concern with relationships and response but becomes universal in its condemnation of exploitation and hurt (Gilligan, 1982:74).

Unlike an individualist conception of ethics, this shifts the ethical focus to human relationships and the dynamics of human interaction. Here an ethic of care contrasts with traditional ethical frameworks that see the self and other as independent, and instead puts forward a relational world where the individual can only be constituted by the network of relations they exist in (Gilligan, 1982:63). This places an emphasis on creating a society with

its primary focus on constructive human development, providing the potential for a ‘healthy’ society (Hawk, 2011:7).

It is not just the relationships between humans that are important, but rather all relations. Tronto conceptualises it as:

(A) species activity that includes everything that we do to maintain, continue, and repair our world so that we can live in it as well as possible. That world includes our bodies, ourselves, and our environment, all of which we seek to interweave in a complex, life-sustaining web (Tronto, 1993:103).

In other words, an ethic of care goes beyond the care of people and can include all non-human life forms and the non-human environment as well (Hawk, 2011:14). In this sense, a caring practice is one aimed at “maintaining, continuing, or repairing the world” (Tronto, 1993:104). An ethic of care recognises that we are all embedded in a web of relationships that constitutes who we are.

A caring perspective “prioritises the attitude and activities involved in caring as our fundamental human orientation toward, and relationship with, others and the larger society” (Nicholson & Kurucz, 2017:28). Nicholson and Kurucz (2017:28) see the relation as the basic ontological principle and the action of care as the most basic ethical principle or the core of moral reasoning. Care ethics does not attempt to give us universal standards to live by, instead, it views each moral situation as different. In other words, it is not about finding absolute principles to guide us, rather, it is the directing of our actions towards the maintenance of a caring network that, in turn, will allow care to prosper. We, therefore, care through acting in specific situations.

4.4 Tronto’s Four Practices of an Ethic of Care

Tronto (1993:127) identifies four practices based on the different phases of care that serve to guide us through action. Caring-about brings forth attentiveness, caring-for is guided by responsibility, care-giving requires competence, and care-receiving is that of responsiveness. These practises serve to direct our actions, with the normative questions being how should I act in order to act with care. This is unlike universal principles, which see certain actions as ‘right’ or ‘wrong’.

The first practice, attentiveness, requires a recognition that there is a need for care. If we cannot recognise the need for care, we cannot possibly address a lack of care. For Tronto (1993:127), this goes as far as seeing the act of ignoring others, even being ignorant of a situation, taking the form of a moral 'evil'. She believes that this is even less excusable today as we have an unparalleled capacity to know about others. However, this does raise the question of when ignorance is simply ignorance, and when does it take the form of inattentiveness? For example, when ignorance, such as in the form of racism, is built into the social structures, where do we draw the line between ignorance as inattentive and as systemic in nature. This is not a new problem, and moral philosophers from Plato, to Hume, to the Frankfurt School have all alluded to its importance (Tronto, 1993:129). However, a discussion on this goes beyond the scope of the thesis.

The second practice put forward by Tronto is that of responsibility. It is not that other moral theories do not take serious questions of responsibility. Instead, the ethic of care takes on a role that sees responsibility as central, but also in a continuous state of being problematic (Tronto, 1993:131). Responsibility requires us to constantly reevaluate changing factors. When assumed, once a need for care is recognised, responsibility directs us to either contribute, or not, to the network of care. In other words, it is the act of taking up a position of care.

The next practice highlights the importance of competence in the act of care-giving (Tronto, 1993:133). With the addition of competence as a moral practice, Tronto (1993:133) attempts to align the approach of an ethic of care with that of moral consequentialism. She argues:

Intending to provide care, even accepting responsibility for it, but then failing to provide good care, means that in the end, the need for care is not met (Tronto, 1993:133).

In other words, it is the consequences of the act of care that are the ultimate basis for judgment about whether the need for care is met or not. This will avoid, she believes, those who 'take care' of a problem in bad faith, not willing to actually do any form of care-giving. In this way, the competence of care can also be given as a measure of the success of care. In the example of the organisation, if a business were to set up a caring relation in the form of

CSR, it is the consequences that result from that relation that indicates whether adequate care was provided.

The fourth practice is that of responsiveness and arises out of how the care-receiver responds to care (Tronto, 1993:134). “The moral precept of responsiveness requires that we remain alert to the possibilities for abuse that arise with vulnerability” (Tronto, 1993:135). For Tronto, responsiveness highlights the concern of care with conditions of vulnerability and inequality. To be vulnerable challenges the individualist notion of the entirely autonomous self-supporting being. But, in order to care, we need to take a position of vulnerability. In this way, care is a practice that asks us to be aware of our relational network, and when we recognise a need for care, to then respond in a way to strengthen, or care, for that relation. In recognising the relations, we can adequately care for and have the network respond to the caring act.

5. Placing Care as an Ethical Guide

5.1 The Ethics of Care and Economics

According to Nelson (2011:35), the question of whether care ethics is applicable to the realm of business is full of potential pitfalls which arise from our patterns of thought, struggling to escape a dualistic culture of thinking. For example, one such pitfall is the notion that care ethics is done by women and justice ethics is done by men. Here, Nelson argues that we miss the point of Gilligan’s important insight if we believe that she discovered a new type of moral understanding or women’s type of moral understanding. Instead, it is the extension of an ethic of responsibility to a broader vision of societal connection that is found in an awareness of interconnection (Gilligan, 1982:55). Gilligan brought to light a modality that was already in widespread use, the existence of which was rendered invisible by existing traditions of philosophical thought (Nelson, 2011:35).

Hawk (2011:3) believes that an ethic of care could offer an appropriate ethical framework to the world of business. She argues that even though we’ve made some progress, business practises today still struggle to take into consideration our daily lives as embodied individuals and struggle under the weight of problems such as environmental degradation, poverty, and violence. Eisler sees the issue as that “the common denominator underlying our personal,

social and environmental problems is a lack of caring” (Eisler, 2016:6). She explains that we need to find a model that supports caring for the planet, for others, and for ourselves.

Eisler (2016) believes that placing care as the guide to our economic pursuits benefits both people and business. Here, “(w)hat is needed is a Caring Economics that recognises that real wealth is not financial but consists of the contribution of people and of nature, and where economic policies and practices support caring for both” (Eisler, 2016:4). It is not that we do not currently care, rather, care needs to be placed central to functioning in the social world. At the same time, we need to see that the boundary placed between the social and economic is a construct which cannot be grounded in reality.

One of the most important things we need to realise, Nelson (2011:35) states, is that economic life and social life do not happen in distinct spheres. These spheres are not only interlinked, but rather exist on one relational network. Therefore, any business ethic is necessarily a social ethic. We need to stop drawing lines and creating different personalities of operation within each. Nelson’s primary critique holds that by setting boundaries in “attempting to achieve ‘scientific’ status, the discipline of economics has, ironically, instead fallen into dogma” (Nelson, 2011:39). She does not criticise neoclassical approaches for being too objective, but rather for not being objective enough. In other words, with its overemphasis on individualist models, neoclassical approaches leave out the relational world. This belief that a partial image represents a full view of the social removes it further away from an objective understanding. Nelson sees it as if we have only been playing with half of the deck in the card game of economics.

Nelson (2011:48) sees no reason that the values of society should not be the same as the values that exist in business. She gives the example of markets which rely on principles of trust and cooperation in the same way these elements form the foundation of society. There is clear evidence that the more considerate and honest trading partners are, the more benefits are realised for both parties and society (Nelson, 2011:48). On the other hand, values such as opportunism lead to the need for more stringent policing, which in turn raises transaction costs. This is when we run into problems such as the degradation of worker health and education levels, polluted environments, corruption, poor public infrastructure, and civil unrest (Nelson, 2011:49).

Nelson, therefore, stresses that we need to realise that “(m)arket behaviour is not something separate from the social behaviour of emotional, embodied, interconnected human beings, but simply another variant of it” (Nelson, 2011:49). In other words, just as the private and public do not exist in separate realms, so too should we see the social and economic existing in the same sphere of life. Nelson suggests that the path forward is by means of the deconstruction of dichotomous thinking, for example, competition versus cooperation. In this example, she refers to competition as the pursuit to do something as well or better than someone else, and cooperation as the coordination of activities with someone else in a joint effort. Traditionally the view has been that one precludes the other, and competition is, after all, what makes market-oriented capitalism work (Nelson, 2011:49).

However, Nelson (2011:50) argues that the simple thinking of competition and cooperation only being complimentary or oppositional is not helpful. She sees competition and cooperation to include both positively and negatively related aspects when applying a more thorough view (Nelson, 2011:50). Competition can innovate but can also lead to a race-to-the-bottom, and cooperation can strengthen the network of the organisation but can also lead to collusion. Nelson believes that a more thorough view can only be maintained by taking up an ethic of honesty and caring to guide us in economic life. Both competition and cooperation are necessary for maintaining ‘healthy’ markets, which are not ‘good’ or ‘bad’ in their nature. It is, therefore, how we make use of market mechanisms that count and not the characteristics of the mechanisms themselves.

Anderson (1998:186) explains the importance of genuine caring in that if we were to involve the same level of care that we’ve shown to financial capital to that of human and natural capital, it would serve as a guiding force that includes alongside economic progress the functions of social equity and environmental stewardship. He believes, ultimately, it will enable society to reinvent the means of achieving economic progress itself. This entails a shift in how an organisation views itself from that of ‘needing’ towards ‘caring’ (Nicholson & Kurucz, 2017:27).

According to Ehrenfeld and Hoffmann (2013:84), it is through care that we can realise the scope of our interconnectedness and our existence in a society intricately connected by the relations of the web of life. This frames the concept of the pursuit of well-being as acting to keep this relational web in a healthy state. Here the link between the ethics of care and

sustainability is the caring activity as the maintenance of our relational network. This is not only caring for today, but also caring for future generations through virtue of our sustainable actions today (Ehrenfeld & Hoffmann, 2013:85).

The ethics of care provide us with more than a shift in focus. Care ethics also places social abstractions into their specific forms of relationships (Tronto, 1993). Nicholson and Kurucz (2017:28) make use of the first two practices of care, as argued by Tronto (1993), caring-about and that of caring-for, to describe how care functions to make social abstractions understandable in specific situations. For example, the theories of care in this section, as held by Eisler (2016), Hawk (2011), and Nelson (2011), function as complex cultural constructions in the form of caring-about, which in turn structures the relational web to enable caring-for. As described by Tronto (1993), care is also the tangible work of care, caring-for itself. The relational nature of care, therefore, connects the abstract to the responsibility of care in its specificity. It allows us to look at abstract questions about meeting the needs of society as a collective. At the same time, the relationality of care places these abstractions into relationships as they are embodied. In a nutshell, it connects the one and the many.

5.2 The Ethics of Care and the Organisation

Hawk (2011) argues that research done in the organisational and management worlds increasingly indicates how fundamentally relational the enterprise is. When we look within an organisation, we would find vertical and/or horizontal ongoing and dynamic relationships (Hawk, 2011:15). Every member of the enterprise brings a network of relationships to the organisation. In the same way, the enterprise exists in a web of relations that all combine to form a world of dynamic and interwoven relationships that need constructive cultivation to survive (Hawk, 2011:15).

The relational network of the organisation is highly contextual and dynamic and operates beyond any artificially designated time frame (Hawk, 2011:21). This brings about an alternative to bureaucratic forms of organising, in the form of a relational approach that is more congruent with human life as it is actually lived (Hawk, 2011:27). The fundamental reality is “we are all in an interlocking web of constantly changing relationships” (Hawk, 2011:28). For this, we need an ethical framework that acknowledges that our perceived

boundaries are highly blurred and that in reality, this is because no boundaries exist at all (Hawk, 2011:28).

Hawk (2011) continues that an ethic of care is more than just being compatible with corporate interests. For example, it is hypothesised that “care would positively impact organisational-based self-esteem through organisational fairness and job autonomy, thereby increasing organisational effectiveness” (Hawk, 2011:18). Here, effectiveness is understood beyond the scope of traditional models of the firm. Nicholson and Kurucz (2017:33) describe that the effectiveness of an organisation should be understood in terms of how well the organisation cares for the web of relations they are situated in. Therefore, in order to be effective, according to Pandey and Gupta (2008), the goal of the enterprise should be to maintain the life-sustaining web so we can live in it as well as possible. The organisation’s social web includes traditional elements such as growth in financial, manufactured and human capital, but also, importantly, the relations that a relational model illuminates.

For this reason, Nelson (2011:47) argues that the firm's ethical problems are not a result of automatic profit maximisation, such organisations do not exist. Rather, she holds that the ethical problems come from the belief in ‘economic man’ and the narrow goals of such a one-sided vision. Over time this view has been cultivated to such an extent that it has obscured earlier notions of business responsibility. The enterprise is not only made up of one individual with one goal. Instead, it is made up of a variety of actors, suppliers, customers, shareholders, the natural environment, and so on, that are engaged in a complex relational network (Nelson, 2011:47). In other words, it is not the individualist notion of an organisation’s responsibilities that creates problems, instead, it is the overemphasis of the notion that obscured the extent of the organisation’s social web.

Nicholson and Kurucz (2017:30) argue that a relational logic views the organisation as standing first of all in relation to others. This does not only serve to direct the organisation’s decision making, but rather the organisation’s identity is seen as being relationally constituted. The organisational activity is seen in the context of co-creation and encouraging collaborative capacity in the relational web it exists in. By including an ethic of care, this also serves to strengthen the organisation’s stakeholder web as a whole. The aim is co-production on the relational network, which enables value creation in terms of strengthening the relations themselves. Nicholson and Kurucz (2017:30) hold that an ethics of care places emphasis on

the web of relations we are situated in, which forms both who we are and who we are becoming. For the organisation, this includes a wide web of relations that simultaneously operate on several different levels.

Painter-Morland (2006:93) maintains that we need to redefine accountability to include an awareness of how the relational context develops a sense of responsibility and duty. She argues:

It demands an acknowledgement of the dynamic network of interactive relationships within which individuals and organisations are embedded in the business environment, as well as a willingness to seriously consider the very consequential role and effect of expectations and perceptions within such context (Painter-Morland, 2006:93).

Here, Painter-Morland (2006:93) makes a distinction between the traditional sense of a moral agent being accountable *for* something and the accountability *towards* others. Being accountable *for* something is often associated in the context of business with being responsible for a well defined and concrete asset. However, she sees moral knowledge as an interactive process, which informs how we make moral decisions. It is, therefore, necessary to also consider an organisation's accountability *towards* who it carries responsibility, which determines its moral duties (Painter-Morland, 2006:94). The concept of being accountable *for*, still holds merit, but at the same time, we need to see the business in the context of an open network of interactive relationships. This emphasis sees the value of an organisation being generated through cooperative business relationships and the quality of these relationships as the organisation's most valuable assets (Painter-Morland, 2006:94).

Being accountable towards also serves to clarify responsibility in terms of particular relationships. In other words, it articulates the caring-about to the act of caring-for. Here, a tacit sense of reciprocal responsibility forms the "backdrop against which the actions and decisions of individuals and organisations become intelligible" (Painter-Morland, 2006:94). It is the nature of this backdrop that, in our understanding of accountability, highlights the need for discretion and discernment of ever-changing stakeholder interests.

Nicholson and Kurucz (2017:26) argue along the same lines to view the relational context of care as a critical dimension of a more informed view of the organisation, which allows us to

appropriately consider societal well-being. In terms of the organisation, the critical dimension of care highlights the importance of the practice of care when dealing with stakeholder relations and narratives of the organisation. They believe that the practice of care calls attention to the relation between abstract societal concepts of caring-about and the specific practice of caring-for. In the context of the organisation, caring-about is when, for example, an organisation sets up structural features that enable the conditions of care or creates the environment to enable the caring-for form of care (Nicholson & Kurucz, 2017:28). On the other hand, caring-for can be seen as the specific activities of care in the organisation's day-to-day conduct. Eisler (2016:5) believes when an enterprise cares-for its employees and their families, it increases competence and collaboration, encourages creativity and innovation and contributes to the enterprise's collective capacity.

As a result, a relational perspective informed by care embraces the need to incorporate emotions into our business decisions as our humanity is an integral part of our decision making processes (Nicholson & Kurucz, 2017:34). In Tronto's framework (1993), emotional openness directs all practices of care as it forms our corporeal connection to the relational web we exist in. This is in contrast to the rational individualist notion of the need to cut off any emotion so as not to be distracted (Nicholson & Kurucz, 2017:34). By working to remove emotion, we attempt to view the world as separate, distinct autonomous entities when we try to actualise the dominant models of the firm. To see the world as relational is also to recognise our full existence in it. Put differently, to embrace the relation, we need to embrace the individual, but in light of the relation, and vice versa.

The ethics of care sees emotions as foundational to who we are, and if we embrace our emotions, we enable the empathetic response associated with care (Nicholson & Kurucz, 2017:34). For the organisation, the inclusion of emotion is valuable to decide the right course of action as the network is engaged in a relationship of caring. Rather than being a weakness, the vulnerability that comes from relational openness enhances the potential of co-creation with stakeholders and is a functional element in building relationships of trust.

6. Care and Individualist Ethics When Modeling in Complex Social Environments

As argued at the beginning of this chapter, when theorising in the social sciences, we do so by making both technical and normative decisions. Cilliers (2000) describes it as "we know that

all of our choices to some extent, even if only in a small way, incorporate a step in the dark” (Cilliers, 2000:29). In other words, there always remains a step that we cannot justify when theorising the organisation. For this reason, Woermann and Cilliers (2012:448) argue that in complex systems, ethics is more than a normative system that dictates the right action; it is a structural element.

In this sense, an individualist ethical framework is necessary to designate the boundaries of an entity. It is the properties intrinsic to the entity that grounds moral status, with anything outside of it seen as secondary (Metz, 2020:5). Here, it is this primacy of the entity that justifies the separation of entities. It makes sense of the world by dividing it into categories, spheres, groups and individuals, each made up from the internal characteristics that serve as the defining characteristic of an entity. This provides us with a simplified view when we use individualist norms to designate the unit of analysis. From the initial step in the dark, we can build technical theories by drawing lines and structuring everything we know. In a nutshell, to designate a unit of analysis, we need to make use of individualist tools, guided by an individualist ethical framework.

The individualist function of separation cannot be accomplished by a relational ethics, such as an ethic of care. It is its relational function in itself that makes the structure of an ethics of care fundamentally different from individualist based ethics. The thesis holds, where individualist based theories are necessary to draw analytical boundaries, a relationalist ethics serves as an ethic for the maintenance of the complex network itself. In this way, the ethics of care serve a completely different and necessary role in society.

As described by Hawk, caring “involves meeting the basic needs of individuals, developing their capabilities, and helping them to survive and function” (Hawk, 2011:25). Urban (2015:126) believes that this goes beyond the altruistic activities, which, if only taken by itself, does not capture the relational nature of the practice of care. We need to see “care as a process that aims at the flourishing and well-being of all affected through promoting the flourishing and well-being of the relationship as such” (Urban 2015:127). This is not a one way flow of giving and receiving, instead, it is a mutual process that strengthens the relation or relationship itself.

When we care, we tend to the relational network we form a part of. In the context of care ethics, it means that the relational network becomes endowed with care. As described by Hawk (2011), care is the ongoing relational concern for the well-being of what is cared for. In this way, a relational ethic operates in the framework of a relational view of the world. An ethic of care moves past any boundaries, and care can be distributed throughout the entire relational network. The result of this is twofold as it both serves to strengthen the network, this is the very function of care, and it drives how the network is shaped as an ethical framework in day-to-day operation. In other words, an ethic of care structures the network as that of caring-about, which facilitates specific acts of caring-for.

In this way, the thesis argues that we need both an individual and relational framework when modelling social phenomena, each playing a fundamentally different role. In support, Tronto (1993:126) believes an ethic of care is not “to serve as a total account of morality”. It does not attempt to replace morals, such as do not lie and avoiding harm to others. However, even with these moral precepts in place, our account of morality remains incomplete (Tronto, 1993:126). Instead of being a set of rules and principles, the ethic of care is a practice that functions on a fundamentally different basis. They are complementary in that the one structures the other. In the context of modelling and theorising, at times, we need to see an entity, and at other times, we need to see a network. Each is given direction by a normative framework.

In this sense, individualist ethics serve as the normative step when designating boundaries in complex systems. Relational ethics, such as the ethic of care, is a framework that works throughout a complex system and is dispersed on a practical level of the specifics of the relations it contains. Therefore, the thesis holds that when modelling, an ethic of care serves as the step in the dark we take when attempting to connect the one and the many. To move between different levels of abstraction, we ultimately rely on some understanding of relational norms. For the thesis, it is specifically the ethic of care that informs this normative decision best. In this context, it is a process of simplification, directed by the normative practice of care. Gilligan (1982:149) describes it as “a consciousness of the dynamics of human relationships [which] then becomes central to moral understanding, joining the heart and the eye in an ethic that ties the activity of thought to the activity of care”.

In a practical sense, the organisation as an abstract theoretical model can be translated into everyday practices, and it is the practice of care that simplifies the complex social environment. Let's take the example of CSR as described in Chapter 1. Here, Jamali (2008) sees the current problem of CSR as understanding the abstract nature of the 'social' and how it is linked to business activities. By taking up an ethic of care when thinking about an abstract concept such as 'social' in corporate social responsibility, it serves as a day-to-day guide for understanding and directing a company's responsibility of caring-for. In the framework of care, CSR as an abstract principle provides a systemic outline for caring-about, imbuing care throughout the network. Using Tronto's (1993) four practices, CSR as a form of caring-about, would see interacting with the 'social' as the practice of attentiveness. At the same time, an ethic of care is not a set of universal principles, but rather the action of care in specific relationships. In Trono's framework understanding the specificity of CSR comes with the practice of responsibility. In other words, a CSR program that is attentive because it cares-about, sets up the conditions for caring-for by taking up responsibility for a situation in its specificity.

To provide another example, a relational framework supported by an ethic of care offers us a way to guide the pluralist project in company law. Goddard (2003), for example, rejects pluralism in favour of an enlightened shareholder approach, as the former will burden company legislation with unnecessary complexity. The view is that it leaves open too many interpretations to guide a company in practice. Here, the abstract concept of stakeholders adds a scope too broad to practically interpret and the individualist task of cordoning off the extent of stakeholder inclusion becomes vague when modelling the organisation.

The thesis suggests that if we were to place the issue in a fuller scope of a theory directed by both individualism and relationalism, it might serve as a starting point to assist the development of an actionable concept of pluralist corporate law. In this context, we should recognise that our understanding of stakeholders should be guided by an attentiveness to the need for care, in other words, caring-about stakeholders in the relational web of the organisation. This is then translated into a caring responsibility towards stakeholders, which leads to the specific acts of caring-for stakeholders. Stated differently, it is the environment of care that allows the organisation to see the needs of care and to take up the responsibility of the different specific acts of caring-for.

This suggests that the extent to which stakeholder interest should be included in the pluralist corporate form is the extent to which there is a need for care in the organisation's environment. As argued, the need for care is not given by universal principles, instead, it is situated in the specific embodied instances of care. In this way, the ethics of care limits the scope of pluralism to the specific care needs of stakeholders when seen from the vantage point of a caring organisation.

The thesis believes that the incorporation of a relational ethic, and specifically an ethic of care, as a supplement to corporate law may serve to translate abstract concepts, such as stakeholders, into the specific actions taken in the day-to-day operation of a business. Therefore, the thesis holds that as a normative framework, it could serve as a supplement to law and the interpretation thereof. Ultimately, the thesis believes that an ethic of care offers normative guidance to any situation where we need to bring abstract concepts to everyday action. This conversation is, unfortunately, beyond the scope of the thesis.

7. Conclusion

This chapter has argued that when modelling complex social phenomena, we need to place a relational ethic, in the form of care ethics, alongside individualist based ethical frameworks. The thesis believes that when modelling, a relational normative framework serves as an element of choice that cannot be justified objectively when we attempt to connect the one and the many.

The argument was set in the context of complex social systems and the inevitable normative decision when theorising and modelling our world. Here, the individualist normative framework serves to separate and draw analytical boundaries creating categories and entities. The relational ethical framework, operating from fundamentally different premises, is seen as providing a normative guide when connecting different analytical levels, such as the micro and macro.

The thesis makes use of the ethics of care as a relational normative framework as the primary relation of connection becomes care itself. Applied as such, care becomes the deciding normative element when modelling the organisation. However, as argued, it is not an abstract principle but rather the practice of care in each specific instance. At the same time, the nature of care sustains and structures the relational character of social phenomena.

The thesis believes that the proposed framework, which attempts to account for both individualism and relationalism more fully, should provide us with a fuller understanding of social complexity, as seen in the organisation. By taking up a fuller view in our theoretical understanding, organisations will be able to understand themselves better. This, the thesis hopes will allow for more informed decision making practices in the business world, which acknowledges the relational nature of the organisation in society in nature. With this, if we were to guide both our individual and relational natures with an ethical framework, we might be able to work our way towards the paradigm shift needed to put societal well-being within the limits of our biosphere at the centre of social organisation.

CONCLUSION

1. Introduction

This chapter will conclude the thesis investigation by summarising the key arguments made in relation to the thesis aims and objectives, as well as the value and contribution thereof. It will also review the proposed theoretical framework of the thesis and its limitations. From here, the chapter and thesis will conclude with a closing summary.

2. The Arguments, Objectives and Aims of the Thesis

This thesis aimed to show how the inclusion of a relational framework to social modelling practices will create a view of the organisation that more fully accounts for environmental and social concerns. The thesis situated its investigation in the context of social theory formation with its view on the fundamental assumptions made to structure these theories. From this, the thesis presented how the individualist assumption serves to separate social phenomena and creates the entities necessary to distinguish the object of study. The thesis started by investigating how we make use of metaphors and models when we attempt to understand the social world and how these metaphors highlight and obscure certain aspects.

From here, the thesis focused its investigation on how theories of the firm describe complex social systems. Here the thesis focused on providing a framework of how we commonly look at the organisation and a variety of critical views. The aim was not to argue that these views are ‘good’ or ‘bad’, but rather to investigate how metaphors are used to highlight and obscure that which was explained. From this, the thesis argued that individualist based theories dominate views of the firm and, as a result, limit our understanding of the organisation.

The thesis called attention to the importance of taking a critical position when analysing social phenomena to move past this limitation. A critical position allows us to view the dominant system of individualism as just one specific way to understand complex social phenomena. The thesis then introduced the theory of relationalism as another way to understand the social world, which, when modelling, makes up one of the basic premises along with individualism. The thesis argued that relationalist and individualist frameworks complement each other when theorising social phenomena if given equal regard. Where

individualist based theories allow us to distinguish and categorise the entity, relational theories view the world as a complex network of relations. When a relationally dense area becomes stable, we tend to see it as an entity. Here, the relational framework provides insight into entity formation, which the thesis believes will allow for models that more fully include critical relations.

The framework of relationalism is then explored in its application to economics and theories of the firm. Here, viewing the world as a social web allows us to remove boundaries and categories that are often accepted without question. For example, the economic, social and environmental can be seen not as separate spheres, each containing its own set of rules, but rather as one interconnected system of relations. The thesis believes that by viewing the social world through a relational lens, we can take a critical position towards both deeply institutionalised boundaries and also the creation of new boundaries. In the context of theorising the firm, relationalism provides structure to thinking about the organisation's connectedness to society and the environment. In turn, such a model will allow the organisation to more fully understand itself as relationally connected to the world.

The thesis then set out to show how relational constructs are already prominent in contemporary views of the firm. The thesis argued that the theories of the Triple Bottom Line, The IR Report and the Social Enterprise all utilise relational and individualist concepts to provide a fuller framework of the firm. Here the relational constructs allowed these theories to open up the networks stabilised by the dominant model of individualism. The thesis believes that by recognising the relational assumption present in contemporary theories and then allowing for its deliberate use when constructing these theories may provide useful guidance when advancing social objectives.

The thesis then presented the argument that modelling the firm consists of a normative decision and therefore requires the guidance of an ethical framework. Here the thesis made a distinction between individualist and relational normative frameworks. As each relies on a fundamentally different premise, the thesis argued that they differ in the normative guidance provided when modelling complex social systems. The more traditional view of individualism serves to guide decisions on where to limit our models in complex systems. In

contrast, the relational normative framework serves to guide decisions when moving between different levels of abstraction, such as between macro and micro.

The thesis proposed the ethics of care as a relational normative framework to develop its argument and to place care as a central function to societal constructions. Here the thesis made use of the distinction between caring-about and caring-for to show how abstract concepts can be put into specific, actionable practices. In the context of theories of the firm, caring-about creates the structures of the organisation that, in turn, allows for the practice of caring-for in the day-to-day management of the firm. In this sense, when modelling the firm, caring-about serves as guidance to the interrelated nature of the organisation. In other words, the extent of the stabilised network is viewed through the lens of care. At the same time, an ethic of care serves to inform organisations, when viewing themselves through social models of care, to apply these views in specific practices of caring-for.

The thesis believes that this will allow for a fuller view when theorising the firm. The organisation can be seen as an entity or a relational network, and these features are guided by ethical frameworks specific to their operation. When the organisation views itself through such a model, boundaries are not rigidly set but instead respond to the network the organisation forms a part of. What structures the organisation within the relational social web is the relational ethic it employs, and when it chooses to do so with an ethic of care, the organisational network takes the form of caring-about. This, the thesis argued, will allow organisations to care-for and more fully account for current environmental and social concerns.

3. The Proposed Theoretical Framework and its Limitations

The thesis proposed that a relational view should be included when building theories of the firm. This theoretical framework is not a theory of the firm as such, but rather forms the premises that theories of the firm are constructed on. In this context, when investigating complex social phenomena, the theorist will look at distinguishing the object under investigation and also the patterns of relationally dense areas. The thesis sees its proposed framework as one possible configuration between the individual and relational based theories. The thesis does not attempt to present a fully combined theory to model complex social phenomena, but rather argues for the need to conceptualise a framework that accounts for

both individualism and relationalism. The thesis, therefore, recognises its limited inclusion of individualist theories in its argument. However, the thesis believes that the argument for the inclusion of relationalism and how this affects individualism and theory formation is a worthwhile and necessary step to how we understand complex social phenomena.

At its heart, the proposed framework seeks to highlight that a shift in the paradigm of business becomes possible when maintaining a critical position and consistently acknowledging the limitations of the theories we use. The thesis hopes that further development of the proposed framework may serve to join the conversation that seeks sustainable prosperity and an economy that the planet is capable of supporting indefinitely.

4. Closing Summary

This chapter outlined the key arguments made to reach the thesis aims and objectives. To do this, it presented the thesis argument and key ideas as used to structure the thesis. Here, the thesis identified the dominance of individualist based theories, advanced the need to take up a critical position, introduced the theory of relationalism, situated its framework within economics and modelling complex social phenomena, and argued for the inclusion of relationalism in our understanding of the organisation to serve social and environmental issues. The thesis hopes that this methodology can be usefully applied to a variety of contexts.

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