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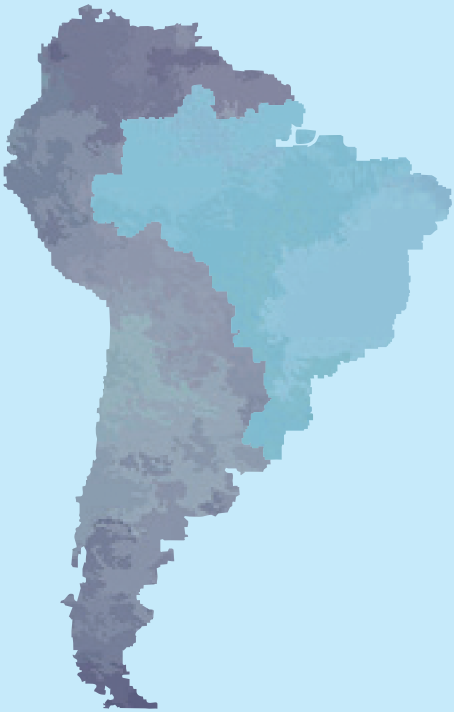
Julika Baumann Montecinos,
Jessica Geraldo Schwengber, Josef Wieland (eds.)



Relational Leadership – Case Studies from Brazil

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Transcultural Management Series

Edited by Josef Wieland

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Contents

Part IV – The Relations between Politics and Society: Learnings from the Operation Car Wash

Preface

How can relational leadership contribute to effective cooperation in global and local networks? What can be learned from concrete examples of relational leadership application in complex realities? Against the background of these questions, this book presents the results of the Transcultural Student Research Group 2019, a project of the Transcultural Caravan which is run by Zeppelin University's Leadership Excellence Institute.

After successfully tackling transcultural leadership as applied to Hong Kong and Uganda in the previous years, the project has continued to grow and reached an unprecedent level in 2019: more than thirty young Brazilian and German researchers worked together on multi-faceted topics with four cooperation partners from business, social entrepreneurship, higher education and civil society, which are based in different regions of Brazil.

Brazil, the giant of the South American continent with a territory of 8,516,000 km² and a population of more than 200 million, is internationally recognised for the richness of its resources. A member of the BRICS, Brazil has a long tradition of regional and international cooperation, also playing a leading role in the Mercosur debate. Brazil is also a country whose people and culture have grown out of a mix of ethnic groups, costumes and traditions, the result of centuries of immigration by Europeans, Africans and Asians. Such characteristics make Brazil a country with high potential for the analysis of relational leadership and transculturality.

The papers collected in this book approach relational leadership in the Brazilian context not only from different disciplinary perspectives, but also with different methods. The collective research question of the group has been broken down into different sub-questions covering topics such as forms of leadership and cooperation for sustainability, relational leadership in social enterprises, communities of practice and cooperation rents, urban development, organisational learning, intersectoral cooperation, CSR management, political and civil societies issues, to name but a few of the manifold perspectives that the young researchers have adopted.

By presenting and discussing empirical case studies from Brazil, this volume aims to contribute to further work on the theory of relational leadership and transcultural debate as well as to provide insights for future research. In addition to these conceptual and empirical contributions, the Transcultural Student Research Group also presents itself as an ambitious and innovative format for higher education. From a learning perspective, the concrete experience of cooperation of the researchers involved in the project enables them to develop precisely those competencies that are described in the literature on Relational Leadership as being crucial to productive cooperation across geographical and cultural borders. Particularly important for such a format is the exposure of the participants to a culturally and disciplinarily diverse group and to exchanges with local experts. In Brazilian-German teams, the young researchers elaborated on their questions and experienced transcultural cooperation and learning by themselves, resulting in the fact that most of the chapters of this book are co-authored by Brazilian and German researchers. In this way, juxtaposed with insights for the further elaboration of the concept of relational leadership and for its empirical application, this volume also attempts to provide insights into innovative academic methods for preparing future leaders to work in complex, heterogeneous and dynamic global environments.

We are grateful that we were able to carry out this special format on this scale. Our thanks go to all our sponsors and supporters, particularly to Rolls-Royce Power Systems, to the Ministry of Science, Research and the Arts of the State of Baden-Württemberg, to the Gips-Schüle Foundation, and to Senator h.c. Udo J. Vetter. We would also like to express our great gratitude to our cooperation partners: The Center for Sustainability Studies (GVces) at FGV-EAESP, Insolar, SAP Labs Latin America, and Transparency International Brazil. Finally, our thanks go to all colleagues, students and experts for their participation in our transcultural journey and for their insightful contribution to our research agenda.

Friedrichshafen, Dezember 2020

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Brenda Beretta Kindlein studied Linguistics and Literature at Unisinos University in Brazil. She wrote her thesis about The Experience of English as a Lingua Franca in a Multinational Company, which is one of the topics of her contribution to this book. She is engaged in studying communication practices in the business environment. She currently works in Customer Solution Support and Innovation at SAP Fieldglass.

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Introduction: Some Notes on a Relational Approach to Transcultural Leadership Competences

Julika Baumann Montecinos and
Jessica Geraldo Schwengber

We are living in a globalised and interconnected reality where opportunities as well as challenges co-exist, calling for approaches that enable us to deal with them in a productive manner. Nevertheless, conventional economic theories are mostly rooted in dyadic and discrete exchange transactions and presuppose a static equilibrium at a certain point in time (cf. Wieland 2020). These theoretical assumptions may make their important contributions to scientific knowledge, but they do not provide a realistic description and comprehension of complex contemporary circumstances and they therefore may hinder effective strategies that are necessary to act productively in global value creation networks.

Against this backdrop, relational theory recognises that economy is characterised by continuous and complex interactions in and between regional, national and trans-national transaction networks (cf. Wieland 2020). In this framework, global value creation networks may imply relational contracts for shaping cooperative relationships that last over time and thus go beyond single and static exchanges. Nevertheless, since relational transactions require "ex ante extensive mutual planning" (Wieland 2020: 31), new and complementary competences are required to effectively manage stakeholders' resources and interests, thus enabling the creation and distribution of cooperative rents.

Literature offers manifold examples of how the ability to relate can effectively foster the beneficial impacts of cooperation in different situations, contexts and disciplines, both on organisational and on individual levels and, on the other hand, of how a lack of relational competences can hinder transcultural cooperation (cf. Wieland & Baumann Montecinos 2019a; Wieland 2020).

Realistically, individual and collective players involved in relational transactions represent culturally heterogeneous backgrounds. This diversity can be traced back to continuous processes of learning and adapting to contexts shaped not only by national cultures but also by the interplay of various factors such as professional, social and educational backgrounds, gender, age or corporate culture (cf. Baumann Montecinos 2019). The inclusion of such elements permits one to define cultural diversity broadly, allowing the container and homogeneous view to be overcome which has characterised some prominent pioneering intercultural models (for example Hofstede 2011) that are mainly focused on differences and on dealing with related conflicts. Despite the recognition of such differences and the frictions they may entail, the development of relationships within cross-cultural networks of cooperation calls for approaches that go beyond the mere consideration of diversity as a source of possible conflict and that do not reduce culture to national affiliation (cf. Baumann Montecinos 2019). Correspondingly, a relational approach as it underlies Wieland and Baumann Montecinos' concept of transculturality (2019a) focuses on commonalities that can be identified or newly developed in the context of cultural diversity. By considering specific transactions as the unit of analysis, such an approach addresses the combination of diverse resources and interests of the people involved, whose joint action aims to pursue mutually beneficial results. A major focus of the transcultural approach involves analysing the enabling conditions of the awareness, acknowledgement and appreciation of cultural diversity, and how these interconnect with one another, to enable strategies to be derived for the purpose of discovering common ground and generating new commonalities. (cf. Wieland 2019).

At the same time, the Relational Theory follows the assumption that "modern societies are functionally differentiated" (Wieland 2020:11), which goes along with the observation that societies are composed of multiple systems (polycontextuality) and that therefore manifold decision logics (polycontexturality) and language games (polylinguality) co-exist.

Accordingly, in polycontextual global value creation networks, the heterogeneity of actors involved in specific trans-cultural relational transactions may entail manifold decision logics and language games. The success of such transactions is a determinant for "the emergence of global value creation chains and stakeholder networks, as well as their stability and productivity" (ibid.: 111). On this point it can be argued that transcultural leadership competences are a fundamental requirement to creating value in the context of global networks. Next to the willingness to cooperate as a necessary but not sufficient condition for successful transcultural cooperation, these competences also ought to improve the actual ability to engage in mutually beneficial interactions and generate cooperation rents (cf. Wieland 2014, 2017). Against this background, transcultural competences – understood as the competence to act productively in contexts of polycontextuality, polycontexturality and polylinguality – are aimed at enabling and fostering mutually beneficial cooperation in culturally diversified networks of value creation.

The development of such competences goes through learning processes which have been described in the literature on transculturality, with the APCA model (awareness, perception, commitment, action) representing a promising first concept in this direction (cf. Wieland 2016 & 2019, Baumann Montecinos et al. 2019). This model describes the transcultural learning process in three steps: first, an attitude of non-normative observation and analysis in encounters of people with different cultural backgrounds; second, the identification of existing commonalities; and third, the creation of new commonalities. The aim is to provide a scheme of description for the learning processes that are undergone to develop transcultural competences.

Educational institutions, as traditional loci of learning and individual growth, are called on to promote the development of these competences. Coherently, in addition to its conceptual agenda, the research program of Relational Economics at Zeppelin University also pursues the ambition to promote the development of such competences among its students in the framework of so-called Global Studies Projects (cf. Wieland & Baumann Montecinos 2019b).

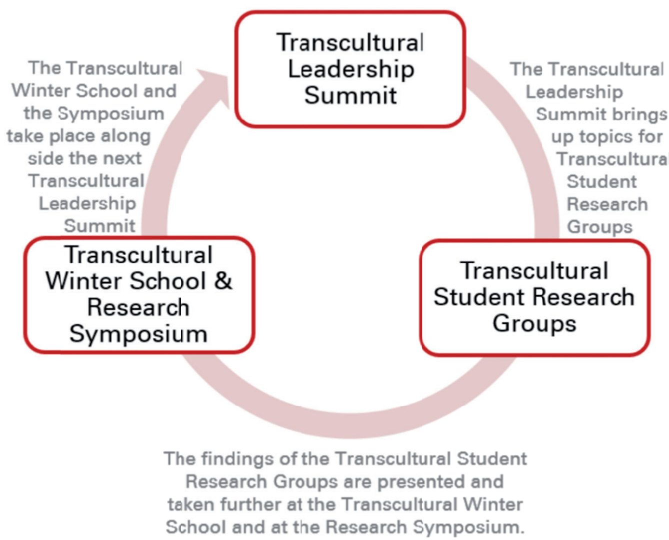
1. Relational Leadership Competences Via Higher Education

To give some background to the Global Studies Projects, since 2014 several research projects in different social and cultural settings have been conducted by the Transcultural Caravan, a project initiated and hosted by Zeppelin University's Leadership Excellence Institute. Through these projects, the Transcultural Caravan pursues a twofold objective: On the one hand, the empirical experimentation and evaluation of the theoretical assumptions of the transcultural concept, and on the other hand the participants' development of a set of competences required to deal with complexity, heterogeneity and dynamism in different cultural and social contexts. The approaches pursued by the Transcultural Caravan's Global Studies Projects to foster the development of such competences include exposure to diverse cultural and social settings in concrete cooperation contexts, thereby integrating traditional didactical tools with innovative methodologies. This methodology is integrated in Zeppelin University's liberal arts approach which is focused on the development of comprehensive and interdisciplinary competences aimed at preparing future leaders while fostering the role of the university as a locus of global learning.

From this perspective, transculturality can be approached not only in terms of content, but also as a method (cf. Wieland & Baumann Montecinos 2019b) that enables and fosters the development of the aforementioned competences through a so-called "recursive loop of learning between theory and practice" (ibid.: 225). Theory and practice, or whatever we want to label it – knowledge and knowing (cf. Cook & Brown 1999; Orlikowiski 2002), knowledge and practice (cf. Brown & Duguid 1991; Wenger 1997), knowledge and application (cf. Tsoukas 1996) – are traditionally described and treated as being detached from one another (cf. Wenger 1997). Learning nevertheless embeds both aspects, and it is against this background that the Global Studies Projects, particularly the format of the Transcultural Student Research Groups | TSRGs, were initiated. They aim to conduct "not only theory-based surveys (…), but also practice-oriented research" (Wieland & Baumann Montecinos 2019b: 228).

As illustrated in Figure 1, the research projects included in the TSRG are follow-up projects to the annual Transcultural Leadership Summit | TLS. Each year the summit has a new regional or thematic focus. The aim is to broadly discuss topics of transculturality in their application to different contexts. The interaction that happens at the Transcultural Leadership Summit | TLS brings up topics for Transcultural Student Research projects, which are conducted the following year in collaboration with cooperation partners. The initial findings of such research projects are thus presented and taken further at the Transcultural Winter School and the Transcultural Research Symposium: events that take place alongside the following year's Transcultural Leadership Summit, where the learning cycle continues with new topics and insights for new research projects.

Figure 1: The Transcultural Learning Cycle



Source: Own illustration.

After a long year of research, the Transcultural Winter School and the symposium provide the opportunity to continue the exchange on the current topic. In workshop sessions, master classes and keynote addresses, the groups can take their collaboration further. The final findings of each year's Transcultural Student Research Groups are published in the volume of the Transcultural Management Series such as this one.

One important ambition the Transcultural Caravan pursues with its learning cycle is bringing together young and established researchers from different cultural and disciplinary backgrounds and providing transcultural and transdisciplinary learning opportunities , aiming to broaden the participants' horizons and to prepare them for the challenges and potentials that leadership brings in complex, heterogeneous and dynamic different cultural and social contexts.

2. Relational Leadership Applied to Cases from Brazil

The project at hand, "Relational Leadership – Case Studies from Brazil", builds on the intention to explore the relational leadership concept in its application to cases from Brazil and is a follow-up project of the Transcultural Leadership Summit 2018 with its focus on Brazil. This Transcultural Student Research Group includes 34 researchers involved in several research projects with four Brazilian cooperation partners – the Center for Sustainability Studies at Fundação Getúlio Vargas, the social start-up Insolar, the SAP Labs Latin America and the Brazilian section of Transparency International – all of them based in different regions of Brazil and operating in the fields of business, academia and civil society. The research projects were elaborated by researchers and students as part of their PhD research or bachelor's or Master's theses in cooperation with local researchers and students. The participants have different educational, cultural and social backgrounds, which allowed them to approach the topics from different disciplinary perspectives, something that is at the core of the Transcultural Caravan's intentions.

The four case study groups cover different subprojects:

- Case I – The Relations between Future Leaders and Traditional Communities: Learnings from the Centre for Sustainability Studies' Programme (São Paulo and Pará). The unity of analysis of this first case are traditional communities in the Amazonian region of the Brazilian state of Pará. The project aimed to offer the participants the possibility to confront the reality of traditional and remote communities, exposing them to different social, economic and cultural settings. The participants spent part of their research trip in a boat. This shared habitat pushed them to confront not only a new context, but also to interact with the other members, lifestyles, routines, perspectives, allowing them to increase their awareness of the existence of different contexts, decision logics and language games, which the Relational Theory describes as polyconxtetuality, polycontexturality and polylinguality. The five projects included in this case address the topic from manifold perspectives, such as sustainable business models, cultural learning, social innovation and leadership competences.

- Case II – The Relations between Social Start-ups and their Stakeholders: Learnings from Insolar (Rio de Janeiro). Insolar is a social business located in Rio de Janeiro whose mission is “to promote access to solar energy in Brazil through the installation of solar panels in low-income communities” (Insolar 2020). The unity of analysis in this case is the Insolar project in the community of Santa Marta as an example of a community of practice among different stakeholders to purse a shared objective. The case studies included in this case put particular emphasis on the concept of organisation as a nexus of stakeholders and on the role of a strong relational leadership approach to generate and distribute cooperative rents.
- Case III – A Diverse Network of Relations as Driver of Innovation: Learnings from SAP Labs Latin America (São Leopoldo). SAP Labs network is composed of 20 Labs based in 17 countries. This global network “drives thought leadership globally and in local ecosystems, allowing SAP to innovate, grow, and succeed” (SAP 2020). Such a decentralised organisation characterised by a high cultural diversity allows relational leadership in the business environment to be tackled. Organisational learning for transcultural cooperation, decentralised blockchains for fostering cooperation, intersectoral cooperation for shared value creation and relational leadership in CSR management were the topics studied. SAP Labs Latin America represents the unity of analysis of this case.
- Case IV – The Relations between Politics and Civil Society: Learnings from Operation Car Wash (São Paulo and Rio de Janeiro). Considered as the biggest corruption scandal in the history of Brazil (Watts 2017), operation Car Wash had a huge impact on the Brazilian social, political, legal and economical systems. The projects included in this case were aimed at allowing better understanding of the

consequences of such a scandal on state-owned enterprises and particularly on their compliance and integrity management systems. The projects are conducted in cooperation with Transparency International Brazil (TI Brazil). TI is a global organisation that operates in over 100 countries to "stop corruption and promote transparency, accountability and integrity at all levels and across all sectors of society" (Transparency International 2020).

The four cases tackle Relational Leadership applied to cases from Brazil from various angles. While approaching the topic via different ways of thinking and with a variety of methods, a multiple-perspective description permits an overall picture of this complex phenomenon to emerge.

3. Findings

The chapters of this book are dedicated to the presentation and discussion of the findings of the Transcultural Student Research Group 2019. This publication is divided into four parts, one for each case, following the structure of the four cases as presented above.

- Part I: Findings from case I – five subprojects.
- Part II: Findings from case II – six subprojects.
- Part III: Findings from case III – four subprojects.
- Part IV: Findings from case IV – two subprojects.

The exploration of Relational Leadership applied to different sectors and settings is still in its embryonic phase. Accordingly, these findings may provide insights and inspiration for the further development of the concept, as well as for its empirical application.

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Part I

The Relations Between Future Leaders and Traditional Communities: Learnings from the Centre for Sustainability Studies' Programme

Tapajós: A Transcultural Expedition. Introduction to the Case Study

Ana Carolina Aguiar and Julika Baumann Montecinos

What form can innovative teaching in a university context take that prepares young people to make responsible decisions oriented towards the goal of sustainability? Which competencies are important for future leaders and what can university education contribute to their development? The Center for Sustainability Studies (GVces) at FGV-EAESP, Brazil, and the Leadership Excellence Institute (LEIZ) at Zeppelin University, Germany, have addressed these questions together, and the present case study consists of the joint teaching format itself. This format, which was applied by a group of Brazilian and German students and educators in 2019 and consisted of joint classes in São Paulo and a six-day expedition to the Tapajós region in the Amazon as well as a winter school held at Zeppelin University, combines the ambition of holistic and experiential learning, also outside the classroom, with the cultural and disciplinary diversity of the group. The results of the project are presented in this book and provide a range of insights for reflecting on and developing this multidimensional approach to higher education.

When the Head of the GVces presented the Center's teaching concept at the Transcultural Leadership Summit 2018 at Zeppelin University and invited German students to participate, it became clear that there was a lot connecting both organisations, not least their experience and joint ambition to educate young people to become responsible decision makers. On the side of the Brazilian business school, the methodology known as "Integrated Education for Sustainability", which was developed on the basis of the Principles of Responsible Management Education (PRME), represents a comprehensively elaborated toolbox that has been successfully implemented in various settings and experienced by numerous cohorts at undergraduate and graduate level since 2009 (cf. Aguiar et al. 2020). Combining trans-disciplinary principles with teaching formats for formal, experiental and sensitive learning, the integral development of the students, including their ability to reflect on their relationships with themselves, with others and with their environment, is promoted by this methodology (ibid.: 52). As far as the German university is concerned, several "Global Studies Projects" have been carried out since 2016 as part of the so-called "Transcultural Caravan". These projects enable students to develop their transcultural competencies and provide a platform for exchange and mutual learning about the conditions that make cross-cultural cooperation successful (cf. Wieland & Baumann Montecinos 2019b). Practical experiences of cooperation in transcultural contexts are at the heart of the format, which aims to provide students with insights into actual complexities, the productive potential of cultural and disciplinary diversity, and the recognition of local expertise in international projects. The combination of these experiences and strengths of both organizations within the framework of the present project meant that the lecturers and students participating became part of a joint experiment – a transcultural expedition to address issues of sustainable development in the Amazon region.

1. *Relational Leadership for Sustainable Development*

The approach of Relational Leadership as presented in the introduction to this book (cf. Baumann Montecinos & Geraldo Schwengber 2020. In this volume) offers significant perspectives on the topic of sustainable development, which were to be experienced and reflected on by the students involved in the present project. As the theoretical foundation of their studies, a relational view of sustainable development is aligned with current research approaches indicating that the economy, society and nature are in a complex relationship of mutual influence and that all human activities, including economic ones, are embedded in their respective context (cf. Aguiar et al. 2020: 54f.). Correspondingly, the term "ecocentrism" refers to the insight that humans do not dominate nature, but are connected to it and that "the environment, communities and people shape each other in mutually defining ways as they interact in lived experience" (Allen, Cunliffe & Easterby-Smith 2019: 789). Within such a relational perspective, "sustainability has to do with our capacity for overcoming the primacy of fragmented, individualized and idealistic forms of perceiving, knowing, managing, leading and ultimately living our realities" (Aguiar et al. 2020: 55) and, as such, with the willingness and the ability to navigate through complex and dynamic networks of cooperation. These competencies are continuously developed in ongoing learning processes, and they refer in particular to the ability to embrace new and complex forms of cooperation as well as to recognise local expertise and to approach it with an attitude of non-normative observation and a focus on common ground, especially in the global context (cf. Wieland & Baumann Montecinos 2019a). More precisely, relational leadership builds on the willingness and ability to deal with polycontextuality, polycontexturality and polylinguality productively and to the mutual benefit of all involved. To be able to adapt to, and act in, different contexts that are interdependently intertwined in cooperation networks (polycontextuality), to deal with different rationalities, systems of meaning and decision logics (polycontexturality) and to have the communicative skills to translate such polycontextual and polycontextural constellations into one's own reference system and to derive new meanings from them (polylinguality) are all attributions of the relational economics approach to successful leadership (cf. Wieland 2020: 11f., Wieland & Baumann Montecinos 2018: 22). Against this conceptual backdrop, analysing the importance of such competencies for future leaders and enabling students to experience corresponding learning processes lies at the heart of the joint teaching format of GVces and LEIZ. The objectives of the expedition to the Tapajós River in the Amazon region all stem from this ambition.

2. Why Bring Students to the Amazon?

In order to integrate the previous conceptual remarks into the concrete design of the joint study program "Tapajós: A Transcultural Expedition" for Brazilian and German students, the following parameters were formulated. These were intended to specify the objectives of the program as a learning experience where students could directly interact with part of the Amazon territory and its local inhabitants, with the whole group and with themselves in order to stimulate engagement, wonder and formal knowledge about sustainable development as well as to promote cultural exchange, joint learning and cooperation between Brazilian and German students. As a complementary dimension, the students were also to called upon to reflect on the program itself in terms of developing their own leadership skills.

On that basis, the objectives of the program can be summarized as follows:

- To provide an integrated learning experience that allows the expansion of perception about reality (self, the other, the environment) and its complexity, promoting activities that stimulate cognition, senses, emotions, relationships and the body.
- To present and make tangible, through experiential, collective and theoretical learning, questions that permeate the concepts of sustainability and sustainable development, including interdisciplinary perspectives.
- To promote field research and reflection on development models that are prevalent in the territory visited, connecting with different realities and social players (companies, local communities, NGOs, etc.) and thus observing and identifying the systemic impacts and influences of decisions / actions by public, private and non-governmental organizations, as well as individuals, on local and global sustainability.
- To develop critical thinking that integrates perspectives on the environment, society, economy, politics, ethics and human values.
- To understand the importance of articulation and dialogue in the search for convergence of interests between the different players involved in a given context.
- To mobilise and carry out actions in order to incorporate sustainability into their reflections and practical actions.
- To exchange within the Brazilian-German group as well as with members of the Tapajós communities on a common understanding on sustainable development concepts.
- To reflect on their own learning experience and the developed competencies, both individually and collectively.

Building on the shared experience based on these objectives, the Brazilian and German students then worked on their research projects. The results of these projects are presented in this book, and their research questions and contents are outlined in the following section.

3. *A Research Program as a Transcultural and Interdisciplinary Puzzle*

Collective work on a common research question and breaking it down into different sub-projects that contribute to it and finally presenting a big picture like pieces of a jigsaw puzzle is at the core of the format of the Transcultural Student Research Groups, and thus also of this case study. Entitled "The Relations between Future Leaders and Traditional Communities: Learnings from the Transcultural Expedition to the Tapajos River", the research interest on relational leadership for sustainable development was dealt with on two different levels. On the one hand, the forms of leadership and cooperation for sustainability that could be observed in the local communities during the expedition was at the heart of the research projects of the Brazilian and German student teams, especially in the two groups dealing with social innovation and with moral goods. On the other hand, reflection on the students' own learning processes, taking the study program itself as a case study, was to be examined as a second level of examination of leadership in terms of the corresponding competencies that such a program might develop.

In particular, these research topics were covered as part of this project:

- Relational leadership education: teaching relational competences along the concept of Theory U (Antonia Reckhenrich, Sofia de Freitas Santiago Vieira and Marcela Marson Pereira)
- Does a university field trip affect the state of individual resources that are crucial for the success of cooperation? (Emmanuel Kolling and Ella Sophie Weber)
- How can we educate future leaders via cultural exchange within Brazil (Enkeloeda Eickhoff, Maya Shimabukuro Kusakawa and Ana Luiza Soares)
- Social Innovation at the Amazon (Oskar Burmann, Pedro Luis Carvalho & Thais Morais)

– Moral goods in the Brazilian Amazon. Governance of preservation costs (Lukas Törner and Pedro Santanna Pinheiro)

These chapters, co-authored by Brazilian and German students from different disciplines, not only present a multi-faceted picture of this research project, but also give an impression of the potential of such a teaching concept of experiential, transcultural learning in global contexts.

Our thanks go to Marcio Halla of Ecotoré for his excellent work in preparing and enabling the expedition and to the inhabitants of the communities who welcomed us very warmly and who made this special learning experience possible.

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Relational Leadership Education: Teaching Relational Competences Along the Concept of Theory U

Antonia Reckhenrich, Marcella Marson Pereira and Sofia de Freitas Santiago Vieira

1. Introduction

In recent years extensive research has helped top athletes and championship teams to achieve peak performances through mental techniques such as visualization or deep awareness. Similar research, however, has barely been conducted when it comes to leadership (cf. Scharmer 2019). But if we want to educate future leaders about good leadership techniques for Relational Leadership, the right mindset is of the utmost importance.

Against this background this chapter combines Relational Leadership theory with Theory U to analyse how relational leadership skills can be fostered through the principles of Theory U.

The case study "Relations between Future Leaders and Traditional Communities: Learnings from the Center for Sustainability Studies' Programme" offered the opportunity to learn from the decade-long experience in experiential learning of FGV-EAESP, who have utilized the concepts of Theory U by Prof Dr Otto Scharmer and Transdisciplinarity by Prof Dr Basarab Nicolescu in their Integrated Education for Sustainability (fis). Theory U proposes a method to change past patterns and behaviours by shifting the attention to the so-called "blind spot of awareness" (cf. Scharmer & Kaufer 2013: 3-4; Scharmer O. 2007: 28-31). It offers the opportunity to address core thought patterns such as the motivation for cooperation. Developing the necessary competences in young future leaders directly affects future decisions towards a more collaborative, long-term thinking – decisions that shape the future of our society. Therefore, the following research question arises: What are the critical aspects of utilizing Theory U to teach Relational Leadership practically in university education?

Based on experience and research conducted during the immersion week, the research question is answered by introducing the necessary background information on Relational Leadership Theory and Theory U. It is followed by a description of a unique experience on the third day of the trip which represented a turning point for all participants in the program. Alongside this example the core findings and the implications for relational leadership will be explained. The conclusion points out limitations, summarizes and rounds off the chapter.

2. Theoretical Background

2.1 Relational Leadership Theory

According to Relational Leadership theory, actors involved in specific transactions while collaborating pursue mutual interests (1), employ their resources in the transaction (2), thereby shaping a nexus of stakeholders (3) (cf. Wieland 2018: 9-29). They cooperate to increase their individual rent by an amount that exceeds their regular factor income. The cooperation rent originates from joining forces within the cooperation (cf. Wieland 2018: 193-210).

The relationing of stakeholders requires actors to possess a certain set of individual competences and resources that are required for cooperation. These resources are split into willingness and ability to cooperate (cf. Wieland 2018). The former is composed of a preference for continuity and reciprocity, while the latter consists of integrity, consensus ability, resource specificity and transcultural competence. Table 1 summarizes these six competences briefly[1].

[1] A detailed description can be found in the chapter by Weber & Kolling (2020) in this book, as well as in Wieland (2018).

Table 1: Necessary Individual Resources for Successful Cooperation

	Resource	Description
Willingness to Cooperate	Continuity	Preference for long-term relationships Lowering of transaction costs
	Reciprocity	Performance and consideration must be balanced over time
Ability to Cooperate	Integrity	Ability to live up to values in practice (i.e., refrain from opportunistic behaviour)
	Consensus Ability	Willingness for long-term reciprocal behaviour
	Resource Specificity	Imitability and substitutability of a resource which define its relevance in the resource pool
	Transcultural Competence	Ability to deal with cultural differences in global value chains (GVC)

Source: Adapted from Wieland (2018: 222).

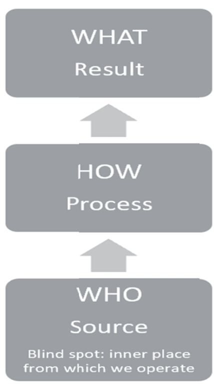
If future leaders are supposed to lead on the basis of Relational Leadership, they need to develop these six resources to enable fruitful cooperation. Wieland's approach for Relational Leadership has mainly been developed in theory. Accordingly, it has been taught within a formal university context.

The cases that were tackled by the Transcultural Student Research Group 2019 offered a unique opportunity to examine how this theory could be applied in practice. The research for this paper started with the question of how Relational Leadership could be taught through practical methods outside the classroom. Wieland's theory builds on the assumption of a general positive attitude towards potential cooperative partners due to the expectancy of a cooperation rent. In practice, however, this rent often consists of intangible benefits that only become apparent in the future, while the cooperation costs might be instantly visible. This imbalance can hinder the formation of cooperative relationships. How can the willingness to cooperate be sparked and promoted in people who fail to see the benefits of collaboration? Only once the willingness to cooperate is established, the ability to cooperate and to engage in long-term relationships needs to be tackled.

2.2 Theory U

Building on the works of Peter Senge at the MIT Centre of Organizational Learning (Scharmer & Kaufer 2013: 17), Otto Scharmer developed a "social technique for transformational changes" (Scharmer 2007: 27). Its core pillars are joint awareness, a joint formation of will, joint presencing and joint experimenting. The aim of the process is to "develop a different way of how to act" (ibid.: 70) and is supposed to assist leaders in innovation and change-making processes. Instead of relying on past experiences and mindsets, which were previously unable to provide answers for the complex problems of today, Scharmer argues that solutions can be found by connecting the current Self with a higher potential future Self (ibid.: 65).

Figure 1: The Blind Spot of Leadership



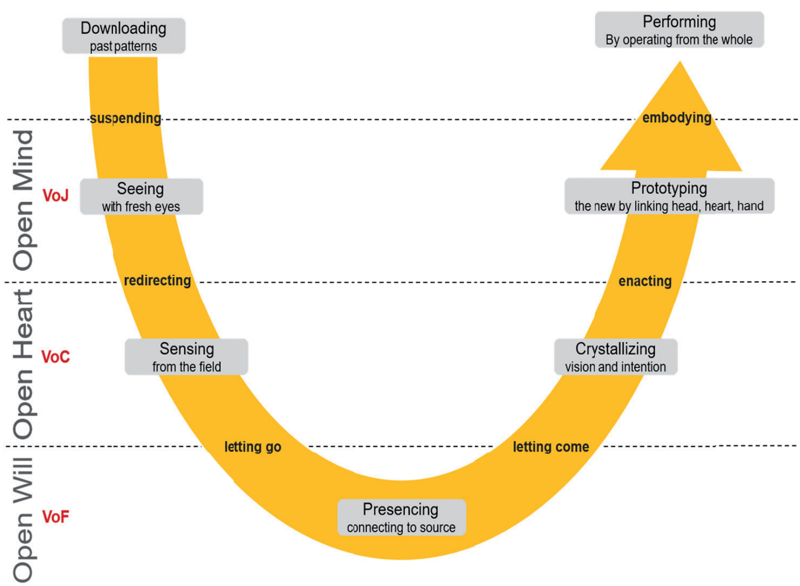
Source: Adapted from Scharmer & Kaufer (2013: 19).

Through the connection, future possibilities become apparent which enable one to learn, act, and lead from the emerging future. To achieve this unusual state of mind, the focus needs to shift from what people usually observe, the result (What) and process of how this result was achieved (How), to the original source from which people operate (Who) (Figure 1), which he refers to as the "blind spot" of awareness (cf. Scharmer & Kaufer 2013: 3-4; Scharmer 2007: 28-31). Instead of focusing on the context, the Self within it is observed. By tackling this lack of awareness, past patterns can be broken, whereby space is created for truly new and innovative behaviours and results.

The U process includes three grand movements. The downward part on the left-hand side encourages one to observe, observe, observe and therefore deconstruct old patterns and barriers. The bottom of the U refers to a time of silence to reflect and to let new things grow within. The right side, the upwards part of the U refers to acting immediately on the resulting impulses and creating something new.

These general movements are sub-divided into seven actions named “rooms of awareness” with thresholds between them (Figure 2).

Figure 2: Theory U



Source: Adapted from Scharmer (2007: 66).

Downloading (1) refers to the non-reflected state of mind in which people only focus on information that supports their current beliefs and thought processes. By being able to suspend these common patterns, seeing (2) with fresh eyes is enabled, which, in general, is easy but can be painful. People begin to perceive the whole system from an abstract level. Sensing (3) is the next stage where people begin to act from a present whole that includes not only the abstract level (what it does to one) of the system, but also an inclusive perspective (what one does to it) (cf. Senge 1994). Presencing (4) represents the bottom of the U and the centre of the process. Scharmer coined this neologism from the words "presence" and "sensing". People at this stage begin to not only act from the *present whole*, but also from the *future whole* by connecting both Selves. They find their inner source of knowledge and operate from the emerging future which can be compared to "in the zone" moments (cf. Scharmer 2019). This profound upheaval of inner logic patterns requires a tremendous amount of energy and therefore has to be followed by a time of silence in order to let the dust settle. Through Crystallizing (5) the space that has opened after deconstructing former fixed patterns begins to fill. At this stage there is no exact picture, only ideas that can change again. If the person stays connected to the source, more concrete ideas develop that need to be tested and adapted through Prototyping (6). Finally, such prototypes must be brought into reality through Performing (7) where the context adapts to it.[2]

For each of the seven actions, Scharmer defines three to four principles that accompany the stage. While the whole process occurs within oneself, it can be promoted by undergoing it with a group (cf. Scharmer 2007, 2019; Scharmer & Kaufer 2013).

Through these stages, awareness shifts from the centre of the context towards the outside and later expands to include the whole. Instead of acting from the ego-system, people act from the eco-system where the well-being of the whole is the centre of attention (Scharmer & Kaufer 2013). A long-term, sustainable perspective and an understanding of how one action can affect a wide variety of stakeholders, key ideas of Relational Leadership, may be part of such a holistic understanding. The sooner young leaders of tomorrow experience this concept as part of their education, the more likely they are to utilize the concept itself, as well as the newly gained insights. This is where the key benefit of applying Theory U to Relational Leadership education stems from.

[2] VoJ, VoC and VoF refer to the "Voices" of Judgement, Cynicism and Fear. They represent the three potential enemies to the instruments of Open Mind, Heart and Will which ought to be harnessed when undergoing the U process.

3. River Community Visit

A highly significant moment experienced during the immersion week by all members of the research group represents the unity of analysis to demonstrate how Theory U can be applied to foster the development of Relational Leadership skills. This moment was chosen as it represents the Presencing stage and most of the necessary elements of the previous stages can be explained.

On the third day, a visit was scheduled to a community which is very remote and difficult to access, both physically and via communication. Accordingly, contacting representatives to schedule a visit proved difficult for the local organizer, since word of mouth is the main means of contact. In addition, travel to the community had to be planned precisely since the main boat the group was staying on was not able to navigate the tight river to the community. Instead, the group had to undertake part of the journey in smaller crafts. For security reasons, the group's departure was scheduled at a fixed time, since navigation out of the area was only secure before sundown.

Upon arrival, a misunderstanding arose. The community assumed that the group would arrive the following day, meaning that the Cacique – a term used for the political leader of an indigenous community – and other members of the community were not on hand to receive the students and answer questions. While the Cacique was being notified about the group's arrival, the students were able to find out about the community and talk to other inhabitants about their way of life.

The size of the territory meant that it took the Cacique some time to arrive at the village, leaving only fifteen minutes until the group's departure. Instead of following the original plan to show the students the borders of the indigenous land where the extent of wood logging is visible, the Cacique used the remaining time for a speech about the ongoing conflict between the traditional population and agricultural companies.

The Cacique began by criticizing the circumstances that forced him to speak for a specific time instead of showing the group around the borders of the community's area where the extent of wood logging would have become apparent. In his opinion, he should have been allowed to make the rules rather than the guests and his understanding of being a leader included addressing this fact despite it creating an uncomfortable situation. This statement provided an interesting insight regarding the way tourism is practiced in the region, where the terms are often defined by the will of those visiting rather than those are being visited. This observation was not expected but nevertheless triggered new learnings about transculturality. The intention behind what is said and done can differ immensely in how it is perceived by other people. Additionally, the concept of time varied between the group, used to chaotic lives in cities, and the community, who live at a different pace. This observation was made without preference or judgement and is simply another insight gained from the context.

The group later described the Cacique’s voice as sad but strong at the same time when he addressed the state of the forest from his point of view: “The face is happy and beautiful, but the heart is sad.”

For him, the group had only seen the beautiful face of the forest, where no human impact can be observed from the riverbanks but they had failed to see the sad heart where excessive wood logging could be seen. The Cacique would have liked to show the group the efforts of the community to monitor the land’s limits and protect it from illegal deforestation. By personifying the land in his speech, the importance of the territory to the community became apparent. He elaborated further on how much the life of indigenous people depends on nature, which offers them everything they need for their lives thus making it apparent why it needs to be protected. The Cacique described how much he himself had had to sacrifice for this purpose. He had suffered serious violations such as being kidnapped, tortured twice and having his house burned down as a result of the dispute with the wood logging companies. Nowadays his residence is hidden, and he requires a police escort when going to the city.

The whole site visit affected the group considerably, since we met people who gave real examples of injustice and neglect towards the indigenous communities, namely the lack of basic health services or the difficulties with the land demarcation process. Furthermore, the Cacique presented an inspirational example of leadership. The group was impressed that he not only addressed matters from a political, but also from a cultural, spiritual, and emotional perspective. The circumstances that enabled only a fifteen-minute talk led him to focus only on the most relevant aspects, which increased the impact of his words on the visitors. The learnings included insights about how traditional knowledge should be legitimated, how fragmented mindsets are the main reason for many problems that the world is currently experiencing and how exercising empathy is more difficult and rarer than ever. Furthermore, many students understood the importance of transculturality for future leaders, since it offers a solution to many of these topics by encouraging us to look at things from a different perspective.

The visit to the River Community was discussed at great length during a reflection session on board. The facilitators actively guided the students to "deep dive" into their emotions by opening up the round for people to express how they felt after hearing the Cacique speech. This resulted in a very emotional session with participants crying as a consequence of the intensity of the experience.

4. Combining Theory U with Relational Leadership

While this site visit certainly had an impact, it affected the students to an even higher degree. Why was this the case? How did the group reach the unique stage of Presencing on the third day? This can be explained when diving deeper into the steps of Theory U along which the program was structured. Each stage of the process of Theory U is defined by several principles[3]. Before the start of the program, at an introductory session in São Paulo, the students were set in a Downloading mindset where past thought patterns mainly shaped their behaviour and thinking[4].

4.1 Seeing Stage

To initiate the Seeing stage the (1) intention and resulting questions were always clarified for the trip in general, as well as for each site visit. In all cases the objective was to learn as much as possible and the students were prepared in group sessions before each visit. Furthermore, the (2)

[3] The principles for each stage will be marked with numbers in the following section. An overview can be found in Table 2.

[4] Since all students were highly affected by the learning journey, even students, who generally think past themselves and observe their impact on the surrounding context, can be classified as being in the Downloading stage compared to after the trip.

living context was entered through the site visits. Additionally, the circumstances encouraged the students to (3) pause and suspend old habits of judgement and thinking. This can be promoted by moments of amazement which were introduced through the very different living situation of the community as well as the content of the Cacique's words. It is also strengthened by experiencing collectively.

Table 2: Overview of Rooms of Awareness and their Respective Principles in the U-process

Room of awareness	Principles
Seeing	1. Clarifying question and intention 2. Entering most important contexts 3. Pausing and suspending old habits of judgement and thinking
Sensing	1. Creating a physical, temporal, relational & intentional space 2. Immersion in the field 3. Redirecting awareness 4. Activating emotions
Presencing	1. Letting go 2. Inversion 3. Allowing the authentic Self to come into the world 4. Power of the context
Crystallizing	1. Power of intention 2. Letting come 3. Opening for the deeper will 4. Place of awakening
Prototyping	1. Connecting with inspiration (vertical connection) 2. Maintaining dialogue with the universe (horizontal connection) 3. Failing early to learn quicker 4. Building runways for the future

Source: Own elaboration. Adapted from Scharmer (2007).

Scharmer proposes three steps for collective Seeing (Scharmer 2007: 134-148). People need to (a) listen and then (b) relate to new information. This was encouraged by several exercises that the facilitators of the program had introduced beforehand, where special attention was aimed at non-normative, open-minded listening. The information then needs to be (c) evaluated jointly. This step was accounted for in the reflection sessions after every site visit and equally after the visit to the River Community.

4.2 Sensing Stage

It was possible to see that the students had reached the Sensing stage by the third day since their questions were more thoughtful and with more reflection. The topics were no longer limited to rather trivial areas such as the living standards of the people in the area but moved to spiritual and ethical aspects of their lives. This was promoted through the program by (1) creating a physical, temporal, relational and intentional space. The temporal space was provided by following the U-process, while the intentional space was present through the common goal of learning together. A lot of effort went into establishing a fruitful relational space by creating a well-functioning organizing team that trusted each other fully, as well as an environment that promoted trust within the whole group. Examples for this were the lack of privacy on board, the sleeping situation in hammocks, group activities and many situations in which students had to help each other out. The research proved that the reduced physical space was an essential factor for the learning experience. Neither internet nor phone connection nor luxuries distracted the participants, which supported them in fully (2) immersing themselves in the field that they were observing. Additionally, the (3) awareness was redirected from the object to the source by scheduling site visits with more trivial subjects, such as food production, at the beginning of the trip and building up the intensity of the topics from there. Through the story of the Cacique the (4) emotions of the participants were activated. Additionally, the facilitator brought them to a peak in the reflection session after the River Community site visit by actively asking the students to express their emotions.

4.3 Presencing Stage

The speech and the reflection session afterwards represented a turning point in the journey for all participants by reaching the Presencing stage. By fully (1) letting go of their ego-centric perspective, they allowed room for the eco-centric view. The students referred the information back to their own actions and wondered how they could help change the situation of the indigenous people for the better. The whole group felt very shaken and as if everything was upside down after the events of the day[5] , the moment of (2) inversion. While the stage of Presencing is quite abstract and difficult to understand, it can be felt through the body by a higher energy level and agitation. At the same time the need for silence to process arises, which was accounted for on the next day with no scheduled activities. This eye-opening experience allowed the (3) authentic Self to come into the world, where the present Self connects with the future possible Self. The students not only understood the complexity of the issues of the River Community, but truly grasped the concept of stakeholder networks. A seemingly separated business decision of a leader in a city such as São Paulo does have an effect on the lives of real people in a completely different part of Brazil such as the Amazon. While this idea might be clear to some in theory, it is something else entirely to experience such a drastic example of one-sided business decisions first-hand. This explains (4) the power of the context, which serves as an effective live classroom. The village representatives whom the group met were part of this context, where the students could learn about leadership implicitly, through their actions, and explicitly, by asking questions.

4.4 Crystallizing & Prototyping Stages

The remaining stages of the U-process focus on how this shift in understanding and mindset can be used to create something new. Since this journey was only an adapted version of the full program that FGV

[5] Due to the time constraints during the site visits the group deferred the translation of the speech from Portuguese to English for the German students to the reflection session on board. Accordingly, the German participants were affected mostly during the group meeting, while the Brazilian students experienced the same effect during the speech.

EAESP offers, this side of things fell rather short. The following group sessions included exercises to apply this new knowledge to the concept of good leadership practices in general and Relational Leadership in particular. Yet, no specific idea grew out of the learning journey that the whole group put into practice. The research revealed, however, that certain students went through the stages of Crystallizing and Prototyping themselves by promising changes in their lives in the wake of the journey. Two participants adapted their criteria for job hunting by focusing on more sustainable companies and organizations that demonstrated long-term thinking.

The lack of the upward steps of the U-process on the program can be criticized. Yet the business world is adapted to using such an energy as created by the Presencing stage. The difficulty is to making people understand and build up such energy and willingness within them to change something for the better. The remarkable aspect about Theory U lies in the fact that it can create this energy and tackle fundamental thought patterns. If facilitators want to educate future leaders about Relational Leadership, they need to address the willingness to cooperate. If this is not present, one fundamental belief needs to be changed. This is why Relational Leadership education can prosper from adapting Theory U as a method since it offers a way to solve this issue.

5. *Learnings from the Experience*

University education is torn between science, practical experience and the person (cf. Huber 1983). Currently, a paradigm shift in university education can be identified. The institutions are not merely responsible for imparting knowledge, but additionally for developing competences (cf. Elsholz 2019). This also applies to leadership competences such as the six individual resources that are defined by Wieland.

This section summarizes the main research findings juxtaposed with a discussion regarding their implications for Relational Leadership.

5.1 Willingness to Cooperate

Willingness to cooperate needs to be sparked or strengthened before the ability to cooperate can be addressed. Understanding the theory might be convincing enough for some to promote cooperative behaviour. It is questionable, however, whether a purely theoretical approach is sufficient to spark enough enthusiasm. Studies have proven that experiential approaches to learning are far more successful when it comes to embracing a leadership identity (cf. Hempsall 2014). The immersion week offered by FGV EAESP provides a method where the key is to observe stakeholder relations and networks within a context that seemingly[6] has nothing in common with the context that the students are familiar with. Such an environment aids the participants in their learning experience as it is easier to distance themselves from old thought patterns. Learning in a completely unfamiliar context makes it more difficult to jump to conclusions and offers a real chance for non-normative observation. To uphold this affect, the facilitators must minimize any prior input and simply promote active listening. To reduce any external influence on the individual observation, additional information should only be given after the visits, during discussion. (1) The first learning from the case, therefore, is to teach the Relational Leadership basics through, and within, an unfamiliar context.

How can the preference for continuity be sparked? Observing successful cooperation in the living context provides learners with real-life examples. It is easier to observe relationships in a reduced setting such as the Amazon region where relationships are more transparent. In line with the transaction cost theory, short-lived transaction thinking, such as that of logging companies, and the lack of cooperation can be rated negatively, with the wish for continuity, long-term and inclusive thinking as the only plausible conclusion. (2) The power lies in the second learning, which is to combine theoretical knowledge with practical observations, through reflection sessions.

Reciprocity is based on the ability to feel empathy for others. The setting and living situation, regarded as the physical space in Theory U, automatically required and prompted the group to think of one another,

[6] A closer observation of the stakeholder relations reveals of course that actions and decisions in São Paulo do affect the people in the Amazon as well.

such as speaking in low voices when others were sleeping on board. While contact between the people was maximized through the (lack of) physical space, distraction through external factors such as social media was minimized. (3) Accordingly, the third learning for Relational Leadership education is to provide a basic and minimalist setting[7] .

5.2 Ability to Cooperate

Integrity can be learned from role models (cf. Brown & Trevino 2014). Accordingly, a program to teach students about necessary Relational Leadership competences should consist of contact with many people who possess these individual resources. Integrity could be specifically observed in the Cacique when he spoke about standing by his values of protecting his people even though his safety was constantly at risk. He also stood by his understanding of leadership when addressing the lack of time for his speech. Furthermore, it can be argued that the facilitators of the program behaved with great integrity as well, since all were able to separate their own opinions from objective knowledge and did not hesitate to own up to any mistakes that occurred during the program. These examples encouraged the students to behave with similar integrity themselves. (4) The next learning, therefore, is to teach Relational Leadership through relational leader role models.

To develop the consensus ability, participants need to be put into a position that requires them to find compromises. Again, the living conditions and setting played a crucial role for this objective. It was additionally encouraged by creating the research groups with the common goal of answering individual research questions, where cooperating and finding consensus was crucial throughout. (5) Introducing group projects, therefore, is the fifth learning from the case to advance the students' Relational Leadership competences.

The individual resources specificity is comprised of the character and any experiences and knowledge. Therefore, any further learnings that the students acquired during the trip, especially regarding leadership, add to their individual resource pool. The program would have benefited,

[7] This concerns the living conditions, not the richness of information and input of the context.

however, from more possibilities to practice leadership by Prototyping, as proposed by Theory U. The limited time of one week meant this was hardly possible. The German participants who introduced their research questions automatically took the leading roles within the groups and therefore had more opportunity to practice their leadership capabilities. (6) The sixth learning, therefore, is to provide Prototyping opportunities for the students to test their Relational Leadership competence. One example could be to encourage involvement in student clubs, since research has proven a positive correlation between joining such organizations and leadership quality (cf. Smith & Chenoweth 2015).

The final resource to be trained is transcultural competence, based on the transcultural approach (cf. Wieland & Baumann-Montecinos 2019). Leaders need to be educated in understanding polycontextuality, polycontexturality and the ability of polylinguality[8]. To achieve transcultural learning, three steps need to be followed: Observe without judgement, recognize differences and common points and create new commonalities. The learning journey was aimed at understanding different realities of the stakeholders in the Amazon region. Through the diverse background of the students on the one hand and the visits in the communities on the other, the participants constantly had to use different language games, practicing their polylingual ability[9]. An example of this is to formulate questions in a way that can be understood across cultural boundaries. Additionally, the facilitators sensitized the students to active listening and non-normative observations through exercises and the reflection sessions. (7) Another learning is to create diverse, transcultural learning groups within a transcultural setting to teach Relational Leadership.

5.3 Further Learnings: The Role of Emotions and Trust

Emotions generally have high impact during learning processes (cf. Hascher & Brandenberger 2018; Pekrun 2018; Geppert & Kilian 2018).

[8] For a description of these three terms see Wieland (2018).

[9] Polylinguality is required to compare, understand and integrate different contexts and their resulting rationalities and to develop a pattern of communication that is understood by all actors from different meaning systems (Wieland 2018: 12, 19, 25-27)

As described in the previous section, they are key for reaching the bottom of the U, the Presencing stage, where the connection between the present and future Self, and therefore the connection to the source, is formed. They are vital to achieve a significant shift in the participants, to break common thought patterns, to convey the relevance of Relational Leadership and therefore tackle the willingness to cooperate. Without the emotional peak that was sparked by the Cacique's speech, the students would have not connected with the need for good leadership in the same way. (8) The involvement of emotions is therefore an essential aspect for successfully teaching Relational Leadership competences.

Trust is a basis for Relational Leadership and essential to such an expedition in unfamiliar territory. Many studies have proven the correlation between a trustful environment that provides room for making mistakes and learning from failure (cf. Carmeli et al. 2011). Through group exercises and the general behaviour on board, a trustful environment was created. This enabled the participants to fully open up to their emotions, as well as enabling controversial questions to be raised. This significantly increased the intensity of the learning experience. (9) Accordingly, the ninth and final learning from the case is to create a trustful environment for teaching Relational Leadership.

These nine findings can be clustered into three sub-categories of values, frame and method as follows.

Table 3: Criteria for Practical University Education Programs for Teaching Relational Leadership Competences

Values	Frame	Method
Transcultural diversity	Unfamiliar context	Role models
Trustful environment	Minimal setting	Group projects
Emotion involvement	Reflections combining practical & theoretical knowledge	Practical knowledge application

Source: Own elaboration.

The values ought to be present at all times during any program that is aimed at advancing Relational Leadership competences. The learnings that were summarized as the frame regard critical aspects during the expedition that significantly supported the students' learning. Similarly, three methods were deducted from the trip that furthered the effect of the experiences. The three categories move from the general to the specific. While the values are essential, without which relational learning cannot take place, the methods were specific to the case and could be replaced or complemented by other methods.

6. Conclusion

This paper analysed how adapting Theory U to an educational program for leadership significantly impacted on the learning experience of the program's participants. The expedition lasted one week, which resulted in a very condensed and intensive experience. This time restriction did not allow for a common project to grow out of the experience that would have ensured a long-lasting effect. Nevertheless, the impact of the program on the students was undeniable and nine learnings were deducted from the case for future programs with the target of teaching Relational Leadership. Those meta-learnings can act as core parameters for intensive programs such as this expedition but can also be adapted to smaller day-to-day learning processes. Theory U fills the gap between the convincing theory of Relational Leadership and the practical issue of leadership education by lighting the first spark of willingness to cooperate. It can help facilitators educating future leaders to move towards more long-term and therefore sustainable thinking. Let us help students understand the concept and tackle global problems together in cooperation as relational leaders.

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Does a University Field Trip Affect the State of Individual Resources that are Crucial for the Success of Cooperation?

Ella Sophie Weber and Emmanuel Kolling dos Santos

1. Introduction

In economic theory there is currently intensive discourse on the state of the global economy (cf. Institute of German Economy Köln 2020). It can be stated that globalisation and digitalisation are the megatrends of the 21st century (cf. Horx et al. 2018). This means that they have already transformed global society fundamentally and that this development is likely to continue. The transformation is taking place in all areas of society and leading to far-reaching changes in the global economy (Ibid.).

The classic economic model, in which added value is created by individual and independent economic organisations, no longer reflects reality, according to Josef Wieland's theory of Relational Economics. Instead, transnational corporate networks are becoming more important because they can react dynamically to a constantly changing environment. This change results in new organisational forms, such as strategic alliances, joint ventures and corporate networks (cf. Wieland 2018: 15).

These networks focus on cross-organisational and mutually beneficial cooperation. The benefits can be, for example, joint use of resources, competitive advantages and ultimately securing one's very existence in dynamic times. However, to realise as many advantages as possible, cooperation must work optimally. In this context, human beings are essential, because they are the basis for, and the driving force behind, all cooperation.

For successful cooperation, an individual must have the willingness as well as the ability to cooperate, which are expressed in individual resources (cf. Wieland 2018: 222). Favourably, humans are learning beings, so one can assume that their willingness and ability to cooperate can be improved. Especially for students of a university who are in a phase in which they want to and can learn a lot, it seems possible to optimise cooperation. There is broad agreement in research that individuals can develop further (cf. Specht 2018). However, there is insufficient research about the way in which resources are progressed.

Since there is a research gap, this project aims at exploring the development of individual resources for successful cooperation. To contribute to the research stream the project was designed around the following research question: Does a university field trip affect the state of individual resources that are crucial for the success of cooperation? It addresses the topic from students and their perspective.

The research question is to be examined on the basis of the university field trip "Tapajós – A Transcultural Expedition".

The findings presented in this article are intended to make a research contribution to the scientific discourse on improving cooperation between individuals. It explores to what extent the field trip in its current format develops the resources that are necessary for cooperation. According to the theory of Relational Economics these resources are: preference for continuity, reciprocity, integrity, ability to reach consensus, transcultural competence and resource specificity (cf. Wieland 2018: 222).

This work is, owing to the research question, divided into a theoretical and an empirical part. Finally, a summary is drawn.

2. Theory

In this first part a theoretical introduction to the concept of Relational Economics by Josef Wieland is given. In the course of this introduction, based on the theory, the individual resources that are decisive for the success of cooperation are presented.

2.1 Theoretical Background of Relational Economics

The basic unit of Relational Economics is a Relational Transaction (RT). For this type of transaction, it is characteristic that the different contexts of the players, their decision logics and language games are taken into account in the execution. This leads to the assumption that a "transaction (is) a meeting place of multiple contexts, a dynamic attractor, and: an interaction of polyvalent contexts and decision logics under […] competition" (Wieland 2018: 248, own translation).

Relational Economics is based, among other things, on a social and epistemological theory that is built on the system theory of Niklas Luhmann (cf. Wieland 2018: 25). Based on Luhmann, for Wieland the following features apply to all systems: First polycontextuality which denotes the fact that "societies consist of many systems, which build for each other environment, existence and operating condition" (Wieland 2018: 25, own translation). Another characteristic is the polycontexturality. This describes the fact that economic actors must be able to connect and act in different contexts. In addition, social systems, according to Luhmann (1987), are created and maintained through communication. This implies that language modes are central to Relational Economics. Organisational and psychic systems communicate polylingually. This means they have the ability to communicate events in different language games, reconstruct and contrast them with their own logic (cf. Wieland & Baumann Montecinos 2018: 22).

The essential basis for polycontextual, polycontextural and polylingual RT in networks is cooperation. Cooperation is not only the foundation for RT, it also enables a cooperation rent to be earned. Finally, this leads to the fact: the better the cooperation between the individual members of a network, the more profit is generated.

The potential for value creation in a network therefore depends on the realizable cooperation opportunities. The realisation of the cooperation opportunities is, in turn, determined by the willingness and ability of the individual actors to cooperate (cf. Wieland 1998).

2.2 Individual Willingness and Ability to Cooperate in Relational Economics

Willingness to cooperate describes “the willingness of individual actors to participate in a cooperative relationship permanently and for mutual benefit” (Wieland 2018: 217, own translation). It mainly refers to a mental dimension that will show up in individual behaviour later. There are two critical success factors for individual willingness to cooperate.

First the preference for continuity. It denotes “a preference for a long-term commitment to a cooperation project” (Wieland 2018: 223, own translation). The second critical success factor for the willingness to cooperate is reciprocity. In this context, reciprocity is equated with the “willingness […] to work together for the mutual benefit of all parties” (Wieland 2018: 223, own translation).

Ultimately, the ability to cooperate is relevant for realizing the opportunities for cooperation. It depicts the ability of the actors to “co-operate actually and successfully” (Wieland 2018: 217, own translation). The ability to cooperate is determined by the value of a resource that an individual owns and whose value is measured by the contribution that this resource can make to the added value. The result is as follows: the higher the usefulness or productivity of a resource, the higher is its value.

The success-critical resources for the ability to cooperate include four individual resources. The first is integrity. This is a virtue that denotes the ability to live values and not just to have them as mental representations (Wieland 2018). The second individual resource is the ability to reach consensus. It refers to “the understanding and evaluation of others’ interests and the appropriate classification of one’s own interests” (Wieland 2018: 225, own translation) as well as the final relation of preferences.

Another important resource is resource specificity, which is determined by the productivity of a resource within a network. “On the one hand it’s about the professional quality and on the other hand about the imitability and substitutability of a resource” (Wieland 2018: 225, own translation), because these two characteristics determine the relevance of a resource.

Furthermore, global value chains and stakeholder networks require individual transcultural competence. Transcultural competence “describes the capability to deal with cultural differences and diversity” (Wieland

2018: 225, own translation). It enables the processing of polylinguality and polycontexturality.

In summary: In the theory of Relational Economics and the related relational transactions, the focus is on cooperation between actors. The individual identity of those involved is essential for the success of cooperation. In this context, six resources critical to success that characterise an individual are highlighted and discussed. According to Wieland, these resources can be further developed because people are capable of lifelong learning (cf. Wieland 2018: 89). However, the scholar does not specify how the resources critical to success can be further developed. Shedding light on this research gap, the present work has examined how this further development could occur. This was done using the example of a university field trip.

In science there is a consensus that the critical resources for cooperation can be developed further (cf. Specht 2018). However, there is little literature on how this can be achieved. Nevertheless, it is emphasised that educational programmes (cf. Schwaba et al. 2018), transcultural exchange (cf. Grätz 2012), group activities (cf. Haug & Weber 2003) and leaving one's comfort zone (cf. Schwaba et al. 2018) can have a positive influence. The findings suggest that teaching formats that combine the aspects mentioned above are important.

Against this background, a university field trip that meets the aforementioned requirements is of particular interest. Because of the aforementioned research gap, the research relevance of the initially presented question "Does a university field trip affect the state of individual resources that are crucial for the success of cooperation?" becomes even clearer.

In order to solve the research question, in the second part of this article first the method, then the sample and finally the empirical results are presented.

3. Method

In this work, empirical social research is done since the research subject focuses on social action (cf. Richards 2015: 1). A qualitative method for data collection and evaluation is dealt with, because "qualitative methods are ways of studying people and their social worlds by going there, observing them closely, in their natural setting, and learning how they understand their situations and account for their behaviours" (Ibid:1).

The questioning method is used in this case. Owing to the objective of the investigation and the interviews, guideline-based participant interviews were conducted. In addition to the interviews, the qualitative method of actively participating observation was also used. With this combination, the methods complement each other positively (cf. Kvale 2007). The combination of different methods aims to enhance reliability.

The selected interview method generates texts that have been analysed using a qualitative evaluation method. In this case, the documentary method according to Ralf Bohnsack (cf. 2007) was used. Because "the documentary method seems particularly suitable to prevent possible ethnocentrism in the interpretation of data in reconstructive research as well as the restrictions due to static and normative cultural concept" (Evers 2009: 1, own translation). It is always important to evaluate data regardless of the researcher's cultural background.

The documentary method consists of several steps. In the end, an interview comparison concludes the analysis, which ultimately represents the result of the research (cf. Bohnsack 2007).

4. Sample

The data was collected as part of the university field trip "Tapajós – A Transcultural Expedition", which took place from July 19 to July 29, 2019. The focus of the trip was to study the sustainable development of the Tapajos region. In this context, the aim of the trip was to enable the participants to have direct contact with the local conditions, the local population, nature and themselves in order to examine sustainability in practice and from different perspectives.

The sample was composed of four persons, three women and one man, between the ages of 19 and 23. The interviewees were Brazilian and German. On average the conversations lasted 90 minutes. The objective was to have different perspectives to obtain a comprehensive research result.

5. *Empiricism*

The research results are presented in the following. These are grouped on the basis of the previously discussed resources. The results of the research are all based on the interviews conducted and are therefore not marked by indirect quotations.

5.1 *Preference for Continuity*

Preference for continuity is about long-term cooperative partnerships. In this context, all respondents mentioned two aspects. Aspect number one relates to the desire to remain in contact with the members of the group for a long time.

> "I would like to have long-term relationships. But I sometimes lack the energy. [...]. But I really thought through this trip that the meaning of the relationship we got to know there. This intensity, […]. I don't want to lose that. [...]. I really want to do this now". (Interview 1, own translation)

Aspect number two relates to the professional future and is linked to the dimension of environmental protection. The interview partners are willing to commit, in the long term, to a company that is standing up for the environment. They also emphasise that in future when they make professional decisions they want to take greater account of possible consequences for the environment.

> "And I was thinking that when I choose my enterprise, when I am a director of a big company. [...] I would also consider like a lot the long term, not only now. Looking at the consequences and look at the important thing, the resources". (Interview 2)

5.2 *Reciprocity*

The resource of reciprocity, the mutual giving and taking for the benefit of all involved, had a positive impact on the trip. All participants behaved extremely reciprocally. This statement can be substantiated by the following quote:

> "It was that we share and exchange, that was really cool and unbelievable". (Interview 4)

On the one hand on the material level, and on the other hand, on the intangible level all participants greatly appreciated that a lot of help and attention was given to each other:

> "I think that the first thing was to listen to one another. For example, in a conversation, I listen the same way as you listen to me. […]. Every time that somebody listened to my story, I wanted to listen back to their story". (Interview 3)

In particular, the high level of attention that the participants paid to each other was perceived very positively. This is evident from the fact that two interviewees explicitly mention that they want to remain more reciprocal in the future:

> "I think that now that we're back in the city it is a good start for us to do more of that that you say reciprocal helping stuff". (Interview 2)

In the interviews it became apparent that due to socialisation processes, reciprocity was given high priority in the group. It even went so far that the reciprocal behaviour was postulated to a group-specific code of conduct. For one participant, helping each other was part of the group identity:

> "In our group it was probably clear [...] that it was part of the group identity, that you just helped, and the others helped you". (Interview 1, own translation)

The group-specific relevance of this topic had the consequence that the expectation of mutual help grew:

> "So yes, in this group it would be more difficult than in other groups not to help. [...]. With us it was expected that way, it just came about like this, but everyone conforms automatically. And it would stand out very much if someone didn't do it". (Interview 1, own translation)

This means that social control was sometimes responsible for this behaviour, without being perceived as omnipresent and negative.

The group found it easy to live this resource actively. However, it is questionable whether this level will continue among the individual participants in everyday life beyond the exceptional situation of the trip.

5.3 Integrity

Integrity is about knowing and finding one's own values. A deepening of this resource means acting according to one's own values and ultimately fighting for them. The trip offered for all three levels potential for learning and action.

In terms of knowing and finding their own values, all interviewees confirmed a development. The trip apparently offered sufficient inspiration for this. One researcher emphasised that he had done a lot of self-reflection. The reason for this was the exchange with different people and the contact with nature:

> "I'm always trying to think and do self-reflections. But on this trip sometimes I was triggered. […]. Most of my reflections were because of relationships with others and the contact with the nature". (Interview 3)

The trip shows that, on the one hand, there was a discussion of own, already existing values and, on the other, new values were discovered. Another interviewee came to the realisation that mindfulness/attentiveness is a new value for her/him:

> "We did a lot of reflection in different situations. And you just saw that some things were important. [...]. So maybe a new value for me it's that: to pay more attention or to be more mindful". (Interview 2)

The interviewees were encouraged by the trip to act with integrity, which means dealing with values and acting on them. One of the respondents, for example, decided to be more honest:

> "After being on this trip I want to be even more honest". (Interview 4)

Integrity also means standing up for your values. The trip provided impetus for this level. The trip certainly gave rise to successes, for example, when a student stood up for their convictions and was praised by their fellow travellers and professors.

This positive experience gives one a reason to act even more according to one's own values. Additionally, the extremely positive group situation also strengthened self-confidence and belief in one's own effectiveness and therefore the will to behave with integrity.

5.4 Ability to Reach Consensus

The interviews showed that this resource improved for all correspondents. It can be seen at three crystallisation points:

– Understanding and evaluating the interests of others
– Classification of one's own interests
– Relationing and flexible pursuit of one's own interests

For the first point, empathy is crucial. All interviewees indicated that their empathic ability was more pronounced after the trip thanks to social interaction with people from different cultural backgrounds, whom they normally do not meet and about whom they have certain prejudices.

Interview partner 2, for example, was unable to understand the interests of indigenous people before the trip. With the help of the encounter / social interaction with indigenous communities, she/he got to know their perspective and the underlying motivations for action.

> "I was not a person that said okay indigenous people shouldn't have their own place. But I was questioning about how big it should be. And then I was there. And I saw they have a cultural value, and they must have like a big place because they hunt and with the deforestation you take his home and his food. And this is awful". (Interview 2)

As a finding it can be formulated that, thanks to the increased empathy, the interests of others were better understood, and these were taken into account more in relation to their own preferences.

The trip also has a positive impact on the third step of the ability to reach consensus, for which openness is an essential condition. This is improved by leaving one's comfort zone and cognitively demanding activities. All students confirmed that they had to leave their comfort zone, which is reflected in the following statement:

> "I had to leave my comfort zone". (Interview 3)

They also rated the trip as cognitively demanding, even afterwards the students are still thinking about what happened, one respondent says:

> "I can feel like my brain is still moving. So much happened, I was thinking all the time and even now I am thinking so much about it". (Interview 2)

5.5 Transcultural Competence

Basically, transculturality is about learning together with others. Transcultural competence is developed through a learning process, which consists of three successive steps (cf. Wieland 2019: 38). First of all, cultural differences are recognised and accepted in a non-normative, non-evaluative way. In the next step, existing commonalities are identified. Ultimately new commonalities and cooperative communities are created. As a result, transcultural competence is further developed through joint learning, the learning success as well as the resulting openness towards others and learning opportunities in general. On the trip this competence was positively further developed.

The interviews show that all interviewees went through the first step because they recognised and accepted cultural differences.

The students also completed the second learning level, because all respondents stated that they noticed similarities between themselves and other people. For instance, this happened in relation to the indigenous people:

> "And then talking with the indigenous people, we could see that we have so many things like in common. I admit that, before we met them, I thought we would have so many differences. But then I saw that we have so many things in common". (Interview 4)

And also regarding the transculturality of the students:

> "And I was thinking before meeting you guys, from Germany, that we are so different. [...] But then in one exercise they asked us to tell some things about us and then they asked us what kind of experience you have, what kind of offers and fears you have. And also what questions

> we have. And, yeah, there I recognised that we all have the same expectations, fears, experiences". (Interview 4)

The third step was also successfully completed by everyone. It is about creating new commonalities. This happened on the one hand through collective activities like the shared field trip itself and also in smaller formats such as walking, dancing and swimming together in the Amazon. On the other hand, similarities were created through experiencing common feelings, such as the emotion of fear as a trembling hall scared the students while bathing. In addition, the common learning should not be neglected, because not only did all students learn together during the whole trip, but there was also an exchange of knowledge with the indigenous people.

Hence, the group was able to achieve what Wieland defines as "creating a new cultural situation of joint cultural convergence" (Wieland 2018: 174). One interviewed person even spoke of a jointly created "boat culture".

> "We lived a culture on this boat. Which was new for each of us, so this boat culture was new for everyone. […] Yes. And we all came together, no matter what background, no matter what culture, together we created a new culture there. Which none of us knew before and, yes, everybody, everyone contributed to it. Every part, every experience which we made contributed to it". (Interview 1, own translation)

The excursion can be described as the optimum of transculturality, because collectively a new "mini society" was created (cf. Wieland 2019).

In total, the transcultural experiences led to the result that the participants are now more open towards the unknown and are trying to understand it better. Nevertheless, the question arises whether dealing with indigenous people will take place on an equal footing in the future. The following quote shows this:

> "You know, because they are simple people, simple people. So they structure things differently, or do not even structure things. […]. So you need to be patient and to be really open with your heart. […] you need to look in their eyes and you need to hear the concepts and you need to look when they talk about the environment you need to look to that, you need to really be patient and pay attention so that you can get all the things". (Interview 4)

5.6 Resource Specificity

The state of the resource specificity can be changed by increasing knowledge (cf. Wieland 2018: 234f.). The interviewed participants on the trip formulate consistently large increases in their knowledge:

> "So, I think that I learned a lot". (Interview 4)

The knowledge was gained in different subject areas, for example, knowledge about the Tapajos region, indigenous communities, specific problems of the region and of the local population.

It follows that the participants learned through the trip how important it is to stand up for sustainable living and a sustainable economy. From this result their desire to work in the long run in a company that protects the environment. This, in turn, is linked to the intention, as future leaders, to consider ecological aspects in professional decisions. Moreover, the increased knowledge is also a reason to make their personal lifestyle more sustainable.

6. Summary

The present work has attempted to answer the question whether a university field trip as the Tapajós expedition does affect the state of individual resources that are crucial for the success of cooperation. The research was based on the theory of Relational Economics. In the theory, the further development of the resources is presented as possible, without going into much detail about the development mechanisms. Based on the identified research gap, this gap was examined in an exemplary fashion with the field trip "Tapajós – A Transcultural Expedition".

In view of the empiricism, the research question can be answered positively. The further development of the resources has far-reaching consequences. Because of the positive development, the student's ability to deal with polylinguality, contexturality and contextuality improved. The findings suggest that the trip fosters the participants' understanding of other languages, decision-making logics and social contexts/systems and therefore leads to an improvement in the ability to deal with polylinguality, contexturality and contextuality. This could be related to a higher motivation and capability of the students to cooperate.

The reasons for the change could be, on the one hand, the characteristics of the field trip, which were specified by the supervisors of the project. This does not only relate to the topic, the transcultural approach and the program of the trip, but also to the learning method and the pedagogical concept. Of course, the circumstances under which the research was conducted, and the location of the trip played a major role. On the other hand, the group is of great importance, because it is decisive for the positive result. The great appreciation that was shown to each other, the integration of everyone in the community and the eagerness to learn gave everyone the opportunity to develop further.

7. Limitations and Further Research

It must be noted that the general validity of qualitative analysis should always be critically examined. Therefore, to obtain an even more comprehensive result, all participants on the trip should have been interviewed, even if the saturation effect already occurred with the selected sample, additionally all participants were observed. Consequently, the validity and reliability of the results are still ensured, especially considering the time limit.

In addition, the subjectivity of the researcher always plays a role in qualitative research, especially in transcultural ones. In this work, however, the results were freed to the extent possible, because the qualitative analysis according to Bohnsack (cf. 2007) was used for the interview evaluation.

To confirm the results, future research should be carried out. To draw up a more comprehensive picture of resource development new trips with different groups in terms of age, level of education and socio-economic status should be carried out. The aim of this examination would be to separate the results from the students' perspective and to increase the general validity.

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How Can We Educate Future Leaders Via Cultural Exchange Within Brazil?

Enkeloeda Eickhoff, Maya Shimabukuro Kusakawa and Ana Luiza Soares

1. Introduction

How can future leaders be educated via cultural exchange with Brazil is the research question that guided our journey to Amazonia (Brazil). The aim was to observe the local leaders' capabilities and skills and to understand how people live there, who are their future leaders and how they could teach us to be future leaders. The third day, defined as a key living moment, represents the unit of analysis of the research.

The topic was analysed through the lens of the Transcultural Leadership theory (cf. Wieland & Baumann Montecinos 2019), which explains that the important point of transculturality is the recognition that, in a globalised world, mutual benefit can only be derived if people from different backgrounds collaborate and cooperate.

This paper is structured as follows: First the theoretical background and the methodology are presented and discussed. Afterwards the key living moment (in this case the third day) is presented. Finally, the findings are presented and discussed.

2. Theoretical Background

2.1 Transculturality and Transcultural Leadership

Transculturality does not define culture as something bound only by national borders, but pictures culture as a resource that combines many different aspects such as gender and age (cf. Wieland 2019).

Transculturality differs from the concept of interculturality and multiculturality. Interculturality describes how various and distinct cultures encounter each other, while multiculturality includes the aspect of different cultures within a society, but it does not question if the different cultures are connected to one another. On the other hand, transculturality concentrates on how the people involved have their own cultural resources, recognising the differences yet also focusing on the commonalities and as a result deepening their cooperation by creating additional commonalities together. Thus, instead of having a concept of *borders*, transculturality provides a concept of *relations*. If, the cooperative transaction benefits everyone involved, this then leads to the so-called cooperation rent. Accordingly, transcultural leadership is about leading relationships, it is about connecting resources and people to achieve the highest level of productivity and value creation (cf. Wieland & Baumann Montecinos, 2019).

Transcultural leadership requires a cooperation transaction, willingness to cooperate and ability to cooperate.[1] While the willingness to cooperate is the basic reason why stakeholders decide to cooperate and execute a transaction, the ability to cooperate makes the creation and execution of the transaction possible (cf. Wieland 2017; Wieland 2018). The ability to cooperate consists of four aspects (cf. Wieland 2018). In this chapter we focus on a deeper look at transcultural competence, meaning the ability to deal with cultural differences, but also at how commonalities are found, and new ones established through learning (ibid.). We invite you to examine our perspectives and analyses of our own learning process and thus the development of our transcultural competences in the course of this project.

In this context, relational leaders, who are voluntarily followed by people, aim at developing shared intentionality and mutuality. In that

[1] For a broader look at all six individual resources, please see the chapter by Weber & Kolling in this book.

sense, leadership is the result of a social exchange process (cf. Wieland 2019). It is a process concerning individual motivation and organisational structures because it is about the interaction between the specific actors and also their logic (cf. Wieland 2017).

Transculturality and leadership are "[...] two sides of the same coin" (Wieland & Baumann Montecinos, 2019: 17). Transcultural leadership involves a continuous learning process which relates to the dynamics, complexity and uncertainty of information and expectations (cf. Wieland & Baumann Montecinos 2018). This text adopts this theoretical framework to define a leader.

2.2 Transcultural Learning Process

The literature on transculturality[2] includes the transcultural learning process, which consists of three steps (Wieland 2018). The first step is non-normative observation. This means that cultural differences are recognised but not evaluated (Wieland 2018). The second step consists of the identification of commonalities (ibid.). As Appiah (2008) explains, common emotional experiences can also be seen as a common ground. The last step is the creation of new commonalities (cf. Wieland 2018). This process aims at fostering mutual benefits and cooperation rents.

We argue that the transformation of experiences into behaviours is an important part of the transcultural learning process and the key to understanding how it can affect future leaders.

2.2.1 Transcultural Learning within the Research Group

As we shared our cultural heritage, the individual perspectives about how we perceived the situation and the *Cacique*[3] and how we tried not to judge but understand, the first step of the transcultural learning process had already been fulfilled. The second step happened rather quick. Our commonalities: three women, under twenty-five and interested in understanding the impact of cultural exchange on people's education. The third

[2] For a more theoretical approach see the chapter by Reckhenrich et al. in this book.

[3] The leader of an indigenous group we met on the 3rd day.

step is yet to come and connects to this chapter: Cultural exchange addresses transcultural competences.

2.2.2 Transcultural Competences

The transcultural learning process fosters the development of transcultural competences. These competences are key for leaders to ensure cooperation between stakeholders. Transcultural competences include prosocial capabilities, which consist of empathy (affection and care) and inclusive rationality (including others' interests) (cf. Tomasello 2016; cf. Wieland & Baumann Montecinos 2019). Empathy is the notion of feeling another's pain and to make it one's own (cf. Plessner 1970). This contribution focuses on pro-social capabilities.

2.3 Conceptualising Cultural Exchanges

But what does culture mean? As Wieland (2019) points out, the concept of culture has become a common denominator of various elements, e.g., language, customs, origins and values. Hidden behind the concept of culture there are different communicative codifications with different decision-making logics that impact on the transaction among different stakeholders (cf. Wieland 2019). Specific transactions are characterised also by polycontextuality, polycontexturality and polylinguality (ibid.). Polycontextuality is about specific contexts, while polycontexturality addresses the different logics of decisions and systems of meaning. Polylinguality is the communicative ability to link polycontexturality and polycontextuality, which can lead to an expansion of one's own reference system (cf. Wieland 2018).

Culture is a thin common denominator of various elements (cf. Walzer 1994, Wieland 2019). Culture as an informal institution marks out the various unwritten rules based on polyvalent events. Values, conviction, and traditions are influenced by culture and they are crucial factors that determine individual and collective expectations and their effectiveness in practice. Accordingly, cultural exchange happens whenever people with diverse backgrounds communicate (cf. Wieland 2019). To show

how cultural exchange happens, this chapter concentrates on the living moments.

2.4 Methodology

This study focuses on the analysis of a key living moment (cf. Shotter & Katz 1999) of the research trip (the third day). The key moment was, to some extent, a misunderstanding, which could have escalated – but did not, because all the leaders involved handled the situation well. For us, that specific day was, and remains, a day of many insights.

To analyse the key living moment we use the approach of "thick description" (cf. Geertz 1973) in combination with transculturality (cf. Wieland 2018, 2019) to describe our experiences and to explain and analyse how transcultural exchange happens and what its impact on leadership is. Geertz describes "thick description":

> "from one point of view, that of the textbook, doing ethnography is establishing rapport, selecting informants, transcribing texts, taking genealogies, mapping fields, keeping a diary, and so on. But it is not these things, techniques and received procedures that define the enterprise. What defines it is the kind of intellectual effort it is: an elaborate venture in, to borrow a notion from Gilbert Ryle, 'thick description'". (Geertz 1973: 6)

Thick is a description in which the social actions are described and contextualised (cf. Geertz 1973). Thus, the actors[4] interpret the action in the respective contexts (ibid.). The combination of thick description and transculturality offers a methodology of storytelling that allows the role of the actors to be acknowledged.

Furthermore, we applied a process-orientation since we argue that cultural exchange itself is a process. Through this approach, one part of our experience in the Amazon can be depicted and explained to the reader. It allows us to share our experience and transmit the knowledge gained during the research trip. This methodology is also connected to Husserl's (cf. 1992) phenomenological reflection, which pursues the goal of grasping the subjective life of consciousness. To pursue this goal,

[4] In this case the researchers.

actors need processes of consciousness, which can be experiencing, perceiving, thinking, or remembering (ibid.).

On the one hand this qualitative methodology is supported in the social sciences literature:

> "We develop technical specializations and hardly think about whether they are actually capable of grasping the reality of the empirical social world. The growing trend towards quantification has led to a diminished understanding of the empirical social world ... If they want to better understand human behaviour, sociologists, rather than distance themselves more and more from the phenomena of the empirical social world, must be in direct contact with them." (Filstead 1979: 30)

On the other hand, these methodologies are accused of violating elementary principles of scientific theory (cf. Koob 2008). But as Stegmüller (cf. 1973) explains, research is scientifically correct as long as it is linguistically precise, intersubjectively verifiable, consistent and justified.

2.4.1 Interviews & Observation

The methodology includes both formal and informal narrative interviews and observation, which also includes one's own perspective. They were noted down by hand. Spontaneous narratives are initiated by interviewers and are followed mostly by dialogue-based demand and balancing parts (cf. Schütze 1983). The narrator speaks while the interviewers restrain themselves (ibid.).

During the research, the Brazilian researchers translated what was said into English, because the local population only speaks Portuguese. Consequently, the procedure for collecting information was not always entirely uniform, as there is the problem of statements being "lost in translation". Therefore, to increase the transparency of the cultural exchange, we juxtaposed interviews with observation and our own perspectives. Nevertheless, we are aware that, in order to protect ourselves from being judged by others, we only express opinions that we are confident enough to be judged on. What we mean is not only validation, but also true judgement when we put our own experiences and thoughts out in the open.

2.4.2 Experiencing and Observing the Research Setting

Girtler (2001) divides researchers' and practitioners' participation into two types: The first type is the introduction to the group, as we introduced ourselves to the villagers. The second refers to participation as a "real" member, which can be applied to our own situation within the research group. Participating observation involves the collection of relevant data directly and up close. The research trip enabled us to participate in and experience a different everyday world. It also enabled a step-by-step understanding of a specific area of life (cf. Girtler 2001). Schwartz and Schwartz (1955) argue that participation is always relational, namely the presence of the researcher has an impact on the (potential) research objects, but also that the research objects have an impact on the researcher (ibid.).

2.4.3 Interaction with the Local Population

Tom Andersen (1996) shows the importance of the connection in a conversation so that people can present their opinions and feelings even if they have had totally different experiences. He also presents the idea of the body as a whole communication system.

Regarding the cultural aspect of interviews Dreher (2007) notes that the separation of nature and society is constituted in very different ways in different cultures, depending on the historical context. We began to understand this insight when we heard how the *Cacique*[5] talked about the Amazon, how he explained to us that its face is laughing but its heart is crying. This could be indeed an indication, that he and his people view nature differently.

3. Living Moments

This section presents the living moment (third day) which represents our unit of analysis.

[5] See note 1.

3.1 The Third Day in the Amazon: 24 July 2019

On the third day, we experienced many very special moments, we would even say delicate moments. On this day we visited an indigenous land. It was the first time we had been in a community recognised as indigenous. Before getting there, some thoughts arose such as “this is going to be the one with fewer commonalities”; “how can people say they are less developed if we don’t know how they live”.

The trip to the indigenous Community took an hour. We navigated in small motorboats, because it was very narrow. The way there was wonderful, the forest was colourful, we saw butterflies, listened to different bird songs, discovered new trees and felt the wind in our faces. It was rare to see a human intervention, and we could feel “we were in the heart of the Amazon”.

Figure 1: The Way to an Indigenous Community

Source: Photo by Arthur Boccia.

When we arrived, there was no one to receive us. Because of a misunderstanding, the Cacique, the leader of the community, thought we would arrive the following day. Therefore, someone picked a motorbike and went to the middle of the forest to inform him. While we were waiting, we walked around the community, met some people, played with the children and talked to some residents. Everything was very simple, some houses were made of wood, not all of them had electricity, there was one school, and it was very precarious but there was a commonality: they had a football field! Talking to the health visitor (community nurse), who was organising our visit there and was responsible for taking care of the communities of the region, he said that, in the past, people there had had many diseases because they used to drink water from the river (now they have access to clean drinking water). When someone needs to see a doctor, it takes hours because the easiest way to go to the city, is along the river, as they do not have a car nor roads. This is extremely bad especially when there is an expectant mother. To deal with such situations, they depend on Pajé, an indigenous doctor who knows lots of plant properties and about the human body. The residents also commented that it was really common to see politicians going to Amazonia asking for votes, but once in office they forget them.

The Cacique arrived when the sun was setting. We had to leave soon because there was no light in the motorboats to get back to the big boat, and we could get lost. He did not have much time to speak but in ten minutes he could give us a lesson. He told us:

> "The companies passed with 18 trucks three times a day yesterday. The company says it is a sustainable centre project, I say it is not. They want to do research in the woods inside indigenous land. The company went to the ICAR court, the Rural Environmental Registration: All the owners of rural property in Brazil have to register. The company registered the borders of the land over that of the indigenous people. Since 2006 I have been under police protection because I was threatened and tortured by the logging companies. To get one tree that is usable they cut 30 others around it. If they cut down the tree there will not be animals anymore and thus the communities will starve. The face is not the heart. The face is beautiful – like the river – but the heart is sad, inside the Amazon forest you can see all the wood that has been cut. As a leader it is my responsibility to give the families comfort: There is the connection of the food chain and by cutting the trees there

will not be food – no fruit, no animals. I am sorry that I am direct, but that is the way of our lives."[6]

3.2 Individual Perspectives

This section presents our individual perceptions, thoughts and observations connected to this living moment.

3.2.1 Maya

As soon as the Cacique arrived, I was impressed. First, because I thought that as a leader, he would be wearing something special to differentiate him from the other people but no, he was wearing shorts and a t-shirt. Secondly, because he was angry that we were saying that we did not have much time. The highlight of his speech was when he compared his lifestyle with our body, saying that sometimes the face does not tell the truth, it can hide people's feelings, while the heart hurts inside. These ten minutes were enough to make me cry. I had some ideas of how these people were brave to face their opponents, but I couldn't imagine how it was hard to deal with everything.

3.2.2 Ana Luiza

At first, I was confused when the Cacique came, because he seemed to be a bit nervous and then I understood all the problems with the communication between us. I really appreciated his first comment about not imposing our rules on other people's homes, but understanding the other culture first, because we do not have the same habits. I think cacique was able to get everyone's attention, because not only his words were talking, but also his body. The Cacique connected us to that moment, to the present, as a leader.

Also, the Cacique seemed to be really anxious to show us what was really happening inside the forest and he was planning to take our group

[6] This quote is derived from the notes taken by the research group participants. There was no recording during the talk given by the Cacique.

there because, in his opinion, it would be the best way of making clear how challenging Amazon's problem is. It is sad to think that we could not see it in the way he planned but, as a leader, he was able to make us understand his point by metaphorising what he was trying to say. If it had not been for him, I would never have compared a forest with a person who smiles but inside feels really sad. I remember comparing myself to the forest, I could connect to that feeling of deforestation inside and beauty outside. When I think about Cacique's speech, I think about leadership and what seems to be tomorrow's leadership. Inspiration may be for me one of the most important characteristics."

3.2.3 Enkeloeda

As one of the German students who did not understand Portuguese, I stayed quiet and observed. To me, he seemed very suspicious of our research group. While we all sat, he was standing in front of us all. When he started talking, nearly everyone fell silent. There was a moment when his eyes were filled with passion and horror and I remember that the people in Kosovo who talked about the civil war had similar expressions. I looked around at the Brazilian students. I felt that there was tension in their eyes and that their faces looked very serious. I did not understand what he said, but the way the Brazilians were so tense, I could tell he was revealing something very important. Before we went off to the boats, I asked one of the professors about it. She gave me an aspect of the speech: He said: "What are you thinking, coming here and dictating when I should be here? You are the guests and here in this world you cannot dictate the time. I wanted to take you all with me and show you the inside of the forest, show you what the companies are doing." After that explanation I felt really sad. Apparently, there had been a misunderstanding. And on the houseboat the proper translation was given to us German students.

4. Findings

This part connects the described living moment with the theory and presents our findings.

4.1 Finding I: The Leaders Met During the Trip can Function as Role Models for the Leaders of the Future

Pro-social skills such as empathy and inclusive rationality are universal resources (cf. Tomasello 2016). Based on the scientific insight that the brain is elastic (cf. Turner & Whitehead 2008), observing other people in their leadership role can have an impact on the followers. Coherently, observing other people handling challenges arose from cultural differences fosters the development of transcultural competences (cf. Wieland 2018).

After ’s speech, the group discussed what could future leaders be like, and three central aspects emerged. First, future leaders can see development as something that does not happen at an individual level, but also collective. As the Cacique said they all fight together to defend their land and their rights. Secondly, a leader may be able to guide the group in an ethical way using the power of communication to coordinate and inspire people to work for a main objective. Finally, this leader must be able to deal with different cultures and realities to create a sustainable future. The Cacique was open to talk and he really wanted us to understand what the indigenous people experience.

4.2 Finding II: For People to Have Common Ground, a Situation Experienced Together is Key. Language, Therefore, Stops Being the Only Central Part of Communication and Cooperation Arises as the Key for Exchanging Experiences

Beginning from the second transcultural learning step (cf. Wieland 2018), recognising our commonalities became easy as we were living together on a boat, eating together, with no access to the internet, sleeping side by side (or hammock by hammock) and doing the activities together, for five days. This allowed us to create common ground.

Each one lives their own experiences even if we were living them together. We cooperated while translating speeches, navigating the forest trails, swimming, helping Ana, who was injured. And more than that, it was about respect when someone needed silence to reflect or about being there when someone needed to talk and share ideas, thoughts and feelings.

If we think about the Cacique's speech, it was a living moment (cf. Shotter & Katz 1999) when we, all together, could connect to his feelings and share ideas. The silence at this moment and the respect for the pain of the indigenous community showed us a common feeling of empathy about the situation. As Plessner (1970) describes, the process of feeling another's pain is to make it one's own. We discussed everything that had been said, it seemed that we were very emotional about what was presented and the feeling of coming into contact with a very unusual kind of leader.

Andersen (1996) says words are not the only part of communication, but also the body "speaks". The Cacique is an example of a leader and communicator who used his body to talk and emphasize his point of view to connect with people of different realities.

We all came from different linguistic backgrounds and each language, like Portuguese, has its own differences. The whole experience happened because cooperation and translation were present. We made use of our expertise in different languages to share ideas and feelings, trying to understand our differences and sharing commonalities. "Language lives only in the dialogic interaction of those who make use of it" (Bakhtin 1984: 183).

4.3 Finding III: In Those Specific and Unplanned Moments, Expressions Like Laughter and Crying Challenged but also Promoted Transcultural Competence and were Necessary to Strengthen the Cooperation Transaction

Plessner (1970) describes the notion of crying as the ability of empathy. The way most of the researchers perceived the cacique's speech showed that empathy impacts on living moments (cf. Shotter & Katz 1999). Living moments are very complex and challenging because of unplanned situations. In fact, it is not very realistic to assume that people can control their expressions and reactions all the time (cf. Plessner 1970), which makes the non-normative step of the transcultural learning process very challenging. The Cacique's speech certainly made an impact on us as we revealed our own observations.

5. Conclusion

The findings highlight that cooperation, empathy and the power of listening were three main elements that we observed during those five days and they are essential to educate future leaders. Future leaders, who could also be us, are able to guide the group towards a common objective and to talk and inspire even those who do not share the same culture, finding commonalities and connecting to them. This is why we wanted to share our observations and perspectives. We think that to explain cultural exchange and the role of the researchers have to be acknowledged as well. The Cacique remembered some of these characteristics because his speech invited us to think about the reality of Amazon's problem.

As for our personal experience, we experienced the beauty of the environment that invited us to be present in that quiet place, sometimes in silence and sometimes sharing with each other. These were moments to bring what we had in the "bag" of our own lives and also to share experiences that we were all undergoing, such as meeting new cultures, being in a huge forest and eating Pará's typical food. So, the environment certainly invited us to find our commonalities and to create new ones.

Living the experience, meeting all those people and being in the middle of a very unusual environment contributed to changing our way of thinking. It was important to be open-minded, actively listen to the others and try to look for the whole context, despite only looking at a small part of it. We can say that we had an exchange of culture during this trip and it was extremely relevant to transform, at least, our personal perception. One of the interesting things we found during this learning process was that, while reflecting on our experience(s), we quickly concluded one thing: We shared not only the same assumptions, but we agreed on the analysis of the assumptions. We thought that there might be aspects where we would not agree, especially because we have different cultural backgrounds.

Perhaps future research could take up this methodological approach and thus possibly provide even more insights for the observation and analysis of living moments, the experts on site and the researchers.

6. Limitations

Portuguese is the national language of Brazil, which is one limitation for the German students who do not speak the language and therefore cannot understand it. The Brazilian students needed to translate the interviews and the statements into English. This potentially led to misunderstandings. Furthermore, the perspectives of the participants influenced what was seen and heard (cf. Schwartz & Schwartz 1955).

This chapter is restricted in terms of resources. The first restriction was most notably time. Secondly, even though we had the opportunity to travel to and within Brazil to collect the data ourselves, we were not able to talk to the political and economic actors in the regions we visited, therefore we heard only one perspective on the topic. Third, the number of interviews was limited, but nevertheless sufficient to gain insights in the research question (cf. Eisenhardt 1989). We suggest that future research should take different perspectives into account and involve other actors, as this would complement the research project. However, social aspects should always be taken into consideration. In our case, if our research group had contacted one of the logging companies, it would have aroused suspicion, as our guide told us.

We are aware that, at least at that time, we lacked experience in field research. This is why we see ourselves as practitioners, which can also be seen as a limitation. We are also very aware of our – metaphorically speaking – own "cultural glasses" as a form of limitation to the research project.

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Social Innovation at the Amazon

Oskar Burmann, Pedro Luis Carvalho and Thais Moraes

1. Introduction

In recent years, economic and social science has concentrated on defining the expression of "social innovation" (SI). This expression can be understood as a change, taking place in different sectors or on different levels of society leading to improvements of current circumstances. This is a fuzzy definition showing that all relevant variables necessary for understanding social innovation must be investigated and defined precisely. In the summer of 2019, a field trip visited five different communities in the Amazon rainforest. Due to a relatively isolated way of life, these communities were chosen for a case study to rethink and validate existing definitions of social innovation.

2. Research in the Field – Methodology

In this paper, mainly deductive components can be identified that are realised with a qualitative interview-based approach.

First, this paper develops a theoretical horizon considering several definitions of social innovation. Secondly, this theoretic model is first combined with a sociologically and functionally differentiated perspective of societies. Thirdly, when combining these two definitions, a matrix of sub-systems and SI was developed for comparing and analysing the findings.

To apply the leading question of this paper, namely how an adequate definition of Social Innovation can be developed and applied in and for the Amazonia region, a semi-pre-defined questionnaire has been developed. The research group recruited around ten interviewees from top levels in the communities' hierarchy. The research group was able to recruit between one and two interviewees in average from each community.

In the field, when the questionnaire circulated the interviewees were briefly introduced to the whole research project and the group's research question, e.g., explaining *innovation* in a social context. The research questions asked were formulated openly and asked about occurrences of SI and its development in the community. For time reasons, the answers were noted manually by the interviewers. In the aftermath, these interviews were analysed by clustering and comparing the responses. Thus, the work in the field and its analysis must be considered as an inductive component in this paper.

The findings were organised, analysed and evaluated and the results synthesised in a matrix, by clustering and summarising the key message and comparing the results.

Every innovation can be considered by its origin as well as by its effect. This paper focuses on effects and therefore the SI condensed in the matrix concentrates on its effect on society rather than on its origin.

3. *What is Innovation? – Theoretical Background*

Innovation and Social Innovation (abbreviated to SI in the following) can be seen from very different perspectives.

Innovation was first mentioned in Schumpeter's definition in the early 1920s; he called it the "the doing of new things or the doing of things that are already done in a new way." (Schumpeter 1947). Following this approach and focusing on organisations it can be pointed out that *innovation* must not be seen as an isolated event but rather as an evolutionary process. Another highly relevant factor for success is an environment that effectively supports this process. As Johnson et al. present – even if in an economic context – an innovative process has to be embedded into a fitting environment: in their case a fitting business model (Johnson, Christensen, & Kagerman, 2008). Peter Drucker puts his emphasis on a supportive human environment, characterised by supportive management and a synergic set of competencies in the operative team (Drucker, 2002). In addition, the necessity for staying competitive has to be seen as the initial reason for driving *innovation* (Johnson, Christensen, & Kagerman, 2008). Thus, *innovation* can be understood as a measure for tackling environment-induced competition. Often, this approach considers a technical innovation in an economic context.

Every innovation has an origin as well as an effect. For instance, the steam engine in itself must be seen as a technological innovation that developed in the course of industrialisation – an economic, social and technological revolution with a highly social effect: it empowered people to cover longer distances in a shorter period of time.

To sum up, *innovation* is a *process of reshaping the doing of things* that has to be embedded into an adequate environment and that can be understood as a means for staying competitive.

As this paper recognises innovation in the context of social communities, it therefore focuses on Social Innovation (SI). In general, SI dissociates itself from a technical or economical understanding and rather focuses on an interpersonal understanding of innovation. As Rösing et. al show, the scientific community has elaborated a variety of different definitions (Rösing, Vieira, Portella, & Tondolo, 2017) that all refer to Schumpeter's approach of restructuring in the context of *innovation*. These days, the range of definitions consider social change in very different forms of society, e.g., corporates, families or neighbourhoods. Considering Schumpeter's "Doing-Things-New" approach, Agostini et al. deepen this perspective by defining it as the "change in social relations […], new ways of doing, organizing and framing and/or knowing which challenges, alter and/or replace dominant institutions/structures in a specific social context" (Haxeltine, et al., 2017). Nonetheless, SI must be considered as a process as well. In its first issue, the Stanford Social Innovation Review describes SI as "the process of inventing, securing support for and implementing novel solutions to social needs and problems" (Barley, 2003).

In the context of this paper, the definition of *innovation* must be adapted. Thus, the SI-approach and necessary circumstances must be specified to be applicable for this case study:

First, SI can only happen in a supportive environment. The human environment must have all necessary competencies for initiating and driving this process. Thus, SI aims at capacity building, which in the aftermath leads to the empowerment of communities. Equipped with all necessary competencies this empowerment process leads to a significant decrease of the communities' dependency, e.g., on technologies, business partners or specific social networks.

Secondly, the aspect of competition that is used in the context of the definition of *innovation* has to be specified. The economic, political and social circumstances of the field study's communities are unique. Thus, it is not so much technological innovation but rather the facilitation of living conditions that is achieved through SI. For example, improvements in medical care can be mentioned here, which would contribute to a general improvement of living conditions. In the end, all of these improvements support the communities' or organisations' *continuation*.

Thirdly it must be said that the impulse for restructuring existing structures can indeed be initiated by an external party or institution. This does not lead to a contradiction with the aforementioned empowerment process.

Fourthly, innovations have to be seen as scalable, which makes them applicable in other communities and cases (see Limitations).

Thus, this paper understands SI as *an operative and restructuring process that happens within existing social structures and that supports the continuation of communities or organisations by dismantling social, technological or economic barriers.* In this paper, the relevant communities considered are families or village communities. Furthermore, this paper concentrates on every innovation's impact. Every innovation mentioned in the results has a social effect; therefore focusing on the impact will simplify comparisons.

4. Main Findings – Matrix

To investigate innovation or innovative processes in the communities, the sociological scheme has been developed (see Matrix). This scheme is based on Niklas Luhmann's perspective on system theory (Luhmann N. , 2011), in that he elaborated and specified *functional systems* (Luhmann N. , Differentiation of Society, 1977) as "the distinction of functional systems such as economy, science, art, or religion is a key to modernity" (Roth & Schütz, 2015, p. 11). This approach is often used for a general perspective and description of societies of any size.

His understanding of communities is based on different pillars, called *functional systems*, that exist in every form of a social community

(Luhmann N. , Ecological Communication, 1989). As Roth and Schütz show (Roth & Schütz, 2015, p. 11), nine of these pillars exist uncontestedly: Politics, Economy, Science, Art, Religion, Law, Medicine, Education and Mass Media. Based on this scheme, the relevant findings from the different communities were assigned to one of the different pillars.

The results were then allocated to the different societal pillars and their relevance weighted differently in accordance with the number of mentions in the interviews.

Table 1: Innovation Matrix: Different Pillars of Communities X Analysed Communities

Innovation					
	Community I	**Community II**	**Community III**	**Community IV**	**Community V**
Politics	Implementation of Association	Implementation of Association	Implementation of Association	Implementation of Association and common application for funding	Join the political system
Economy	Science as a revenue stream	Community based tourism (Manioc production) Association based distribution system	Community based tourism (turtles feeding, apiculture) Association based distribution system	Community based tourism	Sustainable Management of the Forest
Science	External investments in lilies	Tucupi (poison) used for plants as herbicide	Knowledge exchange in beekeeping	Micro hydropower Plant (75% of Innovation)	Collaboration with researchers and students
Art	Architecture: New way of building houses	/	"Tramas e Cores" – Handcrafts specialisation/association	/	/

Religion	Missionary (Protestants)	/	/	/	Coexistence of pajé and the church (Catholic)
Law	/	/	Ibama law: was no innovation in itself but implied in an innovative tourist activity	/	Monitoring and fiscalization task at the geographic border
Medicine	/	/	Health benefits from honey	/	Pajé and health agents
Education	/	/	/	Wi-fi connection	Motivational approach to stimulate medicine/law studies
Mass Media	/	/	Using Internet (Airbnb & booking.com)	Wi-fi connection; radio station	"Teia Caboclo"

Source: Own elaboration.

Political innovations: The most frequently mentioned innovation is the implementation of associations, taking place over several communities. It became a way to organise themselves and to reach a common goal. The implementation of associations and cooperations can be described as a merger of individual production facilities to strengthen trading activities in the local tourism market. This process of strengthening includes both the simplification of distribution channels as well as the simplification of public funding acquisitions. Thus, the establishment of associations is to be understood as a political process which is why it is seen as a political innovation in this paper.

The matrix shows exceptions in Community III and in Community V, where the communities created associations to apply for funding and to enable the development of some specific activities for and within the community, such as poultry farming or to organise elections of a political representative of the indigenous community. Especially this process, even when not mentioned often, is exemplary for a political innovation.

Economic innovation: Community II and Community III have improved their economies through the association distribution system and through community-based tourism. The difference between these communities is that Community II charges a fee for showing visitors the traditional process of producing mandioca flour, while Community III charges visitors to feed the turtles. Community V, on the other hand, developed sustainable management of the forest, meaning that for each tree cut down three are planted. The community claims that if two do not survive, one will replace the other and that, in addition to maintaining the forest, it will bring a benefit in the future.

Scientific innovation: Here, huge differences were found between the communities. In Community I, due to the investment of a global cosmetics company, knowledge about lilies increased in the community. Community II used tucupi, a poison derived from the cassava flour production process, as a herbicide. In Community III the development of beekeeping came about due to the sharing of knowledge. In the waterfall of Community IV, the community has a micro hydro power plant. However, the interviewees describe this implementation as not well planned and adapted to the community. Thus, it is an incomplete process. Finally, Community V has begun to collaborate with researchers and students, to be more open for visitors. This was a way of seeking empathy for solutions to community land demarcation problems.

Artistic innovation: In Community I, families improved the architecture of their houses so that the population could stay in the region at the time of the river flood, building stilts. In Community III, the "Weaves and Colours" project teaches how to improve handicrafts and has expanded sales worldwide.

Religion innovation: In Community I, the presence of missionaries reinforces and imposes the Protestant faith. One of the strongest groups in the region is the Church of Peace, which brings priests from the United States to spread faith in ther region. In Community V, the imposition of the Christian religion changed the religious base of the tribe. People began to follow Catholic celebrations instead of traditional Indian rituals.

Law: The Brazilian Institute of Environment and Renewable Natural Resources, Ibama passed a law, that prohibits the marketing of turtle meat was not an innovation in itself, but it was responsible for the innovation of Community III's tourist activity, making the region more attractive to visitors. The Community V tribe has changed the way lands are guarded due to invasions by timber companies. Men protect the area and supervise the logging themselves, without the support of political forces.

Medical innovation: In Community III, knowledge sharing has enabled the community to discover some health benefits of honey such as antibacterial and antimicrobial benefits. And in Community V, investing in natives to start studying to become health assistants in the community has improved the health system since the community is not only dependent on the knowledge of the *Pajé* (healers with occult powers or spiritual guides in the tribes).

Educational innovation: Due to agreements with the timber companies, some of the communities interviewed have gained access to wifi, which has expanded online learning and digital knowledge transfer. Community V takes a motivational approach to encouraging young people to study medicine and law in a nearby big city which will benefit the community in the future.

Mass Media innovation: Community III uses the media to promote tourism through internet access, such as encouraging the use of *Airbnb & booking.com*. Besides digitalising their distribution channels this increases their range for customers. At the waterfall of Community IV, access to wifi and the creation of radio have become important sources of communication for potential and existing residents. Lastly, the format of a digital meeting between the people of different indigenous tribes must be mentioned, as it it is organised in the Community. The meeting is held annually and aims to unite the tribes to discuss their goals and define their strategies.

5. *Conclusion – Summary of Findings*

Initially it could be shown that this paper delivers its own definition of innovation. With the help of this definition it could be shown that elements in all single *functional systems* were confirmed in the communities. This indicates that this paper empirically supports the applicability of Luhman’s functional system concept. After describing all necessary circumstances for succeeding in social innovation, a new definition was proposed: SI is an operative and restructuring process that happens within existing social structures and that supports the continuation of communities or organisations by dismantling social, technological or economic barriers.

The findings show that politics, economy and science are the most relevant sectors in the indigenous communities investigated, where innovation is taking place.

In political aspects, the establishment of an overarching trading association can be seen as the innovation with the greatest impact. Especially at the waterfall of Community IV the association must be seen as highly relevant for economic success, where the association is also involved in application processes for public funding. Excluding the general success of the proposed applications, this community gives an example of an extended method of collaboration that exceeds the "usual" concept of a common distribution network.

Economically, an innovative concept for community-based tourism could be seen in most of the cases. All villages and communities differed by developing individual emphasis in their business, e.g., turtle-related activities or hosting or selling manioc products. Thus, the shift to a tourism as a source of income has to be seen as an economic innovation in business modelling.

In the scientific sector, the study offered empirical evidence that the exchange of knowledge is mandatory for successful innovation. Mostly, the exchange occurred between the communities and foreigners such as tourists or priests. The hydropower plant at the waterfall of Community IV is an example where technological innovation accompanied an insufficient knowledge-exchange process. This power plant can be seen as an innovation only at the technological level, as it initiated more innovation such as electricity, wifi and social media. But as the know-how for maintenance or optimisation is lacking in the community, there is still high dependency on external knowledge.

6. Limitations – Outlook

This paper has to be seen as a descriptive approach to the term of *(social) innovation*. The qualitative methodology applied naturally leads to a subjective perspective of SI and, in turn, to findings that must be further analysed. For instance, the imposition of the Christian religion as *Reli-*

gion Innovation and the invention of wifi as *Education Innovation* must be discussed.

The highlighted and extended definition in this specific context of SI allows a further development of the definitions of *innovation, social innovation* and *functional differentiation*. The theoretical approach was developed inductively. This approach is not completely new since many alternative applications of SI can be found in different research streams – e.g., for describing developments in the sectors of sexuality (Lewandowski, 2004), economy (Haller, 2003) or school systems (Götte, 2000). To prove its effective and holistic applicability, this enlargement of the definition of SI must be analysed in further and comparable case studies.

Furthermore, specific innovations can often not be allocated to one specific pillar.

When concentrating on innovation, the term "scalability" has to be taken into account. This expression cannot only focus on (economic) growth but, furthermore, could involve an increase in impact or (social) disruption. Further research has to concentrate on the description of the future potential of (social) innovation in the context of *functional differentiation*.

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Moral Goods in the Brazilian Amazon: A Governance of Preservation Costs

Lukas Törner and Pedro Santanna Pinheiro

1. Intro: A 'Glocal Beef': Carbon vs. Timber, Cattle, and Soy

For this study on moral goods as a governance of preservation costs, a remarkable notion of "common ground" served as the starting point:

> "Successfully relating events to each other, using common ground to create a sense of belonging to a cooperation project based upon cultural differences, is an essential achievement of leadership". (Wieland 2019: 21)

In the case of Brazil's Amazon rainforest, the phrase "common ground" is particularly striking in that the ground, as a soil-related conflict, is of national and international importance to Brazil. Business models aimed at sustaining land cover and changing land cover are in conflict with one another. The paper entails a comparison framework to determine the preservation´s opportunity costs for each.

This study set out to revise the usefulness of the governance of moral goods approach for resolving such a conflict. This way leadership concept is explored as a governance approach of "common ground". Leadership is framed as a search for commonalities knowing that conjuring up global commonalities will not take a conflict further than systematically emphasizing differences (Wieland 2016: 29). It is vital to understand the threshold of economic differences between leadership stiles by landwoners producing moral goods.

This work focuses on the conflict resulting from spatial trade-offs between management for provisioning ecosystem services, i.e., timber, cattle, soy extraction, and management for regulating ecosystem services, i.e., carbon sequestration and water regulation (cf. Rodríguez et al. 2006). From a governance perspective, all four commodities, carbon, timber, cattle and soy, are conceptualized as "moral goods" (cf. Wieland 1996).

The study has three objectives:

- First, estimate economic gains from the management of provisioning ecosystem services leading to deforestation. The study relies on a previous simulation of provisioning services. It simulates the forthcoming deforestation of the Amazon rainforest and assumes that the area is used for timber in the first year, for cattle ranging for seven years and finally for soy production (cf. Pinheiro 2019). This is referred to as a land cover-changing business model.
- Second, determine the opportunity cost of land cover-changing business models by estimating the net present value of provisioning ecosystem services, simulated based on the same area as the forecasted deforestation. The opportunity costs are framed as preservation costs. This paper reports adjusted carbon prices in comparison to Nordhaus estimates (2017) per ton for preserving Brazil's Amazon (cf. Pinheiro 2019). The goal is to adjust the quantitative research from ethnographic insights on land cover-sustaining business models because, in previous work, their value has been assumed to be marginal. This is also referred to as a land cover-sustaining business model.
- Third, the aim is to reflect on the concept of moral goods in conflicts for common ground. Leadership is explored as a governance of commodities, carbon sequestration capacity, timber, cattle, and soy – all conceptualized as moral goods. The essay discusses global and local disputes, which are interwoven, "glocal beef". Some lines of conflict are drawn, between different governments, between companies and residents, between different economic actors. All sheds light on compensation to landowners in the Amazon that bear preservation costs.

The findings can be described as follows: the main output of this paper is to report the findings of Pinheiro (2019) as a two-pillar model. It is introduced as a comparison framework of the opportunity cost of preservation (Figure 3). It compares the net present value of land cover-sustaining business models with the net present value of land cover-changing business models. A limitation of this study is the high uncertainty of the simulation. Despite this uncertainty, the model determines thresholds and provides guidance on the net present value of different business models for different ecosystem services. The simulation provides:

- estimated area of deforested land from 2019-2042
- estimated net present value for land cover-changing business models in the Amazon biome
- estimated net present value by priced carbon sequestration (cf. Nordhaus 2017) for the area
- estimated opportunity costs for land cover-changing business models over land cover-sustaining business models also called preservation costs
- adjusted priced carbon sequestration to pay for the opportunity costs

As there was no way to estimate the net present value of business activities in land cover-sustaining business models besides carbon sequestration, the current paper provides qualitative insights from field visits in a region of Pará on these activities.

The implications of this study: A hypothesis that was reinforced based on the simulation and the field visit is that business activities of land cover-sustaining business models have less net present value than activities of land cover-changing business models. The international discussion, therefore, amounts to compensation payments and carbon sequestration price that would have to be made to preserve the climate-gas sink for the global climate.

Viewing this issue through a lens of moral goods as a governance of preservation costs offers insights into the debate on the commodities carbon, timber, cattle, and soy. This approach sheds light on business activities aimed at sustaining land cover. It adds to the debate about the social costs of carbon.

One of the significant findings to emerge from this study proposes a framework to compare the opportunity cost of preservation. It is used to evaluate the trade-off between the resulting business models for sustaining of land cover and for changing it. The research argues for more rigorous estimates and the importance of an organisational governance perspective on the conflict.

2. Theory

2.1 Governance Approaches to Ecosystem Services in Brazil's Amazon

There are multiple studies on global forest-related land cover change (cf. Hansen et al. 2013), the general extent of forests globally (cf. Bastin et al. 2017), and the impact of forest management globally (cf. Erb et al. 2018). Forests are of importance to climate change mitigation (cf. Bastin et al. 2019).

From an ecosystem perspective, the paper is closely linked to carbon storage potential across tropical forest biomes (cf. Sullivan et al. 2017). Also, it is connected to drivers of biodiversity loss of ecosystem services in forests (cf. Geist & Lambin 2002).

These kinds of approaches to mapping ecosystem services are also available for Brazil's Amazon biome specifically (Schielein & Börner 2018). The area has been mapped regarding its potential for agricultural spaces (cf. Martini et al. 2015) as well as with a focus on endangered species in the Amazon rainforest (cf. Ter Steege et al. 2015).

Undoubtedly, the literature focusing on governance mechanisms in Brazil's forests is vast. There are studies based on private property (cf. Hissa et al. 2019) and public land (cf. Stickler et al. 2013), on specific governance mechanisms such as the Brazilian Forest Act (cf. Sparovek et al. 2012) and the opportunity cost of preservation (cf. Börner et al. 2010; Börner & Wunder, 2008; Silva et al., 2019).

2.2 Carbon, Timber, Cattle, and Soy as Moral Goods

Against this research outlook, this study is on leadership conceptualising moral goods as a governance. It is therefore based upon the 'social costs of carbon' debate (cf. Nordhaus 2014, 2017). Carbon sequestration is conceptualized as a good that is traded in transactions on spot markets in a similar way to timber, cattle, and soy.

Wieland's economic theory centres on counting relational transactions that only at some point are traded via spot markets but are mostly traded relationally within value chains (2018). He has studied transactions of moral goods (cf. Wieland 1996) and thus reflects on leadership in organizational economics. Leadership is conceptualized as a governance mechanism of relational transactions. Wieland argues that, in global value chains, local and global cooperation is essential for organizational survival (2016).

Carbon sequestration as well as timber, cattle, and soy products are conceptualized as moral goods and traded as relational transactions. Moral goods are not equivalent to 'global public goods' and they are not "private goods" as moral goods can be possessed and managed by both, private and public owners (Wieland 2012). They are neither 'common goods' – a concept focussed on the question of the use of the goods (Baumann Montecinos 2019). Instead moral goods according to Wieland (1996):

1. are values and accepted moral concepts, without whose effectiveness businesses cannot efficiently stabilize their internal and external co-operation.
2. have a goods dimension, which follows from the fact that personal values are an indispensable part of a marketable good.
3. are allocated between individual and/or collective players. They arise from individual or collective personal respect. Respect is not a moral good: it is a status value.
4. can only be achieved if, and to the extent that, economic capital pays.
5. are non-marketable elements of implicit contracts. They are acquired together and not separable from economic goods. It follows that they must be simultaneously associated with economic goods [private and public alike].

The concept of the commodities carbon, timber, cattle, and soy as moral goods and their connected governance avoids a debate around public or private goods. The common ground for divergent ecosystem services can be public as well as private property and it can be managed both intra- and inter-company.

2.3 "Glocal Beef" on Moral Goods in the Brazilian Amazon

Nationally, Brazil has many unresolved land ownership conflicts. For example, it is assumed that there are four times as many title deeds as there are available square meters of land for the state of Pará (cf. Adeodato et al. 2011), where the qualitative research study was conducted. In addition to the need for clarification as to who is entitled to use the land area within the Amazon, there is an international discussion on how the land should be used (ibid.). In the international debate, from an exterritorial view, the Amazon rainforest is called the "lung of the planet". The Amazon forest in Brazil is a common ground of global importance for carbon sequestration to mitigate climate change[1]. The Brazilian response has recently centred around a declaration of Brazil's sovereignty and efforts to monetise the Amazon's business opportunities[2].

The Brazilian delegate of the national congress, Valdir Colatto, expressed one view on the potential value of the carbon stock and the area's value for a commodity business. He stated that:

> "Brazil cannot afford to not use half of its land cover. For whom? Indigenous people? To hunt and fish in the territories? The economy has to develop in the states of the Amazon rainforest too. If we do not cut down trees, we cannot plant soy and other vegetables, foodstuffs [sic!] that feed Brazil and the whole world. […] If it is forbidden to us, to use our forests, ok, then you have to pay us for not using the land" (Colatto 2017: 11.50 f.).

Some of the aforementioned studies have pointed out this conflict and elaborated several dimensions of the governance problems associated with "paying us", which Colatto mentions as a solution:

- determine prices (cf. Börner et al. 2010; Silva et al. 2019; Pinheiro 2019),
- determine "us"[3],

[1] Emmanuel Macron, French president, tweeted on 22.08.2019 "Our house is burning. Literally. The Amazon rain forest – the lungs which produces 20% of our planet's oxygen – is on fire [sic!]. It is an international crisis. Members of the G7 Summit let's discuss this emergency first order in two days! #ActForTheAmazon" (Macron 2019)

[2] In response to Norway and Germany withdrawing money from Amazon Fund in 2019, Bolsonaro advised reforesting Germany instead of Brazil and the Environmental Minister of Brazil stated in response to Macron that he should recognize that real people live in the Amazon (cf. Shipani & Harris 2019).

[3] Unlike reported (cf. Shipani & Harris 2019) and supposed by Gonzales (2019), it seems plausible that Norway's and Germany's (partial) withdrawal from the Amazon Fund was not sparked by satellite data from Brazil's National Institute for Space Research released in June 2019. Instead, a proposal to reorganize Amazon

– find payers who trust[4].

Certainly, Colatto may think of “us” as businesses driving land cover change. It has been argued that clearing land for cattle ranging in the Amazon is mostly done by large and medium-sized landowners (Pacheco 2012). This puts a spotlight on these landowner organisations. Companies are central players in governing the development of the Amazon. The organisational governance idea is centred on the notion that landowners inevitably trade moral goods. This governance is applicable at an intra- and inter-company level. This level has been addressed recently in European legislation debates (cf. Burkhardt 2020) and on the level of customers to companies in Brazil’s Amazon rainforest (cf. Barbosa 2017).

3. Methods

3.1 Monte-Carlo-Simulation on Land Cover-changing Business Models

The business models were first categorized (cf. Krausmann et al. 2008) and then their prospective revenue was calculated and compared:

- Land cover-sustaining business models: hunter-gatherer + agrarian regime, especially on traditional and indigenous people; eco-tourism along rivers; extensive and subsistence agriculture,
- Land cover-changing business models: large-scale cattle ranching, soy, and forestry especially with slash-and-burn clearing as its management.

Business models were estimated on a comparable land size with a certain deforestation rate, which has been linked to economic drivers (Figure 1).

Fund funding initiated the debate. The Brazilian proposal negotiated by Ricardo Salles, Environment Minister of Brazil, intended to change funding policies. The new plan wanted to redistribute funds which were used formerly for non-governmental projects mostly supporting indigenous people to compensate landowners (cf. Martins 2019, Boardle 2019).

[4] For a prominent case of these challenges see the Amazon Fund in positive discussion Correa et al. (2019), critical reviews of its effectiveness to reduce deforestation van der Hoff et al. (2018) and its recent breakdown in 2019 Correa et al. (2020).

It was plausible to use the Amazon biome, not the legal Amazon for the estimation area with the research interest on the biome's carbon sequestration potential.

Explaining deforestation via a single economic driver prevails in the literature on Latin American deforestation although single-explanation factors fall short of explaining deforestation completely (Geist & Lambin, 2002). This dataset comprises economic factors for timber extraction (Standard & Poors & Imazon), cattle ranching (B3 Stock Exchange & Exagro), agriculture (USDA & Embrapa), and macroeconomic variables (Santander). The details are reported in the estimation (cf. Pinheiro 2019). The forecast was based on ten years of monthly data from the world timber, cattle, and soy index in USD. The forecast runs until the year 2042 since in this year the estimates for social costs of carbon end (cf. Nordhaus 2017).

The Monte Carlo method has been used to estimate the future deforestation rate and revenues from land cover-changing business models. The simulation developed for this work has three crucial steps: (i) modelling deforested land size using a series of probability density functions (PDFs), (ii) taking 2000 samples from the PDFs; and (iii) saving the variables of interest for further analysis.

To select the PDFs, the probability curve was taken that best represented historical data for soy and timber prices (2009-2018). After calculating the probable area of deforested land, net present values for timber, cattle, and soy were estimated. Thousands of random events were calculated. This iteration with random variables creates multiple scenarios that allow for the central limit theorem assumption. The major assumption that guided this estimation was the starting year of the business models. Timber business models and carbon sequestration were supposed to start in 2019; cattle in 2020 (a year after first clearings), and soy in 2028. The supporting logic behind this is the assumption that each hectare goes into a three-phase cycle: a) slash and clear takes one year, the activities of the following phases b) cattle ranching for 8 years until c) soy plantations take over former cattle ranching spaces and exist in perpetuity (cf. Pinheiro, 2019).

It is key that the model accounts for the missing carbon absorption on the estimated deforested area. Due to the complexity and diversity of the Amazon biome, researchers have obtained different results when estimating its level of carbon absorption from the Amazon biome. This model used absorption estimates (cf. Fleischer et al. 2019) and estimates of carbon ton pricing (cf. Nordhaus, 2017).

3.2 Ethnography on Land Cover-sustaining Business Models

The research was conducted in a sustainability expedition (Aguiar et al. 2020) in a region of Pará so that business models could be observed on site. The study used socio-metabolic system transition theory (cf. Krausmann et al. 2008) to guide observations based on the metabolic regime: hunter & gatherer or agrarian regime.

Several formal and informal interview techniques and other ethnographic methods such as image, satellite data, and artefact analysis (cf. Hammersley 2006) created a rich data set to draw from.

Three models were used to understand the structure and pattern of business activities encountered in these areas (cf. Gassmann et al. 2010; Neidhardt 2019; Osterwalder 2004)[5].

In order to learn about the region, open-source satellite data (www.planet.com) was used to manually assess deforestation within the area to show that deforestation is an issue. For full visibility of the total 7000 km², overlapping images from a period from October to December 2016 were chosen.

To triangulate results, we presented our observational findings in expert interviews[6].

4. Results

4.1 Land Cover-changing Business Models and Net Present Value Estimates

The first part of the results section is structured according to the results of the simulation as outlined in the introduction.

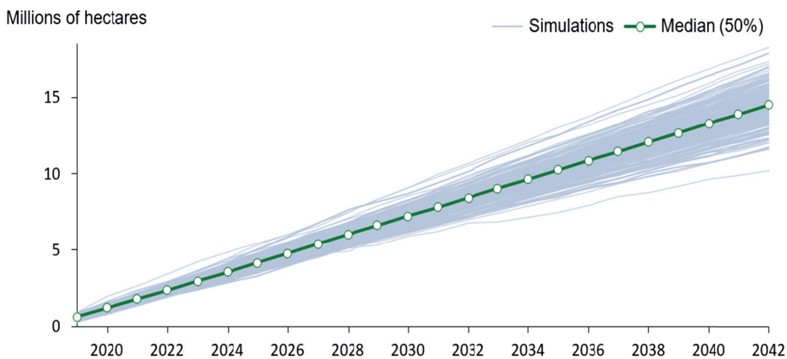
[5] For a similar approach, see the text by Burmann et al. in this book.

[6] Field Expert, informal interview, & Amazon Economy Scientist, formal interview, 25.07.2019; forestry employee, formal telephone interview, 30.07.2019

4.1.1 Estimated Area of Deforested Land from 2019-2042

Figure 1 introduces the PDFs estimating the deforested land based on former trends.

Figure 1: Forecasts of Aggregated Areas of Deforested Land in the Amazon Rainforest



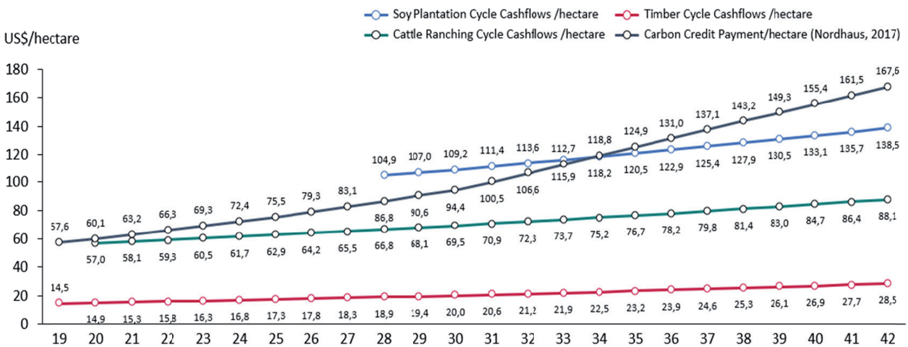
Source: Pinheiro (2019).

The median of the total forecasted deforested area destined for business activities is 14.5 million hectares or 145,000 km². The data in Figure 1 is reported as "median accumulated preserved hectares".

4.1.2 Estimated Net Present Value for Land Cover-changing Business Models for the Area

First, a forecast of the net present value for the time period of interest is reported. Per hectare, net present value seemed to vary greatly for timber, cattle, and soy. Nordhaus' Carbon Sequestration Costs increase non-linearly per hectare according to the literature. To avoid inflation errors of net present value the model calculated future cash flow to equity (FCFE).

Figure 2: Forecast USD FCFE per Hectare for Land Cover-changing Business Models and Carbon Sequestration Estimates Adapted



Source: Pinheiro (2019).

The timber extraction business activity is the first to occur in the cycle and enables all subsequent business activities. The activity has the lowest FCFE and drives the value of land cover-changing business models for one year. In 2027, cattle ranching is modelled to be outperformed as the main factor for expansion. Soy production starts to have the highest FCFE. According to the forecast, carbon will have the highest FCFE by the year 2036.

4.1.3 Estimated Net Present Value by Priced Carbon Sequestration (cf. Nordhaus 2017) for the Area

The median for the implied discounted net present value of the land cover-changing business models is USD 5.6 billion dollars and the range in the simulation is between USD 4.16 billion and USD 6.95 billion. This means that the present study finds it plausible that about 5.6 billion dollars could materialize on the preservation of 14.5m hectares of forest in perpetuity till 2042. Assuming this means setting the opportunity cost of preserving the Amazon forest equal to the net present value of all land cover-changing business models.

4.1.4 Adjusted Priced Carbon Sequestration to Pay for the Opportunity Costs

The assessed average tons per hectare are 4,956. The net present value from the simulations conducted ranged from USD 362.8 to USD 429.2 per hectare, with a median of USD 384.3.

4.2 Land Cover-sustaining Business Models

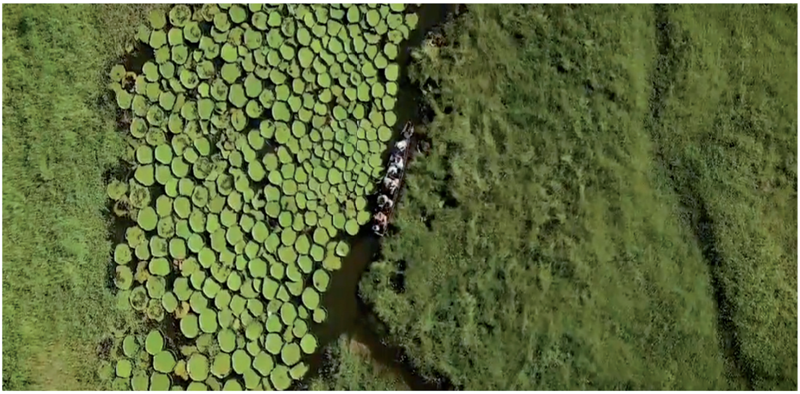
Roughly we categorized deforested areas in a region of Pará via satelite images, which amounted to 1126.8 km² deforested land including a city and legal agricultural areas. That is 16% of the area deforested land and thus 84% of rivers and forests.

During our research, we categorized more than 20 business models, from which we will present three, as they serve to discuss the gap in opportunity cost in carbon versus timber, cattle, and soy.

In one place, we were told that a positive impact of a hunter & gatherer community is the preservation of intact forest areas. It was explained that there were gatherer activities in indigenous communities for subsistence agriculture. We were explained strategies to protect forest areas from deforestation (i.e., including the use of video drones to collect juridical evidence). The tactics are used to preserve biodiversity hotspots that are important from a provisioning ecosystem services perspective i.e., for medicinal plants.

We visited a farm where water lilies were grown on a small-scale subsistence basis. These are sold to a multi-national cosmetics company, which turns the lilies into natural products. We learned about the initiation processes for this international business. It was important that websites of NGOs serve as intermediaries. Global companies auctioned their demand for the water lilies to suppliers with weak transportation infrastructure. We learned that community fees are paid to the local church from the profits made. For our contact, it was crucial that there is regulation by the administrative water management agency that regulates and legalizes their scope of economic activities. We put these observations into categories in Osterwalder's scheme: Value proposition (natural water lilies from the Amazon); customer relationship (NGO website), main partners (environmental agency and local church), customer relation (auction from global companies). From the information gathered we cannot assume the economic turnover neither to the farmer nor to the community.

Figure 3: Small-Scale Plantation of Giant Waterlily (Victoria Amazonica) in the Studied Area in July 2019



Source: Picture by Arthur Boccia.

Figure 4: Timber-Transport Activities in the Studied Area in July 2019

Source: Picture by Arthur Boccia.

In one place we interviewed a company that trades timber. The company drew our attention by its brand name, which addresses the carbon impact of timber and promises neutrality. One of the workers explained the company's activities. It buys timber from reliable forest management systems. After selective felling in restricted areas, house structures are made in Brazil and shipped to the US. The worker points out that a lot of value is generated from this process. As the worker emphasized that they practised selective felling, the business model can be categorised as a land cover-sustaining business model.

5. Discussion: Moral Goods – A Governance of Preservation Costs

To structure the discussion chapter the following text is structured according to the goals of the essay.

5.1 Forecast Deforested Area in the Amazon Rainforest till 2042 and Estimated Net Present Value of Land Cover-changing Business Models

For this study, an estimate of the deforested area is assumed to be 145,000 km² or 145 thousand hectares. This is a plausible range compared to protected land from former projection studies (cf. Börner et al. 2010).

Among the land cover-changing business models researched the net present value per hectare varies greatly. At first, cattle will be a dominant business model and over time soy will gain in importance. Future research may investigate in more depth infrastructures needed for soy productions, such as harbours, roads, machinery, and pesticides in order to validate net present value assumptions about the traded goods. Here cattle and soy are treated as separate business models, as data are widely available and clearly show different net present value trends. Past literature has often combined them as "agriculture" (Geist & Lambin 2002). In this case, it is differentiated because the value development for the business is very different.

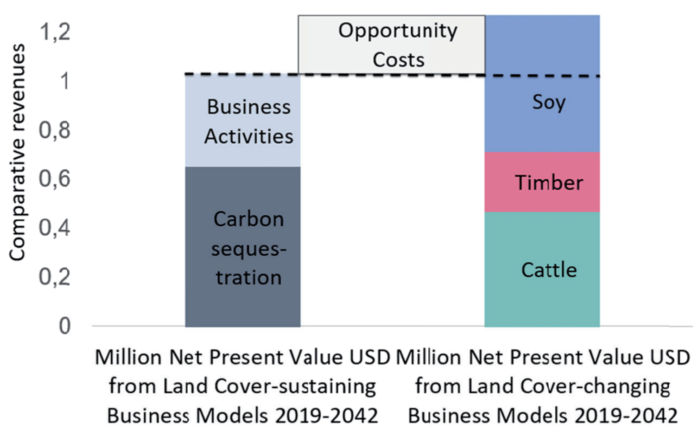
An assumption to calculate timber for land cover-changing business models is fair due to the dominant logic that afforestation barely happens. Instead it is assumed that most places are cut so as to use the land for cattle ranching or soy production. Former estimations cited by Adeodato and colleagues supposed 4% of the timber produced in the Amazon to be certified (Adeodato et al. 2011: 44). Only this part can be classed as a business activity that sustains land cover.

The net present value from the simulations conducted ranged from USD 362.8 to USD 429.2 per hectare, with a median of USD 384.3. Former estimates (Börner et al. 2010; Silva et al. 2019) ranged from USD 350 to USD 797 of the net present value of payment for ecosystem services per hectare. Much of this difference is explained by the different methods used. Thus, our results are in line with former simulations.

5.2 Determine the Opportunity Cost by Estimating the Net Present Value of Land Cover-sustaining Business Models and Qualitatively Observe Business Activities

This research assumes that the opportunity cost of preserving the Amazon forest is equal to the net present value of all future cash flows from the selected business activities. The two-pillar model consists of land cover-sustaining business models and land cover-changing business models.

Figure 5: Preservation's Opportunity Cost Comparison Framework



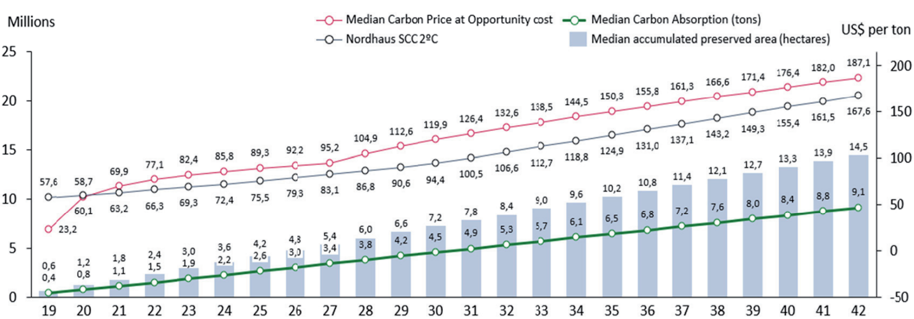
Source: Own elaboration.

The model does not compare profit from conflicting ecosystem services. In this assumption, no negative externalities of a missing service are assumed. The fact that costs for changing the land cover are marginal is a simplification that is not supported by the literature on ecosystem service (cf. Rodríguez et al. 2006).

Combined for the area 5.6 billion dollars could materialize from the preservation of 14.5m hectares of forest in perpetuity until 2042. This amount means adjusted carbon prices to the global level as reported by Nordhaus. For a price per ton carbon at opportunity/ preservation cost level see figure 6. Furthermore, it means that the adjusted price can be reduced by the net present value of further land cover-sustaining business activities.

The ethnographic approach draws attention to business activities in the studied area. It is noteworthy that the reported business activities that are supposed to contribute significantly are all agricultural substitutes for land cover-changing business models. The research into reduced impact logging (Putz et al. 2008) may be an interesting topic for future research. A further study could assess the economic output of different forms of extensive agriculture i.e. for herbal plants and other agricultural products.

Figure 6: Forecasted Preserved Land, Forecasted Absorbed Carbon on the Preserved Land, Carbon Estimates and Adjusted Carbon Prices at Opportunity Cost Level



Sources: For the forecasted preserved land, forecasted absorbed carbon on the preserved land, carbon estimates Nordhaus (2017), for the adjusted carbon prices at opportunity cost level Pinheiro (2019).

A natural progression of this work is to quantify the net present value of these business models. It remains to investigate further if these activities can impact on the carbon sequestration price. Looking from the lenses of business models ethnographically has thrown up many questions in need of further investigation. The results have particular relevance in terms of discussing digitalization since all the qualitatively-described business models have technological developments at their core.

5.3 Discuss Moral Goods as a Governance

The third, final, aim of this study was to discuss the conception of moral goods for the commodities carbon, timber, cattle, and soy in the Brazilian Amazon. Thus, an organisational governance of preservation costs is reflected.

Barbosa examined the political economy of the Brazilian Amazon focussing on strategies of non-governmental organisations. His qualitative analysis finds that moralisation of international customer markets for timber, cattle, and soy slowed deforestation for several years (2017). This study broadly supports the idea that these commodities are not, in fact, commodities traded via spot markets. Instead, they are moral, so to speak relational, goods traded in supply chains between organisations.

It is interesting to note that, among all criteria for a moral good cited above (cf. Wieland 1996), especially non-realizability, point 5, is striking. None of the four commodities can be separated as an economic good traded on spot markets from a moral dimension. On the one hand, the imperative to economically use the Amazon implies a moral (cf. Colatto 2017). On the other hand, potentials of reduced impact logging as an organizational approach was newly assessed for the Amazon (cf. Goodman et al. 2019) and deforestation-free supply chains are recently discussed on the political agenda (cf. Burkhardt 2020).

This supports a view that is also backed by our qualitative findings on business activities for land cover-sustaining business models. It poses a question whether the sub-headline of this essay has been chosen correctly. Is it really true that carbon sequestration business models are inevitably a contradiction to all kinds of timber, cattle, and soy business? In other words, one of the issues that emerge from this research is whether timber and all commodities can be traded on common ground – relationally traded. Extensive agriculture, such as selective logging, and intensive agriculture on deforestation-free areas seem to be a viable option to reduce preservation costs. Moral goods as a governance imply responsibility on the part of the major landowners. It is clear that they bear the preservation costs. Their leadership could be explored in more detail in future research. This asks how organisations run their operations in Brazil's Amazon and how they deal with the moral dimension of their goods.

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Part II

The Relations Between Social Start-ups and their Stakeholders: Learnings from Insolar

Insolar: Introduction to the Case Study

Henrique Drumond

Finding purpose in our lives, and living plentifully, is a common challenge for anyone who dares to tread their own path, regardless of cultural background. Following our dreams, instincts, whatever brings us happiness and fulfilment as individuals and global citizens is a goal that induces us to abandon certainty in favour of adventure. Whether or not we know it in advance, allowing some level of vulnerability and fluidity in our lives enables us to view the underlying emotions and subtle relations on which most social constructions are based. By deconstructing our inherited views of the world, and better understanding basic human needs, we can build for ourselves an authentic perspective beyond pre-existing beliefs and cultural constraints.

Launching Insolar was certainly one of those adventures I had not predicted for my life. From everything I had learned at university, graduating in business administration, it would make no business sense to promote high-end grid-tie long-lasting renewable energy technologies for low-income communities living on a day-to-day basis and coping with unreliable electrical infrastructure. Furthermore, to gamble on broad collaboration between stakeholders who were not necessarily used to collaborating would also require a unique approach and a great deal of resilience. On this point, please see Drumond (2020).

On the one hand, if Insolar did not succeed, it would not be such a defeat, since it seemed to be a risk-free endeavour – I once said, as a joke, during a lecture organised by one of our supporters before presenting the tools and strategies to address all the challenges we had to face. On the other, considering the cultural, economic, technical, business, legal, and social challenges ahead of us, any sort of success would, notwithstanding, prove something new: whether betting on broad and transcultural collaboration could be enough to surmount a challenging and chronic global issue such as the high energy costs in low-income urban communities in Brazil known as “favelas”.

A successful endeavour would create a strategic recipe that could be replicated from the local level to the global arena. We were not very enthusiastic about counting how many solar panels we were able to install in the favelas, but rather how the knowledge, technology, capacitation, collaboration and all the financial resources that come together with the democratisation of solar energy would, somehow, create the foundations for a more inclusive society. And what would the positive outcomes be of empowering people with the tools they need to find their own paths and to succeed in life?

Eager to improve the living standards of my hometown, my social business partner Michel Baitelli and I decided the endeavour was worth the risk. For some reason, I did not realise it was a risk at all. Perhaps I was blessed with the ignorance of the complexity of the challenge, blinded by a strong motivation or, probably, both. But the big gamble was on collaboration as the main tool for success, respecting the fact that each person has a unique perspective on every issue but understanding that all humans carry an inner sense of community and share common challenges and goals. Choosing to focus on commonalities as a starting point for collaboration among diverse stakeholders and combining complementary expertise and resources for addressing major global challenges would be Insolar’s strategy from day one.

Insolar’s mission is to democratise access to solar energy in Brazil, maximising its social, economic, and environmental benefits for society. If we choose to install as many solar panels as we can, as quickly as we can, it is very likely that, when the technology achieves national reach, the first systems would already be out of action due to lack of maintenance, users being unaware of their benefits, or even due to resale of the equipment. What could be a successful endeavour from a business perspective would jeopardize the social and environmental impacts this renewable energy technology has to offer to the urban communities in Brazil and worldwide.

Having high numbers of solar panels on the favelas’ rooftops is not enough to democratise the technology, unless it empowers the people living below to have a more prosperous life for themselves and their families. And that implies joining several dots and connecting diverse stakeholders, as well as developing a new mindset towards inter-sectoral and transcultural collaboration – a deep cultural shift that would be an even greater outcome than succeeding in the specific challenge that justified the cooperation in the first place. Great challenges require broad collaboration. A collaborative society is able to cope with not one, but with all the greatest global challenges that the present and the future hold for us. It enables access to the tools each stakeholder has to offer for the collective effort to succeed, to sustain its achievements, and to take it to higher levels.

Photovoltaic (PV) systems can, once installed, provide real-time data about solar energy generation to any mobile device connected to the internet. However, connecting devices through the internet alone does not make a smart city, nor does it ensure urban prosperity, unless the social fabric is also integrated with the technology and within itself. Once the data is collected, someone needs to analyse it and actions need to be triggered. The local workforce should be available to ensure the proper functioning of the PV systems; researchers must be aware of the operational data so as to be able to write scientific studies; and governments have to design public policies for energy access based on those scientific papers. Provided with reliable data, scientific studies, clear energy policies, and a rising demand for renewable energy technologies from all sectors of society, industries can improve their equipment and properly address market opportunities. As the market works effectively, prices go down, the financial sector creates credit lines for renewable energy, and low-income communities are able to afford PV systems on a large scale without relying on donations, subsidies or sponsorship. This is when the democratisation of access to solar energy begins to take place.

Smart cities place technology at the service of society, empowering individuals to achieve their highest potential and integrating them to democratise prosperity. Insolar's holistic approach to empowering favela residents includes environmental awareness, energy workshops, workforce capacitation, solar installation, local protagonism, business and professional mentorship, among other strategic initiatives for them to reach the solar market that grows beyond the boundaries of their communities. To truly democratise solar energy, we need to elevate people's talents to the maximum and create the foundations for their talents to boost Insolar's work and to deliver its mission.

When Insolar was born, as an idea, we knew the journey would be a long one, and short-term collaborations would not be the most efficient strategy. The key was to nurture long-term partnerships that could grow exponentially over time and adapt to every development stage of Insolar and to the challenges each phase would present. We needed partnerships based on something higher than projects and longer than institutional campaigns. We needed to join forces with people, organisations, and countries that share long-term agendas for energy transition, technological inclusion, and social prosperity.

When Insolar was launched, Germany was already the most prominent benchmark for photovoltaic technology, besides actively supporting the environment, and resiliently engaging in long-term partnerships with foreign countries such as Brazil. It was clear that Insolar had a lot to learn from Germany. And collaboration would not only be a great excuse for strengthening ties with a country and a culture I personally admired, but also a strategic decision with promising future outcomes.

Our first endeavour with Germany was through the Consulate of the Republic of Germany in Rio de Janeiro, where an alumnus of Zeppelin University (ZU), Thilo von Gilsa, was working. The Consulate became the co-sponsor of Insolar's pilot project in a community nursery in the Santa Marta favela, in the heart of Rio de Janeiro. Though it was a small project, gathering stakeholders from different sectors of society in the same initiative was more important for us than short-term sponsorship. The co-funding strategy we adopted for this first project allowed us to start collaborations that would continue over time, taking different shapes, and adapting to different scenarios.

Germany-Insolar relations started with a pilot project, turned into long-term academic collaboration, and will certainly move forward and higher with new scopes and new stakeholders thanks to our colleague Thilo von Gilsa, who recommended Insolar to attend ZU's Transcultural Leadership Summit (TLS) in 2018; and our colleague and transcultural leader Dr Julika Baumann Montecinos, who invited Insolar to represent Brazil at the Summit, together with prominent Brazilians, to expand collaboration through the Transcultural Student Research Group with PUC-Rio (Pontifical Catholic University of Rio de Janeiro) University, and to contribute to two transcultural publications where we would be able to share the learnings from Insolar's endeavour in Brazil.

But why Brazil? That was the rhetorical question presented in the invitation to the TLS 2018. And the answer included Brazil's long history of cooperation with other countries, its role as a regional bridge, and its "huge potential for future transcultural cooperation". And the exploratory subtopics were "responsible leadership" and "urban development". At the top of the landing page there was a colourful picture of the Santa Marta favela, where our collaboration with Germany had started not long before.

My first impression after reading the TLS invitation was that ZU was interested in what was going on in Brazil and in Rio de Janeiro's favelas. And that feeling was strengthened when I arrived in Friedrichshafen for the summit and noticed the students' commitment to hosting the representatives of Brazil, from picking us up at the hotel to guiding us throughout the event and its external activities. I have never before witnessed such a warm welcome, all thanks to each student's engagement in providing the best possible experience for the visitors during the Summit.

The following year, Zeppelin University and PUC-Rio – from where I had graduated in business administration – started a promising collaboration expertly brokered by Dr Julika Baumann Montecinos and Prof. Ruth Espinola Soriano de Mello, from Zeppelin University and PUC-Rio, respectively. In the context of this cooperation, students from both universities would work together on a transcultural case study that started with a field trip to Rio de Janeiro, followed by an academic trip to Friedrichshafen, and has culminated in the present publication.

Firstly, an outstanding group of Zeppelin students visited Insolar in Rio de Janeiro. Besides their great knowledge and outstanding academic backgrounds, Yasemin Efiloglu, Ben Lennard Kleihues, Jakob Hoffmann, Leonard von Zumbusch, Philipp Ober, and Thilo von Gilsa – leading the Insolar's case study academic trip – humbly and honestly placed themselves in the role of listeners to learn from Insolar and Insolar's stakeholders even though we still had much to learn about what we were doing and though there was a long journey ahead to succeed in our mission. Their generous listening and intelligent questions opened up our minds about Insolar's work and encouraged us to analyse it from a more scientific perspective, applying the theory of Relational Economics (Wieland 2020).

I cannot properly describe the feeling of realising that someone outside your social business, from the other side of the Atlantic, knew exactly the right questions to be asked, bringing a unique perspective about Insolar's approach just by actively listening to Insolar's stakeholders, and inviting us to reflect on specific topics. The discussions gradually strengthened the knowledge basis by means of which Insolar is sustained, paving the way to a constructive exchange between the academic world and the social business world, and creating the foundations for a collective learning curve that could bring new insights for social entrepreneurs and future researchers on transculturality.

In Germany, Insolar was represented in the Transcultural Research Symposium 2019 by two prominent students from PUC-Rio, Isabela Borges and Caio Oliveira, who are also residents of the Santa Marta favela in Rio de Janeiro. They were mentored by Prof. Ruth Espinola Soriano de Mello, a prominent voice in the social business sector who skilfully transcended academia into the real world with an interdisciplinary lens and intersectoral approach. Caio Oliveira and Isabella Borges had also hosted the Zeppelin University students during their trip to Rio, generously representing Insolar, Santa Marta, and PUC-Rio.

I am very enthusiastic about the transcultural studies offered by Zeppelin University and LEIZ. They create the foundations for a virtuous cycle of learning, from acknowledging existing theories, then testing these theories in real life, and presenting new insights and perspectives for further studies. A learning process where the students become the authors of the knowledge upon which they will base their future decisions as global leaders. From a personal perspective, it has been a great honour and a joy for me to interact with such a smart, cooperative, and kind group of students since the day we met.

Ben Lennard Kleihues, Caio Oliveira, Isabela Borges, Jakob Hoffmann, Leonard von Zumbusch, Philipp Ober, Thilo von Gilsa, and Yasemin Efiloglu, together with Prof. Ruth Espinola Soriano de Mello, are now part of the transcultural group co-writing this book that, I hope, will bring as many valuable insights for its readers as German-Brazil academic cooperation did for Insolar and for myself. I also hope it contributes to the future studies of Relational Economics, supporting the development of vital competencies for future leaders to drive positive transformation in a transcultural world. Finally, I wish you an enjoyable read!

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Transcultural Leadership in Practice: Learnings from Insolar

Thilo von Gilsa

1. Introduction

> "The interest in transculturality stems from the observation that, in a globalizing world, collaboration for mutual benefit can only succeed if people with diverse background actually cooperate." (cf. Wieland & Baumann 2019: 11)

This interest in transculturality is very close to the definition of social innovation given to us by Ph.D. Researcher Mariana Brunelli at one of our meetings in Rio de Janeiro. In short, to her, social innovation is defined by different people finding common points and developing solutions for society. Therefore, social entrepreneurship may be particularly interesting for transcultural research, because here, mutual benefit is not only defined by profit but by impact, i.e., by dealing with social problems[1]. Having a social cause may strengthen the mission to search for cooperation in the first place, to increase mutual benefit, and to focus on stakeholder management. Hence, a social enterprise is a promising subject for transcultural research. The story of Insolar, a social enterprise dedicated to the promotion and democratisation of access to solar energy in Brazil served us as a case for analysing transculturality in practice.

[1] Like the definition of social innovation, there are many definitions for social entrepreneurship. In our minimum definition, we focus on what they have in common.

2. *Transcultural Research Group*

As the group leader of Case “The Relations between Start-ups and their Stakeholders: Learnings from Insolar”, I would like to briefly reflect on the transcultural research group itself before starting with Insolar as the research subject. Transculturality is practice-oriented research which means it opens new perspectives for the researchers and all stakeholders involved[2]. Therefore, Henrique Drumond, founder and CEO of Insolar, is not only the research subject; he also participated and contributed[3]. Since transculturality can be defined as a “continuous learning process to create commonalities and community” (Wieland 2018:172), all stakeholders (i.e. interviewees or students in seminars at PUC-Rio, our partner university) could participate. It is important to promote exchange on an equal footing and to establish both sides as equal partners.

At the end of our research trip, a joint symposium took place at PUC-Rio and we had the great pleasure to thank students, researchers, professors, experts, and friends by inviting them to a small reception in the residence of the German General Consul, Klaus Zillikens. This was a brilliant conclusion to thank our partners, especially Henrique Drumond. We are more than happy that dialogues which started in Brazil have continued over time. The fact that two PUC students from Santa Marta favela[4] (where Insolar operates) were not only part of the project but were able to participate in the Winter School 2019 in Friedrichshafen underlines the mutual learning format.

When research is done on a case, it is important to understand broader contexts because Insolar can only be understood within the local community and the local community can only be understood within Rio de Janeiro (which again must be understood in the national context)[5] This

[2] For further conceptualization of Transcultural Student Research Groups, see Wieland & Baumann (2019: 228).

[3] See Henrique Drumond’s contribution in this book.

[4] We will use the term “favela”, as recommended by the NGO Catalytic Communities. Residents of favelas proudly use the term for representation and show their historic role in building the city of Rio de Janeiro. For further reading, please see Catalytic (2020).

[5] This contextualisation included preparation in advance such as research, literature reviews, meetings, and planning of the program. During our time in Rio de Janeiro a broad and intense program took place, while back in Germany a certain responsi-

contextuality is important. This is why it was an essential experience to visit the Santa Marta favela where Insolar operates and to learn from the people first-hand. I want to emphasise again that transculturality can only be understood as a social learning process. The aim of the participants was not to approach situations normatively; the goal was to work out values together[6].

Transculturality is a practical concept that must be 'lived' and learned in this practice. What struck me during our time in Brazil was that it was more of an inductive research approach. One does not try to confirm a theory, but rather to look at how cooperation works.

3. *Insolar, Henrique Drumond and Transcultural Leadership*

3.1 Theoretical Background

Before writing about Henrique Drumond and Insolar itself, I would like to briefly emphasise further key points of transculturality and its application on an individual basis – on transcultural leadership[7].

As shown above, transculturality is understood as a non-normative and practical approach. By being non-normative, there is not the goal in an action to overcome differences, but rather to accept them and to develop, on the basis of these differences, commonalities and community (cf. Wieland and Baumann 2019:12). The conceptual starting point is the transaction and not the often-found homogenous container (be it concepts such as nation, culture, or favela). In our concept, the starting point is

bility was perceived which lead to sharing experiences in general and to writing these contributions.

[6] Visiting Santa Marta and being non-normative was key for the transcultural learning process because even though favelas are next to upper and middle-class neighbourhoods, there is a stigma that favela residents face, and that affects their life opportunities. This stigma leads to the fact that, often, favelas have been affected by exclusionary top-down policies which denied communities participation. There is a certain stereotype reinforced every day which we did not want to reproduce. For more information, check Catalytic Communities (https://catcomm.org/). We had the great chance to meet Founder and CEO Founder & Executive Director Theresa Williamson during our time in Rio de Janeiro.

[7] For an introduction on Transcultural Leadership and Transcultural Competence see Wieland, J. & Baumann Montecinos, J. (2019).

crucial, because once cooperation has begun and the mutual advantages are clear for the involved stakeholders, there are expectations of benefit and therefore a common interest in the realisation of the common project. Therefore, during my research, I focused on this first and crucial transaction which starts a cooperation. Another important feature is its process orientation: transculturality requires continuous learning, management of expectations, dealing with differences, and finding commonalities.

Having these theoretical considerations in mind, I would like to define a working definition of transcultural leadership. There are many different leadership styles and definitions[8]. Transcultural leadership is understood as a distinct leadership style, it is "the competence to develop social interactions that are significantly characterised by cultural diversity in such a way that they produce a mutual advantage for all stakeholders" (Wieland 2019: 34). Based on his theoretical considerations, Josef Wieland has derived practical recommendations, so called "Do's for Transcultural Leaders" (Table 1), which make transcultural leadership in practice describable[9].

The goal of my research was not the confirmation of the operationalisation but rather to reflect on the theoretical conceptualisation as well as single competencies constructing transcultural leadership. The practical experience may further strengthen the concept and therefore I would like to emphasise the most important competencies. I do not claim to provide a holistic work. But based on two weeks in Brazil, interviewing Henrique Drumond, various stakeholders, and being part of Insolar, there are some findings to be shared.

Once cooperation has taken place, it is more likely that cooperation will continue. Therefore, I tried to find out how the first cooperation took place. How did Insolar start? Moreover, I tried to analyse and further elaborate on the competencies which transcultural leaders require.

[8] For an overview see Wieland, J. & Baumann Montecinos, J. (2019).

[9] This is just a first operationalisation. There have been further operationalisations by Antonin Salice-Stephan, Sebastian Urthaler, Tobias Grünfelder and me in Wieland, J. & Baumann Montecinos, J. (ed.) (2019): Transcultural Leadership and Transcultural Competence, Marburg: Metropolis. For a prototype as an orientation for the further development of transcultural competence see von Gilsa (2019: 66-67).

Table 1: Do's for Transcultural Leaders

1.	Strive for mutual benefits
2.	Look for practical solutions
3.	Develop creativity in a mindful way.
4.	Avoid judging too early.
5.	Listen carefully.
6.	Be kind and polite.
7.	Settle conflicts thoughtfully.
8.	Keep your promises.
9.	Establish long-term partnerships.
10.	Act with integrity.
11.	Treat others as you would wish to be treated.
12.	Apply impartial fairness to everybody.

Source: Adapted from Table 1, Wieland (2019: 36).

3.2 Learnings from Insolar

Insolar launched during a time when there was optimism, investment, and interest in the favelas in Rio de Janeiro. In preparation for the World Cup 2014 and the Olympics 2016, a lot was done to show the world the best side of the cidade maravilhosa. During this time the UPP (Pacifying Police Unit) started to operate in Santa Marta and other favelas and some saw it as a period of hope for development, leading to less segregation, and more trust. Particularly the UPP Social[10] connected with the Resident Association, which created opportunities for social entrepreneurs. Henrique Drumond started in Santa Marta because he was able to approach the Resident Association and there was a willingness for collaboration. He chose a pilot project with a semi-public institution (nursery) and was

[10] UPP Social was going beyond security and aimed to produce quality information about the needs of favelas including areas such as sanitation, education, health care, and more. For further information, see RioOnWatch (2020).

financed by the German General Consulate, by Shell, and by others. Santa Marta was promising because of its small community and relatively high security.

When thinking about transculturality one usually thinks about long-term time frames, because of the continuous learning process, but it became clear that the mutual benefit in the short-term is equally important. Uncertainty does not lead to long-term investment, while solar panels would usually require exactly that. Henrique Drumond, therefore, found ways to offer his solutions for free or at a lower rate than comparable electricity suppliers. Of course, solar energy and the empowerment of the favela are long-term projects. And there are other long-term projects by Insolar such as the training of solar panel mechanics, making them not only ambassadors of Insolar but also entrepreneurs themselves.

Having in mind long-term relations while creating opportunities in the short-term, can also explain two further observations. Insolar has a variety of projects with different approaches regarding solar energy. There is a portfolio approach creating a network of different contacts and positive social relationships (Hauenschild & Wulfmeyer 2005: 192). There are projects which are more successful than others, but the idea is to start collaboration and see what works. Regarding stakeholder management, it was interesting to see how Henrique Drumond works with Memorandums of Understanding as a form of collaboration, even if there is no actual cooperation. This explains partners such as UN-Habitat, who did not contribute financially to Insolar, but who signed a Memorandum of Understanding, who are advertised as a partner, who lend credibility to communication and share expertise.

During our stay in Rio de Janeiro, a representative of UN-Habitat was also a guest at the Insolar Community meeting to show support. This was a remarkable event for all of us because all stakeholders were in one room. There was a representative of Caixa (Bank), of the Resident Association, Insolar Ambassadors, and many interested guests. This multi-stakeholder dialogue led to a very engaging environment, where ideas and reflection took place. The most interesting part was that Henrique Drumond himself did not present the new project. It was presented by two Insolar Ambassadors who are now women entrepreneurs. We perceived a high level of trust since they were part of the same community and had become protagonists in promoting Insolar. Stella Ting-Toomey would probably describe this as inclusiveness (Ting-Toomey 1999: 275) while Mariana Brunnelli called it servant leadership. Henrique Drumond said he wanted to create systems that worked (without him). He designs empowering structures for stakeholders to become protagonists, to become transcultural leaders themselves.

The last competency which I felt strongly myself is the tolerance for ambiguity (Ting-Toomey 1999: 272) or perhaps more precisely what Jerry Glover and Harris L. Friedman would call the genius of the "AND" (2015: 63). "Long-term AND short-term, profit AND good for the world, low costs AND quality are all possible if the OR can be replaced with the AND" (Glover & Friedman 2015: 63). The genius of the AND is possible when the characteristics and properties of other groups achieve a status of strength; this status of strength is based on a non-normativity which enables an ethno-relative recognition of the other. This ethno-relativity or cultural relativity means "not privileging any cultural difference as being inherently better or worse" (ibid.: 19). In a favela such as Santa Marta, I did see guns, I experienced a different reality. To not judge, to be able to non-normatively deal with the context means to be able to start cooperation in the first place.

In conclusion and based on the experience made in Rio de Janeiro, I would like to add and elaborate on further Do's for transcultural leaders (Table 2).

Table 2: Further Do's for Transcultural Leaders

13. Seek opportunities to create short-term mutual benefit while keeping long-term relations in mind.
14. Create a network of different contacts and positive social relationships.
15. Engage in multi-stakeholder dialogue.
16. Create inclusive systems.
17. Embracing the genius of the AND.

Source: Own elaboration.

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Santa Marta: the Richness of a Rio de Janeiro Slum in Welcoming a Social Business

Caio Oliveira, Isabela Borges
and Ruth Espinola Soriano de Mello

1. The Reality of Slums in Brazil and Rio de Janeiro

1.1 Macroeconomic Data

Poverty and social inequality in Brazil are certainly the most pressing problems to be faced by the State, as well as by business and civil society organisations. To cope with such problems numerous social and environmental efforts can be implemented.

Brazil's territory is the fifth largest in the world and the country has a population of 190,732,694 inhabitants, according to the last census conducted by Instituto Brasileiro de Geografia e Estatística (cf. IBGE 2011). Of these people, 16 million live in Rio de Janeiro, the third most populous state in the country, after São Paulo and Minas Gerais.

The macroeconomic data is sad, especially when we consider the indicators of income inequality. In March 2019, there was a national record for the GINI index that measures income from work per capita, which was 0.62 (cf. FGV 2019).

Other data shows that 26% of the population lives with less than R$ 406 per month (equivalent to less than 100 euros per month at the current exchange rate) (IBGE 2018). Extreme poverty is a condition that affects 7.4% of the national population, equivalent to 15.2 million Brazilians (ibid.), this situation is found in many favelas in Rio de Janeiro.

About 10% of the national population is illiterate, a rate that is even more pronounced if we cross with indicators of inequality, such as colour, ethnicity, urban and rural areas, among others (cf. IBGE 2011). This fact is also present in the population of the favelas in Rio de Janeiro, notably among most of the self-declared black and brown-skinned (mulatto) population. In Brazil, 42% describe themselves as white whilst the rest see themselves as brown-skinned and black. Rio de Janeiro is the state with the largest self-declared black population (13%), after the state of Bahia (23%) (cf. IBGE 2018). This data has increased over the years, which can be explained for two reasons: an increase in fertility among black people and an increase in the number of people who started to recognise themselves as black because, gradually, they stopped seeing it as a burden and started to see it as something to be proud of.

The national economic crisis that has begun in recent years[1] explains the worsening of the indicators found in the 2010 census (cf. IBGE 2011), a fact that led to higher unemployment and job insecurity throughout the national territory, having affected the state of Rio de Janeiro even more, which also had its own unprecedented government and institutional crisis (corruption cases).

Nevertheless, it is worth highlighting that the widespread opinion of favelas as homogeneous economic and social contexts does not find empirical support. In fact, there is a strong income discrepancy among the residents of favelas, too. On this point, Leitao (2012) observes that from the 1970s onwards favelas have experienced several social and geographical transformations, which have increased the favela inhabitants' social and economic gap[2]. Consequently, the aforementioned national inequality gap can be observed within these territories as well.

A snapshot of this problem can be seen if one reads the diary of Carolina Maria de Jesus, a street paper collector and favela resident, who

[1] Not to mention in 2020 due to the deep wounds of the human and financial collapse resulting from Covid-19.

[2] He also observed other significant historical developments in relation to the practice of producing space and the respective products generated by such dynamics, such as: increasing shift from exclusively residential spaces to more complex occupations; change in construction patterns towards masonry buildings; predominance of family self-builds living with an increase in construction by other people who provide paid services; structuring an informal real estate market with aspects both similar to and different from the official market (cf. Leitão 2012: 235).

was discovered as a writer by a journalist. The publication of her texts, which narrate her life in a favela in São Paulo, gained international notoriety. Carolina Maria de Jesus (2014) explored, among other aspects, discrimination by the São Paulo elite and also by the residents of the favela itself:

> "The favelas' neighbours look at the slums with disgust. I perceive their looks of hate because they don't want the slum here. The favela has distorted the neighbourhood. They (the neighbours) are disgusted by poverty, but they forget that in death everyone gets poor". (de Jesus 2014: 55, own translation)

The disorderly growth of cities and metropolises has increased exponentially the number of slum and periphery residents living in precarious conditions and without satisfactory access to sanitation, transportation, health and education services. (cf. Fleury & Pinho 2019: 10). In fact, Brazil is marked by the presence of slums characterised by precarious housing without sewers, garbage collection and basic sanitation, especially in the urban peripheries of large metropolises such as Rio de Janeiro (cf. Fleury & Pinho 2019: 18). Favelas have always been characterised by the notion of absence: lack of water, electricity, sewage, no garbage collection, lack of services and equipment, lack of pavements, etc., and, above all, characterised as being places without rules or moral norms (cf. Cunha & De Mello 2012).

In Rio de Janeiro one in four inhabitants lives in slums or in peripheral sub-districts. The city of Rio de Janeiro has the largest Brazilian population living in subnormal agglomerations: there are 1,393,314 people in Rio's 763 slums; in other words, 22% of residents live in slums and related territories (cf. IBGE 2011).

At the same time, since the 1990s, urban violence and the dominance of drug trafficking or militant factions has intensified in these territories. Even the government measures have not been able to mitigate the issue of urban violence. The policy of combating drugs and armed incursions and militarisation of favelas has only increased the fragility of urban citizenship and led to the massive incarceration of young blacks and slum dwellers (cf. Fleury & Pinho 2019: 10).

1.2 Human Development

Misery has devastating implications for the younger population. In addition to hunger and health problems, misery brings with it the likelihood that a child will be required to work to earn extra family income. Additionally, access to quality education is often low, as are the chances of finding decent work in the future (cf. Villas Boas 2018). Thus, childhood poverty has a perverse generational result that affects individual development. It is usually accompanied by the lack of adequate housing, healthcare and food. It is a multidimensional phenomenon which creates the need to conceive and develop complex public policies such as government income transfer programs, which have been implemented at national level over the past two decades.

Furthermore, it is important to point out that the effects of the family's socio-economic status on their children's cognitive ability are harmful (cf. Engel de Abreu et al. 2015). Moreover, when children suffer hunger in early childhood, it restricts cognitive capacity in an irrevocable way, meaning the person remains at an even greater competitive disadvantage compared to those who had enough to eat during childhood (cf. Cravioto et al. 1967; Mönckeberg et al. 1972).

Despite a democratisation process, Brazil comes from centuries of oligarchical policies characterised by "coronelismo"[3], nepotism and cronyism (cf. Benevides 1991: 96). This background complicates the overcoming of such unresolved social problems and depicts a mosaic of inequalities. Whatever you want to call them – favela, hill, territory, community – these areas are popular spaces that occupy urban land and tell stories of denial, injustice, prejudice, violence and discrimination (cf. Nunes 2019).

[3] Coronelismo is a Brazilian socio-political practice typical of the beginning of the 20th century, in the period called the Old Republic (1889-1930), when the so-called "colonels" exercised local power over the lower strata of society in order to guarantee votes in exchange for favours from local, state and federal political spheres.

1.3 Immigration

The favelas started to emerge in Rio de Janeiro in the late 19th century, and afterwards they were "discovered" by the public authorities and the "intellectual elite population of Rio de Janeiro" as a "social problem" whose conception violated the rational, functional and aesthetic principles of organisation and expansion of the city.

The intense dynamics of national population displacement in Brazil for economic reasons meant that the city of Rio de Janeiro was seen as an attractive territory for poor populations in the north-eastern region of Brazil, as well as in the state of Minas Gerais and peripheral cities of the state of Rio de Janeiro itself. Santa Marta is another place that illustrates this process.

Despite having immigration in common, the development process of the Brazilian favelas did not occur homogeneously since different geographical and socio-cultural realities have their own individual peculiarities. While in Rio de Janeiro the favelas' development process was characterised by confined relationships between local pioneers who were already settled in those territories and new immigrants, in Sao Paulo the immigrants who settled in the favelas were what Burgos defines as "new urban men", whose relationships were not limited to the local inhabitants. Therefore, unlike Rio de Janeiro, in Sao Paulo favelas can be defined as open border territories (cf. Burgos 2012 *apud* Elias & Scotson 2000). As Park (1950) argues, migration may be related to a collective action that is culturally based on the "marginal man" who crosses the border and lives in different cultures, often in strictly opposed cultures.

Another noteworthy perspective concerns the nature of the relationships that started to be established in some communities in Rio de Janeiro, such as Santa Marta, which has historically grown from different migrant populations. As Park points out, they have gone from mere cooperative and economic relations to also being social and cultural ones (Park 1950).

1.4 The Role of Academia

In this scenario, the role of the University is crucial, especially concerning the connection between teaching and research. Thus, academia is seen as a privileged locus for the development of innovative practices that foster the local development of low-income territories. In particular, participative, cooperative and collaborative practices should be strengthened to promote interaction among all players involved, thus also enabling local engagement in the design of measures to meet their local needs (cf. Nunes 2019: 34).

Universities in Brazil have a lot to develop in this respect, especially in the sense of strengthening the university's social function, which is to democratise knowledge and make it possible to meet the most urgent demands of the population and create a fairer society (cf. Nogueira 2013: 13).

These needs become even more relevant in the face of the challenges imposed by the restructuring of society, including the phenomenon of globalisation, the accelerated expansion of knowledge, exponential technological progress and the social demand for a more active positioning of universities in the process of socio-economic development (cf. de Mello 2019: 14). Etzkowitz & Leydesdorff (2000) postulate that the profound changes experienced in this competitive and dynamic environment establish new requirements regarding the orientation and forms of intervention of the different economic, governmental, educational and society agents.

The Brazilian Federal Constitution (1988) requires universities to articulate the triad of teaching, research and multi-stakeholder dialogue with different sectors of society, producing socially relevant knowledge and training based on social demands.

Another noteworthy reference is Amartya Sen[4]. In 2000, Sen published the work "Development as Freedom" in which he addressed the absence of "qualifications" as a cause of hunger and poverty for individuals and communities. Thus, human development would be obtained via a dynamic of expansion of substantial freedoms – the human being's capacity to conduct the type of life that he or she values or has reasons to value. Freedom would be associated with a real possibility of making choices and achieving goals, which reflects the human development process itself. It is from this perspective that we can, and should,

[4] Nobel prize for Economics (1998). Amartya Sen, together with Mahbub ul Hag, developed the Human Development Index (HDI) that has been used by the United Nations Development Program (Unctad) in its Annual Report.

analyse governmental and non-governmental initiatives that address the issue of poverty and inequality (cf. Sen 2000).

1.5 Right to the City

In this sense, as many authors advocate, living in a favela of Rio de Janeiro can be seen as a form of struggle for the right to the city (cf. Burgos 2012). He recalls that most of the initial occupation of the favelas in the city of Rio de Janeiro dates from the period of great migration to the north east of Brazil, the interior of Minas Gerais, Espírito Santo and the State of Rio de Janeiro itself from 1940 to 1970; a statement that matches the history of Santa Marta.

And in this scenario we can certainly cite as a good example initiatives such as Insolar, a social company created by a young carioca who studied at PUC-Rio and which obtained support from organisations in Rio de Janeiro during its start-up phase, crucial moments in the life of any organisation, especially when it comes to the search for socio-environmental impact and profitability,.

Insolar and its founder Henrique Drumond have never been far from academia. In this context we should mention the invitation, in 2018, to develop a joint case study aimed at enabling students from Zeppelin University to gain multidisciplinary views from the perspective of transculturality by witnessing the reality of life in the Santa Marta community in Rio de Janeiro.

2. Santa Marta Slum

Before starting this part of the chapter, it is important to note that two of the authors – Isabela and Caio – are residents of Santa Marta, whose families have a history of struggle and resistance. We, Caio Silva and Isabela Borges, are very active in social engagement, actively working on projects and initiatives that promote the development of the community and residents. We work as volunteers in an older social project and a major reference point for Santa Marta – NGO ECO Group – as well as in Insolar and other social initiatives within and outside the community. Moreover, we also have the perspective of two full scholarships at the

Catholic University of Rio de Janeiro, studying Industrial Engineering – Caio – and Psychology – Isabela – with additional studies in Entrepreneurship. Our theses are being supervised by Professor Ruth Soriano Espinola de Mello, co-author of this chapter and to whom we would like to express our gratitude for her teaching and support.

Our goal in this section is to provide a snapshot of the history of the favela Santa Marta, highlighting the key stages in its development, in addition to giving a brief overview of the current community.

2.1.1 Occupation Process

According to reports from older residents, the first people took up residence in the Santa Marta slum in the late 1930s, more precisely in 1938 and 1939. At this time, the Botafogo district, called Quinta da São Clemente, was still predominantly forest, with few or no built structures. Santa Marta was no different, according to Father Veloso, a Jesuit priest and religious leader in the community: "Santa Marta was dense forest, it was not known that a slum existed there" (cf. Silva 2010).

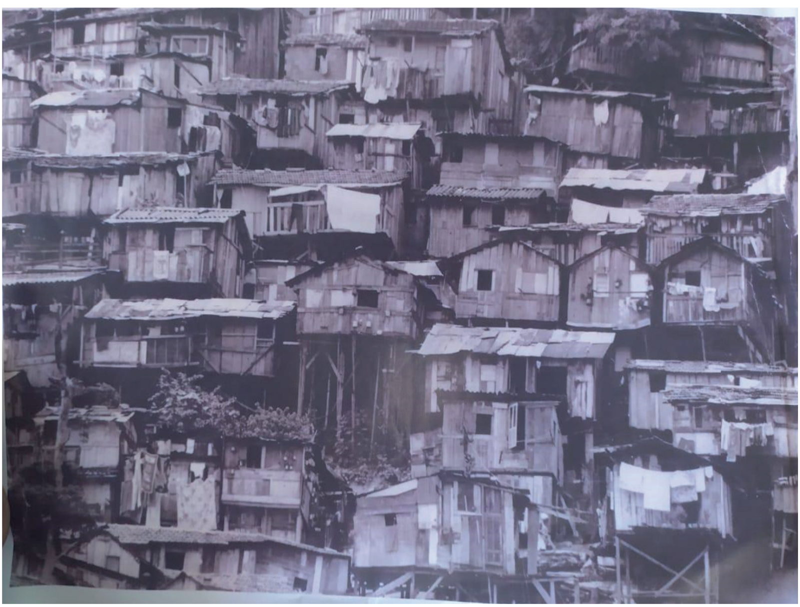
Originally, the favela had very few inhabitants; most of them came from small towns in Rio de Janeiro, such as Miracema, St. Fidelis, Campos and Itaperuna. Unlike other favelas in Rio de Janeiro, Santa Marta's first developments were on the upper part of the hill, a site granted by the priests at the time for the purposes of building houses. Even today, visiting this area, known as "Pico", you can identify homes that still have some characteristics of the first dwellings: humble buildings, with a rural aspect, made mostly of wood and surrounded by fences to enable chickens and other animals to be reared.

2.1.2 Housing

The first residences were made of wood. The conditions were poor. There were no toilets inside and all garbage and human waste was disposed of in ditches or in the forest surrounding the slum. Residents occasionally found animals from the forest, such as snakes, rats and cockroaches attracted by the waste. In addition, some reared chickens and / or pigs (cf. Silva 2010).

Around the 1960s, demand for space grew and the number of people from the north east of Brazil increased. At this point, it was possible to see larger houses, with a yard, and some even with two floors. However, the process of housing construction or enlargement of existing homes was not easy. At that time, a body known as the Leão XIII Foundation was responsible for issuing building permits for houses, and it was rare for any resident to be given one. Residents thus teamed up with friends and family to do the work at night, when there was nobody to hinder construction. Only after the 1990s did stone or brick houses become part of Santa Marta.

Figure 1: Wooden Houses Prevailed in Santa Marta until the Late 1990s



Source: Grupo ECO Santa Marta Archive (1985).

2.1.3 Water Supply

At the beginning, access to water was only managed with great difficulty and there were only two water sources, known as “mines”, which supplied the population with brackish water. The residents had no water tanks and used large capacity canisters to fetch water from the mines, where large queues formed. According to a former resident: “The water was collected with great sacrifice after spending the whole night in a queue to get it” (cf. Bulcão 2010).

With the growth of the favela, demand for water exceeded supply. In the 1950s, thanks to a joint action of the Catholic Church with Ponsa, a social organisation composed of students from the Sacré-Coeur de Marie school, the first water tank was installed at the top of the hill to supply the residents’ houses. It was only in the 1970s that water began to be supplied through the residents’ association, which charged each resident a fee. However, there was neither adequate infrastructure nor enough water to supply the whole community. Then, from 1983, thanks to a project carried out by the State Government, a powerful pump was acquired that enabled sufficient water to be distributed to all households (cf. Silva 2010).

Today, nearly 50 years later, water supply remains challenging. Water shortages are a constant problem and part of the daily routine of the residents, who have meanwhile become used to the problem. Typically, the most affected area is the highest part of the community, where supplies can be interrupted for weeks. In the summer, when consumption increases, there is not enough water for everyone and, therefore, the “manoeuvres” begin, consisting of a water relay process that turns off the water that serves half the community to redistribute it to the other half.

2.1.4 Electricity Supply

It is not reliably known when electricity arrived. Until the 1960s, few homes had electricity and the paths had no lighting. Energy was a valuable commodity and anyone who had it took advantage to sell some. This sharing meant the energy supply was very weak and the few families who paid for lighting were only able to connect some appliances, with television being given high priority. If a person had a television it was certain that, at some point, the house would be full of adults watching soap operas or children watching cartoons.

A joint effort between the Catholic Church, Ponsa, and Light enabled the first transformer to be installed. In addition to this, a Canadian multinational installed a generator with capacity to supply 400 houses and the Circle of Catholic Workers provided the connection network. This allowed more homes to be supplied with electricity.

With the improvement of the distribution of water and energy, the late 1970s were marked by a rapid increase in the population of the community and a changing landscape, which saw brick houses beginning to appear. But the more people arrived, the more problems arose. In addition to older problems related to water and energy, there was the problem of open sewage, which caused a proliferation of cockroaches, rats and, consequently, disease. Joint efforts by the residents were essential to tackle this problem, and work was constantly required to clean the paths and ditches.

2.1.5 The Wall

Currently, according to an interview[5] with a local entrepreneur who worked in the medical clinic, "Clínica da Família – CRAS", providing primary care to Santa Marta residents, there are about six thousand residents in Satan Marta and the community's expansion has never ceased to be a concern, especially for the Government.

In 2009, the city hall decreed the construction of walls, known as eco-limits, around the community, arguing environmental concerns about the forests surrounding the slum. However, it is clear that this initiative is an attempt to demarcate the territory, to segregate and control the place even more, which, being in the South Zone of the city of Rio de Janeiro, enjoys benefits such as the breath-taking landscape, fascinating nature, easy movement and access to other privileged neighbourhoods such as Lagoa, Copacabana and Leblon.

[5] At an Insolar planning meeting in December 2019, Verônica Moura provided us with some information about Santa Marta

Figure 2: The Wall

Source: Photo by Juan de Souza Silva (2009).

2.2 Social Capital: the Strength of Organisations and Leaders

Upon learning about the history of the Santa Marta community, and being born and living in it, we have observed that three pillars stand out which structure the identity of the community: religion, the struggle for rights and culture. Each of these pillars is related to significant community leaders and legitimised by Santa Marta's own residents. If you arrive in the community today and ask any resident who the local leaders are, they will respond by naming the ones we have highlighted here.

2.2.1 Religion

The role of priests during the development of Santa Marta was significant. They are worthy of mention because the Catholic Church, especially the Jesuit priests, played an essential role in the development of the community until the 1980s; thus, it is inconceivable to describe the process without reference to them.

In this context, figures such as Father Velloso, Father Hélio, Father Agostinho, Dom Helder Câmara and Dona Laura are well known for the social work they performed at the local social clinic (where the Colégio Santo Inácio, also a Jesuit institution, can be found today) as well as educational initiatives.

In addition to the Catholic Church, other religions coexisted: evangelical churches and various African churches such as Candomblé and Umbanda. Each had their own space and worshippers among residents' groups. Each religion had its own leaders, recognised by residents, who served as important references within the community. In the evangelical church, Pastor Valdeci has a large number of supporters, while the Candomblé or Umbanda have long counted Dona Guiomar, Dona Maria and Dona Maria Portuguese Batuca as significant leaders (cf. Silva 2010).

From the 1990s, however, things changed. Spaces for practising Candomble and Umbanda ceased to exist within the community, while evangelical churches, from different faiths, gained in popularity and acquired more space for worship as a result. Today there are only two Catholic churches compared to five evangelical ones, which have the highest number of worshippers among residents. This fact has made the community more conservative because the evangelical congregation has distanced itself from, and begun to criticise, some traditional cultural movements in Santa Marta such as funk and samba.

2.2.2 Fight for Civil Rights

When it comes to the pillar "civil rights", the Residents' Association, established in 1965, and the Association known as Schools Without Walls ECO Group, a civil non-profit institution, founded in 1980, have played a key role.

The Residents' Association was created by an initiative of the dictatorial Government and the Leo XIII Foundation with two objectives: firstly, to control the inhabitants of Santa Marta and secondly the territorial distribution of water and light. Initially, the dictatorship restricted the activities of the association to the objectives mentioned above. In 1980, however, the Association became autonomous and a democratic transformation took place. Since then the presidency of the association has been chosen by elective process. This transformation has had a positive impact on the lives of the residents.

The 1980s were a milestone for the community, since, thanks to the struggle of the Residents' Association, improvements in the distribution of water and light were seen which are still evident today. During this period, the presidency of the institution was held by the community leader Itamar Silva; later on, the president was Eliane dos Santos, whose period in office was marked by having a board composed only of women. Currently the Association's leader is Jorge Hilário Vieira, who has been in office for almost ten years.

On the other hand, the ECO Group, also headed by Itamar, is a great institution within the community, whose mission is to support residents in their fight for basic rights, access to culture and leisure. The beginnings of the group date back to the period when the group's founders were leaders of the Residents' Association and were also responsible for a newspaper that promoted important issues in the favela. The ECO Group was actively involved in preparing the first map of the slum, showing all the streets and alleys in order to support the first urbanisation in 1979, with the support of PUC-Rio. It was thanks to this map that Light was able to develop the first proposal that would finally enable electricity to be supplied to the community.

2.2.3 Culture

Santa Marta is rich in its cultural expressions and has two movements that should be mentioned: Folia de Reis and Samba.

Folia de Reis is an old religious tradition in Brazil. It arrived in Santa Marta in the 1960s, thanks to former residents who came from small towns in the state of Minas Gerais, where this tradition was better known. Masters Zed Candido, Mr. Luiz, Johnny, Dodo, Zé and José Henrique Diniz are immigrants and largely responsible for the Folia de Reis, which has become an important cultural movement (cf. Silva 2010).

Folia de Reis originated in the Catholic religion though syncretism developed with other religions of African origin. It is based on the pilgrimage of the Magi to the town of Bethlehem, where Jesus was born. The Folia de Reis visits several houses inside and outside the community as part of the ceremonial rites. The group consists of a master, musicians, clowns and shepherdesses.

The members of Folia de Reis wear clown costumes, dance and sing to attract attention wherever they go. Joãozinho, Borrachinha, Zezinho Capirai, Zé Carlos and Macalé were the first big stars (cf. Silva 2010). However, Ronaldo Silva, son of Master Zé Diniz, began to perform as a clown at the age of nine and remain in this role today, nearly fifty years later. Today he shares this responsibility with his son, Ronaldo Silva Júnior, who also has extensive experience in the art of being a clown.

The shepherdesses are a troupe of women who have the responsibility of carrying the ultimate symbol of Folia de Reis, the flag. Dona Maura, Dona Rosa, Rita, Marina, Maria Bela, Delfina, Eunice and Roberta are famous names (cf. Silva 2010).

The second cultural aspect that worthy of mention is Samba. Samba is part of the history of Rio de Janeiro and Santa Marta. It began with the formation of street carnival groups where people get together and go out into the street during carnival with the sole purpose of having fun. In 1975 Santa Marta founded its street carnival group, the Empire of Botafogo, with the aim of competing with other carnival groups in the carnival of Rio de Janeiro. Joe Diniz, grandfather of Caio Silva (co-author of this article) is the president of the group.

The Samba School Mocidade Unida do Santa Marta was founded in 1992. The school still exists today and has its own festival hall on the hill of Santa Marta, a location that hosts the bigger events in the slum. It is also the space where some social projects are realised and a place for training percussionists. From this Samba school many talents have emerged, e.g., Jefferson Caliquinho, who is currently master of Samba at the St. Clement Samba School – a school that belongs to the elite group of the Carnival of Rio de Janeiro. Furthermore, he leads the infant school of percussion Spanta Nenem, thus keeping alive the tradition of teaching percussion to children and adolescents.

Here on the hill, samba is omnipresent in our routine. It is seen in bars, at parties and even at social gatherings of church members. It is common to find in samba lyrics an exaltation of happiness and the sentiment that samba is the medicine of our soul. We recall several family celebrations where the party was led by the samba and, in these moments, all our everyday problems were forgotten. Thanks to samba. Save the samba!

2.3 Government Intervention & Public Policies

Until December 2008 the key moments in the history of the favela, such as the arrival of water and light, the cultural movements and internal leaders, had little to do with government intervention. The vast majority of these actions were conceived and led by the residents of Santa Marta. This is clear evidence of the government's neglect of the needs within the favela. One example of disregard is the fact that the slums were only entered in the official city maps in 1980s.

When Brazil decided to host the World Cup and the Olympics, attention turned to the slums of the city of Rio de Janeiro. A need arose to make these places more attractive and less frightening for the tourists who were expected to come. In this context, government projects such as the UPP – Police Unit Pacification – changed the community. Before long, Santa Marta had a police headquarters on the hill, which had the power to say who could hold parties and which projects could carry out their activities in the community. Hostile policing has become more common as has the silence of the residents.

Despite these negative aspects, the aim of making the favelas attractive has worked, and tourism has increased. Several local initiatives have had the opportunity to meet tourists from around the world and tell the history and the beauty of Santa Marta. Some examples of these initiatives are: Brazilidade, a social enterprise in tourism founded by Sheila Souza; Favela Santa Marta Tourism, a group of guides founded by residents in partnership with the State Government of Rio de Janeiro and whose main leaders are Salete Martins and Veronica Moura and finally Favela Santa Marta Tour led by Thiago Firmino, an entrepreneur and fervent advocate in the struggle to ensure the rights of residents.

Moreover, frequent reports on national television about the improvement of the quality of life of residents of Santa Marta gave rise to other important opportunities. Large companies made direct investments in projects that were able to transform the lives of residents of Santa Marta. And this is where Insolar comes in.

3. *Insolar*

Social businesses differ from non-governmental organisations because they do not rely on philanthropic funds or donations; On the other hand they cannot be described as traditional companies because their main measure of success is the social impact of their innovative actions rather than just profit. They also differ from corporate social responsibility campaigns that are initiatives disassociated from the core business and are aimed at overcoming negative externality. Rather, social businesses seek to derive their revenues from the sale of products and services, with little or no dependence on philanthropic or subsidised capital (cf. de Mello 2018: 27).

Insolar is this kind of enterprise, namely a social business. Muhammad Yunus prefers to describe social businesses as companies that have the sole mission to solve a social problem and do not authorise the distribution of dividends (cf. Yunus 2010).

In Brazil, the emergence of social businesses is a recent phenomenon. Social businesses in Brazil present themself as alternative solutions to the social problems faced by low income inhabitants. Nevertheless, Brazil seems not to be well prepared to welcome such business initiatives:

> "A market unprepared and sometimes suspicious; a lack of legal devices able to accommodate the specifics of the project, among other obstacles. Not only that, the period coincided with the national economic crisis". (de Mello et al. 2019: 2, own translation)

Insolar is one of the first social business pioneers in the country. It seeks to democratise access to solar energy in Brazil – a source of clean and renewable energy and one that is considered to be one of the key alternatives to fossil fuels in the fight against global warming.

When the rules for micro-generation of electricity were established by ANEEL (Brazilian Electricity Regulatory Agency), solar panel installation costs were extremely high, and vulnerable communities were not seen as potential consumers of solar energy. Therefore, Insolar's initiative was even more audacious, and it was the vision of the founders to see access to solar energy as an opportunity to generate social impact by helping families save on their energy bills. In the case of Rio's favelas, spending on energy ranks among the top three types of expense for residents. With the solar panels, the community is able to generate its own energy and therefore families save money on their energy bills. Hence, the Insolar project also has an indirect effect on the income of Santa Marta's families.

In addition, Insolar stimulates the local empowerment of residents and local leaders by hiring and training them to work in the social enterprise, but also by providing increased energy independence and by fostering exchange and promotion of learning.

Insolar therefore promotes the local development, understood as a set of interdependent and complementary processes that take place in a territory (cf. Bocayuva & Zapata apud Silveira et al. 2001: 260). Territory in this context is not understood only as a natural system nor as only an agglomeration of buildings (cf. Santos 2020), but it highlights a "sense of belonging", it is the place where individuals work, reside and where their "material and spiritual life" happens (ibid.: 96, own translation). translation).

Unfortunately, the most vulnerable families of Santa Marta, those located on the uppermost part of the community, have not benefited from the Insolar project. Nevertheless, other social initiatives at Santa Marta have faced similar problems, which allows one to hypothesise that one possible reason why Insolar and other social initiatives have not impacted on that group of residents depends on socio-cultural problems rooted in the community that could not be solved by social initiatives. Rather, we argue that such problems require a deep discussion in academia to identify their determinants and possible solutions.

4. *Final Remarks*

> "Uns com tanto / Outros tantos com algum / Mas a maioria sem nenhum"[6].

The reality of the favelas in Rio de Janeiro is a relevant topic. On the one hand it highlights the fight of the favelas' inhabitants for their rights. On the other hand it emphasises historical inequalities that have character-

[6] "Some with so much / The other with some / But most without any." Excerpt from music by Elton Medeiros, entitled "A maioria sem nenhum, from 1968", own translation.

ised the favelas' working class, which is composed of immigrants who, over the years, have settled in those communities and who represent a workforce at the service of more privileged social classes.

In this context, transculturality is applied in the practice of cooperation, empathy and respect among other attributes inherent to the genesis of the slum and the slum dwellers, such as the diversity of their colour, their race, their history, their origins, their culture, their values, their interests.

The slum residents in Brazil face a challenge, day and night, to have better living conditions and to get access to the most basic rights. This effort requires network intelligence and collective organisation.

Diversity and respect are essential ingredients that explain the historical setting of the social fabric of the favela Santa Marta, which acts as a driving force to face adversity and socio-environmental problems.

Insolar is an example of a social enterprise that, on the one hand, pursues environmental and economic sustainability and, on the other, uses the community's resources and empowers its residents and local leaders. With its project, Insolar is trying to fight social inequalities which hinder individual and collective development at a personal, local, regional and global level.

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The Role of Communication in Stakeholder Oriented Decision-making in the Leadership of a Social Business: Learnings from Insolar

Yasemin Efiloglu

1. Introduction

This chapter deals with the role of communication in stakeholder-orientated decision-making and shows the importance of certain communicative capabilities within leadership for effective decision-making, illustrated through the case of Insolar, a social business based in Brazil.

Decision-making is understood on the basis of Luhmann's concept of viewing decisions as communicative events that can contribute to coping with uncertainty and contingency in organizations and assigning communication, linked to decisions, a special role within these processes (cf. Luhmann 2019). During the 10-days research trip of the Transcultural Student Research Group 2019 to Rio de Janeiro, a qualitative case study methodology was used to examine the social business Insolar for its leadership communication and decision-making. In particular, the position of the leader as a nexus in the midst of a complex stakeholder structure and his special communicative values and skillset were revealed, which shed light on the potential of stakeholder-oriented decision-making, which seems not only to be relevant for the hybrid business model which the social business is, but for every other organizational form as well.

The chapter starts by presenting desk-based research that was done prior to participating in the Transcultural Research Group. It examines the special challenge of a social business, which requires it to take an integrative approach to stakeholder management. Further, the concept of decision-making from a communicative perspective is explained by basing it on Luhmann's view on decisions. Subsequently, literature on stakeholder-orientated decision-making is reviewed. The theoretical part ends by narrowing the focus on leader(ship) and describing the need for individual communicative capabilities to handle stakeholder-orientated decision-making in a fruitful way. Following the theory, the research design is further described. The chapter ends by presenting findings and sharing a discussion as well as limitations and implications for further research.

2. Theory

2.1 The Social Business and its Challenge of Having Two Institutional Logics

From a capitalist-economic point of view a social business cannot be considered a profit-organization nor a non-profit organization. It can rather be seen as a new form of business model, something in-between these two business models, a hybrid model so to speak. Ashraf et al. (2019), who looked in their formulation to Yunus, the Nobel prize winner for the microfinancing model of the Grameen bank, state:

> "From an organizational structural perspective, a social business is a new form of profit-maximizing business, but not a charity, which tries to achieve its social objective in a self-sustainable manner." (Ashraf et al. 2019: 1147)

Being in-between two conventional business models, what Ashraf et al. are describing means social businesses have to have "two or more institutional logics", as Spieth et al. put it (Spieth et al. 2019: 427). Institutional logics can be understood as a set of material practices and values which shape the cognitions and behaviours in an organization. They are socially constructed. Furthermore, these institutional logics decide which goals are meaningful for the organization's members and which means are used to reach the goals. In its simplest form, a business has one institutional logic. Having several institutional logics can possibly result in synergies and even competitive advantage. But it also has the potential to lead to conflicts (Spieth et al. 2019: 429). The conflicts may arise because of ambiguity and even uncertainty, which the social business, in turn, has to balance in its diverse stakeholder network.

This is the first basic assumption for the research of this present study. The next assumption is that this act of balancing is made possible through communication from leadership. In this study the tool of decision-making is used to investigate this assumption. The next section presents decision-making, seen from a communicative perspective, as a tool for helping leadership with ambiguity and uncertainty in a social business.

2.2 Decision-making as a Communicative Concept – Based on Luhmann's View

Before we look at a stakeholder orientated approach to decision-making, the term decision-making should be clarified. This study focuses on decision-making as a communicative concept. This idea is based on that of sociologist Niklas Luhmann, who states in "Organisation und Entscheidung":

> "Organisational systems are social systems consisting of decisions and interlinking decisions".[1] (Luhmann 2019: 245, own translation)

In his essay Luhmann basically tries to anchor decisions socio-theoretically. His attempt leads him to the concept of communication, which assists him in understanding "decisions as the communicative mode of organizations" (Schörling-Ajayi 2019: 44). What makes Luhmann think that? For Luhmann, everything starts with the problem of contingency and complexity. For him it is about taming the chaos of the modern world. Basically, the problem of contingency and a very complex world leads Luhmann to the main issue and, at the same time, to the societal function of organizations, which is the treatment of uncertainty "Unsicherheitsabsorption" (Martens & Ortmann 2006: 409). When Luhmann says that organizations are composed by decisions, he means communi-

[1] Original: Organisationssysteme sind soziale Systeme, die aus Entscheidungen bestehen und Entscheidungen wechselseitig miteinander verknüpfen

cated decisions. Decisions are, for Luhman, not individual consciousness processes, but are rather tied to communication processes, and are even communicative events. Through communication, distinctions are made, which reflect a choice, namely a choice between at least two elements (Schörling-Ajayi 2019: 54). Decisions about membership of an organization are one example. Decisions about membership of an organization imply a bond: an, in German, "Pauschalakzeptanz" for further decisions. This bond makes organizations capable of decisions, which is, in addition to reducing complexity and uncertainty, another important characteristic of organizations. To be honest, declaring that organizations are composed of decisions is probably an unusual notion. Martens and Ortmann clarify that for most people it is the "action" which makes up the organization, rather than the decision (Martens & Ortmann 2006: 416).

The service of Luhman's thinking for this chapter lies in the special connection between decisions and communication and their important role for organizations. It can be concluded that decision-making, communicated in a certain way, is an important tool for organizations. As much as decision-making can make it easier to progress within a mission, if not performed in the right manner they also have the potential to make things a lot harder.

2.3 The Importance of Stakeholder-orientated Decision-making

> "By encouraging active participation and aligning values, leadership is not about enforcement; it is about building a dialogue." (Andrew Shaugnessy et al. 2019)

It is easy to understand that we live in "the stakeholder age" (Shaugnessy et al. 2019.). Therefore, this paper argues that it is highly relevant for leadership to optimize its communication with the environment and to let various stakeholders participate in decision-making around the organization.

In their study Siano et al. elaborate the significance of strategic and stakeholder-orientated corporate communication management (CCM) (Siano et al. 2013). Furthermore, they relate CCM to a set of different decision types which they base on Parson's view. This is important as it points out a) that there are different decisions to be made in an organization and b) that the decisions to be made in corporate communication management are not just tactical or operative but of a highly strategic nature. This gives a twist to the often-perceived facilitating role (negatively connotated) of communications in organizations. The authors suggest a framework for CCM, which links the decision-making processses of an organization directly to the development and integration of a broad stakeholder structure (Siano et al. 2013: 152). It has been shown through research that the effectiveness of decisions depends on the variety and diversity of the decision-makers involved in the process (Stroh 2007). Siano et al. follow up by saying that these decisions are achieved by having continuous dialogue with all stakeholders, which supports the “activist role” of the communication manager. The concept of stakeholder dialogue is often described as an important tool for stakeholder management (Smith et al. 2013). In the case of this chapter, the communication manager is, at the same time, the leader of the organization. This is why this study of Siano et al. seems to be applicable to the chosen case.

2.4 The Need for Communicative Capability of the Leader in Stakeholder-orientated Decision-making Processes

Inside the stakeholder network the leader can be seen as the nexus with relation to all stakeholders. The focal point here is on the individual level of leadership. Furthermore, the personification of the company by its top managers plays a key role both within the framework of identity-forming processes and in the course of legitimacy management. Because of this, the CEO contributes a lot of authenticity and credibility to the organization. Much of this contribution happens through the CEO’s communication. The last section ended by highlighting the importance of stakeholder-orientated decision-making. This one aims to mark the need for certain communicative abilities of leadership through these processes. Following the stakeholder model of Rowley (1997), Würz describes the role of the leader as being the compromiser (Würz 2012). This means the leader should conduct communication that is geared towards “interchange and dialogue with influential stakeholders” and “is interested in balancing the interests of different groups” (Würz 2012: 215). Würz does not explain what he means by influential stakeholders. This behaviour of the compromiser can be seen in line with Wieland's description of a transcultural leadership style, which he defines as:

> "The competence to develop social interactions that are significantly characterized by cultural diversity in such a way that they produce mutual advantages for all stakeholders: value, motivations or objectives accepted by all." (Wieland 2019: 34)

Leadership styles, following Wieland's view, are "resources on competences for the purpose of improving collaborative performance" (ibid.). These styles are attained by training and learning processes and they should always suit the situation. There is no one-size-fits-all solution, according to Wieland. Wieland suggests sets of values with which he defines the competence behind a transcultural leadership style. One of these value sets is described as communication, and it integrates the skills of non-normativity, listening and kindness (ibid.). This means a leader pursuing a transcultural leadership style should have the communicative value of non-normativity, which Wieland defines as meaning "one should not use one's beliefs as a condition for the implementation of a cooperative transaction" (Wieland 2019: 35). Furthermore, the leader should not feel the need "to comment on cultural diversity either critically or to make comparisons to one's own culture on every suitable and unsuitable occasion" (ibid.: 35). This might be especially relevant for the transcultural environment in which Insolar operates. Through the values of listening and kindness, Wieland sees the ability of the leader "to enter into conversations which (…), may include more fundamental normative issues, too" (Ibid: 35).

With the desk research developed in the last four sections, the theoretical background for the field trip is created. The next chapter looks at the actual research design before presenting the findings and discussion.

3. Research Design

To study the role of communication from the perspective of leadership in complex stakeholder-orientated decision-making processes a qualitative case study methodology is applied. First it was necessary to understand how decision-making can be connected to communication. The current perspective on stakeholder orientation had to be elaborated and it made sense to connect all this theory to the special concept of a new form of hybrid business model, the social business. This was done via desk research, as shown in Subchapter 2. The social business Insolar and the relationships regarding decision-making between the CEO Henrique Drumond and Insolar's complex stakeholder structure were the case for the present study. Insolar is an organization that facilitates democratic access to solar energy. On the company's website they state:

> "Insolar helps to create the bridges for dialogue and for the collective construction of the society we envision for the future." (Insolar 2020)

Already in its website communication the focus is on the concept of dialogue and collective construction as a means for creating a society that meets the vision of Insolar.

A case study approach was used to investigate a contemporary phenomenon because both the real context and the boundaries between phenomenon and context are unclear (Yin 2014). Since neither the concept of social businesses nor the role of communication within the decision-making processes in a complex stakeholder structure are fully understood, this case study aims to elaborate more insights on these topics by exploring the case of Insolar. Based on Luhmann's view of decisions as communicative events and general research on stakeholder management, interviews have been conducted with the CEO Henrique Drumond, experts from the Brazilian research field and representatives of two stakeholder groups of Insolar, from the favela Santa Marta and from the non-profit organization (NPO) UN Habitat.

4. Findings

4.1 Central Aspects

There are three central aspects that are worth discussing, namely the concept of trust as the basic of communication (4.1.1.), the sharing of decision-making (4.1.2.) and finally the role of the leader, as the facilitator of this process (4.1.3).

4.1.1 Trust as the Basis for Communication

In the course of the interviews it was often pointed out that trust is the basis for the development of stakeholder relations, and therefore the development of Insolar as an organization. The concept of trust was especially discussed in the context of the relationship with the local community of the Santa Marta favela. One expert explained:

> "The capacity to gather to mobilize local leaders is essential. Working even (…), doing surveys and meeting with (…) sensing everyone. If you (…) are not in touch, in a good relationship with local leaders, things don't work." (A 15)

Interviewees described the importance and complexity behind building a trustful relationship with the local leaders of a favela. Furthermore, they explained that people living in the favelas would be very used to people coming from the "outside", wanting to implement solutions for the lives of people that they do not know, and then leaving without a sustainable solution. This led to an extensive discrepancy of trust within the community:

> "I think people from communities are fed up. They don't believe. They don't trust. So it's hard to build this trust channel. To really connect. So it's hard to build this. And I think Henrique (has) this skill to build this connection with trust and empathy. That's very rare. Because people in Brazil are very arrogant. They think they know everything, and we have this historical approach that the wealthy people think they are god and they know what is best for the others." (I.2)

Especially representatives of the favela community referred to the CEO Henrique Drumond as being the main driver for the well-established relationship between Insolar and the community:

> "He is very careful, involving people in Santa Marta. I think this is very important. Even if he's an outsider, he's trying to integrate people from the Favela." (I.4)

4.1.2 Sharing the Process of Decision-making

The importance of being integrated into the decision-making processes of Insolar has been mentioned frequently. One respondent paraphrased an interview she had conducted with the CEO:

> "He said to me when I interviewed him: I listen a lot to everybody before I decide anything. And I look for sharing the process, the information, the responsibility. But I make the decision in the end. (…). He said: I'm not a laissez fair leader. I think I am a kind of democratic leader but in the end I have the final decision." (I.4)

It becomes clear that there is a distinct difference between the sharing of the decision-making process (e.g. information and responsibility) and creating collective decisions, which need to have complete consensus. For Insolar the CEO has "the final decision". Moreover, one representative of the favela shared:

> "This is very important because most of the time you look at the favela environment, most of the time these companies come from outside. And normally, most of the time we are not participating and taking decisions. (university) projects are already done." (I.2)

The interviewee once again highlights the issue of people coming as outsiders to the favela, with project ideas that are already completed, that leave no room for participation of community members. She followed up by saying:

> "I normally don't participate because I want to be heard because if someone is doing a project in a favela, where I live, I want to be part of the decision. I don't want to be just someone who's like watching. Do you understand this? I think for me, this is the key." (I.2)

For this interviewee it seems to be more relevant and even enough to participate in the decision-making process, rather than being completely in charge of the whole project idea. The CEO Henrique Drumond is once more described as doing something different in comparison to the other "outsiders":

> "Even if we didn't take the main decision about Insolar, Henrique is trying to compensate for this by involving people in a very deep level

> inside the favela. I think that he is someone that's quite unusual. Because most of the time coming from the outside, they are very aggressive because they think favela people are stupid." (I.2)

The observation of the stakeholder meeting at the entrance gates of the favela Santa Marta confirms what was said before. The meeting, which was held to introduce a new branch of the project, was completely coordinated by residents of the community. After the presentation of the project idea by two Santa Marta representatives, there was plenty of time for questions and feedback. The CEO, Henrique Drumond, remained in the background throughout the meeting, sitting in one of the back rows. Only when it came to very technical questions did he jump in, so to speak, and contribute any input. The atmosphere of the meeting was generally very relaxed and lively. There was a lot of laughter and various stakeholders came up to explain their point of view.

4.1.3 The Leader in the Role of the Facilitator

One thing that stood out was the special role that the CEO Henrique Drumond seems to play in the nexus of Insolar's stakeholders. The communicative ability of the CEO was often evident, but not necessarily in the role of the salesman pursuing stakeholders to some sort of action, rather in a more passive manner of active listening and sharing the process of decision-making. One interviewee summarizes this by saying "he is a facilitator of the process" (I.4).

This can be understood as the CEO giving up his responsibility of being the leader of his project. In the observed context it can be seen as using clear and well-proportioned communication to step back from the tendency of over-managing and giving space to the expertise of other stakeholders. The CEO described his perspective:

> "Of course, there was a role of Insolar for leading the dialogue. So, we are leading but not ruling. So, we are leading in the sense that we are showing the way. Here this is the way: you are welcome to follow or create your own track. But this is what we propose. Because if the whole process of empowerment works as we envision it my role would be very limited. People would take charge of the projects of Insolar themselves." (I.1)

Another crucial element to this aspect was introduced by the work of research fellow Leonhard von Zumbusch[2]. He mentioned the role of Henrique Drumond as being the translator in the stakeholder structure of a social business, which is characterized by being more diverse than other institutional logics. The stakeholder structure of Insolar is not just linking different organizations, but communities with different language capabilities and educational levels. The representative of the Santa Marta community explained:

> "Check the level of education of people here. It doesn't mean that people are stupid. They just have no formal education. But if you talk to some people here, they are geniuses. But they didn't have access to education. But some are crazy about: let me see your diploma, your Master's degree. And then it's like you intimidate people here. So, some people sometimes they don't come to this kind of meeting, because they think they're not good enough to follow this conversation. […] Imagine a person who never went to school. We have lots of illiterate people who cannot read. And then these people abandon your meeting (multi-stakeholder dialog) and then you think people are not interested". (I.2)

The capability of Henrique Drumond here is being the facilitator and translator of expert knowledge for people who did not have the privilege of a formal education.

5. Conclusion

The article concerned the role of communication in stakeholder-orientated decision-making process by using the example of Insolar. There were different ideas that flowed into the elaboration of this work. Starting with describing the problem of the fairly new phenomenon of social businesses, acting as a new hybrid form of business models by combining two institutional logics, which results in the need to lead and manage an even more complex stakeholder network. The next idea was to look at internal organizational processes and identify decision-making as one of the key processes that define the organization, following Luhmann's systemic view. As communication is such a broad concept, for the case

[2] Please see von Zumbusch's chapter in this book.

of the field trip, the view was narrowed on the leader and his communicative role in the perception of Insolar's stakeholders.

In line with the description of Wieland's transcultural leadership style, it could be shown that some personal traits such as kindness and listening by the leader really matter in the context of decision-making and become even more relevant in the context of stakeholder-orientated decision-making. First and foremost, this field trip clearly demonstrated that the mission of Insolar really lives by the participation of its stakeholders. This article shows that more field research is needed to understand the form of communication that is needed for projects that strive to have a social impact. Nevertheless, the knowledge that can be gained through this kind of investigation is not only relevant for a better understanding of social businesses, but also for any other organization type that relies on managing a complex stakeholder structure.

6. Limitations

Needless to say, there are some limitations to this work. The first was the limited time, only 10 days, which was not sufficient for a whole view of the complex stakeholder network of Insolar and to set up interviews with everyone. It is very likely that the role of communication varies a lot between different stakeholder groups but as described, this could not be fully observed during the time available. Further, one must consider that some language barriers occurred as the group had to interview in English most of the time, whereas the interviewees were native speakers of Portuguese.

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Cooperation Rents Through Transaction Communities of Practice: Towards the Nature of the Social Firm. Inspired by Insolar

Jakob Hoffmann

1. Introduction

This article looks at societal – private and public – value creation in a social entrepreneurial and development setting. It places special emphasis on the governance of sectoral and cultural diversity. To be more precise, it explores the notion of Transaction Communities of Practice as governance of extra-firm multi-stakeholder projects, and, on this basis, the related question of how cooperation rents can be increased against the background of polyvalent events.

Today, we live in a functionally differentiated and fragmented society (cf. Luhmann 1998: 36, 131; Wieland 2018). In this polycontextual society, players have distinct perceptions of reality. Due to increasing interdependencies across geographic, sectoral and cultural boundaries players need to collaborate in order to solve societal multi-dimensional challenges and to ensure social, economic and ecological value creation (UN, WEF). This is accompanied by several challenges such as a lack of shared understanding and trust among collaboration partners as well as the fact that prevailing institutions do not cover the overall complexity of collaborative social-driven endeavours (cf. Ansell & Gash 2007: 558ff.; cf. Selsky & Parker 2004: 370; Selsky & Parker 2005: 853).

Against this background, Insolar's pilot project in the Santa Marta favela reflects current practical and academic challenges of multi-sectoral and multi-cultural governance as well as the ongoing debate on the nature of social entrepreneurship (cf. Mair & Marti 2006; Nicholls 2006; Teasdale 2012), and therefore represents the unit of analysis of this case study.

Conceiving the nature of the social firm as a nexus of events (cf. Wieland 2018: 256f.) this case study finds out that the concept of cooperation rent (cf. Wieland 2018: 154f.) presents a fruitful conception for the capture of multi-faceted value creation processes in social start-ups and enterprises, including their manifold spill-over effects. Based on the subsequent central challenge of managing polycontextuality, the author introduces the notion of transaction-specific Communities of Practice (cf. Wenger 1998, 2002) for the creation of shared value and cooperation rents.

These insights require and call for a paradigm shift from dyadic and discrete exchange transactions to relational transactions as the basic unit of economics that not only apply to profit-oriented organisations but also, and especially, for civil society organisations and hybrid forms (cf. Wieland 2018).

The chapter is divided into four parts. After examining the methodological approach, the idea of Insolar as a value creation network is presented. Thereafter, the researcher presents the notion of a Transaction Community of Practice. The chapter concludes with a general discussion.

2. Single Case Study Design

This is a qualitative, single case based analysis of Insolar's pilot project in the Santa Marta favela (cf. introduction chapter in this book). The study is highly explorative. The research design is composed of both deductive and inductive elements (cf. Eisenhardt 1989; cf. Siggelkow 2007). Thus, the study builds on Relational Economics (cf. Wieland 2018) and Communities of Practice theory (cf. Wenger 1998, Wenger et al. 2002). Empirically, multiple qualitative data collective methods allow convergence from different perspectives achieving triangulation. These include open interviews with stakeholders of the Insolar project such as Insolar founder Henrique Drumond, a representative of the United Nations and a resident and entrepreneur of the favela as well as participant observations at a multi-stakeholder meeting (cf. Mayring 2016: 72, 80).

Throughout the research process, a transcultural approach (cf. Wieland & Baumann Montecinos 2019: 230) was adopted. This open-minded attitude and focus on continuous learning processes allowed experience of the local contexts in detail and a review of the researcher's own perceptions. For example, several interactions in the field as part of the Transcultural Research trip such as visits to university classes as well as conversations with local experts from academia and practice contributed valuable context information.

Verbal transcription of interviews and written observations are the foundation for the content analysis conducted with MAXQDA software (cf. Mayring 2016: 89). Deductive codes are the parameters of Relational Governance (cf. Wieland 2018) and the main categories of Community of Practice: mutual engagement, joint enterprise and shared repertoire (cf. Wenger 1998). The codes are verified across interviews and participant observations (cf. Eisenhardt 1989: 532). Conceptual development is based on code relations, relevant data sequences not covered by theory, context information as well as on logic and common sense (cf. Eisenhardt 1989: 532). Overall, the research approach was highly iterative and explorative in order to find and develop an appropriate model that grasps the case of Insolar as well as phenomena beyond (cf. ibid.: 536, 546; Siggelkow 2007).

3. *Insolar – A Value Creation Network*

By providing solar technology for socio-economically underprivileged residents of the Santa Marta favela in Rio de Janeiro, Insolar creates social, economic, ecological and educational value. In doing so, three aspects stand out. First, the value created by Insolar is multi-faceted. Besides affordable access to energy, the residents of Santa Marta gain, for example, educational benefits thanks to technical training sessions as well as sessions devoted to compiling and improving their CVs or resumés. Secondly, value creation goes beyond Insolar. For instance, Luis[1], a resident of Santa Marta who did not previously have a regular

[1] The names were altered to guarantee the anonymity of the interviewees.

occupation, started his own solar technology business, occasionally employing other trained residents of the favela, after attending installation training sessions with Insolar. Thirdly and fundamentally, various players are involved in the cooperation project. These range from profit-oriented corporations with fast-paced business cultures and long-term plans to NGOs with technical expertise, a public bank, and the diverse and creative inhabitants of the favela of whom many have no formal education while being exposed to an uncertain environment where water sanitation and electricity cannot be taken for granted. Hence, distinct decision logics, diverging language games and cultures encounter each other while stakeholders contribute crucial resources such as knowledge, labour and capital to the project.

In view of the multiplicity of types of value, including spill-over effects, and the variety of stakeholders participating in the project, the prevailing neo-classical view of value creation clearly fails to grasp the phenomenon of Insolar. This is due to its restriction to the economic logic as dyadic and discrete transactions on markets (cf. Jevons 1871: 86; Wieland 2018: 34ff). Several concepts and definitions in the field of social entrepreneurship literature exist (cf. Mair & Marti 2006; Nicholls 2006). However, no common ground has been established among scholars (cf. Teasdale 2012). In fact, conceptualisation such as externalities (cf. Pigou 1932), social impact (cf. Latané 1981) or hybrid (cf. Borys & Jennison; Johanson & Vakurri 2017) by referring to either an outside or in-between of prevailing categories point towards both the need and the potential for novel theoretical development and a change of perspective on how value is created in modern societies.

Against this backdrop, and based on Relational Economics (Wieland 2018), the social firm Insolar can be conceived as a value creation network (see figure 1). In contrast to neo-classical economics, the network or nexus is composed of various stakeholders' rationalities, interests, resources and cultures or in short, "events" (Whitehead 1979: 25; Wieland 2018a: 254) that are to be relationalised to a specific transaction in order to create value.

This transaction becomes an attractor for polyvalent events and players (cf. Wieland 2018: 22). In Santa Marta this transaction presents the transfer of ownership of solar panels (figure 1). The relationalisation of events is based on Relational Governance, which represents the effective proportioning of polycontextural and polylingual, formal and cultural institutions that function as common reference points grasping and enabling events.

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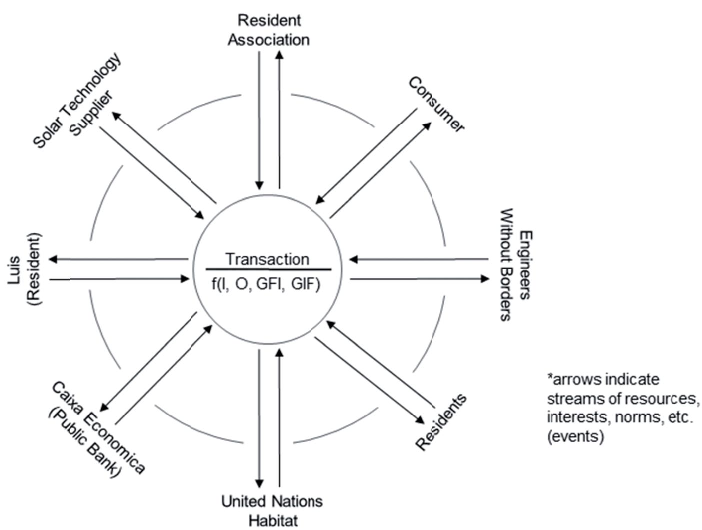
Figure 1: Value Creation Network in Santa Marta



Source: Own illustration adapted from Wieland (2018a: 119).

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A specific relational transaction (RT) is therefore a function of individual traits (I), organisational structures (O) and formal (GFI) as well as informal societal institutions (GIF) (cf. ibid.: 74). As parameters of the Relational Transaction they enable and are based on the relationalisation of multivalent events as a twofold process (cf. Wieland 2016b: 325ff.). Formally, this results in the following equation (cf. Wieland 2018: 74):

$$RT\ (I, O, GFI, GIF)$$

In Santa Marta, on the individual level (I) opportunistic as well as prosocial behaviour is present since residents consider purchasing solar panels to reduce their electricity bills (I4: 41), and since residents do not remove, relocate or steal solar panels because of the "good relationship with the favela" (I4: 51). At the organisational level (O), internal accountabilities and regular meetings, feedback sessions with stakeholders from within and outside Santa Marta present polycontextural and polylingual governance forms. Salima and Valentia[2] from Santa Marta engage in communication and marketing. Luis responsible for technical maintenance. In meetings with Drumond they discuss:

> "What's the best place to install the system? What's the best material? How will it look better? How do we need to communicate that? How does it work? Who is going to install it? Is it going to bother [anyone] in the community?" (I1: 9)

On this basis, local, context-specific knowledge can be relationalised with respect to the transaction. Institutions such as the "community committee" (I4: 55) or the change of price display from per year to per month (ibid.: 43) present new communicative structures based on polylinguality that reflect both the cultural norms of the favela, such as short term planning, and economic logics as a unity of difference of events. Furthermore, property rights represent forms of governance on a societal macro level (GIF) (ibid.: 51). More frequently, informal societal structures (GIF) affect the cooperation project. In particular, this is because of the internal social structures of the favela that need to be considered when conducting projects in these regions as an interviewee points out:

[2] Altered names.

> "They [the gangsters] do not necessarily want them [solar panels]". (I1: 13)

Consequently, Relational Governance comprises the interaction of polyvalent events, logics and cultures thus affecting stakeholders' ability and willingness to cooperate and to invest crucial material and intangible resources over which Insolar in a narrow sense has no control over.

The relationalisation of events results in a factor income and a cooperation rent as returns on resource investments contributed by stakeholders (cf. Wieland 2018: 120). For example, technically trained residents receive a financial consideration for installing solar panels as a factor income. In addition, stakeholders obtain a share of the cooperation rent that emerges from the relationalisation of resources as a supranormal profit (cf. ibid.: 120 and 193). This relational rent can be tangible or intangible. For instance, residents acquire technical knowledge and managerial skills by participating in the value creation network. NGOs and donors gain reputation and trust. Moreover, the mutual relations between stakeholders from within and outside the favela enhance cooperation rents by the creation of new transactions beyond Insolar. For example, after an architecture student from Rio de Janeiro City attended a stakeholder dialogue, residents were encouraged to start a design workshop which later became a platform for developing a shared vision of living in the favela. Also, based on the educational value Luis gained through training with the Insolar's partner organisations he eventually started his own solar business.

The concept of cooperation rent grasps multiple types of values based on the stakeholders' interests and participations with respect to the Relational Transaction. Furthermore, beyond this primary transaction, Relational Economics captures the creation of manifold spill-over effects. The transfer of ownership of solar panels can be described as an impetus transaction that not only attracts events but also creates new events and transactions and thus leverages factor incomes and cooperation rents for society.

To conclude, the theoretical perspective of Insolar as a value creation network allows the internalisation of various stakeholders' rationalities and cultural belongings as well as of the "social objective" (European Commission) of the social firm in a developing setting. The cooperation rent presents an appropriate term for value in social firms since it grasps the multi-dimensionality of values and the creation of spill-over effects emerging from the relations across the stakeholder network. This fundamentally rests upon Relational Governance, polycontexturality as drawing relations between multivalent logics and stakeholders and polylinguality which comprises the ability to establish new communicative structures that reflect these logics as a unity of difference (cf. Wieland 2018: 26f.). In the following, this major challenge of governance as the management of polycontextural and multicultural actors will be further elaborated while introducing the notion of Transaction Communities of Practice for the generation of cooperation rents.

4. Insolar – A Transaction Community of Practice

Up to this point the researcher has argued for understanding Insolar as a nexus of events in order to capture multi-dimensional value creation processes in a social firm. The interaction of polycontextual stakeholder events and resources result in the generation of material factor incomes and multi-faceted or polyvalent relational rents as the ends of the social firm Insolar. The central challenge then is the governance of polycontextual and multicultural players. Against this, at this point the researcher introduces the notion of transaction-specific Communities of Practice as a theoretical and practical concept for the joint creation of polycontextural and polylingual governance arrangements that lead to the creation of factor incomes and relational rents.

After a brief introduction to the Community of Practice concept, the theoretical aspect will be presented using Insolar as an illustration. Next, based on the observations in the field, the researcher will demonstrate a leadership perspective on how to cultivate Communities of Practice in transaction networks.

Communities of Practice are defined as:

> "Groups of people who share a concern, a set of problems, or a passion about a topic, and who deepen their knowledge and expertise in this area by interacting on an ongoing basis." (Wenger et al. 2002: 4)

Members engage in learning processes by which meanings are collectively negotiated based on an interplay of participation and reification (cf. Wenger 1998: 41). Mutual relations, shared perceptions and routines evolve (cf. Wenger 1998: 47). These coordinate future actions among participants as common reference points. Owing to the concept being rooted in American pragmatism, striking parallels to Alfred N. Whitehead's process philosophy can be recognised (Dewey 1938)[3].

Wenger breaks down the concept into three constitutive elements. Accordingly, a Community of Practice coheres through the mutual engagement of its members, their development of an indigenous, joint enterprise and a shared repertoire such as symbols, tools and artefacts (cf. Wenger 1998: 54). As such, "they hold the key for real transformation" in organisations and societies (ibid.: 62). Whereas the concept has received great attention in intra- and inter-organisational knowledge and strategic management literature[4] and has become popular in practice (cf. World Bank 2020), it has yet not been examined in the context of extra-firm value creation networks.

Prior to the start of the cooperation project and before the first solar panels were attached to the roof of the community nursery, Insolar founder Drumond contacted members of the favela's residents' association. Meanwhile different worlds of experience encountered one another when Drumond presented his ideas (I4: 10; figure 2). However, by discussing their visions, talking, explaining and listening, dialectic processes of participation and reification take place as shown in figure 2.

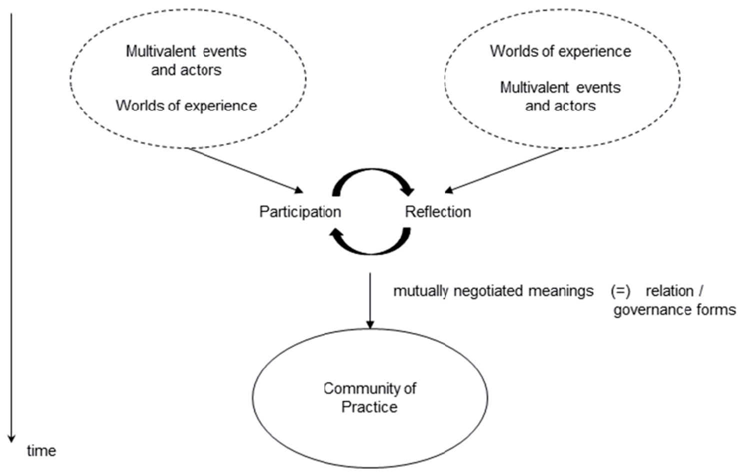
As a result of this ongoing interplay, shared understandings and interests can be recognised such as an "excitement" (Drumond I4: 10) for solar technology. As follows, the implementation of solar panels in Santa Marta became a joint enterprise:

> "Oh, you are doing something with solar energy, we are in." (I4: 6)

[3] Whitehead in the preface to "Process and Reality" refers to John Dewey as one who had an intellectual influence on his work (1979: xii).

[4] On this point please see Wenger 2002, Agrifoglio 2015; Dubé 2005; 2006; Cohendet et al. 2013; Saint-Onge & Wallace 2003; Hildreth 2004, Mayntz 2010, Wieland 2020.

Figure 2: Rise of the Transaction Community of Practice



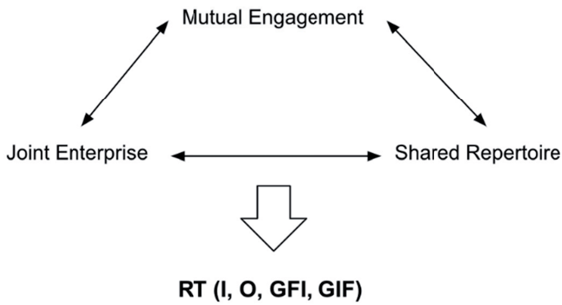
Source: Own illustration.

During multi-stakeholder gatherings "vivid discussions" (field notes) and "feedback" (I4: 30; I3: 25) allow for constant evaluation and "adaptation" (I1: 12).

Meetings are attended by players from both in and outside Santa Marta (field notes). Hence, they reflect the mutual engagement of poly-contextual stakeholders commonly engaging in collective learning processes. These relational processes result in the joint construction of shared meanings, perceptions and routines which, as a consequence, present mutual relations and governance forms (figures 2 & 3 below).

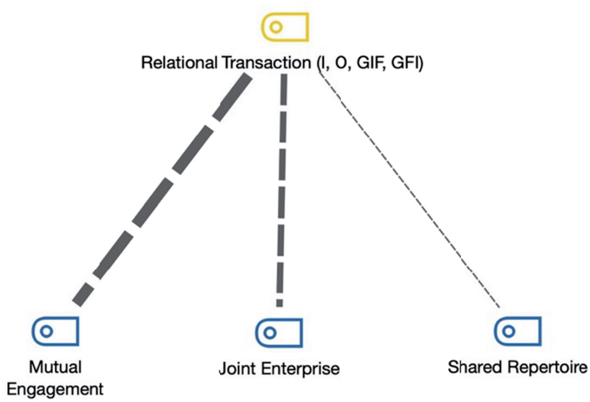
Data analysis showed strong code relations between the constitutive characteristics of the Community of Practice and Relational Governance (figure 4).

Figure 3: Community of Practice – Relational Governance



Source: Own illustration.

Figure 4: Code Relations



Source: MAXQDA.

Hence, Insolar presents a Transaction Community of Practice. The governance forms are based on the stakeholders' engagement. Consequently, they are polycontextural and polylingual. For example, the foundation of the "community committee" (I4: 55) as a result of collective learning processes reflects the complexity of the favela's internal social structures as well as ethical and economic requirements represented by NGOs or donors outside the favela. Thus, the committee presents a new, idiosyncratic institutional arrangement as a unity of difference of polyvalent events. This is why the Transaction Community of Practice can be described as an arena for the emergence of sensitive, trans-sectoral, transcultural governance forms, thus contributing to Relational Governance. As follows, the willingness and ability of stakeholders to invest resources is enhanced because “they see themselves as part of the project and they love it” (I4: 5).

By doing so, this learning arena not only includes the relationalisation of rational incentives or moral aspects but also of emotional affective events. Members’ feelings and desires are part of their participation in the practices of the community. Furthermore, fun and laughter draw relations among heterogenous stakeholders (field notes). This creates a special atmosphere and culture of participation that could be observed during a multi-stakeholder meeting:

> “When one woman wanted to talk but was not brave enough, the others encouraged her to speak up and then she did.” (field notes)

These aspects positively affect the creation of polylingual and polycontextual governance, which results in the effective, fruitful relationalisation of events and thus the creation of factor incomes and cooperation rents in a complex environment.

Furthermore, by referring to the idea of an impetus transaction, learning processes enabled by the Community of Practice create and shape follow-up transactions such as Luis’ business, the design workshop as well as a cooperation project between Insolar and the energy distribution company ENEL providing public lighting in favelas. As such, the Community of Practice empowers and encourages stakeholders and their relations thereby creating multiplier and spill-over effects and thus leveraging cooperation rents and factor incomes beyond Insolar.

Leadership in a relational economy is to be understood as a social process (cf. Wieland 2018: 165f.). On the one hand, through Insolar’s Transaction Community of Practice the role of leadership is transferred to the participants of the community as they shape the relations among each other. Thus, Communities of Practice enable shared leadership by empowering stakeholders to become agents of the governance of the

Relational Transactions. On the other hand, the emergence of transaction-specific Communities of Practice depends on appropriate leadership. In order to constitute the overlap between Community of Practice and Relational Governance, Drumond's personality as an initiator plays a crucial role (I2: 9). Drumond's leadership style is relational and transaction specific. Accordingly, he utilises different "boxes" (I1: 31) when approaching stakeholders. Importantly, Drumond is dedicated to keeping up the mood of the participants through humour (I4: 2, 6, 39). Moreover, he is very sensitive (I1: 13; I4: 26):

> "we follow a very sensitive way"; "so it's very sensitive"; "we have to do that in a very careful way." (I4: 55, 57, 13)

This attitude is complemented with a trial-and-error approach where he expresses openness to create space for residents of the favela and other stakeholders to become involved in the project (I2: 8). This is a central factor for the emergence of the Community of Practice.

In summary, above a transaction network, Insolar can be viewed as a Transaction Community of Practice. This form enables the joint creation and leverage of cooperation rents based on collective learning processes. Heterogenous stakeholders become participants in a transaction community and commonly develop Relational Governance. Enhanced willingness and ability of stakeholders raise cooperation opportunities that shape transaction networks. It fundamentally requires a new approach to leadership following trial in practice, sensitive listening and adaptation to establish new relations.

5. *Discussion*

This chapter explores the governance of extra-firm multi-stakeholder projects in development settings based on the single case study of the social start-up Insolar in the Santa Marta favela in Rio de Janeiro.

The study reveals that a social firm can be conceived as a nexus of events (cf. Wieland 2018). Multi-faceted value creation can be captured by the term cooperation rent. This line of thought has been extended by the term impetus transaction that is to be seen as a starting point of follow-up transactions which enable multiplier and spill-over effects beyond the social firm.

Furthermore, this social firm can be described as a Transaction Community of Practice. From a theoretical perspective, the chapter is based on Relational Economic Theory (Wieland 2018). Wieland notes the starting point should be “die Praxis der Menschen” (Wieland 2016a: 344) which due to the “fallacy of misplaced concreteness” (Whitehead 1979: 7) presents an academic challenge. Implications of the case study’s results touch on this concern. The notion of Transaction Communities of Practice absorbs the comprehensiveness of lived experiences of everyday practices. Hence, it captures the idea of a transaction as being a “meeting place” (Commons 1934: 619) not only of two players but also of logics, emotions, perceptions, convictions and other basically unlimited events (cf. Priddat 2018: 8; Wieland 2018: 40ff.). On this basis, the Transaction Community of Practice grasps processes of relationalisation of events in their shapeless nature. As outlined above, this results in a sensitive and adaptive governance structure as it is shaped by negotiation among “participants” (Wieland 2016a: 323). Against this backdrop, Transaction Communities of Practice affect Relational Governance. This notion represents a certain construction and relation of governance forms which can be formalised as follows:

$$RT = f\,[\,C\,(I, O, GFI, GIF)]$$

Transaction Community of Practice corresponds to and enables Shared Leadership since stakeholders of a transaction become agents as they actively design the social processes (cf. Pearce & Conger 2003; Wood & Dibben 2015; Wieland 2016a: 349). Moreover, the concept presents an insightful approach for Transcultural Management and Leadership concerning the interplay of participation and reification by shedding light on how learning processes evolve (cf. Wieland & Baumann Montecinos 2019). Also, it presents valuable insights for the studies of development with regard to the emergence of institutions, participative development approaches and empowerment (cf. Acemoglu & Robinson, 2012; Beckmann, 1997)

The single-case based exploration shows, moreover, that Transaction Communities of Practice present a suitable approach for practical issues as being a lack of shared understanding and trust among cooperation partners in the field of Intersectoral Governance by unfolding how intercultural and intersectoral learning takes place while drawing on

Relational Economics (Ansell & Gash 2007: 558, 560; Selsky & Parker 2004 & 2005: 853, 866). Accordingly, based on the interplay participation and reification, Transaction Community of Practice presents a concept and an arena for the emergence and evolution of new institutional arrangements that can address the complex interdependence of societal, multidimensional problems (cf. Selsky & Parker 2005: 805, 852, 866; Bryson et al. 2006; Page 2004; MacDonald et al. 2018: 420; Ansell & Gash 2007: 555; Wieland 2018a: 156). In doing so, against the background of the fragmentation and differentiation of societies that serve today's welfare but may jeopardise value creation in the future, Transaction Community of Practice represents a form for the capture of renewing processes that overcome or further develop prevailing institutional structures in order to provide new arenas for future value creation.

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Multi-Stakeholder Dialogue as a Platform for Deliberative Urban Planning

Leonhard von Zumbusch

1. Theoretical Background

> “The world is becoming increasingly urbanized. Since 2007, more than half the world’s population has been living in cities, and that share is projected to rise to 60 per cent by 2030.” (SDG 2016)

With the increase of urbanization in today’s globalized world it is becoming evident that many of the challenges raised by globalization will have to be discussed within the research scope of urban development theory. Uncontrolled migration and subsequent settlement in urban areas leads to unintentional urban sprawl and the formation of informal neighbourhoods that evade any attempt at administrative control. This will turn out to be problematic if aspirations to tackle global issues such as climate change with joint objectives like the sustainable development goals (SDGs) require cooperative efforts that also have to be addressed in these unmanaged areas. The uncontrolled spread of urban settlements is already well advanced in some of the BRICS countries like Brazil. Therefore, the following will attempt to deduce the difficulties that urban planning is facing in informal areas like the favela Santa Marta in Rio de Janeiro from an historic observation of the planning paradigms exercised in Brazil.

Generally speaking, the discipline of urban planning saw profound changes in the last century. Initially the post-war years were marked by the modernist ideal, which advocated preconceived cities that were developed ‘on the drawing board’ and that were subject to an ideological narrative. Under this dogma, cities planned from scratch like Brazil’s capital Brasilia evolved and soon started to expose the disadvantages of this planning paradigm. The artificially constructed city of Brasilia, which was supposed to realize the utopia of an egalitarian social structure, is nowadays considered to have failed in its intention (cf. Epstein 1973). The socialist top-down planning model was not tailored to the subsequent excessive population growth in a short space of time, which led to the formation of favelas on the outskirts of the city and an elite concentration in the residential districts that were originally designed to be inclusive and egalitarian (cf. Sohn 2000). The difficulties the capital of Brazil had to deal with can be seen as prime symptoms of the overall problems that resulted from the modernist top-down approach to urban planning. It transpired that the formative top-down ideal to urban development was not capable of responding to the actual diversity and complexity of the population (cf. Schubert 2011).

Since the disappearance of the modernist planning ideal, there is no longer one clearly predominant doctrine governing urban development but rather a pluralistic field of competing theoretical approaches standing side by side. Nevertheless, many of them share the aim to incorporate specific local needs by implementing some form of participatory planning, but the actual realizations reveal difficulties with the attempt to generate legitimate methods for a bottom-up approach (cf. Sennet 2018). This task gains additional complexity in the context of informal settlements since, here, a climate of general distrust of external intervention prevails. The suspicion of the community (as they call themselves) or the favela (as outsiders call it) concerning public interference originates from the residents’ past experience with participative formats that only ostensibly institutionalized self-determination. Instead real incorporation of local needs and local knowledge was often already hindered by the persistence of the underlying juxtaposition of an external expert entity responsible for the process on the one hand and the local residents who were only invited to participate in the process on the other. In contrast to this procedure, research into informal settlements proposes the generation of an autonomous form of participative planning in which the structure of the process can be constantly co-determined by the inhabitants. “Improving everyday life and opportunities is unlikely if people cannot decide for themselves which qualities are important, taking into account the individual as well as the collective dimension. The prerequisite for such a decision is autonomy, meaning not only a choice between given options, but the possibility of shaping these options collectively and of reshaping them over time” (Kapp & Baltazar 2012: 168).

This being said, it becomes obvious that, especially in the context of a favela, a form of public management and deliberative forum is required that gains legitimacy by making the creation process of the structure and the selection procedure of the participants transparent. While in the field of urban development research, a corresponding tool to combine the resource of local insider knowledge with outside expertise has not yet been found, answers might evolve out of management theory, where the concept of the multi-stakeholder dialogue not only enables communication between different sectors but also offers a form of deliberative platform that gains legitimacy through a trade-off between procedural fairness, efficiency and effectiveness and introduces an appointment system that pays tribute to identifying and prioritizing all relevant resources in a development project. This essentially becomes interesting as the discipline of urban planning increasingly contains mainly managerial tasks, something which transforms the planner’s role into one of identifying and mediating between different interest groups (cf. Taylor 1998).

The decisive theoretical finding is that effective incorporation of participants in the planning process is not only a question of legitimacy gain through procedural justice but can also be seen as an asset to improve the results and actual implementations resulting from a planning forum, as long as one respects the importance of local knowledge in the context of informal settlements. “The stakeholders involved – in addition to their own engagement and interest in freeing up additional resources – are the experts on their own local markets and are therefore able to create solutions which are better adapted to existing needs, and fit demand and therefore allocate the resources in an optimum fashion” (dos Santos Pinto 2018: 160).

The revaluation of the significance of local expertise may lead to an altered understanding of the relationship between procedural and substantial implementations. At the same time, it opens up the discussion about local participation in urban development projects as the debate about the procedural and the substantive dimension also plays a crucial role in the discourse about the implementation of the sustainable development goals (cf. Boström 2012).

If one tries to connect the participatory approach to urban planning with the objectives of the SDGs as an overarching ideal, it seems at first glance to be a contradiction in terms, since this would again place a normative ideology above a deliberative approach, which was precisely the criticism expressed about the modernist paradigm. So, in order to unite these two concepts into one model that is participative and, at the same time, conforms to the SDGs a form of management is needed that allows a linkage between the requirements that both the concepts bring. This paper argues that the framework of relational economics, in combination with the transcultural leadership approach, enables precisely this. In order to understand this train of thought, the concept of the multi-stakeholder dialogue will be introduced as a possible platform for deliberative urban planning in informal settlements.

Like the firm, the multi-stakeholder dialogue is one form of stakeholder governance that leads stakeholders to contribute their respective resources and competencies to a cooperation team. The first step in the constitution of this format is the identification and prioritization of all relevant stakeholders. This is done by valuing the respective resources and competences each stakeholder may contribute. While in the governance structure of the firm this prioritization is done by means of contracting and, alongside the qualitative aspects of the resources, mainly depends on the willingness to long-term commitment, this process is more complex when it comes to a multi-stakeholder dialogue. The key difference lies in the following three dimensions. First, the types of transaction are not solely economic, but also have a political and social dimension. Secondly, the commitment is not meant to be infinite but depends on the lifetime of the cooperation project and, thirdly, the commitment cannot be assured explicitly through formal contracts but, instead, stakeholders have to be acquired implicitly via mutual promises and expectations. As a result of the changed preconditions, the governance structure of the multi-stakeholder dialogue requires higher adaptive capabilities, meaning more investment in the areas of incentive setting, monitoring, resolving of conflicts and, generally speaking, greater efforts at integration that motivate actors to invest their resources and competencies (cf. Schmiedeknecht 2011).

This being said, it becomes evident that the governance structure multi-stakeholder dialogue has to meet higher requirements to gain legitimacy, which now can be measured by the input-output ratio that describes a trade-off between the desired results and the willingness to accept certain costs in order to achieve them (cf. Scharpf 1997). Taking this general comparison as a given and transferring it to the multi-stakeholder dialogue, the forms of legitimacy can be divided even more precisely into procedural fairness, efficiency and effectiveness. These three factors are decisive for the success of a multi-stakeholder dialogue but, in empiric cases, they are usually only present to varying degrees, which is why the valuation can be discussed in terms of a trade-off between those determinants (cf. Schmideknecht 2011). It follows from this that an optimum combination of all three dimensions is critical for the success of this governance structure. As the optimum results as a consequence of the product of all factors, this can only be achieved through cooperation between all stakeholders involved, which makes it a "shared dilemma" (cf. Schmiedeknecht 2011). Consequently, the acceptance and active participation in shaping this trade-off can serve as selection criteria for the stakeholder identification and, correspondingly, as feedback for the initial formation of the multi-stakeholder dialogue.

At this point the transcultural leadership concept may play a crucial role as a means to lead the communication within the multi-stakeholder dialogue. Transcultural leadership is needed to complement the aforementioned governance structure of the multi-stakeholder dialogue since the case at hand especially requires a form of internal communication that enables the linkage of diverse sector logics into the same cooperation project during the process. A type of leadership is required that is sensitive to the diversity of participants and to the multitude of cultural backgrounds stemming both from inside and outside the community as well as from the different professional backgrounds and their respective codes of professional ethics.

After the theoretical application of the multi-stakeholder dialogue has been presented as a possibility to tackle the difficulties that urban planning faces in informal settlements, this article will examine how the actual execution of this deliberative planning platform has functioned in the favela Santa Marta and what can be learned from the observation of its implementation for urban planning in general.

2. Findings from the Case Insolar

In order to be able to validate the quality of the multi-stakeholder dialogue hosted by Insolar in the favela Santa Marta, the following examines the previously introduced trade-off between efficiency, procedural fairness and effectiveness. First of all, efficiency is achieved if the resources and competences necessary for the output are acquired and lead to productive, friction free and continuing collaboration. Regarding this first dimension it could be observed that the composition of stakeholders in the case of Insolar was based on very pragmatic selection criteria and stakeholders were invited to participate in the multi-stakeholder dialogue, because of the relevance of their resources. Appropriately the introduction of each individual stakeholder or at least stakeholder group present and their respective explanation of motivation for participation took up a large and mandatory part of the dialogue. Thus, it was visible that stakeholders from many kinds of societal sectors were present, with the only criterion for their inclusion being that they should add value to the success of the project. The task of stakeholder identification and prioritization fell to Insolar in the case at hand because of the vacuum created by the lack of a public sector in Santa Marta.

> "Insolar is insofar a kind of hybrid between a business and an NGO and government. And then by being in the favela you know that you have to work together with whomever is available. If the government is not there you […] have to find the right setup of stakeholders to get the job done. And then there is a lot of cooperation and dialogue." (Interview)

So, although the process of identification and prioritization is additionally complicated in the context of an illegal settlement because of the lack of a public administration, one can also see that this surplus effort may contain a beneficial outcome, as it requires a higher level of trans-sectoral communication. The second parameter of the quality control of the dialogue is procedural fairness, which requires the possibility to co-determine and shape the structure of the dialogue. At first glance, there seems to be a contradiction to the role of Insolar discussed above as the identifier of the relevant stakeholders, because this decision-making authority could hinder procedural fairness. But actually, it was deliberately ensured that the structure of the dialogue was not fixed but always remained open to possible change and to new stakeholders entering the dialogue, which was guaranteed by the fact that different decision-making positions were filled by different stakeholder groups.

> "Well we (Insolar) organized the multi-stakeholder dialogue. But Beatrize (architect/urban planner) was in charge. Salete and Veronica (local residents) organized the setup and the structure. Gabriel (Insolar's projekt coordinator) was a little bit more involved in the organization. The groups were self-organized." (Interview)

Aside from the decision-making authority regarding the identification of relevant stakeholders, a substantial openness towards the content of discussion and the setting of the agenda was ensured. Here it was striking to observe that the content-related guidance of the dialogue was completely submitted to the local residents and Henrique Drumond, as expert, stayed in the background and mainly exercised his role as facilitator of the platform by making sure that all organizational aspects would function (e.g., lighting, Power-Point presentations etc.). Only when very specific technical questions about the project arose which the local ambassadors of Insolar could not answer did he step in and advise. The third parameter of the relevant factors for the trade-off is the effectiveness of the dialogue, which is accomplished if the aspired output is met. In the case of the multi-stakeholder dialogue in Santa Marta the stated aim was to filter out the pre-conditions for local residents to be proactive in the dialogue and to find out what the prerequisites for productive collaboration might be. With respect to this multi-stakeholder dialogue potentially being seen as a starting point in the closer integration of Santa Marta's residents into the activities of Insolar, it is noticeable that both the organizer and the participants rated the outcome as positive. From the organizational perspective:

> "the outcome of the multi-stakeholder dialogue […] was already very good. The participants stayed until the end, they expressed themselves and organized their thoughts." (Interview)

This perception was confirmed by one resident who described the multi-stakeholder approach of the planner as follows:

> "Involving people from Santa Marta is something very important. Even if he's an outsider, he's trying to integrate people from the favela. Not many people have this care." (Interview)

Also, the aspect of a positive atmosphere of cooperation was stated as being decisive for collaboration within the multi-stakeholder dialogue:

> "When I go to the meetings I speak because some things I really don't agree [with], but some people, as I told you, they feel intimidated. So, the feeling [that] you can be comfortable in your environment is important." (Interview)

Creating this atmosphere of cooperation and thereby enabling trans-sectoral cooperation was essentially the task of Henrique Drumond as CEO of Insolar, who interpreted his role within the multi-stakeholder dialogue in Santa Marta as merely a facilitator between the participating stakeholders and as an enabler of a platform for communication. Although he was indispensable for the preparation, it was evident that he stayed in the background and instead every single stakeholder in the room was encouraged to communicate their point of view. Hence, substantial openness was guaranteed and only occasionally interrupted by leadership instructions.

> "Of course, there was like a role of Insolar for leading the dialog. So, we are leading but not ruling. So, we are leading in the sense that we are showing the way. Here this is the way: you are welcome to follow or create your own track. But this is what we propose. Because if the whole process of empowerment works as we envision it my role would be very limited. People would take charge of the projects of Insolar themselves." (Interview)

This is an understanding of leadership which was also imparted to the urban planner participating in the dialogue, who led the conversation together with two residents.

> "I think that Beatrize (architect / urban planner) has a very good quality. She leads, but horizontally. So of course, it is obvious that she has more knowledge and that she leads the dialogue, but at the same time she includes everyone and invites everyone on the stage to express their ideas and insights. And that proves that leadership

> actually is about empowering the others to express their talents their dreams etc. and not [just] a top-down approach." (Interview)

Next to the mere expression of each stakeholder's vision and the associated feeling of being heard, this inclusion of many different stakeholders can serve as a 'distillation process' to filter out site-specific local knowledge. But in order to achieve this the governance of the communication has to be sensitive to the different decision logics and rationalities of the individual stakeholders and therefore primarily has to understand the varying languages each stakeholder uses to communicate.

One of the key challenges for the functioning of cooperation between diverse players in a cross-sectoral project is the translation of different language games into the respective decision-logics so that communication between the sectors can function. This challenge becomes even more vital when one attempts to include diverse stakeholders from a community like Santa Marta into the planning process, because the educational gap resulting from the socio-economic background of the favela residents is one of the key obstacles that hinders them from getting involved in participatory opportunities like the multi-stakeholder dialogue.

> "Some people sometimes […] don't come to this kind of meetings, because they think they're not good enough to follow this conversation. […] Imagine a person that was never at school. We have lots of illiterate people. And then these people [ignore] your meeting (multi-stakeholder dialogue) and then you think people are not interested." (Interview)

So here trans-sectoral leadership approach is called for that manages to translate the technical language of experts into the reality of the residents. Henrique, as the expert behind the solar innovation in the favela, managed this by putting a lot of effort into explaining expert knowledge in simple terms.

> "Because when Henrique decided to make the multi-stakeholder dialogue, it [enabled us to] understand the things that are [on a very] technical level." (Interview)

Another step in this direction is the apprenticeship system that Insolar developed in order to train local workers in the new solar energy technology, which enables locals to become experts themselves. The trained individuals all participated in the multi-stakeholder dialogue and explained technological aspects to other residents, which shows that this kind of training leads to engagement with Insolar's projects and a positive attitude towards cooperation.

But with the second multi-stakeholder dialogue, Insolar endeavoured to practice a polylingual approach even further by allowing the residents to express their personal ideas via the universal language of creativity.

> "But there was a lot of handcraft material as well for people to build their vison in a very tangible way. So, for example, some people expressed their wish to install a pharmacy in the community or other services like a fruit shop etc. Others built a whole roof of solar panels that they wanted the community to share. Through these material things they expressed immaterial things and wishes and dreams and visions." (Interview)

So, the translation of the residents' visions into the tangible and universally intelligible language of physical models was a method introduced by Insolar to overcome language-based sectoral barriers. This understanding of the residents' language becomes especially relevant if one understands the residents' contributions not merely as ideas but as resources that have to be activated because they contain relevant local knowledge.

To understand the importance of local expertise one has to acknowledge the complexity of the favela context and understand the difficulty that external experts have in grasping the social mechanisms.

> "This is the most important [thing] for us – to respect our space for speaking. Nobody can speak better about favelas than favela people. These are the best people even if they don't have any formal education or anything. These are the people to talk to if you want to understand how you can collaborate with favela people. You have to talk to favela people, not to people who think they know about favela people." (Interview)

This indispensability of the local collaboration in the favela was stated as a requirement for the success of Insolar's development projects:

> "We not only liked to collaborate, but we really need the collaboration." (Interview)

This results from the necessity for a firm like Insolar, that is dependent on sales, to be in line with the needs of the target group.

> "We cannot adapt to the local market until we have the information." (Interview)

Moreover, Insolar does not limit its efforts to leveraging local knowledge in order to customize the installation in the favelas depending on local demand but it utilizes this local information in a broader manner.

> "What comes from the communities? OK that is: What's the best place to install the system? What's the best material? How will it look better? How do we need to communicate that? How does it work. Who is going to install it? Is it going to bother anyone in the community?" (Interview)

If adapted and utilized productively, one can see that the incorporation of local knowledge may not only raise the acceptance of projects among residents but also lead to substantial improvements.

> "Also, we are going to see how much we can use recyclable material from the community to develop that and other technologies. Because it's one of the, well, not complaints but one of the points that the community brings to us." (Interview)

The description of the process of incorporation of local knowledge points to the key insight of this paper, namely the possibility of a reciprocal cycle between procedural and substantive improvements where the perspective on local knowledge as an essential resource might represent the starting point of this dynamic. This cycle is then set in motion in combination with the introduction of SDGs as an overarching goal that requires local adaptation.

The whole project of Insolar as a sustainable energy distribution company is naturally connected to the sustainable development goals and by looking at Insolar's activities a fundamental awareness for the social embeddedness of sustainability can be observed.

> "And of course, it isn't for nothing that our project is called Insolar – empowering solar communities. And empowering means not only in the dimension of solar energy but also human energy." (Interview)

So, from the beginning it was one of Insolar's objectives to raise awareness among residents of these global goals.

But with the organization of the multi-stakeholder dialogue Insolar made this ambition concrete and took the opportunity of the platform meeting to explicitly address the SDGs. Thus, within the framework of this multi-stakeholder dialogue the organizers managed to open up a dialogue about the global values of the SDGs by making them available and letting the local residents decide about the importance of those values for Santa Marta.

> "So, as an attendee and not the organizer I really liked the way she addressed the SDGs. And she used the SDGs to connect to local issues. By doing that they took something that is global and filled that global SDG with their local situation, problems and desires. To see the link to those global goals made them feel important and when you feel important you are empowered. And if you feel empowered, regardless of the outcome of the meeting, this has a reflection on your daily life." (Interview)

The description of the dynamic started by the multi-stakeholder dialogue by means of a debate about the thin value code of the SDGs fits the thickening process of values in local contexts described by the transcultural leadership approach. But also important for the further implementation of thick values is a shared practice out of which commonalities and therefore shared values arise. In the case of Insolar, this objective is reached via the apprenticeship system.

> "We train the people to do the solar installation and we create community training with the technology. We are developing educational material for Farta Luz (Insolar's new technology inspired by one of Santa Marta's energy challenges – the recurrent blackputs) and as much as we can get away from Farta Luz the community can gain ownership of the technology. They can develop the technology further themselves and now they also have the ability to develop other technologies." (Interview)

Precisely this dynamic, which starts with greater procedural fairness in decision-making about sustainable urban development through dialogue and leads to more quality of the substantive results under consideration of aspects such local expertise, might form the foundation for a self-reinforcing circle. Analogously, Henrique the CEO of Insolar describes this dynamic as follows:

> "We just […] take the opportunities that we find locally and then just start. And by doing that we learn a lot and new opportunities arise." (Interview)

3. Discussion

All in all, the main finding of this research paper was that the application of multi-stakeholder dialogue as a deliberative platform in an urban development process can have a beneficial impact as it may actuate a reciprocal dynamic where procedural efforts lead to substantive improvements. The multi-stakeholder dialogue as a deliberative platform for urban development enables fundamental decisions of principle about grassroots inclusion of residents into urban planning processes to be avoided by pragmatically appointing participants in line with the relevance of their respective resources. If, at the same time, tribute is paid to the relevance of the resource 'local expertise' and it is acknowledged as an indispensable asset for the success of an urban development project, this deliberative format may serve as a pragmatic, feasible and procedurally fair tool rolled into one.

The relevance of local knowledge as a resource became evident precisely because the context of the favela as a special social setting requires higher adaptivity of the governance structure and greater efforts to gain legitimacy, which forces urban projects such as Insolar to consider the demands of the local residents in order to avoid direct negative impacts such as vandalism or gang crime. The significance of the incorporation of local site-specific expertise into a planning process via formats such as multi-stakeholder dialogue is, therefore, especially relevant in informal urban contexts such as that of the favela Santa Marta because, here, neglecting local knowledge leads to directly visible negative effects, for example, the lack of acceptance among residents for urban interventions. But that does not mean that the consideration of local demands could not be fruitful while, at the same time, leading to similar positive impacts in other urban contexts.

In conclusion it can be said that through the application of the multi-stakeholder format as a deliberative platform for urban planning, Insolar goes through a learning process. This learning process is fostered by a virtuous circle between conceptual and structural improvements. Furthermore, Insolar presents a governance structure that can be replicated not only in similar urban areas such as Santa Marta, but for any urban context that strives to understand sustainable development as both a crucial issue and as an opportunity to enhance social inclusion in its planning process.

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Social Entrepreneurship and Social Innovation. The Example of Insolar in Rio de Janeiro

Ben Lennard Kleihues

1. Introduction

Today, electricity and its consistent availability are taken for granted by people in most countries in the world. Safe access to drinking water is seen as a given and, in the western hemisphere, it is natural to drink tap water. Reading the news is normal, just like children going to school. Therefore, people are surprised when they hear that 13% of the world's population did not have access to electricity in 2016 (cf. Ritchie & Roser 2019a). Additionally, in many regions blackouts are common. While only 6% of the world's population did not have a connection to an improved water source[1], a staggering 29% did not have access to safe drinking water in 2015 (cf. Ritchie & Roser 2019b). Furthermore, roughly 14% of the world population are illiterate (cf. Roser & Ortiz-Ospina 2016). These social problems are reasons for the drastic surge in Social Entrepreneurship Ventures (SEVs) and Social Innovation (SI) in recent years. While Social Entrepreneurship (SE) is a widely discussed term, which does not yet have a uniform definition, it is agreed that its goal is to solve a social problem or bring a social cause forward. SI, on the other hand, can be understood as a mean to find solutions for society's most pressing problems.

An example of an SEV is Insolar in Rio de Janeiro, which was founded in 2013 by Henrique Drumond, a social entrepreneur who has

[1] For the definition please see Ritchie H., Roser M. (2019b).

worked in several non-profit organisations worldwide. Insolar is described as “a social business that promotes the democratisation of access to solar energy in Brazil through the installation of solar panels in low-income communities with great human potential” (Insolar 2020). It follows Yunus’ social business concept, thus 100% of the business’s profit is re-invested in the business. Insolar has installed over 200 solar panels in Rio de Janeiro, and Santa Marta was the first favela they supported.

As part of the transcultural research group I visited Rio de Janeiro for two weeks between August and September 2019 for a case study on Insolar in the context of SE and SI, which will be the focus of this chapter.

2. *Research Design*

To study SE and SI in the context of Insolar, a qualitative case-study methodology is applied. First, the literature review to see what is understood as SE and SI and which challenges and barriers SEVs face. After the theory, the focus shifts towards the practical findings. All interviews conducted were transcribed following Gläser & Laudel (2010). A qualitative research method was chosen owing to the unexplored currency and recent nature of Insolar as an SEV and to allow for the largest possible heterogeneity of the data (cf. Witt 2001; Flick et al. 2008). Expert interviews were conducted with individuals familiar with Insolar’s impact as an SEV as well as SE and SI in general (cf. Meuser & Nagel 2009). To identify suitable interview partners the framework by Gordon (1975: 196-197 as cited in Gläser & Laudel 2010: 117) was used. To allow for non-standardised answers, non-standardised interviews were chosen (cf. ibid.). Because of the limited time and number of interviewers, only two questions were asked, while others were included variably, instead of 8-10 questions, followed by sub-questions as is common (cf. G. Pickel & S. Pickel 2009). All interviews were recorded via smartphone and conducted in person. All interviewees are depicted in Table 1. The nature of the interviews was very informal and partly unstructured. To grasp non-verbal information observation was used. Discussions were held to learn about PUC students’ perception of Insolar as an SEV and distributor of SI. (cf. König 1973). The level of English of some participants in the group discussion was limited, which led to less usable information.

Table 1: List of Interviewees[2]

Number	Name	Length
1	Interviewee 1[3]	82:20
2	Interviewee 2	26:43
3	Interviewee 3	69:28
4	Interviewee 4	104:17
5	Interviewee 5	09:59
6	Interviewee 6	–[4]

Source: Own elaboration.

3. Literature

3.1 Social Entrepreneurship

There is no consensus around the term SE. After an extensive literature research, twelve papers on SE were chosen to present a broad depiction of the understanding of the term. Mort et al. define SE as:

> "A multidimensional construct involving the expression of entrepreneurially virtuous behaviour to achieve the social mission, a coherent unity of purpose and action in the face of moral complexity, the ability to recognise social value-creating opportunities and key decision-making characteristics of innovativeness, proactiveness and risk-taking." (Mort et al. 2002: 76)

Unlike traditional entrepreneurs the goal is not profit maximisation but a social mission (cf. Mort et al.). Likewise, Dees states that "their intended social impact" is their measure of success as "earned income ventures are

[2] This list includes a tour guide, a former Director Energy AHK, a Senior Officer at UN-Habitat, a representative of Insolar, Professors at PUC as well as at UFRRJ. Interviewees have different types of relation with Insolar and Santa Marta.

[3] Multiple Interviews were held with Interviewee 1. All are included in this table as one.

[4] The audio file of the interview with Interviewee 6 has sadly been lost.

socially entrepreneurial only when they have a social purpose beyond simply making money“ because “in the end, social entrepreneurship must be about creating social value“ (Dees 2003: 2). Mair et al. partially concur with this as “entrepreneurial actors may be driven by more than a profit motive” (Mair et al. 2006:3).

Achleitner et al. (2007) see social entrepreneurs as intermediates who solve issues that authorities and businesses do not, or at least are inefficiently in solving, and view them as multidimensionally active like Mort et al. (2002), allowing for maximisation of income and profits.

Muhammad Yunus, Nobel peace prize laureate, founder of the Grameen bank and one of the founding fathers of SE distinguished SE from social business in an interview. He views the former as “[…] an initiative of social consequences created by an entrepreneur with a social vision“ (Kickul et al. 2012: 454), which is not applicable to certain fields or business models and can either lead to profits or not (cf. ibid.). The latter is a very specific type of business, “a non-loss, non-dividend company with a social objective” and the goal to “change the world” (ibid.: 454-455). Yunus does not see the social entrepreneur’s focus in solving a social problem or following a social cause (cf. ibid.: 454ff) and differentiates between social vision and social objective. This definition is not unanimous, however. In fact, Achleitner et al. define a social entrepreneur “as a person who primarily wants to solve a social problem and uses an entrepreneurial approach to do so” (2007: 6, own translation).

Achleitner et al. present a scale (Figure 1) with different perceptions of the term in the scientific literature, including organisations “whose primary goal is societal change and who use entrepreneurial approaches” (2007, own translation). Accordingly, it is acceptable for a social entrepreneur to make profit as long as it serves the social cause (cf. ibid.).

Faltin agrees with this and states that the true interest of a social entrepreneur is always a social mission while profit or income are a means to an end (cf. 2008: 30). Their and SEV’s multidimensionality is also stated by Robb-Post et al. (cf. 2010: 663).

Pless further views SE as heterogeneous regarding the capital which it addresses and affects (cf. 2012). Abu-Saifan “positions the social entrepreneur in the spectrum of entrepreneurship [and views the] ultimate goal of creating social value” as their differentiator (2012: 23).

A social entrepreneur “is financially independent, self-sufficient, or sustainable” (Abu-Saifan 2012: 25). Lundström & Zhou conclude that "thus far, definitions of social entrepreneurship have either been inclusive or exclusive" (2014:11), comparable to Adham & Muhamad who see SE "in a spectrum, from incremental to radical" and social entrepreneurs as not fixed to an organisational structure but "generally as a service" (2014: 112), like Faltin (2008).

Figure 1: Differentiation of Organisational Forms

High social return ⟷ "Blended Value" ⟷ High financial return

Charity Organisations		Revenue Generating Social Enterprises			Socially Responsible Business	Traditional Business
No own income solely dependent on donations	Own income as well as donations	>75% of costs are covered through own income	100% of costs are covered through own income	Profit is made but not distributed to investors	Socially motivated company, profit is distributed to investors	Profit maximisation

Source: Achleitner et al. (2007: 6, own translation).

Mthembu & Barnard found that "social entrepreneurs have a strong focus on social impact, and consequently act as prominent change agents. Profit isn't the primary objective of social entrepreneurs […]" (2019: 175). Unlike entrepreneurship it needs to be financially sustainable, while sustaining a social impact or helping a social cause as "social entrepreneurship is all about social transformation" (Ibid.: 158).

3.2 Social Innovation

Weber, Taylor and Coleman are among the first people to use the term SI (Moulaert et al. 2005). Mulgan defines SI as follows:

> "Social innovation refers to innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly diffused through organizations whose primary purposes are social." (Mulgan 2006: 146)

Biggeri et al. add "Social innovation offers novel responses to pressing social demands" as a means for individuals to act and improve the overall "well-being of humanity" (2018: 6) and thus social "in terms of both [its] ends and […] means" (ibid.). Mair et al. (2006) see SI as multi-dimensional, referring to the three major types of SI by Alvord et al. (2002), namely, building local capacity, disseminating a package of innovations and building a movement. The first refers to "giving power to underused local capacities" (Mair et al.: 66), the second focuses on better combining given local resources and the last is about "giving voice to marginalized groups" (ibid.). Vasin et al. understand SI as "new combinations of practices" and see "roles, relationships, norms and values" (2017: 30) as its drivers. Adham & Muhamad connect SE and SI as follows:

> "social entrepreneurship exists on a continuum, based on the degree of social innovation; the higher the degree of social innovation, the higher the social entrepreneurship 'embeddedness' on the spectrum of innovation. A service is transformative when it offers revolutionary, innovative actions or methods that offer sustainable values in the form of equitable solutions to society's pressing needs." (Adham & Muhamad 2014: 114)

Hence, innovation is needed if a social entrepreneur aspires to solve social problems. Kickul & Gundry write:

> "Social entrepreneurship often emerges and thrives in resource-constrained environments, leading social entrepreneurs to create innovative solutions to society's most challenging social problems." (Kickul & Gundry 2015: 233)

Thus, social ventures' social innovativeness is higher than that of traditional ones (cf. ibid.). Biggeri et al. (2018) also put SI and SE into context and see the latter as a key contributor to the former.

4. Challenges & Barriers

4.1 Challenges & Barriers in the Context of Social Entrepreneurship

When implementing an SEV, certain challenges and barriers arise. For a social business after Yunus' one of the biggest challenges is to teach students that "the goal of education is not to get rich but to enrich one's life by helping others" (Kickul et al., 2012: 461). Following Mthembu & Barnard one challenge is to understand whether the problem which the social entrepreneur has identified is seen as one by the people whom it affects and whether the detected solution is suitable (cf. 2019). Opposition and resistance are also challenges as social entrepreneurs "can get burned, their ideas get stolen, and they are under-funded" (ibid.: 165) as well as exploited or "face disrespect, opposition, resistance and critique, and may be treated poorly" (ibid.: 166).

Since SEVs do not usually see profit as a goal, another issue is funding (cf. Mthembu & Barnard 2019). Depending on the organisational type SEVs are eligible or not to apply for sponsorship, funding or investments (cf. ibid). Other challenges are competition among SEVs, lack of governmental support and lack of education and awareness for the field (cf. ibid.). Hence, in theory, social entrepreneurs need to be vigilant, driven and persistent in order to be successful.

4.2 Challenges & Barriers in the Context of Social Innovation

A main barrier for SI is the "institutionalisation of social practices" which, instead of fostering innovation, often nurture passive behaviour (Vasin et al. 2017: 41). Furthermore:

> "Other barriers to implementing social innovation include a top-down/autocratic approach to governance, a lack of transparency, lack of engagement by the general population, and a tendency to 'cut-and-paste' solutions from abroad into contexts they are not suited to." (Vasin et al. (2017: 41)

Especially the last two aspects of this quote seem to be common denominators for failure. An example of a failed SI project is displayed in the documentary "Süßes Gift – Hilfe als Geschäft", published in 2012. In the documentary, a fish factory is built close to a lake in Kenya to use the fish stocks and the availability of people who need work to "give power to underused local capacity" (Alvord et al. 2002: 66). This could have worked in a place where people are familiar with fishing and if the local community had been asked whether they saw this as a solution to their problem and would have engaged in it. However, the people of that region in Kenya live as nomads and, once they had made money, they left the factory and bought cattle to continue living their nomadic life. Furthermore, the location did not provide enough water for the factories' cooling chambers. After only six weeks the factory was closed, and money and resources were lost. Hence, it seems important to find the right context for SI and include the locals while being transparent about what is planned.

5. *Findings*

This section presents the learnings from the research trip as follows: First, the view of SE by the stakeholders of Insolar and the students of PUC will be depicted. Second, their understanding of SI is laid out. Lastly, Insolar as an SEV, its structure, the challenges and barriers faced, and the SI delivered will be presented.

5.1 Social Entrepreneurship

At the beginning of our visit to Rio de Janeiro we met Henrique Drumond, the founder of Insolar. He spoke with us about Insolar, his role and how the organisation is structured. While there was a lot of talk about SE and SI in the context of Insolar, we did not particularly speak about their definition. However, after the trip he wrote to me explaining that, for him, an SE is:

> "[…] when someone, or a group of people, decide to address institutional voids that prevent a solution to reach the people that can mostly benefit from it. Social entrepreneurs usually start from the local level and look for the best strategies to speed up their learnings and to scale-up positive impact." (Henrique Drumond).

A few days later, I interviewed Interviewee 2, who sees entrepreneurs as "people solving problems" (I.2)[5], while a social entrepreneur's focus should be on solving social problems. They should help others, change the environment, solve local problems and should not be in it for the money (cf. I.2). Interviewee 4 understands social entrepreneurs as change makers and believes they need to be leaders. For his/her, Henrique Drumond is an archetypal social entrepreneur, as his aspiration is to create a better world through his organisation (I. 4). Social entrepreneurs differ from entrepreneurs in her eyes as they put knowledge at the service

[5] In the following this format for quoting interviews will be used: The I. stands for Interview and the number for the interview in Table 1 that the quote is from.

of people instead of using it to generate profit. During a short interview at the community centre with Interviewee 5, he/she stated that the willingness and capacity to gather local leaders and to build good relations with them is essential for a social entrepreneur (I. 5). Interviewee 6 believes that there are fake and real SE ventures and that profit should not be the main goal but rather the social cause (I. 6). For his/her, this cause is linked to its production chain and has to respect nature and people. While visiting PUC we attended the course "Decisões de Negócio" by Sylvia Moreas and had discussions on our research topics with the students. The students in my group stated that they believed the end goal of SE was to help the community, while revenue should be reinvested and used to help the cause. Monetary gains are not the focus, but they still see them as a goal.

5.2 Social Innovation

> "Social Innovation is when creativity is placed at [the] service of society. It happens when problem-solving mindsets face social issues not properly tackled by existing technologies. And it is fostered in collaborative and multicultural environments, where different perspectives can collectively build a holistic picture of the challenge in order to design feasible solutions for the target audience." (Henrique Drumond)

This understanding of SI describes it as a service to society by an individual or a group. Interviewee 2 believes that SI can only happen if the people who want to help and the people in need collaborate and share their resources (I.2). Interviewee 4 understands SI as a way of people working together to find new solutions to existing problems and sees heterogeneity and transculturality as important to find commonalities and build positive things for society based on these (I 4). Interviewee 6 mentioned the importance to take cultural differences, people's backgrounds and needs as well as companies' capabilities into account to enable SI (I. 6). The PUC students noted that one does not need to have a problem to be innovative, and that empowering people and being on the same level as they are is key for SI. However, they believe most innovation happens in the face of problems. Lastly, they mentioned that it is important to put the people affected by SI at the centre of the innovation process and emphasised the importance of empathy and empowerment in this context.

5.3 The Case Insolar

After understanding the terms SE and SI in practice, this section looks both at the challenges and barriers faced by Insolar and Henrique Drumond and at the solutions to cope with them at an organisational and personal level. The aim is to understand how SI happened through Insolar and inside it.

Henrique states that Insolar is a “social impact startup”. He thinks the most important aspect is to scale the organization to have the greatest social impact and he would be willing to change “the label” for that. While the solar panel project in Santa Marta is not for profit, other projects like the solar umbrella are making money. His vision is to be a social business in which the money made from some projects is used to support others. However, he believes the best model is the one which affects most people in a positive way, irrespective of its financing. A large challenge for Insolar was to find a way of sustainable financing. Therefore, Insolar is “in three boxes”, meaning they are an NGO, a social business (in the Yunus sense) and a business at the same time. By having different organisational models for parts of the organisation, they are eligible for a wider variety of funding.

Henrique Drumond also states that it is difficult to measure social impact. Insolar offers electrical engineering training for people living in Santa Marta as they believe that this skill can increase their income. To measure whether the training actually helps people, Insolar checks back after a certain time to find out whether the training improved their financial situation. A personal challenge for Henrique Drumond is that: “I cannot be in two places at the same time”. Therefore, he sees collaboration and handing over responsibilities to other people as key. Insolar collaborates with companies, NGOs and social impact start-ups. Henrique Drumond stated: “So that’s why we not only like to collaborate, but we really need the collaboration”, Otherwise, the projects could not be successful.

Interviewee 2 believes the involvement of the local community affected by SE is key for success. Henrique Drumond compensated for being “an outsider” by trying to involve everyone from the favela. He/she sees this as quite unusual because often the problem is that people come to the favela and present an idea which they see as a solution to a problem even though they never asked the people whether it was a problem for the people affected and never bothered to involve them. In his/her eyes this leads to resistance. Henrique Drumond gave the people an overview of the project, hence empowering them to participate, thereby allowing for a personal level of social improvement. Additionally, interviewee 2 mentioned that the slow development of Insolar from a free service as with the communal solar panels and trainings to one which is not entirely free was only possible through trust in Henrique Drumond (cf. I. 2).

According to Interviewee 3, one challenge faced by SE is that money gets scattered between different initiatives and organisations, leading to lower impacts. Nonetheless, he sees the work of Insolar and others as important as they help to solve problems which the government does not or cannot solve (cf. I. 3).

Interviewee 4 believes an important attribute of Henrique Drumond is that he is very good at communicating and connecting with people. However, he/she states that a typical challenge for social entrepreneurs, finding financial support, was easier for him to overcome as he is from a wealthier background than many other social entrepreneurs. Accordingly, his main challenge in implementing Insolar in a favela was to integrate the local community and engage them in his vision. The interviewee believes he overcame this challenge by being empathic, open and engaging while, at the same time, allowing the process to take a while, thereby gaining the residents' trust. Through this strong connection the residents also overcome the challenge of learning new skills required to work on and maintain the solar panels. Further challenges highlighted are the complex regulation system and the huge competition (cf. I. 4). Partnerships, like community meetings in the favela, play an important role in overcoming these challenges.

Interviewee 5 sees Drumond's personality as an important factor of Insolar's success (cf. I. 5).

Regarding the Brazilian socio-economic situation, PUC students stated that the presence of drug dealers and the military makes it difficult to implement projects and SE. They agree that obtaining sufficient funding is a challenge and find it important to convince the locals that, even though they might not make money from a project, it can still be beneficial.

Insolar is a driver of social Innovation in multiple ways. It is clear that not the installation of solar panels itself can be seen as an SI but rather the process of using available resources from different stakeholders to improve the current situation (cf. I. 1). In Brazil many people do not have access to electricity and some of them steal electricity[6]. Through the use of Insolar's knowledge and initiative, the money of sponsors and the participation of the community, a power supply for the most important communal buildings was established and a source of income generated for the people living in Santa Marta. According to Interviewee 2, empowering people living with problems to share them with people who might have the resources to solve them is exactly how SI can happen. This can be fostered by asking them or offering spaces of exchange such as communities of practice (cf. I. 2). Interviewee 4 understands Henrique Drumond as a driver of SI behaviour. By putting his product at their disposal and building a collaboration with the people in the favela, he is enabling and enacting SI (cf. I.4). Interviewee 6 adds that "the product has a type of social innovation as the users will become workers and beneficiaries of the product at the same time" (I.6). Hence, it leads to an opportunity for employment while simultaneously improving lives (cf. I. 6). The students at PUC think Insolar is great as it brings technological innovation and social needs together. They believe it could not only benefit the people in the favela but in all Brazil as electricity prices could drop if the project is successfully scaled and see Insolar as a facilitator of SI as it solves people's needs, gives them resources and is ecological and sustainable.

6. Discussion

The literature review shows that the understanding of SE in theory is diverse and multidimensional with exclusive and inclusive definitions. When compared with the empirical findings, it becomes clear that Insolar as a "social impact startup" (I. 1) with its differently oriented projects fills a wide range of the scale cited by Achleitner et al. (2007; Figure 2), and can hence be seen as an SEV under the inclusive framework (cf. Lundström & Zhou, 2014: 11). While some of Insolar's projects can be understood as a "non-loss, non-dividend company with a social objective" (Kickul et al. 2002: 454) in Yunus' sense, others are profit-oriented

[6] Usually this happens by illegally connecting to the existing power gird.

(cf. Dees 2003). Nonetheless, they can be called socially entrepreneurial as "they have a social purpose beyond simply making money" (Dees 2003: 3) as the money made is used to fund other projects. Insolar helps "address institutional voids" (Henrique Drumond) in accordance with Achleitner et al. (2007). Both in theory and practice, the goal of SE is seen in solving social problems, following a social mission or promoting a social cause (cf. Dees 2003; Achleitner et al. 2007; Faltin 2008; Mthembu & Barnard 2019; I.1; I.2; I.4; I.6).

Figure 2: Localisation of Insolar on the Scale by Achleitner et al.

High social return — "Blended Value" — High financial return

Charity Organisations		Revenue Generating Social Enterprises			Socially Responsible Business	Traditional Business
No own income solely dependent on donations	Own income as well as donations	>75% of costs are covered through own income	100% of costs are covered through own income	Profit is made but not distributed to investors	Socially motivated company, profit is distributed to investors	Profit maximisation

Source: Adapted from Achleitner et al. (2007: 6).

Nonetheless, while money is not generally seen as a goal, some scholars do not exclude it as a motive (cf. Achleitner et al. 2007; Robb-Post et al. 2010; Adham & Muhamad 2019). Profit is seen as an important means to sustainability and independency (cf. Abu-Saifan 2012; Mthembu & Barnard 2019; I. 1). Money as a motive was pointed out only by the PUC students. Furthermore, both scholars and interviewees see SE as a service (cf. Faltin 2008; Adam & Muhamad 2014; I.1; I.4) and highlighted the importance of collaboration, empowerment and reusing of existing resources to solve social problems through SI (cf. Alvord et al. 2002; Biggeri et al. 2018; Mair et al. 2016; Vasin et al. 2017; I.1; I.2; I.4;). Both, scholars and PUC students, mentioned the impact of "resource-constrained environments" (Kickul & Gundry 2015: 233) on SI (cf. ibid; notes from the class).

Many challenges and barriers faced by Insolar and Henrique Drumond have also been described in the theory, e.g., the challenge of finding funding to be sustainable (Mthembu & Barnard 2019). To overcome this challenge, Henrique Drumond used his knowledge of the issue by adapting and building a construct of different organisational forms. Thereby, certain projects can apply for certain funds and the organisation has fewer problems to sustain itself. Using practices like this could be useful for other social entrepreneurs in the future as well.

The challenges of facing “disrespect, opposition, resistance and critique” (Mthembu & Barnard 2019: 166) are not all directly referred to in the case of Insolar. Interviewee 2 mentioned that resistance is usually a problem for social entrepreneurs coming to the favela as the community has been disappointed by projects so many times that they are generally sceptical towards outsiders (I.2). However, Henrique Drumond circumvented this issue through his great ability to cooperate with and empower the locals, by engaging them in the project and sharing his vision from the beginning, which ultimately led to trust in him and helped Insolar to become accepted and respected in Santa Marta. For future social entrepreneurs his approach towards building a network of trust, equality and respect can be an example. During the community meeting, the respect, interest and support towards Henrique Drumond and Insolar were evident. Yet, this must be the result of a long process as it seemed as though everyone present knew each other quite well. On this point, Interviewee 4 stated that allowing for time to build a strong relationship with the inhabitants of the favela was important. By integrating everyone in Santa Marta into the project from the beginning, Insolar also guaranteed that the problem they set out to solve was really interpreted as one by the locals (cf. Mthembu & Barnard 2019; I.2). By teaching the locals a skill, through the training, Insolar also contributes to educating the future generation, which leads to a more sustainable future of the project (Kickul et al. 2012; I.2). However, this must not lead towards young people understanding that “the goal of education is not to get rich but to enrich one’s life by helping others” (Kickul et al. 2012: 461). The lack of this understanding could be observed during the PUC students’ group discussions, in which money was still seen as a motive for becoming a social entrepreneur. However, Yunus’ view in this regard is seen as quite drastic and might not be feasible (cf. ibid.: 461ff.).

The complex regulation system in Brazil, an example of lacking governmental support, was another challenge faced by Insolar (cf. Mthembu & Barnard 2019: 173; I.4). Insolar tried to cope with external problems by cooperating and using support programs such as one that gives NGOs free access to legal support (I.1: I.4).

In conclusion I would argue that while the literature highlights many potential challenges and barriers to SI, the lack of engagement by the population and the blind application of solutions from one context to another seemed to be the most problematic aspects (cf. Vasin et al. 2017). In this context, Insolar must be seen as a prime example of how to foster SI and turn potential weaknesses into strengths. It was exemplary to see how much emphasis was placed on creating multi stakeholder dialogues, like the community centre meeting, to enable a space for innovation to happen (I.1; I.2; I.4). Insolar and Henrique Drumond are in constant contact with the community to further improve the situation of all stakeholders and to "give power to underused local capacity" (Alvord et al. 2002: 66). Rephrasing Interviewee 4, Henrique Drumond is enabling and enacting SI by constantly putting his and Insolar's knowledge at the disposal of the people in Santa Marta and being open to ideas (I.4). That even students who heard about Insolar and met Henrique Drumond in class for the first time directly perceive them as facilitators of SI conveys a strong message. His participation in the creation of this book and his interest in transcultural exchange show that he and thus Insolar are in constant search for further scaling and improvement to improve people's lives.

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Part III

A Diverse Network of Relations as Driver of Innovation: Learnings from SAP

SAP Labs Latin America and Zeppelin University: Introduction to the Case Study

Barbara Bertolini and Lennart Brand

1. Zeppelin University and the Leadership Excellence Institute Zeppelin: it is the Transculturality, Stupid!

Since its inception in 2003, Zeppelin University's mission has – explicitly or implicitly – rested on three pillars: the Liberal Arts as a cross-disciplinary and generalist educational philosophy; a focus on real-life challenges in teaching and research; and the wish to benefit business, public institutions, and civil society through knowledge transfer. Zeppelin University's Leadership Excellence Institute (LEIZ), founded in 2013, is playing a leading role in realizing this ambition. By matching those general tenets to emerging global mega-trends, its task is (inter alia) to discover new, and to anticipate future, challenges of which leaders across all sectors need to be aware in order to make informed medium- and long-term decisions.

"Globalization" (for want of a better, i.e., less far-ranging and less politically charged, word) being one of the foremost such mega-trends, it has always been LEIZ's priority to examine the dynamics at work here. While it is nigh-on impossible to disentangle the myriad threads making up the fabric of that phenomenon, one can yet perceive some particularly strong currents within all that complexity, currents that add direction to what might otherwise appear as anarchic chaos. One of those currents is the rapidly unfolding formation of value networks – global networks of inter- and intra-firm relations that make the world one big production line.

2. *Value Networks: SAP Leading the Way*

Such networks come in numerous shapes and sizes, though their purposes usually coincide. One form such a network might take has been devised by the German software group, SAP. SAP maintains a network of 20 “Labs” in 17 countries all over the world, which are tasked with developing and improving software solutions (SAP 2020). The SAP Labs Network is a particularly salient example for transcultural collaboration within a global company and is, therefore, a perfect object of study for LEIZ researchers.

LEIZ first encountered the SAP Labs Network when developing its Lake Constance Innovation Cluster Digital Transformation in 2018. The Sustainability Lab in Markdorf, Germany, is one of LEIZ’s closest partners in this project. Thus, when LEIZ planned to launch a “Transcultural Student Research Group” on “A Diverse Network of Relations as Driver of Innovation”, partnering with SAP was an obvious choice for several reasons.

Following up on research questions devised at the 2018 Transcultural Leadership Summit, the 2019 Transcultural Student Research Groups concentrated their efforts on Brazil. Among other things, field missions to Brazil were on the agenda, and the destination of one of those missions was the SAP Labs Latin America in São Leopoldo. The mission had become possible thanks to the Managing Director of the Lab, Dennison John, who, having attended the 2018 Transcultural Leadership Summit, generously invited LEIZ students to visit the Lab and conduct research there.

3. *Research Context: SAP Labs Latin America*

In June 2006 SAP founded the SAP Labs Latin America in São Leopoldo, in southern Brazil. SAP’s first development and support unit dedicated to Latin America, SAP Labs Latin America is part of SAP’s global network of support and development labs.

SAP Labs Latin America has more than 1,000 employees (SAP 2019) and is located in the technology park of Unisinos University, one of the largest private universities in Brazil. This environment of innovation and continuous learning is key to creating a motivating and challenging work environment.

The main advantage of SAP Labs Latin America is its proximity to the growing markets of South America, combined with the USA time zone. Customers, partners and user groups interact directly with the company through exchanges, events and regular visits to SAP Labs Latin America, creating a collaborative and constantly innovating atmosphere. Furthermore, SAP Labs Latin America has strong relationships with academia, which allow it to not only attract the best talents, but also to spread knowledge. In fact, university partnerships are always considered as examples of win-win collaboration since they are key for the growth and development of SAP Labs Latin America.

In this context the relationship between SAP and Zeppelin University must also be included. The latter has a long history of collaboration with SAP Labs Germany. Now it is time to extend the partnership to Brazil.

4. *Company's Values*

The SAP Labs Network disseminates the group of behaviours that translate and describe the SAP culture. These values are included into what is called "How We Run" or "How We Work" (SAP 2020) and is a guide for professionals to make decisions on a daily basis:

- Tell It Like It Is;
- Embrace Differences;
- Build Bridges Not Silos;
- Keep The Promise;
- Stay Curious.

These values were developed through a participative process. All employees had the opportunity to give their opinion and be involved in the creation process. Based on the feedback collected, the final version of "How We Run" was created.

5. *The Transcultural Student Research Group*

The Transcultural Student Research Group was structured in such a way as to look at the SAP Labs as a transcultural endeavour from different perspectives, thereby producing an, as it were, three-dimensional research approach on relational aspects. The results of this research approach are presented in this part of the book, alongside the work done by the other Transcultural Student Research Groups that focused on Brazil.

Research questions that had arisen from the debates at the 2018 Transcultural Leadership Summit were to constitute a general framework for the specific research topics formulated by the student researchers. These general questions were:

– Which relational governance structures can be found within the SAP Labs and within their intersectoral network of stakeholders?
– Which factors shape SAP's organizational willingness and ability to co-operate, particularly in terms of sharing routines, transcultural competence and corporate social responsibility?
– Which individual and organizational learning processes can be described?

The Group was led by LEIZ PhD researcher, Jessica Geraldo Schwengber, whose work centred upon "Organizational learning for transcultural cooperation – the example of SAP Brazil".

The students involved in the project worked in four groups: one Brazilian (an SAP intern) and one German student (from ZU) per group. The project started with a presentation from the German students, who were able to match their interests with those of the Brazilian students. That meant the groups had the chance to work on a topic of mutual interest but could contribute different and complementary views on the topic. The transcultural experience thus started immediately!

The students making up the group were:

– Jessica Geraldo Schwengber & Brenda Beretta Kindlein: Organisational Learning and the role of a Lingua Franca for transcultural cooperation.
– Samuel Kiefer & Vinicius Gabriel Descovi do Prado: Applying relational economics to blockchain use cases.

- Josef Sühr & Raquel Ramos: Intersectoral cooperation for shared value creation
- Wanja Woock & Isadora Perazzo: Relational leadership in CSR Management.

The first insights of the research group were presented at the end of their research week in September 2019 in Brazil in a symposium called "What does transculturality mean to you?". Furthermore, in November 2019 one representative of SAP Labs Latin America, Barbara Bertolini (co-author of this chapter), and one of the Brazilian students, Brenda Beretta Kindlein, came to Germany to attend the first Transcultural Winter School. In the context of this event, the whole project within SAP Labs Latin America as well as the preliminary results of the individual case studies were presented at the Transcultural Leadership Symposium. The final results of the research are presented in this book.

This was the first milestone in a very important partnership that is being established between SAP Labs Latin America and Zeppelin University.

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Building Bridges not Silos: Organisational Learning Processes and the Role of a Shared Lingua Franca as an a Priori Requirement for Transcultural Cooperation

Jessica Geraldo Schwengber and Brenda Beretta Kindlein

1. Introduction

Value creation processes represent the essence of organisations' existence. Nevertheless, in a globalised and interconnected society transactions take place in complex transnational and therefore trans-cultural value chains, requiring relational competences that enable one to negotiate with counterparts from different cultural backgrounds, otherwise "clashes of cultural values and virtues" (Wieland 2014: 182) risk undermining the full potential of worldwide value chains.

A first attempt to overcome such clashes has been proposed by the literature on interculturality, which has provided models based on cultural differences (cf. Hofstede 2011; Trompenaars and Hampden-Turner 1997). Over the years these models have become a point of reference for everyone who deals with cultures, including the business environment. Nevertheless, by taking as an example the relationship between German and Chinese companies, one study demonstrated that 70% of all failures in joint ventures between these two countries were attributed to "uninformed and unprofessional cultural management" (Wieland 2014: 183). This finding sheds light on a need for complementary approaches aimed at supporting business cooperation in a global setting.

Against this background, the Relational Economics theory proposes an alternative perspective to cooperate in a globalized reality. The relational view considers firms as a nexus of relations and emphasises the relational aspect of transactions (cf. Wieland 2018). The framework of this theory includes transculturalism, a transaction-based approach focused on commonalities among cultures to develop mutually beneficial relationships (cf. Wieland & Baumann Montecinos 2018). Despite its focus on commonalities, transculturalism does not neglect differences. Diversity does exist, but rather than focusing on overcoming differences and related conflicts, transculturalism calls for us to go beyond them and focus on common points aimed at reaching mutual benefits for all parties involved.

Since the emergence of transculturalism, many efforts have been made to define it (cf. Baumann Montecinos et al. 2018; Slimbach 2005; von Gilsa 2017; Urthaler 2018; Welsch 2001; Wieland 2016, Wieland & Baumann Montecinos 2018). From a learning perspective, transculturality is described as a learning process for creating relations (cf. Wieland 2016; Baumann Montecinos et al. 2018), which led to the development of two transcultural management models, namely the APCA – Awareness, Perception, Commitment, Action (cf. Wieland 2016) and the Transcultural Values Management System Model – TVMS (cf. Wieland & Baumann Montecinos 2018). Nevertheless, the mechanisms required to implement and/or foster such an approach in organisations have not been analysed yet, thus underlining a research gap. Against this background, this chapter focuses on the organisational learning processes for enabling transcultural cooperation. Furthermore, since relationships in transnational and trans-cultural networks have their roots in effective communication patterns, we claim that a lingua franca, understood not only in terms of linguistic rules but also in terms of shared meanings, is at the root of these learning processes.

In the light of the foregoing, a qualitative case study was conducted at SAP Labs Latin America on the topic of organisational learning for transcultural cooperation. Learning for transcultural cooperation and the role of a shared lingua franca are analysed through the lens of a value that exists within this organisation: “Build bridges not silos”. The decision to focus on such a value depends on a theoretical assumption about the existence of a conceptual connection between the metaphor "bridge" and the transcultural and temporary "mini society" described by Wieland (2019)[1]. Conforming to this view, "bridges" among actors from different cultural backgrounds may enable the creation of a transcultural mini society based on commonalities. Accordingly, bridges built at SAP Labs among actors with different cultural backgrounds may represent transcultural bridges aimed at enabling successful cooperation so as to pursue joint organisational goals.

The development of commonalities, which lie at the roots of transcultural mini societies, requires a learning process such as that described by the APCA Model (subchapter 2.1). Furthermore, the Transcultural Values Management System – TVMS (Wieland & Baumann Montecinos 2018) distinguishes commonalities between thin abstract values and thick local implementations (Subchapter 2.1). According to this model, the transcultural learning process is understood as a "driver of a potential transaction from thin to thick(er) commonalities" (Wieland & Baumann Montecinos 2018). Conforming to this perspective, "build bridges not silos" is an organisational transcultural global and thin value and the initiatives undertaken at SAP Labs Latin America could be understood as the steps of a learning process aimed at enabling thick(er) implementations.

Against this background, some specific research questions have been derived: What does "build bridges" really mean? Are these bridges really transcultural? How does SAP Labs Latin America build bridges (which describes the "thickening" learning process)? What role does a shared lingua franca play? What effects do these bridges have on the organisation's value creation process?

The chapter is structured as follows: After a brief literature review on organisational learning and on lingua franca, the case, methodology and findings will be presented and discussed.

[1] Mini societies are characterised by "reciprocal dependencies with respect to a local situation" (Wieland 2018: 24) and the point of analysis is the "success of cooperative transactions" (Ibid.).

2. *Theoretical Backgrounds*

2.1 *Learning Processes for Transcultural Cooperation*

Transculturality itself is a learning process for creating relations (cf. Wieland 2016; Baumann Montecinos et al. 2018), more precisely it is "an ongoing learning process towards creating and strengthening commonalities and thereby exploiting promising potential for cooperation" (cf. Baumann Montecinos et al. 2018: 108). According to this definition, transcultural learning processes are focused on relations and on co-operation, namely on the ability to pursue a joint enterprise aimed at achieving mutually beneficial results for all parties involved in a specific transaction.

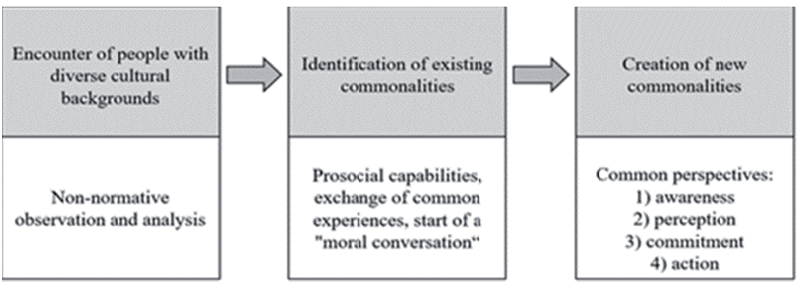
The APCA – Awareness, Perception, Commitment, Action is the first transcultural learning model described in the literature (Wieland 2016). It is a three-step model that describes the process of identifying and creating existing and new transcultural commonalities (figure 1).

The first step in this model emphasises that encountering actors from different cultural backgrounds requires non-normative observation and analysis. This means that a categorisation of cultural differences as "good" or "bad", "right" or "wrong" must be avoided. Only after being aware of diversity, after accepting and tolerating differences, can a "moral conversation" start and only at this point is the transition to the second and third steps (identification and creation of existing and new commonalities) feasible (Wieland 2016).

The identification and creation of commonalities do not occur automatically, rather they require pro-social capabilities and exchange of common experiences. These steps are thus based upon relationships, interactions, dialogues, upon the willingness to build relationships, to cooperate to pursue common goals.

The literature on transculturalism proceeds with its theoretical development, leading to the Transcultural Management System Model (Figure 2), which distinguishes commonalities between transcultural thin values and thick implementations (cf. Wieland & Baumann Montecinos 2018). Thin and thick refer to a distinction between "abstractness and concreteness" (Wieland & Baumann Montecinos 2018: 22). Both abstractness and concreteness are inter-related with the first representing "starting points" to the development of "concrete interactions" (Ibid.: 22). According to this model, the transcultural learning process can "be understood as drivers of a potential transaction from thin to thick(er) commonalities" (Wieland & Baumann Montecinos 2018: 28). The learning process is placed in the thick part of the model. Nevertheless, since transculturality itself is described as a learning process, it can be argued that transcultural learning, rather than a single step, represents the roots of the whole process, namely it is the process that allows the transition from "thin" abstract concepts to "thick" implementations.

Figure 1: Model APCA – Awareness, Perception, Commitment, Action

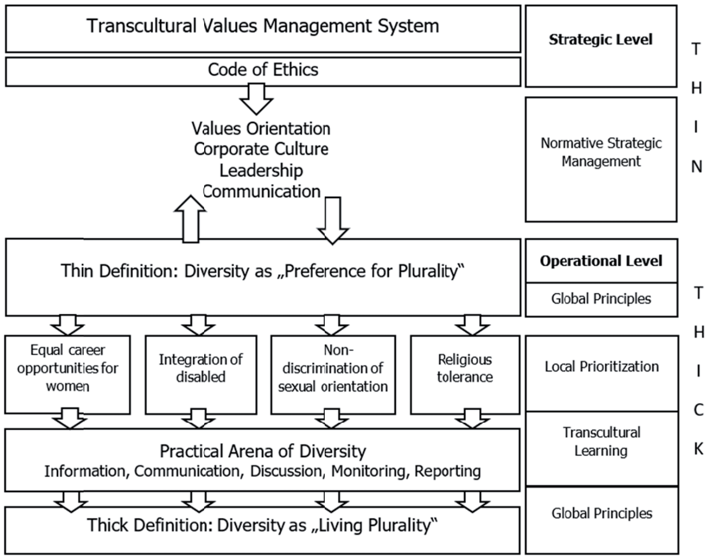


Source: Wieland, J. (2016), Baumann Montecinos, J. et al. (2018).

In the case under analysis, the TVMS is applied to the value "build bridges not silos". Once this value was formulated it represented a simple statement that emphasised a normative preference for "connection and cooperation" at SAP Labs. From this perspective, "build bridges" represents a global, abstract – and therefore thin – value. This value has nevertheless influenced the strategy and culture of SAP Labs and has consequently been established throughout the organisation, becoming thick(er). Thick implementations vary according to local peculiarities. "Build bridges" is a value of SAP Labs as a whole, which is composed of around 20 Labs located around the world. This case is focused on the thick implementations at SAP Labs Latin America, namely on how this common value finds local implementation. How are bridges actually built?

Although these models provide a first theoretical input, they do not explain how the process occurs, which learning mechanisms are required to build transcultural bridges and to allow the thickening process. The research aims at contributing to close this gap by investigating how this learning occurs at SAP Labs Latin America.

Figure 2: Transcultural Values Management System



Source: Wieland, J., Baumann Montecinos, J. (2018).

Such an apparently simply task is complicated by the fact that, over the years, many organisational learning models have been developed[2] and a fragmentated canon of literature has emerged underlining a lack of consensus around the term “organisational learning”[3]. Another apparent-

[2] E.g. the Interpretation Systems Model (Daft & Weick 1984), the Experiential Learning Cycle (cf. Kolb 1984, Kolb & Kolb 2008, 2017), OADI-SMM (cf. Kim 1993), the 4I Model (cf. Crossan et al. 1999), the Mutual Learning Model (cf. March 1991), the Learning Curve Model (Wright 1936), to mention but a few.

[3] Huber (cf. 1991) identifies processes and subprocesses through which organisational learning is developed. Argyris (cf. 1995) distinguishes between single-loop and double-loop learning, depending on whether it changes the governing values or not. Some scholars have focused their efforts on a determinate sort of organisational learning, for instance, Kolb on experiential learning (cf. Kolb 1984; Kolb & Kolb 2008, 2017). Others have dealt with mathematical models e.g., Wright (cf. 1936) and others have enriched the literature debate on the connection between individual

ly theoretical complication depends on the fact that, in organisational contexts, learning is usually associated with innovation of products and processes, but transcultural learning processes are learning processes “to create relations”. Nevertheless this point can be easily overcome since a stream in the literature emphasises that the capacity to create networks, namely to build relationships and cooperate, enhances a firm’s innovation capabilities, bringing positive side effects also to products and on organisational processes[4].

From the tangle of theories and models a less structured and more informal mechanism has emerged that seems to be particularly appropriate for the scope of learning for fostering cooperation, namely communities of practice (CoPs). These communities are defined as “groups of people who share a concern, a set of problems, or a passion about a topic, and who deepen their knowledge and expertise in this area by interacting on an ongoing basis” (Wenger et al. 2002: 4). Wenger et al. describe CoPs as the locus of learning in organisations (cf. Wenger 1997; Wenger et al. 2002, Wenger et al. 2015), the place where communities’ members learn together. Since CoPs focus on local practices, they could facilitate the transition of thin transcultural commonalities into thicker one.

Since CoPs may facilitate the gathering of different information and perspectives and thus allow “structural holes” (cf. Burt 2004; Zaheer & Bell 2005) present within organizational contexts to be bridged, they could foster the creation and strengthening of intra-organisational co-operative networks. Juxtaposed to that, CoPs enhance organisational performance, improve organisational innovative capabilities, manage knowledge, create social capital and value[5].

and organisational learning (cf. Argyris 1995; Crossan et al. 1999; Daft & Weick 1984; Kim 1993; March 1991; Weick & Roberts 1993).

[4] On the role of relationships and networks for enhancing performance please see Berrbizne & Puig 2018; Burt 2004; Ji et al. 2017; Lesser & Strock 2001; Kirkman et al. 2013; Lesser & Prusak 1999; Pattinson et al. 2016; Retna & Tee Ng 2011; Schofield et al. 2018; Siedlok et al. 2014; Smith et al. 2019; Venkatraman & Venkatraman 2018; Wenger & Snyder 2000; Wenger et al. 2002; Zaheer & Bell 2005.

[5] On this point, see Berrbizne & Puig 2018; Ji et al. 2017; Lesser & Prusak 1999; Lesser & Strock 2001; Kirkman et al. 2013; Pattinson et al. 2016; Retna & Tee Ng 2010; Schofield et al. 2018; Siedlok et al. 2014; Smith et al. 2018; Venkatraman &

Many of the mechanisms undertaken by SAP Labs Latin America to build bridges can be included in the definition of CoPs, since they combined the three elements identified as the fundamentals of CoPs: Domain, communities and practices (cf. Wenger et al. 2002: 27). Nevertheless, CoPs are not the only mechanism employed at SAP Labs Latin America to build bridges, since the findings highlight that they are juxtaposed to more canonical mechanisms.

2.2 Lingua Franca – an a Priori Requirement for Transcultural Learning Processes

Learning processes for creating relations and foster cooperation depend first and foremost on communication abilities. In fact, the effectiveness of relational transactions in a globalised world requires both the willingness and ability to cooperate (cf. Wieland 2017). The latter however requires trans-cultural communication. All parties involved must be able to understand each other, to speak the "same language", namely they need a shared lingua franca.

The term "lingua franca" is usually taken to mean "any lingual medium of communication between people of different mother tongues, for whom it is a second language" (Samarin 1987: 371). A lingua franca can also be called a bridge language, for the reason that it makes communication possible by creating a connection between two parties that once were separate from each other (cf. Seidlhofer 2011). It is therefore both a prerequisite for enabling transactions and an essential commonality that must be developed.

A trans-cultural lingua franca regards not only grammar rules and lexica but also the meaning that human beings and institutions attribute to these linguistic rules and lexica. It has already been underlined that "for the dialogue to be meaningful (...), one needs to know the meaning of certain utterances as they tend to be used in a particular discourse over time" (Tsoukas 1996: 16). The etymology of communication confirms such an understanding, since the word communication is derived from the Latin word "communis" which means common (cf. Cheney 2011).

Venkatraman 2018; Wenger 1997; Wenger & Snyder 2000, Wenger et al. 2002, Wenger et al. 2015.

The definition underscores the fact, that unless a common understanding results from exchange of information, there is no communication (Ibid.).

In organisations which operate in multinational contexts, relational transactions cross social, cultural, geographical and linguistic borders and the transcultural learning process habitually involves individuals and institutions who share different linguistic backgrounds. This might be a factor that hinders relations, cooperation, and knowledge sharing. Hence, a lingua franca is essential for companies to remain competitive. In fact, hiring processes, negotiations with customers and partners, product development, sales meetings and customer support are common examples of interaction-based transactions in a business environment that can take place inside or outside a company. Also, along with advancing globalisation, business structures, services, networks and systems have undergone significant changes in order to continue. All these changes have led companies to develop a more diverse environment in many aspects, one of them being to have employees from different cultural backgrounds.

Based on the idea that interaction is not possible without communication, we may say that the world of business is all about communication practices. It is important to state that communication is not only about spoken language. The language plays an important role, yet the key to effective communication is the ability to express ideas and to cross cultural borders. Multinational companies often have a range of different nationalities among their employees. In order to guarantee a common understanding inside the company, a lingua franca is usually used as a communication facilitator.

2.2.1 English as a Lingua Franca in Organisational Contexts

Today, the most commonly used lingua francas are English, Spanish and French. Since the organisation being analysed decided to adopt English as its lingua franca, this case study takes a further look at the role of English as a lingua franca in a business environment and its benefits in communication practices. The choice of English as a lingua franca is self-explanatory since English dominates communication all over the world. It is present in many countries and has been considered a global language (cf. Crystal 2003) and "is unquestionably used by more people as a second or foreign language, putting the total number of English-speakers worldwide at well over one billion" (cf. English for students 2011). From an academic point of view, English as a lingua franca has become an important research area in applied linguistics. Although it can be considered a relatively recent discussion, many scholars have studied this topic[6].

The term "English as a lingua franca" is used to refer to "any use of English among speakers of different first languages for whom English is the communicative medium of choice, and often the only option" (Seidlhofer 2011: 7). It is also generally conceived as being essentially "a 'contact language' between persons who share neither a common native language nor a common (national) culture, and for whom English is the chosen foreign language of communication" (Firth 1996: 240, original emphasis).

2.3 Lingua Franca and Transcultural Learning Processes

According to the APCA Model (cf. Wieland 2016), pro-social capabilities are crucial for the creation and development of existing and new commonalities. Without speaking the same language, in the sense of linguistic rules as well as meanings, it would not be feasible to find out commonalities. Consequently, we argue that a lingua franca is a requirement a priori for learning for transcultural cooperation.

3. Methodology

Learning processes for transcultural cooperation and the role of a lingua franca as a learning enabler in trans-cultural and relational transactions were objects of analysis at an empirical level in a qualitative case study conducted at SAP Labs Latin America. This organisation was not chosen randomly, on the contrary it was selected because of its characteristics which allow insights to be gained from a transcultural perspective: a multinational that deals with different cultures on a daily basis.

[6] On this point see Seidlhofer 2011; Jenkins 2007; Dewey 2009; Baird et al. 2014; Melitz 2018; Knapp & Meierkord 2002; Firth 1996; Böhringer et al. 2008; Grundy 2007.

The first data were collected in field research in September 2019. A total of nine semi-structured interviews of approximately 40 minutes were conducted with employees from different business areas[7], organisational levels, nationalities[8], gender[9] and generation[10] in order to obtain different perspectives on the topics. Observation as well as document analysis completes the data source (data triangulation). The data were analysed with the software program MAXQDA through the creation of codes.

Due to the novelty of organisational learning process for transcultural cooperation, the research nature can be classified as exploratory. From epistemological and ontological perspectives, interpretivist and constructivist paradigms were adopted. In fact, a transcultural learning process adopts an approach based on social interaction and collaboration. It is a learning approach which does not focus on the individual but on relationships among individuals and considers knowledge as a social process that develops over time, emphasising an ongoing learning process.

4. Findings

The presentation of the findings is subdivided into five categories: (1) the meaning attributed to the value "build bridges"; (2) the motivation behind this value; (3) the learning mechanisms employed to build bridges; (4) the role of a lingua franca in the learning process; (5) the impact on the performance of single employees as well as on the organisational performance. In the discussion section an analytical generalisation is applied to determine whether these bridges are transcultural bridges and consequently whether the described learning process can foster transcultural cooperation.

[7] Human Resources Department, Customer support, Business development, University relations, Training and events, Senior management, Innovation, Product support.

[8] The sample contained citizens from Brazil, Colombia, India and Germany.

[9] 55.5% were women and 44.5% were men.

[10] The ages ranged from 25 to 50.

As for the first category (1), the data analysis highlights that building bridges is an intra-organisational concept, bridges are built among business lines and geographies within the organisational boundaries:

> "This principle or this behaviour, the basis of this is much more related to [the] internal environment because, as you know, these multinational companies have different board areas." (Interview transcript)

And concerning the geographical aspect, the interviewee added:

> "We should also not be in silos in our own location, we should divide knowledge, share knowledge with other locations." (Interview transcript)

These connections among units and geographies create and strengthen relationships, fostering the organisational ability to cooperate within its boundaries:

> "Build bridges is to decrease competition and increase collaboration." (Interview transcript)

Collaboration is described as:

> "Not only think as one specific team but as a whole." (Interview transcript)

As for the motivation behind the construction of bridges (2), the data show that bridges are built not only because they are "good" or because this is the right thing to do, but above all because they are instrumental for the achievement of the organisation's strategy. In fact, these bridges between business lines and geographies allow different perspectives to be grasped, knowledge, solutions and innovation to be shared within the company's boundaries while joining "dots" from different nationalities, generations, genders, locations and units of business.

After exploring both the meaning of "build bridges" and the motivation behind this value in that organisational context, the efforts shifted to the core of the research questions, namely the learning mechanisms that allow the "construction" of bridges (3). This aspect provides answers to the question related to "how" this organisation builds bridges, and in particular how the thickening process of the value "build bridges" occurs at SAP Labs Latin America. The mechanisms employed to enhance connection and to foster the implementation of the value “build bridges” within the organisational boundaries are synthesised in Table 1.

Every single mechanism reported in Table 1 has its roots in communication, underlining the relevance of linguistic forms for the construction of trans-cultural bridges (4). SAP Labs has chosen English as its lingua franca to enable intra-organisational communication among the circa 20 Labs. In fact, to better satisfy the requirements of its customers and partners, the inter-organisational interactions occur in the local language. Therefore, the role of English as a lingua franca at this multinational company proved to be mostly to interact and to encourage collaborative practices among employees from different cultural backgrounds. When asked “what is the role of English as Common Language within SAP?” one of the interviewees answered:

> “To communicate? it opens, it builds bridges actually, right? because with that you can collaborate with other people. Otherwise, if I only speak Portuguese and you only speak German you will not be able to collaborate. So, I think it opens our minds, opens our eyes, opens our teams, opening our doors, you know to explore more opportunities. So, it brings us more opportunities.” (Interview transcript)

In this case a lingua franca is a ‘must-have’ facilitator to foster diversified communication practices inside the company. The analysis also highlights that, over the years, employees have developed a shared organisational vernacular, which is intelligible only within the organisational boundaries, underlining the utilisation of a shared language also in terms of meanings and not only in terms of linguistic rules. Without such a communication enabler, bridges would not have been built.

The last research effort is focused on understanding the impacts of such bridges on employees’ performance and, as a natural consequence, on a firm’s value creation process (5). The importance of the mechanisms applied to build bridges is highlighted by an interviewee:

> “Without such a kind of structure we are losing a lot. Here it’s a win-win for everybody. I cannot now imagine me being successful in my role without such a structure, because it would be putting me into a silo.” (Interview transcript)

Table 1: Learning Mechanisms Applied to Build Intra-organisational Bridges

Mechanisms	Definition	Objective
Think and talk sessions	Meeting among employees from different business units.	To think and talk about specific topics from different perspectives.
Inspiring leaders' corner	Interaction between leaders and employees.	To give the opportunity to employees to interact with leaders. On the one hand the employees are free to ask any question and to propose challenges, on the other hand the leader can share the company strategy, the global perspective, vision and mission aimed at increasing employees' understanding of the organisational goals.
Employee sounding board	Employee discussion regarding new challenges.	Discussion of plans, support and implementation of new ideas.
Innovation group	Group of employees from different lines of business under the leadership of the innovation lead.	Discussion of major big challenges to find out innovative solutions.
Networks	Businesswomen's Network; Pride Network (LGBT); DAP network; Ethnicity, Generations Network + Leadership Network (among Labs' leaders around the world)	To create a more inclusive environment for women, LGB, disabled, black community and to provide guidance for new generations. The leadership network provides possibilities of interaction among Lab leaders.
General events	Recreational events, customer events, etc.	To bring people together to create networks.
Trainings	Both for soft and technical skills	To develop specific competences

Source: Own elaboration.

This statement emphasises a win-win logic based on mutually beneficial results. Mutually beneficial results were also pointed out by other interviewees, who used several different terms to underline the positive effects of the "construction" of bridges. Among them the analysis points out that "bridges" allow preconceptions to be broken down, good solutions to be found, innovation to be improved, one's perspectives to be enlarged, diversity to be embraced, collaboration to be fostered, inter alia (interview transcripts).

5. *Discussion, Limitations and Further Research*

Since diversity not only comes from nationality but also represents a complex system which comprises educational and professional backgrounds, gender, generation, inter alia (cf. Baumann Montecinos 2019; Wieland & Baumann Montecinos 2018), the bridges built in that organisational context might be defined as transcultural bridges. At SAP Labs Latin America bridges strengthen connections and foster cooperation, allowing groups "not only to think as one specific team but as a whole" (interview transcript), which is coherent with the definition of transculturality as a "learning process for creating relations" and "thereby exploiting promising potential for cooperation" (Baumann Montecinos et al. 2018: 108; Wieland 2016; Baumann Montecinos et al. 2018: 29). The metaphorical bridges built at SAP lead to successful intra-organisational cooperative patterns, where each "node" contributes to the achievement of organisational common goals.

Transcultural bridges are described as the result of learning processes. According to the TVMS model, learning processes driver the "potential transaction from thin to thick(er) commonalities" (Wieland & Baumann Montecinos 2018). "Build bridges not silos" is a thin global value present in all SAP Labs around the world and several initiatives have been undertaken to implement this value at a local and thick level at SAP Labs Latin America (Table 1), underlining a thickening process at a local level. Furthermore, all these initiatives are based on relationships, interactions, dialogues, experience sharing and exchanging, coherent with the pro-social capabilities described in the APCA model to enable learning processes for identifying existing and creating new commonalities. Nevertheless, without a shared lingua franca, pro-social capability cannot be applied, underlining the role of a shared lingua franca as a precursor for learning for transcultural cooperation.

With reference to the mechanisms applied to build bridges, many of these initiatives fall under the definition of intra-organisational communities of practice (CoPs) since they combine the three elements identified as the fundamentals of CoPs: Domain, communities and practices (Wenger et al. 2002: 27). For instance, the Leadership Network has as its domain the organisation’s global strategy, the community is composed of leaders from all around the world which develop practices to implement the global strategy in different locations. Nevertheless, CoPs are not the only mechanism employed at SAP Labs Latin America to build bridges, since they are juxtaposed to more canonical mechanisms. In this context, canonical learning mechanisms, such as events and trainings, are combined with non-canonical ones, mutually complementing each other.

As for the benefits of building bridges, the findings highlight a reinforcement of relations resulting from connections developed within the organisational context, which impact firstly on employees’ performance and on the organisational value creation process, underlining mutual benefits for all parties involved. In this context the organisational learning process starts with an institutional impulse (build bridges not silos is an institutional value after all) which reaches the individual level and benefits the institutional level as well, rather like a virtuous circle.

Although this case study highlights a connection among the value “build bridges not silos”, transcultural cooperation, organisational performance and related learning processes, further research is required to confirm such beneficial impacts on intra-organisational contexts. Moreover, the results discussed consider a single organisation. The generalisation of the discussed findings requires multiple case studies in similar organisational contexts. This study is furthermore focused on intra-organisational “bridges”. Further studies could also analyse the impact of organisational learning for transcultural cooperation in inter-organisational networks.

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Leveraging Inter-Company Cooperation Through Blockchain Technology

Insights from SAP Labs Latin America

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1. Introduction

In recent years, blockchain technology or distributed ledger technology (DLT) has become one of the key innovation topics for businesses and governments all over the world and throughout many industries (cf. Casey & Vigna 2018; Tapscott & Tapscott 2016). Part of the success story of DLT can be ascribed to the speculative hype among (Bitcoin) investors which led to the creation of bubbles in the cryptocurrency market (cf. Cheah & Fry 2015: 34; Bouri et al. 2019: 181f.). However, the true innovation behind DLT lies behind the claim that blockchains enable decentralised trustless transactions (cf. Swan 2015: 2, 15), manifest novel forms of institutional arrangements and organisational governance (cf. Davidson et al. 2018: 641), as well as lowering transaction and agency costs (cf. Shermin 2017: 500f.; Loebbecke et al. 2018: 7; Werbach 2018: 491). Though blockchain applications for industrial purposes are still in their infancy (cf. Ziolkowski et al. 2019: 10) some of the emerging blockchain platforms have indeed brought up new governance structures for economic actors and machines to (automatically) transact with each other and to integrate multiple ERP systems (cf. Banerjee 2018: 71). The overwhelming amount of research to date shows that blockchains can minimise various transaction costs significantly and create new business value (cf. Ziolkowski et al. 2019: 13) but at the end of the day cannot substitute trust in people or institutions completely (cf. Werbach 2018: 549).

While it remains to be seen whether DLT might substitute other governance modes and mechanisms completely one day, few studies have addressed how blockchain-enabled inter-company processes can be governed and what implications the technology has for inter-company cooperation. In particular, the question of how governance decisions can successfully be made in blockchain projects with cross-organisational settings has attracted little attention despite the often proclaimed importance of effective governance for economic coordination and development. Lee et al. summarised seven contingency factors that are relevant for data governance in decentralised platforms (cf. 2018: 5015), whereas Ziolkowski et al. (cf. 2019) described the role of six major governance decisions and their enactment in permissioned blockchain systems. They highlighted the need for inter-company collaboration in spite of trust issues and diverging goals with regards to demand management, data authenticity, system architecture development, membership, ownership disputes and transaction reversal (cf. Ziolkowski et al. 2019: 3ff.). Zachariadis et al. emphasised that events like the DAO hack[1] have called into question the governance model of public blockchains and highlighted that distributed governance can be challenged by specific arrangements of decision rights, incentive structures and control mechanisms (cf. 2019: 114). While we acknowledge the first steps the authors have taken in the field of blockchain governance, we think that the overall picture remains incomplete, which is why further in-depth studies on blockchain alliances are required.

Based on a case study at SAP Labs Latin America and a total of 12 blockchain alliances from Austria, Brazil, Germany, Switzerland and the Netherlands that were studied through qualitative interviews we answer the following research questions in this chapter:

1. How can inter-firm cooperation enable blockchain governance?

[1] In June 2016, a hacker withdrew more than $50 million worth of ether coins from an autonomous cryptocurrency fund by exploiting a smart contract (Atzei et al. 2017: 176; Price 2016). For more information on the DAO hack and the debate it caused within the Ethereum community see Siegel (2016).

2. What organisational prerequisites and implications are related to DLT?
3. How can relational leadership contribute to governing decentralised blockchain projects in consortial settings?

The first part of this chapter gives a general introduction to the emerging field of blockchain governance and the challenges associated with blockchain consortia (Chapter 1.1), as well as outlining the focus of the study (Chapter 1.2) and the methodology (Chapter 1.3). The second part is devoted to SAP's blockchain strategy (Chapter 2.1), a description of the use case (Chapter 2.2), the presentation of the findings (Chapter 2.3) and a discussion about how the observations and findings can be interpreted through the lens of relational leadership (Chapter 2.4). Part three of the chapter concludes how blockchain governance can be enabled through successful inter-company cooperation and how relational leadership can be useful in this context (Chapter 3).

1.1 The Evolution of Blockchain Consortia

The number of blockchain consortia has been steadily rising in recent years as venture capital (VC) backed deals in the blockchain industry more than quadrupled between 2015 and 2019 (cf. CB Insights 2020: 6). While some voices in the blockchain industry argued that DLT would lead to large scale disintermediation in various industries (cf. Tapscott & Tapscott 2016: 42ff.), many of the newly created consortial blockchain projects were in fact centrally governed by intermediaries and were reinforcing rather than offsetting information asymmetries (cf. Morabito 2017: 56). While the evolution of hybrid organisations such as consortia in the context of research and innovation projects itself is quite common, the forms of cooperation that these consortia sometimes apply is indeed novel. The emergence of "decentralised blockchain-enabled electronic marketplaces" (Kollman et al. 2019: 2) and digital decentralised organisations[2] are pioneering attempts to apply decentralised governance as an alternative approach to hierarchies or markets because not only are they related to significantly lower entry barriers but they also generate and distribute cooperation rents in a fairer manner. However, such unique

[2] See for instance Mueller (2019).

governance modes bring unique challenges that require not only exceptional technological expertise but also extensive leadership skills and organisational knowledge to make cross-organisational blockchain governance successful.

1.2 Focus of the Study

Therefore, our analysis focuses on the challenges and opportunities that arise in blockchain alliance projects whose aim is to enable blockchain governance to automate business processes. Of particular interest to research are the organisational arrangements that firms use to govern blockchain projects and to make blockchain governance decisions because such knowledge may give us an idea as to whether DLT indeed entails novel forms of governance and cooperation in cross-organisational business processes.

Studying governance arrangements in permissioned blockchain networks does have some peculiarities. Among other things, the identity of network participants is not anonymous in permissioned blockchains (cf. Xu et al. 2019: 48) and instead backed with know-your-customer principles and identity management solutions (cf. ibid.: 103). Therefore, many governance problems that are related to public blockchains can be largely ignored for our study. Among these, are 51 percent attacks, smart contract failure (cf. Atzei et al. 2017: 14f.), fear of control over hash rates (cf. Ferreira et al. 2019: 29) and concerns about the misuse of permissioned blockchain networks for the spread of illegal content (cf. Pesch & Ishmaev 2019: 8). Likewise, we expect the risk of opportunism to be lower in permissioned blockchain networks than in public ones as misconduct would be permanently recorded.

As a consequence, the governance problems this study focused on were less linked to protocol failure or computational monopolisation and more to organisational and relational aspects. In other words, we hypothesise that governance problems in permissioned blockchain alliance projects do not primarily result from incomplete technological setups – though we acknowledge that technological setups and software code require adjustments – but instead from the inability to collectively design and adjust organisational governance arrangements when blockchain business models are still immature, resources interdependent and uncertainty high.

1.3 Methodology

Due to the explorative nature of the research purpose, which aimed at understanding how firms enable blockchain governance in cross-organisational settings we decided to apply a 'gaps and holes' case study approach for our qualitative study (cf. Yin 2014). Consequently, the researchers conducted 17 semi-structured, guideline-based expert interviews for 12 blockchain cases as primary tools of data collection between August and October 2019. Among those, four interviews were conducted with management and software architecture staff at SAP Labs Latin America.

Expert interviews were selected as the research instrument because they suited the explorative research rationale of the study and guaranteed minimal comparability among cases (cf. Gläser & Laudel 2009: 43f.). Continuum sampling was used to observe blockchain projects at different project stages (cf. Patton 2015: 405) while interview partners from varying backgrounds such as IT development, legal and management were selected so as to have different perspectives.

Furthermore, secondary data about the cases was gathered through online articles, podcasts and corporate websites to validate and complement the interview data and used as a method of triangulation (cf. Bryman 2012: 392).

For data analysis a conventional qualitative content analysis conducted in MaxQDA 18 was considered most suitable to serve the purpose of the study as pre-existing theory on how firms enable blockchain governance was limited (cf. Hsieh & Shannon 2005: 1279). Data analysis was conducted in four steps. First, all interviews were recorded and transcribed completely shortly after the event. Secondly, the researchers read through all transcripts, discussed all cases and compared the given information with secondary sources and field notes they had gathered to ensure data consistency. Thirdly, codes were generated directly from the data (cf. ibid.: 1286) which led to the initial coding scheme and first category building (cf. Strauss & Corbin 1990: 60f.). This was followed by an iterative process of data review, reflection and categorisation. Ambiguous cases that applied to multiple categories were settled by means of discussion between the researchers and redundant topics were eliminated. Fourthly, the researchers searched for commonalities and differences between the cases via cross-case analysis, which were finally sorted into groups via axial coding (cf. ibid.: 69f.).

2. Insights from Blockchain Alliance Projects at SAP

2.1 SAP's Blockchain Strategy

SAP has been at the forefront of blockchain innovation in recent years and was one of the first software companies to adopt a consortial, bottom-up strategy for the development of novel blockchain applications in various industries (cf. Morris 2018). The rationale behind SAP's bottom-up approach is to bring the leading companies from each industry closer together, define common sets of data elements while simultaneously allowing 'co-opetition' among consortial members (cf. ibid.). In doing so, SAP is offering its customers the opportunity to integrate and link DLT with other products within SAP Strategy, the SAP cloud platform and SAP HANA (cf. SAP 2020). In addition, SAP is trying to roll out industry-wide applications by identifying the pain points of whole industries and ensuring interoperability by not discriminating against other cloud providers and the range of available DLT base-level technologies. As a consequence, SAP is avoiding lock-in effects to foster investment in blockchain projects.

2.2 Use Case at SAP Labs Latin America

The given use case deals with tracking and tracing issues in the supply chain of an airplane manufacturer in Brazil. A permissioned blockchain solution was developed using Hyperledger Fabric to allow tracking data of all RFID-equipped parts to be shared or confirmed between the suppliers and the manufacturer along the supply chain while ensuring data privacy between all nodes to comply with regulatory and competitive practices. The solution was designed to foster trust and transparency in B2B supply chain management processes, as well as to increase the efficiency of data synchronisation. Through the use of smart contracts and a single database to which parties would connect, challenges arising from changing interfaces among companies' IT systems, that had to be aligned, were solved and changes to the database made transparent and documented in an immutable log.

Additionally, the solution created additional value for all parties as it supported their business processes with accurate and immutable live data about their part shipments and helped to guarantee quality assurance and settle indemnification claims. The prototype was initially designed by the software company in cooperation with the airplane manufacturer, resulting in the adoption of centralised governance and funding during the prototype phase. However, shared ownership and decentralised control was intended to be put into place once a consortium was found at the next project stage.

2.3 Findings

Our data analysis of the airplane manufacturer case revealed five main findings about the approach that was adopted to set up the cross-organisational blockchain project.

First of all, the case at hand demonstrates that a cooperation rent is being generated from increased trust and data sharing among suppliers, logistic firms and the airplane manufacturer through the use of DLT in the B2B logistics market in Brazil.

Secondly, in spite of the use case being verified by the project partners, several pain points were highlighted in the B2B logistics market in Brazil. Among others these include fear of competitive disadvantages arising from additional data sharing, concerns about centralised data ownership and database administration and lack of trust.

Thirdly, facing the challenges described above, the project partners decided to set up a consortium based on a shared governance setting and a permissioned blockchain solution where consortial parties would act as gatekeepers and no single entity would own the infrastructure. Ultimately, this led to interdependency of resources and transactions and 'coopetition' to foster the development of new distributed applications.

Fourthly, such a decision leads to the joint administration of a DLT network with joint IP rights where applications can be built on top which can then be charged for with SaaS fees. However, while issues of cost-sharing, differences in the amount of invested resources and the distribution of administration rights of the joint DLT infrastructure were easily settled during the prototyping phase through bilateral service contracts they are likely to cause questions of burden-sharing, rent-sharing and fairness throughout further project phases.

Fifthly, we observed that the airplane manufacturer case differs from typical product development cycles (cf. Park 2010: 41) and traditional IT projects that are completed within hierarchies or through market orders, because decision-making is transferred from centralised, bilateral control to a consortial setup after the initial project phases. The move towards a hybrid organisational setting is accompanied by increasing product and business model maturity and the attempt to introduce common values, whereas the success of the project no longer merely depends on realising pre-defined product characteristics and performance goals but also setting up an environment where consortial members actually collaborate. This leads to a complex balancing act of aligning different business models, interests, professional backgrounds and decision rights. In addition, remaining flexible enough to constantly adjust the governance setting to previously unknown scenarios, so-called 'unknown-unknowns', becomes essential.

3. *Discussion and Conclusion*

To gain further insights, we compared the case to eleven other cross-organisational blockchain projects that we studied in Austria, Germany, Switzerland and the Netherlands between September and November 2019 via cross-case analysis.

First of all, our interviews show that the airplane manufacturer case is similar to other blockchain alliance projects we studied where firms take an internal approach during initial project stages (7 out of 12 cases) before adopting a hybrid organisational setting in later project stages (5 out of 12 cases). As a consequence, contrary to centrally governed cross-organisational projects, hybrid organisational setups are the rule rather than the exception in our sample of blockchain projects.

In the airplane manufacturer case hybrid organisational settings evolve through the pooling of resources to jointly develop and host distributed applications, sharing IP rights and by allowing stakeholders to connect existing cloud services to the permissioned blockchain network without discriminating against other cloud providers than SAP. Such an undertaking leads to lower entry barriers and differs significantly from traditional competitive behaviour to maximise market share at all costs. Instead, such an approach aims to foster investment and economic differentiation in industries where further cooperation, and hence investment, in cross-organisational applications has been unthinkable in the past.

Consequently, 'co-opetition', reciprocity and common interest have become more important in inter-company cooperation.

Secondly, to foster cooperation, trust and values seem to lie at the core of blockchain alliance projects (and their conflicts) – rather than being absent – and are formalised in, but not limited to, 'fairness' and 'non-competitive' rules. Thus, our interviews indicate that, ultimately, the success of blockchain alliance projects depends on self-enforcing implicit contracts such as trust, reputation and moral integrity (cf. Wieland 2018: 73). That trust and values may be required to set up and govern cross-organisational blockchain networks may frustrate some advocates in the blockchain world who claimed that blockchains are purely economic and can substitute or disintermediate trust-issuing institutions completely. However, we see a great opportunity in utilising DLT and hybrid organisational setups to foster not only technological innovation but also organisational innovation. The SAP case seems to be a good example of inter-company cooperation being enabled even under conditions where competition and uncertainty are high – as in the Brazilian B2B logistics market – by changing the paradigm from competition to 'co-opetition'.

Furthermore, given the fact that logistic firms were initially reluctant to participate in additional data-sharing practices through DLT applications because they were concerned about competitive disadvantages and centralised ownership, we assume that governance decisions in blockchain alliances are subject to polylinguality (cf. Wieland 2018: 26f.). At the heart of this argumentation lies the idea that when firms negotiate about vital questions of blockchain governance such as: who is allowed to act as a validator? or who sees and writes what kind of data? not only do they discuss the practical viability of the project but also they address economic (risk – benefit), legal (lawful – unlawful), political (powerful – powerless) and moral (fair – unfair) systems. Consequently, the problem of inter-firm cooperation in blockchain alliances becomes one of managing the complexity of multiple language games without losing the focus of the project, which is to collectively build and administer distributed applications. Thus, at the core of successful inter-firm cooperation and developing blockchain-enabled processes lies the challenge of settling fairness issues and confusion about the data that is going to be written, shared and validated within the blockchain network in the first place.

Furthermore, it seems unlikely that such issues can be settled top-down if data ownership is not centralised and transactions are not interdependent. We, therefore, think that a bottom-up strategy to develop cross-organisational blockchain networks has one clear advantage over a top-down approach, namely that issues arising from the polylinguality of transactions and governance decisions can be negotiated in social bargaining processes between all stakeholders (cf. Wieland 2018: 223) rather than being dictated by the largest player and remaining unresolved.

What this all amounts to is that we regard relational leadership[3] as a useful navigation approach to find common answers to questions of how to set up blockchain governance. In practice, this would imply discussing the software architecture of a cross-organisational blockchain network not just from an efficiency point of view but also with regard to cooperativeness, neutrality and fairness. Furthermore, it requires cooperation partners to realise and discuss the multivalency of involved transactions and polylinguality of governance decisions throughout the process of designing a technological solution.

As we recognise that most blockchain applications are designed before governance decisions are made, we call for the use of flexible governance mechanisms. That is to design DLT networks in a platform-agnostic way, prevent dead ends and allow adjustments to the governance setting on a technological basis without adaptations becoming overly costly. Such flexibility will also allow changes to the payment structure of varying distributed applications where payoffs are uncertain during the time of development.

Last but not least, we argue that the 'single source of truth' character of DLT can be of particular value to assisting social bargaining processes and multivalent relational transactions such as solving indemnification claims in supply chain processes because transferring the 'known-knowns' of an inherently complex transaction limits the number of potential contractual gaps and non-contractabilities in the future. For such 'going concern' mechanisms to be effective, however, parties must administer the joint DLT network in a neutral, fair and distributed manner while deciding carefully who can act as validators and how changes

[3] For an explanation of the relational leadership model see Wieland (2017: 249ff.). See also Wieland (2018: 167ff.) for further remarks on how relational leadership can be applied in practice.

to the underlying software code will be decided. Leveraging inter-company cooperation through the creation of a reservoir of trust, therefore, seems to be not only a manner of replacing humans with algorithmic governance but also of navigating the multivalency of blockchain governance decisions in the process of developing novel distributed digital marketplaces.

In conclusion, the SAP airplane manufacturer case exemplifies that firms experiment with different governance modes in cross-organisational blockchain projects in order to foster cooperation and investment. Our results indicate that interdependency of resources and the presence of polylinguality can create conflicts in blockchain projects on the one hand but enable additional cooperation rents through the pooling of resources and the creation of consortially administered digital infrastructures and marketplaces on the other. In this context, we observe a rise of hybrid organisations and novel blockchain application ecosystems that are often flexibly governed not only at SAP Labs Latin America but also in various other blockchain projects we studied.

In addition, our findings demonstrate that relational leadership is required to successfully govern consortial blockchain projects and solve issues arising from the polylinguality of transactions, resources and stakeholder interests. In practice, relational leadership applied to consortial blockchain projects requires these projects to be discussed and managed not only through the lenses of practicability and economic efficiency but also, for instance, through the lenses of fairness and reciprocity. In doing so, economic actors can better realise and approach the underlying polylinguality embedded in shared governance decisions and interdependent resources and, thereby, solve potential conflicts stemming from the hybrid organisational arrangements they find themselves in. Consequently, further research is required to develop practical guidelines for dealing with polylinguality in cross-organisational blockchain alliance projects.

Since a variety of professionals from different backgrounds is usually involved in blockchain projects, we think that creating common understanding and bridging cultural differences lies at the core of cross-organisational blockchain projects. Among other things, it seems promising to investigate how transculturality and relational leadership can be practiced in the context of teams with varying cultural and professional backgrounds.

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List of abbreviations

B2B	business to business
DLT	distributed ledger technology
ERP	enterprise resource planning
IP	intellectual property
IT	information technology
RFID	radio-frequency identification
SaaS	software-as-a-service
VC	venture capital

Towards Ensuring Equitable Access to Education

Insights into Governing Intersectoral Cooperation in Brazil

Josef Sühr and Raquel Ramos

Climate change, global poverty or unequal access to education are all phenomena that do not exist in splendid sectoral isolation. Hardly any one sector, not even the most well-informed, well-intentioned or well-resourced, would be able to solve the challenges faced by today's globally interconnected societies. The UN 2030 Agenda for Sustainable Development calls for the erosion of traditional sectoral divisions. Integrating sector-specific expertise and resources from business, politics and civil society should simultaneously create both public and private wealth. Against this backdrop, this chapter illuminates the significance of relational parameters in supporting and facilitating the governing of intersectoral cooperation aimed at ensuring equitable access to education in Brazil. It provides a framework for the cooperative process that is derived from analysing the governance regimes of intersectoral education-centred projects observed in Tecnosinos, a science and technology park in the south of Brazil.

This chapter first provides a brief theoretical introduction to the process of creating shared value and the role that relational norms play in governing intersectoral cooperation endeavours before making some remarks on the Brazilian educational landscape. It then outlines the main insights into stakeholder participation and resources, building the foundation for the ensuing discussion and contextualisation of the cases.

1. Creating Shared Value

The term 'shared value' was coined by Porter and Kramer who defined the concept in a 2011 Harvard Business Review article that has since dominated both the academic as well as the public debates of the concept, as:

> "Policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates […] Value is defined as benefits relative to costs, not just benefits alone." (Kramer & Porter 2011: 66)

By defining societal value relative to costs, the authors understand the driving forces behind the process as being primarily economic in nature. The concept of creating shared value (CSV) is best understood as a critique of the neo-classical positions that a company's sole role in society is to maximise its profits for shareholders and that it should neglect other non-shareholding players in the decision-making and solution-finding process (cf. Dembek et al. 2016). CSV represents a first step away from solely focussing on creating shareholder value to instead adopting a perspective that also takes the effects of business for (non-financial) societal stakeholders into account.

The intended outcome of engaging in CSV is achieving economic success. However, this success is not shared equally between business and society, but "focused on corporate 'win'" (Dembek et al. 2016: 239). The focus on costs requires companies to first identify and prioritise social problems according to their expected impact on corporate cost savings or increased profits (cf. Porter et al. 2011). Social issues in this model are addressed through business organisations operating in their own logic, following market principles and strategically making investment decisions without ex ante stakeholder inclusion. "In many ways, this is good for organizational integrity, even if it continues to frustrate resolution of the social problem" (Siegel 2010: 27). In Porter's and Kramer's concept, increasing profitability is the sole driver for prioritising the social challenges the company engages in.

Porter and Kramer go as far as stating that the concept of shared value holds the potential to "unleash a next wave of global growth" (Kramer & Porter 2011: 65). However, the authors fail to address cases when social and organisational benefit are not aligned. Kramer and Porter assume that congruency between social and corporate goals already exists as a basis upon which corporations and stakeholders in other sectors can base their cooperative creation of shared value. "In reality […] this needs to be created in the everyday life of the company" (Wieland 2017: 16) which emphasises the need for governance mechanisms to achieve alignment between conflicting goals. Porter's and Kramer's CSV concept lacks an appreciation of the need for comprehensive, ex ante stakeholder integration into decision-making within the firm. Understanding the business as a nexus of stakeholders, their interests and resources endows the business with societal legitimacy, meaningfully integrating the business into its societal environment.

2. Governing Intersectoral Cooperation: The Significance of Relational Parameters

Because stakeholders who invest their resources in a joint cooperative effort are not members of the same organisation and do not hold the power of disposal of their resources at any time, governance mechanisms are necessary to ensure the continuation of the cooperation. This is just what relational governance formally seeks to achieve: provide a relating structure for multiple forms of governance working in the context of a specific transaction (cf. Wieland 2018). The relational governance approach hence refers to an:

> "endogenous mechanism that can enhance exchange performance by embedding private and public information flows in a matrix of social ties rather than by resorting to contract or its enforcement by a third party." (Ferguson et al. 2005: 221)

Developing an understanding of the governance mechanisms of intersectoral cooperation projects therefore requires taking relational and social norms into account in the analysis. Norms describe "appropriate behavioural guidelines that enforce social obligation in the exchange" (Ferguson et al. 2005: 221) and are developed through the continuation of the transaction which serves as a socialising force between cooperation partners (cf. Ferguson et al. 2005; Wieland 2018). As relational transactions are dynamic and evolve as different decision-making logics attach to them, their governance, too, is dynamic. Relational norms such as flexibility, solidarity, trust or information sharing develop over time (cf. Ferguson et al. 2005). Even in cases where an original written contract exists to govern a transaction, the stakeholders involved may or may not choose to submit to it during the transaction's evolution. Businesspeople often "ignore the technically correct legal implications of contracts, which are often modified, supplemented, or completely supplanted by the norms of the ongoing relationship" (Ferguson et al. 2005: 222). As the relationship evolves and trust and other relational norms develop between partners, they move along the transactional-relational exchange continuum towards more informal governance mechanisms such as embeddedness, trust or goodwill (cf. Dyer & Singh: 1998). The very form of the governance structure is not only determined by organisations employing formalised mechanisms for cooperation, but also by other types of governance, such as the wider informal (values, norms) and formal (laws, contracts) societal institutions as well as influencing factors on the basis of individual contributors such as an individual's perceptions, beliefs and resulting actions (cf. Wieland: 2018). The interplay of these four parameters (informal and formal societal institutions; organisational and individual parameters) lies at the centre of the analysis of relational governance mechanisms. An overview of the state and the challenges of Brazilian education is given in the following section so as to be able to discuss the relational and social parameters observed in the context of the education cooperation projects studied.

3. Ensuring Equitable Access to Education in Brazil

Generally, programmes that aim at ensuring equitable access to education are cornerstones in translating broader social policies of inclusion to the education dimension and filling socio-economic and racial gaps to college and high-school participation. Such endeavours go under a variety of names amongst which 'pre-college outreach programmes' or 'school-to-college pipeline programmes' (cf. Gonsoulin et al. 2012) are prominently mentioned in the literature.

Until the mid-1980s, the Brazilian political landscape was characterised by transitions between democratic and authoritarian forms of government. Despite the institutional and political turbulence, an ongoing expansion of education opportunities took place. However, problems experienced between the 1950s and 1980s have persisted. These include high dropout and retention rates across all phases of education; lack of equal opportunities; inadequate school expansion; insufficient infrastructure, materials, and curricula; and a generally untrained teaching body (Kauko et al. 2018: 74). In Brazil:

> "Girls have higher educational attainment and lower dropout rates compared with Brazilian boys. […] The female advantage in education appears among cohorts born as early as in the 1950s." (Marteleto & Dondero 2016: 1189)

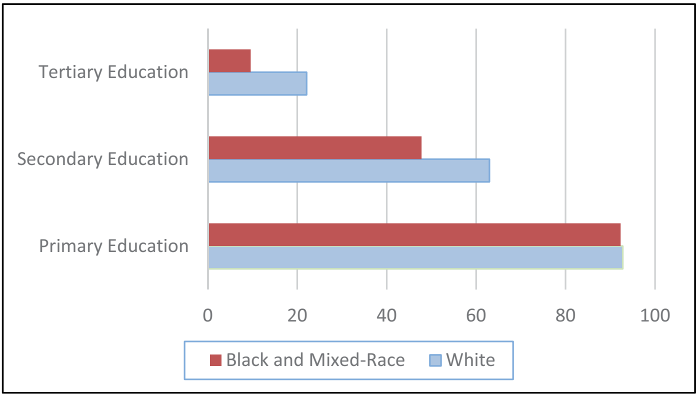
Although the number of women across all fields of study outnumbers that of their male counterparts, enrolment concentrates "on the areas of Education, Arts and Humanities, Health, Social Sciences, Law and Administration as well as Services Provision" (Silva 2014: 182). Especially Science, Technology, Engineering and Maths (STEM) courses see low enrolment rates of female students (cf. Silva 2014) which is why some of the programmes observed for this chapter aim at increasing the enrolment of women in STEM subjects.

Given Brazil's history of multi-racialism, "[r]acial disparities in education are particularly pronounced" (Marteleto & Dondero 2016: 1186) and remain the most critical determinant of access to education. Despite the educational expansions that have been a political priority since the 2000s (cf. Haddad et al. 2017), race inequalities persist in a broad range of educational outcomes (cf. Marteleto 2012).

> "[S]chool enrolment, completion of secondary school and college access have failed to reach universal coverage, with important disadvantages among non-white and low-socio-economic-status youths." (Marteleto et al. 2016: 102)

Based on data from the Brazilian Institute for Geography and Statistics (IBGE), Figure 1 illustrates the shortcomings in equal distribution in graduating from secondary and post-secondary phases of education for black and mixed-race sections of the population.

Figure 1: Completion Rate According to Phase of Education and Racial Ethnicity in Brazil (2012)



Source: Own visualisation based on IBGE data.

Nevertheless, recent studies suggest that enrolment in secondary education has reached saturation in terms of race (cf. Marteleto & Dondero 2016). However, despite overall declining poverty and considerable expansion of college access programmes, these have failed to result in increasing completion rates in secondary education and enrolment rates in tertiary education both for non-white and socio-economically disadvantaged sections of the Brazilian population (cf. Marteleto et al. 2016). This led to the introduction of a federal law in 2012 that requires all federal public universities to operate a quota system based on socio-economic as well as racial inequalities (cf. Kauko et al. 2018). Though not in the form of a legally binding law, the federal government has expanded its efforts to increase the enrolment of the aforementioned populations in post-secondary education in private universities through the introduction of social programmes that involve tax breaks for institutions offering need-based scholarships (cf. Salto 2018).

Improving equitable accessibility to, and consequently success in, higher education in Brazil thus focuses on targeting non-white, socio-economically disadvantaged as well as – for certain subjects of study – also female students. Initiatives focusing on improving enrolment rates and increasing access to higher education target students early in the education funnel, mainly in the phase of secondary education. Programmes seeking to improve college completion rates for vulnerable populations generally target students already enrolled in the tertiary education system.

4. Understanding Intersectoral Cooperation: Lessons Learned and Avenues for Further Research

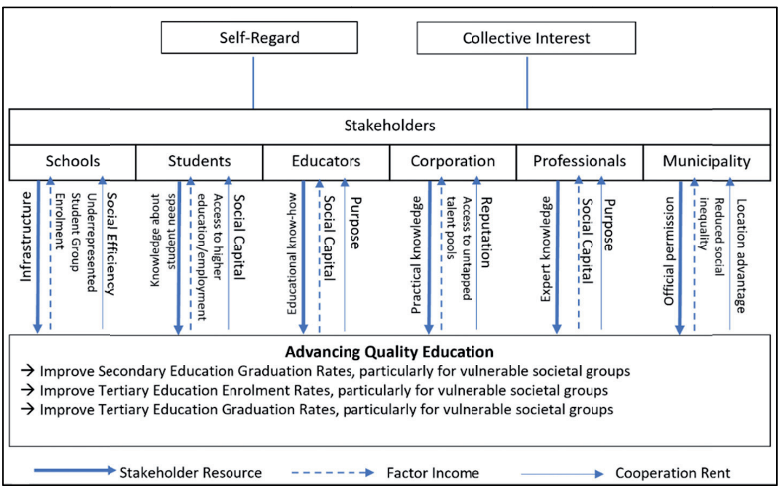
Central aspects of the partnership coordination revealed by the interview data concern the resource specificity and role differentiation among cooperation stakeholders. The research has identified six distinct stakeholder groups in the effort to ensure equitable access to secondary and post-secondary education: schools and universities, students, educators, corporations, professionals making individual contributions and the local municipality of São Leopoldo.

Each group takes on a particular role in the process of advancing quality education. The role of corporations lies in funding the programmes and infusing them with a practical understanding of labour market needs regarding skills, as well as expertise around the practical dimension of employing skills and knowledge. For the most part, educators both in university and high schools are concerned with developing the programmes' curricula. However, as the analysis reveals that corporations are heavily influencing university and school curricula, a degree of role hybridisation becomes evident regarding the role of corporations.

Educators are seen as supervisors in the process of teaching students. They infuse the projects with professional expertise regarding educational and psychological elements of the projects. The role of educational institutions is understood by informants from the corporate sector to be recruiting students who participate in the projects. State schools in particular provide access to vulnerable students that are not reached through traditional corporate recruiting practices. The local municipality does not take an active role in the cooperation design in any of the observed projects. The government's involvement does not transcend supplying funds or granting the authorities' permits for projects. Government involvement is even perceived as disruptive to the continuity of cooperative enterprises in some cases. Both business and academic institutions claim to be assuming social responsibility through jointly developing the educational infrastructure of the region and thereby filling a void left by limited government involvement.

Figure 2 provides an overview of the factor incomes and cooperation rents that different stakeholder groups derive from the intersectoral cooperation projects and embeds them in the wider process of advancing quality education, as observed in the case study.

Figure 2: The Process of Advancing Quality Education



Source: Own illustration.

The illustration integrates the various findings regarding stakeholder motivations, resources and the outcomes of investing such resources in intersectoral cooperation projects. It offers a comprehensive framework for the process of advancing quality education. The following section will contextualise the findings and discuss their practical and academic implications.

The analysis highlights multiple ways in which social parameters have a role in the governance of intersectoral education projects. The initiation and management of such projects are anchored in a shared understanding between different stakeholder groups (and their representatives) of a collective interest that is defined in the Brazilian context. Improving access to higher education for under-represented groups was framed by informants in both academia and business as a broader societal challenge. Adding to the collectively shared understanding of the issue, interview data reveals that the personal relations between key individuals involved in the management of the projects are a central building block of how the projects are governed. In the context of describing the process of interorganisational communication between the corporation and university, a corporate informant demonstrates the personification of interorganisational communication by stating:

> "They already know that I'm the contact. […] [B]asically, all departments know that I exist, so we don't need to have a structure for this." (Interview transcript)

A representative from the Tecnosinos business park attributes the inefficient relation they have with government institutions to the fact that "they change a lot, [the] people that work in government".

This hints at the critical role contextual factors might play in the governance of intersectoral cooperation projects in Brazil. While the collective dimension is explicitly linked to the present social situation in Brazil and adds to a shared understanding of what a collective interest encompasses, personal relations are a mainstay of cooperative processes as opposed to organisational structures. These factors might imply a degree of distrust in formalised and institutionalised forms of governance – the very forms of governance that have been subject to political instability on a national level in Brazil.

The recent stabilisation in the Brazilian political system since the 1990s followed a period of socio-political oscillation between authoritarian and democratic governments throughout the 20th century. This prompts Alston et al. to ask the question:

> "Is twenty years long enough to conclude that Brazil is still on the road to a sustainable developmental path whose hallmarks are social inclusion with steady economic and political development? Or were the past twenty years simply a flash in the pan similar to the short-lived Brazilian miracle of the late 1960s and early 1970s?" (Alston et al. 2016: 3)

Recent developments in the political and institutional landscape since 2016 have seen the imprisonment for corruption and removal from office for breaking budgetary law of former presidents Lula da Silva and Rousseff, respectively. The rhetoric of the incumbent president indicates a return to the old narrative of Brazil as a "racial democracy" (cf. Lempp 2019). The significant role played by personal relations and informal forms of communication in the governance of the cooperation can be seen against this background: The willingness to base cooperation on continuity as well as on close geographic proximity and thus the connection to the immediate regional context has enabled relational norms such as trustworthiness and transparency to evolve over time. However, their entrenchment in personal relations and the mistrust expressed toward organised and institutionalised forms of governance do not add to the relations' long-term orientation. To improve the effectiveness of the cooperation endeavours around improving quality education, the personal relations held by key stakeholders need to be supported by systemically linking them to the structures and processes of the organisations involved. This might be crucial for transferring the trust and transparency that are present on an individual level to an organisational level.

5. *Methodology*

The aim of this paper is to observe how social parameters as expressed in the form of individual, organisational, formal and informal societal institutions are drivers for the intersectoral cooperative projects in Brazil for promoting quality education. The exploratory nature of doing case-based research (Yin, 1992) allows this method to be applied to the research interest at hand.

In total, eight interviews were conducted over a period of three months (September – November 2019). These included face-to-face interviews as well as interviews conducted via video chat software. To maximise the data's significance, informants from both the corporate as well as the academic sector were interviewed. The researchers also took care to strike a balance between female and male informants. Over the course of the research, it became clear that a variety of programmes in the immediate environment of the organisations included participants from more than one sector. Many of those programmes aimed at increasing employability amongst university students or branding IT companies like SAP Labs Latin America as desirable employers through interacting in visit, hackathon or workshop formats. However, many of those events would neither specifically target vulnerable societal groups nor were they designed to last longer than a few hours to one day. As many relational aspects of intersectoral cooperation projects develop over time, this chapter aims at observing cases with a project duration exceeding this limit. For the cases that are of particular interest to this chapter, two criteria were introduced in the case selection process. Firstly, stakeholder groups that follow at least two different decision-making logics had to be involved in the project to be able to describe the characteristics of polycontextual cooperation projects. Secondly, the projects should be aimed at advancing quality education for vulnerable sections of society. Therefore, programmes that aim at increasing general enrolment to higher education were omitted from the sample, leaving five intersectoral cooperation projects as the basis for analysis. Observation and document analysis complete the tenet of data triangulation.

6. *Findings*

The governance structure of the intersectoral cooperation among the described actors is the first lens through which the data was analysed. The findings highlight that the education programmes that are the centre of analysis are only partially taken up in the structure of the corporation involved, as there is not a department dedicated to CSR. The team of people concerned with the firm's CSR efforts dedicated approximately 30% of their working time to the CSR projects as they had core tasks to which they committed the remaining 70% of their working hours. Interview data reveals that the most extensive CSR programme run by the company in the field of improving quality education is managed to a large degree by a single individual in less than 30% of their work time:

> "First, I think it's important to know that I have my job (…) and then I have some time to work in [the] CSR role. It's not that I am only working in the education pillar". (Interview transcript)

Furthermore, the stakeholder governance structure is framed in such a way that professionals tasked with overseeing university relations regarding both research and university recruiting do not "report to a global university relations organisation", rather "(…) work mainly on our strategy, on our internal strategy", underlining the high relevance of the education pillar to the overall strategy. Nevertheless, analysis of the interviews has highlighted a lack of structural connection between university relations and the HR departments at the stage of defining and elaborating a talent pipeline for recruitment purposes. One possible conclusion derived from these observations might be that an effective and efficient integration between HR-related tasks such as building a university talent pipeline and overseeing intersectoral research projects as well as the HR or research departments could foster the establishment of relational norms such as trustworthiness and transparency at the organisational level which may contribute to enhancing the effectiveness of the cooperation.

As for the identification of social issues and integration of stakeholders, a relational view of organisations assumes that rigorous stakeholder integration in the strategy formulation leads to embedding the corporation in its social environment and endowing the firm with societal legitimacy. For the observed cases, the findings indicate that the corporate process of deciding which social issues to invest the company's resources in is largely driven by what Wieland defines as "a strategic shaping of social relationships" (Wieland 2014: 110). Accordingly, the identification and prioritisation of stakeholders in specific educational projects aim at creating and distributing economic and social values. Since "revenue/expenses" is the "guiding difference" through which firms evaluate all their events (Wieland 2014), the definition and development of projects in the educational pillar undergo a strategic evaluation of expected impact on corporate cost savings or increased profits (cf. Porter et al. 2011, Wieland 2014). The stakeholders involved in those cooperative projects pursue individual as well as collective objectives as they work together and invest their resources in cooperation to achieve mutual beneficial outcomes. From a corporate perspective, engaging in improving access to higher education for under-represented student groups also serves the purpose of accessing untapped talent pools for recruitment reasons. Engaging in intersectoral projects for the corporation is "like a branding and creating pipeline [sic]" (Interview transcript). The economic benefits for the corporation simultaneously contribute to social benefits of improving equitable access to post-secondary education. It may do so even more effectively if the university relations management functions within the company were to be structurally integrated with other business functions such as Human Relations.

Rigorously integrating civil society players into the firm's strategic decisions about what social issue to engage in and how to engage in that social issue avoids focusing on just the economic dimension from a corporate perspective, which would lead to "only cater[ing] to 'relevant' – i.e., influential and powerful – stakeholders, but not to other ethically justified claims of 'claimholders'" (Beschorner & Hajduk 2017: 30). However, such economic rationales of entering into alliances are accompanied by orientation toward a collective interest, too. This is indicative for the corporation's willingness to assume social responsibility. Informal societal institutions such as a corporate culture focused on transcultural norms effectively motivate employees to infuse these projects with ethical and normative motives that go beyond the, initially, purely economic ones. The involvement in the cause of improving access to higher education is framed by all informants as a broader societal challenge and linked to the institutional instability and structural insufficiencies in equitable access to resources for marginalised societal groups in Brazil. This has helped to bridge the differences in motivation and decision-making logics as it allows civic organisations such as education institutions to assign value to the cooperation projects more generously.

The results of the analysis of the data collected demonstrate that a variety of different players such as educators, students, government agencies, schools and companies and their employees represent stakeholder groups involved in the process of improving access to higher education for under-represented student groups. The multiple decision-making logics and motivations that they act upon in the cooperation projects render the enterprise relational. Its governance can be described as a complex social undertaking that needs to relate individual, organisational as well informal and formal societal institutions to render productive the resources in which the stakeholders invest. Although each of the stakeholder groups supplies the cooperation with their own resources and interests, a certain degree of role hybridisation seems to be evident in the roles that are taken on by the corporation. As the interviews have indicated, when cooperating with the university, the company partially takes on the role of curating the curriculum, and businesses actively seek to influence the courses offered by the academic sector. One corporate interviewee goes as far as stating:

> "I make sure that I talk to the professors and we do (…) an SAP curriculum [sic]." (Interview transcript)

Which a representative from the Tecnosinos technology park substantiates for the relation between university and the associated companies:

> "The companies say to the university: 'I need you to have […] some courses that will help us in our business'. And the university offers them because the university is very open to innovation in their schedules." (Interview transcript)

This finding underlines a kind of vertical integration of the educational system into the business environment and therefore the corporate involvement goes beyond merely contributing sector-specific expertise to the practical applicability of knowledge.

A further insight refers to the observation that the firm engages in intersectoral cooperation projects with education institutions to be able to fulfil the legal requirement of considering certain population groups in the hiring process:

> "Our focus is now on handicapped people because we have in Brazil a law which you have to hire a percentage of these kind of people at a company. But it's not only because of that that we are hiring them but we also believe that we want to change the world and we want to make the lives of people better so this is part of our essence as well [sic]" (Interview transcript)

The informant describes how both formal (the law) in combination with informal (the essence of company culture) societal institutions display an influence on an organisational level. In the case of improving quality education, the effectiveness of the parameters' relation depends on the organisation's ability to engage with partners and stakeholders in its environment to successfully align the different roles assumed by the stakeholders.

7. Conclusion

Over the course of the chapter, intersectoral cooperation has been understood to be a complex social endeavour whose effectiveness not only depends on formal or contractual connections between the involved stakeholders, but also on a variety of relational parameters. It has been shown that the interplay of individual, organisational as well as informal and formal societal institutions depends highly on the regional context. In particular, the establishment of personal relations between key stakeholder representatives and a mutual framing of the issue as a broad social challenge succeed in establishing relational norms such as trust and transparency. Against the Brazilian socio-political background of institutional instability, transferring relational norms to organisational levels remains challenging. To meaningfully assume social responsibility beyond purely economic rationales, corporations need to reconfigure their structural and procedural setup in a way that is open to integrating stakeholder interests systematically.

By incorporating social parameters into the analysis of different stages of intersectoral cooperation projects in the context of advancing access to tertiary education in Brazil, this chapter outlines the need for future research concerned with the micro-level implications for stakeholder governance of macro-level institutional instability.

8. Limitations

The results of this chapter should be weighed with the following limitations.

The qualitative, case-based nature of the research design prevents this chapter from making claims of validity. Because:

> "The sample is small and idiosyncratic, and because data is predominantly non-numerical, there is no way to establish the probability that data is representative of some larger population." (Hodkinson & Hodkinson, 2001, 9)

Transferring results to a larger context is therefore not possible. The case-based approach is, however, able to illustrate and inspire the research topics and open new research avenues.

A further practical limitation is to be seen in the selection of the interview partners. During a visit to the Tecnosinos park in September 2019, the researchers tried to contact representatives from multiple corporations as well as representatives from high schools participating in inter-sectoral projects. Regulations and other practical obstacles meant that this was not possible. Therefore, representatives of the government, public schools, students and educators were not included.

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Relational Leadership in CSR Management

The Example of SAP Labs Latin America

Wanja Woock and Isadora Perazzo

1. Introduction

When one thinks of "Corporate Social Responsibility" and Brazil, the "Conference on Sustainable Development" in Rio de Janeiro 2012 inevitably comes to mind. The 172 states of the United Nations adopted "guidelines for sustainable development and growth for the 21st century". The aim was to create changed economic, environmental and developmental standards to promote opportunities for future generations.

In essence, industrialised countries were called upon to adapt their energy and agricultural policies because they consume too many resources in relation to the total population. For developing countries, the focus was on the eradication of poverty, education and a more responsible approach to the environment.

A package of measures was agreed upon for Agenda 21, which was primarily addressed to international organisations and national governments, but all other stakeholders in society were called upon to act in accordance with the Rio 2012 goals. Companies were specifically addressed to become aware of their responsibility towards society and the environment and to support Agenda 21 with concrete measures.

The relationship between business and society has been discussed as "Corporate Social Responsibility" (CSR) since the late 1970s. From the corporate side, it is a strategic management concept that takes into account not only economic but also social and ecological aspects in its strategic orientation.

As co-researchers from Zeppelin University, Friedrichshafen (Wanja Woock – Masters candidate) and UNISINOS São Leopoldo (Isadora Perazzo – an SAP working student) we asked ourselves the question: What does corporate social responsibility mean for corporations in Brazil and how does its practical implementation look like? We wanted to take a deeper look into the CSR activities of SAP and understand what CSR means for SAP in general and, specifically, for the SAP Labs Latin America; we wanted to find out how they act and why.

To this end, we looked at the management approach of "Shared Value Creation" developed by US researchers Michael Porter and Mark Kramer (2011), which propose to create shared values for companies and society through adaptive corporate strategy. The Shared Value approach takes up many ideas of CSR but tries to implement a more holistic management approach.

For our research, the SAP Labs Latin America served as the research unit. By conducting qualitative interviews, we first wanted to find out what CSR actually means for the strategy in the Lab. In a second step, we wanted to examine the "shared value" potential of the CSR measures and identify new opportunities for potential Shared Value. Various methodologies were used for collecting data: Besides conducting qualitative interviews, we had the opportunity to participate in events, initiatives and to talk to different stakeholders involved in CSR activities.

The structure of this paper initially includes an examination of the concept of Corporate Social Responsibility. Then the further development of CSR as "Shared Value Creation" as a strategic management tool is discussed and a bridge between both concepts is built. To better understand the measures taken by SAP, Brazil's social problems is examined and finally the results of our research is presented.

2. Literature Review on the Evolution of the Concept of Social Responsibility

At the beginning, the question that must be asked is which role do companies play as social stakeholders. Against the background of industrialisation in the 19th century employees and the environment were seen by companies as external costs and initially received little attention (Grüninger 2019, Heck 2016). With the emergence of labour movements and democratic tendencies in Europe, these issues became more and more central and became the focus of publications and academic disciplines.

In the highly acclaimed paper "The Social Responsibility of Business Is to Increase its Profits", by Nobel laureate Milton Friedmann, he examines the question of whether companies can assume social responsibility at all. Companies, he argues, have the social task of making profits. The higher the profit, the more responsibly a company acts.

> "Only people can have responsibilities. A corporation is an artificial person and, in this sense, may have artificial responsibilities, but 'business' as a whole cannot be said to have responsibilities, even in this vague sense." (Friedmann 2007:173)

Many authors consider the beginning of the academic debate on CSR to be the publication "Social Responsibilities of the Businessmen", published in 1953 by Archie H. Bowen (cf. Bowen 1953), often referred to as the "Father of Corporate Social Responsibility". He deals with the question of what role companies play as actors of the society. Companies' responsibilities, he argues, are not only as a manufacturing unit, but also as influencers in many social, cultural and political areas. This, he argues, gives rise to the obligation to orient oneself to prevailing social norms and values:

> "It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action, which are desirable in terms of objectives and values of our society." (Bowen 1953: 6)

Companies have increasingly understood the importance of implementing CSR measures. Since that time, a wide range of different, and in part very controversial, concepts and theories on the subject of CSR have been developed by scientists from various disciplines, so that the subject is now an almost unmanageable field:

> "The Corporate Social Responsibility (CSR) field presents not only a landscape of theories but also a proliferation of approaches, which are controversial, complex and unclear." (Garriga 2004: 51)

In addition, there is also no uniform and generally accepted definition of CSR. In 1972 Votaw wrote the much quoted sentence “corporate social responsibility means something, but not always the same thing to everyone” (Votaw 1972: 25) and even today there is an agreement that the term CSR is a theoretical construct for which there is no generally accepted definition.

> “The term (CSR) is brilliant; it means something, but not always the same for everyone. For some, it conveys the idea of legal responsibility or liability; for others it means socially responsible behaviour in an ethical sense; for others, the meaning conveyed is that of ‘responsible for’, an incidental form; many simply equate it with a charitable donation.” (Grüninger 2019: 348)

Wayne Visser, who researched CSR in developing countries, provides empirical data which clearly shows that there is a great variety of CSR definitions and that there is no consensus on the scope and content of CSR explanations in academic studies and other specialist literature (Visser 2006: 30).

Many authors believe that “social sponsoring” is not genuine CSR, while others distinguish diversity management and sustainability strongly from CSR and believe that it is something completely different (cf. Grüninger 2019: 352). The reasons for this are manifold: approaches to corporate social responsibility have often grown regionally and differ according to the cultural traditions of a country. A particularly wide discrepancy is evident in the difference between American and European definitions. In Europe, the introduction of democratic constitutions and the various policies and social systems often included the role of a state focused on many issues such as workers and the environment. In this context, Porter and Kramer emphasize the principle of the “social market economy” in Germany and Austria (cf. Porter & Kramer 2006). Similar development could only be observed in North America at the end of the 20th century.

The fact that there is no internationally uniform understanding of the concept of CSR makes it difficult to develop the concept theoretically and to implement and measure its success at corporate level. This fact is particularly relevant given that the CSR debate has changed fundamentally: Today, management is less concerned with whether CSR activities should take place than with how they should be carried out. Nevertheless, various institutions have been thinking about a uniform definition. A relatively widespread definition is the European Commission's CSR definitions from 2001 and 2002, which state:

> "CSR is a concept that serves as a basis for companies to integrate social and environmental concerns in their activities and in their interaction with stakeholders on a voluntary basis." (Grüninger 2019: 345)

A further conceptual development of the CSR definition can be found in a communication of the European Commission presented in October 2011: CSR is understood as the "responsibility of enterprises for their impact on society", which implies:

> "A process of integrating social, environmental, ethical and human rights concerns into their business activities and core strategy in close interaction with their stakeholders, with the aim of maximising the creation of value for their owners/ shareholders and for their other stakeholders and society as a whole; [and] identify, prevent and mitigate their potential negative impacts." (Grüninger 2019: 360)

This narrow definition was extended two years later. Now it says:

> "CSR includes at least human rights, labour and employment practices (such as education, diversity, gender equality and workers' health and well-being), environmental issues (such as biodiversity, climate change and pollution prevention) and the fight against bribery and corruption. Community involvement and development, integration of disabled people and consumer interests, including privacy, are also part of the CSR agenda. The promotion of social and environmental responsibility through the supply chain and the disclosure of non-financial deposits are recognised as important cross-cutting issues." (Grüninger 2019: 362)

2.1 Influence of the SDGs

More recent approaches define CSR as being fairly close to the objectives of sustainable development of the United Nations (UN). Many large companies, such as BASF and also SAP, link their activities to these goals. The 17 goals for sustainable development serve to ensure sustainable development on an economic, social and environmental level.

Figure 1: Sustainable Development Goals

Source: Unesco (2020).

These goals were designed on the basis of the development process of the Millennium Development Goals (MDGs) and came into force on January 1, 2016, with a duration of 15 years (until 2030). Unlike the MDGs, which apply particularly to developing countries, the Sustainable Development Goals (SDGs) apply to all countries. They also play a decisive role in SAP's CSR strategy. As written in the 2019 integrated report:

> "The 17 United Nations Sustainable Development Goals (SDGs) provide a globally accepted framework which we use for communicating our purpose to "help the world run better and improve people's lives". We strive to execute on this purpose by being a role model for sustainable, purpose-led operations and by enabling our customers to operate in a sustainable way." (SAP 2020)

In the global Month of Service, a measurement of SAP's CSR strategy, all activities are linked to one SDG.

2.2 The "Creating Shared Value" Approach

The basic idea of Creating Shared Value goes back to the article "Philanthropy's New Agenda: Creating Value" published in the Harvard Business Review (HBR) in 1999 and written by economics professors Michael Porter and Mike Kramer. Based on an inventory of the CSR activities of companies, the authors conclude that, although they are often present, these activities are often unproductive, uncoordinated and poorly networked. As a result, important opportunities to make a contribution to society and improve a company's own competitive position are lost. They see the biggest problem here in the interdependence between society and business activity, which has not been taken into account:

> "Leaders in both business and civil society have focused too much on the friction between them and not enough on the points of intersection." (Porter & Kramer 2006)

According to the authors, the added value of "Creating Shared Value" consists in the fact that both society and companies could benefit from the application of CSV. This is done by determining not only conventional economic needs, but also the social needs of the market. Furthermore, productivity could be increased, and costs reduced by considering management of value creation processes, e.g., by improving working conditions and minimising pollution (Porter & Kramer 2006).

In the article published in 2011, Porter and Kramer deepen their idea and present CSV for the first time as a concept of its own. In it, they outline the following problems:

> "The capitalist system is under siege. In recent years business increasingly has been viewed as a major cause of social, environmental, and economic problems." (Porter & Kramer 2011: 4)

Rarely before has the position of companies been so miserable and the general perception of capitalism been so bad. Even companies that practice CSR have been blamed for social problems in recent years, and events such as the financial crisis, real estate scandals and scandals in the waste industry have been damaging the image of business. In contrast to their previous article, the authors blame not only the companies for the situation, but also the current form of capitalism. Capitalism is indeed unprecedented in being a useful tool for satisfying human needs, increasing efficiency, generating wealth and creating new jobs. However, in its limited conception, it has prevented the economy from fully exploiting its capabilities to meet the needs of society.

The authors suggest three ways to harness shared value potential (Porter & Kramer 2011: 7):

1. Reconceiving products and markets: Whether products for an ageing population or access to clean drinking water – there are many unsettled social needs in both industrialised and developing countries. Porter and Kramer point out that companies have invested a large part of their energy in influencing and creating demand in the past decades. The fundamental question of the actual customer benefit has been pushed far into the background. If this is put back centre stage, huge opportunities will open up for innovative products that provide answers to these challenges.
2. Redefining productivity in the value chain: Increased productivity can bring cost savings for a company and, at the same time, create social benefits or prevent negative effects for third parties. One example of this is investing in good health care for employees: While this was long seen as a pure cost driver, companies today often see it as an opportunity to reduce absenteeism and increase employee productivity. At the same time, better health care creates social benefits.
3. Enabling local cluster development: The success of a company is often linked to integration into industrial clusters and the existence of complementary industries and infrastructure. These clusters also include public institutions and use common goods such as education, a clean environment or a functioning legal system. Deficits in the framework of an industrial cluster also lead to internal costs for companies, for example, if a weak public education system leads to productivity losses and costs for internal training. Many companies have lost touch with local communities and the ability to address problems there. For this reason, companies should turn to the local communities in which they operate and promote cluster formation by contributing to solving social problems. This enables them to increase their productivity and, at the same time, support the local community. Shared value is created.

2.3 The Transformation from CSR to CSV

The basis of this new approach is the realisation that social needs, not just conventional economic needs, define markets. Ultimately, by adopting shared value strategies, companies have the opportunity to transform capitalism into an ecologically, socially, and financially sustainable economic system. In the long term, shared value leads to a stronger and more sustainable value chain, but in the short term it is under pressure from the capital markets to generate short-term profits. A central goal of corporate communications policy is therefore to draw investors' attention to the fact that long-term sustainability deserves more weight than short-term gains if shares are valued sensibly.

In summary, the development of theoretical thinking about CSR can be summarised in three phases: philanthropy, from philanthropy to value creation and shared value. The latter can be seen as the overall integration of CSR into corporate strategy. The problem with reassessing and managing CSR as a policy aimed solely at returning profits to society is that the value of stocks ultimately becomes a diminishing function of CSR and therefore CSR is not financially sustainable. Porter and Kramer see a possible solution: namely that the corporate world should bring business and society together again (cf. Porter & Kramer 2011) and this should be done with their CSV approach.

Porter and Kramer draw a clear line to CSR (cf. Porter & Kramer 2011). In many cases, CSR is a restricted and cost-effective approach, which is detached from the actual purpose of the company and contains more media-effective, easy-to-perform activities, In this cases firms have to accept the accusation of greenwashing. CSV, on the other hand, does not only appear on the cost side but also on the investment side, because it creates new business areas. The concept is integrated into the core of the company and is part of the strategy. However, CSV by no means contradicts the CSR approach and its ideas, but even takes up some of its ideas. The authors believe that CSV offers companies an advantage, namely that it creates value for society and the company simultaneously with social and ecological activities. If CSV were established, there would no longer be a need for CSR.

3. Research Setting

The concept of CSR and the influence by CSV were objects of analysis in a study conducted at SAP Labs Latin America in Brazil. Therefore, it's necessary to consider the company SAP and its CSR strategy in Brazil. To understand SAP's activities in terms of CSR, it is important grasp the problems of Brazil and how SAP's strategy impacts the society of Brazil.

3.1 Methodology

Before our research trip, we thought a lot about useful research methods. After reading the most important literature, it became clear that qualitative interviews were best suited to familiarise ourselves with SAP's CSR measures. For this purpose, a standardised questionnaire was created. The interview partners were selected by Isadora Perazzo, and appointments were made. All interviews took place in the first week of September 2019 and lasted for about half an hour. For reasons of data privacy, all interviews were coded, and interviewees' names replaced by a random letter. The interviewees came not only from the area of corporate social responsibility, but HR staff, innovation managers, volunteers from social projects, and employees who participated in various CSR activities were also interviewed. The aim was to obtain a broad overview of SAP's social activities in Brazil. During the research trip, a research diary was kept in which personal impressions after the interviews were recorded. In addition, there was the possibility to participate in ongoing CSR projects of SAP.

After the research trip, through a two-month internship at SAP, more data could be collected. The internship was in the CSR department and SAP gave us the opportunity to participate in all CSR activities.

3.2 SAP's Global CSR Strategy

SAP (systems, applications, products in data processing) was founded near Heidelberg in 1972 and is now one of the largest software manufacturers and developers worldwide in terms of sales. Its field of activity lies in the production of software for accounting, materials management, warehousing, etc. With its lab structure, SAP began to establish knowledge pools in 2007. The SAP Lab Latin America in São Leopoldo was founded in 2008 and today has around 1200 employees. In São Leopoldo, four employees work part-time in the CSR department and initiate various projects and measures. SAP's global CSR strategy is being attempted at a local level. In SAP's Integrated Report the CSR strategy is specified:

> "SAP's sustainability and corporate social responsibility (CSR) focus is an outgrowth of our purpose to help the world run better and improve people's lives. We believe social, environmental, and economic activities and performance are interrelated – each impacting the others. Our efforts focus on creating a sustainable future for SAP, our customers, and society." (SAP 2020)

SAP's general strategy pursues the goal of setting priorities and leaves the local branches scope for action in concrete implementation of the strategy. For 2019 the goals of the local strategy were education, digitisation and social entrepreneurship.

3.3 Social Problems in Brazil

To identify the social problems of Brazil, we focused on information gained through interviews. To find out how SAP coordinates its CSR activities, it was important to find out where the biggest problems lie, since SAP's CSR measures often derive directly from this.

Brazil is the world's ninth largest economy with a gross domestic product of around USD 1,800 billion (cf. Weltalmanach 2016: 642). Brazil, repeatedly referred to in the literature as a "sleeping giant" thanks to its untapped economic potential, is one of the BRICS countries of emerging economies (Brazil, Russia, India, China, South Africa) and the fifth largest country in the world, with approximately 212 million inhabitants (cf. Worldometers 2020). Compared to the other BRICS countries, Brazil's economy is developing inconsistently. In addition to the agricultural sector, the extraction of raw materials is the country's most important economic pillar (cf. Ukessays, 2020). Brazil has extremely unequal distribution of wealth. The Gini coefficient in the year 2000 was 0.78 and average wealth was $ 4,591 (World Bank 2020).

The corruption scandals of the past decades have caused a great deal of mistrust among the Brazilian population towards state institutions, the government and the country's elites. The interviews often criticised the fact that, despite the high-income tax burden, no measures were taken to solve the country's social and economic problems, but that taxpayers' money would disappear in dubious transactions or be misused as economic aid for other countries.

In addition to poor infrastructure and extreme social inequality, the unfair Brazilian education system was mentioned as the biggest problem in the interviews. The state education system is extremely underfunded and training is inadequate. Learning English, for instance, only happens sporadically. Only private schools can be considered for a solid education, but they are often very expensive and can only be afforded by a fraction of the population. The same applies to the university system. The few state universities are only accessible to those who have above average grades at school. For everyone else there are only expensive private universities. This facilitates social segregation since access to top jobs is often only possible with a university degree.

4. Findings

As a company, SAP communicates the goal to help the world run better and improve people's lives. As part of their strategy, the company maintains a global Corporate Social Responsibility department (cf. SAP 2019). At SAP Labs Latin America, the first SAP location dedicated to research and development in South America (cf. SAP 2019), this is no different. The location maintains a CSR group, empowering employees to take action around causes that matter to them personally (cf. SAP 2019). The CSR group has followed SAP Labs Latin America since its foundation in 2006. At first, it was called SAPlings and only focused on the traditional volunteer activity – charity (Interviewee A). Today, after 13 years, CSR is the biggest Employee Network Group at SAP Labs, engaging around 1100 employees a year, resulting in 6900 hours of volunteering and more than six thousand lives impacted (cf. SAP 2019). All activities are planned and executed based on the Sustainable Development Goals of the United Nations.

The SAP Labs Latin America Social Corporate Responsibility is divided into three pillars, each of them with well-defined objectives to help and support the development of the community. These pillars are: Skilled Workforce, Create the Change and Entrepreneurship.

Figure 2: CSR Labs Latin America Pillars

Source: SAP (2019).

For a better understanding of the Lab's CSR and its strategy, we analysed each pillar – its activities and objectives.

4.1.1 Skilled Workforce

The Skilled Workforce pillar aims to create a sustainable future for the community through education. It helps young people from the region to develop digital skills. To support the development of the community, this pillar is in charge of the Makers Movement, an initiative that brings the community closer to the company, so that knowledge can be exchanged with SAP employees. As part of the Makers Movement, there are five projects: Robotics Competition, Lego League, Smart Garden, Solar Tracking System and Digitalisation Portfolio. The Digitalisation Portfolio is one of the highlights of this pillar. It aims to inspire girls to pursue a career in software development. Exclusively for females, the project teaches them about software development life cycle, scrum methodology, JAVA, JS and REACT, quality assurance, UX, and design while working closer with female developers from SAP Labs Latin America to create a Digital Portfolio.

Following the strategy of developing the community and readying young people for the employment market, the Skilled Workforce is responsible for the TechSchool social program. It is a complex program designed to improve the education of low-income high school students, foster their curiosity in STEM (Science, Technology, Engineering and Mathematics) subjects and prepare them to be the future workforce (cf. SAP 2019). The initiative is run each year in 3 different public schools in São Leopoldo and consists of three extra-curricular modules during the first three years of high school (cf. SAP 2019). Each module consists of approximately 140 hours of content and all SAP Labs employees are welcome to engage either as a teacher or a mentor for a single student, keeping them involved during the whole program. This mentoring is very important, as the program rules are quite rigid. To remain in the program, a student must have 80% mandatory attendance and show participation and involvement during the classes. The program is nonetheless an opportunity for young people: at the end of the program they are able to do an internship at SAP or other companies.

4.1.2 Create the Change

The next pillar, the Create the Change pillar, is a more traditional one and consists of charity in its familiar guise: donations of school materials, winter clothing campaigns and Christmas gift donations. This pillar has a seasonal schedule based on social demands. For this initiative, different ways of fundraising are created such as group or individual donations, a fund-raising lottery and many more.

The Create the Change pillar is designed as a way to relieve the basic needs of the local community. It is also a way for SAP employees to stay in touch with reality and to help impact lives in a more direct way. All activities are planned based on local community demands and aligned with the UN goals. This pillar is responsible for managing the Month of Service, SAP's largest volunteer initiative in October of every year in which even SAP’s CEOs are involved. In 2018, employees volunteered more than 100,000 hours and over 900 projects were executed in communities around the world. At SAP Labs Latin America, where it has been running since 2018, about 170 people are involved every year. It has a multitude of activities and projects such as blood donations, providing clean water, distributing hot dogs to communities and many more.

4.1.3 *Entrepreneurship*

The last pillar arranged by the SAP Labs Latin America CSR team is Entrepreneurship. This team is responsible for creating a sustainable future for the community by encouraging social enterprises and empowering NGOs, using resources to assist in transforming new ideas into projects focusing on socially (cf. Garriga 2004) responsible elements (cf. SAP 2019). To achieve its objective, the pillar creates spaces to foster innovation such as hackathons and mentoring.

An example of its activity is The Latin Code Week, a social initiative that aims to use digital inclusion to transform communities. During the project, SAP Labs Latin America helped high school students develop skills based on three main pillars: life skills, business skills and technology use. The students take lessons in entrepreneurship and technology to help them in the process of developing an app (cf. SAP 2019).

Each pillar has its own coordinator, a full-time employee with at least two years of company experience, who invests around 15% of his or her working time to volunteer for the initiative. The same applies to the CSR Co-Leads who dedicate around 25% of their working time. The group also works as a way to encourage employees to assume leadership positions in the company. Being a leader is not the only opportunity to engage in CSR, helping leaders plan and execute activities, as well as participating in these activities is encouraged. In 2019, 21.24% of the Lab’s employees set as their 2020 goal to “Engage within CSR” (cf. SAP 2019).

5. *Discussion*

All these projects have an enormous impact, firstly on the environment and then on SAP. Various goals can be identified here:

5.1 Influence on Society

The social projects that SAP carries out change people's reality. While learning English is one important component in improving one's career prospects, visits to retirement homes, collecting rubbish, visiting children and many other projects are other measures that change people's lives.

5.2 Employee Motivation

SAP employees are extremely motivated to make a contribution to society. Interviews with HR employees have shown that many graduates chose SAP because the company would give them the opportunity to participate in social projects. On the one hand, this helps the company to attract talents, on the other hand it promotes the motivation and productivity of the employees.

5.3 Reputation

SAP's social projects are perceived very positively by the population. Many discussions highlight SAP's good reputation in society. This in turn makes SAP a reputable company, which has a positive effect on incoming orders and sales.

6. Conclusion

All in all, SAP has a wide range of CSR activities that reach many people in the immediate vicinity. Although SAP does not pursue an explicit CSV strategy, CSV potential can be discovered in various measures.

It must be said, nevertheless, that many SAP employees regard CSR as an external cost necessitated by the pure size of the company and requiring an enormous financial and manpower budget. Furthermore, for many of those interviewed, CSR was completely new. The interviews also revealed that the millennium generation in particular demands corporate benefits which are often referred to as CSR in the corporate context. These corporate benefits (social sabbatical, free psychotherapy, free shuttle to the workplace) are important motivation for many SAP employees. At the same time, employee motivation also increases through CSR activities.

It was also observed that the boundaries between CSR and other business units were blurred. For example, the gifting of old hardware to primary schools was considered as part of the HR program to train a future specialist workforce.

Some initiatives presented as CSR measures are aimed also at increasing the company's local reputation. Nonetheless, the shared value creation approach pursued by Porter and Kramer can be found in many of SAP's measures. For example, the Latin code week and hackathons promote start-ups and create shared value. The start-ups can draw on the expertise of SAP developers, while SAP has the opportunity to acquire fresh ideas. The same applies to English language learning, where disadvantaged children in underfunded state schools benefit and SAP invests in the future workforce. In addition, the TechSchool program provides targeted support for young talent in STEM subjects and ensures long-term loyalty to the company through mentoring.

In summary, SAP's CSR activities have a major impact on the local community and the region. Through improved education and mentoring, many talented young people are offered a perspective that not only enhances SAP's reputation, but also benefits both the community and the company. Indeed, SAP has an extremely positive reputation in Brazil, particularly in the Porto Alegre area, due to its size, corporate benefits and CSR measures, and many people would like to work for SAP. SAP therefore has a large pool of young talents who are keen to contribute their skills to SAP. Porter and Kramer's approach to shared value creation can be found in those measures.

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Part IV

The Relations between Politics and Society: Learnings from the Operation Car Wash

Operation Car Wash and the Fight Against Corruption in Brazil

Vinicius Cardoso Reis and Guilherme France

1. *Operation Car Wash: Brazil's most Comprehensive Corruption Case*

On March 17, 2014, the Federal Prosecutor's Office and the Federal Police launched what came to be Brazil's largest and most influential investigation on corruption: Operation Car Wash. It started as an investigation into money laundering via gas stations and car washes in the city of Curitiba, capital of the state of Paraná. By tracking illegal financial operations of clandestine money dealers, known in Brazil as 'doleiros', the taskforce uncovered a complex web of bribery, embezzlement, bid rigging and money laundering that involved, at first, Petrobras – the national oil company –, construction companies, intermediaries and public authorities.

In six years, Operation Car Wash had 70 phases, with over 1,300 search warrants, 293 temporary arrests, 118 court cases and 500 individuals charged, of whom 165 were convicted. Investigations spread from Curitiba to several locations in Brazil, such as Brasilia, Rio de Janeiro and Sao Paulo. Besides, it is estimated that the operation recovered approximately 14 billion reais (3.4 billion dollars) in assets, with over 4 billion reais (1 billion dollars) recovered in 2019 (cf. MPF 2020).

Operation Car Wash also prompted investigations in more than 40 countries, including Switzerland, the US, Peru and Angola. In that sense, the operation shows the importance of well-functioning mutual legal assistance systems in complex cross-border corruption cases (cf. Transparency International 2019a). In six years of operation, Brazilian authorities made 447 requests for international cooperation to 61 countries and received 606 requests from 40 countries (cf. MPF 2020).

The operation's widespread impact on the anti-corruption debate in Brazil and its consequences for the political arena are unquestionable. Over the years, two former presidents were arrested, along with governors, senators, federal and state representatives. Also, several influential figures owe their careers to the Operation and began occupying political office, such as Sergio Moro, the judge originally in charge of deciding most Car Wash cases, who later became Minister of Justice and who stepped down in 2020.

As investigations revealed corruption schemes for political and electoral purposes, the operation also had a significant impact on citizens' perceptions of their elected officials. Campaign financing became a controversial issue that involved accusations of bribery and embezzlement, but also unregistered donations via slush funds, popularly known as 'caixa 2' – with amounts estimated at billions of US dollars (cf. Transparency International Brazil 2019). Candidates accused of such practices encountered varying levels of difficulty in their attempts to get elected in 2014, 2016 and 2018. In the 2018 elections, the anti-corruption discourse was strongly demonstrated by citizens and candidates, but its practical effects are still insufficient, especially after the many setbacks seen under President Jair Bolsonaro (cf. Transparency International Brazil 2020a).

Operation Car Wash has also been criticised for the behaviour of its authorities. In the event that became known as 'Vaza Jato', leaked conversations amongst prosecutors and even between the head prosecutor of the taskforce and former judge Moro revealed unethical and questionable conduct. Although the leaks were used to attack the operation and its agents, they also raised concerns of excessive 'closeness' between judges and prosecutors, prompting the discussion of reforms in Brazil's judiciary (cf. Transparency International Brazil 2020a).

Another controversy was the final 'destination' of fines and assets recovered by the operation. As a result of Petrobras' agreements with US and Brazilian authorities, some of the fines were allowed to return to the country. As Brazil did not have any specific regulations on the matter, Car Wash prosecutors proposed the creation of a compensation fund to support social, educational and anti-corruption initiatives. However, the prosecutors' role in the governance of the fund and the lack of participation of other public institutions, in addition to Brazil's divisive political atmosphere, led to an intervention by the then Prosecutor-General and the

Supreme Court. In the end, misinformation and confusion were decisive in bringing down this proposal, prematurely interrupting an important debate on compensation measures to the various consequences and victims of corruption (cf. Transparency International Brazil 2020a).

Despite its relative success in the courts and in political discourse as well as the opposition and criticism faced by Operation Car Wash, Brazil has failed to convert its results into effective political and judicial reforms – and this is widely reflected by Transparency International's indicators. In the Corruption Perceptions Index, which measures the perception of corruption in 180 countries according to specialists, Brazil hit its highest score at the very beginning of Operation Car Wash, with 43 points in 2014 (cf. Transparency International Brazil 2020b). Afterwards, numbers started to decline: 38 points in 2015, 40 points in 2016, 37 points in 2017 and 35 points in 2018 and 2019.

Citizens also perceive corruption as a national challenge. According to the Global Corruption Barometer 2019, 54% of Brazilians believe that corruption has worsened in the previous 12 months and 11% admitted to having paid bribes in that period. In general, corruption is seen as a growing issue to most institutions: 57% of Brazilians believe that the President is corrupt, 54% believe that government officials are involved in corruption, 63% believe the same of Congress and 34% see judges and magistrates as corrupt agents. However, 82% of Brazilians believe that any citizen can make a difference in the fight against corruption (cf. Transparency International 2019b). These results demonstrate how troubled the path towards effectively eradicating corruption in Brazil is and how reforms are still necessary.

Operation Car Wash represents a major step in Brazil's ability to tackle corruption by enforcing its legislation. In a certain manner, the atmosphere created by investigations prompted some legislative change, as seen in the approval of the SOEs Act, in 2016, and the recent anticrime package, passed in 2019. Those efforts have been insufficient, and many gaps and loopholes remain. For that reason, in 2018, Transparency International Brazil led the development of a comprehensive package containing 70 legislative proposals, the 'New Measures Against Corruption', which have become an important reference in the country's anticorruption debate.

However, the operation has had some impact at the corporate level. For state-owned enterprises (SOEs) and private companies, Operation

Car Wash stirred the debate on fair and free competition and on the harm that political interference can produce. After many agreements, fines and convictions, companies have become increasingly concerned with compliance and integrity measures.

2. SOEs in Brazil: from Car Wash to Compliance Measures

Brazilian state-owned enterprises suffered a severe blow after Operation Car Wash. Investigations revealed that companies such as Petrobras, Brazil's largest company in the field of oil extraction and refining, and Eletrobras, the country's most important electric company, were closely involved in corruption schemes that included bid rigging, payment of bribes, formation of cartels and money laundering.

The Brazilian SOE environment is very peculiar: the country has a total of 418 state-owned enterprises at federal and state levels, either with direct or indirect control; amongst them, 135 are linked to the federal government. This is more than any of the 36 countries that belong to the OECD (cf. Holland 2016).

Federal SOEs are the most relevant ones, as they operate in strategic economic activities, such as energy and oil extraction. Also, they have the largest budgets and are very important sources of direct and indirect employment. On the other hand, municipal and state-level SOEs are normally related to the provision of public services, which makes them important local players that nevertheless suffer the consequences of corruption.

Cases of corruption in such companies have a variety of characteristics. Those revealed by the Car Wash taskforce had strong systemic features, being closely related to political negotiations. The cases of overpricing, bribery and embezzlement of funds not only reinforced an unethical governance model based on corruption, but also allowed the preservation of political support in Congress and the maintenance of 'adjustments' with private agents that were part of such schemes.

In the case of Petrobras, the corruption scheme uncovered by Operation Car Wash became popularly known as 'Petrolao' (cf. Abrantes 2014). It consisted of a system of bribery, embezzlement and money laundering through overpriced contracts with private companies, mostly in the construction business. Such companies would form a cartel and compete in bidding processes with higher prices than necessary, then part of their payment would be diverted through fake contracts and irregular financial operations. These funds were later laundered and partially converted into bribes to Petrobras' directors; another part was sent to bank accounts abroad. Until March 2020, over 3 billion reais were returned to Petrobras due to judicial action (cf. MPF 2019) and the Prosecution estimates that a total of 20 billion dollars was embezzled from the company. Investigations are still ongoing, focusing primarily on facts obtained between 2004 and 2012.

Eletrobras saw a similar case of corruption. As in the case of Petrobras, bribes were paid and funds were embezzled through overpriced contracts with a cartel of construction companies (cf. Casado 2015), amounting to a total of 9 billion reais in estimated losses. This included Eletrobras subsidiaries, such as Eletronorte, Chesf, Eletrosul, Furnas and Eletronuclear. Specifically in this last case, Eletronuclear, the subsidiary in charge of managing the country's nuclear power plants, was involved in a bid-rigging and corruption scheme that led to the temporary imprisonment of former President Michel Temer (cf. G1 2019).

State-owned banks also suffered the consequences of corruption. The National Bank for Economic and Social Development (BNDES) was one of the SOEs targeted, as it was responsible for financing private companies involved in corruption. That caused considerable losses, estimated at more than 14 billion reais only in the case of Odebrecht (cf. Neder & Ciarelli 2019). Consequently, the bank's role in corruption cases and in Brazil's recent economic boom was widely questioned, which led to investigations and, later, decisions to adopt more diligent policies for the granting of loans.

Moreover, Operation Car Wash shed light on the practice of transnational corruption by several private and state-owned Brazilian companies. According to Transparency International's Exporting Corruption 2018, Brazil was one of the eight countries that improved in the enforcement of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. In general, this appears to be a legacy of Operation Car Wash and its unfolding in other countries. That includes enforcement in cases such as Petrobras and Eletrobras, companies that had to negotiate with authorities abroad for the international implications of their violations, and other major corruption cases, such as those of Odebrecht and its subsidiary, Braskem, for their involvement in bid-rigging and transnational bribery (cf. Transparency International 2018).

After Operation Car Wash shed light on corruption schemes involving state-owned enterprises, public institutions, private companies, political parties and private and public agents, measures were taken in order to promote integrity in different sets of organisations. As for SOEs, such efforts were initially implemented through legislative reforms, encompassing laws and presidential decrees.

These advances are crucial for the fight against corruption, as they require companies to work in line with high standards of transparency and governance. However, questions remain as to the capacity of this legislation to respond to the actual challenges faced by SOEs. This is especially relevant considering the role of political influence over such companies: the root of every major corruption case revealed in the last few years was the common practice of political appointments of individuals to high-level positions within SOEs to build parliamentary support.

In Brazil, integrity in SOEs is mostly regulated by two acts: Law no. 12.846/2013, known as the Anti-Corruption Law; and Law no. 13.303/2016, or the SOEs Act. The first is directed to any company that causes harm to the public administration, imposing sanctions for illegal conduct. The second sets out a series of governance standards that SOEs must follow.

The SOEs Act focuses on raising integrity and governance in companies, creating new standards to prevent the corruption acts uncovered by Operation Car Wash from ever happening again. This is done by imposing new standards in three dimensions: risk control and management, transparency and governance (cf. Cristovam and Bergamini, 2019). Additionally, this law is supplemented by Decree no. 8.945/2016, which specifies some of the companies' obligations and regulates their control by the federal government (cf. Mohallem, France and Vasconcelos, 2017).

In general, it states that SOEs must live up to a set of obligations established by the Anti-Corruption Law and the SOEs Act, such as: (i) having an Integrity Programme composed of anti-corruption measures with a systemic approach in order to prevent, detect and remedy illegal conduct; (ii) having a governance structure composed of an administrative council, a fiscal council, a general assembly and a board of directors, following specific legal requirements for their appointment; (iii) enabling the fiscal council to become a structure of internal control, being able to perform assessments and to prevent, detect and punish conduct; (iv) conducting risk-based assessments, being able to identify critical issues that demand specific attention and preventive action; (v) approving and enforcing a Code of Ethics and Conduct, with provisions for conflicts of interest; and (vi) following stricter rules in bidding processes, including the obligation to provide updated information, in order to prevent and sanction overpricing schemes.

In that way, it is expected that SOEs will no longer be involved in embezzlement schemes that harm their performance and stain their reputation. However, the challenge of an effective implementation remains, with efforts being made by government agencies to assess their compliance with the legislation and their general level of integrity and transparency.

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The Relations Between Business & Society: Learnings from Operation Car Wash

Results from an Empirical Case Study in Brazil

Daniela Gangl, Isabel Jandeisek and Carlota Memba Aguado

1. Introduction to Lava Jato

1.1 The Emerging Market Brazil

Since the independence of Brazil in 1822, the country has taken tremendous steps towards economic growth, social development and combatting corruption. Despite being considered an emerging market (cf. Mody 2014), Brazil, a young democracy founded in 1985, has become the eighth largest economy in the world (cf. Forbes 2018). The importance of Brazil and its influence on international business affairs can further be seen in its membership of the BRICS nations (Brazil, Russia, India, China and South Africa). Combining free-market capitalism with state-owned companies[1], Brazil's economic growth reached a peak between 2012 and 2014, when the country faced recession. State-owned enterprises (SOEs) are, as in other emerging countries, very important and are very commonly used as a government tool in the case of Brazil. In total

[1] "Eventually, the government privatized dozens of industries, which led to a rise in foreign investment. However, Brazil's mixed economic system – that combined free-market capitalism with state-owned businesses – was scrutinized for enabling government corruption." (Cattlin, 2019)

the country has 203 state-owned companies, of which 46 are under direct control of the state and 157 enterprises are indirectly controlled (cf. SESTE 2019). Today Brazil's economy continues growing, although it is doing so at a slower pace.

Despite these positive projections, Brazil has often come into the public spotlight for its government corruption. During the rule of Luiz Inácio "Lula" da Silva (hereafter: Lula), the leftist president of Brazil from 2003 until 2010, several cases linked to corruption arose, such as 'Caixa Dois', 'Bingos' and the infamous 'Mensalão'. To this day, corruption remains a major challenge in the country, especially in the public sector. In countries where public investment is not sufficient to cover people's basic needs, corruption can weaken people's trust in politics, thus reducing the legitimacy of the government (Transparency International 2019a). In 2017 the overall poverty headcount ratio on a global level was \$1.90 (cf. World Bank, 2020). In Brazil, according to data released by the World Bank, 9.97 million people were living below the poverty line, which equals 4.8% percentage of the population at that time (cf. ibid.). Considering the amount of money diverted to illicit private enrichment and the limited access to public services that some Brazilians have, it is easy to understand that anti-corruption efforts in Brazil are of the utmost importance and urgently necessary.

1.2 Operation Car Wash

One of the cases that recently put corruption in Brazil in the spotlight was the dismantling of the so-called "Operação Lava Jato" (Operation Car Wash). The Lava Jato investigation uncovered a network of systemic corruption with vast implications for the economy and politics in Brazil. Systemic corruption in this context refers to a network in which high-level executives from politics and business, especially within SOEs, collaborated in illicit behaviour, harming the public good whilst fostering mutual interest through reciprocal benefits. Media have considered Operation Car Wash as the biggest corruption case in the world, involving several Latin American, African and European countries (cf. Watts 2017).

The case itself was discovered in 2014 by Brazilian authorities investigating money laundering in several filling stations and car washes in the city of Curitiba. At the core of this investigation, hints of connections to the biggest state-owned company in Brazil, Petroleo Brasileiro S.A. (hereafter: Petrobras) and its most senior executives were found. “What Mr Youssef [one of the main defendants, who revealed illicit links to Petrobras – author’s note] described to his lawyers, and then to prosecutors after he signed a plea bargain last year, is a fraud that has destabilized the country’s political system, helped tilt the economy into recession and left thousands unemployed” (Segel 2015). The scheme consisted of a cartel including several public and private companies that used illicit payments in order to receive public contracts (Lagunes 2019). These companies would then channel a percentage of the contract payment, usually between one and three percent of the value of the contract to the contractors. At the same time, the directors of the public companies were selected by political parties and certain politicians in order to suit their political interests. Some companies such as Odebrecht, a Brazilian private construction company that operates in several countries worldwide, used this kind of corruption scheme on an international scale, creating a spill-over effect in at least nine more countries (cf. Salcedo-Albarán et al. 2018).

Besides Odebrecht, one of the companies most implicated was Petrobras. Petrobras is the largest public company in Brazil, employing over 60,000 people and under direct control of the state. This state-owned enterprise (SOE), like many others in Brazil, was involved in the Lava Jato Scandal and is currently facing many sanctions[2]. As well as illicit payments, the company was accused of money laundering. This money laundering was carried out by so-called “doleiros” who would place the illicit money in offshore accounts and then transfer the money between different tax havens, buying and selling foreign currencies through a parallel market not regulated by the law. Moreover, bribes were made in the form of expensive goods such as cars and houses to different names and shell companies. This way, the resources could not be tracked (cf. Salcedo-Albarán et al. 2018).

[2] Both as a victim and as the guilty party – as the Department of Justice settlement makes clear.

> "Major corruption scandals involving SOEs have shown the often devastating economic and social consequences that can result for countries and their peoples." (Rubio in Transparency International 2017: 2)

This case caused much public outcry because of the broad media attention that it attracted. The public demand for justice pressured the judiciary to sentence some of the most powerful people in Brazil. By the beginning of 2015, prosecutors had formally charged more than a hundred people with money laundering, bribery and other financial crimes. These prosecutions had severe consequences for the country. Not only were foreign investments reduced, but further research suggests a resulting high number of job losses, which additionally contributed to the country's recession in 2015 (cf. Sotero 2018). In 2017, the former president of Brazil, Lula, was imprisoned after the authorities found a luxury property in his name, which he allegedly received as a bribe within the systemic corruption case. The prosecutors considered his contribution to this criminal network as essential and sentenced him to 12 years in prison for bribery and money laundering. He insisted his innocence and claimed not to have known about the luxury property in his name.

Owing to the Lava Jato scandal, Brazil's Corruption Perception Index (CPI) decreased drastically in 2019, scoring only 35 out of 100 points[3] (cf. Transparency International 2019b). This was the lowest score in seven years for Brazil and one of the lowest scores since this index began in 1995. However, it is normal for a country which has recently uncovered a corruption scandal to have a doubtful public perception concerning corruption, even if the government is already taking action. It takes time to recover from a scandal, especially when it is one of such immense magnitude as Lava Jato (cf. Brandão 2019). Many aspects of the Brazilian judiciary were adapted during the Workers Party administration, which consequently is said to have contributed to the arrest of the most powerful people in the country (cf. Aranha 2019). Sergio Moro, the federal judge who sentenced the accused people played an important role during this phase. He was the first judge to ever imprison a former president for corruption in Brazil. After the elections of 2018, a populist right-wing government took office and appointed Sergio Moro as the

[3] The Index score of the public sector is based on the range from 0 = very corrupt and 100 = very clean.

Minister of Justice, which seemed highly controversial to some people. In 2019, the imprisoned former president Lula was released from prison due to a change in the law governing the country's appeal system. This could be considered one of the first setbacks of legal reform in Brazil.

Lava Jato uncovered an interwoven relationship between private companies, state-owned enterprises and political parties as well as individual politicians at all levels, municipal and federal. Due to the involvement of state-owned companies and politicians in the corruption scandal, a public debate arose on policy changes that was mostly driven by civil society organisations (CSOs) demanding more anti-corruption efforts from the government. As one result of public pressure and investigations, CSOs pressed the Brazilian government for more regulation of state-owned enterprises, which was passed in the form of the new SOE Act in 2016. Because corporate misconduct witnessed and exposed in the past and ongoing investigations can be associated with a failure of compliance management systems and regulation parameters (cf. Grüninger 2014), the focus of the SOE Act included the establishment of anti-corruption mechanisms geared towards compliance and integrity and is thus considered to be a first milestone in structural anti-corruption efforts. Even though the SOE Act represents an improvement of the legal status quo in terms of corruption in Brazil, there are still many potential setbacks that must not be overlooked.

The focus of this research is Brazilian SOEs with a close interrelation between the political and the economic arenas. On the one hand, it is necessary to take a closer look at the compliance and governance systems of Brazilian SOEs. On the other hand, the legal framework for compliance requirements of SOEs has to be considered. One year after the SOE Act was passed, the acceptance and corporate enforcement of the Act are being questioned by different CSOs as well as by many SOEs themselves. The lack of empirical research on these issues means this research has an explorative nature and uses an empirical approach to gain initial insights into the perception and enforcement of the new institutional frameworks forming part of the anti-corruption agenda in Brazil.

2. Relations between Business and Society

2.1 Compliance and Integrity in Emerging Markets: Bridging Normative Demands and Managerial Enforcement

Emerging markets are commonly characterised by political and economic volatility in addition to a less robust legal system (cf. Mody 2014). Brazil's history of recursive economic recession and political distrust as outlined above, coupled with a corruption-prone past, opens up a unique breeding ground for non-compliant behaviour and action, as seen and discovered in the Lava Jato investigations. As state-owned enterprises are a common business model in emerging markets (cf. OECD 2011), it is no surprise that the close interrelation of the political and business sphere took centre stage in the investigations. Non-compliant behaviour in both accepting and paying bribes, as uncovered in the case of Petrobras, the largest SOE and contributor to Brazil's GDP (cf. SESTE 2019), directed anti-corruption efforts specifically towards Brazilian SOEs. Despite several legal advances in recent years, including the 2016 SOE Act, corruption remains a major threat to the emerging market. By extending corruption from politics to the business sector for the very first time, not only was the adaption of legal frameworks necessary but proper organisational management also gained importance as part of the Brazilian anti-corruption agenda. The inherent loopholes within the legal, political and economic system have so far resulted in great social despair and a dangerous economic decline, leaving millions of people unemployed. Current overarching international regulatory guidelines on corruption are highly dependent on national regulations and enforcement as well as prosecution. In order to overcome these manifold structural issues, the successful interplay between formal/informal institutional frameworks and the organizational enforcement of these frameworks must be ensured. The firm at the centre of the institutional framework has thus not only to ensure its internal stability, but also its external interaction with manifold institutions and frameworks. Oliver Williamson (2000) identified the crucial role of institutions at different levels of the economic system. In order for the anti-corruption agenda to be sufficiently implemented in Brazil, firstly, both social and legal terms need to be aligned within a comprehensive institutional framework. Secondly, it necessitates "[g]et[ting] the governance structures right" (Williamson 2000: 597), thus implementing the institutional rules sufficiently within the present SOE governance structures.

The anti-corruption framework under study will thus be referred to as ‘rules of the game’ and the anti-corruption instruments in terms of managerial capabilities at an organizational level as ‘playing the game’, adapted from the theoretical dimensions of New Institutional Economics (hereafter: NIE) (Ibid: 597). NIE has been chosen as the overall theoretical contextualisation, based on the assumption of institutions specific to Brazil, playing a key role in the organisational enforcement of the anti-corruption agenda in Brazil.

2.2 Corporate Governance

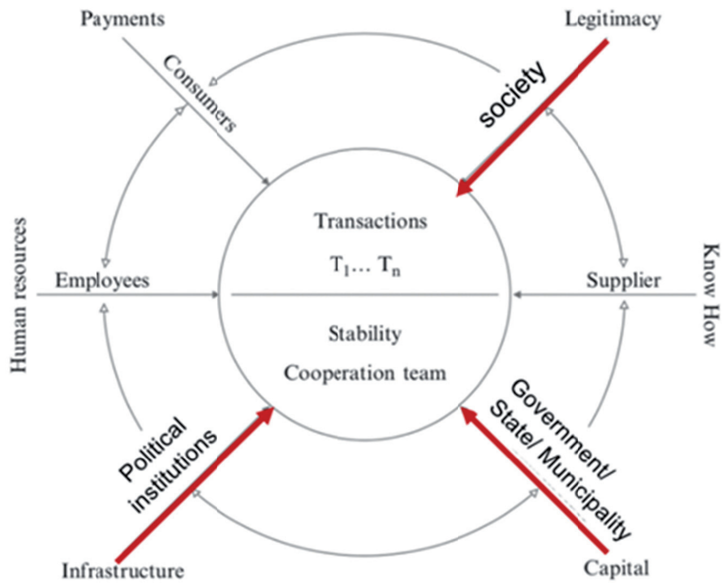
In recent years, growing economic, legal and social demands have brought the topic of good corporate governance to the top of the agenda. In order to fight corruption in Brazil in the long run, the organisational enforcement of institutional anti-corruption frameworks demands the adaptation of corporate governance structures. Corporate governance in this instance refers to the proper management, control and leadership of the relationships and responsibilities between shareholders, board of directors and management (cf. Fabisch 2013: 349; Wieland, 2014b: 27), aiming at the long-term value creation consequently ensuring the overall continuity and longevity of the firm (cf. Bernal et al. 2012: 13; Du Plessis et al. 2005: 4). In the context of SOEs, corporate governance has to tackle even higher demands. SOEs generally follow either or combine “[...] social, strategic and economic interests […]” (Srinivasan 2015: 2) and act in a particularly diverse and challenging field of regulatory demands. Regulation parameters are highly intertwined (cf. Wieland 2014b: 16) as SOEs have to combine both private and public interests and regulation at the same time.

In addition to a complex legal framework, the close interrelation with the government, including policy makers and individual politicians within an often-unstable economic surrounding, underlines the unique vulnerability of these entities (cf. PWC 2015: 6; Transparency International 2017: 2). Additionally, SOEs are prone to internal instability caused by a lack of internal and external monitoring systems, transparent and autonomous board decision-making with regard to different stakeholders combined with a lack of experience and performance responsibility within the top management (cf. World Bank 2014). Moreover, SOEs are under high pressure to align business requirements and "serving the public interest" (Bernal et al. 2012: 18) whilst being under the spotlight as strategic agents and forerunners for private entities within the socio-economic business sectors of emerging markets (cf. Ibid: 18).

Besides the focus on corporate governance, the role of stakeholders has gained influence both theoretically and practically. A stakeholder is by definition: "[...]any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman 1994: 46). Focusing on the integrated view of corporate governance, the understanding of the firm as a network of contracts (cf. Alchian & Demsetz 1972) and as a nexus of stakeholders (cf. Wieland 2014a) comes to the fore. Alchian & Demsetz (1972) describe the firm as a system of relationships in which the governance of cooperation plays an important role. The firm is therefore defined along the theoretical considerations of the "firm as a complex cooperation mechanism" (Alchian & Demsetz 1972: 7) in contrast to the assumption of markets as coordination mechanisms. As stakeholders not only invest resources but also have diverging interests, as seen below, manifold demands arise. Getting the governance right in order to play the game is thus a crucial factor.

Stakeholders as identified in Figure 1 can interact with the cooperation team and, at the same time, cooperate with other stakeholders by means of bilateral or multilateral relationships. Each stakeholder's resource value is thus based on the stakeholder's role within the cooperation network. Wieland (2014a; 2018a) defines the firm as a network of co-operation between intersectoral stakeholders. Based on the notion of the firm as a cooperation network, the sole responsibility of the business to do business has thus been advanced with additional responsibilities especially with regard to Corporate Social Responsibility (CSR) whilst creating shared value for all (cf. Schöttl 2018: 37f.; Wieland 2014b: 21; Wieland 2017a: 238; Wieland 2017b: 9).

Figure 1: The Firm as a Nexus of Stakeholders



Source: Own Illustration, adapted from Wieland, J. (2014a: 106).

Getting the governance right thus refers to complying with many levels of demands and responsibilities originating from the economic, political, non-governmental and social sphere. In the case of Brazilian SOEs, society and the state are key stakeholders that must be considered. Carroll (1991) established a first order of corporate social responsibility levels that a corporation must attain. On the first level, economic obligations can be found (cf. ibid). In the sense of “a going concern” (cf. Commons 1934) the corporation must ensure profitability in providing services and products to society to ensure its continuity and longevity. Besides the pure profitability of the firm, legal dimensions and frameworks need to be adhered to. For the corporation to be able to operate in the first place, legal compliance is a necessary and indispensable precondition. Today, compliance is based on the premise that enterprises, departments and employees are obliged to conduct their daily business in line with the guidelines and rules of current and established laws, the ethics of professional conduct and internal corporate regulations (cf. Behringer 2013a: 35; Grüninger 2014: 5; Schulz 2014: 2; Wieland 2014b: 15). In contrast to the principal-agent theory, which specifically relies on behavioural assumptions such as benefit maximisation, compliance is seen as an integrated view to enhance shared value creation based on stakeholder interests and resources (cf. Porter & Kramer 2011: 49; Wieland 2017b: 9). Often described as rule-based approach, compliance is based on a rather preventative logic (cf. Fabisch 2013: 348; Noll 2013: 185f.) evoked by external pressures (cf. Behringer 2013a: 35; Schöttl 2017: 165), ensuring the prevention of non-compliance and corporate misconduct. An effective compliance management system (CMS) hence incorporates several aspects, such as responsible leadership, risk & reputation sensibility, close monitoring and control (cf. Behringer 2013b: 369f.; Wieland 2014b: 26).

In contrast to legal compliance, which follows a rather re-active logic the next level, ethics, follows a pro-active logic ensuring moral behaviour and preventing non-compliance. Business Ethics refer to the moral responsibility of the corporation, including the creation of a value management system. In order to achieve responsible leadership and governance, it is not sufficient to solely obey the law. Instead, further focus should be placed on ethical behaviour, which can be ensured when implementing integrity. Integrity is based on the management of moral and ethical values (cf. Behringer 2013b: 369f.; Wieland 2014b: 26), which have to be made visible using specific leadership styles in order to create a moral corporate culture for business practices incorporated in the overall corporate governance, hence going beyond the rule-based approach (cf. Wieland 2014b: 25).

Integrity is therefore seen as a value-based approach, particularly in times of uncertainty and situations lacking clear legal regulations (cf. Schöttl 2017: 145). Being driven by external requirements, compliance differs from integrity as the latter builds on the independent awareness, intrinsic motivation and individual responsibility of both top management and employees to act in accordance with the common values set out in the corporate culture (cf. Paine 1994: 113; Schöttl 2017: 147; Schöttl 2018: 42; Wieland 2014b: 20). Integrity consequently follows a facilitative logic (cf. Noll 2013: 185f.; Schöttl 2018: 45; Wieland & Grüninger 2014: 95f.) focusing on “self-governance in accordance with a set of guiding principles" (Paine, 1994: 111). Neither compliance nor integrity produce efficient results when implemented separately, thus necessitating a close recursive interrelation of both concepts to reach effective changes by means of an integrated Integrity and Compliance Management System (ICMS) (cf. Schöttl 2017: 172; Schöttl 2018: 46; Wieland 2014b: 74; Wieland 2018a: 75). This claim is based on the understanding of malicious acts not only being based on individual behaviour, so called 'bad apples' but also on the incentive system of the firm and specific motivational drivers, potential 'bad barrels' (cf. Fürst 2014: 644; Wieland 2014b: 7f.).

2.3 Global Governance and Emerging Markets

When it comes to the fight against corruption several international guidelines and standards have been implemented in recent years. On a global scale, a heterogeneous regulatory working area persists, consisting of diverging public and private frameworks, including hard laws and soft laws such as codes of ethics and codes of conduct. In addition, commonly cited national regulations such as the UK Anti Bribery Act, the United Nations Convention on Corruption and the OECD Anti-Bribery Convention (cf. OECD 2011) provide in depth principles for combatting corruption. These guidelines can, however, often only be enforced successfully when supported by civil society organizations. CSOs can, in this instance, help to promote transparency by incorporating civil society in political processes and institutions, increasing overall transparency whilst providing global public goods. As the standards outlined above can be understood as global public goods (cf. Wieland 2014c), a global governance approach is necessary to combat corruption in the long term.

Brazil is a presidential democracy whose economy is not stable and, as scandals such as Lava Jato have shown, its corruption schemes are mostly pervasive. One difficult aspect in researching anti-corruption is the issue of systemic corruption. Lava Jato was a turning point in this respect since it gave rise to a law that was supposed to force groundbreaking institutional change in Brazil. Public pressure was one of the main aspects that forced the government to take action to combat the ongoing corruption. Non-governmental actors assumed an important role, pressing for these structural reforms. Therefore, non-state actors can create pressure by raising both corporate and public concerns publicly, something which can also be used as a tool for prioritising certain issues on the political agenda. CSOs such as Transparency International (TI) often have a cooperative role in relations with government. As a direct result of these efforts, the political agenda can be controlled by the public through CSOs. After Lava Jato, there was huge public demand for anti-corruption measures. CSOs like TI, for example, cooperate with the Brazilian government by following up and monitoring the implementation of new laws, as happened during the formulation of the state-owned enterprise Act (SOE Act 2016).

Therefore, CSOs have a crucial role in shaping the rules of the game. In the case of Brazil, Transparency International has a leading role in anti-corruption by providing not only crucial insights into current governance loopholes but also by establishing soft laws and guidelines. The ten Anti-Corruption Principles (cf. Transparency International 2017) and the Corruption Perception Index (cf. Transparency International 2019b) are particularly relevant when talking about the anti-corruption agenda providing aspects with regard to shaping as well as playing the game. As well as a stable legal framework, necessary measures to create a value-based management system must be in place to successfully combat non-compliant behaviour.

2.4 Tension Points

Within the anti-corruption agenda in Brazil, both rules of the game and playing the game remain uncertain. With regard to the institutional embeddedness of the anti-corruption agenda, the three levels of demand described by Carroll (1991) need further discussion. As all three levels, legal, economic and ethics need consideration for a successful undertaking, i.e., the firm, research at both institutional and corporate level must be conducted. At this point it remains open whether the regulatory measures taken since Lava Jato, specifically the SOE ACT 2016 and subsequent organisational adjustments with regard to getting the governance right, were successful. It is therefore necessary to gain further knowledge on the overall acceptance of the SOE Act and identify anti-corruption managerial competences in Brazilian SOEs.

The case of Lava Jato thus raises the questions of: “what should companies do?” and “what can companies do?” to overcome the issue of inherent corruption and non-compliant behaviour in SOEs in Brazil. The question of “what companies should do?” refers to the legal and regulatory anti-corruption framework in place. The question of “what companies can do?” refers to the managerial capabilities within corporate governance currently in place in SOEs.

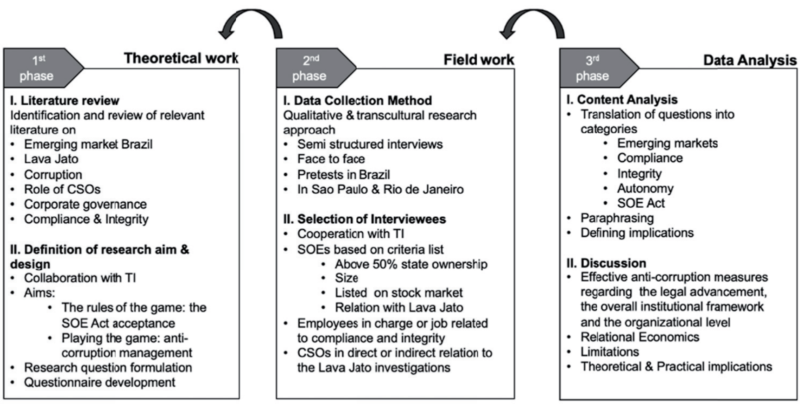
3. Research Design

The questions of what companies should do and what they can actually do is best answered by conducting expert interviews with relevant stakeholders from both civil society and SOEs in Brazil. With the main aim of understanding the complex Lava Jato backgrounds, revealing the overall perception of the anti-corruption legal framework and opening the governance black box of SOEs in Brazil, an inductive method was chosen for this investigation. Identifying what obligations companies have refers to the legal institutional framework, the rules of the game based on hard laws. For this purpose, the perception and acceptance of the latest legal advancements, the SOE Act of 2016 was researched. The play of the game in this instance is focused on the corporate governance of SOEs in regard to the CIMS, revealing what actions companies are currently taking with regard to the anti-corruption agenda in Brazil.

This qualitative research approach is based on an explorative design seeking to gain first insights into the interrelated field of anti-corruption within the realms of the Lava Jato investigation. The aim of this research is thus based on identifying crucial determinants for the acceptance of legal anti-corruption measures, whilst reviewing the governance complexity of Brazilian SOEs, by recognizing the management restrictions due to the state’s role as controlling shareholder and society as a key stakeholder shaping the institutional environment alongside civil society representatives. Hence, this provides in-depth insight into the determinants of the relations between business and society in Brazil. Due to language and cultural barriers, this research was conducted with the support of Transparency International Brazil. In addition, a transcultural research approach was adopted. The transcultural research approach is based on the understanding of transculturality, referring to the “[...]

relationing of different cultural identities and perspectives" (Wieland, 2018b: 19). This takes the "[...] similarities and differences of individual systems, existing professional and corporate cultures" (Ibid: 24) into consideration in order to "[...] foster a mutual understanding" (Wieland & Fischer 2018: 42) of anti-corruption in Brazil. The selection of interview partners followed theoretically driven determinants and professional practical experiences based on TI's knowledge. In total 8 interview partners, representatives from both SOEs and CSOs related to Lava Jato were chosen. The research is based on a general iterative process consisting of three main steps.

Figure 2: The Research Process



Source: Own illustration.

4. Stakeholder Discourse on the SOE Act: Results from Qualitative Research and Expert Interviews

4.1 Policy Change after Lava Jato: SOE Act 2016

Brazil has 203 SOEs at the federal level with a huge share of the Brazilian federal budget (SESTE 2019). It is conceivable to think that forms of good governance practices should be promoted especially in the public sector due to its large impact in the Brazilian economy. Surprisingly, it seems that in Brazil "interest in the subject appeared more intensely on the private sector" (Carneiro 2019: 20). After some corruption scandals, there was public demand for improving the governance of SOEs (Carneiro 2019: 20). However, transferring the governance structures of the private sector to the public one is not easy to implement, considering that there are some aspects that vary from the public to the private sector. For instance, the stakeholders change in the public sector, being the society, the recipient and the state as agent. Also, there is a differentiation between federal and state/municipal level (Carneiro 2019: 20). The SOE Act of 2016 complemented the existing Anti-Corruption Act of 2013 and was a state effort to not only adjust the SOE standards but to bring them into line with private ones. After all, in Brazil "public companies, and their subsidiaries, although classified as state owned companies, are private entities" (Carneiro 2019: 20). Since the Brazilian Constitution dictates that all private entities that execute economic activities must be treated equally, it is reasonable to assume that they should be part of the integrity program as well (cf. ibid. 2019: 21). While the 2013 Act:

> "By addressing corporate accountability in corruption cases, provided an important incentive to develop integrity programs within companies, the [SOE Act 2016] brought innovations to the monitoring, governance and transparency mechanisms of state-owned companies in a broader manner." (France et al. 2018: 5)

In other words, while the 2013 law is more focused on the consequences of corruption, the SOE Act of 2016 is more prevention focused. This is an improvement in the sense that compliance is not as efficient if it is only used for accountability. Some important aspects that played an important role in the corruption schemes uncovered by Lava Jato have been addressed by this law, namely transparency, risk assessment, compliance, appointment of independent members in the administration council, the appointment of the board of directors, the regulation of public contracts, specific norms for services and works, public bidding and taxation. For instance, in Art. 8: "requisitos de transparência" (Law 13.303 Art. 8) the transparency requirements are listed, establishing among others:

> "That information from state-owned companies related to bids and contracts [...] must be stored in updated electronic databases with real-time access to the federal government's external and internal control organs." (France et al. 2018: 28)

What also seems to be a major concern regarding transparency is the availability of information to the public. This issue is not only regulated by law, but it is an essential feature of good governance. Hence, the Brazilian government publishes certain information publicly and shares further details if requested. This is something that is monitored. Nevertheless:

> "The available quantitative information does not allow qualitatively ascertaining whether the demands answered contained explanations about the actions or omissions of the federal government in the execution of its public policies." (Mota-Filho 2019: 25)

Some other measures addressed by this law are, for example, within Art. 9, which dictates the implementation of rules of structures and practice of risk assessment and internal control such as §4 which provides for a communication channel to directly report to the administration council in the event that suspicious practice is noticed. Further regulation about "whistle-blower protection" is not provided for in this article.

Art. 10 regulates the implementation of a compliance committee to appoint the members of the administration and fiscal council. What appears not to be substantiated, is where the necessary resources for the implementation of these measures should be obtained. In contrast, there are some regulations in this law that appear to be more concrete, such as Art. 22 which states that the administrative council has to be formed by a minimum of 25% of independent members with at least one being appointed by the vote of the minority shareholders. It also defines what "independent" means in this case: not having any connections to a public entity, neither having a family member who has shares or interests in it, nor having held a public office for a minimum period of three months, etc. Furthermore, regarding the board of directors Art. 23 states that the appointment of a director of a public company has to be approved by the aforementioned administrative council. Also, the SOE Act lists some requirements that candidates for specific offices have to meet, for example, to adopt neutrality. There are some important aspects regarding good governance that this law does not address which will be addressed in this research. Nevertheless, this law represents an achievement for stakeholders such as civil society organisations since they can now continue to focus on the implementation of the law.

4.2 Acceptance of the SOE Act 2016

The aim of this subchapter is to create empirical evidence that supports the hypotheses as well as to find a robust answer to the research question: "How do different stakeholders perceive the changes occurred as a consequence of Lava Jato?"

4.2.1 Levels of Acceptance

The research questions of this study also concern the acceptance of the State-Owned Enterprises Act of 2016. To answer this aspect of the research question, it is important to determine how to measure acceptance. In the practical policy literature, acceptance is mostly found in the context of technology and new agricultural measures. Rarely, is a definition given (cf. Wüstenhagen et al. 2007: 2684). To conceptualize "acceptance" Wüstenhagen et al. (2007) propose three dimensions of social acceptance of new technologies. In his study he refers specifically to new forms of renewable energies. Socio-political acceptance refers to acceptance by major social actors, such as the general public and policy-makers as well as market acceptance, meaning acceptance by consumers of the product. Additionally, community acceptance refers to acceptance by stakeholders such as local initiatives, residents, etc. (Wüstenhagen et al. 2007: 2685).

While Wüstenhagen's theory is not completely applicable to this research, there are some similarities that are useful for the purpose of this particular study. When applying the three levels of acceptance to this research, it could be assumed that the socio-political acceptance described by Wüstenhagen et al. (2007) applies to this particular case study. However, the general public and the policymakers remain untouched within the analysis of this research. Thus, this level of acceptance is of less relevance for this research. In the sense of Wüstenhagen's theory, market acceptance is tolerance of the product amongst those who consequently are subjected to the measures taken by the first level of acceptance, ergo, the consumers. With regard to the Lava Jato case, it is conceivable to compare the role of the consumers with the state-owned companies since they are the ones directly affected by the measures taken by the policymakers. Also, community acceptance can be adapted to this particular study, considering civil society organisations as part of the local stakeholders. In conclusion, this research comprises acceptance of SOEs based on both market acceptance and community acceptance by.

4.2.2 Criteria for Acceptance

In this section, the categories to measure acceptance selected for this qualitative content analysis will be explained. In order to measure acceptance, three theory-based indicators were developed when elaborating the questionnaire. These indicators were converted into fixed categories while analysing the data. Additionally, one further category was derived from the raw material.

- Effectiveness: Measures only the positive impact that the SOE Act 2016 had on Brazilian anti-corruption efforts. Efficiency and effectiveness are success-criteria for a good compliance management system (cf. Wieland 2010: 20). Taking this into account, it was important to measure how SOE actors perceived the effectiveness of the SOE Act. Since efficiency takes other aspects such as the adequateness of the input of resources into account, it was decided to focus only on effectiveness.
- Enforcement issues: As a counterpart of the category "effectiveness", it was necessary to measure the dissatisfaction of the SOE actors with the SOE Act. This was divided into two parts: enforcement issues and concerns. The category "enforcement issues" includes all the segments of the data that address actual problems that companies faced as a direct consequence of the implementation of the SOE Act or by default while implementing it. According to Wieland (2010: 20) the efficiency of the SOE Act is supposed to be measured by comparing the results of "effectiveness" and "enforcement issues".
- Concerns: In contrast to the category "enforcement issues" which addresses problems that companies actually face as an immediate consequence of the SOE Act, the category "concerns" includes all the segments of the transcripts that address what could be problematic about the SOE Act in the near future. In their work Corruption, Fisman and Golden (2017) evaluate different types of government policies implemented in different countries in order to reduce corrup-

tion. At the end they analyse whether the implementation of those policies should happen gradually or all at once. By examining different case studies, Fisman and Gold (2017) identified government policies as a tool that could help reduce corruption but stated that it may never be eradicated permanently. This conclusion was a useful hint to think about and consequently create a category about what could be wrong with the law.

- Suggestions: This category was induced after approximately 30% of the data material was extracted. Some of the interviewees, when talking about the SOE Act 2016, suggested concrete issues that the law currently did not address. These suggestions did not fit in any other category and were considered relevant to measure the perception of the SOE Act. Depending on the type of actor suggesting and if the suggestion addressed some of the loopholes of the law the suggestion can make a clear statement about the acceptance of the SOE Act. Therefore, this category was included. The category "suggestions" includes all the segments of the interview-transcripts that address issues that are not covered by the law, but which should be covered.

In the following, the complete analysis of the data will be conducted. The analysis will be divided into categories in order to see what the perception of the different stakeholders in the different categories is. The SOEs stakeholder groups are divided in two: external, meaning the CSOs and internal, meaning the SOEs themselves. Afterwards these perceptions will be compared to get the full image of the acceptance of the SOE Act 2016 from the different stakeholders.

Effectiveness

When looking for indicators for effectiveness in the text, the search was specifically reduced to segments of the transcripts that addressed the positive impact of the SOE Act. The first occurrence that became obvious was that the SOE internal perspective had a proportionally higher number of positive segments about the SOE Act than the SOE external perspective. Of the 42 segments extracted to measure effectiveness, nine were stated by SOE external actors and 33 by internal ones.

Taking a closer look at the topics addressed, the SOE external perspective considered that the SOE Act had a positive impact in implementing some structural reforms, especially regarding the liability and accountability of corrupt behaviour (Interview partner II; VIII). It also serves as an incentive for compliance and integrity, however, in a very normative way (Interview partner I; II; VIII). Still, this is considered as a first milestone to create a compliant corporate culture in Brazilian SOEs.

> "Anti-corruption law in the Lava Jato was really good to change the perception of the companies related to how they need to improve the anti-corruption program." (Interview partner I)

This last statement is also shared by the SOE internal perspective (Interview partner III; IV; VII). On the other hand, the SOE internal perspective addressed some other aspects that were not mentioned by the SOE external perspective. These topics are the regulation of the decision-making process.

> "A member of the board here, they, in the past they had […] so much power in terms of decisions. And now we changed the governance system in order to change the decision-making process[.]" (Interview partner III)

Some of the Interviewees also claimed that the SOE Act was easy to enforce, due to the compliance standards they had already implemented, because they are competing in the international market (Interview partner IV; VII). It was also stated that the SOE Act of 2016 complements the Transparency Law of 2013.

> "Transparency became more important after the 2013 Law and 2016 it's just a complement, as I see." (Interview partner IV)

Also, it offers good opportunities to communicate with the public through the annual letter.

> "The annual letter is just for a one-year period. But we can put inside it all these answers to these questions." (Interview partner V)

As a matter of a fact, [name of company] employees affirmed that the SOE Act did make a positive difference (Interview partner V).

Concerns

In this category, segments that address problems the SOE Act could eventually cause, were extracted. This time, the SOE external actors had more segments than the internal ones. Of 33 segments, 21 were stated by SOE external and 12 by internal actors. One concern the external actors addressed concerned the independence and autonomy of the SOEs:

> "I don't believe it could help, if it doesn't have the autonomy." (Interview partner II)

Also, they expressed concerns about the lack of efficiency of the watchdog function (Interview partner II). In this regard, there was a concern of the SOE Act becoming a box ticking list and:

> "Once it's not clear if you have just a box ticking list you can do everything, and you say that you are doing everything." (Interview partner II)

Another problem of the SOE Act they see is that there is room for different legal interpretations in some paragraphs (Interview partner I; II). Also, there are concerns regarding the appointment of the board (II). This is part of the institutional issues they see because the SOE Act does not address any specific structural reform (Interview partner II; VIII). The internal actors of SOEs addressed concerns regarding institutional issues as well, mainly because of the lack of autonomy (Interview partner V). There are concerns about the implementation of the SOE Act.

> "And sometimes I am not sure if the implementation of the law will be a real implementation." (Interview partner III)

Also, concerns were addressed about how the external control could affect the efficiency of the employers.

> "And now we have to […] not to reduce the control, but we have to adjust the control in order to be efficient." (Interview partner III)

Consequently, the disproportionate power given to the controlling bodies was also a subject for discussion.

> "It can in another way impact in a negative way as we can have a shutdown of decision-making or in another way we have […] we can be overcharged, but a lot of decision-making cannot operate in a proper way." (Interview partner V)

Enforcement

When extracting the segments of the transcripts concerning the actual problems companies face while implementing the SOE Act, the proportion of the number of extracted segments of SOE external and internal actors was balanced. 14 segments came from SOE external and 15 from the internal perspective. The external perspective addressed the lack of trust in the law.

> "[…] and [name of CSO] was a little bit sceptical about the legislation, because you know, we have many laws and the laws are not accomplished, they are not enforced, so we didn't believe that would make a huge difference." (Interview partner II)

Also, the differences between municipalities and the federal level regarding funds and controlling.

> "For example, at the federal level, the department that is more engaged with the equality of governance of SOEs, doesn't have power to enforce." (Interview partner II)

Moreover, they addressed the misfunction of the so-called watchdogs, mainly regarding a lack of centralisation.

> "[…] and there are different actors in the government that take a look at one piece and one aspect, not at the whole SOE Act." (Interview partner II)

One of the main problems addressed by many concerns structural issues.

> "[…] it really happens. When you change a government especially at the federal level it will probably change the confidence spots." (Interview partner VIII)

Mainly the complaints are because the government takes too much power regarding the appointment of the board.

> "You see that the government once didn't respect the nomination process that was established. We saw last year that the president didn't take office and he was already putting people he wanted in the SOEs." (Interview partner II)

The SOE external perspective is afraid that the law is too prescriptive and inaccurate, leaving too much space for interpretation.

> "The president may only indicate appoint someone and the board will finalize. The board is electing because they signed a document saying they are electing, but that's just a narrow view, of course it's very narrow. […] You don't need a law to say the board must sign something." (Interview partner II)

They see a deficit that results in a lack of independence.

> "[…] but, the way this committee described in the law makes it also a little bit awkward because it says that this committee supports the controlling shareholder and this is wrong under the understating of corporate governance." (Interview partner II)

Also, supply chain problems were addressed.

> "Some of the companies like [company name], they put a very high level of integrity process procedures and they checked that they was not so possible, that you put some kind of zero tolerance for your supply chains. They are trying to understand how they can deal with that and also a lot of companies they are improving their systems." (Interview partner I)

The internal perspective addresses supply chain problems as well (Interview partner VI). They also perceive the lack of resources as a main problem.

> "We are in a difficult moment in terms of money. And this kind of thing you […]. It's necessary to put money to improve these measures." (Interview partner III)

Especially in certain aspects this has proven unsuccessful, namely in the examples of monitoring and dismissing employees (Interview partner III; VI). One other issue addressed was the conflict of interest between transparency and secrecy (Interview partner III; IV). Also, the differences between the federal level and the municipalities was addressed (Interview partner III; VII). Some interviewees complained about the daily work restrictions they faced due to the increase of interference by controlling bodies (Interview partner IV; VII). Difficulties while implementing the law because of the room for interpretation were mentioned as well.

> "[…] but that's a question. When talking about the law which one applies to you?" (Interview partner IV)

In addition, it was mentioned that the intent of adapting the private sector's idea of compliance to the public sector failed due to the government control.

> "The initiatives from the private sector [are] without any kind of change, we are not adapting these initiatives to the public sector." (Interview partner III)

One of the problems they see is having the government as the major stakeholder.

> "But it's not easy because, again, the government owns 100% of us. The talk with them, they decided for example our policies. They don't have a different conversation, just one opinion." (Interview partner IV)

This causes a lack of autonomy, giving the government too much influence (Interview partner III; IV; VI). Nevertheless, it was also indicated that some opportunities offered by the law were not used in the proper way such as the annual letter as an opportunity to communicate:

> "Another opportunity that I think we are missing is to really take the annual letter and make it work in that way." (Interview partner V)

Suggestions

During the extraction, some ideas suggested by the interviewees to improve the SOE Act emerged. This time the external perspective had considerably fewer suggestions than the internal one. The external perspective suggests exclusively ideas about the nomination process of the board. They suggest evaluating the performance of the board and the manager.

> "[…] nomination process should be based on the nomination process as well, so you know that you evaluate the performance of the board and of the managers." (Interview partner II)

They claim the SOE Act should support this nomination process.

> "So, the process should be led by the board and also the nomination process, there is a committee that is established by the SOE Law, the SOE Act that should be in charge of supporting the nomination process." (Interview partner II)

The internal perspective provides implications for the board and the managerial level. It considers a mix in the board of technocrats and company members:

> "But I think it's important to mix. Because here we have technical terms. A lot of employees that are very serious in technical terms, very good and [company name] is an international reference in some areas. And I think we have to mix it, because we have to have people that belong to the company structure and know the company, I think that's important. Not only external agents, it's important to mix with people that are here for a long time." (Interview partner III)

Also, the idea of extending compliance appeared.

> "Once this is […] structured, then we will go to financial, then we will go to environmental then we go to labour." (Interview partner VII)

Another suggestion that appeared was the privatisation in order to gain independence since:

> "[p]rivatisation can reduce the presence of the government in the company." (Interview partner VI)

Some actors considered better communication with the public a priority.

> "As a company we have to communicate better, we have to show to society our role and how we do our role." (Interview partner IV)

Some demanded protection in relation to the government from the Congress.

> "Dealing with the government that comes the stakeholder's policy that was created by the law of 2016. Being more protected in the relation with the governments." (Interview partner IV)

As well as the necessity of development in Brazil.

> "[…] because Brazil needs development, needs infrastructure" (Interview partner IV)

And to learn how to deal with the controlling bodies.

> "[…] we have to learn, and we have to […] deal with this problem." (Interview partner V)

4.3 Discussion

After having analysed the data collected from the interviews conducted during the research field trip in Brazil, three main findings were evident. First, all interviewed state-owned enterprises implemented the SOE act. Second, acquiring access to international markets is an incentive for SOEs to comply with the law (Interview partner III; IV; VIII). Third, all in all civil society organizations are still:

> "[…] a little bit sceptical about the legislation, because you know, we have many laws and the laws are not […] enforced, so we didn't believe that would make huge difference." (Interview partner II)

In addition, all interviewees mentioned or hinted at the overall problems associated with the SOE Act resulting from the company's individual link to Brazil's fragile political institutions (Interview partner II; III, IV; VIII). One of the consequences of the distrust of political institutions is the recent debate about the privatisation of Brazilian SOEs (Interview partner VIII). It is conceivable to assume that if considering less government influence over SOEs could have a positive impact on compliance, one of the main problems SOEs face in terms of compliance is having the government as the major shareholder. After analysing the interviews, it became evident that CSOs especially consider the fact that SOE Act is lacking in that it does not address precise structural reforms (Interview partner II). SOEs consider that structural reform should give SOEs more autonomy. The SOE Act is partially described as being too prescriptive and normative. There is a pervasive risk that this law becomes just a "box ticking list".

> "And once it's not clear if you have just a box ticking list you can do everything, and you say that you are doing everything." (Interview partner II)

This can be used to the SOEs' advantage since it was mentioned in the interviews that the law leaves room for interpretation.

> "But we see that the kind of information is poor, you know it's no proof if there…for example if there is a requirement for the board to discuss some issues, and has the board discussed those issues that the law requires, how is the SOE proving what the board discussed?" (Interview partner II)

In addition, the lack of watchdogs mentioned by some CSOs (Interview partner II) makes their concerns regarding the efficiency of the SOE Act comprehensible. Taking these significant weaknesses of the law into account, and added to the weak political institutions of Brazil, it is conceivable to assume that the concerns about proving the law to be inefficient in the long-term are justified. Furthermore, a setback of the law due to the fragile political institutions is not to be disregarded (Interview partner I). Additionally, the differences between municipalities and the federal level – identified by some of the interviewees in the external as well as the internal perspective (Interview partner I; II; VIII) require further attention. The lack of resources provided by the government to implement the SOE Act is especially noticeable in the municipalities. This creates a dichotomy of inequality between the centre and periphery that impedes the successful implementation of the law. In this regard, bigger SOEs are better positioned thanks to their financial capacity as well as to the urge to implement the SOE Act because of public demand as a consequence of Lava Jato. Nevertheless, larger companies have an additional challenge regarding due diligence. Interestingly, the SOE interviewees themselves mentioned this challenge (Interview partner VI). Particularly, in companies where the suppliers of the business-partners are in foreign countries, the sovereignty principle could be an impediment for integrity in due diligence (Interview partner IV). This plays an important role in companies that work with irreplaceable suppliers (Interview partner III; VI). Apparently, ties to the government reduce the flexibility of the SOEs to select their suppliers (Interview partner VI), which is not regulated by the SOE Act.

Nevertheless, it is important to mention the improvements that the SOE Act has brought about for Brazilian SOEs, which are recognised by both sides of the SOE perspective. The SOE Act forced Brazilian SOEs to create a compliance department and gave this department and the directors and ombudsmen independence (Interview partner II; III). The implementation of obligatory ethics training for the board is probably a suitable measure in the long run to create a good governance culture amongst the SOEs.

> "Anti-corruption Law in the Lava Jato was really good to change the perception of the companies related to how they need to improve the anti-corruption program." (Interview partner I)

Therefore, both SOEs and CSOs recognise the SOE Act as a first milestone in the anti-corruption fight, despite several impediments.

After analysing the interviews, it has become clear that both actors, are not entirely satisfied with the law. While SOEs see the main problem in a lack of autonomy, CSOs consider many other issues that are not addressed by the law, especially the lack of controlling and monitoring systems. Therefore, while the law is indeed a milestone in Brazilian anti-corruption efforts, it is still not sufficient.

5. Anti-Corruption Management in Brazilian SOEs: Results from Qualitative Research and Expert Interviews

In regard to playing the game, i.e., getting the governance right, within the context of the anti-corruption framework in Brazil, relevant theory offers the concept of implementing an integrated Integrity and Compliance Management System. Based on the fact that common cases of fraud or corporate misconduct can be traced back to a lack of moral and individual competence on the part of employees (cf. Schöttl 2017: 154) within uncertain legal boundaries, compliance and integrity are in need of a recursive interrelation (cf. Schöttl 2017; Wieland 2014b). This claim is based on the understanding of malicious acts not only being based on individual behaviour, so called 'bad apples' but also on the incentive system of the firm and specific motivational drivers, potential 'bad barrels' (cf. Fürst 2014: 644; Wieland 2014b: 73-74). This research aims to understand the interplay between corruption as a phenomenon in corporations, and anti-corruption measures with implications for both personal and organisational levels. Consequently, with regard to compliance and integrity management the organisational level takes centre stage for the question of what companies can do to play the game right. Based on the expert interviews outlined above and on previously defined theoretical categories, several managerial and institutional aspects could be derived, which greatly influence the current playing of the game in Brazil.

5.1 Investigation Pressure

When Lava Jato first 'erupted', the resulting scope of investigations was not yet traceable. Thanks to increasing powers and the leading role of Sergio Moro, a federal judge in Brazil, Lava Jato became famous for the first ever successful conviction of the political elite, including Lula da Silva.

> "Some essential investigative tools frequently used by investigators were also the by-product of recent legislative reforms. Leniency agreements and plea agreements, for example, were essential to uncovering evidence of the corruption schemes." (France et al. 2018: 3)

Despite the positive success of legislative reforms with regard to the investigation of Lava Jato, it caused negative public scrutiny and a growing distrust of SOEs. The positive aspects of Lava Jato are further amended, when identifying it as an exception in Brazil (Interview partner III) and describing the operation as unusual and simply fortunate. Alongside immediate pressure within the SOEs:

> "[...] when you talk about supervision, that's hell[.]" (Interview partner IV)

Investigations became more demanding (Interview partner V) Creating higher pressure for governance change in the business sector (Interview partner II) in Brazil. Pressures are, in this instance, created by fines (Interview partner VIII) as well as prosecuting senior managers (Interview partner II). Despite an increase in investigation demand:

> "[...] we [the company – author's Note] cannot achieve the society as a whole." (Interview partner IV)

This underlines societal persistent distrust of SOEs. In addition to internal challenges in terms of investigations that consume both time and resources, external institutional pressures and resulting public demands were found to be effective change facilitators. Only companies under investigation changed, whilst the rest of the sector did not. This underlines the managerial gap between SOEs under investigation versus those excluded from the spotlight of Lava Jato. This suggests a lack of a holistic change process at an organisational level. Despite the overall success of the Lava Jato investigations, the difficulty of detecting non-compliant behaviour within SOEs remains a liability.

> "We have contracts [...] that cost more than 1,000,000 dollars a day. We have some contracts here. If you, if the price of this contract is 1% higher then, it's very difficult to identify. But 1% of 1.000.000 dollars it's still so much money." (Interview partner III)

As seen above when analysing the SOE Act and previous Acts, previous legal advances were made to strengthen the institutional realm and fighting the prevailing corruption-prone economic system. Some interview partners, however, raised their concerns about the current legal progress and subsequent regulations.

> "And the same fact that this controlling body approved in the recent past, now he says: "well, it's not like that". So, the same facts are getting a new treatment, which is not impossible to do, but I think it's in a short period of time, you are getting different interpretations of the same facts, that in a recent were not penalised, when you did it." (Interview partner V)

Not only does the new regulation, the SOE Act, require fast adaption to the new regulations, but it further presupposes existing resources to do so, which many SOEs on lower levels do not have. Moreover, the difficulties with complying with this new law are undermined by a lack of thorough institutional enforcement.

5.2 Fragile Political Institutions

Successful investigative pressures necessitate adequate institutional enforcement. Related governance bodies, committees and accountability institutions were, however, commonly referred to as fragile and weak. One interviewee from the external perspective went even further, suggesting inadequate auditing in the past:

> "[N]obody cared of what was being provided." (Interview partner II)

Moreover, accountability institutions not only have issues when starting investigations (Interview partner VIII) but also have to react to too many cases of inadequate corporate governance (Interview partner II). The differentiation between corruption and bad management remains difficult within current and future investigations (Interview partner VIII). In addition, the individual understanding of accountability institutions such as the Court of Accounts (Interview partner VII) and financial constraints for the initiation of investigations (Interview partner VIII) cause even more barriers for the fight against corruption.

> "And for example, in the federal level, the department that is more engaged with the equality of governance of SOEs, doesn't have power to enforce. It works only stimulating or setting some guidance, but they cannot require anything and there are different actors in the government that take a look at one piece and one aspect, not at the whole SOE Act." (Interview partner II)

In addition to these limitations, the excessive endeavour of control on SOEs by the state has yet to be eliminated (Interview partner II; III; IV; V; VIII). TI refers to this special political relationship as a 'one-way street' (Interview partner IV). The current desire for control over SOEs depicts general dismay about reducing state control in business affairs in the future.

> "A lack of independence. Lack of qualification and it's sad, but it's something I don't feel the politicians want to change. They want to put people they trust and the people they trust are not connected to values that we feel should be in place." (Interview partner II)

Furthermore:

> "In Brazil it's clear that the board members do not represent the ones who elected them or at least they are not supposed to represent anyone's interest. It is to represent the organisation's interest. It is different from just voting according to an orientation that came from someone external, but it's always thinking of the value that the decision will bring to the company and when you think of the organisation you have to think of all stakeholders. And I think it's difficult to learn it in Brazil, because mostly, they believe they need to respect the person or the agent that nominated them to the board [...]." (Interview partner II)

This observation not only depicts a potential cause of non-compliant behaviour with regard to values, it also underlines the issue of autonomy and volatility for future employees within SOEs.

> "[...] [H]ow much autonomy would I, as a compliance officer or working in the compliance department, have to really implement what I think is best? And if the government changes and if not even the government because in state-owned enterprises you have people that come from confidence, the function that you exercise there is a confidence function. So, the government can change you very easily. Imagine if you are working there with this manager and this director changes. It's going to change everything. So, it's going to really affect your job directly." (Interview partner VIII)

Another issue with regard to control is based on the unique shareholder network, with the state being the majority stakeholder in SOEs.

> "So, it's crucial, like when you talk with your father: "I want to do this! But the money is mine, the house is mine, I feed you, so you have to do this!". Again, it's a kind of joke of course, but when you establish a relation with stakeholders, your owner i's the bigger one." (Interview partner IV). "I don't know how much you want to risk on that [political influence – Author's Note]." (Interview partner VIII)

The future of the anti-corruption agenda thus relies on further crucial advances with regard to institutional enforcement.

> "We create in Brazil a different level in terms of control and management. And it's a problem. Now, it's possible that we are losing more with inefficiency than [with] corruption." (Interview partner III)

Currently a fear of decision-making processes is present within public administration (Interview partner III), potentially hindering investigations which, in the case of corruption, already take a long time (Interview partner VIII). Moreover, anti-corruption measures are said to be implemented only to reach a reduced sentence, with companies not putting the necessary efforts to "[...] go beyond that." (Interview partner VIII). Finding a balance of controls and business stability is therefore crucial (Interview partner V) in order to overcome present barriers in current anti-corruption actions in Brazil.

5.3 Level Playing Field

Some common issues arising in the interviews were the difficulty of interpretations on different levels, the commitment of the state and municipalities as well as the lack of available resources in the anti-corruption fight within SOEs (Interview partner II; VII; III). Complying with the new legal advances in such a short period raises the question of resources in terms of personal and monetary parameters as well as existing board support. Especially on the lower level, control systems are even weaker (Interview partner I), potentially resulting in less change overall. The idea of creating a national database for sharing governance approaches to anti-corruption was suggested by one interview partner.

> "It's cost, and maybe a national database with the level, it's a good initiative. But now some companies are doing and other are not doing." (Interview partner III)

In addition to the resource fallacy, the question of board support and actual action remains a pivotal governance issue.

> "I think so, because they are cautious with risks of course and we knew that sometimes the board was more focused on monitoring the perfor-

> mance. I don't think... I mean that in the private sector, because in the SOE sector, maybe they weren't paying attention to anything." (Interview partner II)

Moreover, the SOE Act raised the question of governance comparisons between SOEs and private companies. Whilst one SOE was particularly in favour of learning from private companies (Interview partner VII), other interview partners view the adoption of governance measures from private companies as proposed by the SOE Act 2016 (Interview partner II) as a mistake (Interview partner III), since private companies should not be considered best practice models (Interview partner II). The creation of a level playing field for all companies is, however, supported by two interviewees interview partner (Interview partner III; VII).

Furthermore, sectoral aspects concerning public demand and a regulatory framework matter (Interview partner IV; VII). Not only does the current economic and fiscal instability cause insecurities (Interview partner I; III), resulting in general differences in Brazil (Interview partner I) such as missing common ground for the anti-corruption fight (Interview partner VIII), but it also illustrates the need for a future oriented agenda (Interview partner IV). Within Latin America, Brazil is on a forward path (Interview partner VIII) caused by its scandal-prone history, which also resulted in an overall distrust and hate of institutions (Interview partner III; VIII). The critical view of citizens, who currently "[...] demonise the political system", (Interview partner III) needs to be changed. Citizens should instead be included in the anti-corruption agenda (Interview partner V) which will help them regain respect for institutions (Interview partner II). Brazil is said to be able to move forward but this will only be possible by means of controls and investigations (Interview partner I; VII).

5.4 Integrity and Compliance Management System

When discussing the practical execution of anti-corruption management in Brazilian SOEs, a differentiation between compliance and integrity was identified. The theoretical aim of creating an integrated framework was only implemented and described in one SOE referring to a standardisation of processes to overcome material weaknesses aiming at the creation of an "[...] Integrated framework" (Interview partner VI). The internal control of compliance within SOEs includes several aspects. For employees, common methods are compliance tests and training (Interview partner IV; VII) with additional use of interviews in one company (Interview partner VI).

> "We used to have here [company name] a status to all of the functions to GRC, Governance Risk and Compliance. It was a poor maturity model, and a lack in this model. [...] We used to restrict our compliance program." (Interview partner VI)

When talking about positive and negative incentives for compliant behaviour, little or no effort was made. Penalties consisted of firing people (Interview partner VI; VII). Laying off employees in SOEs is, however, difficult as staff are granted special job security (Interview partner VI; VII). Some SOEs, and especially SOE external representatives, described the overall importance of integrity.

> "There is no development without ethics or without integrity." (Interview partner IV)

Several companies implemented training programs on ethics (Interview partner III; VI; VII), as well as establishing ethics committees (Interview partner IV; VII). Limitations regarding the enforcement of integrity occur within due diligence, as a limited number of suppliers in certain sectors do not allow for pure ethical judgement and exclusion (Interview partner I; VI).

> "Creating an underground background to implement the culture, we didn't have this culture before and that's why everything happened. [...]. Everything was so spared and it helps on happening these kind of things. Some measures were immediately adopted to support the program of integrity and to create a culture." (Interview partner VI)

Most tools used in the enforcement of integrity are, however, focused on rather informative goals following a preventative logic.

> "But we know that they had a very, maybe, very professional board, or board members. Some of them, they had the knowledge, but for some reason they didn't care, care to carry out their duties." (Interview partner II)

> "What do we mean by strengthening the board? If you have a board, aware of its role, aware of duties, aware of its responsibilities and committed with best practice everything will work. The problem is, they are not like that, so we don't believe there will be integrity if the board members are not committed with these values. So, it's a cultural thing [...] [O]nce it's not clear if you have just a box ticking list you can do everything, and you say that you are doing everything." (Interview partner II)

> "[...] [I]n terms of integrity, I think that we did everything that we could." (Interview partner III)

> "Because we [do] everything that as a company we can do." (Interview partner VI)

Hinting at a remaining open field of further advancements in regard to anti-corruption measures at an organisational level.

> "So that's your job to think about the company, not the other people's opinion. That's why you need to have independence, autonomy to think with your own convictions and believe and that's something that we are always emphasising and every time we have events and training programs, your individual responsibility and that's why it is in the law." (Interview partner II)

Development in Brazil thus needs to go beyond compliance (Interview partner I; IV; VIII), establishing a common culture (Interview partner VIII) based on awareness (Interview partner VII) and individual responsibility (Interview partner II).

5.5 Discussion

When analysing the crucial stakeholders based on the understanding of Wieland's nexus of stakeholders, society and political institutions are identified as the most important shapers and rule setters in the Brazilian anti-corruption game. The first rule setter under consideration, society, is characterised by high distrust of SOEs, irrespective of the level of transparency and organisational change adopted after Lava Jato. This results in significant communication asymmetries, based on a lack of ability to process the business information provided by corporations. Hence, a limited impact of formal transparency mechanisms can be observed. Consequently, society needs to refrain from judgmental behaviour and instead enable a learning process for companies in the anti-corruption agenda, additionally fostering public trust in the aftermath of corruption scandals. Further, the differentiation between state and government view, the pervading wish for control of SOEs, the insecurities related to government changes and the absence of a clear-cut identification of corruption in accountability institutions jeopardise the anti-corruption framework for SOEs. Brazil as an emerging market will gain economic, political and legal stability by creating institutional boundaries and commitment to the latter (cf. Mody 2014). A corruption-prone history, fragile political institutions and heterogeneously complex public demands therefore constitute diverse challenges for the advancement of the anti-corruption framework in the emerging market Brazil, drawing up rather unstable rules of the game.

6. Conclusion: Embedding Norms and Integrity

The need for further adapting both institutional frameworks and organisational enforcement seems evident for shaping the rules of the game and being able to play the game in the case of the Brazilian Lava Jato. Corruption has, as described above, created the risk of uncertain trust-based transactions in the Brazilian economy, highlighting intrinsic weaknesses within business relationships in Brazil. To overcome these volatile business affairs, a relational focus and leadership are necessary to create a holistic and successful anti-corruption agenda in Brazil. The issue of corruption and maximising the individual profit of actors could thus be reduced by focusing on the continuity of the relationship between contract partners (cf. Claro et al. 2003: 704). A morals-based management is, in this instance, a crucial success factor (cf. Wieland 2017a: 245; 55; Wieland 2018a: 259). The contractual relationship must, however, be based on shared norms, the good reputation of the players involved and the mutual trust in continuing this newly formed inter-personal connection (cf. Wieland 2018a: 73). At the institutional level CSOs are therefore seen as pivotal stakeholders next to society and political institutions within the nexus of stakeholders in Brazil. To create common values and norms and trust amongst business partners, CSOs can contribute by providing stable guidelines and rules whilst monitoring them, ensuring overall security on the part of all participants. This, however, necessitates the right interaction with civil society institutions when building a stable institutional framework. Leadership can thus be seen in providing such guidelines as, in uncertain legal boundaries, these soft laws can help to overcome relational uncertainties and consequently create a level playing field for all actors and stakeholders.

At an organisational level, the implications for governance and leadership are granted special focus. When debating the organisational enforcement, new theoretical aspects provided by Relational Economics come to mind. On the basis of continued relational transactions creating shared value, which are dependent on the ability and willingness to cooperate, an integrated view and implementation of compliance and integrity measures are indispensable for the successful continuity of the firm. Despite these positive theoretical capabilities, a practical realisation within the Brazilian context remains constrained at present. Neither shared norms, mutual trust in the relationship, individual responsibility nor moral self-governance within the organisational realms seem currently present.

These implications for Institutions, Governance and Leadership therefore necessitate future research directed into relational efforts. One must not, however, bypass the cultural differences at hand. The basis of relational transactions incorporates cultural values in Brazil that differ from the European perspective. The politicisation of economic transactions is thus a crucial aspect in need of consideration and further research.

Closing Remarks

Within the project of the Transcultural Caravan of the Leadership Excellence Institute of Zeppelin University, Relational Leadership – Case Studies from Brazil, we were granted the opportunity to gain in-depth experience of the corruption case Lava Jato in Brazil. With the support of Transparency International, the two-week research stay in Sao Paulo and Rio de Janeiro was very successful. At this point we would like to thank Bruno Brandao, Guilherme France, Claudia Sanen and the whole Transparency International Team for granting us access to their offices and supporting us through the whole research process. Without TI's work in Brazil, our research would not have been possible in this way. We would further like to thank our organising team from Zeppelin University, especially LEIZ, including Prof. Dr Josef Wieland, Isabel Jandeisek and Dr. Julika Baumann-Montecinos.

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List of Expert Interviews

Interview partner I: Project Coordination, Expert Interview, 02.09.2019, Brazil.

Interview partner II: Advocacy Management, Expert Interview, 04.09.2019, Brazil.

Interview partner III: Office of Ombudsman, Expert Interview, 06.09.2019, Brazil.

Interview partner IV: Legal Department, Expert Interview, 11.09.2019, Brazil.

Interview partner V: Legal Department, Expert Interview, 12.09.2019, Brazil.

Interview partner VI: Board, Expert Interview, 10.09.2019, Brazil.

Interview partner VII: Compliance Department, Expert Interview, 11.09.2019, Brazil.

Interview partner VIII: Independent Researcher, Expert Interview, 11.09.2019, Brazil.

How can relational leadership contribute to effective cooperation in global and local networks? What can be learned from concrete application examples about the success factors of leadership in complex realities? Against the background of these questions, this book presents the results of a Transcultural Student Research Group from 2019 as a project of the Transcultural Caravan that involved more than 30 young researchers from Brazil and Germany working together on the topic of Relational Leadership and its applications to Brazilian contexts. Based on case studies of cooperation partners from the fields of business, social entrepreneurship, higher education and civil society, located in different regions of Brazil, the participants carried out field research on site in four Brazilian-German sub-groups and analysed the common overall theme from multiple perspectives. It is this transcultural format and the diversity of disciplines and backgrounds within the group that provide a multi-faceted, comprehensive picture of the success factors of relational leadership in Brazil and that distinguish this project and the results collected in this book.

Particularly important in this respect is the fact that the concrete cooperation experience of the researchers involved in the project enables them to develop precisely those competencies that are described in the literature on Relational Leadership as being crucial to productive cooperation across geographical and cultural borders. Juxtaposed with insights for the further elaboration of the concept of relational leadership and for its empirical application, this book therefore also attempts to provide insights into innovative academic methods for preparing future leaders to work in complex, heterogeneous and dynamic global environments.

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