3 Methodology

3.1 Overview and Reasoning for the Methodological Approach

As the research aims of the thesis are multi-facetted and of both exploratory and descriptive nature, a mixed-method approach appeared best suited. To examine the hypotheses posed in Chapter 2.4, an online survey was conducted and the collected data was analyzed quantitatively. An important note: the overarching goal of the survey, was to further empirically examine the opinions (younger) people have on ESG topics. Hereby, their understanding of the role of the business enterprise in society was questioned as well. Henceforth, no experiment was included, meaning that although the statistical analysis of the survey yields correlations and relations of perceptions, it cannot deliver cause and effect explanations. Conversely, to more deeply elaborate on the questions around the current state and future of ESG, as well as to elicit thoughts from knowledgeable participants of the ESG ecosystem about the suggested extensions of ESG as formulated in Chapter 2.7, qualitative semi-guided interviews were conducted with experts working in the ESG ecosystem. The primary goal of the interviews was to gather extensive insights from purposefully diverse experts with regard to the potential of a bearable society through ESG and derive the managerial and research implications from a synthesis of the interviews. The combination of both qualitative and quantitative methods enabled a comprehensive analysis of the topics presented in this thesis.

3.2 Quantitative Part: Online Survey

The survey specifically asked respondents about their views on the statements of two eminent scholars, Milton Friedman and Peter Drucker, and on the purpose and responsibilities of businesses. It also questioned respondents about the significance they attach to environmental, social, and governance factors in evaluating the role of businesses in society. The data gathered was used to statistically test the hypotheses presented in Chapter 2.4. The following paragraphs will in short delve into the recruiting of participants, the construction of the survey, the survey procedure and lastly the analysis strategy of the collected data. The entire survey can be found in Appendix 3.

3.2.1 Recruiting of Survey Respondents

Since the survey's content required neither prior knowledge nor specific cognitive qualifications of the participant, there were few restrictions on obtaining the initial sample. Potential participants received the survey link via email, instant messages from the researcher, or postings on various channels, including social media platforms. Initially, the survey link was shared in three student chat groups, each consisting of more than 200 members. Additionally, the study was promoted through the researcher's personal Instagram and LinkedIn accounts, achieving 322 and 1,011 impressions, respectively. Respondents directly sourced for the study were also asked to share the survey with those they believed would be interested. This aimed to ensure a high probability of survey completion.

This approach aligns with appropriate snowball sampling, where one 'snowball' starts in the researcher's network and another in the directly recruited participants' network (Tenzek, 2017; Brosius, Haas & Koschel, 2012). The recruitment method for the online survey can be described as semi-random (Brosius et al., 2012). Although this significantly limits the representativeness of the findings, it is a common practice for student research and is therefore tolerable (Hanel & Vione, 2016). The inherent problem of self-selection in such surveys can be

accepted in favor of advantages, particularly time and cost efficiency (Pürer, 2003, p. 544).

A pre-test involving 11 participants was conducted to optimize question clarity, item understanding, and the overall survey flow before circulating the final version. The survey field phase was conducted from 08.05.2023 to 29.05.2023. A total of 140 people participated during this period, of whom 120 completed all the questions, indicating that they reached the survey's final page. To further refine the sample, control procedures were implemented.

On one hand, an attention check question was included: participants were tested on their knowledge of the meaning of ESG. It could be assumed that even if participants had no prior knowledge of the acronym's meaning, they could derive it from context if attentive to the survey. This restriction excluded nine (9) cases from the final sample size. On the other hand, a hidden timer measured the time respondents spent answering the questionnaire. Previous research suggests that completing a survey significantly faster or slower negatively affects result validity (Greszki et al., 2015; Malhotra, 2008). Therefore, the median completion time (216 seconds) was used as a reference to limit response times between 120 and 720 seconds. Respondents who completed the survey significantly faster (in under 2 minutes) or slower (in over 12 minutes) than expected were excluded from the sample (8 cases). After applying these control measures, the sample size consisted of 103 people. Furthermore, the vast majority of respondents (87.4%) were aged between 18 and 27, defining them as Gen Z. Respondents aged 28 to 40 constituted 8.7% of the sample, while those aged 41 to 59 accounted for 3.8%. As the data analysis aimed to specifically examine the opinions of young people, respondents over 27 years old were excluded. This resulted in a final sample size of 90 people (n=90), with 59% identifying as female, 41% as male, and 0% as diverse.

3.2.2 Survey Construction and Procedure

The survey was conducted using the SoSci Survey application, which is a specialized software for empirical research. This software is freely available for students, allowing young researchers to highly customize their questionnaires and track niche measures like time spent on each survey page (Leiner, 2023).

At the survey's outset, a brief text introduced respondents to its content, with care taken to generate interest without immediately revealing the specific research focus. This approach was crucial for effectively implementing the attention check question ('Knowledge about ESG'). Subsequently, participants were informed about confidentiality and asked for consent to collect their data for research purposes. To maintain engagement, every survey page displayed the respondents' progress in percent (%).

The first substantive question concerned Milton Friedman's statement on social responsibility: *"There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game"* (M = 2.92; SD = 1.04). Respondents ranked their agreement on a 5-point Likert scale[51]. With close consideration to the goals of the analysis, namely to test for either indifference or significant interest in the respective aspects of the questionnaire, a scale with a neutral value was chosen.

Following a consistent structure, the second question addressed Peter Drucker's statement: *"Every organization must assume full responsibility for its impact on employees, the environment, customers, and whomever and whatever it touches. That is its social responsibility"* (M = 4.57; SD = 0.7).

The subsequent question focused on legitimacy perception towards business enterprises, using a 5-point Likert scale. To measure the latent construct of legitimacy, a scale adapted from Alexiou & Wiggins (2019)

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51 Likert scale used for all questions throughout the survey: 1 = strongly disagree; 2 = disagree; 3 = neither agree or disagree; 4 = agree; 5 = strongly agree.

with five distinct and randomized items was used, and an index was calculated (M = 4.17; SD = 0.53; Chronbach's α = 0.68).

Next, participants were tested on their knowledge of the acronym ESG. As mentioned above, those who failed this test were excluded from the data analysis. Therefore, it is not necessary to further elaborate on this question.

The last, and longest, survey question evaluated the perceived importance of environmental, social, and governance factors for business enterprises. For each pillar, an index similar to the legitimacy question was computed (environmental: M = 4.51; SD = 0.58; Chronbach's α = 0.85; social: M = 4.39; SD = 0.67; Chronbach's α = 0.81; governance: M = 4.34; SD = 0.61; Chronbach's α = 0.77). These questions were adapted from Turker's scale to measure CSR (2009), PwC's study on ESG (2021), and Aksoy & Woodall's report (2022) on consumer sentiment towards ESG. Finally, a comprehensive ESG index was computed from these three indices (M = 4.41; SD = 0.56; α = 0.90).

3.2.3 Quantitative Survey: Analysis Strategy

The collected data was cleaned and analyzed using the free software 'JASP' (Jasp, 2023). In addition to index creation, their reliability was tested (reported above as Cronbach's alpha values). While the constructs exhibited high reliability, the Shapiro-Wilk test revealed that the data did not adhere to a normal distribution. The test returned a p-value of < 0.001 for all relevant constructs, indicating a significant deviation from normality. Yet, this outcome is not surprising and aligns with the considerations outlined in Chapter 2.3.

Due to the sample size (n = 90) exceeding 30, normality was not a prerequisite for conducting two-tailed one-sample t-tests (Soetewey, 2022; Winkel, 2023). One-sample t-tests were the primary method of analysis and were used to assess all hypotheses in this thesis (refer to Chapter 2.4). Additionally, descriptive statistics and simple linear correlations were performed to achieve the quantitative survey's research goals.

Furthermore, given the sufficiently large sample size (n =90), two sets of independent t-tests were conducted, using gender (female vs. male) and nationality (Germany vs. USA) as grouping variables. These tests were supplementary analyses; hence, only the t-test results are discussed in the survey results section, with answer frequencies and descriptive statistics for individual items omitted. Before delving into the discussion of the study's findings in Chapter 4.1, the following pages will elaborate on the second research method utilized.

3.3 Qualitative Part: Semi-structured Expert Interviews

The interviews for this thesis were conducted from end of May until the beginning of July 2023. Purposefully, a diverse set of experts within the ESG ecosystem was selected to achieve a multitude of perspectives about the topics in question. For every interview the guidelines (see Appendix 4) were used, but not restrictively adhered to. Particularly, since the experts were almost all from different areas of the ESG sphere, some conversations deviated more from the originally derived questions than others. However, all conversations were valuable to better gauge the current state of, and outlook for ESG. Moreover, Peter Drucker's thoughts on social responsibility were closely integrated in every conversation, while maintaining the continuous conversational framework to the question of approximating the bearable society.

3.3.1 Advantages of Qualitative In-depth Interviews

First, because this study suggests a novel conceptual extension to ESG, there is a need for evaluation to fulfill the requirements of self-reflexive science (Meyen, Löblich, Pfaff- Rüdinger & Riesmeyer, 2011). Second, while the body of research on ESG has been growing rapidly, the definition of ESG remains ambiguous. This is somewhat contradictory to the fact that most of the reviewed research has taken a quantitative approach. The given reasons led to the decision to examine this topic additionally with in-depth semi-guided interviews in order to fill

the *"data with life"* and thereby achieve new perceptions and insights (Meyen. et al., 2011). The biggest advantage of qualitative research is its ability to identify cross-links and action motifs that may not have been anticipated by the researcher. This is crucial for the present thesis, as it aims to better evaluate the extensions of ESG through a myriad of expert insights and thereby derive managerial and research implications. Only the qualitative approach allows the researcher to holistically understand the reason and psychological meaning of the respondent's actions and behaviors (ibid.). In juxtaposition to a pre-fabricated quantitative survey aiming at statistical results, this method allows the respondents to speak freely, while simultaneously enabling the researcher to inquire further at all times and dive more deeply into the topic or other emerging strains of thought. Thereby, new ideas or findings can be embedded into the research process 'like a spiral'. In fact, according to Meyen et al. (2011), this is a desirable effect and a proper way to answer a given research question.

3.3.2 Recruiting of Interviewees

Generally, the principal of theoretical sampling was applied to recruit respondents that match the criteria derived from theory and the research interest (Meyen et al., 2011). Above all, interviewees were required to work in the ESG ecosystem for at least one year and they had to agree to talk to the researcher without compensation. As in-depth interviews are a reactive method, where social desirability could quickly distort the results, close attention was paid to not recruit respondents out of the researcher's social circle (Meyen et al., 2011). Consequently, none of the interviewees were known to the researcher before and all respondents were recruited through a third party, mostly through the social networking site LinkedIn. After the initial connection was made, a brief e-mail was sent to the potential respondents explaining the personality of the researcher and the general goal of the study. Hereby, an information sheet was attached that provided more information about the conditions of the interview process, the confidentiality and

anonymization of the recorded conversations and disclosure about the possibility for respondents to cancel the interview without explaining further reasons. Prior to any interview, respondents had to either sign a declaration of consent (see Appendix 5) or consent verbally during the beginning of the interview. To achieve broader results, the sample was adequately diverse regarding years of professional experience, gender, educational background and most importantly, profession within the ESG ecosystem. The final sample consisted of 11 participants, 7 males and 4 females. Two participants were from the United Sates, and the rest was living and working in Germany. Fictional names are assigned to the participants to ensure the agreed-upon factual anonymization and increase further readability of the study (Overview: Table 13).

3.3.3 Development of Interview Guidelines and Interview Procedure

Before going into the field, one pretest interview was conducted to improve the interview guidelines by eliminating ambiguous or suggestive questions. The final guidelines included the questions that were tested to elicit the most elaborate answers from the respondent in the pilot interview. Generally, the interview questions were operationalized based on the theoretical considerations of this study. Moreover, Peter Drucker's body of thought was continuously embedded into the conversations, particularly through the integration of two key statements (see Appendix 4, Topic Area III). Soon after entering the field phase, it became evident that ESG is a topic that the questioned experts have a strong, yet differentiating, opinion about. In all interviews, particular attention was paid to asking relevant follow-up questions, especially regarding topics that were not originally included in the guideline but promised relevant insights.

The interviews were conducted between 17th of May and 7th of July 2023. Apart from two interviews (Simon Larsson & Ben Ferris), all interviews were conducted via common video-conferencing applications, such as Zoom or Microsoft Teams. This circumstance sometimes affect-

ed the flow of the interview as random shutdowns or poor internet connection could not be eliminated. The average interview length was 50 minutes (min: 30 minutes; max: 61 minutes). The interview guidelines consisted of mostly open questions. However, to ensure that all topics relevant to the research questions were covered some follow-up questions were posed in a closed question manner. This enabled the respondents to elaborate freely, yet purposefully. To facilitate dialogue, the interview guideline was applied without strict adherence to the order of questions. This resulted in authentic answers and a natural flow of speech.

The interview guideline is split up into eight main parts: Salutation and Introduction (I), General Questions on ESG / Current State of ESG (II), Social Responsibility, Legitimacy and Peter Drucker's Bearable Society (III), Environment Pillar (IV) Social Pillar (V), Governance Pillar (VI), Outlook for ESG (VII) and Ending (VIII). Section I briefly explains the purpose of the interview and the circumstances of factual anonymous data collection. Next, section II first includes questions referring to the current state of ESG and delves into the perception of the acronym's impact. Subsequently, the question is asked, who currently truly benefits from ESG and if ESG is viewed rather as a risk, an opportunity or both in the expert's niche. The second part of section II, investigates the primary bottleneck of ESG adoption, the weightage of the three pillars within ESG and the reasoning behind an ESG reporting mandate. In the following section (III), interviewees are exposed to the two Peter Drucker statements (see Appendix 4). In some cases, the researcher read the statements out loud, while in others, participants preferred to read them by themselves as they were posted in the chat of the video conferencing application as well. The statements are concerned with Drucker's understanding of social responsibility of the business enterprise and his call directed at society's major leadership groups ('elites' in the interview guidelines) to aim at creating a bearable society. Here, in each interview, extensive follow-up questions were asked regarding the expert's opinion on these statements, their understanding of the social responsibility of companies and the role

of the 'profit rhetoric'. In many interviews, the statement regarding the role of the elites enabled a smooth transition to the inquiries about the demands of younger people. Hereby, it was of particular interest to understand if – according to the expert's opinion – young people will become disappointed by ESG. Next, section IV focuses on the environmental pillar of ESG and asks about alternatives to the 'not further damaging earth'-approach and if net zero strategies actually add any value. Throughout most interviews, questions concerning the social pillar (Section V) were embedded more freely, as they organically came up in the conversations. Here, the central questions were if companies have a responsibility to develop their own workforce and if one wouldn't expect most metrics listed under the social pillar to be met anyways. Accordingly, section VI covered the suggested extension of the governance pillar and therefore asked experts about their perspectives on e.g. the importance of a political stance for a company, executive compensation or the effectiveness of ESG in preventing managerial myopia. Lastly, section VII of the interview guideline, is concerned with the expectations about ESG's future. It was of special interest to gauge the expert's opinion if ESG will have a different trajectory from its predecessors, such as CSR or the Triple Bottom Line. At the end, in section VIII respondents were asked if they want to mention anything else concerned with ESG, that has significant importance to them but has not come up during the interview. Moreover, they were asked to add further thoughts regarding the achievement of the bearable society. Each interview was recorded and fully transcribed (see Appendix). The interviews were analyzed using the MAXQDA2020 software.

3.3.4 Qualitative Interviews: Analysis Strategy

In alignment with the explorative character of the present thesis, the material was analyzed using both deductive categories based on theoretical considerations and inductive categories developed from the interviews. The latter approach was used when reoccurring statements were not sufficiently represented through the pre-existing categories

derived from theory (Mayring, 2000). After the interviews were initially coded, the category system was reworked again to integrate missing categories, split up equivocal or broad categories, merge overlapping categories or delete infrequent ones. To investigate the suggested extensions of ESG, the material was analyzed in accordance to the propositions but also in deviation from it to discover links, relations or challenges that were not anticipated previously. Within MAXQDA 2022, the primary methods of coding were manual coding, based on the category system and the auto-coding function based on specific text inputs. Subsequently the data was analyzed within MAXQDA, mostly using the complex segment search function.