Organisational Strategies for Sustainable Development: Developing A Research Agenda for the New Millennium

by
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Abstract:
Environmental issues have been on the agendas of industry and academia for nearly thirty years. While the bulk of this research has focused on environmental sustainability, the late 1990s saw a broadening of the scope of this field of inquiry to include social, environmental and economic sustainability. In this paper I discuss the emergence of organisational strategies for sustainable development and their implications for management theory and practice. I discuss the emergence of environmental issues and their implications for strategy, and describe briefly the theoretical and practical implications of integrating environmental and social issues into corporate strategies. I also discuss my own work in this field and how it relates to other research.

KEYWORDS: SUSTAINABLE DEVELOPMENT, CORPORATE ENVIRONMENTAL STRATEGY, STRATEGIC MANAGEMENT.

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1. Introduction

The last few decades have seen increased awareness of environmental issues by governments, policy makers, advocacy groups, business firms and the public all over the world. More than a century of industrial development has come at a price: global warming, ozone depletion, air and water pollution, soil erosion, and deforestation are widely recognized as global environmental problems demanding immediate solutions. This growing trend appears to reflect changes in the external environment of market systems: increased regulatory forces and public environmental concern have meant that business firms are paying more attention to the environmental impact of their products, processes and services. In recent years there has been a minor explosion of articles in management journals on environmental issues. Top journals such as *Academy of Management Review* (1995), *Academy of Management Journal* (2000), and *Long Range Planning* (1992) have produced special issues focusing on business and the environment and ecologically sustainable organisations. Newer ‘green’ journals such as *Business Strategy and the Environment, Total Quality Environmental Management, Organization & Environment* have also been launched.

While the bulk of this research has focused on environmental sustainability, the late 1990s saw a broadening of the scope of this field of inquiry to include social, environmental and economic sustainability. Historically, a business firm has been viewed through a predominantly economic lens: its responsibility is first and foremost to its shareholders and employees.

In recent years, there have been attempts to broaden the narrow focus on a single economic bottom line by developing a ‘triple bottom line’ approach, one that also considers the social and environmental impacts of business (Elkington 1999). The key theme of this approach is the notion of sustainability—a much-debated, sometimes controversial derivative of sustainable development. In this paper I discuss the emergence of organisational strategies for sustainable development and their implications for management theory and practice. I discuss the emergence of environmental issues and their implications for strategy, and describe briefly the theoretical and practical implications of integrating environmental and social issues into corporate strategies. I also discuss my own work in this field and how it relates to other research.

2. Sustainability and Corporate Strategy

While there are over 100 current definitions of sustainable development, the one most commonly used is that developed by the Brundtland report at the World Commission for Economic Development (WCED) in 1987. It defines sustainable development as ‘a process of change in which the exploitation of resources, direction of investments, orientation of technological development, and institutional change are made consistent with future as well as present needs’ (WCED 1987, p. 9). Apart from attempting to reconcile economic growth with environmental maintenance, sustainable development also focuses on social justice and human development, as well as the equitable distribution and utilization of resources within the framework of social equity. This approach assumes that ensuring economic sustainability of a business in isolation is insufficient: environmental and social sustainability should also be taken into account to meet
the goals of sustainability. Research in this area is limited but growing in importance as evidenced by various global, international, domestic, regional and local initiatives examining the social and environmental impact of economic activity.

At the organisational level, the focus of current research is on ecologically sustainable organisations (Gladwin, Kennelly & Krause 1995; Starik & Rands 1995; Shrivastava 1995). Researchers have modified current models of organisational strategy in an attempt to integrate environmental issues, arguing that firms that are more proactive towards environmental issues will be more sustainable in the long-term (Jennings & Zandbergen 1995). Research has focused on specific techniques that organisations can employ to integrate environmental issues such as Total Quality Environmental Management, life cycle analysis, product stewardship, eco-efficiency and environmental risk management (Schmidheiny 1992; Shrivastava 1995). More recent research has expanded the focus on ecological sustainability to include social and economic sustainability. For instance, Dow Jones recently launched a ‘Sustainability Group Index’ after a comprehensive survey of Fortune 500 companies. A sustainable corporation was defined as one ‘that aims at increasing long-term shareholder value by integrating economic, environmental and social growth opportunities into its corporate and business strategies’ (Dow Jones Sustainability Index 2000). While this notion acknowledges the importance of environmental and social dimensions of corporate performance, it is significant that these concerns are framed as a strategic issue of ‘growth opportunities’. Even though the focus of corporate sustainability is clearly on sustaining long-term shareholder value, there is an underlying assumption that integrating environmental and social issues is somehow necessary for this to be achieved. How these dimensions are to be integrated and how social and environmental performance should be assessed remain challenging and unanswered questions. The limited empirical evidence (primarily based on case studies) suggests that sustainability issues (especially those relating to the environment) are framed by business corporations as opportunities and risks and assessed by the amount of environmental liability that can be reduced or economic benefits that can be obtained (Banerjee 1998a, 2001b; Jennings & Zandbergen 1995; Porter & van der Linde 1995; Shrivastava 1995).

Attempts to incorporate sustainability into organisation theory have resulted in two main areas of research. In the area of environmental sustainability, theoretical discussion has focused on the paradigmatic implications of including the dynamics of the biophysical environment into traditional economic and management paradigms. Researchers argue that including the biophysical environment will help overcome the anthropocentric bias in organisation theory and discuss the emergence of alternate paradigms such as the ‘ecocentric paradigm’ (Purser, Park & Montuori 1995), and the ‘sustaincentric paradigm’ (Gladwin et al. 1995; Starik & Rands 1995). Several assumptions underlying these paradigms contradict those in the neoclassical economic paradigm. For example, the ecocentric paradigm acknowledges that there are limits to growth and carrying capacity and is skeptical about the role of technology in solving environmental problems (Gladwin et al. 1995), whereas a stark interpretation of the neoclassical paradigm reveals an assumption of limitless growth and considers technology an
external factor in the economic system that can potentially solve all environmental problems (Jacobs 1994).

While the relationship between humans and the natural environment has been theorized in a variety of disciplines such as sociology, psychology, anthropology and economics, theory development on organisational strategies for sustainability is still in its nascent stage. There is a strong normative and ethical current in theories of organisations and the natural environment, and there are plenty of prescriptions as to what organisations should do to protect the environment. Like stakeholder theory, some aspects of corporate environmentalism do have a fundamental normative objective where protecting the environment is seen as ‘the right thing to do’. While some researchers argue that the traditional management paradigm is flawed and cannot address problems arising from environmental destruction (Gladwin et al. 1995; Shrivastava 1995), others believe that managerial behaviour can be changed within the current paradigm to reflect environmental values (Hanna 1995).

For instance, environmentalism has commonly been classified into categories of technocentrism and ecocentrism (O’Riordan 1981). These two paradigms have vastly differing assumptions about the value of nature, faith in technology, carrying capacity limits and severity of environmental problems (Gladwin et al. 1995). A variety of environmental movements such as deep ecology, eco-feminism, and the Gaia followers are rooted in ecocentrism where humans do not occupy a privileged place in nature (unlike the technocentric paradigm), and nature itself has intrinsic values that are independent of human values. The technocentric paradigm is more anthropocentric in the sense that it views humankind as separate from and superior to nature. Some researchers argue that neither the technocentric nor the ecocentric paradigm provide a useful theoretical framework for organisational strategies for sustainability: the former is thought to be too dismissive of environmental problems and fails to take into account environmental risks while the latter is viewed as being too idealistic and impractical for modern organisations (Gladwin et al. 1995). The sustainability paradigm is an attempt to develop an integrative perspective.

In a content analysis of different definitions of sustainable development, Gladwin et al. (1995) identified several themes including human development, inclusiveness (of ecological, economic, political, technological and social systems), connectivity (of socio-political, economic and environmental goals), equity (fair distribution of resources and property rights), prudence (avoiding irreversibilities and recognizing carrying capacities), and security (achieving a safe, health and high quality of life). However, despite its broad goals, what is being sustained does not seem to be in question because, as Hart (1997, p. 67) points out, the challenge is ‘to develop a sustainable global economy: an economy that the planet is capable of supporting indefinitely’. Thus, the challenge is to find new technologies and to expand the role of the market in allocating environmental resources with the assumption that putting a price on the natural environment is the only way to protect it.

For instance, Pearce, Markandya & Barbier (1989) emphasize ‘constancy of natural capital stock’ as a necessary condition for sustainability. According to Pearce et al. (1989), changes in the stock of natural resources should be ‘non-negative’ and man-made capital (products and services as measured by traditional
economics and accounting) should not be created at the expense of natural capital (including both renewable and non-renewable natural resources). Thus, growth or wealth must be created without resource depletion. Exactly how this is to be achieved remains a mystery. A majority of the sustainable development literature is of this ‘eco-modernist’ variety and addresses ways to operationalise the Brundtland concept.

In an analysis of the sociology of nature, Macnaghten and Urry (1998, p. 2) argue that current discourses of nature and the environment all assume the existence of a singular ‘nature’ rather than emphasize that it is ‘specific social practices, especially of people’s dwellings, which produce, reproduce and transform different natures and different values’. They argue against three ‘doctrines’ of the received view of the environment or what they call environmental realism, environmental idealism and environmental instrumentalism.

*Environmental realism* refers to the transformation of nature into a ‘scientifically researchable environment’ where modern western science can identify environmental problems and articulate appropriate solutions. Social and cultural environmental practices are subsumed by the realities of scientific inquiry. Macnaghten and Urry (1998) argue against this singular view of nature by describing the cultural processes involved in the naturalisation of nature. They describe how the environment entered social discourse through specific social and cultural processes, such as student activism and the counter-cultural movements of the 1960s. *Environmental idealism* analyses nature by examining the range of ‘values’ held by people about nature; these environmental values are assumed to be stable and consistent. Macnaghten and Urry (1998) refute the notion of investigating environmental values without contextualising the temporal and spatial arrangements of people’s lives. Individual valuation of nature, they argue, is ambiguous, contradictory and context specific.

*Environmental instrumentalism* refers to the responses of individuals and groups to environmental problems that are determined by evaluating individual or collective interests versus environmental trade offs through cost-benefit analysis or other market-based mechanisms. The assumption here is that the individual subject will weigh the costs and benefits of different behaviours and once presented with the facts, will understand that it is in their interest to behave in an environmentally responsible manner, believing that governments and public institutions will also act to protect the environment. Macnaghten and Urry’s (1998) research on British consumers shows little support for this proposition with few respondents appearing to possess such a strong sense of agency and high levels of trust in public institutions.

Environmental issues also have strategic implications for organisation and the second area of research on organisations and sustainability examines the strategic implications of environmental issues for organisations. This area explores the emergence of environmental management strategies such as pollution prevention, energy conservation and recycling, and focuses on the competitive advantage that can result by integrating environmental issues into company strategy (Banerjee 1998a; Cairncross 1992; Jennings & Zandbergen 1995; Porter & van der Linde 1995). For instance, Shrivastava (1995) describes how environmental issues can be deployed to develop competitive strategies of least cost, product differentiation and niche marketing. Resource conservation, energy efficiencies and recycling can provide sources of competitive advantage by reducing costs. ‘Green’ products and
packaging can be used as product differentiation strategies and niche markets of environmentally concerned consumers can be developed and grown through environmental education.

3. Research Findings

Most of my research has focused on environmental sustainability using both qualitative and quantitative approaches. I have investigated environmental sustainability at different levels: individual, organisational and policy. At the individual level, I have examined managerial attitudes towards environmental issues (Banerjee 2001a), developed a model of consumer involvement with environmental issues (Bloch & Banerjee 2001) and constructed a scale to assess personal environmental concern (Banerjee & McKeage 1994). This work is based on psychological and sociological constructions of nature and the environment and examines personal motivations behind environmental concerns. It develops and empirically tests a series of propositions describing the relationship between environmental attitudes and behaviour.

In the organisational behaviour area I have advanced several theoretical propositions on corporate environmentalism and its antecedents and provided empirical support for some of these. Using a combination of in-depth interviews and case studies, I have examined how organisations integrate environmental concerns into their strategic planning process (Banerjee 1999; Browne, Banerjee, Fulop & Linstead 1999), described managerial perceptions of corporate environmentalism (Banerjee 2001b), developed a framework of corporate environmentalism and its antecedents (Banerjee 2000b), and examined the organisational learning process involved in integrating environmental issues (Banerjee 1998a). Based on this research, I subsequently constructed and empirically tested a reliable and valid measure of corporate environmentalism (Banerjee, 2002), described the range of environmental behaviours exhibited by organisations in different industries (Banerjee 2001c) and developed and empirically tested a model of corporate environmentalism and its antecedents (Banerjee, Iyer & Kashyap, in press).

In addition, I have discussed public policy implications of environmentalism and sustainable development (Banerjee 1996a; Banerjee 1996b); examined the role of global environmental regulations and standards (Banerjee 2000c); described and analysed environmental advertising (Banerjee, Gulas & Iyer 1995; Iyer & Banerjee 1993; Iyer, Banerjee & Gulas 1994); discussed the role of stakeholders and corporate citizenship (Banerjee 2000a; Banerjee 2001d; Banerjee in press b); developed critiques of sustainable development (Banerjee in press a; Banerjee in press c); and discussed the environmental and social impacts of globalisation (Banerjee 1995; Banerjee 1998b; Banerjee & Linstead 2001).

My research is informed by three principles. First, my approach is multidisciplinary. Neoclassical economics is the dominant paradigm that informs most research on organisation-environment interactions. My work draws on perspectives from sociology, environmental science, political science, indigenous ecology and cultural studies to provide a richer description of the complex interactions between organisations and the natural environment. Second, my research is critical in its approach. Corporate environmental strategy tends to be
framed solely by economic criteria and my research provides a critique of the assumptions underlying this framework while attempting to expand its scope by integrating insights from a variety of disciplines. I am actively involved in promoting this approach to research in the Critical Management Studies interest group in the Academy of Management. Third, my research is *international* in its scope. Environmental problems are global problems requiring both global and local initiatives and my research has examined environmental issues in a variety of contexts including Australia, Asia, the Americas, and Europe.

I describe below some key findings from my research:

- In developing an instrument to assess personal concern for the environment (Banerjee & McKeage 1994; Banerjee 2001a), I found that environmental concern was a two-dimensional construct consisting of *internal concern* (the level of inherent concern a person has for the environment in terms of importance of the problem, its personal relevance, interest in environmental issues, worrying about environmental pollution, feeling a sense of connectedness with nature, and caring about the environment) and *external concern* (dealing mainly with external issues such as benefits of consumer products as opposed to pollution, effect of environmental regulation on industry, and economic trade-offs). Environmental concerns have been conceptualised in a variety of ways and researchers have attempted to measure attitudes, values and behaviours relating to environmental concerns and environmental ethical decision making (Albrecht, Bultena, Hoiberg & Nowak 1982; Arcury 1990; Dunlap & Van Leire 1978; Flannery & May 2000; Winter 2000). Depending on the specificity of construct definition, environmental concern has been found to be either uni- or multi-dimensional.

- The correlation between internal environmental concern and environmental behaviour was significantly higher than between external environmental concern and behaviour. The personal environmental concern scale was tested across three different samples: managers working in a variety of industries (industry managers), managers working specifically in the for-profit environmental protection businesses (envirotech managers) and managers in not-for-profit environmental organisations (environmental organisation or EO managers). While, the study did not find any significant differences in environmental concern between the industry and envirotech samples, the managers in environmental organisations had significantly higher scores on environmental concern as well as higher attitude-behaviour correlations (Banerjee 2001a).

- In a study of how organisations learn to integrate environmental issues into their strategic planning processes, two approaches to environmental learning were identified. A single-loop learning process had more of a short-term focus on the environment limited to complying with environmental legislation, maintenance support for environmental issues and limited environmental training for employees. A double loop approach led to integration of environmental concerns at a corporate instead of a functional level, had a long-term strategic view of the environment with higher levels of investment in environmental protection, comprehensive environmental training and education programs for customers, suppliers and employees and led to the development of new ‘green’ products (Banerjee 1998a).
• In a study exploring managerial perceptions of corporate environmentalism two themes emerged. Corporate environmental orientation responses focused on the company’s internal values, standards of ethical behaviour, commitment to environmental protection, environmental responsibility, perceptions of external stakeholders, the need to respond to stakeholder interests and the need for sustainable development. Environmental strategy focus was the degree of integration of environmental issues. Depending on industry context and organisational characteristics, environmental issues could be integrated at the corporate, business or functional level with differing consequences for the company (Banerjee 2001b).

• The level of integration of environmental issues into strategy appeared to be influenced by a number of factors including regulatory, need for competitive advantage, public concern, top management commitment and long-term focus (Banerjee 1998a; Banerjee 1999; Banerjee 2001b).

• In a quantitative survey of 311 U.S. firms’ environmental strategies, I found significant differences in how internal and external factors influenced corporate environmentalism. Regulatory, public concern and top management commitment were all positive associated with corporate environmentalism. In addition, industry factors moderated the relationship between corporate environmentalism and its antecedents with firms in high-impact industries showing higher levels of corporate environmentalism (Banerjee, Iyer & Kashyap, in press).

• Path analysis indicated that the relationship between corporate environmentalism and the need for competitive advantage, legislation and public concern were all mediated by top management commitment (Banerjee et al. in press).

• In the high environmental impact sector, the antecedents ranked in order of decreasing importance were top management commitment, public concern for the environment, regulatory forces and competitive advantage (Banerjee et al. in press).

• In the medium environmental impact sector, the antecedents ranked in order of decreasing importance were top management commitment/competitive advantage, regulatory forces and public concern (Banerjee et al. in press).

4. Critiques of Corporate Approaches to Sustainability

Much of the literature on organisational strategies for sustainability has focused on ‘win-win’ situations where ‘what’s good for the environment is good for the company’. Environmental initiatives were positioned within the framework of productivity improvement, cost savings, and eliminating defects, all of which are quality improvement parameters. What happens to environmental issues that do not meet these criteria remains unclear. In other words, what happens when what’s good for the environment is not good for the company? As Walley and Whitehead (1994) have pointed out, environmental challenges facing industry are extremely complex and do not always result in win-win situations and need not always provide value to customers. Management decision-making processes in these challenging situations merit further research attention.
In a trenchant critique of current ‘green’ literature, Newton and Harte (1997) argue that most research in this area is ‘buttressed by evangelical rhetoric and (is) reliant on the assumption that organisations will voluntarily become greener’ (p. 75). Newton and Harte (1997) question the efficacy of ‘green evangelism’ and call for a critical approach to corporate environmentalism. Critics of both radical and reform environmentalist perspectives are skeptical about notions of ‘green capitalism’, ‘natural capitalism’ or ‘green consumerism’ arguing that the fundamental assumptions of environmentalism and economic development are contradictory and cannot be resolved through green sleight-of-hand theorizing. In that sense I am in agreement with Newton and Harte (1997) who suggest that voluntarism is not the way toward organisational greening and the role of external constituencies like regulatory agencies and environmental organisations warrants further attention. Regulations can also encourage environmental innovation in firms resulting in gains in productivity and competitive advantage (Porter & van der Linde 1995). The challenge for both industry and policy makers who wish to promote greening is to determine incentives that can raise environmental strategies to higher levels of strategic decision-making.

Theoretically the notion of sustainable development is also mired in some confusion. Moreover there is no single, unambiguous, universally accepted definition of environmentalism. As McAfee (1999, p. 133) argues, ‘contrary to the premise of the global economic paradigm there can be no universal metric for comparing and exchanging the real values of nature among different groups of people from different cultures, and with vastly different degrees of political and economic power’. Thus, ‘global’ policies of sustainable development can pose problems for developing countries or indigenous communities whose valuation of and dependence on nature is qualitatively different from affluent consumers of the first world (Banerjee, in press a).

5. Directions for Future Research
Sustainability is a complex issue and much theoretical and empirical work remains to be done. I will discuss three emerging areas of research that warrant further attention. The first area is social sustainability. Social sustainability is one of three so-called bottom lines of sustainable organisations and is informed by notions of equity and distributive justice articulated in the Brundtland definition of sustainable development. While concepts of environmental sustainability have been developed and operationalised, social sustainability remains a contentious issue both in terms of its definition and the role of business organisations. How do corporations, governments, non-government organisations and other organisations define social sustainability? What indicators are being used to assess social sustainability? How are social issues to be integrated in organisational decision-making? Second, there is a need to analyse sustainability practices in a variety of industry contexts. Much of current research focuses on the representation of sustainability in organisations. These representations could be manifested by a range of behaviours that firms can exhibit: entering new markets for environmentally friendly technologies, divesting from high environmental impact industries, investing in cleaner technologies, corporate philanthropy, alliances with community organisations, undertaking regular social and environmental audits and so on. While these are admittedly
broad areas, they need to be integrated to develop a triple bottom line approach to sustainability where a business firm is assessed and rewarded on its performance on social, economic and environmental parameters. What these parameters are and how they should be measured is a challenging area for future research. The link between representations of sustainability and behavioural outcomes of sustainability is an interesting one and is an area for future research. Third, the role of stakeholders in the path toward sustainability needs further attention. Research on organisations and their stakeholders has been going on for more than forty years in the broader area of corporate social responsibility. Stakeholder theory is often presented as a strong normative model as well as a descriptive or instrumental model with consequences for firm performance. If sustainability involves integrating economic, social and environmental issues into organisational strategies, then developing a strong theory of organisations and its stakeholders is of critical importance. Who are the different stakeholders that organisations must interact with to achieve the goals of sustainability? What is the nature of organisation-stakeholder relationships in the context of sustainability? What kind of relationship is more effective in promoting sustainability? Developing sound theories and effective practices of economic, environmental and social sustainability represents a key challenge in the field of organisational behaviour and it is hoped that future research will shed some light on some of the areas described above.

(Date of receipt of final transcript: June, 2002. Accepted by Sharon Parker and Robert Wood, Special Issue Editors.)

References


