

Strategic Orientation to Corporate Sustainability: An Exploration

ABSTRACT

The notion of corporate sustainability (CS) brings firms centrally within the ambit of the wider sustainability discourse. It attributes the prime responsibility as well as the greatest capability to businesses for ensuring social and ecological sustainability concomitant with profitable business.

Academic research in CS has covered substantial conceptual and empirical ground over three decades of inquiry, and has addressed outcomes, motivations and moderators of the CS phenomena. However, phenomenological inquiry has tended to focus on discrete CS outcomes, and much of this research is also confined to separate silos of environmental and social literature. Therefore, although enriched by insightful theoretical explanations of discrete CS phenomena, we also inherit a fragmented vision of a field in a pre-paradigmatic state. Notwithstanding this emergent state of CS research, an increasing number of corporations across the globe have taken the lead in embracing sustainability, with many of them also reporting on a “triple-bottom line” basis, combining the three dimensions of environment, society and economy. Yet, there is also wide variation evidenced in CS practices and firms’ approaches to the sustainability agenda. Therefore, CS scholarship still seeks a theoretical frame that can integrate the various linkages to explain the heterogeneity in CS strategy, practices, praxis, processes and performance.

In a bid to partly address this gap, my thesis asks the following research questions:

- 1. What are the different strategic orientations that firms adopt towards sustainability?*
- 2. Why do firms adopt different strategic orientations towards sustainability?*

I analyse the narratives in the CS reports of 160 firms across an 8-year period, from 2005 to 2012 to code and synthesize the range of reported initiatives. I generate a comprehensive list of CS initiatives from extant literature, a CS database (KLD-MSCI) and a pilot sample of CS reports and use this to build a panel of over 1080 firm-year observations on CS initiatives. Thereafter, extracting latent variables through an exploratory factor analysis, I identify ten groups of CS initiatives that tend to occur together, or appear to be driven by a common purpose or directional logic- in other words, strategic orientations to corporate sustainability. For convenience, hereafter in this thesis, I refer to these as “CS orientations”. I conceptualise and label these CS orientations

based on the characteristics of the constituent CS items as follows: Four in the environmental dimension (Reduce damage to the physical environment; Preserve ecological status quo; Minimalism and Champion business of green), four in the social dimension (Responsible governance; Championing for social equity; Neighbourhood development; and Facilitate economic empowerment) and the final two in a nuanced dimension that I fashion as “Humane Orientation” (Bounded humaneness and Unbounded humaneness).

The principal contribution of my thesis is a schema that can effectively frame the phenomenal heterogeneity observed in CS practices in terms of a parsimonious set of CS orientations. I also highlight the strategic intent underlying firms’ approaches to CS that in turn manifests in myriad outcomes. A detailed analysis of CS narratives and trends reveals that these CS orientations exhibit interesting patterns in their distribution across key regions and industries, suggesting the influence of antecedents at multiple levels.

In seeking to understand why firms differ in their sustainability orientations, I introduce multiple levels of analysis, exploring factors at national, industry and firm level. Predicated on national culture theory, legitimacy theory and behavioural theories of the firm, I propose and test several hypotheses. Overall, the results highlighting the relevance (to CS orientations) of the following: national culture (e.g. Egalitarianism, Harmony); national institutional characteristics (e.g. economic freedom, income inequality); industry characteristics (environment sensitivity); and firm characteristics (e.g. multinationality). I highlight this as an important theoretical contribution, particularly because in a behaviourally rich and diverse context such as CS, national culture has only been sparingly examined in extant CS research.

A critical theoretical contribution of my thesis is the identification of a nuanced dimension within the corporate social context - the *humane orientation*. It is interesting for the reason that the underlying humane values that seem to drive this orientation, are distinct from those that characterize other social initiatives; it is also important because being a minimally examined dimension in the context of CS, this can potentially catalyse a new line of inquiry from both strategic and sociological perspectives. For managers, the parsimonious taxonomy of CS orientations offers a generic and effective strategic frame to straddle a wide range of CS practices and thereby better comprehend, prioritize and strategize for CS.