



Corporate sustainability and organizational culture

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ARTICLE INFO

Keywords:

Corporate sustainability
Organizational culture
Competing values framework
Culture change

ABSTRACT

The concept of corporate sustainability has gained importance in recent years in both organizational theory and practice. While there still exists a lack of clarity on what constitutes corporate sustainability and how to best achieve it, many scholars suggest that the pathway for the adoption of corporate sustainability principles leads via the adoption of a sustainability-oriented organizational culture. In this paper, we provide a closer examination of this suggested link between the cultural orientation of an organization and the pursuit of corporate sustainability principles. Specifically, we seek to assess (1) what constitutes a sustainability-oriented organizational culture, (2) whether it is possible for organizations to display a unified sustainability-oriented organizational culture, and (3) whether organizations can become more sustainable through culture change. Directions and challenges for practical management and future research are identified and outlined.

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1. Introduction

There has been much written espousing principles of sustainable development and the need for corporations to pursue sustainability practices (e.g., Sharma, 2003). In recent years, many organizations have introduced or changed policies, products and/or processes to address pollution, minimize resource use, and to improve community and stakeholder relations (Crane, 2000). Several scholars, however, maintain that these changes are insufficient as they are only superficial and not conducive to the formation of sustainable organizations and industries (Hart & Milstein, 1999; Senge & Carstedt, 2001). They argue that in order to fully respond to environmental and social challenges, organizations will have to undergo significant cultural change and transformation (Post & Altman, 1994; Stead & Stead, 1992; Welford, 1995). The central idea is that organizations will have to develop a sustainability-oriented organizational culture when moving towards corporate sustainability (Crane, 1995).

The organizational culture concept has become popular within the sustainability literature as it provides an access point for the fields of Human Resources and Organizational Behavior to enter as explanations for an organization's sustainability performance. However, there is little theoretical underpinning on what actually constitutes a sustainability-oriented organizational culture. Furthermore, there exist only generic prescriptions on how

organizations can realize and implement sustainability-oriented culture change (e.g., Halme, 1997). Extant models and theories on sustainability-oriented culture change have been criticized for an over-reliance on simplified formulae for cultural change, and a lack of insight into how culture change might occur (Harris & Crane, 2002; Newton & Harte, 1997). These models do often not specifically address how culture change should be initiated, monitored and become subject to managerial intervention and control. In this paper, we therefore seek to assess (1) what constitutes a sustainability-oriented organizational culture, (2) whether it is possible for organizations to display a unified sustainability-oriented organizational culture, and (3) whether organizations can become more sustainable through culture change.

2. What is corporate sustainability?

In order to examine the potential link between the cultural orientation of an organization and the pursuit of corporate sustainability principles, we first review and explore the concept of corporate sustainability. We argue that although this concept has received much attention in recent organizational and management studies, there is still little insight into how the adoption of corporate sustainability practices can be achieved inside organizations. Furthermore, we outline how the concepts of corporate sustainability and organizational culture share similarities across various dimensions and provide a conceptual foundation for a more thorough analysis on sustainability-related culture change.

The concept of corporate sustainability originates from the broader concept of sustainability, which itself was shaped through a number of political, public and academic influences over time

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(Kidd, 1992). These influences include the conservation movement of the early twentieth century, the environmental and counter-technology movements in the 1960s and 1970s (e.g., Ben-David, 1975; Farvar & Milton, 1972), the “no growth” philosophy which emerged in the 1970s (e.g., Daly, 1974; Meadows, Meadows, Randers, & Behrens, 1972), as well as contributions from the discipline of ecology (e.g., Riddell, 1981). During the 1980s, social issues became more prominent, including human rights, the quality of life as well as poverty, especially in less developed countries (Sharma & Aragón-Correa, 2005). Public pressure increased for new approaches to environment and development, and to integrate environmental protection with a development that would ultimately lead to an alleviation of poverty.

The concept of sustainability became known on a global level through the report *Our Common Future* by the World Commission on Environment and Development (WCED, 1987), an entity of the United Nations also known as the Brundtland Commission. The WCED related sustainability to environmental integrity and social equity, but also to corporations and economic prosperity by coining the term *sustainable development*, defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED, 1987, p. 43). The 1992 Earth Summit in Rio de Janeiro resulted in widespread acceptance of this definition by business leaders, politicians and NGOs (Dyllick & Hockerts, 2002). For organizations, it implied the challenge to simultaneously improve social and human welfare while reducing their ecological impact and ensuring the effective achievement of organizational objectives (Sharma, 2003).

Based on the WCED definition, as well as on influences from the strategy and management literature, a variety of subsequent definitions emerged of sustainability in relation to organizations, also referred to as *corporate sustainability*. These definitions vary on the degree to which they classify corporate sustainability as either mainly ecological concern (Shrivastava, 1995) or as social responsibility of an organization (Carroll, 1999), or broaden the concept of corporate sustainability to integrate corporate economic activities with organizational concern about the natural and the social environment (Dunphy, Griffiths, & Benn, 2003; Dyllick & Hockerts, 2002; van Marrewijk, 2003). Some scholars also use the term “corporate social responsibility” to describe the integration of social, environmental, and economic concerns into an organization’s culture, decision-making, strategy, and operations (e.g., Berger, Cunningham, & Drumwright, 2007). The resulting variety of definitions has created confusion and impediments in the pursuit and implementation of corporate sustainability, as organizational members find it difficult to interpret and operationalize the term (Faber, Jorna, & van Engelen, 2005).

While there is not only disagreement concerning the concept of corporate sustainability, there is also a lack of clarity on how to best implement corporate sustainability in organizational practice (Daily & Huang, 2001). Past research has mainly focused on the overall adoption of sustainability practices by firms and related classifications schemes (e.g., Azzone & Bertelé, 1994; Dunphy et al., 2003; Hunt & Auster, 1990). The primary drivers behind this adoption process were thought to be factors external to the organization, such as environmental regulation and standards set by governments, or pressures resulting from customers groups and the community. The organization itself, however, was largely treated as a “black box” (Howard-Grenville, 2006).

Several recent studies have pointed to internal organizational pressures for the adoption of sustainability practices, such as staff turnover due to decreasing firm loyalty and workplace satisfaction (Wilkinson, Hill, & Gollan, 2001). These studies identify internal organizational factors, such as top management support, human resource management, environmental training, employee empowerment, teamwork and reward systems, as important aspects for

achieving corporate sustainability (Daily & Huang, 2001; Wilkinson et al., 2001). Other authors argue that more far-reaching changes in employee values and underlying assumptions are required for organizations to truly achieve corporate sustainability (Crane, 2000; Purser, 1994). Together, these studies suggest that corporate sustainability is a multifaceted concept that requires organizational change and adaptation on different levels.

On a surface level, the adoption of corporate sustainability principles becomes visible through technical solutions, the publication of corporate sustainability reports, the integration of sustainability measures in employee performance evaluation, or employee training. This provides the context for the adoption of sustainability practices (Dunphy et al., 2003). On a value level, the adoption of corporate sustainability principles takes place through changes in employees’ values and beliefs towards more ethical and more responsible values (Crane, 2000). On an underlying level, the adoption of corporate sustainability principles requires a change in core assumptions regarding the interdependence of human and ecological systems (Purser, 1994). The different levels of corporate sustainability suggest a parallel to the different dimensions of organizational culture (Schein, 2004): the *observable culture* (the visible organizational structure, processes and behaviors), *espoused values* (strategies, goals and philosophies), and *underlying assumptions* (unconscious beliefs and perceptions which form the ultimate source of values and action).

3. The concept of organizational culture

The concept of organizational culture first emerged in the 1970s and 1980s (e.g., Hofstede, 1981; Ouchi & Price, 1993; Pettigrew, 1979; Schwartz & Davis, 1981), and soon became one of the most influential but also most controversial concepts in management research and practice (Crane, 1995; Jarnagin & Slocum, 2007). The concept has been interpreted very differently and there is a lack of consensus regarding a common definition of the term (Ashkanasy, Broadfoot, & Falkus, 2000). Culture theorists have suggested a variety of definitions, ranging from notions of accepted behavioral rules, norms and rituals (e.g., Trice & Beyer, 1984), to shared values, ideologies and beliefs (e.g., Schwartz & Davis, 1981), and, at an underlying level, shared patterns of meaning or understanding (e.g., Louis, 1985; Smircich, 1983). One frequently cited definition is Schein’s (2004) abovementioned three-level typology of culture, as it extends through and includes various concepts and cultural dimensions (Crane, 1995; Linnenluecke, Russell, & Griffiths, *in press*).

Despite the variety of interpretations and cultural dimensions, a number of common themes and similarities can be identified in organizational culture research (Parker & Bradley, 2000). First, concepts used to identify and define organizational culture tend to overlap between studies; consequently, several scholars have attempted to develop frameworks to categorize important dimensions and to provide a conceptual foundation for the study of organizational culture (e.g., Hofstede, 1981; House, Javidan, Hanges, & Dorfman, 2002; Schein, 2004; Quinn, 1988). Second, values, ideologies and beliefs are considered to be particularly important for understanding an organization’s culture and have been viewed as a reliable representation (Howard, 1998; Ott, 1989). The assessment and measurement of organizational culture has therefore typically focused on organizational values. A third and important aspect of cultural research has been the role of an organization’s culture (and its underlying values and ideology of management) in hindering or fostering the implementation of managerial innovations (e.g., reengineering, total quality management) or technological innovations (e.g., flexible manufacturing technologies, enterprise resource planning systems) (Zammuto, Gifford, & Goodman, 2000).

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