Journal of World Business 50 (2015) 326–341

Contents lists available at ScienceDirect

Journal of World Business

journal homepage: www.elsevier.com/locate/jwb

Global sustainability pressures and strategic choice: The role of firms' structures and non-market capabilities in selection and implementation of sustainability initiatives

Serge Poisson-de Haro *, Alex Bitektine

HEC Montréal, 3000, Chemin de la Cote-Sainte-Catherine, Montreal, QC, Canada H3T 2A7

ARTICLE INFO

Article history:
Available online 30 October 2014

Keywords:
Sustainable development
Non-market strategies
Institutional theory
Technical core
Electric utilities

ABSTRACT

Through the comparative analysis of sustainable development (SD) strategies of three Spanish electric utilities, we explore how differences in electricity production technologies and non-market capabilities of these companies resulted in substantial differences in the degree and nature of their SD involvement over time. This longitudinal study of SD strategies highlights the pluralism of SD commitment interpretations and reveals the non-deterministic nature of SD strategy evolution. While some differences in companies' strategic choices could be explained by their existing production capacity constraints, the evolution of SD commitment interpretations and SD actions reflect strategic choices grounded in non-market capabilities of the firms.

1. Introduction

Given the diversity of social needs and unresolved issues facing organizations, governments, and society, the choice of sustainable development and related initiatives that an organization can undertake is remarkably vast (Aragón-Correa, & Sharma, 2003; Christmann & Taylor, 2001; Hart, 2006; Henriques & Sadorsky, 1996; Margolis & Walsh, 2003). Sustainable development (SD), understood as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development, 1987: 43), encompasses a wide spectrum of social, economic, and environmental development needs (Bansal, 2005), and thus leaves firms a plenty of opportunities for strategic action in this domain. The globalization of economic activity has also led to the globalization of CSR choices, as social and economic problems of other countries enter on the agenda of governments and corporations.

Despite this diversity of approaches to SD (Hahn & Scheermesser, 2006) and the importance of each particular social cause, firms' choices of sustainability issues do not appear to be random. In this paper, we advance an approach to SD initiatives of corporations as an important extension of their business strategies and explore the factors that affect a firm's choice of a specific SD strategy in a changing social environment (Hahn, Figge, Pinkse, & Preuss, 2010). Thus, we shift the focus from the issue of the firm's motivation for SD engagement (see, for example, Bansal & Roth, 2000; Muller & Kolk, 2010), to the question of the firm's choice of specific SD activities (Bansal, 2005; Sharma, 2000).

Given that a firm's strategic choices are constrained not only by internal, structural factors and market competition (Hannan & Freeman, 1984), but also by institutional and political limitations imposed by the external environment (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Pfeffer & Salancik, 1978), the exploration of the firm's choice of specific SD activities can benefit from integration of two streams of research that address those constraints: On one hand, we will draw insights from contingency theory (Burns & Stalker, 1961; Lawrence & Lorsch, 1967; Thompson, 1967), which addresses primarily structural and technological constraints experienced by organizations. On the other hand, our understanding of external influences on firms' SD strategy choices can be enriched by drawing on the literature on political and institutional strategies, which addresses political and institutional constraints on organizations and explore the ways in which organizations respond to pressures from the external environment (Baysinger, 1984; Boddewyn, 2003; DiMaggio, 1988; Lawrence & Suddaby, 2006; Oliver, 1991). The integration of these two streams of research allows us address both internal and external constraints on organizations.

The actual progress of firms towards sustainability and responsible use of natural resources is of particular interest to the SD literature (Bansal, 2003; Ramus & Montiel, 2005), and we

* Corresponding author. Tel.: +1 514 340 6377; fax: +1 514 340 5635.
E-mail addresses: serge.poisson-de-haro@hec.ca (S. Poisson-de Haro), alex.bitektine@hec.ca (A. Bitektine).

http://dx.doi.org/10.1016/j.jwb.2014.10.009
1090-9516/

seek to contribute to this stream of research by exploring the interplay between (1) firms' efforts to reduce the actual environmental impact of their operations, (2) structural and technological constraints experienced by them, and (3) their *non-market capabilities* (NMC), or ability to influence its key stakeholders through symbolic acts (Meyer & Rowan, 1977; Rao, 2004) and/or political activity (Bonardi, Hillman, & Keim, 2005; Hillman & Hitt, 1999).

Through comparative analysis of sustainable development (SD) strategies of three Spanish electric utilities, we explore how differences in electricity production technologies and in non-market capabilities among the three companies have led to substantial differences in the degree and nature of their responses to global SD pressures over time. While factors such as legal compliance, business opportunity, stakeholder pressure, and personal values of company leaders have been addressed in the SD literature (Bansal, 2003; Bansal & Roth, 2000; Campbell, 2007; Hoffmann, Trautmann, & Hamprecht, 2009; Muller & Kolk, 2010), still little is known about the effects of technological constraints and non-market capabilities on SD practices.

This paper thus seeks to contribute to non-market strategies and sustainability literatures by (1) exploring, over time, the relationship between a firm's structural elements, such as its core technology, and its sustainability practices, and (2) by identifying factors that affect the degree and timing of adoption of substantive SD practices. The key research questions of this study, therefore, are *What determines an organization's choice of specific SD initiatives?* and *What factors affect the degree and timing of substantive SD practices implementation?*

2. Theoretical background and theory development

2.1. Corporate sustainable development

In this study, we adopt a broad perspective on corporate sustainable development (SD) as a combination of environmental integrity through corporate environmental management, social equity through corporate social responsibility and economic prosperity through value creation (Bansal, 2005). Our interest in corporate sustainable development is motivated in part by the importance of SD practices to the legitimacy of modern organizations (Bansal & Roth, 2000; Carroll, 1999; Hoffman, 1999; Margolis & Walsh, 2003), and in part by the observable diversity of organizations' sustainability responses to global pressures for socially responsible behaviour (Campbell, 2007; Hahn & Scheermesser, 2006; Matten & Moon, 2008; Sharma & Henriques, 2005). Although legitimacy, or "a *generalized perception* or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995: 574), is often associated with conformity and isomorphism among organizations (Deephouse, 1996; DiMaggio & Powell, 1983; Suchman, 1995), a broad spectrum of SD choices available to organizations (Bansal & Gao, 2006; Montiel, 2008) allows us to explore how managers exercise their discretion in the institutional domain (Oliver, 1991), how their SD choices reflect the business structures, strategies, and capabilities of their organizations.

The objective of this study is thus to understand the drivers of diversity in SD strategies among corporations that are operating within the same industry and are exposed to similar institutional pressures from the same stakeholders. More specifically, this paper seeks to contribute to non-market strategies and SD literatures by exploring the link between elements of firm's structure, firm's ability to resist social pressures, and the nature and extent of its SD engagement.

2.2. Global sustainable development pressures and firms' responses

The ability of organizations to adapt to a rapidly changing social and economic environment varies depending on the industry and on the structure of a particular company (Hill & Rothaermel, 2003). Hannan and Freeman (1984) suggest that organizational change lags behind the changes in the external environment, i.e., firms have *structural inertia*: "structures of organizations have high inertia when the speed of reorganization is much lower than the rate at which environmental conditions change" (151). Nevertheless, as opposed to changes in economic conditions or resource endowments, which expose organizations to crude natural selection forces (Hannan & Freeman, 1977), changes in social environments, such as emergence of global pressures for sustainable development and social responsibility, leave organizations more options for adaptive responses (Oliver, 1991; Sine & David, 2003).

2.2.1. Substantive and symbolic responses

It has been observed that firms may conform to new environmental norms only symbolically, rather than implement substantive changes to reduce their impact on the environment (Delmas & Montes-Sancho, 2010; King & Lenox, 2000). The symbolic, ceremonial actions allow firms to demonstrate their legitimacy and commitment to the societal norms (Ashforth & Gibbs, 1990; Meyer & Rowan, 1977; Powell, 1988) without incurring major costs associated with changes in their operations (Figge & Hahn, 2005), technologies, and structures. Nevertheless, the dichotomy of symbolic and substantive actions conceals a spectrum of possible SD strategies that firms adopt in response to changes in their social environment.

Contingency theorists suggested that firms strive to buffer their *technical core* (Thompson, 1967), or elements of the firm's structure responsible for transforming the inputs into outputs, from external impacts and uncertainty. Similarly, the economic theory (Gilbert & Newbery, 1982; Reinganum, 1983) observes that incumbents seek to protect and grow the returns from their existing technological assets rather than attempting innovations with uncertain returns (Hill & Rothaermel, 2003). This observation is also corroborated by organizational ecologists, who observed that "selection processes tend to favour organizations whose structures are difficult to change" (Hannan & Freeman, 1984: 149). The concept of technical core allows us to introduce a more nuanced understanding of firms' SD initiatives as strategies that address issues situated closer or further away from the firm's technical core, and thereby reflect different degrees of decoupling of sustainability practices from the activities that constitute the core of the organization's value creation technology.

2.2.2. Non-market capabilities of a firm

The exploration of the effects of firms' structural constraints and capabilities on their choices of SD strategies requires better understanding of the firms' capabilities in managing the external environment (Henisz & Zelner, 2010). Firms' actions to influence their environment have received attention in economics (Peltzman, 1976; Stigler, 1971; Tollison, 1991; Yandle, 1983, 1999), strategic management (Baron & Diermeier, 2007; Baysinger, 1984; Bonardi, Holburn, & Bergh, 2006; Hillman, 2003; Russo, 1992) and institutional theory (Greenwood & Suddaby, 2006; Henisz & Zelner, 2005; Weber, Heinze, & DeSoucey, 2008).

Drawing on the literature on non-market strategies (NMS) of firms (Baysinger, 1984; Boddewyn, 2003; Delmas & Montes-Sancho, 2010) and institutional theory Lawrence, 1999; Oliver, 1991; Suddaby & Greenwood, 2005), we adopt an approach to SD strategy selection and implementation as an issue management process (Bonardi & Keim, 2005; Mahon & Waddock, 1992) where a firm, on one hand, seeks to protect its technical core by decoupling