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Assessing Corporate Sustainability integration for corporate self-reflection

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ABSTRACT

This article aims to shed light on mechanisms to integrate a strategy on Corporate Sustainability in companies. The analysis is based on a holistic method derived from organisation theory, organisational behaviour theory and strategic management theory. The process of integration into the organisational system is explored by analysing the coalescence of organisational continuous improvement, structure and culture. The coherent use of integration mechanisms is defined as key for a successful CS integration. The LEAPFROCS method is presented to capture the success of integration mechanisms and their application. The method is tested using empirical data from 2 case studies. The results of the data analysis – the patterns – were validated in discussion with company representatives. The results show that the process of CS integration is company-specific, as is the selection of patterns to create a self-reflection of companies on CS integration catalysing future corporate strategies for improving CS integration into the specific company's organisational systems.

1. Introduction

Companies have increasingly attracted attention in the sustainability debate (Cannon, 1994; Elkington, 2002; Hart, 1997), since they play a major role in the generation of negative impacts on the environment, people, and their prosperity (Dunphy et al., 2006). To ensure long-term success, companies have to face pressures to address the current and future impacts on society which they directly or indirectly cause while managing their existing core business (Chen and Kannan-Narasimhan, 2015). Several authors (Baumgartner, 2009; Dunphy et al., 2006; Lozano, 2013) have stressed the increasing importance of Corporate Sustainability (CS) as the process of proactively determining the relative significance of economic, environmental, and social issues (i.e. CS issue dimension of the triple P issues: People, Planet and Prosperity) (Badri Ahmadi et al., 2017; van Dam and van Trijp, 2011; Krajnc and Glavic, 2005) related to business activities (Wells, 2013; Witjes and Lozano, 2016). The need for interpreting this consequential relation between company processes, and their impacts, is complemented by an emphasis on the inter-relations of triple P issues between individuals, the organisation, the supply chain, and the wider society (i.e. CS place dimension) (Vermeulen and Witjes, 2016), taking into account the past, present, and future (i.e. CS time dimension) (Lozano, 2012) (see Fig. 1).

Over the last two decades of scientific work, many scholars in the field of CS (e.g. Cramer, 2005a; Doppelt, 2003; Epstein and Buhovac, 2010) have greatly contributed to the understanding of company

practices when addressing CS. The focus of CS research has been developed from, mostly, a technological focus (Freidberg, 2014) and towards a managerial research focus (Baumgartner and Ebner, 2010), adding an understanding of how companies manage to get CS into the heads and hearts of their employees. Consequently, CS research has changed from trying to understand the physical output of corporate processes on CS dimensions towards understanding the physical (e.g. Jawahir et al., 2006; Jayal et al., 2010; Manda et al., 2015) and social outcomes of the organisation as a system, and its effectiveness in adhering to its shared CS strategy (Epstein and Buhovac, 2010; Hahn et al., 2015). With the organisational system entailing the organisational processes, and which outputs create a corporate impact on the three CS dimensions, concepts from different theories (Hatch and Cunliffe, 2013) are needed to analyse the effectiveness of the organisational system in adhering to its shared CS strategy. CS research has changed from understanding the outputs of business activities which impact on triple P issues, towards understanding the outcomes of business activities resulting in effective strategies for transformative change of the organisational system and how these can be spread out and controlled throughout the organisation (Epstein and Widener, 2010) to favourably influence the output of processes and products (Witjes et al. n.d.).

To address CS from an outcomes perspective, when determining the relative significance of the interrelations between the three CS dimensions companies are facing the paradoxical challenges of applying existing capabilities within the organisational system whilst exploring

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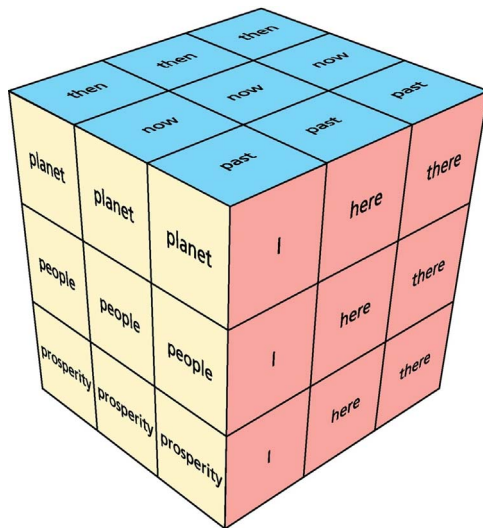


Fig. 1. The three dimensions of CS: issues (planet, people, prosperity), time (past, now, then) and place (I or individual, here and there).

new ones (Danneels, 2002; Jansen et al., 2009; Vera and Crossan, 2004). Addressing CS, therefore, implies making interventions on business activities leading to changes in processes and products, revisions of communication strategies, and adaptation of value and knowledge systems (Azapagic and Perdan, 2005; Epstein and Buhovac, 2010; Siebenhüner and Arnold, 2007). Consequently, CS integration entails the application of such interventions made to internal processes, structure, and management control on the individual, group and organisation level (Lozano, 2007) in order to adhere to an established shared CS strategy.

Understanding the efficiency of CS integration into organisational systems is focussed on the dynamic capabilities that enable companies to satisfy current demands while simultaneously being prepared for tomorrow's developments (Gibson et al., 2004). There has been a dual trend to create understanding of the effectiveness of corporate change strategies supporting corporate dynamic capabilities towards CS integration by combining formal methods, focussed either on the accounting information systems or indicators on, for example, triple P issues (Maas et al., 2016a), or on informal methods, centred on analysing the influence of socio-cultural aspects as key variables (Carenys, 2012; Epstein and Buhovac, 2010). To understand CS integration, methods for analysis should include the setup of corporate processes (i.e. developing the structure of the organisation), performance measurement, and reward systems to measure success and to provide internal and external accountability (i.e. ensure continuous improvement of the organisation) (Maas et al., 2016b), but also the leadership, culture, and people's attitudes or values (i.e. the socio-cultural elements of the organisation) to support CS integration (Epstein and Buhovac, 2010). Moreover, these methods need to include cross relations between different theoretical perspectives (Sorge, 2004), often linked to a specific disciplinary background, each stressing their own specific viewpoint on the process of CS integration in time (Székely and Knirsch, 2005). This adheres to the need expressed to develop more holistic methods (Azapagic, 2003; Hahn et al., 2015; Jamali, 2006; Maon et al., 2009) to understand the efficiency of CS integration retrospectively (Hahn et al., 2015). The application of these holistic and longitudinal methods with different theoretical perspectives contributes to the understanding of how past success of CS integration can support companies in developing future strategies on CS integration (Witjes et al., 2016). New insights on the efficiency of CS integration could be gained by analysing historical information on CS integration into the organisational processes. This could be captured by the use of comprehensive methods for longitudinal and a more 'all-inclusive' perspective on CS

integration interventions (Azapagic, 2003; Salzmann et al., 2005; Shi et al., 2017; Siebenhüner and Arnold, 2007; Weber, 2008).

This study aims at contributing to an understanding of the functioning of interventions into the organisational system by analysing the integration of CS through a holistic method based on organisation theory, organisational behaviour theory, and strategic management theory. The research focusses on the success of the integration process resulting in improved organisational outcomes leaving the link with an improved output (i.e. improved sustainability performance of the company) for future research. Section 2 explores the process of integration into the organisational system by analysing the coalescence of continuous organisational improvement, structure and culture. Whereas integration mechanisms are proposed for the operationalisation of closing of the CS strategy-execution gap, a coherent use of these mechanisms results in the integration of CS into the organisational system. Section 3 presents the LEAPFROCS method as a holistic method to capture the success of integration mechanisms and their application. Section 4 presents the testing of the LEAPFROCS method using empirical data of two case studies. The study finishes with conclusions and proposals for future research.

2. CS integration into the organisational system

The study of interventions into the organisational system is logically based on the concepts of integration and differentiation as originally conveyed by Lawrence and Lorsch (1967): integration is the quality of collaboration within the company that is required to achieve a common goal, through unity of effort as dictated by the demands of the company's internal and external context. Differentiation encompasses the differences in cognitive and emotional orientations among managers in different functional departments, as manifested, for example, in specialized language, different systems of meaning, alternative thought-worlds, and differences in time-orientation (Bradley, 1997; Griffin and Hauser, 1996; Nambisan, 2002). Although a balance between integration and differentiation is optimal (Lawrence and Lorsch, 1967), an effective integration of a common goal is achieved by reducing differences between goals and tasks, functional departments, business units, product platforms, managerial levels, and organisational processes (Dougherty, 2001; Sheremata, 2000).

The integration of a CS strategy into a company's organisational system (Baumgartner, 2009; Lozano, 2007; Murray et al., 2015) has driven companies to rethink their corporate strategies when facing the strategy-execution gap (Leinwand and Mainardi, 2016), while creating competitive advantages for customers, the company, and society (Lüdeke-Freund, 2010; Porter and Kramer, 2011; Stubbs and Cocklin, 2008). CS integration supports companies aiming for long-term success when faced with the challenges of an ever-changing internal and external context (Jansen et al., 2009). Based on a corporate strategy on CS, appropriate interventions in the organisational system improve the responsiveness of the company to the ever-changing demands of internal and external stakeholders, the adherence to a shared CS strategy (Witjes et al. n.d.), while simultaneously obtaining a differentiation advantage compared to its competitors (Kurapatskie and Darnall, 2013; Eccles et al., 2013; Zangwill and Kantor, 1998). Integration of a corporate strategy is defined as the way a company creates the organisational structures, procedures and activities (i.e. the organisational system) that permit the organisation to engage in activities that are directly related to a set of goals derived from a company's strategy (Hill and Jones, 2011; Ravichandran and Rai, 2000) on, for example, CS. Strategy integration involves assessing demands of internal as well as external stakeholders (Teece, 2010) and, above all, an evaluation of the outcomes and output of the organisational system with a shared CS strategy (Souito, 2015). While effective organisational performance is determined by the fit between an organisation's system and its environment (Hatch and Cunliffe, 2013), improved organisational design from interventions into the current organisational system economises

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