Corporate sustainability and organizational culture

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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.

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.
(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 decision-making, strategy, and operations (e.g., Berger, Cunningham, & Drumwright, 2007). The resulting variety of definitions has created confusion and impediments to 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 & Bertélé, 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 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 (Crate, 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 (Crate, 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 (Berger, 2001). 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 (Crate, 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 (Crate, 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).
Organizational culture is often cited as the primary reason for the failure of implementing organizational change programs. Researchers have suggested that while the tools, techniques and change strategies may be present, failure occurs because the fundamental culture of the organization remains the same (Cameron & Quinn, 2006). A number of studies have provided empirical support for these claims (e.g., Cameron et al., 1993; Jarnagin & Slocum, 2007). Their findings suggest that the successful implementation of culture change for corporate sustainability might be largely dependent on the values and ideological underpinnings of an organization’s culture, and that these in turn affect how corporate sustainability is implemented and the types of outcomes that can be observed.

We use the competing values framework (CVF) of organizational culture (Quinn, 1988; Quinn & Kimberly, 1984; Quinn & Rohrbaugh, 1983) to discuss the relationship between corporate sustainability and organizational culture. While no single culture framework is exhaustive and captures every relevant aspect, we base our discussion on the CVF as it was empirically derived, has been validated in previous research, and captures most of the proposed dimensions of organizational culture (Cameron & Quinn, 2006; Howard, 1998). Furthermore, the CVF has previously been employed in studies on culture change (e.g., Zammuto et al., 2000), and aligns with well-known and widely accepted categorical schemes that outline how people think, how they organize their values and ideologies, and how they process information (Barley & Kunda, 1992; Cameron & Quinn, 2006; Quinn, 1988). The CVF and its application are discussed in greater detail below.

4. Cultural orientations: competing values in organizations

The four-cell CVF illustrates the competing demands within an organization on two separate and competing dimensions (Quinn & Kimberly, 1984). The internal-external dimension reflects whether the organization is focused on its internal dynamics, or on the demands of its external environment. The flexibility-control dimension reflects organizational preferences for structuring, coordination and control, or for flexibility. Organizations which emphasize the control end of the dimension tend to rely on formal mechanisms of coordination and control, such as rules, policies, direct supervision, financial planning, and budgets to enforce compliance with behavioral norms. Contrary, organizations which emphasize the flexibility end tend to rely more on social coordination and control through internalization of beliefs, training, participation, commitment, socialization and peer pressure, to achieve desired outcomes and behaviors (Zammuto, 2005; Zammuto et al., 2000). Resulting from these two competing dimensions, four different quadrants (or cultures types) are formed.

The CVF and characteristics of each culture type are presented in Fig. 1. Organizational cultures that are dominated by human relation values (upper left quadrant) promote cohesion, participation and morale among employees. This is achieved by means such as training, development of human resources, open communication, employee involvement and participative decision-making (Jones, Jimmieson, & Griffiths, 2005; Zammuto et al., 2000). Coordination and control are achieved through decentralized decision-making and cooperation. Individual compliance with organizational mandates results from trust, tradition and long-term commitment to the organization. Organizational cultures that are dominated by open systems values (upper right quadrant) place more emphasis on growth and resource acquisition through the promotion of adaptability, change and readiness, visionary communication, and flexible decision-making. Structurally, there is an emphasis on informal coordination and control, and horizontal communication. Individuals are motivated by the significance or ideological appeal of their tasks (Linnenluecke et al., in press; Zammuto et al., 2000; Zammuto & Krakower, 1991).

Organizational cultures that are dominated by internal process values (lower left quadrant) promote stability and control through formal means such as information management, precise communication, and data-based decision-making (Jones et al., 2005; Zammuto et al., 2000). This culture type has also been referred to as “hierarchical culture”, as it involves conformity,
the enforcement of rules, and attention to technical matters (Denison & Spreitzer, 1991; Kerr & Slocum, 1987; Parker & Bradley, 2000). Coordination and control are achieved through vertical communication, policies and procedures. Individual compliance is enforced through rules and regulations. Organizational cultures that are dominated by rational goal values (lower right quadrant) promote efficiency and productivity, which is realized through goal-setting, planning, instructional communication and centralized decision-making (Jones et al., 2005). Structurally, the rational goal culture is related to centralized decision-making. Individuals are motivated by beliefs that they will be rewarded for competent accomplishment. The opposing quadrants highlight the dilemma for organizational managers to find a balance between stability and adaptation as well as people versus task accomplishment. Ideally, organizational managers can achieve a balance between the competing demands (Zammuto et al., 2000). Previous research, however, has documented that most organizations develop a dominant culture type which is characterized by one (or more) of the culture types identified above (Cameron & Quinn, 2006). A bureaucratic organization, for example, would be dominated by an internal process culture and would value formal procedures and regulation, while this organization would place less emphasis on adaptability and change. Organizations that display a strong overemphasis of one culture type are likely to become dysfunctional (Quinn, 1988). For instance, a strong orientation towards internal process values (lower left quadrant) might result in a rigid bureaucracy which is highly resistant to any change efforts (Kerr & Slocum, 1987; Zammuto et al., 2000).

5. Cultural orientations and corporate sustainability

This paper seeks to examine what constitutes a sustainability-oriented culture by referring back to the traditional concept of organizational culture. Specifically, it is examined whether there is a link between organizations that emphasize a certain organizational culture type (characterized by one or more of the four different culture types of the CVF) and the adoption of corporate sustainability principles. Essentially, each quadrant, or culture type, represents a set of valued outcomes and a coherent managerial ideology about how to achieve them. Managerial ideologies (i.e., broad management philosophies embedded in society) are imported into organizations from the institutional environment through means such as management education or professional training, and shape the way people think and behave within them (Zammuto, 2005; Zammuto et al., 2000). Therefore, it can be assumed that different organizational culture types influence how employees understand and enact corporate sustainability (Linnenluecke et al., in press).

In this context, Zammuto et al. (2000) note that there is a direct parallel between the quadrants of the CVF and the major managerial ideologies identified by Barley and Kunda (1992) as being prevalent in western society during the past century. The quadrants also reflect the four major theoretical streams in organization theory analyzed by Scott (2003). As a result, all quadrants together outline major developments that have emerged in both managerial ideologies and organizational theorizing over time and have become institutionalized into current thinking (Zammuto et al., 2000). These developments are reviewed below to develop propositions on the relation between each culture type and the adoption of corporate sustainability. We acknowledge that an organization’s culture can be characterized one or more of the culture types identified in the CVF (Cameron & Quinn, 2006), yet for purposes of conceptual clarity we have developed propositions for each distinct culture type.

5.1. Theoretical proposition (1)

Theories and ideologies underlying the internal process quadrant are characterized by their focus on economic performance, and a general omission of the wider organizational environment. The internal process quadrant corresponds to Barley and Kunda’s (1992) ideology of scientific management, which is directed towards the maximization of economic gains through rationalized production processes (Taylor, 1911). The hierarchical structure, the enforcement of and the conformity with rules are highly effective under relatively stable environmental conditions and allow maximization of the production of goods and services (Cameron & Quinn, 2006). The internal process quadrant also corresponds to Scott’s (2003) classification of closed-rational systems models (Zammuto, 2005; Zammuto et al., 2000), which portray organizations as tools to achieve preset ends with formalized structures to improve organizational efficiency and economic performance. The focus on formalization suggests that there are cognitive and motivational limitations of individuals which constrain employee choices and action within the organization (Scott, 2003), and restrict the understanding and enactment of sustainability (Griffiths & Petrick, 2001; Linnenluecke et al., in press; Post & Altman, 1994; Ramus, 2005).

Based on this discussion we propose that organizations dominated by an internal process culture will place greater emphasis on economic performance, growth and long-term profitability in their pursuit of corporate sustainability (Peteraf, 1993; Porter, 1985). The major assumption behind this understanding of corporate sustainability is that the organization seeks to maximize the production of goods and services. While efficiency (i.e., the elimination of waste and redundancy) is valued in a hierarchical culture, it is defined as a simplification of products, services and processes in order to achieve cost reductions, maximize production, and pursue economic outcomes (Cameron & Quinn, 2006). From this point of view, it becomes imperative for management to expand consumption of the firm’s products and services in order to increase profits (Eden, 1996) – any efficiency gains do not mean that the organization considers the larger ecological and social systems within which it resides (Senge & Carstedt, 2001).

Several scholars (Aragón-Correa & Sharma, 2003; Hart, 1995; Russo & Fouts, 1997) maintain that the realization of economic sustainability (i.e., the maximization of profits, production and consumption) alone is not sufficient for the overall sustainability of corporations. This broadening of the understanding of corporate sustainability is regarded as the most important departure of the concept from orthodox management theory (Gladwin, Kennelly, & Krause, 1995). Empirical evidence has shown that engagement with the natural environment can enhance firm performance (e.g., Sharma & Vredenburg, 1998). Organizations that are narrowly focused on achieving economic outcomes alone might miss out on sustainability innovations and business opportunities that a focus on sustainability creates (Senge & Carstedt, 2001). Researchers have argued that the implementation of innovative products, services and business models is unlikely to happen without room for flexibility, learning and change (Dunphy et al., 2003). Organizations which are dominated by internal process values and seek to introduce a commitment to corporate sustainability...
might experience a strong tension between their existing culture based on stability and control, and a need to introduce curiosity, exploration and flexibility (Senge & Carstedt, 2001). These organizations might therefore only pursue corporate sustainability initiatives when they unambiguously translate into a competitive advantage for the firm measured by traditional bottom-line focused metrics and measurement systems (Berger et al., 2007).

5.2. Theoretical proposition (2)

In contrast to the internal process quadrant, theories and ideologies underlying the human relations quadrant place great emphasis on social interaction, interpersonal relations, employee development and the creation of a humane work environment. Organizations with a culture characterized by human relation values are largely focused on their internal arrangements. The human relations quadrant reflects Barley and Kunda’s (1992) human relations ideology, which pays attention to work conditions, social interaction and group affiliation. The quadrant also parallels Scott’s (2003) classification of closed-natural systems models (Linnenluecke et al., in press; Zammuto et al., 2000; Zammuto, 2005), which acknowledge informal structures and the need to align diffusing and conflicting goals, as well as the existence of multiple interests and motives within organizations through informal structures and arrangements (Scott, 2003).

Following from this emphasis on social interaction and interpersonal relations, we propose that organizations dominated by a human relations culture will place greater emphasis on internal staff development, learning and capacity building in their pursuit of corporate sustainability. This suggests that an organization with a high human relations orientation accepts responsibility for contributing to the process of renewing and upgrading human knowledge and skill formation, and is a strong promoter of equal opportunity, workplace diversity and work-life balance as workplace principles (Dunphy et al., 2003). It adopts a strong and clearly defined corporate ethical position on issues such as discrimination, business ethics, and fraud. The focus on internal staff development also suggests that the organization invests in human potential and capital, learning and education, and is interested in pursuing environmental health and safety, human welfare and wellbeing, as well as equitable and social just practices to achieve improved efficiencies in their pursuit of corporate sustainability. This highlights the importance of the wider environment for the organization, and the need for rational planning and organizing in light of environmental demands. The quadrant corresponds to Barley and Kunda’s (1992) systems rationalism ideology which focuses on planning, forecasting, controlling, and the design of the organizational structure and decision processes to match the external environment. The quadrant is also analogous to Scott’s (2003) classification of open-rational systems models, which address how to organize systems rationally while facing varying environmental demands and which emphasize the efficient use of resources, planning and goal setting, and the adequacy of organizational structures in light of the environment (Linnenluecke et al., in press).

Therefore, we propose that organizations dominated by a rational goal culture will place greater emphasis on resource efficiencies in their pursuit of corporate sustainability. This understanding of corporate sustainability reflects the growing awareness on the part of managers in the corporation that there are advantages to be gained by proactively instituting corporate sustainability practices which are directed toward reducing costs and increasing operational efficiency. However, when evaluating efficiency, it is necessary to consider its impact on the environment and society. Efficiency defined solely as cost reduction and the simplification of product, process and service flows (see internal process quadrant) is insufficient to achieve corporate sustainability. In addition, such efficiencies will only provide limited competitive advantage for organizations, as they can be easily copied by competitors.

Resource efficiency means that there are real advantages to be gained by proactively instituting sustainability practices, especially if these practices are directed towards reducing costs and increasing operational efficiency. Some organizations capitalize on these cost savings and reinvest them in their employees to achieve sustainable longer-term gains by building the appropriate human systems that support value-adding and innovation. For example, Scandic Hotels have had considerable success at reducing and eliminating waste and using these cost savings to build their employee skill base (Nattrass & Altomare, 1999). This new efficiency focus has led to huge cost savings, reduced ecological impacts and enhanced the reputation of the corporation.

Many organizations use human resources and environmental policies and practices to reduce costs and increase efficiency. Investment in training may involve expense but result in compensating added value through increased quality of products and services. Technical and supervisory training is augmented with interpersonal skills training. Teamwork is encouraged for value-adding as well as cost-saving purposes, and external stakeholder relations are developed for business benefits. ISO 14000 systems are integrated with TQM and OH&S systems or other systematic approaches with the aim of achieving eco-efficiencies. Sales of by-products are encouraged as are cooperative relationships with other members of the supply chain with the aim of waste reduction.

5.4. Theoretical proposition (4)

The open systems model parallels Scott’s (2003) classification of open-natural systems models which highlight the importance of the external environment in affecting the behavior, structure and life changes of organizations. Underlying themes are evolutionary learning and adaptation (Weick, 1969), the importance of discretionary behavior and autonomy (Trist, 1981), a recognition of the wider social and economic environment (Miller & Rice, 1967), exchanges with the environment through resource dependency (Pfeffer & Salancik, 1978), as well as social pressures from institutional constraints (DiMaggio & Powell, 1983). The open systems model also reflects Barley and Kunda’s (1992)
organizational culture and quality ideology, which emphasizes moral authority, social integration, quality, flexibility, and employee commitment to manage in turbulent environments (Linnenluecke et al., in press).

Therefore, we propose that organizations dominated by an open systems culture will place greater emphasis on innovation for achieving ecological and social sustainability in their pursuit of corporate sustainability. The understanding behind corporate sustainability as ecological sustainability is based on the assumption that organizations are not separate from the natural environment, but are located and operate within it (Sharma, 2003). Organizational activities can have significant negative impacts on the natural environment, for instance through pollutant emissions or resource exploitation (Jennings & Zandbergen, 1995). In turn, environmental quality can impact on organizational activities, as evident through the impacts of climate change (Linnenluecke et al., 2008; Winn & Kirchgeorg, 2005).

Some commentators argue that radical shifts and innovations in business practices and strategic thinking are necessary to bring about a lasting reversal of current levels of environmental destruction (e.g., Shrivastava, 1995). In order to achieve ecological sustainability, organizations are challenged to move beyond pollution control or prevention and to operate within the carrying capacity of the natural environment by minimizing their resource use and ecological footprint (Hart, 1995, 1997; Linnenluecke et al., in press; Sharma, 2003).

The understanding of corporate sustainability as social sustainability results from trends such as globalization and privatization, requiring organizations to assume wider responsibilities towards various stakeholder groups and the communities in which they operate (Carroll, 1999; Dunphy et al., 2003; Freeman, 1984). Numerous studies have been published on business-related social issues, including corporate philanthropy, minority concerns, community welfare, and stakeholder demands (e.g., Carroll, 1999; Shrivastava, 1995). These various issues have been summarized into concepts such as “corporate social sustainability” (Dyllick & Hockerts, 2002) and “socially sustainable businesses” (Gladwin et al., 1995). In general, social sustainability means an organization which attempts to deal proactively with its community base, and engages with its stakeholders by providing a business venture that serves a social purpose (Linnenluecke et al., in press).

This section has outlined a relationship between organizational culture and corporate sustainability orientation. It appears that there is not a single type of sustainability-oriented culture. Employees who belong to different organizational cultures types show different orientations towards corporate sustainability and are inclined to understand corporate sustainability differently. We suggest here that the ideological underpinnings of organizational culture influence how corporate sustainability is implemented and the types of outcomes that can be achieved, which parallels observations by Zammuto et al. (2000) on the outcomes of organizational innovations. Employees from different culture types place emphasis on different aspects in their pursuit of corporate sustainability, ranging from a focus on internal staff development, resource efficiency, or environmental protection and stakeholder engagement.

6. Can organizations display a unified “sustainable” culture?

This section discusses whether organizations can display only one unified organizational culture or whether there exist sub-group differences among different entities or employee groups. Although organizational culture definitions refer frequently to what is shared and common among organizational members (e.g., Louis, 1985; Schein, 2004), not all researchers agree with the view that organizational members belong to the same, unified organizational culture (e.g., Gregory, 1983; Hofstede, 1998; Riley, 1983; Sackmann, 1992; Schein, 1996). Besides such conceptual distinctions, organizational researchers have operationalized the concept differently, and have employed different methodological approaches to study the different cultural dimensions of Schein’s typology (Ashkanasy et al., 2000). Martin (2002) captures these differences in her characterization of the field consisting of three theoretical views of cultures in organizations, namely the integration, differentiation and fragmentation perspectives. The integration and differentiation perspectives are of principal interest to this paper, and are outlined subsequently.

6.1. Integration perspective

The integration perspective focuses on the existence of unified cultures within organizations and assumes that there is organization-wide consensus among employees around a set of shared assumptions, values and beliefs (Martin, 2002). Such consensus is viewed as desirable because it creates consistency in perceptions, interpretations and actions of organizational members, and fosters unity of purpose and action (Zammuto, 2005). Much popular and scholarly attention has been focused on the hypothesis that cultural strength, defined as the extent to which cultural values and beliefs are widely shared and strongly held throughout the organization (O’Reilly, 1989; O’Reilly & Chatman, 1996; Saffold, 1988), improves financial performance (Denison, 1984; Sørensen, 2002). This hypothesis is based on the presumption that there are performance benefits from a strong corporate culture due to enhanced coordination and control as well as increased motivation and goal alignment among organizational members (e.g., Deal & Kennedy, 1982; Ouchi & Price, 1993; Peters & Waterman, 1982; Sørensen, 2002).

Many integration studies portray organizational leaders as culture creators or transformers – high-ranking managers who have the capacity to envision and enact a strong culture with loyalty and commitment, leading to increased productivity and performance benefits (Jarnagin & Slocum, 2007; Martin, 2002). Early research on the culture-performance relationship, however, provided little supporting empirical evidence for any linkages between a “strong culture” and firm performance (Denison & Mishra, 1995; Gordon & DiTomaso, 1992; Siehl & Martin, 1990).

Later, several researchers advanced the view of the culture-performance relationship and adopted a contingency approach by arguing that strong organizational cultures are only related to high levels of performance if they fit the organizational strategy and can adapt to changing environmental conditions (Kotter & Heskett, 1992; Sørensen, 2002). Strongly and widely held cultures that do not fit to an organization’s strategic context are seen as likely to negatively affect firm performance. Studies which embrace this view (e.g., Denison & Mishra, 1995; Gordon & DiTomaso, 1992; Kotter & Heskett, 1992; Sørensen, 2002) could confirm a positive link between cultural strength and firm performance (Zammuto, 2005).

The culture-performance relationship model of the integration perspective has proven to be popular in the sustainability literature where it is commonly seen as a means to promote greener corporate management, strategy and marketing (Crane, 1995), and to improve corporate environmental performance (Dodge, 1997). Principally, the major prescription for organizational leaders is to develop a strong and highly integrative sustainability-oriented organizational culture, which permeates and unites corporate members and fosters a sense of identity and commitment to common corporate environmental goals and aspirations (e.g., Dodge, 1997). Conceived thus, a strong sustainability-oriented corporate culture requires consensus of environmental values and beliefs between individual employees and their...
organization (Crane, 1995). These sustainability-oriented values are assumed to be promoted by firm founders or top management and then disseminated among employees, so that they are widely shared and held by all members of the organization (e.g., Dodge, 1997; Hoffman, 1993; Welford, 1995).

Regarding the interrelation between organizational culture and the adoption of corporate sustainability, the integration approach creates the following expectations: (1) that employees throughout the organization would be part of the same organizational culture, and (2) that these employees would also share similar attitudes towards corporate sustainability. However, such views of a unified organizational culture have not only been under considerable criticism in the organizational culture literature, but have also been challenged more recently in the corporate sustainability literature (Crane, 1995; Harris & Crane, 2002; Howard-Grenville, 2006). Crane (1995), for example, suggests that the notion of a single sustainability-oriented culture represents rather a symbolic meaning than a realistic assessment of an organization’s culture. Furthermore, the integration perspective does not deal adequately with the incongruence between individual values and dominant organizational values (Hoffman, 1993). Several researchers have therefore emphasized cultural diversity and variety in organizations (e.g., Scott, 2003), as characterized by the differentiation perspective (Martin, 2002).

6.2. Differentiation perspective

The differentiation perspective is similar to the integration perspective in that organizational culture is defined on the basis of what is shared yet at the level of groups within an organization (Martin, 2002; Zammuto, 2005). However, there are differences in the extent to which differentiation researchers acknowledge that subcultures can coexist with some form of organization-wide consensus (Martin, 2002). While some suggest that subcultures exist within the context of a larger, overarching “common” organizational culture (e.g., Trice & Beyer, 1984), others deny the possibility of a dominant organizational culture and argue that many organizations can be most accurately described as multicultural (Gregory, 1983).

The existence of subcultures has been confirmed in a number of studies (Howard-Grenville, 2006). They can form within an organization around hierarchical levels (Jermier, Slocum, Fry, & Garnes, 1991; Riley, 1983) or around distinctions based on organizational roles, such as department (Hofstede, 1998), function, and occupation (Schein, 1996; van Maanen & Barley, 1984). Subcultures can also emerge around personal contacts and networks, as well as individual demographic differences such as ethnicity and gender (Martin, 2002). Contrary to the integration perspective, the differentiation approach therefore creates the following expectations on the interrelation between organizational culture and the adoption of corporate sustainability: (1) that different subcultures can exist throughout an organization, and (2) that members of each subculture hold different attitudes towards corporate sustainability which are distinct from that of other subcultures.

6.3. Managerial relevance

In order to move towards corporate sustainability, it appears that leaders have to abandon a purely economically driven paradigm and achieve a more balanced set of socially and environmentally responsible values. Some commentators, such as Hart and Milstein (2003), have argued that organizations need to consider their exposure to social and environmental events, not only in the present, but also in the future, as a means of generating sustainable value. In accordance with the integration perspective, leaders have been assumed to be in a position for developing and implementing sustainability-oriented organizational culture change (Percy, 2000; Ramus, 2001, 2002). Existing theories and models of corporate culture that integrate sustainability issues generally centre on a cascade of values from top management to lower levels of the organization (Crane, 1995; Harris & Crane, 2002). Thus, many authors assume that corporate sustainability values and principles promoted by top management will be widely shared and held by all organizational members (e.g., Hoffman, 1993; Welford, 1995), and that changes in the values of top management will translate into changes in actual practice throughout the organization (Howard-Grenville, 2006; Jarnagin & Slocum, 2007).

The differentiation perspective contests the view that values exhibited by top management will be automatically disseminated and held equally by all members throughout the organization. Harris and Crane’s (2002) findings, for instance, indicate that the diffusion of a sustainability-oriented culture is hindered by the presence of various subcultures. Other studies point to organizational rigidities and organizational conservatism (Schön, 1971) as well as institutionalized assumptions and ideologies within and across organizations (Abrahamson & Fonbrun, 1994; Harris & Crane, 2002) as barriers to organizational culture change. Parker and Bradley’s (2000) study, for example, highlights that past initiatives to overcome the deficiencies of the traditional bureaucratic model have been largely unsuccessful, with hierarchical culture still the dominant culture type in public organizations. While the more overt aspects of organizational culture may be changed, the organization’s underlying assumptions remain often stable and are difficult to access through managerial control (Beer, Eisenstat, & Spector, 1990; Molinsky, 1999).

While such findings seem to be discouraging for leaders who wish to implement sustainability-oriented culture changes, it is nonetheless possible to identify positive avenues and practical implications in this paper. A study conducted by Linnehnuecke et al. (in press) points to the importance of creating an organizational context which is conducive to the adoption of corporate sustainability. An engagement with corporate sustainability practices, particularly the publication of a corporate sustainability policy as well as the integration of environmental performance indicators in employee evaluation, was found to be an important aspect in shaping how organizational actors understand corporate sustainability. Similarly, Harris and Crane’s (2002) study suggest that it is possible for organizational change agents as well as external organizational stakeholders (e.g., consumer groups and regulators) to advance the adoption of corporate sustainability principles, although such attempts might be moderated by the power and resources available to such actors.

Furthermore, an understanding of differences and similarities between subcultures can help organizations to develop a range of more sophisticated and tailored programs for the successful adoption of sustainability practices, and provide novel insights into how best to approach change management issues (Linnehnuecke et al., in press). Employees from different culture types place emphasis on different aspects and outcomes in their pursuit of corporate sustainability, which suggests that they are also receptive to different aspects of organizational communication and organizational change programs. In other words, an understanding of organizational values provides potential insights into generating contingent-based change programs for corporate sustainability implementation.

7. Conclusion and future research

This paper has provided a closer examination of the concept of corporate sustainability and its link to organizational culture. First,
this paper sought to assess what constitutes a sustainability-oriented organizational culture by referring back to the traditional concept of organizational culture. The CVF has provided a framework for discussing how ideological underpinnings of organizational culture influence how corporate sustainability is implemented and the types of outcomes that can be achieved.

Employees from different culture types place emphasis on different aspects in their pursuit of corporate sustainability, ranging from a focus on internal staff development, resource efficiency, environmental protection or stakeholder engagement.

Second, we sought to assess if it is possible for organizations to display a unified sustainability-oriented organizational culture. While the integration perspective of organizational culture generally assumes that organizations have only one dominant culture with organization-wide consensus among employees around a set of shared assumptions, values and beliefs, this view is contested by the differentiation perspective. According to the differentiation perspective, different subcultures can exist throughout an organization, and members of each subculture can hold different attitudes towards corporate sustainability which are distinct from that of other subcultures.

Third, we asked if organizations can become more sustainable through culture change. This paper has identified a number of important barriers and limitations for sustainability-related culture change, including organizational rigidity and the existence of organizational subcultures throughout the organization. However, the adoption of corporate sustainability principles can occur at several different dimensions. Our paper suggests that changes on the surface level, for example through the publication of corporate sustainability reports, the integration of sustainability measures in employee performance evaluation, or employee training, can provide a conducive context for changes in employees’ values and beliefs or even in core assumptions.

We suggest several avenues and directions for future research. The proposed relationships between organizational culture and corporate sustainability will require further exploration. It seems apparent that organizations have to abandon the dominant design and assumptions of the bureaucratic organization, and similar claims have been made by a number of authors in other studies (e.g., Stead & Stead, 1992). It also seems apparent that the “ideal” culture profile for corporate sustainability needs to be low on internal process values, and high on open systems values, yet to date there is little empirical support to support his claim. We believe that an important issue for the future will be studies designed to understand the complexities of the relationship between organizational culture and corporate sustainability.

Already some studies (Linnenluecke et al., in press; Ramus, 2001, 2002) have attempted to develop and use existing measures as a means to understand the relation between organizational culture and the pursuit of corporate sustainability.

Second, an interesting avenue of future research is the investigation of how culture change can be achieved in the presence of different subcultures, and how this changes the corporate culture on economic, social and environmental aspects. A third interesting avenue worthy of future research is the relation between individual values and organizational values. The values of employees and managers in organizations are phenom–
ena that have captured much attention from researchers, practitioners, social critics, and the wider public. Despite this interest, there is a lack of agreement on what values are and how they influence individuals (Meglino & Ravlin, 1998). Hoffman (1993) argues that a congruent fit between an individual’s values and that of the organization’s culture is important. In case of incongruence, individuals can either chose among compliance, a resolution to change the corporate values, or resignation from the organization. As Hoffman’s study is based on the assumption of a

unified organizational culture, a more detailed investigation of individual values and organizational values seems useful. Future research could address whether and how values of top management or dominant organizational actors become disseminated throughout different subcultures, and how this helps to facilitate the adoption of corporate sustainability.

References


