

Organizational Culture and Sustainability

A Guide for Sustainable Entrepreneurs

SUSTAINABLE ENTREPRENEURSHIP PROJECT

Dr. Alan S. Gutterman

Organizational Culture and Sustainability: A Guide for Sustainable Entrepreneurs

Published by the Sustainable Entrepreneurship Project (www.seproject.org) and copyrighted © 2017 by Alan S. Gutterman.

All the rights of a copyright owner in this Work are reserved and retained by Alan S. Gutterman; however, the copyright owner grants the public the non-exclusive right to copy, distribute, or display the Work under a Creative Commons Attribution-NonCommercial-ShareAlike (CC BY-NC-SA) 4.0 License, as more fully described at <http://creativecommons.org/licenses/by-nc-sa/4.0/legalcode>.

About the Project

The Sustainable Entrepreneurship Project (www.seproject.org) engages in and promotes research, education and training activities relating to entrepreneurial ventures launched with the aspiration to create sustainable enterprises that achieve significant growth in scale and value creation through the development of innovative products or services which form the basis for a successful international business. In furtherance of its mission the Project is involved in the preparation and distribution of Libraries of Resources for Sustainable Entrepreneurs covering Entrepreneurship, Leadership, Management, Organizational Design, Organizational Culture, Strategic Planning, Governance, Corporate Social Responsibility, Compliance and Risk Management, Finance, Human Resources, Product Development and Commercialization, Technology Management, Globalization, and Managing Growth and Change. Each of the Libraries include various Project publications such as handbooks, guides, briefings, articles, checklists, forms, forms, videos and audio works and other resources; management tools such as checklists and questionnaires, forms and training materials; books; chapters or articles in books; articles in journals, newspapers and magazines; theses and dissertations; papers; government and other public domain publications; online articles and databases; blogs; websites; and webinars and podcasts.

About the Author

Dr. Alan S. Gutterman is the Founding Director of the Sustainable Entrepreneurship Project and the Founding Director of the Business Counselor Institute (www.businesscounselorinstitute.org), which distributes Dr. Gutterman's widely-recognized portfolio of timely and practical legal and business information for attorneys, other professionals and executives in the form of books, online content, webinars, videos, podcasts, newsletters and training programs. Dr. Gutterman has over three decades of experience as a partner and senior counsel with internationally recognized law firms counseling small and large business enterprises in the areas of general corporate and securities matters, venture capital, mergers and acquisitions, international law and transactions, strategic business alliances, technology transfers and intellectual property, and has also held senior management positions with several technology-based businesses including service as the chief legal officer of a leading international distributor of IT

products headquartered in Silicon Valley and as the chief operating officer of an emerging broadband media company. He received his A.B., M.B.A., and J.D. from the University of California at Berkeley, a D.B.A. from Golden Gate University, and a Ph. D. from the University of Cambridge. For more information about Dr. Gutterman, his publications, the Sustainable Entrepreneurship Project or the Business Counselor Institute, please contact him directly at alanguutterman@gmail.com.

Organizational Culture and Sustainability

§1 Introduction

Over the last several decades, beginning in the 1990s, researchers and organizations have shown increasing interest in applying the principles of sustainable development to the business world and companies have increasingly focused efforts on introducing or changing policies, products and/or processes to address pollution, minimize resource use, and to improve community and stakeholder relations.¹ While these initiatives are laudable, some critics have argued that they are often largely superficial and not conducive to the creation and maintenance of authentically sustainable organizations and industries.² For them, the only way that an organization can truly and fully respond to environmental and social challenges and become sustainable is to undergo a significant cultural change and transformation that leads to the development and maintenance of a sustainability-oriented organizational culture.³ Tatarusanu et al. noted that studies had indicated that there is a strong relationship between organizational culture and corporate sustainability and that sustainability initiatives are more likely to be successful if they are defined and implemented in a way that is aligned with the organizational culture.⁴

Researchers have long suggested that an integrated organizational culture, one that is strong and widely held among organizational members, is positively linked to better organizational performance, although the evidence seems to be that this holds true only if the culture also fits the organizational strategy and is adaptable to changing environmental conditions. These arguments have been adopted by sustainability advocates who have been seeking ways to encourage organizational leaders to embrace and implement greener corporate management, strategy and marketing.⁵ Dodge recommended that sustainability leaders work hard to develop a strong and highly integrative sustainability-oriented organizational culture which fosters a sense of identity and commitment to common corporate environmental goals and aspirations.⁶ In order to

¹ M. Linnenluecke and A. Griffiths, "Corporate sustainability and organizational culture", *Journal of World Business*, 45 (2010), 357 (citing A. Crane, "Corporate greening as amoralization", *Organization Studies*, 21(4) (2000), 673).

² See, e.g., S. Hart and M. Milstein, "Creating sustainable value", *Academy of Management Executive*, 17(2) (2000), 56; and P. Senge and G. Carstedt, "Innovating our way to the next industrial revolution", *MIT Sloan Management Review*, 42(2) (2001), 24.

³ A. Crane, "Rhetoric and reality in the greening of organizational culture", *Greener Management International*, 12 (1995), 49; J. Post and B. Altman, "Managing the environmental change process: Barriers and opportunities", *Journal of Organizational Change Management*, 7(4) (1994), 64; and W. Stead and J. Stead, *Management for a small planet: Strategic decision making and the environment* (Newberry Park, CA: Sage, 1992) (as cited in M. Linnenluecke and A. Griffiths, "Corporate sustainability and organizational culture", *Journal of World Business*, 45 (2010), 357).

⁴ M. Tatarusanu, A. Onea and A. Cuza, "Organizational Culture and Values for Corporate Sustainability (University of Iasi), <http://docplayer.net/11003116-Organizational-culture-and-values-for-corporate-sustainability.html>

⁵ A. Crane, "Rhetoric and reality in the greening of organizational culture", *Greener Management International*, 12 (1995), 49.

⁶ J. Dodge, "Reassessing culture and strategy: Environmental improvement, structure, leadership and control" in R. Welford (Ed.), *Corporate environmental management* (London: Earthscan, 1997), 104.

accomplish this, the founders and other top managers of the organization need to promote sustainability-oriented values and beliefs among all of the organizational members so that a consensus emerges between employees and the organization with regard to environmental values and beliefs.⁷

Tatarusanu et al. pointed out that organizational culture demonstrated how members of an organization think and thus organizational culture must be taken into account when organizational leaders attempt to change the attitudes of the members toward considering the needs of the environment and society in the day-to-day actions.⁸ Changing the organizational culture involves embedding new objectives, methods and accepted values and prescriptions about how to act and desirable practices within the organization. They suggested that an organizational culture of sustainability would be a culture in which the organization's members shared common beliefs about the importance of ensuring a balance among economic efficiency, social equity and social responsibility. They also argued that organizations with a strong culture of sustainability made efforts to support a healthy environment and to improve others' lives, and achieved success in surviving for the long-term.⁹

Linnenluecke and Griffiths were interested in examining the relationship between corporate sustainability and organizational culture and in assessing what constitutes a sustainability-oriented organizational culture.¹⁰ They began by acknowledging that there was disagreement regarding the definition and conceptualization of corporate sustainability. Sharma had explained that the emerging interest in sustainable development that began in the late 1980s had been interpreted in the organizational sphere as a challenge to organizations to simultaneously improve social and human welfare while reducing their ecological impact and ensuring the effective achievement of organizational objectives.¹¹ In practice, however, definitions of corporate sustainability varied on the degree to which they emphasized ecological concerns or social responsibility.¹² Many advocated for a broad concept of corporate sustainability that integrated the traditional economic activities of corporations with concerns for addressing ecological and social problems.¹³ The term "corporate social responsibility" also became

⁷ M. Linnenluecke and A. Griffiths, "Corporate sustainability and organizational culture", *Journal of World Business*, 45 (2010), 357, 362-363.

⁸ M. Tatarusanu, A. Onea and A. Cuza, "Organizational Culture and Values for Corporate Sustainability (University of Iasi), <http://docplayer.net/11003116-Organizational-culture-and-values-for-corporate-sustainability.html>

⁹ Id. (citing S. Bertels, *Embedding Sustainability in Organizational Culture: A How-to Guide for Executives* (London, Ontario CN: Network for Business Sustainability, 2010).

¹⁰ M. Linnenluecke and A. Griffiths, "Corporate sustainability and organizational culture", *Journal of World Business*, 45 (2010), 357, 359.

¹¹ S. Sharma, "Research in corporate sustainability: What really matters?" in S. Sharma and M. Starik (Eds.), *Research in corporate sustainability: The evolving theory and practice of organizations in the natural environment* (Cheltenham: Edward Elgar, 2003), 1.

¹² P. Shrivastava, "The role of corporations in achieving ecological sustainability", *Academy of Management Review*, 20(4) (1995), 936; and A. Carroll, "Corporate social responsibility: Evolution of a definitional construct", *Business and Society Review*, 38(3) (1999), 268.

¹³ See, e.g., M. van Marrewijk, "Concepts and definitions of CSR and corporate sustainability: Between agency and communion", *Journal of Business Ethics*, 44(2-3) (2003), 95; and T. Dyllick and K. Hockerts,

popular and was described by Berger et al. as the integration of social, environmental, and economic concerns into an organization's culture, decision-making, strategy, and operations.¹⁴

The variety of conceptualizations of corporate sustainability has understandably led to confusion as to the best methods for organizational members to follow in order to implement sustainability into their organizational practices.¹⁵ Further complexity follows from the fact that the drive for sustainability comes from a combination of external and internal factors that will influence the mix of sustainability practices that a particular organization will adopt. For example, external factors such as environmental regulations and standards, or pressure from consumer groups and the community, will demand certain organizational responses. At the same time, many organizations embrace sustainability as a strategy for reducing internal pressures, such as addressing the impact of staff turnover due to worker dissatisfaction and the erosion of loyalty to the organization, and the content and efficacy of corporate sustainability initiatives will be determined in large part by powerful internal factors such as top management support, human resource management, environmental training, employee empowerment, teamwork and reward systems.¹⁶

Linnenluecke and Griffiths joined other researchers in suggesting organizations seeking to achieve corporate sustainability needed to make more far-reaching changes than those suggested above and argued that “corporate sustainability is a multifaceted concept that requires organizational change and adaptation on three different levels that paralleled the dimensions of organizational culture famously devised by Schein¹⁷”:

- *Surface level*: This level, which parallels “observable” culture in the Schein model (i.e., the visible organizational structure, processes and behaviors), provides the context for adoption of sustainability practices and sustainability principles appear in visible forms such as technical solutions, publication of corporate sustainability

“Beyond the business case for corporate sustainability”, *Business Strategy and the Environment*, 11(2) (2002), 130.

¹⁴ I. Berger, P. Cunningham and M. Drumwright, “Mainstreaming corporate social responsibility: Developing markets for virtue”, *California Management Review*, 49(4) (2007), 132.

¹⁵ B. Daily and S. Huang, “Achieving sustainability through attention to human resource factors in environmental management”, *International Journal of Operations and Production Management*, 21(12) (2001), 1539; and N. Faber, R. Jorna and J. van Engelen, “The sustainability of “sustainability” – A study into the conceptual foundations of the notion of “sustainability””, *Journal of Environmental Assessment Policy and Management*, 7(1) (2005), 1.

¹⁶ See, e.g., B. Daily and S. Huang, “Achieving sustainability through attention to human resource factors in environmental management”, *International Journal of Operations and Production Management*, 21(12) (2001), 1539.

¹⁷ M. Linnenluecke and A. Griffiths, “Corporate sustainability and organizational culture”, *Journal of World Business*, 45 (2010), 357, 358 (citing A. Crane, “Corporate greening as amoralization”, *Organization Studies*, 21(4) (2000), 673; R. Purser, Guest editorial: “Shallow” versus “deep” organizational development and environmental sustainability”, *Journal of Organizational Change Management*, 7(4) (1994), 4; and E. Schein, *Organizational culture and leadership* (3rd Ed.) (San Francisco: Jossey-Bass, 2004)).

reports, integration of sustainability measures in employee performance evaluation, and employee training.¹⁸

- *Value level:* At this level, which parallels “espoused values” in the Schein model (i.e., (strategies, goals and philosophies), adoption of sustainability principles takes the form of changes in employees’ values and beliefs towards more ethical and more responsible values.¹⁹
- *Underlying level:* This level, which parallels the “underlying assumptions” in the Schein model (i.e., unconscious beliefs and perceptions which form the ultimate source of values and action), is where organizations need to change core assumptions regarding interdependence of human and ecological systems in order for the organization to authentically adopt sustainability principles.²⁰

Organizational culture is hard to change and change efforts must be undertaken with a long-term perspective. This does not mean that managers should refrain from sustainability initiatives until the require culture or climate is in place, but it does mean that the impact of culture must be anticipated and that sustainability initiatives should be accompanied by efforts to enrich the culture with sustainability values.²¹

§2 Taxonomy of organizational cultures based on integration of sustainability

It has been suggested that it was possible and useful to recognize four types of organization cultures, which could be distinguished in large part by the degree to which they have integrated sustainability values and principles and the practices they use in approach and managing sustainability-related issues²²:

- *Reactive/Obstructionist:* Reactive/Obstructionist organizations do not generally approach items regarding sustainability in their day-to-day work activities and are more concerned with traditional goals such as maximizing the value their stockholders. The focus on economic performance that accrues to the benefit of stockholders and incumbent executives often causes these types of organizations to take what has been referred to as an “obstructionist stance”, which means that they try to block and stop what is going on and avoid corporate social responsibility. For

¹⁸ D. Dunphy, A. Griffiths and S. Benn, *Organizational change for corporate sustainability: A guide for leaders and change agents of the future* (London: Routledge, 2003).

¹⁹ A. Crane, “Corporate greening as amoralization”, *Organization Studies*, 21(4) (2000), 673.

²⁰ R. Purser, Guest editorial: “Shallow” versus “deep” organizational development and environmental sustainability”, *Journal of Organizational Change Management*, 7(4) (1994), 4.

²¹ L. Abbett, A. Coldham and R. Whisnant, *Organizational Culture and the Success of Corporate Sustainability Initiatives: An Empirical Analysis using the Competing Values Framework*, https://www.researchgate.net/publication/282195341_Organizational_Culture_and_the_Success_of_Corporate_Sustainability_Initiatives_An_Empirical_Analysis_using_the_Competing_Values_Framework

²² Adapted from M. Tatarusanu, A. Onea and A. Cuza, “Organizational Culture and Values for Corporate Sustainability (University of Iasi); D. Steege, Powerpoint Presentation retrieved from Colorado Technical University Online, Virtual Campus, MGM110-0803A-12: Principles of Business; <http://docplayer.net/11003116-Organizational-culture-and-values-for-corporate-sustainability.html>; and Approaches to Social Responsibility (Wednesday, 1 May 2013), <http://tafes.blogspot.com/>; and B. Kanobi. “What Are the Four Basic Approaches to Social Responsibility?” (1999), http://www.ehow.com/info_8254493_four-basic-approaches-social-responsibility.html

example, such an organization may crack down on workers striking for better wages and working conditions rather than see their actions as a signal for the need to engage with employees to forge a mutually beneficial working arrangement. Regretfully, when this type of organization cross legal and/or ethical lines and engage in unacceptable practices, the response from organization leaders is to deny or avoid accepting responsibility for their actions and place roadblocks in the path of attempts to determine the reasons and solutions for the organization behavior. Obstructionist organizations have been characterized as being “immoral” due to the way that they exploit their employees, deceive customers and/or damage natural resources.²³

- *Defensive*: Defensive organizations take actions relating to sustainability only after it finds it to be necessary as a response to legislative and/or community pressures. Defensive organizations are not particularly responsible with respect to social responsibility and sustainability and typically limit their actions to what is required of them by law and nothing more. For example, tobacco companies, after fighting proposed regulations to place warning on cigarette packaging, eventually agreed to provide the warnings; however, their goal was to simply fend off legal problems and they generally did little more in terms of providing information to consumers about the dangers of their products.
- *Adaptive/Accommodative*: Adaptive/Accommodative organizations have begun the process of integrating sustainable development principles into their management processes, but have yet to establish clear goals and objectives with respect to sustainability. These types of organizations believe that social responsibility is important, perhaps just as important as making a profit, and have exceeded legal minimums in their commitments to groups and individuals in its social environment and publicly accepted responsibility for certain problems and embarked on specific initiatives to develop solutions for those problems.²⁴ Especially notable among Adaptive/Accommodative organizations is a willingness to make full disclosure of relevant information and facts relating to their sustainability initiatives and such organizations listen attentively to criticisms and are willing to respond by changing their policies and practices. Adaptive/Accommodative organizations are open to solicitation for programs that may fulfill their sustainability goals, but do not proactively seek out paths for contributing.
- *Sustainable/Proactive*: Sustainable/Proactive organizations have successfully integrated duties to the environment and the community into their goals and actions. A proactive approach means acting in advance of a future situation rather than responding, or reacting, to a situation or probably that has already happened. Sustainable/Proactive organizations sincerely embrace the arguments in favor of social responsibility and view themselves as citizens in a society with a duty to seek out opportunities to contribute. When a crisis or problem arises, a Sustainable/Proactive organization will address the situation quickly such as pulling defective products from the market before regulators require such an action and then moving aggressively to work with all customers to resolve any issues relating to the defects in products that have already been sold. Proactive strategies are frequently

²³ B. Kanobi. “What Are the Four Basic Approaches to Social Responsibility?” (1999), http://www.ehow.com/info_8254493_four-basic-approaches-social-responsibility.html

²⁴ J. VanBaren, Accommodative Social Responsibility (2010).

seen in areas such as supply chain management, waste reduction and support for innovative programs to benefit the communities in which the organization is operating.

§3 Influence of organizational culture on implementation of sustainability

Linnenluecke and Griffiths observed that organizational culture had often been cited as the primary reason for the failure of implementing organizational change programs.²⁵ They explained that regardless of the sophistication of the tools, techniques and change strategies used by an organization, change programs are most likely to succeed when they are aligned with the values and ideological underpinnings of an organization's culture. They believed that organizational culture impacts how corporate sustainability is implemented and predicts the types of outcomes that may be observed by introducing various change strategies into the organization. In order to test these propositions, Linnenluecke and Griffiths set out to explore and discuss the relationship between corporate sustainability and organizational culture using the "competing values" framework of organizational culture that has been used to identify and describe four types of organizational culture, each with its own set of valued outcomes and a coherent managerial ideology about how those outcomes could be achieved.

The "competing values" framework is a simple, yet eloquent, two-dimensional matrix that categorizes organizational culture into four types based on the degree to which the organization focuses inward or outward and how decisions are made within the organization.²⁶ The first dimension is typically depicted as running horizontally with the pole on the left side representing "internal focus" and integration and the pole on the right side representing the opposite extreme of "external focus" and differentiation. It is suggested that organizations select an internal focus when customer focus and/or external competitive factors are not that important for their operations; however, external focus is necessary when organizations are confronted by, and need to address, external competition and/or demands of external stakeholders in their operations. The second dimension is typically depicted as running vertically with the pole on the top representing "flexibility" and discretion and the pole on the bottom representing the opposite extreme of "control" and stability. Flexible organizations generally seek to empower employees to make decisions on their own while control refers to centralization of authority and decision making with top management. As with internal-external focus, the choice between flexibility and control depends in large part on the operational demands of the business and its external environment: when there is a need for stability, reliability and efficiency, control and stability is the appropriate choice; however, flexibility is more

²⁵ M. Linnenluecke and A. Griffiths, "Corporate sustainability and organizational culture", *Journal of World Business*, 45 (2010), 357, 359.

²⁶ See R. Quinn and J. Rohrbaugh, "A competing values approach to organizational effectiveness", *Public Productivity Review*, 5 (1981), 122–140; and R. Quinn and J. Rohrbaugh, "A spatial model of effectiveness criteria: Towards a competing values approach to organizational analysis", *Management Science*, 29 (1983), 363–377.

important when the environment is turbulent and thus creates a heightened need for efficient change processes.²⁷

Placement of specific organizations on each of the dimensions is determined by the responses from assessment tools such as questionnaires that ask organizational members to identify the response that best describes the organization with respect to dominant organizational characteristics (i.e., which of the four culture types in the competing values framework best describes the organization), leadership style, management of employees, “organizational glue”, strategic emphasis, decision-making processes, communications strategies and criteria for success.²⁸ A variety of names and descriptions of the four cultural types have been used in the extensive literature relating to both organizational culture and climate; however, Linnenluecke and Griffith, building on the work and ideas of Jones et al. and Zammuto et al., named and described the four quadrants of the framework as follows²⁹:

- Human Relations Model: Organizations that are dominated by human relation values promote cohesion and morale through training and development, open communication and participative decision-making

²⁷ For further discussion and description of the competing values framework of organizational culture, see R. Quinn, *Beyond rational management: Mastering the paradoxes and competing demands of high performance* (San Francisco, CA: Jossey-Bass, 1988); R. Quinn and J. Kimberly, “Paradox, planning, and perseverance: Guidelines for managerial practice” in J. Kimberly and R. Quinn (Eds.), *Managing organizational translations* (Homewood, IL: Dow Jones-Irwin, 1984), 295; and R. Quinn and J. Rohrbaugh, “A spatial model of effectiveness criteria: Towards a competing values approach to organizational analysis”, *Management Science*, 29(3) (1983), 363. See also the chapters on “Dimensions of Organizational Culture” and “Typologies of Organizational Culture” in “Organizational Culture”, a Research Paper that is part of “Organizational Culture: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

²⁸ Description of questionnaire items in text adapted from “Competing Values Framework.” ChangingMinds.org. Web. No Date. See also K. Cameron R. Quinn, *Diagnosing and changing organizational culture: Based on the competing values framework* (Reading, MA: Addison-Wesley, 1999).

²⁹ M. Linnenluecke and A. Griffiths, “Corporate sustainability and organizational culture”, *Journal of World Business*, 45 (2010), 357, 359 (citing R. Jones, N. Jimmieson and A. Griffiths, “The impact of organizational culture and reshaping capabilities on change implementation success: The mediating role of readiness for change”, *Journal of Management Studies*, 42(2) (2005), 359; M. Linnenluecke, S. Russell and A. Griffiths, “Subcultures and sustainability practices: The impact on understanding corporate sustainability”, *Business Strategy and the Environment*, 18 (2009), 432; R. Zammuto, “Does who you ask matter? Hierarchical subcultures and organizational culture assessments”, The Business School, University of Colorado at Denver, 2005; and R. Zammuto, B. Gifford and E. Goodman, “Managerial ideologies, organization culture, and the outcomes of innovation” in N. Ashkanasy, C. Wilderom and M. Peterson (Eds.), *Handbook of organizational culture & climate* (Sage: Thousand Oaks, CA, 2000), 261) For further discussion and description of the competing values framework of organizational culture, see R. Quinn, *Beyond rational management: Mastering the paradoxes and competing demands of high performance* (San Francisco, CA: Jossey-Bass, 1988); R. Quinn and J. Kimberly, “Paradox, planning, and perseverance: Guidelines for managerial practice” in J. Kimberly and R. Quinn (Eds.), *Managing organizational translations* (Homewood, IL: Dow Jones-Irwin, 1984), 295; and R. Quinn and J. Rohrbaugh, “A spatial model of effectiveness criteria: Towards a competing values approach to organizational analysis”, *Management Science*, 29(3) (1983), 363. See also the chapters on “Dimensions of Organizational Culture” and “Typologies of Organizational Culture” in “Organizational Culture”, a Research Paper that is part of “Organizational Culture: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

- **Open Systems Model:** Organizations that are dominated by open systems values promote growth and resource acquisition through adaptability and change, visionary communication and flexible decision-making
- **Internal Process Model:** Organizations that are dominated by internal process values promote stability and control through information management, precise communication and data-based decision making
- **Rational Goal Model:** Organizations that are dominated by rational goal values promote efficiency and productivity through goal-setting and planning, instructional communication and centralized decision-making

The framework is intended to draw contrasts and Linnenluecke and Griffith noted that in many ways the four culture types appeared to be incompatible and mutually exclusive; however, they acknowledged that they can and do coexist within a single organization, although some values are likely to be more dominant than others.³⁰ The sections that follow describe various theoretical propositions developed by Linnenluecke and Griffith with respect to each of the four cultural types with respect to how the ideological underpinnings of the applicable organizational culture were likely to influence how sustainability will be implemented and the outcomes that can be achieved from the sustainability initiatives. Their fundamental argument was that there is no single type of sustainability-oriented organizational culture and that “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”.³¹

§4 --Human relations model

The Human Relations Model, which is sometimes referred to as a “clan” culture, is focused on flexibility and developing human potential through consensus building. Clan cultures value staff commitment, loyalty, empowerment (delegation), openness, morality, participation, teamwork, personal commitment and cohesion. Rather than relying of formal control procedures, such as rules and regulations, organizations with this type of culture attempt to motivate their members through vision, shared goals, outputs and outcomes. Organizational structures are relatively flat and rely on cooperation among autonomous teams and groups. As the name implies, members of clan cultures feel a sense of family and loyalty to one another derived from pursuit of a shared cause. Rules do exist, but rather than being written they are typically communicated socially and

³⁰ M. Linnenluecke and A. Griffiths, “Corporate sustainability and organizational culture”, *Journal of World Business*, 45 (2010), 357, 360 (citing R. Jones, N. Jimmieson and A. Griffiths, “The impact of organizational culture and reshaping capabilities on change implementation success: The mediating role of readiness for change”, *Journal of Management Studies*, 42(2) (2005), 359; R. Zammuto, B. Gifford and E. Goodman, “Managerial ideologies, organization culture, and the outcomes of innovation” in N. Ashkanasy, C. Wilderom and M. Peterson (Eds.), *Handbook of organizational culture & climate* (Sage: Thousand Oaks, CA, 2000), 261); and R. Quinn and J. Kimberly, “Paradox, planning, and perseverance: Guidelines for managerial practice” in J. Kimberly and R. Quinn (Eds.), *Managing organizational translations* (Homewood, IL: Dow Jones-Irwin, 1984), 295.

³¹ *Id.* at 364.

organizational leaders act as supportive facilitators and assume a “parental role”³². Linnenluecke and Griffith observed that the Human Relations Model corresponded to Barley and Kunda’s human relations ideology, which pays attention to work conditions, social interaction and group affiliation.³³

Based on the ideas raised in the discussion above, Linnenluecke and Griffith argued that organizations dominated by the Human Relations Model, with its emphasis on social interaction and interpersonal relations, would rely more heavily on internal staff development, learning and capacity building in their pursuit of corporate sustainability.³⁴ They also proposed that organizations with a high human relations orientation would accept responsibility for contributing to the process of renewing and upgrading human knowledge and skill formation; strongly promote equal opportunity, workplace diversity and work-life balance as workplace principles³⁵; invest in human potential and capital, learning and education; and pursue environmental health and safety, human welfare and wellbeing, as well as equitable and social just practices to achieve improved employee skills, satisfaction, commitment, and productivity.³⁶ Berger et al. observed that organizations with a strong focus on social or human relations values are likely to support or attract social entrepreneurship and that the leaders of these organizations will likely invest significant time and energy, often at the expense of neglecting business goals and objectives, in advocating corporate sustainability principles within the organization.³⁷ The challenge for pursuing sustainability within organizations with an embedded Human Relations Model will be resolving the tensions between creating a business venture and pursuing a social purpose.³⁸

§5 --Open systems model

³² Description adapted from K. Cameron, *Measuring Organizational Effectiveness in Institutions of Higher Education*. *Administrative Science Quarterly*, 23 (1978), 604-632 (as described in K. Chadwick, T. Barnett and S. Dwyer, “Entrepreneurial Orientation, Organizational Culture, and Firm Performance: An Empirical Study in the Banking Industry”, *Journal of Management and Applied Entrepreneurship*, 6(3) (2001), 3-17) and “Competing Values Framework.” *ChangingMinds.org*. Web. No Date.

³³ S. Barley and G. Kunda, “Design and devotion: Surges of rational and normative ideologies of control in managerial discourse”, *Administrative Science Quarterly*, 37(3) (1992), 363.

³⁴ M. Linnenluecke and A. Griffiths, “Corporate sustainability and organizational culture”, *Journal of World Business*, 45 (2010), 357, 361.

³⁵ D. Dunphy, D. Griffith and S. Benn, *Organizational change for corporate sustainability: A guide for leaders and change agents of the future* (London: Routledge, 2003).

³⁶ Id. (citing D. Dunphy, D. Griffith and S. Benn, *Organizational change for corporate sustainability: A guide for leaders and change agents of the future* (London: Routledge, 2003); B. Daily and S. Huang, “Achieving sustainability through attention to human resource factors in environmental management”, *International Journal of Operations and Production Management*, 21(12) (2001), 1539; P. Gollan, “Human resources, capabilities and sustainability” in D. Dunphy, J. Benveniste, A. Griffiths and P. Sutton (Eds.), *Sustainability: The corporate challenge of the 21st century* (Sydney: Allen & Unwin, 2000), 55; and A. Wilkinson, M. Hill and P. Gollan, “The sustainability debate. *International Journal of Operations and Production Management*”, 21(12) (2001), 1492)

³⁷ I. Berger and P. Cunningham and M. Drumwright, “Mainstreaming corporate social responsibility: Developing markets for virtue”, *California Management Review*, 49(4) (2007), 132.

³⁸ I. Berger and P. Cunningham and M. Drumwright, “Mainstreaming corporate social responsibility: Developing markets for virtue”, *California Management Review*, 49(4) (2007), 132; and S. Brammer and A. Millington, “Does it pay to be different? An analysis of the relationship between corporate social and financial performance”, *Strategic Management Journal*, 29(12) (2008), 1325.

The Open Systems Model, which is sometimes referred to as an “adhocracy” culture, stresses entrepreneurship, creativity, adaptability, flexibility, outward orientation and proactive change. The combination of flexibility and market focus means that organizations with this type of culture are quick to adapt to changing conditions, use autonomous teams to advantage, take calculated risks and rely on prototyping and experimenting rather than long development projects. These organizations are generally created and driven visionary, innovative entrepreneurs.³⁹ Linnenluecke and Griffith observed that the Open Systems Model corresponded to Barley and Kunda’s organizational culture and quality ideology, which emphasizes moral authority, social integration, quality, flexibility, and employee commitment to manage in turbulent environments.⁴⁰ They also noted that the Open Systems Model was consistent with the open-natural systems models classified by Scott which emphasized the importance of the external environment in affecting the behavior, structure and life changes of organizations.⁴¹ For example, Open Systems Model organizations are more cognizant of, and responsive to, exchanges with their environment that occur to secure access to resources and address social pressures and challenges.

Based on the ideas raised in the discussion above, Linnenluecke and Griffith argued that organizations dominated by the Open Systems Model would place greater emphasis on innovation for achieving ecological and social sustainability as they pursued corporate sustainability.⁴² In this instance, innovation is applied not merely to attain higher levels of eco-efficiency, but rather to develop products, systems and practices that “move beyond pollution control or prevention and allow the organization to operate within the carrying capacity of the natural environment by minimizing their resource use and ecological footprint”.⁴³ As for social sustainability, the assumption is that the organization must recognize and embrace its responsibilities toward various stakeholder groups and the community in which they operate⁴⁴ and engage proactively with those

³⁹ Description adapted from K. Cameron, *Measuring Organizational Effectiveness in Institutions of Higher Education*. *Administrative Science Quarterly*, 23 (1978), 604-632 (as described in K. Chadwick, T. Barnett and S. Dwyer, “Entrepreneurial Orientation, Organizational Culture, and Firm Performance: An Empirical Study in the Banking Industry”, *Journal of Management and Applied Entrepreneurship*, 6(3) (2001), 3-17) and “Competing Values Framework.” *ChangingMinds.org*. Web. No Date.

⁴⁰ S. Barley and G. Kunda, “Design and devotion: Surges of rational and normative ideologies of control in managerial discourse”, *Administrative Science Quarterly*, 37(3) (1992), 363.

⁴¹ W. Scott, *Organizations: Rational, natural, and open systems* (Upper Saddle River, NJ: Prentice-Hall, 2003).

⁴² M. Linnenluecke and A. Griffiths, “Corporate sustainability and organizational culture”, *Journal of World Business*, 45 (2010), 357, 361.

⁴³ Id. (citing Linnenluecke, S. Russell and A. Griffiths, “Subcultures and sustainability practices: The impact on understanding corporate sustainability”, *Business Strategy and the Environment*, 18 (2009), 432; S; and S. Hart, “A natural-resource-based view of the firm”, *Academy of Management Review*, 20(4) (1995), 986; S. Hart, “Beyond greening: Strategies for a sustainable world”, *Harvard Business Review*, 75(1) (1997), 67; Sharma, “Research in corporate sustainability: What really matters?” in S. Sharma and M. Starik (Eds.), *Research in corporate sustainability: The evolving theory and practice of organizations in the natural environment* (Cheltenham: Edward Elgar, 2003), 1.

⁴⁴ D. Dunphy, A. Griffiths and S. Benn, *Organizational change for corporate sustainability: A guide for leaders and change agents of the future* (London: Routledge, 2003); A. Carroll, “Corporate social

stakeholders and communities by providing a business venture that serves a social purpose and affirmatively addressing business-related social issues through philanthropic activities and programs focused on minority concerns and community welfare.⁴⁵ The underlying assumption for the approach taken by organizations with an open systems culture to both ecological and social sustainability is that the organization is not separate from its natural and social environments, but rather located within, connected to and dependent upon those environments.

§6 --Internal process model

The Internal Process Model, which is sometimes referred to as a “hierarchy” culture, focuses on stability and control, order, uniformity, rules and regulations and features hierarchical organizational structures with hierarchical leaders, well-defined policies and procedures, centralized decision making and close oversight by organizational leaders over all aspects of operational activities.⁴⁶ Linnenluecke and Griffith observed that the Internal Process Model corresponded to Barley and Kunda’s ideology of scientific management, which is directed towards the maximization of economic gains through rationalized production processes.⁴⁷ Organizational leaders working within the Internal Process Model rely heavily on the hierarchical structure, and Cameron and Quinn noted that the enforcement of and the conformity with rules is highly effective under relatively stable environmental conditions and allows maximization of the production of goods and services.⁴⁸ Given the focus on formalization in the Internal Process Model, Linnenluecke and Griffith predicted that there would likely be “cognitive and motivational limitations of individuals which constrain employee choices and action within the organization, and restrict the understanding and enactment of sustainability”.⁴⁹

responsibility: Evolution of a definitional construct”, *Business and Society Review*, 38(3) (1999), 268; and R. Freeman, *Strategic management: A stakeholder approach* (Boston: Pitman, 1984).

⁴⁵ M. Linnenluecke, S. Russell and A. Griffiths, “Subcultures and sustainability practices: The impact on understanding corporate sustainability”, *Business Strategy and the Environment*, 18 (2009), 432;

⁴⁶ Description adapted from K. Cameron, *Measuring Organizational Effectiveness in Institutions of Higher Education*. *Administrative Science Quarterly*, 23 (1978), 604-632 (as described in K. Chadwick, T. Barnett and S. Dwyer, “Entrepreneurial Orientation, Organizational Culture, and Firm Performance: An Empirical Study in the Banking Industry”, *Journal of Management and Applied Entrepreneurship*, 6(3) (2001), 3-17) and “Competing Values Framework.” *ChangingMinds.org*. Web. No Date.

⁴⁷ S. Barley and G. Kunda, “Design and devotion: Surges of rational and normative ideologies of control in managerial discourse”, *Administrative Science Quarterly*, 37(3) (1992), 363; and F. Taylor, *The principles of scientific management* (New York: Harper, 1911).

⁴⁸ K. Cameron and R. Quinn, *Diagnosing and changing organizational culture: Based on the competing values framework* (Rev. Ed.) (Reading, MA: Addison-Wesley, 2006).

⁴⁹ M. Linnenluecke and A. Griffiths, “Corporate sustainability and organizational culture”, *Journal of World Business*, 45 (2010), 357, 360 (citing W. Scott, *Organizations: Rational, natural, and open systems* (Upper Saddle River, NJ: Prentice-Hall, 2003); A. Griffiths and J. Petrick, “Corporate architectures for sustainability”, *International Journal of Operations and Production Management*, 21(12) (2001), 1573; M. Linnenluecke, S. Russell and A. Griffiths, “Subcultures and sustainability practices: The impact on understanding corporate sustainability”, *Business Strategy and the Environment*, 18 (2009), 432; J. Post and B. Altman, “Managing the environmental change process: Barriers and opportunities”, *Journal of Organizational Change Management*, 7(4) (1994), 64; and C. Ramus, “Context and values: Defining a research agenda for studying employee environmental motivation in business organizations” in S. Sharma and J. Arago´ n-Correa (Eds.), *Corporate environmental strategy and competitive advantage* (Cheltenham, UK; North Hampton, MA: Edward Elgar, 2005), 71).

Based on the ideas raised in the discussion above, Linnenluecke and Griffith argued that organizations dominated by the Internal Process Model would likely have a preference for pursuing economic sustainability and thus place greater emphasis on economic performance, growth and long-term profitability in their sustainability initiatives.⁵⁰ The key aspects of this approach would be maximizing production and consumption of the organization's products and services in order to increase profits and achieving economic efficiency through the simplification of products, services and processes in order to achieve costs reductions, maximize product and pursue economic outcomes.⁵¹ This approach to sustainability, although it is based on efficiency gains, does not necessarily prioritize concerns about how the organization's activities will impact the ecological and social systems in which it operates.⁵² Linnenluecke and Griffith noted that several scholars have maintained 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 and have counseled that organizations that are narrowly focused on achieving economic outcomes rather than sustainability may miss out on sustainability innovations and other business opportunities⁵³, and also cautioned that organizations dominated by internal process values that do 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.⁵⁴

§7 --Rational goal model

The Rational Goal Model, which is sometimes referred to as a "market" culture, is concerned with planning, efficiency and attainment of well-defined goals related to the organization's position in its competitive environment (i.e., an "outward orientation"). Market cultures are concerned with goals, productivity, task fulfillment, profitability, and planning. Organizations with this type of culture view all transactions, internal and external, in market terms and are generally results-driven and overseen by leaders who are extremely competitive.⁵⁵ Linnenluecke and Griffith observed that the Rational Goal

⁵⁰ M. Peteraf, "The cornerstones of competitive advantage: A resource-based view", *Strategic Management Journal*, 14(3) (1993), 179; and M. Porter, *Competitive advantage: Creating and sustaining superior performance* (New York, London: Free Press, Collier Macmillan, 1985).

⁵¹ K. Cameron and R. Quinn, *Diagnosing and changing organizational culture: Based on the competing values framework* (Rev. Ed.) (Reading, MA: Addison-Wesley, 2006); and S. Eden, *Environmental issues and business: Implications of a changing agenda* (Chichester, New York: John Wiley, 1996).

⁵² P. Senge and G. Carstedt, "Innovating our way to the next industrial revolution", *MIT Sloan Management Review*, 42(2) (2001), 24.

⁵³ J. Arago'n-Correa and S. Sharma, "A contingent resource-based view of proactive corporate environmental strategy", *Academy of Management Review*, 28(1) (2003), 71; S. Hart and M. Milstein, "Creating sustainable value", *Academy of Management Executive*, 17(2) (2003), 56; and M. Russo and P. Fouts, "A resource-based perspective on corporate environmental performance and profitability", *Academy of Management Journal*, 40(3) (1997), 534.

⁵⁴ P. Senge and G. Carstedt, "Innovating our way to the next industrial revolution", *MIT Sloan Management Review*, 42(2) (2001), 24.

⁵⁵ Description adapted from K. Cameron, *Measuring Organizational Effectiveness in Institutions of Higher Education*. *Administrative Science Quarterly*, 23 (1978), 604-632 (as described in K. Chadwick, T. Barnett

Model corresponded to Barley and Kunda's systems rationalism ideology which focuses on planning, forecasting, controlling, and the design of the organizational structure and decision processes to match the external environment.⁵⁶ The Rational Goal Model is also consistent with open-rational systems models which assess how organizations can develop and operate systems in the face of 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.⁵⁷

Based on the ideas raised in the discussion above, Linnenluecke and Griffith argued that organizations dominated by the Rational Goal Model would likely emphasize resource efficiencies in their pursuit of corporate sustainability.⁵⁸ There is no doubt that there are operational and sustainability advantages to implementing policies and practices that reduce costs and operational inefficiencies and many organizations have implemented human resources and environmental policies focused on reducing and eliminating waste. The added profits and savings can be re-invested in programs designed to achieve and maintain long-term gains such as employee training programs that build loyalty and provide employees with the skills necessary for innovation and other value-added activities. However, Linnenluecke and Griffith cautioned that efficiency should not be pursued in isolation, since it is also necessary to consider the impact that the steps taken to achieve efficiency may have on the environment and society. They stated bluntly that "efficiency defined solely as cost reduction and the simplification of product, process and service flows is insufficient to achieve corporate sustainability".⁵⁹ Linnenluecke and Griffith also pointed out that efficiencies may be of limited competitive advantage to organizations if they can be easily copied and implemented by competitors.

§8 --Implication for sustainability leaders

To recap, the sections above described how Linnenluecke and Griffiths used the "competing values framework" to identify four organizational cultural types and discuss how the ideological underpinnings of each of these types could be expected to impact how organizations approached their sustainability initiatives. The propositions for each of the cultural types championed by Linnenluecke and Griffith are important for sustainability leaders in the way they serve as reminders that there is no single best type of sustainability-oriented organizational culture and that organizational culture is best viewed as a fundamental influencer on how corporate sustainability is implemented and

and S. Dwyer, "Entrepreneurial Orientation, Organizational Culture, and Firm Performance: An Empirical Study in the Banking Industry", *Journal of Management and Applied Entrepreneurship*, 6(3) (2001), 3-17) and "Competing Values Framework." *ChangingMinds.org*. Web. No Date.

⁵⁶ S. Barley and G. Kunda, "Design and devotion: Surges of rational and normative ideologies of control in managerial discourse", *Administrative Science Quarterly*, 37(3) (1992), 363.

⁵⁷ M. Linnenluecke and A. Griffiths, "Corporate sustainability and organizational culture", *Journal of World Business*, 45 (2010), 357, 361 (citing W. Scott, *Organizations: Rational, natural, and open systems* (Upper Saddle River, NJ: Prentice-Hall, 2003); and M. Linnenluecke, S. Russell and A. Griffiths, "Subcultures and sustainability practices: The impact on understanding corporate sustainability", *Business Strategy and the Environment*, 18 (2009), 432.

⁵⁸ *Id.*

⁵⁹ *Id.*

the types of outcomes that can be expected.⁶⁰ While the propositions suggest the strategies most likely to be used by organizations based on their culture type (e.g., training and development in the Human Relations Model and information management in the Internal Process Model), one of the challenges for sustainability leaders is that despite their efforts there often is no organization-wide consensus among all of the members about the elements of organizational culture (i.e., shared assumptions, values and beliefs) and many organizations actually have different subcultures with members who will beliefs about corporate sustainability that are different from those held by members of other subcultures.

Another important thing for sustainability leaders to consider is effecting changes in organizational culture that can open opportunities for different types of sustainability goals and related strategies. For example, economic sustainability, the primary focus of organizations dominated by the cultural type associated with the Internal Process Model, is certain important to all organizations since they need to remain financially viable over the long term in order to achieve their environmental and social objectives. However, as pointed out by Linnenluecke and Griffith, “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”.⁶¹

Can sustainability leaders make the changes in organizational culture necessary to facilitate a shift toward different sustainability-related ends? Organizational rigidity and multiple subcultures make the task more difficult; however, Linnenluecke and Griffith suggested that the following changes can be made at the surface level (i.e., Schein’s observable culture dimension) to provide a conducive context for changes in the values, beliefs and core assumptions of organizational members: publication of corporate sustainability reports, the integration of sustainability measures in employee performance evaluation, and employee training.⁶² Sustainability leaders must also be skillful at understanding the differences and similarities among the subcultures in their organizations so that they can develop and implement a range of sophisticated programs that are tailored to the ways that particular subcultures are most likely to respond positively to some aspect of sustainability. For example, organizational communication and change programs should be created in ways that appeal to the aspects of organizational culture that are most important to the members of a particular subculture and the goals of sustainability program should be framed in a way that those members will understand and accept.⁶³

Quick Take

Linnenluecke and Griffiths’ “Corporate Sustainability and Organizational Culture”

“... 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

⁶⁰ Id. at 364.

⁶¹ Id. at 360.

⁶² Id. at 364.

⁶³ Id. at 363.

that these in turn affect how corporate sustainability is implemented and the types of outcomes that can be observed.”

Linnenluecke and Griffiths were interested in examining the relationship between corporate sustainability and organizational culture. They observed that organizational culture had often been cited as the primary reason for the failure of implementing organizational change programs, and explained that regardless of the sophistication of the tools, techniques and change strategies used by an organization, change programs are most likely to succeed when they are aligned with the values and ideological underpinnings of an organization's culture. They believed that organizational culture impacts how corporate sustainability is implemented and predicts the types of outcomes that may be observed by introducing various change strategies into the organization.

In order to test these propositions, Linnenluecke and Griffith set out to explore and discuss the relationship between corporate sustainability and organizational culture using the “competing values” framework of organizational culture that has been used to identify and describe the following four types of organizational culture, each with its own set of valued outcomes and a coherent managerial ideology about how those outcomes could be achieved:

- **Human Relations Model:** Organizations that are dominated by human relation values promote cohesion and morale through training and development, open communication and participative decision-making
- **Open Systems Model:** Organizations that are dominated by open systems values promote growth and resource acquisition through adaptability and change, visionary communication and flexible decision-making
- **Internal Process Model:** Organizations that are dominated by internal process values promote stability and control through information management, precise communication and data-based decision making
- **Rational Goal Model:** Organizations that are dominated by rational goal values promote efficiency and productivity through goal-setting and planning, instructional communication and centralized decision-making

Linnenluecke and Griffith put forward the following theoretical propositions with respect to each of the four cultural types with respect to how the ideological underpinnings of the applicable organizational culture were likely to influence how sustainability will be implemented and the outcomes that can be achieved from the sustainability initiatives:

Human Relations Model: Organizations dominated by the Human Relations Model, with its emphasis on social interaction and interpersonal relations, rely more heavily on internal staff development, learning and capacity building in their pursuit of corporate sustainability. Organizations with a strong focus on social or human relations values are likely to support or attract social entrepreneurship and leaders of these organizations will likely invest significant time and energy, often at the expense of neglecting business goals and objectives, in advocating corporate sustainability principles within the organization. The challenge for pursuing sustainability within organizations with an embedded Human Relations Model will be resolving the tensions between creating a business venture and pursuing a social purpose.

Open Systems Model: Organizations dominated by the Open Systems Model place greater emphasis on innovation for achieving ecological and social sustainability as they pursued corporate sustainability. In this instance, innovation is applied not merely to attain higher levels of eco-efficiency, but rather to develop products, systems and practices that “move beyond pollution control or prevention and allow the organization to operate within the carrying capacity of the natural environment by minimizing their resource use and ecological footprint”. As for social sustainability, the assumption is that the organization must recognize and embrace its responsibilities toward various stakeholder groups and the community in which they operate.

Internal Process Model: Organizations dominated by the Internal Process Model have a preference for

pursuing economic sustainability and thus place greater emphasis on economic performance, growth and long-term profitability in their sustainability initiatives. The key aspects of this approach would be maximizing production and consumption of the organization's products and services in order to increase profits and achieving economic efficiency through the simplification of products, services and processes in order to achieve costs reductions, maximize product and pursue economic outcomes; however, realization of economic sustainability (i.e., the maximization of profits, production and consumption) alone is not sufficient for the overall sustainability of corporations.

Rational Goal Model: Organizations dominated by the Rational Goal Model emphasize resource efficiencies in their pursuit of corporate sustainability. There is no doubt that there are operational and sustainability advantages to implementing policies and practices that reduce costs and operational inefficiencies and many organizations have implemented human resources and environmental policies focused on reducing and eliminating waste; however, efficiency should not be pursued in isolation, since it is also necessary to consider the impact that the steps taken to achieve efficiency may have on the environment and society. Moreover, efficiencies may be of limited competitive advantage to organizations if they can be easily copied and implemented by competitors.

The propositions for each of the cultural types championed by Linnenluecke and Griffith are important for sustainability leaders in the way they serve as reminders that there is no single best type of sustainability-oriented organizational culture and that organizational culture is best viewed as a fundamental influencer on how corporate sustainability is implemented and the types of outcomes that can be expected. Can sustainability leaders make the changes in organizational culture necessary to facilitate a shift toward different sustainability-related ends? Organizational rigidity and multiple subcultures make the task more difficult; however, Linnenluecke and Griffith suggested that certain changes can be made to the elements of an organization's observable culture (i.e., at the surface level) to provide a conducive context for the changes in the values, beliefs and core assumptions of organizational members necessary to pursue sustainability: publication of corporate sustainability reports, the integration of sustainability measures in employee performance evaluation, and employee training.

Sources: A detailed discussion of the article appears in "Organizational Culture and Sustainability" in "Organizational Culture: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org), and the article itself can be found at M. Linnenluecke and A. Griffiths, "Corporate sustainability and organizational culture", *Journal of World Business*, 45 (2010), 357. For further discussion and description of the competing values framework of organizational culture, see R. Quinn, *Beyond rational management: Mastering the paradoxes and competing demands of high performance* (San Francisco, CA: Jossey-Bass, 1988); R. Quinn and J. Kimberly, "Paradox, planning, and perseverance: Guidelines for managerial practice" in J. Kimberly and R. Quinn (Eds.), *Managing organizational translations* (Homewood, IL: Dow Jones-Irwin, 1984), 295; and R. Quinn and J. Rohrbaugh, "A spatial model of effectiveness criteria: Towards a competing values approach to organizational analysis", *Management Science*, 29(3) (1983), 363. See also the chapters on "Dimensions of Organizational Culture" and "Typologies of Organizational Culture" in "Organizational Culture", a Research Paper that is part of "Organizational Culture: A Library of Resources for Sustainable Entrepreneurs", which is prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

§9 Framework for embedding sustainability in organizational culture

Bertels prepared a report that was distributed through the Network for Business Sustainability ("NBS") that was based on evidence that indicated that while a significant percentage of the chief executive officers of large organizations from around the world acknowledged the importance of sustainability to the future of their organizations, most of them had actually done very little to build sustainability into their day-to-day

operations.⁶⁴ Bertels and the NES argued that in order to make sustainability an enduring part of the organization, it needed to be embedded in the organizational culture. They described an organizational culture of sustainability as “a culture in which organizational members hold shared assumptions and beliefs about the importance of balancing economic efficiency, social equity and environmental accountability” and went on to explain that “organizations with strong cultures of sustainability strive to support a healthy environment and improve the lives of others while operating successfully over the long term”.⁶⁵

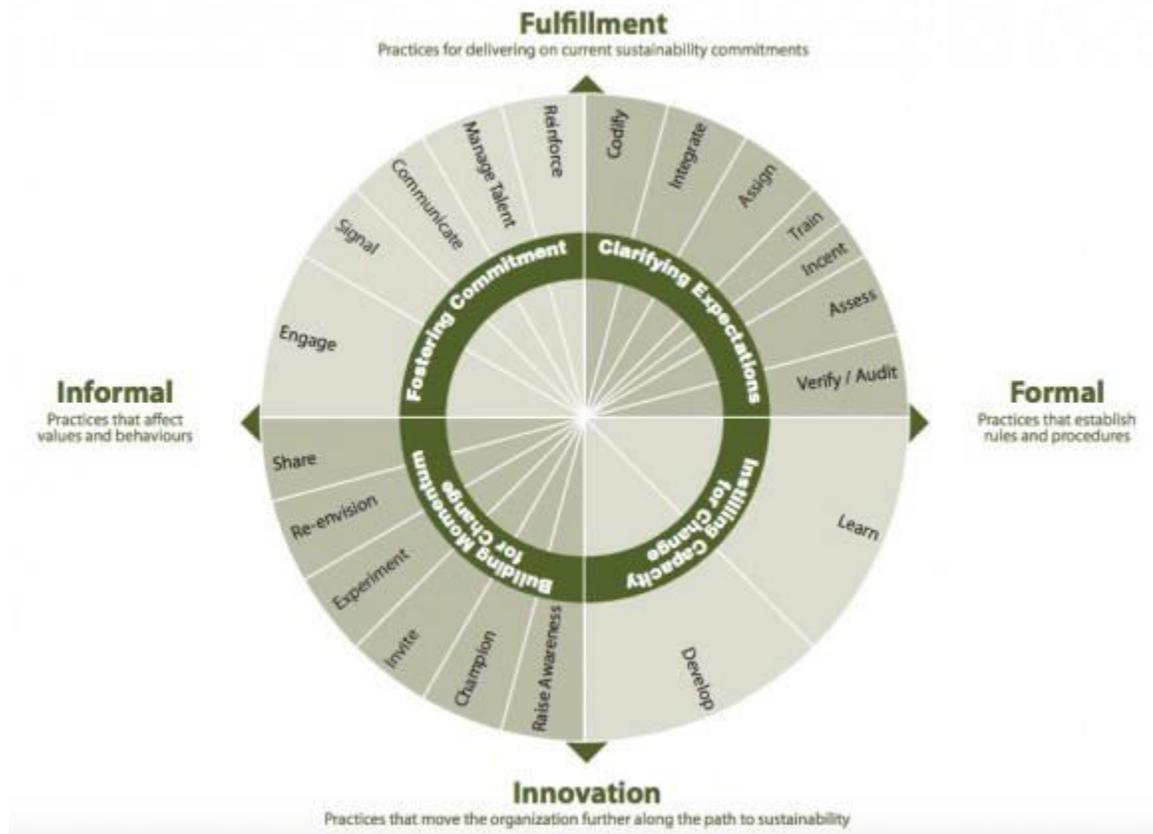
According to Bertels and the NES, sustainability raised different challenges for organizations than other well-known change initiatives such as total quality management and building cultures of health, safety and compliance. They noted that while those organizational change initiatives were largely bounded and internal, the drive for building a sustainability culture generally comes from a broader social agenda that extended beyond the organization and required sustainability leaders to adopt paradigm-breaking business models or approaches. For example, sustainability change initiatives are often driven by external forces, such as customers and other stakeholders, and sustainability leaders must be prepared to engage in dialogue and collaborate with powerful and independent actors outside their organizations. Sustainability leaders must also realize that many of their sustainability-related initiatives depend on cooperation and performance by parties outside of their direct control, such as members of their supply chain. Finally, one of the foundational principles of sustainability culture is a desire to “do the right thing”, which often means that actions are taken for reasons other than the traditional goals of improving competitiveness and increasing profitability.

Bertels and the NES proposed a framework for embedding sustainability in organizational culture that was designed for executives, senior human resources (“HR”) managers and senior sustainability managers and also included a portfolio of 59 practices that had either been shown to be effective by research or that showed potential but remained untested. The framework, reproduced below, grouped the practices into four different categories: fostering commitment; clarifying expectations; building momentum for change; and instilling capacity for change. Bertels and the NES recommended that sustainability leaders employ a selection of practices from each of the framework’s four categories, thus creating a change program that simultaneously included practices for delivering on the organization’s current sustainability commitments, affecting values and behaviors inside the organization, establishing rules and procedures that could be followed by organizational members to advance sustainability initiatives and moving the

⁶⁴ S. Bertels, *Embedding Sustainability in Organizational Culture: A How-to Guide for Executives* (London, Ontario CN: Network for Business Sustainability, 2010). The report described “business sustainability” as “managing the ‘triple bottom line’—including financial, social, and environmental risks, obligations and opportunities”. A longer version of the report, which includes more discussion of academic research, including 179 studies conducted over fifteen years, and detailed information on the practices discussed in this section (including case studies), was published as S. Bertels, *Embedding Sustainability in Organizational Culture: A Systematic Review of the Body of Knowledge* (London, Ontario CN: Network for Business Sustainability, 2010) and is available for downloading at <http://nbs.net/knowledge/topic-culture/culture/systematic-review/>

⁶⁵ Id.

organization further along the path to sustainability. In general, sustainability leaders should create a portfolio of informal practices that affect values and behaviors, formal practices such as establishing rules and procedures, fulfillment practices focused on delivering on current sustainability commitments and innovative practices to move the organization further along the road to sustainability.



Source: S. Bertels, *Embedding Sustainability in Organizational Culture: A Systematic Review of the Body of Knowledge* (London, Ontario CN: Network for Business Sustainability, 2010), available for downloading at <http://nbs.net/knowledge/topic-culture/culture/systematic-review/>

Bertels and the NES recommended that the framework be used in two ways. First, the sustainability leader should scan the practices in the four quadrants of the framework as a guide in assessing the current sustainability culture of the organization. Each practice should be assessed and it is also important to get sense of the balance among the four quadrants: is the organization using practices from all quadrants or is it focusing more heavily on some areas and ignoring others? The second use of the framework should be to develop plans each specific sustainability program or initiative that the sustainability leader wishes to launch by selecting and implementing the appropriate practices for each of the four quadrants.

§10 --Fostering commitment

Sustainability leaders need to implement informal practices to build and reinforce the importance of sustainability for the organization and to support and encourage employees who are making efforts to embed sustainability. Five categories of practices relating to fostering commitment were identified by Bertels and the NES: engaging (i.e., support, educate, link, challenge, leverage, capture quick wins and recognize), signaling (i.e., model, allocate resources, commit, self-regulate, adhere to standards, accommodate work-life balance and invest in the community), communicating (i.e., telling stories and customizing), managing talent (i.e., recruit, allocate people and promote) and reinforcing (i.e., inform, repeat and follow up).

Research has shown that one thing that can be done to foster commitment to sustainability is to provide support throughout the organization by making it easier for employees to make sustainability decisions at work and in their personal lives (e.g., establishing transit pass and ride sharing programs and providing secure bicycle parking). There is also evidence that confirms that sustainability leaders must demonstrate sustainability leadership by “walking the walk” and “talking the talk”, which includes participation in ongoing discussions about the sustainability journey, prioritizing sustainability in decision-making and showing in the work of sustainability committees established throughout the organization.

Other informal practices that Bertels and the NBS suggested might have potential included “linking” and “telling stories”. Linking involves encourage employees to bring their personal sustainability behaviors into the workplace and encourage them to carry the organization’s sustainability message into their communities. As for telling stories, sustainability leaders are urged to discuss case studies of successful sustainability initiatives in the organization, create stories about what the organization could be like in the future, create simple stories and repeat them often and using different means, start every meeting with a quick sustainability story and use metaphors and symbols.

§11 --Clarifying expectations

Sustainability leaders can employ formal practices for delivering on current sustainability commitments by establishing rules and procedures that clarify employee expectations regarding sustainability. Bertels and the NBS suggested seven categories of practices: codifying (i.e., creating policies, setting goals and operationalizing); integrating (i.e., integrating sustainability into product design and life cycle; mission, vision and values; strategy and business plans; business processes and systems; and existing roles); assigning responsibility to senior leaders and creating roles; training; incentivizing; assessing (i.e., inventory, development and tracking of metrics and reporting); and verifying and auditing. The objective of these practices is to integrate sustainability into the core of the organization’s strategies and processes; equip and encourage employees via training and incentives; and measure, track, and report on the organization’s progress toward its sustainability goals.

Research has confirmed the value of creating policies including the development of environmental policies, health and safety policies, ethics policies and climate change

policies; implementing sustainability codes of conduct; and creating supplier sustainability performance policies or procurement policies. It also appears that organizations that have achieved effectiveness in their sustainability initiatives have done so through assigning sustainability responsibilities to senior leaders (i.e., board members and/or a board subcommittee, the CEO and other specifically-designated members of the senior management team, such as a vice president for sustainability or a chief sustainability officer). Bertels and the NBS also suggested that incentives for embracing sustainability should be built until various systems and procedures. For example, sustainability leaders should include sustainability metrics in employees' performance appraisals and assessments; link compensation to sustainability performance; redesign promotions, raises, bonuses and benefits to reward sustainable performance and make it clear to employees how they will be measured and ensure that the targets for each employee are within their control. In addition, sustainability leaders should implement an organizational environmental reporting system; publish internal and external environmental, sustainability or corporate social responsibility reports; and regularly report through various means progress toward previously established sustainability goals and future sustainability plans and commitments.

§12 --Building momentum for change

Sustainability leaders need to implement informal practices to build momentum for change in the organization and support a culture of sustainable innovation by developing new ideas needed to bring your organization closer to its long term sustainability goals. The goal in this area is to inspire and reassure employees so that they can experiment, try new things, and build on each other's ideas. Bertels and the NES suggested six categories of practices: raising awareness through framing sustainability; championing; inviting (i.e., ask, listen and seeking external help from industry experts, guest speakers and suppliers and customers); experimenting; re-envisioning by defining sustainability and back-casting (i.e., imagining a desired future in which the organization is "sustainable", working backwards from the future vision to determine the necessary steps to get there and setting distinct milestones to construct the path to the desired future); and sharing knowledge internally and externally and collaborating.

One of the more important practices in this area is "framing sustainability":

- As a financial opportunity, or try to put it in quantitative terms
- In everyday business language; avoid emotional language
- As urgent
- As innovative or about being cutting edge
- As being about quality
- In terms of maintaining a license to operate
- As good publicity and making a positive contribution to reputation
- As 'the right thing to do'
- In terms of its benefits for employees

Innovation should be pursued through supporting experimentation, which can be done by encouraging research and experimentation that is aligned with sustainability values of the organization, providing autonomy to workers and managers to develop new solutions to sustainability challenges, allowing self-started projects to germinate and allowing providing flexibility to employees with respect to implementation.

§13 --Instilling capacity for change

Sustainability leaders need to implement formal practices—rules and procedures—that can serve as structures and supports for a foundation for innovation and other future changes in the organization. The focus of these efforts fall into two categories: learning (i.e., scanning, benchmarking, piloting, learning from failure and reflecting) and developing, which includes both new products and services and new business processes and systems. Bertels and the NES suggested several different practices that sustainability leaders could use to instill capacity for change in their organizations:

- **Scanning:** Attend industry and environmental conferences; join a sustainability group in which members share information and best practices; observe your competitors' sustainability activity; develop diverse internal and external knowledge and networks; research stakeholder needs and values; and scan for changes in legislation and upcoming regulatory requirements
- **Developing New Products and Services:** Develop new products and services with minimal negative impacts on the natural environment; and develop new products and services that meet unmet sustainability needs
- **Pilot:** Adopt initiatives that originated at the grassroots level as formal pilot projects; welcome suggestions and follow through by allocating resources to piloting the best ideas; and set internal targets for finding and executing pilot projects
- **Benchmarking:** Select sustainability metrics used by others to facilitate benchmarking; decide which information you will make public so your performance can be compared with that of other companies; and consider benchmarking internally between divisions, business units or locations

Values for Sustainability in Large Corporations

Tatarusanu et al. performed an empirical analysis of the fundamental values and values for sustainability declared on the websites of each of the companies who were included in the “top 30” in the 2013 Global 100 List developed by Corporate Knights Research Group Company. One of the byproducts of this analysis was the following ranked list of “values for sustainability” culled from public documents:

- Environmental Care
- Concern for cost reduction
- Care for employees (better working conditions, job security, fair rewards, equal opportunities, non-discrimination)
- Transparency in business activity
- Fight against corruption
- Ensuring equitable benefits for all stakeholders, based on the win-win principle
- Moral leadership
- Respect for others

- High ethical standards and responsibility;
- Support for community development
- Participation in the development of sustainable business
- Honesty
- Openness
- Innovation
- Respect for fundamental human rights
- Contribution to increase people's welfare

It is noteworthy that the most highly ranked “fundamental values” of the companies identified by Tatarusanu et al. had also been widely connected to corporate sustainability: customers satisfaction; quality of products; innovation; care for employees; openness and trust in others reflected in the way of doing business; and diversity). In addition, there was overlap between the lists of fundamental values and value for sustainability with respect to important principles such as corporate responsibility, respect for others, honesty, innovation and high standards of ethics and responsibility. Tatarusanu et al. reported that companies promoted their sustainability value through social responsibility plans, regular reports on employee involvement in sustainable actions and training, complex financial reports. The authors summed up the lesson they wanted to convey as follows: “In order to meet their objectives regarding sustainability, ensuring long-term operation by environmental friendly activities (referring here to the economic, social and natural environment), it is necessary that companies rely on a strong organizational culture, focused on values such as: customer orientation, concern for employees, transparency and openness to the community, long-term orientation, innovation, respect for others”.

Sources: M. Tatarusanu, A. Onea and A. Cuza, “Organizational Culture and Values for Corporate Sustainability (University of Iasi), <http://docplayer.net/11003116-Organizational-culture-and-values-for-corporate-sustainability.html>; and Corporate Knight Research Group, 2013 Global 100 List, <http://www.global100.org/annual-lists/2013-global-100-list.html>.

§14 Embedding sustainability in organizational culture using the Star Model

The NBS also collaborated with Canadian Business for Social Responsibility (“CBSR”) on a workshop involving sustainability and HR professionals that involved the exchange of information on best practices for embedding sustainability into organizational culture. The workshop led to the creation of a framework that was based on the five elements of organizational design in the well-known “Star Model” developed and popularized by Galbraith and included strategic planning (e.g., incorporating sustainability into mission and vision statements), organizational structure (e.g., creating an executive position with responsibility for sustainability), human resource management (e.g., providing sustainability training to employees), processes (e.g., collecting and reporting data on sustainability performance) and employee rewards and incentives (e.g., incorporating sustainability into financial and non-financial rewards programs). This framework included certain “best practices for embedding sustainability in organization culture” which are briefly described in the following paragraphs.⁶⁶

⁶⁶ Network for Business Sustainability and Canadian Business for Social Responsibility, *Embedding Sustainability in Organizational Culture: Framework and Best Practices*. For further discussion of the “Star Model”, see “Organizational Design: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org). See also J. Galbraith, *Organization Design* (Reading, Mass.: Addison-Wesley, 1977).

§15 --Strategy

Recommended best practices for “strategy” included establishing an agreed-upon definition of sustainability that is relevant to the company’s business and its success. Feedback should be gathered from internal and external stakeholders in order to understand the many faces of sustainability and CSR. Experts should be recruited to provide information to various internal stakeholders, such as employees, so that they have a better understand of the types of innovation that are involved in sustainability programs. Experts can also facilitate dialogue with external stakeholders on setting a sustainability agenda and establishing reporting mechanisms. Once a definition has been agreed upon, sustainability should be integrated into the corporate vision and linked to the company’s mission, values, corporate beliefs and goals. Companies should make an explicit effort to get everyone involved in some aspect of the sustainability program and embedding sustainability into the company’s business practices should be added to lists of the company’s top priorities alongside growth and profitability and included in the company’s performance scorecards. When selecting sustainability projects, companies should focus first on developing their strengths and choose projects that are aligned with their core competencies. This makes it easier for companies to establish a leadership position in particular areas and secure executive support for expanding the initiative. Additional projects work best when developed with the input and support of employees and they should be allowed to participate in the restructuring of their jobs as needed to pursue the sustainability goals.

§16 --Structure

With respect to structure, key recommendations included making senior executives responsible, establishing accountability and using partners and collaborators to leverage the company’s capabilities and achieve greater outcomes. Companies were urged to establish a CSR executive position that reported directly to the board of directors or the CEO and have that executive work regularly with a cross-functional CSR team that oversaw the sustainability initiative. In addition to support and formal structure at the top of the organization, other people from all around the company should be given sustainability roles and goals. Senior managers throughout the organization should “own” the performance metrics for the sustainability programs they oversee, which requires them to establish processes within their units for setting and tracking goals, and each manager and employee should have their CSR-related responsibilities formally incorporated into their roles. At the same time, however, employees should be invited to participate in defining their roles and setting their individual targets and the manner in which their performance will be measured and reported. Among the employee roles should be “sustainability champions” who proactively promote sustainability among their colleagues and serve as conduits for information and communication. Collaborations with NGOs and other community organizations are a good and efficient way to engage external stakeholders in sustainability initiatives.

§17 --People

NBS and CCSR explained that the “people” element in organizational design includes influencing and building the organization’s human resources through recruitment, promotion, rotation, training and development. When communicating information internally regarding sustainability and the associated goals of the organization, it is important to be mindful of the specific audiences that are being addressed. Positive training that motivates employees to want to “do the right thing” is essential and should be incorporated into explanations of the business case for the initiative. Sustainability and human resources leaders should develop teachers and associates throughout the organization—“sustainability champions”—who can help generate grassroots energy among the workforce for sustainability programs. Perhaps most importantly, organizations need to engage their employees about issues that are fundamental to them such as pay, work-life balance and the overall working environment. Effective engagement includes giving employees permission to voice their concerns about sustainability goals and offer suggestions for improving the programs. Training and education should be used to ensure that employees are aligned about the sustainability goals and how they should be achieved so that decisions in the field can be made more efficiently and consistently.

§18 --Processes

Designing and implementing organizational processes for sustainability should begin by asking big, and difficult, questions about what the organization should look like in the future and the role that sustainability will be playing. Companies need to go beyond product characteristics to include the entire customer experience. The key recommendation for companies was to be proactive. Once a vision has been created, companies should publish targets to the outside world that include public commitments to sustainability-focused processes and objectively measurable outcomes. It is best if commitments are developed with input from the relevant stakeholders and stakeholders should be afforded an opportunity to comment and critique the company’s commitments and the proposed methods for achieving those commitments. Results of the company’s efforts should be shared internally and externally and should be accompanied by thoughtful analysis of why things went well and how processes can be improved. When reporting results, information should be collected directly from stakeholders about how they were impacted by the sustainability initiatives. When designing a reporting mechanism, companies were encouraged to take advantage of existing reporting frameworks that had already been developed and then customizing their own reporting processes (i.e., metrics, measurements, peer comparisons and benchmarking) to take into account the specific context such as industry conditions.

§19 --Rewards

Rewards are essential for motivating executives, managers and employees and aligning the personal goals of the workforce to the sustainability targets of the organization. Companies are encouraged to link compensation to CSR performance, typically in the form of bonus payments that can easily and objectively be computed after analysis of metrics on specific sustainability targets. While most incentives are monetary, other tools

can be used to reward good work including recognition and celebration of ideas and successes and support, such as grants and prizes, for new projects that are suggested by employees. Companies may also motivate by committing to making charitable donations to worthy causes selected by employees and often allow employees to provide services to those charities during work hours while being compensated by the company. Another way to provide recognition to managers and employees is to underwrite their participation as presenters at industry conferences on sustainability, a practice that enhances the reputation of the company and the professional credentials of the person making the presentation.

References and Resources

The Sustainable Entrepreneurship Project's Library of Resources for Sustainable Entrepreneurs relating to Organizational Culture is available at <https://seproject.org/organizational-culture/> and includes materials relating to the subject matters of this Guide including various Project publications such as handbooks, guides, briefings, articles, checklists, forms, forms, videos and audio works and other resources; management tools such as checklists and questionnaires, forms and training materials; books; chapters or articles in books; articles in journals, newspapers and magazines; theses and dissertations; papers; government and other public domain publications; online articles and databases; blogs; websites; and webinars and podcasts. Changes to the Library are made on a continuous basis and notifications of changes, as well as new versions of this Guide, will be provided to readers that enter their names on the Project mailing list by following the procedures on the Project's website.

08.2017