Institutionalization as a Prerequisite for Sustainable Corporate Development

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Published in: Sanjay Sharma, Mark Starik, and Bryan Husted (Eds), Organizations and the sustainability mosaic: Crafting long-term ecological and societal solutions, Edward Elgar, Cheltenham & Northampton, 2007, p. 106-132.

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Summary

Numerous companies have embraced sustainable development or, similarly, corporate social responsibility as a guiding principle. While the adoption of this principle is important, the realization of sustained performance progress towards more sustainable business is a tremendous challenge which many academics and practitioners have sidestepped. This chapter examines the dynamic forces promoting and thwarting the development of a company pursuing sustainable business. I draw on an extensive case study of a large multinational food company committed to the achievement of environmentally sustainable business, whose performance initially rose and subsequently regressed. Analyzing the case through the lenses of stakeholder power and organizational learning, I conclude that sustained progress towards sustainable business ('institutionalized sustainability') requires: (i) a high and widely shared environmental ambition; and (ii) well-embedded environmental practices. Companies which emphasize only the ambition dimension, leading to an 'idealist sustainability quest,' or merely the embeddedness aspect, resulting in 'realist environmental management,' are unlikely to gain and sustain momentum during their sustainability voyage. Managers should, therefore, lever company-wide support, routinize and systematize environmental activities, and integrate the latter into their business as usual. Academics should concurrently consider the complementary perspectives of power and learning and undertake more longitudinal studies to better understand the drivers and caveats of sustainable business development.

Introduction

The notion of sustainable development has come into vogue, both in academia and in business circles. After its introduction in 1987 by the World Commission on Environment and Development (‘the Brundtland Commission’), the idea of meeting the needs of the present without compromising the ability of future generations to meet their own needs has been widely embraced in the management literature as the reconciliation of environmental, social, and economic imperatives (Elkington 1998; Hart 1995; Hawken, Lovins, and Lovins 2000; Holliday, Schmidheiny, and Watts 2002). Quite a few companies have adopted principles of sustainable business or, similarly, corporate (social) responsibility (Husted 2003; Smith 2003; Van Tulder and Van der Zwart 2006). The World Business Council for Sustainable Development (WBCSD), representing many such proactive companies, numbers some 165 members with aggregate annual sales of 4,000 billion US dollars (Stigson and Rendlen 2005).

While the principles of sustainable business have thus been widely embraced, it is less clear to what extent this has materialized in more sustainable practices, especially since it concerns the realization of a systemic equilibrium over a longer period (Ehrenfeld 2005; Roome 1998). However, the question of whether sustainable business will be sustained is particularly relevant, since the notion may be subject to implementation problems and erosion owing to changing ‘management fads’ or unfavourable economic tides. This chapter examines whether efforts to conduct sustainable business are accompanied by more sustainable practices over a longer period. In particular, the chapter seeks to identify the critical conditions that lead to the success or failure from the viewpoint of sustainable business development. In order to do so, I draw on an extensive case study of a large multinational food company that had committed itself to the realization of environmentally sustainable development; the social dimension of sustainability was not an issue. This firm, for reasons of anonymity called ‘Greenheart’, was intensively studied over a five-year period. The case is particularly interesting because of its dynamics: an initially successful move towards sustainable business was reversed after some time due to the concurrence of critical events. I extensively describe the case in order to provide all relevant information, which serves as input for the subsequent analysis of the company’s behaviour through the conceptual lenses of stakeholder influence and organizational learning.

The chapter’s main conclusion is that the successful pursuit of sustainable corporate development requires companies to institutionalize their environmental activities. The institutionalization of sustainable business has two dimensions: (i) companies must have a high and widely shared environmental ambition; and (ii) firms must deeply embed their environmental practices. On the basis of these dimensions, I identify different types of corporate sustainability behaviour. While the study has focused on the environmental dimension of sustainable corporate development, it is likely that institutionalization is also required for social sustainability. The conclusion has important implications for academia. Since the perspectives of stakeholder power and organizational learning show important parallels and complementarities, they should be used in conjunction. Besides, the proliferation of longitudinal studies would significantly further our understanding of the dynamics of sustainable business development. The study’s outcomes also have significant managerial implications, since high environmental (and social) performance requires not only top-management ambition but also company-wide support, routinization and systemization, and tight integration with other activities.

Case Description

The case study is an appropriate technique to understand processes and causes of complex social phenomena (Ragin 1987; Yin 1994). A ‘critical’ case provides detailed insights and is representative of a focal phenomenon. The outcomes of such a study have implications going beyond the scope of the focal case (Gerring 2001; Yin 1994). The focal organization was selected because it had made an important commitment to the pursuit of corporate sustainability. Case information was collected at five points in time over the period 1999-2004, through in-depth, semi-structured interviews with the company’s major internal and external actors, the perusal of firm-specific and other documents, as well as observations during site visits. Overall, some 60 information sources were used. All relevant data were transcribed and systematically coded with the help of Atlas/ti, an effective qualitative software package (Weitzman and Miles 1995). The codes were based on contextual and theoretical issues, such as antecedents, environmental measures, stakeholder power, and organizational learning. After removing redundant information, the coded transcripts were converted into the case description; they also provided the basis for the subsequent analysis.

The case description starts with the company’s history in order to highlight the chronology of critical events that shaped the corporate identity and practices. I then describe the environmental measures and performance by the focal company, in order to assess the actual actions and outcomes in terms of environmental sustainability. The subsection on environmental management structure shows how the making and implementation of environmentally relevant decisions were officially designed. Next, I identify the most significant internal and external stakeholders, since their formal and informal influences critically shaped the company's sustainability voyage.

Case History

Greenheart was created around 1900. Starting as a small, craftsman-like Dutch food producer, it had evolved into a large corporation with over 20 subsidiaries on 4 continents, employing over three thousand people, by the end of the 20th century. The last years of the previous century especially showed high increases of its sales and employees. Its branded food products were sold all around the globe. Greenheart had one particularly successful product, which was the second best-selling product of the sector worldwide. However, the company sensed that its sales were levelling off in an increasingly competitive market. This led to a radical decision. Early in 2001, the family that had, by and large, owned Greenheart for a century, sold its shares to a foreign, family-owned company, which was also operating in the food industry; the buyer had already possessed a minority interest of Greenheart's equity for several years. All shares, including those that were traded on the public stock market, fell into the hands of the new owner.

Prior to the take-over, Greenheart was run by one and the same chief executive officer (CEO) for 25 years. This CEO, who retired after the take-over, shared with his family predecessors a deep personal, religiously inspired conviction that nature is in a very critical situation. This conviction had far-reaching implications for the corporate values. Environmental concern was one of the four major values mentioned in the corporate mission statement and was a recurrent theme in the annual corporate report. In 1990, the CEO embraced the conclusions of the ‘Brundtland report’ on the worrying condition of globally interrelated ecosystems. The company created a fund for environmentally benign investments which did not meet the corporation’s normal financial standards. It also started to transfer 1% of its net annual profit to societal initiatives that aimed at the creation of environmental awareness at large. Within the highest strategic forums, the CEO fulfilled the role of environmental value-keeper. The social dimension of sustainability was not articulated and no major initiatives were taken to promote social values within the company.

The new owner did not share this environmental sustainability drive. He had bought Greenheart because of its marketing and profit potential. After the take-over, which was formally a merger, the enlarged company (‘Greenheart Plus’) had more than doubled Greenheart’s original sales volume, ranking among the global top-ten producers in its sector, with some 30 subsidiaries and over 8,000 employees throughout the world.

While the environmental value did not completely fade into the background, there was a significant shift in the corporate value attributed to the environment. This was reflected in a different mission statement. In 1995, Greenheart’s mission was stated as follows: “We care for the environment, and are dedicated to reducing our impact to a sustainable level.” Greenheart interpreted sustainability as conducting its business activities without negatively affecting the environment. The company had the ambition to realize its understanding of environmentally sustainable business by the year 2005. In 2002, after a year of negotiation between representatives of the former and the new owner, the following corporate mission was formulated: “We, employees of [Greenheart Plus] (…) cherish the role that we play in our own [social and natural] environment[s], because we work for an organization that is dedicated to both society and the environment." A statement of norms and values was created as a compromise, adding that "We want to limit our impact on the environment as much as possible, and work towards long-term sustainability." It should be noted, though, that no time period was added and that the highest corporate objective, reflected in a vision statement, did not mention the environment: "We want to reinforce our position as a world leader in the [food] industry, and want to offer people added value by creating appealing quality products." While care for the environment was therefore still an official objective, it was no longer one of the highest corporate values. Besides, the Top Management Team (TMT) of Greenheart Plus interpreted environmental care differently, as stated in the 2003 environmental report of the main Dutch subsidiary: "The aim is no longer sustainable management but control of the environmental load stemming from one's own business activities."

Greenheart had a tradition of open communication with the outside world. It participated in several reflection platforms, for example, with the Dutch Ministry of the Environment and a business platform of food producers that had committed themselves to sustainable development. The new owner was much more reluctant to convey information to external parties. By the end of 2002, Greenheart Plus had ended its membership of the different reflection platforms and basically confined its external environmental contacts to those with regulative authorities. Financial and environmental performance figures, which were published on an annual basis until the year 2000, were no longer publicly announced.

By the end of 2000, an external crisis that affected one of the components of Greenheart's main product induced the company, for safety reasons, to conduct an overnight change in its product composition. This change led to significant production problems, including an extraordinarily high rate of defective products, which exceeded 20% instead of the ‘normal’ 10-15% waste rate. These production problems had a very negative effect on Greenheart’s financial and environmental performance in 2001 and 2002. As a result, a major reorganization took place in 2003, in which 30% of the Dutch employees lost their jobs. Worldwide, many top managers with environmental commitment left the company and were replaced by people who were unfamiliar with the company’s (environmental) antecedents.

Environmental Measures and Performance

During the 1990s, Greenheart took a host of internal environmental measures to reduce the company’s environmental impact, starting with measures that were easy to realize (‘low-hanging fruit’). These included: the purification and recycling of effluent water; the use of surface water for cooling purposes; the separation and recycling of solid waste; a green office plan (the use of recycled paper, the use of LPG for company-owned cars, the separation of solid waste, etc.); the use of thinner packing materials; and the local procurement of materials by an overseas subsidiary to avoid long-distance transport. Greenheart also installed solar panels and wind turbines at some production sites, which yielded the public image of a highly proactive company. When further internal measures were not feasible within the existing technical frames, external compensation measures were taken. Examples of this are a reforestation project and the purchase of energy from renewable resources (‘green electricity’) to compensate for excess emissions of carbon dioxide.

Early in 2000, the arrival of a new corporate environmental coordinator gave an impetus to new technical measures, such as closing water loops through the use of advanced membrane systems and reverse osmosis. Besides, additional measures were studied: stock-taking of short-term environmental improvement possibilities; product chain management, involving qualitatively and quantitatively different supplies (this was important because 60% of the environmental impact of Greenheart's main product was situated elsewhere in the product chain); the development of a sustainability management system in which managerial bonuses were related to environmental performance; and the replacement of the existing batch technology production method, leading to a 'normal' 10+% rate of defective products, by continuous process technology, including closed systems and better process control. Continuous production would involve lower energy and water consumption, and lower emission levels of solid waste and effluent water.

Apart from these actual and envisaged technical measures, Greenheart engaged in initiatives to create environmental awareness. This was stimulated at all levels, ranging from the highest strategic levels to the shop floor. Awareness recurred on the agenda of the company's strategic forums, was part of corporate training programs, and was propagated through an internal, bimonthly environmental pamphlet. Furthermore, special environmental days were organized to clean up the environment and there was social pressure among employees. A marketing manager noted: "When I leave my office while the light is on, someone else will turn it off, and say: 'Watch it.'" It should be noted, however, that environmental values were upheld by a minority, which had to activate a benevolent but passive majority of employees. A field visit in 1999 left one with the impression that operating personnel in particular seemed to lack environmental awareness. In the early 2000s, the commitment to environmentally inspired actions decreased due to financial difficulties and the departure of many top managers with environmental commitment.

After the take-over, environmental actions were reoriented towards those that were either required by law or to cost-effective measures, which paid themselves back within less than two years owing to savings on raw materials or other inputs. Three environmental priorities were identified: enhanced energy efficiency, decreased volumes of (effluent) water, and decreased production waste. This led to measures such as the refinement of production techniques, tracing and repairing leakages of compressed air, and the increased recycling of effluent water. Environmental projects that were not directly rewarding, such as awareness creation, research on continuous production and on product chain management, the conceptualization of sustainability, the elaboration of a sustainability management system, external compensation measures, and the development of renewable energy, came to an end. The annual budget of over 2 million euros for environmental actions, that had been agreed upon before the take-over, was frozen when the financial tide was rough and eventually faded into obscurity.

In the 1990s, Greenheart measured its environmental impact through a quantitative, tailor-made environmental barometer, which focused on 5 global areas of environmental disruption: greenhouse gases, acidification, water consumption, effluent water, and solid waste. In each of these areas, the barometer measured the distance to the final target, which was a zero impact. Greenheart's environmental distance to target, as measured by the barometer, dropped from 25 in 1992 to 15 in 1996 and 12 in 1999. Afterwards, the exact score was unknown because environmental data were no longer systematically collected and analyzed. It was clear, however, that the distance-to-target had risen again because of the production-related problems and because of a higher automation rate. It was also felt that one overall figure was not very explanatory, because the indicator was built up of a large number of heterogeneous components. It was therefore decided to abandon the existing barometer and to use more specific indicators. After the dramatic year 2002, with its important production-related problems, the performance at the main Dutch production site showed, by and large, progress in the (newly) designated priority areas of energy efficiency, production waste rate, and fresh-water consumption and effluent-water production. At the same time, this subsidiary did not fully meet all regulative requirements, especially administrative obligations.

Environmental Management Structure

Prior to the take-over, the environmental objectives were initiated and ratified at Greenheart's strategic apex. Environmental issues used to be a recurrent agenda point of meetings between the CEO, who was the environmental value-keeper, and other members of the corporate TMT, each of whom represented either a geographic cluster of markets or a key functional area. An environmental policy group, consisting of representatives from different functional disciplines and headed by the corporate environmental coordinator, prepared advice for the corporate TMT. Once the TMT had ratified environmental proposals, its decisions were conveyed to the managers of the respective subsidiaries. The managers were formally responsible for the implementation of TMT decisions by their subsidiaries.

The corporate environmental coordinator then discussed the implementation of TMT decisions with the managers of the different subsidiaries. The subsidiary environmental coordinators, who combined this function with other activities, were subsequently supposed to convene environmental working groups. Such working groups consisted of representatives from the different functional disciplines concerned, as well as a corporate technical staff member and an external adviser. The environmental working groups brainstormed different options for improvement projects and retained the most viable ones. However, most environmental initiatives were taken on an ad hoc basis since these groups were never fully operational, apart from the one in Greenheart's largest production subsidiary, which started functioning well from 2000 onwards. Working groups obtained technical support from the corporate technical staff, which was also in charge of eco-efficient sourcing (saving both money and natural resources), environmental training, and setting up a company-wide environmental database. Subsidiaries needed to regularly report to and obtain approval from corporate bodies for projects with substantial financial implications. Approved proposals were converted into action plans for the next year. Figure 1 summarizes Greenheart's main structural tenets prior to the take-over. The solid lines indicate formal relationships, while the dashed lines represent information flows. The rectangular boxes are line functions, ovals represent staff functions, and octagons indicate (permanent or ad hoc) working groups.

Insert Figure 1 about here

After the take-over, the environmental management's centre of gravity progressively shifted from the corporate to the subsidiary level. The corporate TMT, while still having a member representing the environmental value, focused on socioeconomic targets and abstained, by and large, from launching new environmental initiatives. The new owner’s ‘lean and mean’ organization philosophy was applied to the corporate environmental department in 2003 when it was completely dismantled; in its wake, company-wide activities such as the exchange of corporate environmental data and the alignment of local environmental policies halted. All environmental responsibilities were allocated to subsidiaries, who focused on locally relevant issues, particularly regulative compliance and cost savings with (positive) environmental side effects. While a formal management system was not universally embraced, environmental issues were addressed in a more systematic way, at least in the Dutch subsidiaries. Operational Teams (OTs) were created, consisting of the production manager, the heads of different functional areas (manufacturing, packing, engineering, logistics, etc.), the environmental coordinator, and other staff officers (personnel, finance, quality control) of the respective subsidiaries. The OTs were endowed with ample formal and financial authority as well as knowledge of different functional areas, but faced capacity constraints since all persons were involved on a part-time basis. The teams convened once a month to evaluate past environmental performance, trace (overt and hidden) problems, discuss new targets, and formulate new action plans. These plans were subsequently implemented by the department(s) concerned and coordinated by the environmental coordinator, who had regular bilateral contacts with the persons involved. The aim was to set up a standardized plan-do-check-act system with parallels to quality management and leading to incremental but continuous performance improvements. The new environmental management structure is displayed in Figure 2.

Insert Figure 2 about here

Internal and External Stakeholders

The following actors, highlighted in italics, were the most salient stakeholders of Greenheart (Plus) in the environmental area during the period 1999-2004.

The *CEO* who had led Greenheart for 25 years, until his retirement in 2001, was widely perceived as a very important stakeholder. He fulfilled two roles. As corporate value-keeper, he was in charge of guarding and stimulating environmental values within the company. His strong personal conviction regarding the necessity to stop environmental degradation was the driving force of Greenheart's pursuit of environmental sustainability. Besides, the CEO was the highest corporate decision maker. He chaired the corporate TMT, and did not hesitate to use his formal power to put the environmental agenda forward: "Fortunately, I am the [CEO], which gives me a certain influence. If I had been any of the other colleagues, it would have been much more difficult."

In 2001, the new owner appointed another CEO, who wielded his considerable formal power predominantly to enhance the company's financial performance. He did not attribute a high priority to environmental initiatives, except those which were financially rewarding. Whereas the former CEO was also the environmental value-keeper, the new CEO delegated this function to another TMT member, who was clearly less influential. As a result, top management commitment to environmental sustainability sharply declined after the take-over.

A main activity of Greenheart's *corporate environmental coordinator* during the period 1996-1999 was to coordinate company-wide environmental actions. He conveyed information from subsidiaries to the corporate environmental policy group, which advised the corporate TMT. The environmental coordinator ("actually, I am a bridgehead") also had contacts with general managers and subsidiary environmental coordinators on the implementation of the corporate environmental policy and the exchange of new (technical) knowledge. Furthermore, he consulted with the corporate technical staff and had regular consultations with the CEO on environmental actions to be taken. The environmental coordinator's external contacts included a government-led brainstorm group on corporate sustainability, an open dialogue with environmental pressure groups, technology-related contacts with universities, and meetings with external advisers.

Early in 2000, a new corporate environmental coordinator was appointed. While his tasks were about the same as those of his predecessor, he had quite a different vision of this function, which was related to the fact that he came from the very different chemical industry. The new environmental coordinator heavily focused on technical innovation. Over a five-year period, he wanted to replace the existing batch-wise production system, engendering a high waste rate, by a continuous, closed-flow production process, as was usual in the chemical industry. The environmental coordinator also wanted to achieve short-term technical improvements, introduce biodegradable packing, improve employee mentality, and integrate backwards in order to better control the environmental performance of Greenheart's products over their entire life cycles. Early in 2003, the corporate environmental coordinator left the company when his position was abolished.

Greenheart's *subsidiary environmental coordinators* were characterized by the corporate coordinator as quite important actors, because they were in charge of implementing the corporate environmental strategy at the shop floor level, for which the commitment of the operational staff was indispensable. Commitment was, however, compromised because of different objectives, involving competitive time claims. In 1999, a subsidiary environmental coordinator observed: "The main purpose of almost anyone in the production organization is to produce. When we come with our environmental activities, a choice has to be made: Do I let someone [make our products] (…) or save water? The choice, then, is made quickly: let the person make [a high volume of our products]." He concluded that there were conflicts of interest between targets at the corporate level and the subsidiary level as well as between environmental values embraced by blue-collar personnel ("who just come for the money") and white-collar employees.

After Greenheart Plus was restructured, the subsidiary environmental coordinators began to fulfil a central role by initiating and coordinating environmental actions. Several tensions disappeared. Since there was no more active corporate steering, the subsidiaries could largely formulate their own targets. Besides, different types of objectives were 'reconciled': environmental targets were formulated in economic terms, such as reduced waste rates leading to enhanced volumes of saleable products and reduced environmental load. In 2004, the environmental coordinator of a major subsidiary characterized this reorientation as "a shift from idealism to realism," asserting that waste prevention and other eco-efficiency measures have a much higher environmental pay-off than any other measures.

Internal tensions also diminished because the targets between administrative and production personnel were aligned in the *OTs*, which became effective from 2004 onwards, at least in the Dutch subsidiaries. These teams were important because they provided complementary insights from different functional areas and, above all, management commitment to regularly establish, evaluate, and revise environmentally relevant targets. The OT was regarded by a local coordinator as “a pragmatic environmental management system that warrants structural attention to the environment.”

The c*orporate technical staff* was relatively important in 1999, because it formulated the company’s technical standards and provided solutions for prevailing environmental problems. The technical staff also played a role in more eco-efficient materials procurement, investment decisions, and the introduction of an interactive environmental database.

After the take-over, the corporate technical staff was seriously downsized since the new owner regarded corporate bodies as an important source of indirect costs. The importance of the corporate technical staff to environmental issues progressively faded. By 2004, this body no longer played a significant role in the environmental area.

National government was considered a very important actor. In the second half of the 1990s, a Dutch governmental representative coordinated a project on the application of the sustainability concept at the company level with three business organizations, including Greenheart, in divergent sectors. Greenheart’s corporate environmental coordinator at the time highly appreciated this “very good dialogue,” because "they are in the position to constantly lobby, within other governmental departments and internationally, as to what are or may be the possible developments in the area of sustainability. It concerns, then, the development of insights from which our own ideas can be distilled, our own strategy can be adjusted. From that perspective, it is often very meaningful." In 2001, the Dutch Ministry of the Environment and Greenheart cooperated in a project on the development of a sustainability management system, which aimed at linking environmental performance to managerial incentives. In 2003, contacts with national government were broken when the corporate environmental department was dismantled.

By contrast, contacts with *local governmental bodies*, including municipalities and local water boards, were intensified after the reorganization. It was acknowledged that regulatory compliance had too readily been taken for granted. Local environmental issues such as noise and odour, which had previously been ignored in the sustainability barometer, were given more attention. In some areas, in particular the storage of dangerous substances and the communication of environmental data, several subsidiaries had not acted in compliance with the regulatory requirements over the period 2000-2004. Priority was then given to restoring compliance from 2005 onwards, though understaffing of the environmental function remained a point of concern.

Environmental pressure groups were regarded as slightly important because of their capacity to harm the company's environmental image. An open communication was maintained with these groups. In 1999, an environmental representative viewed the company as very proactive indeed. "For years, [Greenheart] has been an absolute leader in the field of environmental conditions.” The corporate coordinator viewed the attitude of the environmental movement as cooperative but devoid of inspiring ideas. After the disappearance of the corporate environmental department, contacts with the environmental movement ceased.

Transport companies were of some importance to the company. Greenheart (Plus) had concluded energy efficiency agreements with the government and its performance was affected by the energy impact of transport to customers. The marketing department had regular contacts with transport companies on logistic optimization. A representative of the carrier admitted that the environment was not an issue when distributing goods. The carrier did not necessarily use clean trucks. Delivery schedules were determined by customer demands and timely deliveries often entailed partial truck-loads. After the take-over, when cost savings became a dominant issue, efforts to enhance the energy performance of Greenheart Plus’ distribution – through an enhanced loading degree, less frequent deliveries, etc. – were intensified, which engendered some environmental gains.

Analysis

Greenheart (Plus) from a Power Perspective

During the 1990s, Greenheart’s sustainability drive was initiated and sustained by the CEO’s personal conviction that his company had to contribute to an environmentally sustainable world. The CEO incorporated the sustainability value into the company’s mission. He also came up with, and provided ample support for, strategic objectives in the field of sustainability, which were implemented top-down through an elaborate environmental structure. Greenheart's corporate environmental coordinator functioned as an information interface between the corporate and the subsidiary levels, translating strategic objectives into operational targets and feeding subsidiary performance back to the apex. Greenheart's corporate technical staff provided know-how to implement and standardize environmental initiatives. In the late 1990s, the sustainability value was widely shared among higher managers and white-collar workers, but there was a lack of commitment at the shop floor level. Despite persistent awareness creation efforts, the blue-collar workers predominantly pursued primary production targets. Subsidiary environmental coordinators faced the difficulty of getting concrete environmental initiatives implemented since they faced competitive time claims and because environmental activities did not constitute an integral part of the shop-floor routines. National government served as an important external ally to conceptualize corporate sustainability. Other external stakeholders – in particular, environmental pressure groups and transport companies – did not have a significant impact on Greenheart's environmental behaviour.

Power or influence has its origin in an actor (the influencer) holding resources such as authority, money, social norms, and information to which another actor (the influencee) is sensitive, leading to behaviour that the influencee would otherwise not display (Dahl 1957; DiMaggio and Powell 1983; Etzioni 1964; French and Raven 1968; Mintzberg 1983). The importance attached to Greenheart's major stakeholders stemmed from the resources that they held, or to which they had access, and to which others were sensitive: formal authority (the CEO), economic resources (the CEO), environmental norms (the CEO), information (the corporate environmental coordinator, the corporate technical staff, national government), and the ability to implement initiatives (the subsidiary environmental coordinators as representatives of blue-collar workers). The CEO took the lead, and wielded his formal, economic, and social power to push the environmental agenda. Most internal actors acquiesced in his authority. Only blue-collar workers showed a certain degree of passive resistance because of competitive time claims, personal indifference, and a lack of embedding in their daily activities. The company's commitment to sustainability was initiated and spurred on top-down, and many environmental initiatives were supported. Ample formal, informational, and financial resources were allocated to the conceptualization and implementation of the sustainability objective. There was a tension at the shop floor level because operational influence was partially withheld from pursuing environmental targets, but still a significant number of concrete actions were taken. Thus, the dissimilar resources of different stakeholders were, by and large, used in a cooperative way, yielding synergetic effects. The ensuing rise of Greenheart's sustainability performance was evidenced by a halving of its negative environmental impact, from 25 in 1992 to 12 in 1999.

Two factors marked a discontinuity in the company's environmental course of action. Following an external crisis in 2000, the composition of Greenheart's best-selling product was changed. This engendered important production problems and poor financial performance in major subsidiaries during the first years of the new millennium. The corporate TMT then attributed the highest priority to a short-term improvement of output and profit figures, ultimately involving a major reorganization. From 2001 onwards, many employees ranked the sustainability cause lower than before because they felt that their jobs were threatened. As a result, the drive of most internal actors to pursue environmental targets decreased significantly.

A second factor of significance was the change of CEO. The former CEO, who had led Greenheart for over 25 years, was succeeded by a person who attributed much less importance to the environmental value. The new CEO decided that environmental initiatives should be confined to those that were required by law or that paid themselves back. He dismantled the corporate environmental department and marginalized or replaced many (critical) higher managers with ‘fresh,’ environmentally disinterested outsiders. At the same time, the new CEO grounded environmental aspects on a more structural basis into the organization by creating OTs at the subsidiary level. The perception of relevant external stakeholders also shifted from those actors contributing new conceptual insights into industrial sustainability (such as national government) towards those parties needed to comply with regulation (in particular, local governments).

As a result of these changes, internal stakeholders wielded their power towards externally required actions and (internal) measures with immediate economic pay-offs. Formal influence changed from fully-fledged, normative support for environmental actions to cautious, calculative endorsement. The nature of informational influence turned from external and global to internal and local. The operational support for environmental initiatives was fostered through a new structure and the concurrence of productive and environmental targets. In these new spheres of influence, the actions of different internal actors were no longer coordinated at the corporate level, giving rise to more divergent practices across subsidiaries. By contrast, environmental measures within subsidiaries were more coherent, consistent, and structured than before, enhancing the efficiency of Greenheart Plus' environmental initiatives.

At the same time, the company's overall environmental ambition level had considerably decreased, since sustainability was no longer of primary importance. This suggests that the sustainability value was less deeply rooted than might be expected. Certain actors tried to uphold the ambitious objective and were subsequently marginalized. Most internal stakeholders, though, showed little resistance towards the erosion of this value, suggesting that the pursuit of environmental sustainability was neither firmly embedded in the tissue of influential internal actors nor in the company's routines. While a direct comparison between the period before the major changes and the epoch afterwards is delicate owing to a change of environmental yardsticks, it seems obvious that the altered balance of power led to a regression of the company's environmental behaviour.

Greenheart (Plus) from a Learning Perspective

Throughout the 1990s, Greenheart's environmental performance, such as evidenced by the environmental barometer, improved dramatically. This progress was not necessarily the consequence of increased insights into environmental issues. Measures such as financing reforestation projects and procuring renewable electricity favoured the company's environmental performance but not per se its understanding of their technical nature. However, a substantial part of Greenheart's enhanced environmental performance was induced by the accumulation of new insights pertaining to the conceptualization and implementation of industrial sustainability. The company continued acquiring new environmental insights after the turn of the millennium, be it at a reduced pace, but the nature of newly acquired knowledge changed from predominantly strategic and conceptual to exclusively operational and applied.

Organizations learn when they increase their behavioural capacities owing to information processing, which involves the acquisition, sharing, and retention of new knowledge (Argote 1999; Huber 1991; Kim 1993). Greenheart (Plus) acquired new information from a variety of sources: experimenting with new production practices such as reducing production waste, enhancing energy efficiency, and recycling effluent water; participating in reflective platforms on the conceptualization of sustainability; and adopting externally developed insights, such as those on continuous production. Greenheart shared new knowledge through: employees, in particular, environmental coordinators and corporate technical staff members; documented information, including a (not fully operational) environmental data-base and an environmental magazine; and technical equipment and practices, such as the use of solar panels and the recycling of effluent water. The sources of information sharing largely coincided with those of information storage: employees, documents, equipment, etc.

New insights that are related to cues like discovery, effectiveness, and innovation give rise to explorative learning, whereas insights that are strongly linked to existing practices – involving terms like adaptation, efficiency, and implementation – lead to exploitative learning (March 1991; Weick and Westley 1996). Greenheart's search for conceptual clarity, its engagement with a variety of heterogeneous, strategically significant actors, and the consideration of new types of production methods in the late 1990s are all indicators of explorative learning. Operational measures were largely taken on an ad hoc basis. Well-functioning environmental routines, firmly embedded in an integrative structure, were largely absent. After the two major events, the company ceased its quest for business as unusual. While its explorative learning came to a halt, Greenheart Plus focused on exploitative learning. Existing practices were refined through minor adaptations of its production methods. This occurred on a systematic basis and was relatively well embedded at the operational level.

Organizational learning is most effective when different roles concur: idea generators who creatively combine technologies, markets, and products; internal entrepreneurs who apply new knowledge to concrete settings; boundary spanners who link local colleagues to external information sources; and sponsors who provide senior-management support for new ideas (Tushman and Nadler 1996; Nonaka 1996; Senge 1999). In the 1990s, different actors fulfilled key roles in Greenheart's learning process. Reflection platforms (with national government, with other companies in the food sector) as well as the last corporate environmental coordinator functioned as idea generators on the conceptualization of industrial sustainability. Greenheart's corporate environmental coordinators diffused salient environmental information, both from outward-in and from the strategic forums to the subsidiaries, thus acting as boundary spanners. Greenheart's CEO provided ample top management support for sustainability initiatives, thus fulfilling the role of sponsor. Only the role of internal entrepreneur was not well articulated within the company. The concurrence of three major learning roles led to a fairly effective organizational learning process.

The events of the early 2000s had major implications for learning roles. The change of CEO led to the disappearance of a major sponsor since formal top management support became weak and financial resources dried up. This was, to a certain extent, compensated by an increased formal commitment of subsidiary TMTs to local environmental initiatives. Idea generators were no longer considered since contacts with external reflection platforms were broken and the corporate environmental coordinator was dismissed. By contrast, the role of internal entrepreneur became more articulated through the OTs, who had to come up with concrete solutions. The role of boundary spanner shifted from the corporate environmental coordinator to the subsidiary coordinators, whereby it should be noted that the latter faced significant time constraints. Greenheart Plus thus showed the concurrence of three critical learning roles, though these roles were not highly articulated. Consequently, the company learned efficiently but at a lower pace than before.

Learning requires the allocation of sufficient resources for the acquisition and processing of new insights (Cyert and March 1992; Nonaka 1994; Senge 1999). In the late 1990s, relatively ample resources were available at Greenheart, with the exception of the shop-floor level. The availability of these resources, secured by top management support, enabled the company to progress on a highly ambitious learning path. After the two discontinuities, in the early 2000s, Greenheart Plus lowered its environmental ambition level. The budget for environmental initiatives was frozen, the corporate environmental department was eliminated, the corporate technical staff and external reflection platforms were marginalized, and no additional environmental staff was hired at the subsidiary level. The scarcity of resources for environmental initiatives slowed down the company's learning process.

Greenheart's quest for environmental sustainability is summarized in Table 1. Analytical insights from the two perspectives (stakeholder influence and organizational learning) are summarized using two major dimensions that emerged from the data: (i) the relative importance that organizational members attribute to environmental sustainability ('ambition'); and (ii) the degree to which environmental practices are an integrative part of the company's business as usual ('embeddedness'). The table shows largely divergent outcomes for Greenheart's subsequent stages of rise and regression.

Insert Table 1 about here

Discussion and Conclusion

Summary and Discussion

The case study shows the evolution of a company in its quest for environmental sustainability. Greenheart initially made great strides: the organization embraced sustainability as a core value, sought to reconceptualize its business activities, was open to a variety of (external) stakeholders, and allocated ample means to reduce its environmental impact. This venture lost momentum after a change of ownership and economic difficulties: the sustainability value was interpreted in a more restricted sense and became of secondary importance, environmental activities had to fit within the existing business frame, a more restricted number of predominantly internal stakeholders were considered, and the environmental budget largely evaporated; at the same time, environmental activities were undertaken on a more structural basis.

These findings suggest that the focal company went through subsequent phases of rise and regression during its sustainability voyage. The literature has described different levels of progress on the corporate sustainability path, ranging from early stages involving eco-efficiency and pollution control measures to more advanced stages of business process reconceptualization and product redesign (Sharma and Henriques 2005). Alternatively, different corporate attitudes to environmental issues have been identified: from defensive and reactive, as evidenced by resistance to environmental initiatives, via compliance with regulatory requirements to offensive and proactive, with a prominent role for discretionary (that is, not legally required) environmental initiatives and ample top management commitment (Henriques and Sadorsky 1999; Kolk and Mauser 2002; Zadek 2004). Similarly, companies can be classified on the basis of their environmental management styles: from laggards, trying to evade environmental measures, via compliers to true believers, who take far-reaching measures on moral grounds (Thornton, Kagan, and Gunningham 2003). Indeed, it has been argued that the 'normative case' for environmental initiatives, consisting of morally driven actions, tends to be associated with higher levels of proactiveness than the 'business case,' where fear of regulatory retaliation and economic self-interest are more dominant considerations (Garriga and Melé 2004; Smith 2003).

While the focal company can easily be accommodated within the different classification schemes, the extant literature tends to assume, sometimes explicitly but mostly implicitly, that companies either adopt and maintain a particular environmental attitude or show increasing levels of proactiveness over time (Porter and Van der Linde 1995; Hart, 1995; Hawken, Lovins, and Lovins 2000; Holliday, Schmidheiny, and Watts 2002; Shrivastava, 1995). This assumption seems to be based on the following line of reasoning. Companies generally ignore environmental issues until they are forced to comply with regulatory requirements. Once they are forced to take environmental actions, they ‘discover’ their economic benefits, in terms of improved reputation, enhanced sales potential, cost savings, and/or avoided liability claims. A final step is taken when business leaders make their organizations behave like good corporate citizens and take far-reaching measures on moral grounds, regardless of their immediate pay-offs. This pattern of rising proactiveness may have occurred in quite a few instances, but is by no means an iron law. The Greenheart case shows that a company’s rise in environmental performance may be followed by a period of regression.

The analysis in the previous section identified two reasons for this regression. The first pertains to the company’s ambition level. When Greenheart Plus entered economically turbulent waters, the environmental objective became less prominent. The economic difficulties encountered and the change of ownership were important reasons for this lower priority. Saliently, the environmental regression met with hardly any internal resistance. Virtually all employees acquiesced in the reshuffling of corporate values. They accepted the new top-management priorities and preferred job security to the pursuit of environmental objectives. The vulnerability of the environmental value feeds the critique that corporate environmental or social initiatives should be regarded with suspicion since the primary raison d’être is an economic one (Hertz 2001; Klein 2001). An alternative argument is that since the sustainability drive had been largely imposed top-down, the environmental value had been neither widely nor deeply embraced throughout the organization. Change initiatives based on hierarchical power are unstable: they tend to fade over time since they lack wide (internal) support (Lawrence, Winn, and Jennings 2001). Widespread endorsement is thus key to sustained progress, especially when it concerns new initiatives. From a learning perspective, the withdrawal of resources required to involve organizational members fulfilling critical roles leads to reduced progress on learning paths entered (Senge 1999). It can thus be concluded that the pursuit of corporate sustainability requires high ambition, not only at the top-management level but also throughout the organization. High ambition shows similarities with the related notion of shared vision (Senge 1990; Shrivastava, 1995), since both highlight the importance of organization-wide support. High ambition, however, goes beyond shared vision, since the former also connotes commitment to (environmental) challenges that are hard to realize (Simon 1976; Vergragt and Van der Wel, 1998).

The second reason for regression was the lack of well-embedded environmental practices. Greenheart used to take a variety of environmental initiatives, but they were largely adopted on an ad hoc basis. Had these actions been more firmly embedded in ongoing routines, they would probably have been more resistant to changed top management priorities. Routinized practices, which have been adopted throughout the company and which have persisted for some time, are particularly inert. They are likely to meet with fierce resistance when attempts to change them are undertaken (Cyert and March 1992; Nelson and Winter 1982; Tushman and Romanelli 1985). Besides, Greenheart's environmental activities were largely taken in isolation, without benefitting from the synergies and 'protection' of intertwined activities. The integration of environmental and economic activities leads to the exploitation of common grounds and avoids, at least to a certain extent, the need to prioritize one type of activity over another when resource limitations would call for such choices

(Porter and Van der Linde 1995). Furthermore, systematically implemented activities that lead to measurable results, including environmental management systems such as ISO 14001, are more resistant to unfavourable economic tides and changing top management priorities than conceptual and ad-hoc measures (Bansal and Bogner 2002). Therefore, environmental practices must be deeply embedded in corporate practices in order to sustain the pursuit of sustainable business. Embeddedness is related to structure (Argote 1999; Mintzberg 1979), since both pertain to the way in which (environmental) activities are organized. Embeddedness is more related to permanence, though, since structure concerns the officially designed and readily changeable modus operandi, whereas embeddedness expresses the actual degree of ingrained commitment to existing cognitive frames and practices (Uzzi 1996, 1997).

Conclusion and Implications

The above results should be interpreted with some caution, since they are based on a single case study. An important conclusion from the analysis is thus that companies can only display environmentally sustainable behaviour over a longer period if they have: (i) a high and widely shared environmental ambition; and (ii) well-embedded environmental practices. The behaviour of such organizations can be labelled as ‘institutionalized sustainability.’ (cf. Ackerman 1973). Institutions refer to collectively taken-for-granted behaviour, materialized through widely accepted practices, rules, and technologies (Greenwood, Suddaby, and Hinings 2002; Lawrence, Winn, and Jennings 2001; Tolbert and Zucker 1996). The two dimensions identified are critical to understanding the behaviour of organizations over a longer period. Sustaining corporate sustainability efforts requires both deeply held and widely embraced values (the ‘ambition’ dimension) and the adoption of ingrained, routinized practices (the ‘embeddedness’ dimension). Companies scoring high on the ambition dimension but low on the embeddedness dimension, such as tended to be the case with Greenheart prior to the critical events, are engaged in an ‘idealist sustainability quest.’ Their actions are conceptual, ad hoc, and symbolic. By contrast, companies with a low ambition level but a high degree of embeddedness, as tended to be evidenced by Greenheart Plus, are characterized by ‘realist environmental management.’ They are concerned with the systematic implementation of technically feasible measures, the scope of which is not to attain environmentally sustainable levels. The different types of behaviour related to corporate environmental sustainability are displayed in Table 2.

The present study has mainly focused on the environmental dimension of sustainable corporate development, though the outcomes may also be relevant for social sustainability. Many social and environmental issues in business share features such as a systemic nature, a dual (normative and business) character, and a ‘natural subordination’ to economic imperatives. Therefore, institutionalization would seem to be critical for both the environmental and social dimensions of sustainable corporate development.

Insert Table 2 about here

An important managerial implication is thus that maintaining environmental (and social) sustainability requires high degrees of ambition and embeddedness. Sustained excellence in environmental (and social) performance requires not only top-management ambition but also company-wide support; this invalidates top-down decision-making models which overlook the implementation side. Routinization and systemization are imperative since ad hoc measures are ephemeral. Formal environmental management systems such as ISO 14001 are instrumental in this respect (Epstein and Roy 2001), though such systems have no built-in ambition level (Bansal and Bogner 2002) and the tacit knowledge of employees should also be mobilized (Boiral 2002). Furthermore, tight integration with other activities is required, implying that isolated environmental (and social) departments are counter-productive.

The analysis of the focal company was performed from two different perspectives: organizational learning and stakeholder influence. Both paradigms are rooted in extensive bodies of literature (For overviews of the organizational learning literature, see Argote 1999, Baum 2002, and Dierkes, Antal, Child, and Nonaka 2002; synopses of the stakeholder influence literature can be found in Baum 2002, Hardy and Clegg 1996, and Kramer and Neale 1998). Notwithstanding the substantial number of writings proliferated by each body, the crossroads of learning and influence have hardly been explored (Contu and Willmott 2003; Weick and Westley 1996). However, the outcomes from both analyses, which were summarized in Table 1, showed striking parallels when related to the dimensions of ambition and embeddedness. Both perspectives are also complementary (Gladwin 1993). On the one hand, stakeholder influence shapes organizational learning; the latter becomes effective when influential actors allocate the resources needed to learn (Senge 1999; Roome and Wijen 2006; Tushman and Nadler 1996). Besides, actors have to be sufficiently powerful to fulfil critical learning roles effectively (Contu and Willmott

2003; Coopey 1996; Roome and Wijen 2006). On the other hand, organizational learning affects a company's power relations: the more insights are acquired concerning the desirability or necessity to consider certain actors, the more an organization will perceive these actors as important and become sensitive to their resources (Nooteboom 2000; Pfeffer and Salancik 1978). Using the complementary perspectives of stakeholder power and organizational learning in conjunction with each other, therefore, significantly enhances our insights.

Besides, it is important to study organizations over a longer period in order to observe unfolding dynamics, especially in the field of sustainable development. Longitudinal studies show not only the mechanisms leading to changes but also reveal the degree to which intended changes are sustained over a longer period. Many academic studies have focused on inertia and resistance to change (Baum 2002; Gersick 1991; Tushman and Romanelli 1985; Valley and Thompson 1998). Sustaining environmentally (and socially) relevant behavioural changes against all odds over a longer period has received far less attention, though this issue is particularly relevant when organizations have not yet institutionalized environmentally (and socially) relevant practices (Senge 1999). Indeed, institutionalization is a prerequisite for sustainable corporate development, key to understanding the conditions under which sustainable development can turn from well-intended management by exception into widely practised business as usual. Longitudinal studies focusing on how attempts to conduct more sustainable business are initiated, leveraged, and maintained would further our understanding of such institutionalization processes.

The present chapter has unpacked the mechanisms underlying the dynamic behaviour of a company pursuing environmental sustainability. Many writings pertaining to drivers of sustainable development or corporate social responsibility point to isolated factors such as enlightened leadership, a competitive edge, and societal pressure. By contrast, this chapter suggests that the development of corporate sustainability requires the concurrence of ambition and embeddedness. The higher the scores on these dimensions and the more systemic the corporate orientation, the more a company has institutionalized its sustainability endeavour and the higher the probability of sustained progress. Companies highlighting only one dimension have a lower performance and are vulnerable to (economic and managerial) vagaries. A systemic view, collective drive, and routinized practices are, therefore, indispensable companions of companies on their sustainability voyage.

Figure 1: Environmental Management Structure of Greenheart (1999)

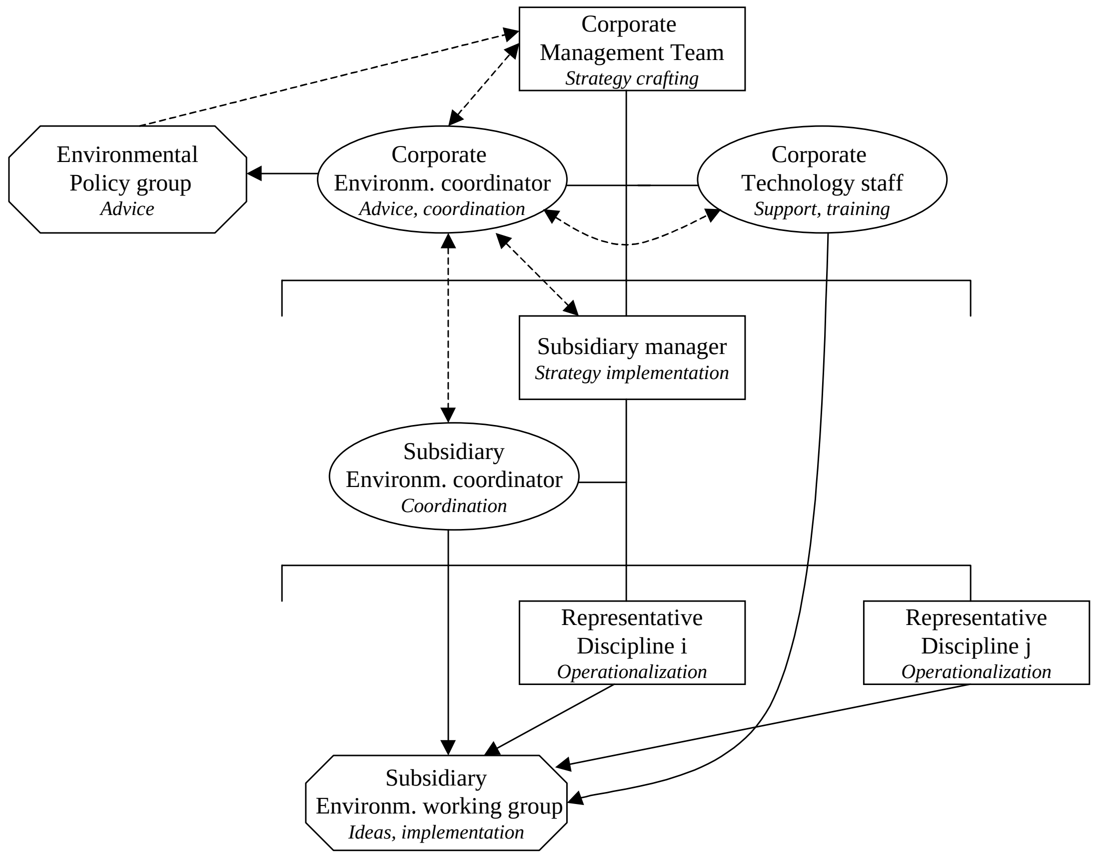

Figure 2: Environmental Management Structure of Greenheart Plus (2004)

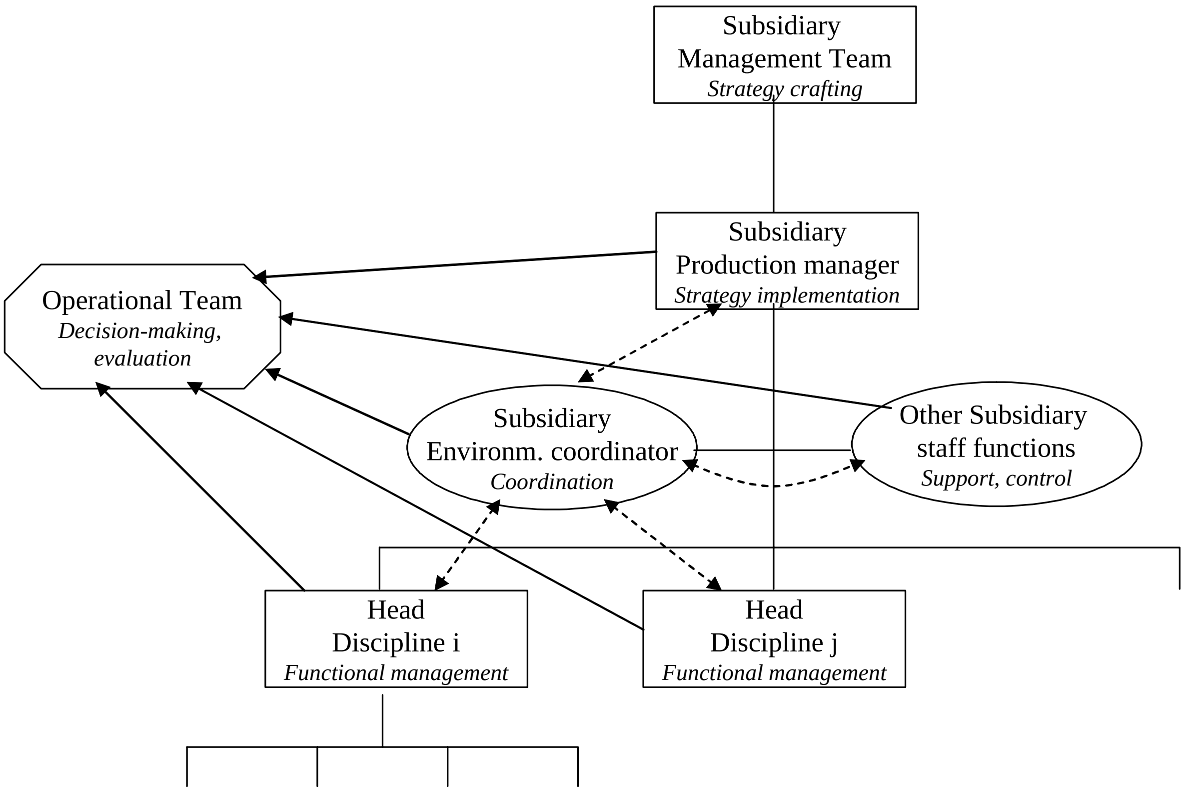

Table 1: Analysis of the Greenheart (Plus) Case

Perspective	*Stakeholder influence*		*Organizational learning*	
Stage / *Dimension*	*Rise*	*Regression*	*Rise*	*Regression*
Ambition	Sustainability of primary importance, especially at higher and middle levels	Sustainability company-wide subordinate to economic objectives	Substantial resources for learning and concurrence of three articulated learning roles	Few resources for learning and concurrence of three less prominent roles
Embeddedness	Environmental issues not integrated and not core part of routines	Start of integrating and routinizing environmental activities	Conceptualization and ad hoc environmental measures (mainly explorative learning)	Systematic implementation of environmental activities (exploitative learning)

Table 2: Typology of Corporate Sustainability Behaviour

Ambition / *Embeddedness*	Low	High
Low	Unsustainable business	Idealist sustainability quest
High	Realist environmental management	Institutionalized sustainability

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