

Making sense of sustainability issues: The role of cognitive structural alignment and enterprise logic

Introduction/literature review – Issues related to sustainability and its conflicting social, environmental and economic goals are perceived as strategic, complex and ambiguous (Sharma, 2000; Crilly & Sloan, 2012; Hahn et al., 2014). Within the same industry, some firms respond more radically and more effectively than others (Bundy et al., 2013; Crilly & Sloan, 2012). Some business leaders perceive sustainability related issues as more salient (Crilly & Sloan, 2012) and take strategic actions. Others barely react tactically, just complying with basic regulatory and reporting requirements (Crilly & Sloan, 2012; Gao & Bansal, 2013; Hahn et al., 2014). Past studies have focused on the reasons why top managers include sustainability in their firm's strategic goals (Bansal & Roth, 2000; Barnett & Salomon, 2012; Gao & Bansal, 2013; Lovins et al., 1999; Margolis & Walsh, 2003; Pava, 2008; Porter, 2006; Wang & Bansal, 2012; Zollo et al., 2013). Many questions remain concerning the how and in particular the cognitive process by which top managers interpret new sustainability related issues and decide to take actions on them (Bundy et al., 2013; Gregoire et al., 2010).

Purpose – Leveraging on cognitive studies showing that a firm's response to issues is deeply linked to top management's interpretation of the environment (Barr et al., 1992; Bogner & Barr, 2000; Daft & Weick, 1984; Kaplan, 2011; Nadkarni & Barr, 2008); an environment conceptualized by a firm's strategic frame (Bundy et al., 2013) or firm's enterprise logic (Crilly & Sloan, 2012; Crilly, 2013). This research takes a managerial cognitive perspective on corporate sustainability, compares the enterprise logics of firms in the consumer goods industry (processed foods, tobacco, alcoholic beverages and non-alcoholic beverages) and explores the reasoning mechanism by which top managers interpret the issues related to public health and nutrition and decide to take action on them.

Design/methodology/approach – An inductive comparative case studies approach (Eisenhardt & Graeber, 2007; Gioia et al., 2013) is adopted. A sample of four companies belonging to the processed food industry is selected. Two companies are business to business and two are business to consumers, for each group, one company is family owned and one is publicly owned. The specific issue of public health and nutrition is selected to allow for a focused exploration of top manager's sensemaking process. Semi-structured interviews are conducted with several top managers. Their cognitive process is analyzed using think-aloud verbalization techniques (Gregoire et al., 2010). Cognitive mapping techniques (Calori et al., 1994; Crilly & Sloan, 2010) are applied on annual reports to determine the prevailing enterprise logic.

The issue of public health and nutrition is also selected because recognized non profit-organization such as the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) have recently introduced new reporting requirements for this industry, asking firms to report on their material contribution to public health and nutrition.

Findings – Top managers’ conceptualization of their firm’s relationship with society - the enterprise logic - and the degree to which a manager cognitively aligns a sustainability issue with his/her enterprise logic plays a role in interpreting a sustainability issue. Top managers of firms depicting a “firm-centric” enterprise logic interpret sustainability issues more as a threat rather than an opportunity leading to the adoption of tactical actions whereas top managers of firms depicting an “extended” enterprise logic interpret the same sustainability issue as an opportunity leading to the adoption of strategic actions. These findings highlight the value of adopting a combined managerial cognition and enterprise logic perspective to explain why some firms address sustainability issues more strategically than others.

Research limitations – Because of its early stage in data collection, this study is based on a limited sample and should be considered exploratory.

Research contribution – The theoretical relevance of this research lies in further understanding the role of socially constructed enterprise logic on managerial cognition and firms’ responsiveness to stakeholders’ sustainability related concerns. From a managerial standpoint, this research is aimed at shedding light on the role of enterprise logic on strategic decision-making about sustainability and why some managers perceive sustainability issues as bearing risks and conflicts whereas others see benefits and value.

Keywords – Sustainability, Managerial Cognition, Enterprise Logic, Consumer Goods, Public Health and Nutrition.

Paper Type – Research paper