

Sustainability management: social acceptance more important than profit

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It is commonly believed that companies are only committed to environmental and social issues if this contributes to increase their profits. A new study now shows that this stereotype is not true at least for large companies in developed countries. The driving force behind sustainability management activities of large companies is mainly the pursuit of social acceptance. Conversely, profit maximisation plays a subordinate role. This counterintuitive result of a broad empirical study has recently been published in the *Journal of Business Ethics* by Prof. Dr.

Stefan Schaltegger (Leuphana University of Lüneburg) and Prof. Dr. Jacob Hörisch (Alanus University).

The study is based on a survey of 432 of the largest companies in ten industrial countries in Europe, North America and Asia. Sustainability managers were asked about the aims, actors, methods and effects of the company's sustainability management activities. The survey results are clear: A legitimacy-oriented perspective is prevalent not only in the aims, but also in the organisational implementation and the application of sustainability management measures. By contrast, objectives and practices following a more profit-driven logic of action were regarded as less important by the majority of respondents.

Already for developing sustainability management goals, the pursuit of social recognition plays a greater role than the profit motive. This may be because the impact from legitimacy-oriented players such as media or NGOs on corporate sustainability activities is perceived to be much higher, than that of financially focussed external stakeholders such as banks, credit rating agencies or shareholders.

A similar picture emerges from the choice of sustainability activities. For the majority of businesses, legitimacy-driven measures, such as improving employee motivation and the reputation of the company are more important than profit maximisation and cost reduction. This is also reflected in the organisational and personnel anchoring within the [company](#): PR and communication departments, as well as legal departments are much more frequently entrusted with tasks of sustainability management than finance, accounting and controlling.

Even with the implementation of measures, the majority of businesses are driven by legitimacy concerns. The sustainability management methods most commonly applied include the publishing of sustainability reports, social and cultural sponsoring, corporate citizenship and

stakeholder dialogues. Profit-oriented tools such as eco-efficiency analyses, material flow cost accounting or environmental management accounting are applied significantly less often.

A more varied picture emerges when analysing how the success of sustainability activities is defined and what is measured. While the costs of sustainability management are measured most often this measure is closely followed by measuring employee motivation and reputation. As a whole, measuring success in sustainability management plays a rather subordinate role and is not done in a systematic manner in most large companies. Overall sustainability management is implemented with a given budget, for which the costs are measured, in order to secure corporate legitimacy. The stereotype that companies only engage for environmental and social issues if this increases their profits cannot be empirically supported. Most companies do not even know what the economic effects of their sustainability management are.

"With our analysis, which is based on a broad survey of sustainability management practices, we were able for the first time to empirically show that legitimacy orientation plays an important role not only for the goals of large companies, but is also reflected in the implementation of the actual sustainability management activities" says Dr. Stefan Schaltegger. "Not only the visibility of sustainability activities is important for large companies, but also the internal perspective. Many companies lay great importance to the improvement of employee motivation."

More information: Schaltegger, Stefan; Hörisch, Jacob (2015). "In Search of the Dominant Rationale in Sustainability Management: Legitimacy- or Profit-Seeking?", in: *Journal of Business Ethics*, [DOI: 10.1007/210551-015-2854-3](https://doi.org/10.1007/210551-015-2854-3)

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