

Different Types of Approaches to Corporate Sustainability among German Companies - Evidence from an Online Survey

Authors:

Tobias Hahn* (Institute for Futures Studies and Technology Assessment (IZT), Berlin)

Mandy Scheermesser (Institute for Futures Studies and Technology Assessment (IZT),
Berlin)

* correspondence to

Dr. Tobias Hahn

Institute for Futures Studies and Technology Assessment (IZT)

Schopenhauerstr. 26

D-14129 Berlin

Phone: +49-30-803088-24

Fax: +49-30-803088-88

E-Mail: t.hahn@izt.de

The authors gratefully acknowledge funding from the German Federal Ministry of Education and Research under grant number 07IFS10. Furthermore we would like to thank Frank Figge (Sustainability Research Institute at the School of Earth & Environment, University of Leeds), Michael Knoll and Katrin Nolting (both Institute for Futures Studies and Technology Assessment, Berlin), as well as the anonymous reviewer for their most useful comments on the paper. The usual disclaimers apply.

Abstract

We present the results of an online survey on the state of corporate sustainability in German companies. The survey focused on the meaning and relevance of sustainability to German companies, the motivations behind their commitment to sustainability, and on the use of different management tools to implement sustainability in corporate practice.

Although the majority of the companies declared that sustainability plays an important role our analysis reveals considerable differences between these companies' approaches to corporate sustainability. A cluster analysis enables us to distinguish between three significantly distinct types of approaches to corporate sustainability among the respondents: Sustainability Leaders, Environmentalists and Traditionalists.

These three types are characterised and discussed against previous research. The results suggest that there are substantial differences with regard to the motivation for and the implementation of corporate sustainability that are covered behind the corporate rhetoric of a high commitment to sustainability.

Keywords: corporate sustainability, typology, corporate social responsibility, corporate social performance, sustainable development, corporate sustainability policies and strategies

Introduction

Emerged as a political idea on the international agenda sustainable development has reached the corporate sector over the last decade. This is also true for Germany where more and more companies have adopted the concept and notion of sustainability. This development has moved beyond a green niche in the meantime. Nowadays many companies are called to contribute actively to a sustainable development of the societies they operate in. The core challenge in this context is to integrate and reconcile economic with environmental and social concerns and issues (on the discussion of the corporate role in sustainable development see e.g. Bansal, 2002; Dyllick and Hockerts, 2002; Figge and Hahn, 2004a; Gladwin *et al.*, 1995a; Shrivastava, 1995). There are several indicators for the growing adoption of sustainability issues throughout the corporate sector. One example is the raising number of corporate sustainability reports.

Furthermore sustainability issues are more and more being institutionalised (e.g. Bansal and Bogner, 2002; Bansal and Roth, 2000; Prakash, 2001). The adoption of standardised management systems like ISO 14,000 or EMAS (e.g. Klaver and Jonker, 1998; Morrow and Rondinelli, 2002; Rondinelli and Vastag, 2000) as well as guidelines and official recommendations for environmental and social reporting like the GRI-Guidelines (Global Reporting Initiative, 2002) or the EC recommendations for the integration of sustainability issues in corporate annual reports (European Commission, 2001) are good examples in this context. In the literature numerous tools for the management and measurement of corporate sustainability have been proposed (e.g. Atkinson, 2000; Figge and Hahn, 2004a; b; Huizing and Dekker, 1992; Kaptein and Wempe, 2001). The fundamental challenge for companies is how to deal with trade-offs

between environmental, social and economic aspects of sustainability and, eventually, how sustainability can be reconciled with a successful economic development.

Empirical research on corporate environmentalism and corporate contributions to sustainability is dominated by studies that investigate the link between environmental and sustainable performance on the one hand and economic performance on the other hand (e.g. Al-Tuwaijri *et al.*, 2004; Griffin and Mahon, 1997; McWilliams and Siegel, 2000). As in this paper we report on a survey among German companies it is particularly interesting that in the last years a few studies have been published that investigate the state of corporate sustainability in German industry (e.g. Schulz *et al.*, 2002; Sprenger and Rave, 2002; von Flotow *et al.*, 2003; Wehrmeyer *et al.*, 2002).

In the remainder of this article we will present the results of an online survey on the state of corporate sustainability among German companies. In the literature corporate sustainability has been addressed in many different ways. Prior to presenting the methodology and the results of the survey we briefly introduce the most important perspectives and show how previous research has looked at the motivation for corporate sustainability, management perception of sustainability issues and the tools that are available to implement corporate sustainability. All three areas are decisive for how companies deal with sustainability issues. However, this literature review not only serves to place our research in the context of preceding research but it was also guiding us to structure our empirical research. In the literature these three areas constitute different starting points to research on corporate sustainability. Rather than different starting points we interpreted these three areas as being interlinked. Put differently, our research aimed to analyse whether a different motivation for corporate sustainability and a different perception of sustainability issues would be associated with the use of

different tools. If this was true, it would eventually allow us to identify different groups of companies based on their different approaches to sustainability.

Theoretical background and previous research

Over the last years the concept of Sustainable Development has more and more been addressed by the business sector. It is now commonplace that without corporate support, society will never achieve sustainable development, as firms represent the productive resources of the economy (Bansal, 2002, p. 124). Sustainability goals posit that private sector companies should not only create economic value and provide goods and services that enhance the standard of living but that they should also engage actively in mitigating the different environmental and social problems they cause through their activities. In the meantime many scholars have adopted this issue and provided empirical evidence as well as theory development in the field of corporate sustainability (see e.g. Atkinson, 2000; Bansal, 2002; Cerin and Karlson, 2002; Dyllick and Hockerts, 2002; Figge and Hahn, 2004a; Gladwin *et al.*, 1995a; Gladwin *et al.*, 1995b; Hart, 1997; Jennings and Zandbergen, 1995; Reilly, 1999; Shrivastava, 1995).

Motivations behind corporate sustainability management

Empirical research has very much focused on the relationship between environmental and social corporate performance on the one hand and financial or economic performance on the other (e.g. Berman *et al.*, 1999; Griffin and Mahon, 1997; Karagozoglu and Lindell, 2000; Ruf *et al.*, 2001; Stanwick and Stanwick, 1998; Ullmann, 1985; Waddock and Graves, 1997; Wood and Jones, 1995). The evidence of the assumed positive relation between corporate sustainable and economic performance

is, however, mixed. Moreover, methodologically correlation studies bear no evidence on the causality of *how* economic performance can be improved by good environmental and social performance.

Having in mind these methodological limitations of correlation studies critics have proposed approaches that investigate the causal linkage between corporate environmental and social performance and economic success. Mostly, these authors apply standard management concepts to explain how active corporate commitment to environmental and social goals can increase shareholder value (e.g. Figge, 2005; Figge and Hahn, 2002; Hart and Milstein, 2003; Schaltegger and Figge, 2000), produce sustainable competitive advantages (e.g. Litz, 1996; Oliver, 1997; Russo and Fouts, 1997), lead to cost savings (e.g. Epstein and Roy, 1997; 2001; Schaltegger and Müller, 1997), or help to successfully implement corporate strategies (e.g. Figge *et al.*, 2002). These studies implicitly assume that corporate decision makers are driven by economic rationality and profit maximisation. Only few scholars have addressed the question of the motives behind environmental and sustainability management in more detail (see e.g. Bansal and Roth, 2000; Hahn, 2004; 2005; Morrow and Rondinelli, 2002; Prakash, 2001). They posit that it is crucial to understand the reasons why corporate decision makers adopt environmental and sustainability management practices. Their findings suggest that there are other motivations for environmental and sustainability management besides profitability. Namely, corporate environmental and sustainability management may also be driven by ethical and normative motives or by institutional pressures and coercive adaptation (Bansal and Roth, 2000; Prakash, 1999; 2001).

Proponents of normative behavioural motives behind corporate sustainability management propose that corporate decision makers act out of an ethical responsibility

towards a company's social and natural environment (e.g. Takala and Pallab, 2000; Wulfson, 2001). Institutional approaches assume that companies pursue environmental and sustainability management in order to gain legitimacy in their organisational field. From this viewpoint companies adopt environmental and sustainability management in order to be perceived as appropriate, legitimate, and desirable within some socially constructed system of norms, values, beliefs, and definitions (e.g. Bansal and Clelland, 2004; Driscoll and Crombie, 2001; Prakash, 1999; 2001). While applying different motivational rationales to explain corporate sustainability management, all these studies suggest that it is fruitful to put more emphasis on the analysis of corporate motivations in order to explain the different approaches to corporate sustainability.

Managerial perceptions of sustainability issues

As soon as the motivational forces behind corporate sustainability management are addressed the organisation as a black box is opened up and a finer grained analysis of the decision making of managers is necessary (Winn, 2001). Managerial decision making fundamentally depends on the perceptions and images of decision makers: "[M]anagers' perceptions of the world constitute the knowledge base from which decisions are made" (Welcomer *et al.*, 2003, p. 47). This holds also true in the context of sustainability issues (e.g. O'Dwyer, 2002; Rosner, 1995). As management attention is scarce it is thus important to analyse (a) *which* environmental and social aspects are perceived by corporate decision makers and (b) *in which way* these aspects are perceived and interpreted. Consequently, managerial perception and behaviour towards the environment on the individual and on the group level have been discussed in the

literature as an important predictor of the type and level of environmental and sustainability management of companies (e.g. Marshall *et al.*, 2005).

Implementation of corporate sustainability management

Starting from environmental management a wide range of management tools for implementing corporate sustainability has been developed over the last two decades (for an overview see Schaltegger *et al.*, 2002). These tools range from environmental accounting (e.g. Gray, 1992; Schaltegger and Burritt, 2000) and life-cycle assessment (LCA) (e.g. Heijungs *et al.*, 1992) over environmental reporting (e.g. Bennett and James, 1999) to sustainable product design (e.g. Ehrenfeld, 1997; Maxwell and van der Vorst, 2003) and green marketing (e.g. Belz, 2001). In the recent years there is an increasing effort to also integrate social issues into corporate sustainability management (e.g. Gladwin *et al.*, 1995b; O'Hara, 1998). In this context sustainability management is often quite closely related to concepts like corporate social performance (e.g. Clarkson, 1995) and corporate social responsibility (e.g. Carroll, 1999; Holme and Watts, 2000). Management tools that address social sustainability comprise social management and accounting standards like e.g. AA1000 (AccountAbility, 1999) and SA8000 (CEPAA, 1998), social auditing (e.g. Raynard and Gonella, 1996), employee related programmes, and corporate philanthropy (e.g. Lewin and Sabater, 1996; Saiia, 2001). While the adoption and implementation of at least some environmental management tools has already been researched and documented (e.g. Glachant *et al.*, 2002; Welch *et al.*, 2002), there is considerably less empirical evidence on the use of management tools for social sustainability (for an exception see e.g. Belal, 2002). In addition, research suggests that there is a gap between the rhetoric and the reality in implementing

sustainable management practices (e.g. Rhee and Lee, 2003). It has also been argued that in corporate practice environmental and social management often remains decoupled and isolated from mainstream management activities and decision making and thus does not measure up to an integrative approach (e.g. Figge *et al.*, 2002). Moreover, some scholars express some rather fundamental scepticism when it comes to the substance of a company's commitment to sustainability behind corporate communication (e.g. Livesey and Kearins, 2002).

Main research questions

Our online survey on the state of corporate sustainability in German companies focuses on the following three major research questions derived from the previous research presented above:

- What is the meaning and relevance of sustainable development for companies?
This research question addresses the question of the perception of sustainability issues in German companies. More specifically, the survey focused on (a) the meaning and (b) the relevance of the concept of sustainability for the companies. By doing so, the survey takes into account the importance of managerial perceptions of sustainable development as a predictor for the level or type of sustainability management.
- Why do companies commit themselves to sustainable development?
With this research question we address the issue of the motivation behind corporate commitments to sustainable development. In line with the previous research, we differentiated between instrumental, ethical, and institutional reasons for corporate sustainability management.

- Which management tools are used to implement sustainable development in companies?

This research question serves to find out (a) to which degree sustainability management is implemented in corporate practice and (b) which management tools are used most in this context. In order to analyse this question in further detail companies were specifically asked on the implementation of different management systems as well as on their use of different environmental and social management tools.

Sample and Methodology

The survey on the state of sustainability management in German companies was conducted as an online survey. It was directed at German companies. The sample was made up from randomly chosen German companies which received an internet link to the questionnaire either directly via e-mail or from other sources where the link was posted like e.g. newsletters or relevant websites.

According to the three main research questions lined out above the questionnaire was structured into three parts. For each of the questions the respondents were given options which they were asked to rate on a four-level scale. The first part of the questionnaire contained two questions on the relevance and meaning of the concept of sustainable development for the companies. Companies were asked to rate the relevance of sustainability on a simple four-level scale ranging from very important to unimportant. Concerning the meaning of sustainable development the respondents were confronted with seven different statements with possible interpretations of corporate sustainability and had to indicate their level of agreement to each statement on a four-level scale. The

second part of the questionnaire focused on the reasons for the companies to adopt sustainability goals. For this purpose respondents were asked to indicate the motivational force of each of twelve different possible reasons for a high commitment to corporate sustainability (again using a four-level scale to rate different given options). In the third part, the questionnaire dealt with the activities and tools companies could use in order to implement sustainable development. This covered management systems (like e.g. ISO-standardised management systems, EMAS, or EFQM), specific management tools (like e.g. environmental accounting and reporting, benchmarking, or eco-marketing), employee related activities (like e.g. social securities and fringe benefits or corporate child care), and activities at the societal level (like e.g. sponsoring, corporate giving, and community programmes). For each of the management tools respondents were asked to indicate whether their company uses the management tool or if the implementation is planned for the future. Furthermore, data on company size and industry were collected. Finally, respondents were asked to estimate the future relevance of sustainability for their company.¹

From May to September 2004 195 German companies completed and returned the questionnaire. The majority of the respondents were from the manufacturing sector. A comparison to the average industry breakdown of the German national economy shows that in the sample some industries were over- or under-represented, respectively. While the sample is dominated by companies from the manufacturing sector there are quite few companies from retail and real estate that responded to the questionnaire. Table 1 shows the industry breakdown of the sample in comparison to the German national

¹ The complete questionnaire is available under www.izt.de/strategischbenchmarking/fragebogen/befragung.html.

economy (as of 2002). While there is a quite strong overlap from the manufacturing sector, retail and corporate services were less represented.

INSERT TABLE 1 AROUND HERE

13.8% of the respondents have no more than 10 employees, almost 50% of the respondents belong to the group of small and medium sized enterprises with 10 to 500 employees and some 25% are big companies with more than 500 employees. Table 2 summarises the distribution of company size of the sample in comparison to the German national economy (as of 2003).

INSERT TABLE 2 AROUND HERE

Analysis and Results

The analysis of the data was conducted in two parts. The first part consists of a descriptive analysis of the data via frequency distributions which provides a first estimate of the state of corporate sustainability in German companies. In the second part of the analysis the heterogeneous group of respondents were further characterised using a hierarchical cluster analysis. This analysis was used to derive a typology of the companies with respect to their approach to sustainability. The resulting groups and

their characteristics are significantly distinct from each other. The following criteria from the questionnaire entered the hierarchical cluster analysis:

- Relevance of sustainable development for the company
- Reasons for the corporate commitment to sustainability
- Sustainability management tools used
- Company size

Subsequent to the cluster analysis the different types of companies identified were further characterised by significant relationships to other variables from cross-classified tables.

Results of the descriptive analysis

First of all the results of the descriptive analysis shows that more than 80% of the respondents state that sustainable development has a high or very high relevance for their company (see Figure 1).

INSERT FIGURE 1 AROUND HERE

This rather general statement of the responding companies is underpinned by the results of a number of other questions from the questionnaire. A large fraction of the company states that their strategy with sustainability issues is to react proactively to environmental and social concerns and act as early adopters or even innovators in implementing environmental and social measures. More than 50% of the companies

state that sustainable development is an integral part of their corporate governance system. However, only about 20% of the respondents have implemented an incentive system to promote sustainable employee behaviour.

INSERT FIGURE 2 ABOUT HERE

As another result of the descriptive analysis it became evident that social issues are still trailing environmental issues by a large margin. Among environmental management tools ecological procurement guidelines and environmental reporting are most frequently used by the sample companies (see Figure 2). In contrast, social management tools like social reporting or social procurement guidelines are used much less often. Compared to certified environmental management systems that are quite well adopted by the sample companies (almost 58% of the companies have an ISO 14,000 certified management system in place, roughly 40% have an EMAS management systems in place), social standards like e.g. SA8000 are hardly used or implemented by the sample companies (only 2.8% of the companies). Likewise corporate initiatives in the context of work family issues (see e.g. Edwards and Rothbard, 2000; Goodstein, 1994) clearly remain underdeveloped: Child care programmes and affirmative action programmes for women bring up the rear of all environmental and social measures included in the questionnaire (see Figure 3). In general the majority of the sample companies expects both environmental and social concerns to gain momentum and importance in the future.

INSERT FIGURE 3 AROUND HERE

The analysis of the motivations for corporate sustainability activities reveals that normative motives are the predominate reasons for the sample companies to commit themselves to corporate sustainability: Ecological and social responsibility and also ethical reasons rank very high among the respondents in this context. Image and reputation also seem to play an important role for many companies as motivators to engage in corporate sustainability. While standard business goals like cost savings, revenue growth and customer demands range in the midfield the demands of external stakeholders (others than customers) like capital providers, societal stakeholders and political pressure groups seem to play a minor role for motivating corporate sustainability activities (see Figure 4).

INSERT FIGURE 4 AROUND HERE

In order to gain a better understanding of the motivation behind corporate sustainability activities in the sample companies we conducted a factor analysis of the reasons given by the respondents. This analysis allows us to examine the inherent structure of the pattern of different motivators for corporate sustainability mentioned by the companies. The factor analysis – that explains 68% of the variance of the answers – reveals four

distinct groups of motivators for corporate sustainability in our sample. The first group of motivators comprises normative reasons such as social and ecological responsibility and ethical reasons. A second group is characterised by marketing-related motives for corporate sustainability as revenue growth and opportunities on new business fields play a dominant role. In a third group, external stakeholders like societal stakeholders and capital providers are the most important triggers for corporate sustainability. The fourth group is characterised by companies that see cost savings and image considerations as the most important motivators for their commitment to sustainability.

Results of the cluster analysis

The results of the hierarchical cluster analysis of the data provided a more detailed and precise picture of the different approaches towards sustainability of the sample companies. The result of the cluster analysis allowed us to identify three significantly different groups of companies based on their approach to sustainability issues.² Besides a group of rather traditionalist companies (“Traditionalists”) the analysis distinguished an environmentally oriented (“Environmentalists”) and a sustainability oriented group of companies (“Sustainability Leaders”) within the sample. This typology reflects three significantly different groups with respect to the corporate approach to sustainability based on the four criteria used for the cluster analysis mentioned above. Figure 5 shows the distribution of the three company types within the sample.

INSERT FIGURE 5 AROUND HERE

² The three groups differ on a statistically significant level of 0,95 ($\alpha = 0,05$).

An in-depth analysis of the results of the hierarchical cluster analysis based on significant variables and cross-classified tables allows a detailed characterisation of the three company types.

The group of the Sustainability Leaders is characterised by a strong commitment to sustainable development. Sustainability issues play a prominent role for these companies and they feel a strong ecological and social responsibility. The environmental and social commitment of the companies of this type is mainly motivated by ethical and moral reasons. For these companies contributions to sustainable development represent an extra task that goes beyond their core business activities. One of the most distinguishing characteristics of the Sustainability Leaders is that – in contrast to the other two groups – they have already taken up the integration of social issues. Examples in this context are the integration of social issues in sustainability reporting or in procurement guidelines. Likewise environmental management tools like e.g. environmental marketing tools or ecological procurement guideline are frequently used by these companies. Compared to the average of the respondents Sustainability Leaders show a strong adoption of work-family programmes. Employee participation and motivation as well as incentive systems for sustainable employee behaviour are also rather strongly represented among these companies. Interestingly, the group of Sustainability Leaders is not solely composed of large enterprises. Rather it is characterised by a quite large fraction of SMEs and small firms with less than ten

employees. In all the group of the Sustainability Leaders accounts for 25% of the sample companies.

The group of the Environmentalists as the largest of the three types represents around 42% of the sample companies. The group is dominated by SMEs with more than 100 employees and by large enterprises with more than 500 staff. Compared to the group of the Sustainability Leaders discussed above the relevance of sustainable development is rated lower in this group of companies. For these companies ethical motives play a minor role for explaining their commitment to sustainability issues. Rather they feel some ecological responsibility, act out of image reasons or they aim at cost savings through sustainability activities. The motivational power of cost savings for these companies is also reflected in the widespread use of environmental accounting and performance measurement tools like e.g. environmental cost accounting, eco-control, and environmental benchmarking. Environmental reporting appears to be a well established standard in this group of companies. Moreover, as the majority of the companies of this type is rather large it is not very surprising that standardised management systems like the EFQM system, EMAS, and ISO standards 14,000 and 9,000 are frequently used. In contrast, social measures are not very well adopted by the Environmentalists. The only social measures that are significantly high represented in this group are fringe benefits for employees and sport sponsoring activities.

The group of the Traditionalists represents a third of the sample companies. Although these companies state that sustainable development has a rather high relevance to them, they hardly use any specific operative measures to implement sustainability. These companies' approach to sustainability is characterised by a traditional view. Their commitment to sustainability is mainly motivated by traditional business goals, like e.g.

revenue growth, new market opportunities and a positive corporate image. Both standardised management systems as well as corporate environmental, social or sustainability reporting are strongly underrepresented in this group. Compared to the companies of the other two groups employee related measures and programmes are also significantly less frequently implemented by these companies. The group of the Traditionalists is dominated by SMEs.

Discussion

The results of the analysis offer some interesting insight about the different approaches of companies to deal with sustainable development. One of the most striking results is probably that the sample companies diverge considerably in their approach to sustainability. The typology of the companies according to their approach to sustainable development provides a detailed characterisation and delineation of the sample companies' sustainability commitment. This in-depth analysis of the data shows that although more than 80% of the sample companies state that sustainable development has a high or very high relevance to them there is a considerable difference between the companies with respect to their motivation for and implementation of sustainability. For the Traditionalists the discrepancy between the high relevance of sustainable development they expressed through their answers on the one hand and the low level of implementation of specific sustainability management tools and measures on the other hand appears most prominently. These findings underpin the scepticism towards public statements of companies regarding a strong commitment to sustainable development (e.g. Christian Aid, 2004; Livesey and Kearins, 2002).

The typology of the companies based on their approach to sustainability takes into account both the use of different sustainability management tools and measures as well as the reasons out of which companies commit themselves to sustainable development. Thus our study integrates different streams from existing studies that either focus on the motivational reasons for corporate commitments to sustainability (e.g. Bansal and Roth, 2000) or concentrate on the use of different management tools and strategies (e.g. Wehrmeyer *et al.*, 2002). In addition the typology developed in this paper does not make a normative or positivistic categorisation (see e.g. Sprenger and Rave, 2002) but relies on statistically significant differences between the sample companies with respect to their approach towards sustainable development.

The Sustainability Leaders are characterised by their proactive use of management tools to implement corporate sustainability. One of the most distinguishing characteristics of these companies is that they started to integrate social issues. However, the strong commitment to sustainable development of these companies is mainly motivated on ethical grounds. In addition, corporate sustainability is seen as a task that goes in parallel and beyond their core business. This raises the question whether this approach to sustainable development is economically sustainable: It has been argued that corporate sustainability management that is uncoupled from core business processes runs the risk of being conceived a “luxurious”, i.e. something that companies can only afford in times of economic prosperity (Figge, 2001; 2005). Sustainability Leaders thus face the challenge to link their proactive approach to managing environmental and social issues with economic performance in order to ensure their viability.

Concerning the group of the Environmentalists it is little surprising that it is dominated by large enterprises. One of the typical characteristics of this group is the use of

standardised management systems. Earlier studies (e.g. Bansal, 2002; Wehrmeyer *et al.*, 2002) show that many companies believe that the costs of implementing such management systems exceed the benefits that stem from it. As a consequence, in particular smaller companies forbear from implementing management systems like EMAS or ISO 14,000. While still being characterised by their focus on environmental issues the results of the study suggest that Environmentalists will move towards a more integrative view of sustainable development, including social issues: They expect environmental and social concerns to become more relevant and salient in the future. For companies from the group of the Traditionalists the predominant motivator to explicitly address sustainable development seems to be public relations and image reasons. The very limited use of specific sustainability management tools serves as an indicator for this. One possible explanation of such a behaviour could be found in institutional theory and impression management. One of the strategies to preserve public approval and to gain legitimacy proposed in these literatures is to respond to societal pressures mainly by communicative measures that are supposed to create the impression of corporate compliance with societal expectations without substantially changing corporate operations (e.g. Bansal and Clelland, 2004; Hooghiemstra, 2000; Oliver, 1991; Suchman, 1995). In general, the commitment to sustainability issues of Traditionalists seems to be driven by conventional business goals. However, while at a first glance this approach to corporate sustainability may appear rather short-sighted and insufficient it also carries an opportunity. To the degree that a company's environmental and social commitment proves to be economically successful it can serve as a role model for other companies (e.g. Schaltegger and Figge, 2000, p. 30), especially for those that completely reject to accept any responsibility for sustainable development.

In the context of corporate sustainability the role of small and medium sized enterprises is often emphasised. More specifically it is often pointed out that the challenges and management tools of corporate sustainability have to be broken down to meet the specific needs of smaller companies. While smaller companies represent the lion's share of the economic activity in a country they are mostly not confronted with high public attention and pressures such as bigger or multinational companies. In addition they often lack the resources for a commitment to sophisticated sustainability management systems and tools. The results of our analysis provide a rather detailed picture concerning the relation between company size and the approach to sustainability. We find that standardised management systems that are often in the focus of the (public) debate are especially used by the group of the Environmentalists. In this group large enterprises are strongly over-represented while small enterprises (less than 10 employees) are under-represented. While this result is inline with the conventional line of argument the two other groups provide interesting insight into the sustainability approach of small and medium sized companies. In the group of the Sustainability Leaders small enterprises are quite strongly over-represented compared to the overall sample. However, their strong commitment is often characterised by ethical and normative reasons. Medium sized and big enterprises are both under-represented in this group. One explanation could be that personal motives and convictions of managers and employees might have a more direct impact on policies compared to bigger companies. The group of Traditionalists is characterised by medium sized enterprises whereas big companies are strongly under-represented in this group. This probably reflects the fact that due to a rather high public pressure bigger companies cannot afford to take up a wait-and-see policy when it comes to sustainable development.

Conclusions

The results of our study show that there exists quite a large spectrum of approaches towards sustainable development in the German corporate sector. Our analysis reveals rather large differences of the sustainability commitment among the sample companies. As one key result our study provides a typology of companies' approaches to sustainability defined in three significantly different groups. By integrating different streams and perspectives of previous research on corporate sustainability we could show that there exist significantly different types of German companies' approaches to sustainable development. The Sustainability Leaders as the smallest group have already taken up the challenge to integrate the social dimension in their sustainability management. Standardised management systems like EMAS or ISO 14,000 are mainly used by large enterprises that can be characterised as Environmentalists. However, these companies mostly neglect social issues. Finally, there is a group of Traditionalists for which sustainable development seems to have hardly any intrinsic value. These results on the typology of corporate sustainability provide empirical evidence that there might be a link between the managerial perceptions of sustainability issues, the motivation behind corporate commitments to sustainability, and the tools used to implement sustainability in corporate practice. This result calls for future research to analyse the nature of the linkages between perceptions, motives and implementation of corporate sustainability.

In the context of further promoting corporate contributions the results of our study provide some promising insight. On the one hand the results suggest that initiatives to improve corporate sustainability should be designed to address the specific needs and

starting points of different companies. For instance initiatives to address Sustainability Leaders should focus on different goals and areas as initiatives directed towards Traditionalists. On the other hand, our research shows that managerial perceptions of sustainability seem to play an important role to trigger corporate commitments to sustainability. One approach to further sustainable development in the corporate sector could be to promote awareness building and discussion on sustainability among corporate actors.

Our analysis shows a rather wide range of perceptions and activities behind the surface of the notion of corporate sustainability. It could be shown that in spite of a generally expressed high level of relevance of sustainable development the implementation of corporate sustainability in corporate practice varies considerably. Thus, one of the most important findings of our study is that the complex question of corporate sustainability requires an in-depth analysis. Two major implications follow from this: On the one hand it becomes clear that sustainability does not mean the same to every company. Rather, the results suggest adopting a differentiated view when looking at corporate approaches to sustainable development. On the other hand it has been shown that general statements on the role and approach companies take for sustainable development are problematic.

References

AccountAbility. 1999. *AccountAbility1000*. AccountAbility Institute of Social and Ethical Accountability: London.

- Al-Tuwaijri SA, Christensen TE, Hughes II KE. 2004. The Relations Among Environmental Disclosure, Environmental Performance, and Economic Performance: a Simultaneous Equations Approach. *Accounting, Organizations and Society* **29**(5-6): pp. 447-471.
- Atkinson G. 2000. Measuring Corporate Sustainability. *Journal of Environmental Planning and Management* **43**(2): pp. 235-252.
- Bansal P. 2002. The corporate challenges of sustainable development. *Academy of Management Executive* **16**(2): pp. 122-131.
- Bansal P, Bogner W. 2002. Deciding on ISO 14001: Economics, Institutions, and Context. *Long Range Planning* **35**(3): pp. 269-290.
- Bansal P, Clelland I. 2004. Talking trash: Legitimacy, impression management, and unsystematic risk in the context of the natural environment. *Academy of Management Journal* **47**(1): pp. 93-103.
- Bansal P, Roth K. 2000. Why Companies go Green: A Model of Ecological Responsiveness. *Academy of Management Journal* **43**(4): pp. 717-736.
- Belal AR. 2002. Stakeholder Accountability or Stakeholder Management: A Review of UK Firms' Social and Ethical Accounting, Auditing and Reporting (SEAAR) Practices. *Corporate Social Responsibility and Environmental Management* **9**(1): pp. 8-25.
- Belz F. 2001. *Integratives Öko-Marketing. Erfolgreiche Vermarktung von ökologischen Produkten und Leistungen*. Gabler: Wiesbaden.
- Bennett M, James P. 1999. *Sustainable measures: evaluation and reporting of environmental and social performance*. Greenleaf Publ.: Sheffield.

- Berman S, Wicks A, Kotha S, Jones T. 1999. Does Stakeholder Orientation Matter? The Relationship between Stakeholder Management Models and Firm Financial Performance. *Academy of Management Journal* **42**(5): pp. 488-506.
- Carroll A. 1999. Corporate social responsibility: Evolution of a definitional construct. *Business & Society* **38**(3): pp. 268-295.
- CEPAA. 1998. *Social Accountability 8000 (SA8000)*. Council on Economic Priorities Accountability Agency (CEPAA).
- Cerin P, Karlson L. 2002. Business incentives for sustainability: a property rights approach. *Ecological Economics* **40**(1): pp. 13-22.
- Christian Aid. 2004. *Behind the mask: The real face of corporate social responsibility*. Christian Aid: London.
- Clarkson M. 1995. A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance. *Academy of Management Review* **20**(1): pp. 92-117.
- Driscoll C, Crombie A. 2001. Stakeholder Legitimacy Management and the Qualified Good Neighbor: The Case of Nova Nada and JDI. *Business & Society* **40**(4): pp. 442-471.
- Dyllick T, Hockerts K. 2002. Beyond the Business Case for Corporate Sustainability. *Business Strategy and the Environment* **11**(2): pp. 130-141.
- Edwards J, Rothbard N. 2000. Mechanisms Linking Work and Family: Clarifying the Relationship between Work and Family Constructs. *The Academy of Management Review* **25**(1): pp. 178-199.
- Ehrenfeld J. 1997. Industrial ecology: a framework for product and process design. *Journal of Cleaner Production* **5**(1-2): pp. 87-95.

- Epstein MJ, Roy M-J. 1997. Environmental Management to Improve Corporate Profitability. *Journal of Cost Management*(November/December): pp. 26-34.
- Epstein MJ, Roy M-J. 2001. Sustainability in Action: Identifying and Measuring the Key Performance Drivers. *Long Range Planning* **34**(5): pp. 585-604.
- European Commission. 2001. Commission Recommendation of 30 May 2001 on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies (2001/435/EC). *Official Journal of the European Communities* **L 156**(13.6.2001): pp. 33-42.
- Figge F. 2001. *Wertschaffendes Umweltmanagement. Keine Nachhaltigkeit ohne ökonomischen Erfolg. Kein ökonomischer Erfolg ohne Nachhaltigkeit*. Center for Sustainability Management e.V. (CSM) in Zusammenarbeit mit PricewaterhouseCoopers Global Risk Management Solutions: Frankfurt.
- Figge F. 2005. Value-Based Environmental Management. From Environmental Shareholder Value to Environmental Option Value. *Corporate Social Responsibility and Environmental Management* **12**(1): pp. 19-30.
- Figge F, Hahn T. 2002. *Environmental Shareholder Value Matrix. Konzeption, Anwendung und Berechnung*. Universität Lüneburg: Lüneburg.
- Figge F, Hahn T. 2004a. Sustainable Value Added - Measuring Corporate Contributions to Sustainability beyond Eco-Efficiency. *Ecological Economics* **48**(2): pp. 173-187.
- Figge F, Hahn T. 2004b. Value-oriented impact assessment: the economics of a new approach to impact assessment. *Journal of Environmental Planning and Management* **47**(6): pp. 921-941.

- Figge F, Hahn T, Schaltegger S, Wagner M. 2002. The Sustainability Balanced Scorecard - Linking Sustainability Management to Business Strategy. *Business Strategy and the Environment* **11**(5): pp. 269-284.
- Glachant M, Schucht S, Bültmann A, Wätzold F. 2002. Companies' Participation in EMAS: The Influence of the Public Regulator. *Business Strategy and the Environment* **11**(4): pp. 254-266.
- Gladwin T, Kennelly J, Krause T-S. 1995a. Shifting Paradigms for Sustainable Development: Implications for Management Theory and Research. *Academy of Management Review* **20**(4): pp. 874-907.
- Gladwin T, Krause T-S, Kennelly J. 1995b. Beyond Eco-Efficiency: Towards Socially Sustainable Business. *Sustainable Development* **3**(April): pp. 35-43.
- Global Reporting Initiative. 2002. *Sustainability Reporting Guidelines 2002 on Economic, Environmental and Social Performance*. Global Reporting Initiative (GRI): Boston.
- Goodstein J. 1994. Institutional Pressures and Strategic Responsiveness: Employer Involvement in Work-Family Issues. *Academy of Management Journal* **37**(2): pp. 350-382.
- Gray R. 1992. Accounting and environmentalism: an exploration of the challenge of gently accounting for accountability, transparency and sustainability. *Accounting, Organizations and Society* **17**(5): pp. 399-425.
- Griffin J, Mahon J. 1997. The corporate social performance and corporate financial performance debate: Twenty-five years of incomparable research. *Business & Society* **36**(1): pp. 5-31.

- Günterberg B, Kayser G. 2004. *SMEs in Germany. Facts and Figures 2004*. Institut für Mittelstandsforschung: Bonn.
- Hahn T. 2004. Why and when Companies Contribute to Societal Goals: The Effect of Reciprocal Stakeholder Behavior. *Best paper proceedings of the 2004 Annual Conference of the Academy of Management "Creating Actionable Knowledge" in New Orleans*.
- Hahn T. 2005. *Gesellschaftliches Engagement von Unternehmen. Reziproke Stakeholder, ökonomische Anreize, strategische Gestaltungsoptionen*. Deutscher Universitäts-Verlag: Wiesbaden.
- Hart S. 1997. Beyond Greening: Strategies for a Sustainable World. *Harvard Business Review* **75**(1): pp. 66-76.
- Hart S, Milstein M. 2003. Creating sustainable value. *Academy of Management Executive* **17**(2): pp. 56-67.
- Heijungs R, Guinée JB, Centrum voor Milieukunde. 1992. *Environmental life cycle assessment of products: October 1992*. Centrum voor Milieukunde: Leiden.
- Holme R, Watts P. 2000. *Corporate social responsibility: making good business sense*. World Business Council of Sustainable Development: Geneva.
- Hooghiemstra R. 2000. Corporate Communication and Impression Management - New Perspectives Why Companies Engage in Corporate Social Reporting. *Journal of Business Ethics* **27**(1): pp. 55-68.
- Huizing A, Dekker HC. 1992. Helping to Pull our Planet out of the Red: An Environmental Report of BSO/Origin. *Accounting, Organizations and Society* **17**(5): pp. 449-458.

- Jennings PD, Zandbergen PA. 1995. Ecologically sustainable organizations: An institutional approach. *Academy of Management Review* **20**(4): pp. 1015-1052.
- Kaptein M, Wempe J. 2001. Sustainability Management. Balancing Conflicting Economic, Environmental and Social Corporate Responsibilities. *Journal of Corporate Citizenship* **1**(2): pp. 91-106.
- Karagozoglu N, Lindell M. 2000. Environmental Management: Testing the Win-Win Model. *Journal of Environmental Planning and Management* **43**(6): pp. 817-829.
- Klaver J, Jonker J. 1998. The significance of recent EMS standards as an impetus for improvement. *Eco-Management and Auditing* **5**(1): pp. 1-5.
- Lewin D, Sabater J. 1996. Corporate Philanthropy and Business Performance. In *Corporate Philanthropy at the Crossroads*, Burlingame D, Young D (eds). Indiana University Press: Bloomington.
- Litz R. 1996. A resource-based-view of the Socially Responsible Firm: Stakeholder Interdependence, Ethical Awareness, and Issue Responsiveness as Strategic Assets. *Journal of Business Ethics* **15**: pp. 1355-1363.
- Livesey S, Kearins K. 2002. Transparent and Caring Corporations? A Study of Sustainability Reports by The Body Shop and Royal Dutch/Shell. *Organization & Environment* **15**(3): pp. 233-258.
- Marshall RS, Cordano M, Silverman M. 2005. Exploring Individual and Institutional Drivers of Proactive Environmentalism in the US Wine Industry. *Business Strategy and the Environment* **14**(2): pp. 92-109.
- Maxwell D, van der Vorst R. 2003. Developing sustainable products and services. *Journal of Cleaner Production* **11**(8): pp. 883-895.

- McWilliams A, Siegel D. 2000. Corporate social responsibility and financial performance: Correlation or misspecification? *Strategic Management Journal* **21**(5): pp. 603-609.
- Morrow D, Rondinelli D. 2002. Adopting Corporate Environmental Management Systems: Motivations and Results of ISO 14001 and EMAS Certification. *European Management Journal* **20**(2): pp. 159-171.
- O'Dwyer B. 2002. Managerial perceptions of corporate social disclosure. An Irish story. *Accounting, Auditing & Accountability Journal* **15**(3): pp. 406-436.
- O'Hara S. 1998. Economics, ethics and sustainability: redefining connections. *International Journal of Social Economics* **25**(1): pp. 43-62.
- Oliver C. 1991. Strategic Responses to Institutional Processes. *Academy of Management Review* **16**(1): pp. 145-179.
- Oliver C. 1997. Sustainable Competitive Advantage: Combining Institutional and Resource-Based Views. *Strategic Management Journal* **18**(9): pp. 697-713.
- Prakash A. 1999. A New-Institutionalist Perspective on ISO 14000 and Responsible Care. *Business Strategy and the Environment* **8**(6): pp. 322-335.
- Prakash A. 2001. Why Do Firms Adopt 'Beyond Compliance' Environmental Policies? *Business Strategy and the Environment* **10**(5): pp. 286-299.
- Raynard P, Gonella C. 1996. A social audit approach: Social auditing and sustainable development. *Environmental Excellence*: pp. 46-48.
- Reilly W. 1999. Private enterprises and public obligations: Achieving sustainable development. *California Management Review* **41**(4): pp. 17-26.

- Rhee S-K, Lee S-Y. 2003. Dynamic Change of Corporate Environmental Strategy: Rhetoric and Reality. *Business Strategy and the Environment* **12**(3): pp. 175-190.
- Rondinelli D, Vastag G. 2000. Panacea, common sense, or just a label? The value of ISO 14001 environmental management systems. *European Management Journal* **18**(5): pp. 499-510.
- Rosner W. 1995. Mental models for sustainability. *Journal of Cleaner Production* **3**(1-2): pp. 107-121.
- Ruf B, Muralidhar K, Brown R, Janney J, Paul K. 2001. An Empirical Investigation of the Relationship Between Change in Corporate Social Performance and Financial Performance: A Stakeholder Theory Perspective. *Journal of Business Ethics* **32**(2): pp. 143-156.
- Russo M, Fouts P. 1997. A Resource-Based Perspective on Corporate Environmental Performance and Profitability. *Academy of Management Journal* **40**(3): pp. 534-559.
- Saia D. 2001. Philanthropy and Corporate Citizenship. *Journal of Corporate Citizenship* **1**(2): pp. 57-74.
- Schaltegger S, Burritt R. 2000. *Contemporary environmental accounting: issues, concepts and practice*. Greenleaf: Sheffield.
- Schaltegger S, Figge F. 2000. Environmental Shareholder Value: Economic Success with Corporate Environmental Management. *Eco-Management and Auditing* **7**(1): pp. 29-42.
- Schaltegger S, Herzig C, Kleiber O, Müller J. 2002. *Sustainability Management in Business Enterprises. Concepts and Instruments for Sustainable Organisation*

- Development*. Bundesumweltministerium (BMU) und Bundesverband der Deutschen Industrie (BDI): Berlin.
- Schaltegger S, Müller K. 1997. Calculating the True Profitability of Pollution Prevention. *Greener Management International* **17**(Spring): pp. 53-68.
- Schulz W, Krcmar H, Burschel C, Kreeb M. 2002. Oekoradar.de - empirische Ergebnisse zum Nachhaltigen Wirtschaften. *UmweltWirtschaftsForum* **10**(1): pp. 80-85.
- Shrivastava P. 1995. The Role of Corporations in Achieving Ecological Sustainability. *Academy of Management Review* **20**(4): pp. 936-960.
- Sprenger R-U, Rave T. 2002. *Auswertung der Unternehmensbefragung für das Verbundprojekt „Ökoradar“*. ifo Institut für Wirtschaftsforschung: München.
- Stanwick P, Stanwick S. 1998. The Relationship between Corporate Social Performance, and Organizational Size, Financial Performance, and Environmental Performance: An Empirical Examination. *Journal of Business Ethics* **17**(2): pp. 195-204.
- Statistisches Bundesamt. 2004. *Statistisches Jahrbuch 2004 für die Bundesrepublik Deutschland*. Statistisches Bundesamt: Wiesbaden.
- Suchman M. 1995. Managing Legitimacy: Strategic and Institutional Approaches. *Academy of Management Review* **20**(3): pp. 571-610.
- Takala T, Pallab P. 2000. Individual, collective and social responsibility of the firm. *Business Ethics* **9**(2): pp. 109-118.
- Ullmann A. 1985. Data in search of a theory: A critical examination of the relationships among social performance, social disclosure, and economic performance. *Academy of Management Review* **10**: pp. 540-577.

- von Flotow P, Häbler R-D, Kachel P. 2003. *Nachhaltigkeit und Shareholder Value aus Sicht börsennotierter Unternehmen. Ergebnisse einer Umfrage des Deutschen Aktieninstituts e.V. und des Instituts für Ökologie und Unternehmensführung an der EUROPEAN BUSINESS SCHOOL e.V.* Deutsches Aktieninstitut: Frankfurt a.M.
- Waddock S, Graves S. 1997. The corporate social performance - financial performance link. *Strategic Management Journal* **18**(4): pp. 303-319.
- Wehrmeyer W, Wagner M, Pacheco C, Schaltegger S. 2002. *Environmental Management Strategies: Britain and Germany Compared.* Anglo-German Foundation for the Study of Industrial Society: London.
- Welch E, Mori Y, Aoyagi-Usui M. 2002. Voluntary Adoption of ISO 14001 in Japan: Mechanisms, Stages and Effects. *Business Strategy and the Environment* **11**(1): pp. 43-62.
- Welcomer S, Cochran P, Rands G, Haggerty M. 2003. Constructing a Web: Effects of Power and Social Responsiveness on Firm-Stakeholder Relationships. *Business & Society* **42**(1): pp. 43-82.
- Winn M. 2001. Building Stakeholder Theory with a Decision Modeling Methodology. *Business & Society* **40**(2): pp. 133-166.
- Wood DJ, Jones RE. 1995. Stakeholder Mismatching: A Theoretical Problem in Empirical Research on Corporate Social Performance. *The International Journal of Organizational Analysis* **3**(3): pp. 229-267.
- Wulfson M. 2001. The ethics of corporate responsibility and philanthropic ventures. *Journal of Business Ethics* **29**(1-2): pp. 135-145.

| Industry sector | Germany 2002 | | Sample | |
|--|--------------|--------------------------|---------|------------------|
| | % | Nb. of taxable companies | % | Nb. of companies |
| A, B: Agriculture, hunting and forestry, fishing | 2.37% | 69,444 | 1.54% | 3 |
| C: Mining and quarrying | 0.10% | 2,981 | 0.00% | 0 |
| D: Manufacturing | 9.74% | 285,120 | 38.97% | 76 |
| E: Electricity, gas and water supply | 0.40% | 11,773 | 0.51% | 1 |
| F: Construction | 10.90% | 319,040 | 3.59% | 7 |
| G: Wholesale and retail trade; repair of vehicles and goods | 24.18% | 707,784 | 4.62% | 9 |
| H: Hotels and restaurants | 8.47% | 247,861 | 0.00% | 0 |
| I: Transport, storage and communication | 4.28% | 125,278 | 4.62% | 9 |
| J: Financial intermediation | 0.53% | 15,649 | 3.08% | 6 |
| K: Real estate, renting and business activities | 27.03% | 791,176 | 10.26% | 20 |
| L, M: Public administration and defence; compulsory social security; education | 1.00% | 29,209 | n.c. | - |
| N: Health and social work | 1.38% | 40,312 | n.c. | - |
| O: Other community, social and personal service activities | 9.60% | 280,943 | 14.87% | 29 |
| Others | - | - | 9.74% | 19 |
| not specified | - | - | 8.21% | 16 |
| A-O: Total | 100.00% | 2,926,570 | 100.00% | 195 |

n.c. = not collected

Table 1: Comparison of the industry breakdown of the sample and the German national economy (Source for data on German economy: Statistisches Bundesamt, 2004, p. 713).

| | Sample | | German economy (2003) | |
|-----------------------|------------------|------------|------------------------------|------------|
| | Nb. of companies | Percentage | Nb. of companies | Percentage |
| 1 - 9 employees | 27 | 13.8% | 1,635,982 | 80.9% |
| 10 - 19 employees | 21 | 10.8% | 190,757 | 9.4% |
| 20 - 49 employees | 21 | 10.8% | 117,423 | 5.8% |
| 50 - 99 employees | 9 | 4.6% | 41,875 | 2.1% |
| 100 - 249 employees | 16 | 8.2% | 24,305 | 1.2% |
| 250 - 499 employees | 28 | 14.4% | 7,154 | 0.4% |
| 500 or more employees | 49 | 25.1% | 4,281 | 0.2% |
| N/A | 24 | 12.3% | | |
| Total | 195 | 100.0% | 2,021,777 | 100.0% |

Table 2: Distribution of company size of the sample in comparison to the German national economy (Source for data on German economy: Günterberg and Kayser, 2004, p. 22)

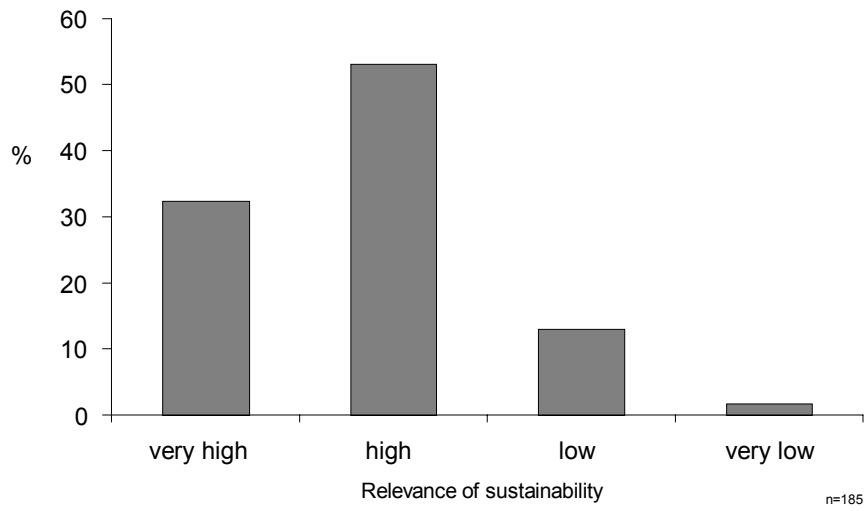


Figure 1: Stated relevance of Sustainable Development to the sample companies

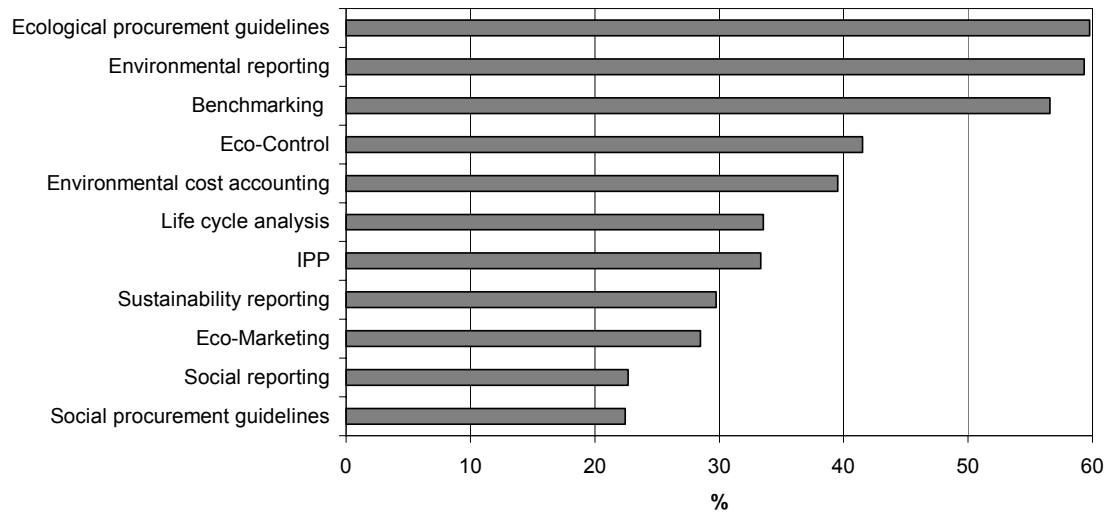


Figure 2: Percentage of companies using different environmental and social management tools

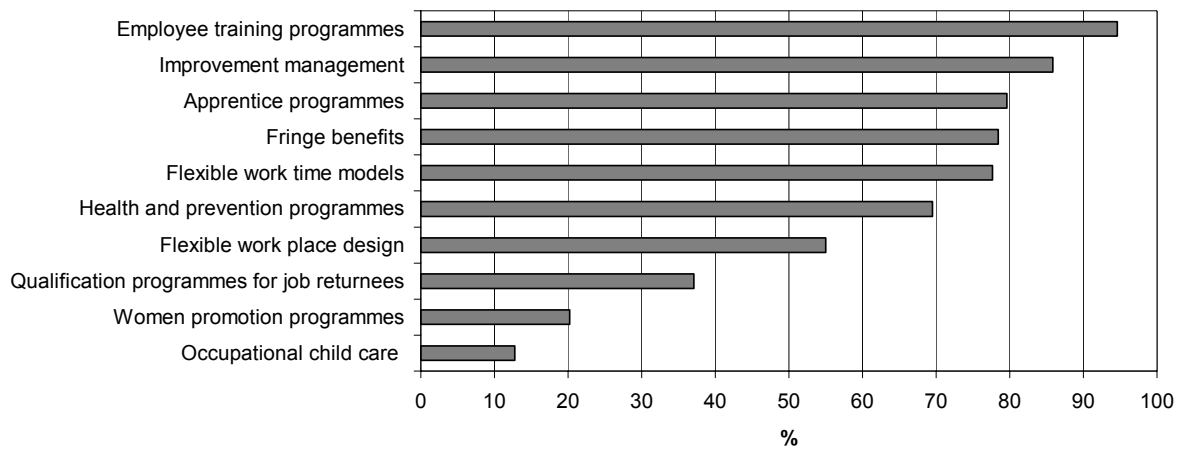


Figure 3: Implementation of different employee-related management tools in the sample companies

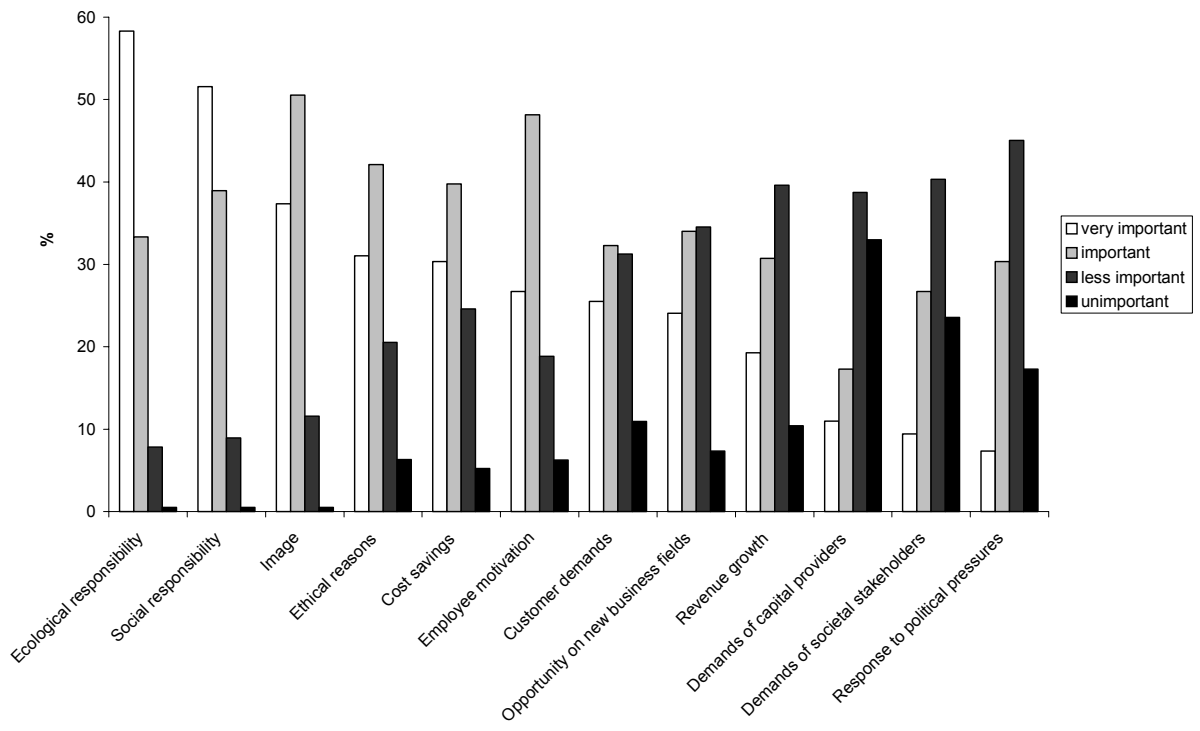


Figure 4: Reasons for corporate sustainability activities

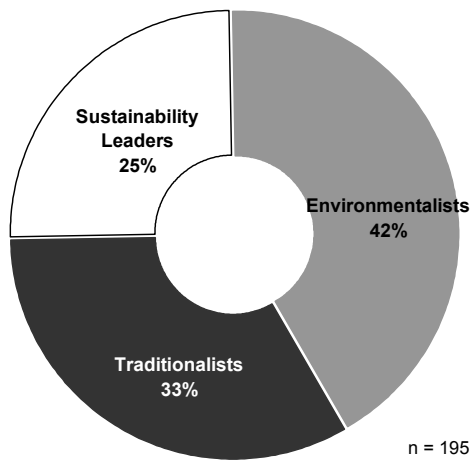


Figure 5: Distribution of the three company types with respect to sustainability.