



# Strategic Sustainability Mindsets: Throwing off the Yoke of Neo-classical Economics\*

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# The current situation on sustainability...



- The role of business... business is seen both as a villain and the institution with the potential to address the sustainability problem.
- High level corporate surveys show increased concern and perceived importance of sustainability (e.g. Kiron et al, 2017)
- Macro level indicators show that the progress is insufficient (IPCC, 2018; Randers et al 2018; Kiron et al. 2017)



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# Why are we *not* making sufficient progress on sustainability?



- The business case is the most commonly used argument for the adoption of sustainability
- The business case preserves the status quo by implicitly making the adoption of sustainability contingent on financial results
- The business case tends to emphasize resource efficiencies; managers would adopt appropriate efficiency measures *irrespective* of the benefits for sustainability.
- The business case results in weak sustainability; all definitions of sustainability focus on the needs of current *and future* generations; this is only possible with strong sustainability which calls for the preservation of ecosystems that make life on earth possible.
- Sustainability is a planetary and societal level phenomenon. By focusing on the corporate level, the scope of sustainability is limited and could be counter-productive



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# Why are we *not* making sufficient progress on sustainability? (Continued)



Business



**TENSIONS**



Sustainability

What if we did away with this foundation?  
It is the basis of the tensions!

**The Foundation:**  
**Neo-classical Economic Assumptions**  
***Narrow short-term self-interest & shareholder primacy***



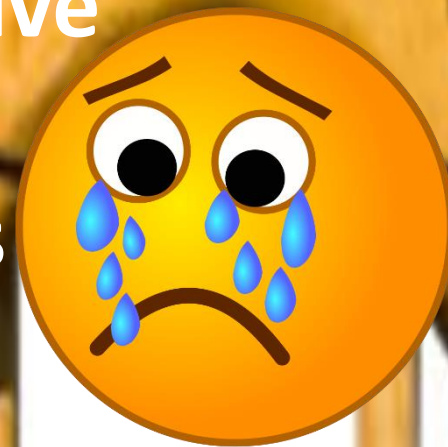
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# The neo-classical perspective constrains and limits Sustainability strategies



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# Countering the foundational assumptions...



- Self-interest...
  - Donaldson and Walsh (2015) called for the preservation of the dignity of *all participants* in their new theory of business
- Maximization of shareholder wealth...
  - Friedman (1970) advocated for the pursuit of increased profits through open competition without deception or fraud.
  - Jensen (2001) argued that social welfare is maximized after firms account for externalities

***These guardrails and qualifiers are ignored in the current real world manifestations of the role of business in society***



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# Resolving Tensions in Managing Sustainability



- The literature discusses 4 ways to resolve tensions (Hahn et al. 2015; Van der Byl and Slawinski, 2015)
  - **Trade-off** between sustainability and financial outcomes; trade one for the other
  - **Win-Win**—find ways to achieve both simultaneously; usually with a focus on resource efficiencies
  - **Integration**—find a balance; give equal importance to financial and sustainable outcomes
  - **Paradox**—no clear way to resolve; constant managerial juggling act on a case-by-case basis
- *Missing in the tensions literature... perhaps the most common ways the perceived tensions are managed*
  - **Hypocrisy**... lack of consistency between talk, decisions and action to manage the demands of competing stakeholders (Brunsson, 2007)
  - **Greenwashing**... simply lying about sustainability



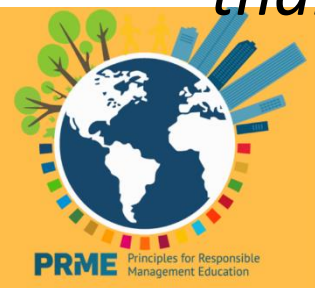
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# Impacts of the Yoke...

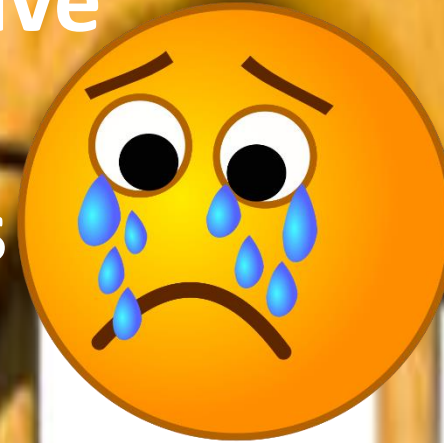
- Sustainability strategies constrained by tensions will only result in partial approaches...
- *Claims of sustainability driven by partial approaches are, very simply, a myth.*
- We must be clear... *any* negative externalities means that the firm is not accounting for all its costs and its reported financial performance is suspect... ***this is deception and fraud!***
- *Through its emphasis on self-interest and shareholder primacy, managerial attention is focused on the firm level of analysis rather than the societal and planetary levels*







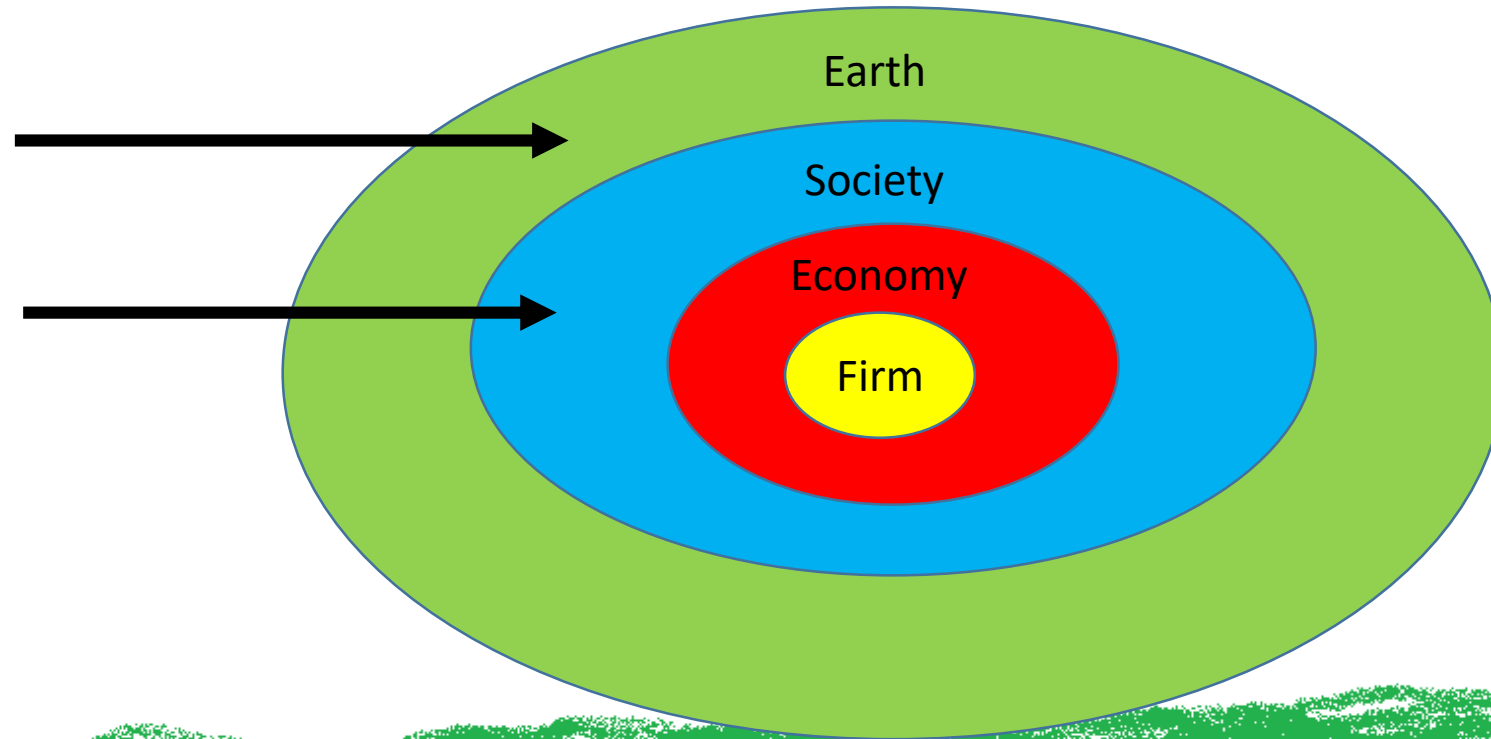
# The neo-classical perspective constrains and limits Sustainability strategies



# Getting Sustainability right...



- Adopting a mindset at the right level of analysis... Planetary & Societal levels;



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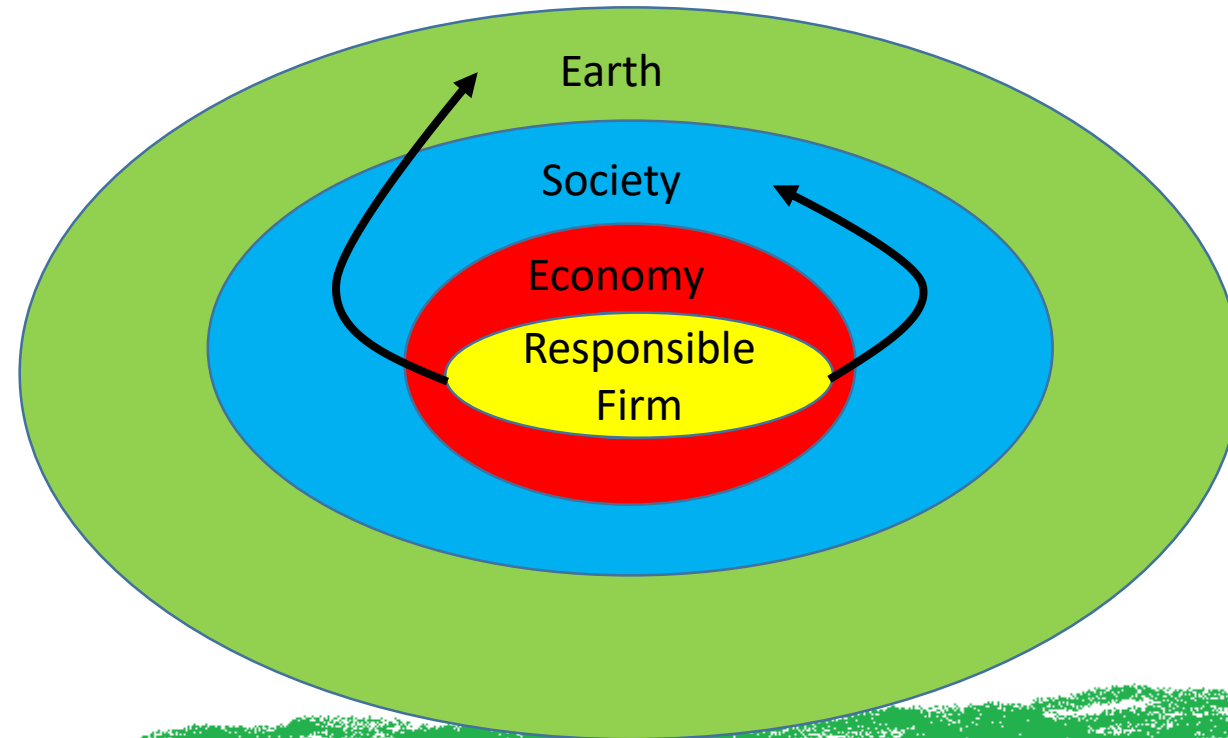
# Getting Sustainability right...



- Bring responsibility<sup>1</sup> at the firm level to...

⇓⇓⇓  
**Sustainability at the planetary and societal levels**

***<sup>1</sup>We take a comprehensive view of responsibility; the elimination or 100% mitigation of all harms; zero negative externalities***



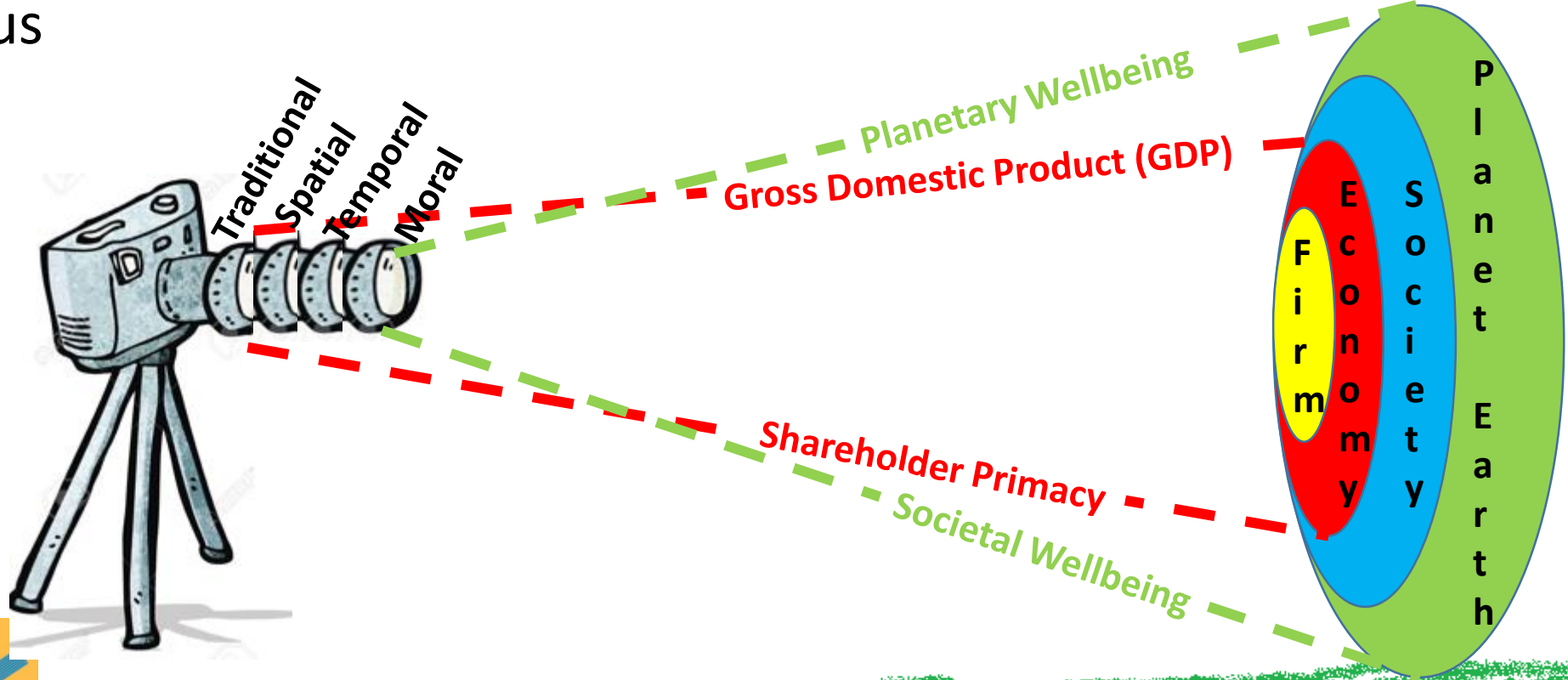
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# Getting Sustainability right... zooming out

- The effect of zooming out (Schad & Bansal, 2018) using spatial, temporal and moral lenses will bring societal and planetary *needs* into focus



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# Getting Sustainability right...



- True Sustainability will only happen when firms define their purpose based on the needs of humanity and the planet for current and future generations (Dyllick and Muff, 2015)
- Firms need to shift their focus to a broader responsibility mindset
- The needs of future generations will only be served if we preserve the ecosystems that make life on earth *possible*—**Strong** rather than *Weak Sustainability*



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# Conclusions



- The neo-classical economic perspective dominates business philosophy
- Clinging to the neo-classical economic perspective gives rise to the perception of tensions
- The perception of tensions leads to limited and partial approaches to sustainability. Planetary and societal needs become secondary under this perspective. It makes corporate sustainability a myth.
- Eliminating the neo-classical economic perspective will rid us of the tyranny of tensions and free business leaders to focus on true sustainability



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# Imagine...



- How would the elimination of the Neo-classical economic perspective impact corporations? What would the future company look like?
- How would the elimination of the Neo-classical economic perspective change society and the prospects for current and future generations?
- How would the elimination of the Neo-classical economic perspective change the prospects for the planet?



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Thank you for listening!  
We welcome your comments and  
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