Sustainable Strategy in Family Firms

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Organizational Sustainability: A Gathering of Theoretical Streams

- A unique discipline?

- A unique & critical problem context neglected by other management fields

- Builds cross-disciplinary/integrative research perspectives on extant management & organizational theories

- Traditional business research disciplines rarely generate own foundational theories/research paradigms
Theoretical Opportunities & Challenges

- More pluralistic than strategic management
- Potential to break down barriers between academic enclaves & enrich knowledge
- Cross-theoretical research requires a deep understanding of each theory in its original disciplinary context and the ability to interpret & apply theories to problems (Meyer’ 91)
Core Theoretical Disciplines

- **Sociology**: institutional theory, issues management, systems theory, network theory
- **Economics**: decision-making, natural resource valuation & management, resource-based view, I-O Economics, Transaction cost
- **Psychology**: environmental values & negotiation theory
- **Anthropology**: environmental culture/symbolism within organizations, nation-states & cross-cultural comparisons
- **Political Science**: collective action, public policy (including theories of regulation)
- **Ethics**: role of organizations vis-à-vis community/ecology
- **Mathematics**: complexity theory
Perspectives from & Contributions to Organizational Theories

- **Accounting**: natural resource-based/Social impact accounting/auditing
- **Finance**: Project Finance
- **M.I.S.**: decision making; information flow
- **Marketing**: environmental/social advertising, purchasing behavior, consumer attitudes
- **Operations Management**: sustainable supply chains, sustainable standards adoption, & industrial ecology
- **Organization Behavior**: leadership, organizational champions, organizational learning, managerial cognitions and values
- **Organization Theory**: change, design, structure
- **Strategic Management**: stakeholder theory, competitive strategy, strategic change, strategic decision-making, RBV
Most Frequently Asked Questions

- Typologies & Evolution of Strategies
- Drivers of voluntary organizational sustainability
- Link between Sustainable and Economic Performance: Does it pay to be green?
External Drivers

- General Business Environment: Complexity, Munificence, Uncertainty
  (Aragon-Correa & Sharma ‘03)

- Institutional Forces
  (Hoffman ‘99; Jennings & Zandbergen ‘95)

- Stakeholder Influences
  (Sharma & Henriques ‘95)
Internal Drivers

- Managerial Interpretations, Values & Attitudes
  (Bansal ‘03; Cordano & Frieze ‘00; Sharma ‘00)
- Organization Champions
  (Andersson & Bateman ‘00)
- Leadership
  (Egri & Herman ‘00; Ramus & Steger ‘00)
- Organization Design: Control, Reward, Information
  (Sharma ‘00)
- Legitimization in Organization Identity
  (Sharma ‘00)
- Organizational Capabilities
Organizational Capabilities

- A firm’s capacity to deploy its resources
  (Amit & Schoemaker ‘93)

- Coordinating mechanisms that enable the most efficient and competitive use of a firm’s resources—whether tangible or intangible
  (Day ‘94)
## Organizational Capabilities for Proactive Sustainability

<table>
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<tr>
<th>Authors</th>
<th>Main Capabilities</th>
<th>Complementary Capabilities</th>
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<tr>
<td>Hart 1995</td>
<td>Continuous Improvement Stakeholder Integration Shared Vision</td>
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<tr>
<td>Russo &amp; Fouts 1997</td>
<td>Environmental Innovation</td>
<td>Commitment Cross-functional Integ Skill Development</td>
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<tr>
<td>Sharma &amp; Vredenburg 1998</td>
<td>Stakeholder Integration Higher Order Learning Continuous Innovation</td>
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<tr>
<td>Marcus &amp; Gefen 1998</td>
<td>Organization Learning</td>
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<td>Aragon-Correa 1998</td>
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<td>Klassen &amp; Whybark 1999</td>
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<td>Christmann 2000</td>
<td>Technology Innovation</td>
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- Shared Vision
- Stakeholder Integration
- Organization Learning
- Cross-Functional Integration
- Continuous Innovation
- Strategic Proactivity
Drivers of Proactive Sustainability in Firms

- External Drivers
- Internal Drivers
- Organizational Capabilities
  - Firm’s Sustainability Strategy
FB Literature

- Firm Identity drives CSR: damage to family name
  (Dyer Jr. & Whetten ’06)

- Flexible decision-making & longer strategic horizon
  (Craig & Dibbrell ‘06)

- Stewardship propensity
  (Anderson & Reeb ‘04; Salvato ‘02)
Characteristics of Family Firms

- Shared vision
- Familiness
- Localness
- Long-term orientation
- Family identity
Drivers of Proactive Sustainability in Family Firms

External Drivers

Family's Sustainability Vision

Internal Drivers

Organizational Capabilities

Familiness

Localness

Time Orientation

Family Identity

Family Firm's Sustainability Strategy
**FB Sustainability Vision**

- Likely to be sustained across generations
  
  *(Chua, Chrisman & Sharma ‘99)*

- Resilient trust: rapid infusion of meaning & understanding of long-term family goals
  
  *(Arregle et al. ‘07; Lansberg ‘99; Pearson et al. ‘08)*

- Emergence:
  - Less likely: “working together”
  - More likely: founding, succession, strategic rethinking
  
  *(Gersick et al.’97)*

- Key to the development and deployment of a firm’s capabilities
Familiness

- Socially complex
- Embedded in unique family dynamics

- Negative
  - Dysfunctional conflicts could obstruct capability development & deployment

- Positive
  - Family social capital & sharing/diffusion of vision
  - Deployment of socially complex capabilities that require group interaction: higher-order learning, cross-functional integration, & continuous innovation
Localness

- Development of a sustainability vision
- Inter-generational decision-making
- Capability deployment

“Our family has run the Benziger Winery for over two decades with a great deal of passion and love for the craft of winemaking. For many years, we followed conventional practices without a giving it a second thought. One morning I looked out of the window and saw our family’s children headed to school through a cloud of herbicide being sprayed by our low flying crop duster. That is when I had my epiphany. We lived on the land—the winery was our home—our children would continue live on this land. We owed it to the family and to our future generations and to the land that we lived on to develop a sustainable ecosystem that would be healthy and productive forever. The unexpected by-product of a sustainable biodynamic winery has been a dramatic improvement in our wines which have won many awards for quality and taste. Perhaps the entire farm ecosystem shares the joy of the family in the land and this joy is manifest in wine quality.”
Time Orientation

- Trans-generational survival

- Resilience
  - Short-term deprivation for long-term survival: *low overheads, flexible decision-making & minimal bureaucratic process* (Carney ‘05)

- Patience
  - Investments with longer term outlook (Sirmon & Hitt ‘03)
  - Long-term strategies & stakeholder relationships (Miller & Le Breton-Miller ‘05)
Family Identity

- Ease of information exchange and cooperation
- Shared interpretations
- Strong, enduring social force (*Pearson et al. ’08*)
- Desire to protect the family name influences CSR (*Dyer Jr. & Whetten ‘06*)
Drivers of Proactive Sustainability in Firms

- External Drivers
- Internal Drivers
- Organizational Capabilities
- Firm’s Sustainability Strategy
Drivers of Proactive Sustainability in Family Firms

- External Drivers
- Family’s Sustainability Vision
- Internal Drivers

Organizational Capabilities

- Familiness
- Localness
- Time Orientation
- Family Identity

Family Firm’s Sustainability Strategy
Research Implications

- Comparative populations
  Family & Non-Family Firms

- Multiple Respondents
  Dominant Family Coalition & Top Management Team

- Measures
  Familiness, Family Identity, Localness, Time-Orientation, Sustainability Strategy, Capabilities