How do executives include social and environmental considerations in business decision-making?

In 2015, two major policy agreements – the Paris Climate Agreement and the Sustainable Development Goals – described the world we want to live in. However, achieving these outcomes will require considerable change throughout the economy. Analysis shows that from 2020 to 2050, we need to halve global emissions every decade if we are to achieve our commitments to slowing climate change (Rockström et al., 2017). Much of the burden of this change falls upon incumbent businesses, who will need to change the ways in which they make the decisions that inform their ways of working. Corporate sustainability is an enacted process: it needs to be built into a huge range of choices that are made in the business.

The problem this creates for decision-makers is that sustainability in businesses is 'rife with tensions' (Van Der Byl & Slawinski, 2015) as decision-makers have to choose between social, economic and environmental outcomes. These tensions occur at several levels in the organisation, and can be mutually reinforcing (Slawinski, Pinkse, Busch, & Banerjee, 2017). Working from the literature, I identify six approaches that decision-makers use to resolve these tensions, ranging from instrumental and integrative approaches (Gao & Bansal, 2013) to paradoxical approaches (Hahn, Pinkse, Preuss, & Figge, 2015). Some of these approaches are more effective than others for including sustainability considerations in decision-making, and yet there has been relatively little empirical work to test the logics that executives actually use to resolve these tensions in decision-making (Epstein, Buhovac, & Yuthas, 2015; Hahn, Preuss, Pinkse & Figge, 2014), or what shapes this choice. Scholars have suggested that the antecedents of these choices could be individual cognitive frames (Hahn et al., 2014), the characteristics of particular decisions, or the broader organisational context (Dean, Sharfman, & Ford, 1991). However, there is little empirical evidence to show how executives resolve the tensions between social, environmental and economic outcomes over the long and short term.

I therefore set out to understand which approaches executives actually use or to explore the antecedents shaping this choice. I undertook an exploratory study using critical incident technique to understand executives' experiences of making decisions that had been complicated by the need to include social or environmental considerations. I collected and analysed 45 decisions from 17 executives in a range of industries to understand both the nature of the decision and the broader organisational context that might have influenced the executives' choice of decision-making approach. To validate my findings, and to gather additional perspectives on the ideas, I convened a group of eight senior executives to discuss the results of the research.

There are four main findings from this data. First, I find that decision-makers use a repertoire of different approaches to resolve the tensions in their decision-making. Second, the approaches individuals use tend to cluster either around a 'trade-off' approach – in which they find they may need to make compromises between economic, social and environmental outcomes – or around a 'win/win' approach, which is still an instrumental point of view, but one in which they make fewer compromises. Third, I find that this choice of approach is at least partly determined

by the characteristics of the decisions that are being made: these include organisational characteristics such as the degree of managerial slack (Bowen, 2002; Sharma, 2000) as well as the properties of the decision (such as the set of options available). Finally, my data shows that the organisational framing of sustainability is an important influence on the way decision-makers act. Executives in companies that have created a clear narrative about the role of social and environmental sustainability in their business were more likely to use decision-making approaches that accommodated these considerations.

There are necessarily some limitations to the research. Critical incident technique relies on participants' recall of events, and so this is not necessarily a representative sample of the decisions made in businesses. However, the analysis contributes to the literature on organisational paradox in three ways. First, it shows that decision-makers have a repertoire of approaches to tensions, but they tend to use only part of the full set of possible strategies available. Second, it shows that the antecedents of this choice lie in the dynamics of the relationship between the decision and the decision-maker, and that these in turn are influenced by the broader organisational context. Finally, by exploring the relationship between tensions at the organisational level and the decision level, it adds empirical data to discussions of the relationship between institutional complexity and paradox theory (Smith & Tracey, 2016), showing that the tensions experienced by individual decision-makers are nested within a broader corporate-level paradox.

The work also has implications for practice. Companies that do not incorporate sustainability into their organisational logic and find ways to express this through the organisation will find that their executives are not able consistently to reconcile the social, environmental and economic demands that they face in some decisions. The logic that seems to be most effective is a win-win business case, as this enables people to use a repertoire of decision-making approaches including win-win, integrative and synthesis approaches – all of which are more effective at including social and environmental considerations than trade-offs. This is not trivial: the framing of the tensions caused by sustainability at corporate level requires senior time and attention, and the management of subsequent organisational issues is also a serious undertaking.

This study shows that bringing considerations of social and environmental sustainability into business decision-making is difficult. The decisions themselves are intractable; they are nested within a broader paradoxical problem; and within organisational systems that usually do not support this complex type of decision-making. Nevertheless, there are indications that changing the corporate narrative can support companies in bringing environmental and social considerations more systematically into their decision-making and so become a force for positive change.

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