



# Doctoral Thesis

## Sustainability-as-practice

A case study of managers' micro-strategic work to integrate sustainability with business practices in a healthcare multinational

Presented by: **Christina Berg Johansen**

**University: ESADE Business School, Ramon Llull University**

**Department: ESADE Entrepreneurship Institute**

**Supervisor: Professor Silviya Svejnova**

Co-supervisor: Associate Professor Kai Hockerts, Centre for CSR, Copenhagen Business School

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## Abstract

This dissertation<sup>1</sup> applies a micro-strategic perspective to the phenomenon of integrating sustainability into business practices. It is the result of a 3-year single case study of a corporate sustainability programme, through its different stages of development from formation to business integration. The company is a Denmark-based, global healthcare corporation, which in 2007 launched an ambitious sustainability programme; "Action for Health". The programme works with non-profit partners in emerging markets, to improve healthcare related to the company's main business areas.

Sustainability practices are increasingly prevalent in corporations and their institutional landscape. An abundance of networks, consultancies, think-tanks, blogs, books, tools and organizations is devoted to the development of corporate sustainability practices, yet deeper integration of sustainability practices with business strategies has only been practiced by few. Reports show that managers are interested in integrating sustainability with business strategy, and they believe it is pivotal to future success and growth, but they are uncertain how to practically do so. Sustainability, as all new practices, draws on unfamiliar meanings and creates tensions with existing practices. Theory has thus far not clearly addressed the strategic challenges of overcoming these tensions. By applying a micro-lens to the implementation of sustainability in one corporation, this dissertation aims to do so.

The research question is: *How do managers execute a vision of sustainability integration into the micro-strategic processes of everyday corporate life?*

To answer this question, the dissertation adopts a qualitative and constructivist methodological approach. It aims to interpret meanings of social behaviour, not to put these on formula for improved managerial behaviour, but to understand better the activity, choices and dilemmas of managers in the selected case. The case is an *instrumental* case study, meaning that it is used as an illustration of a larger social issue. Its findings are through the lenses of Strategy as Practice (SaP) theory and amplified by Institutional Logics. Scholars in both these theoretical communities argue that we need a stronger understanding of social phenomena from the perspective of the individuals engaged in their maintenance and making, which is in this study methodologically achieved by following managers in their everyday strategic actions and deliberations. By doing so, the study reveals a highly emergent way of strategizing sustainability, ripe with tension and ambiguity across several stages and layers of management. This tells a different story than what current literature purports about sustainability integration, and instead of prescribing or normatively assessing sustainability strategy, it investigates the underlying socialized premises on which managers understand sustainability, and how these affect managers' approaches and actions towards integration of new and old practices.

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<sup>1</sup> I call the thesis "dissertation" throughout the text. The formal front page uses the word "thesis" to comply with ESADE standards, but I have chosen dissertation as my own term, since it serves to distinguish it from "thesis", which in many universities also describes undergraduate or MBA theses.

The study shows how strategic action concerning the sustainability programme is influenced by two sets of logics: On one side an existing set of business logics, with which managers understand the company's goals to grow, generate profit to shareholders within a short time-frame and work efficiently to these ends. And on the other side a less prevalent set of "social" logics, which comprises ethical values, long-term impact, and the creation of better societies. The sustainability programme's aims encompass both logics, but managers are less familiar with the social logic. This creates strategic confusion, in which an informal practice based on strong business logics, corrodes the formal social practice. Through lengthy experimentation, managers are able to address the inconsistencies and locate an existing set of corporate practices, in which the sustainability objectives can be integrated as an asset rather than an add-on to business objectives and strategies.

The dissertation contributes to three literatures:

Firstly, it contributes to The SaP perspective by extending its core framework, which argues that strategy as *practice* develops through iterations of practitioners, their daily praxis and the larger practices, which practitioners create, maintain and draw on. The practices level in The SaP perspective has thus far been theorized as both strategic activity itself and an institutional level of practices that *guide* activity. This guidance, argue SaP scholars, comes mainly from the strategy field itself. This dissertation shows that practices that guide strategic activity are much broader and come from a multitude of institutional fields and practices, in the case identified as amongst other sustainability, shareholder value and national health care policy. Particularly in projects and units peripheral to core corporate strategy, may experimentation with new and foreign practices unfold. The challenge is to integrate their work with existing corporate practices, so it can create value for the company – without absorbing the new practices to the extent of assimilation.

Secondly, it contributes to Institutional Logics by building on analytical insights from the application of a micro-study to the IL perspective. IL scholars have expressed the need for understanding IL in micro practices, but not many such studies have been conducted. By doing so, I reveal the need for further analytical distinction of logics and suggest a layering of Institutional Logics in orders, logics and types. This serves to understand the empirical plurality of logics' forms, and to sharpen our attention to the complexity of their amalgamation in daily social praxis.

Finally it contributes to the extensive CSR literature by pointing attention to the strategic implications of sustainability practices, and arguing that a deeper understanding of strategy gives scholars alternative understandings of companies' seeming reluctance in CSR execution. It shows that experimentation is a core element in integrating the largely foreign logics of a "social" orientation with current business practices, and poses the opportunity for CSR scholars to investigate the layers of logics assigned to the sustainability phenomenon by corporate practitioners.

The dissertation concludes with insights for practice, limitations and avenues for further research.

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<sup>2</sup> I use the term "model" to describe graphs, drawings or tables created through my own analysis

<sup>3</sup> "Tables" designate simple matrix overviews of methodological or theoretical issues

<sup>4</sup> I use "figures" to demarcate all tables, models and graphs that are data material, i.e. created by practitioners in the case, as well as figures created by scholars.

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# 1. Introduction

Within the last two decades, sustainability<sup>5</sup> has become increasingly institutionalized as a necessary agenda for corporations to address (Bondy 2008, Campbell 2007). Sustainability has moved from a primarily philanthropic phenomenon towards a business-relevant tool, with which corporations can develop new knowledge, products and processes to the benefit of themselves and their surrounding society. Thinking sustainably and gaining business value from it is a growing issue in the world of practitioners, as expressed in practitioner journals such as Harvard Business Review, which includes seminal articles by Porter & Kramer on CSR, the print- and online journal McKinsey Quarterly, which dedicates attention to the two themes "Business in Society" and "Sustainability" on their "Big Ideas" part on their website, sustainability forums for businesses such as [www.wbcsd.org](http://www.wbcsd.org), [www.unglobalcompact.org](http://www.unglobalcompact.org), and ongoing books describing the need, visions and tools to merge profit and social value (Prahalad, 2006; Hart, 2007; Senge et al., 2010; Ellis 2010). Furthermore, numerous consultancies and think tanks with special focus on corporate sustainability create reports, tools, advocacy and services within the field, for example UK based *SustainAbility* and *Ethical Corporation* or US based *FSG*, and the large consultancies such as Accenture, KPMG, Deloitte, PWC, McKinsey and BCG have all incorporated sustainability expertise into their service portfolio. But despite this fast-growing awareness, the day-to-day operations, decisions and challenges through which corporations succeed or not with embedding sustainability into their business practices, are much less exposed, let alone understood. Many companies work with sustainability objectives, but how does this engagement matter to their business development if at all, and how is it *done* in terms of daily strategic work in of their managers? Our knowledge of these issues does not match up with the existing and ever-increasing sustainability practices in the corporate world.

This dissertation occupies itself with the integration of sustainability objectives and vision into corporate strategies; with how sustainability is conceptualized in an intra-corporate context by managers trying to create strategic sense and coherence in their work. It draws on a single empirical case, studied in depth with ethnographic methods, and understand its issues through a theory lens combining micro-strategy and the larger social logics in which managers are embedded. The

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<sup>5</sup> The concept "sustainability" will be used as the overarching definition of social, environmental and other society-regarding work made by companies to address issues beyond their immediate profit concerns and the narrow stakeholders of the firm such as employees. In both academic and practitioner literature, there is still a confusion of terms within this growing institution, thus concepts such as "CSR" (Corporate Social Responsibility), "business ethics", "community work", "triple bottom line", "business-NGO partnerships" relate to "sustainability", complement it or replace it in ambiguous ways. I have chosen "sustainability", because it seems the more popular term within the corporate world and the global assessment organizations; e.g. "Dow Jones Sustainability Indexes". My case organization Healthcaring uses the term "corporate responsibility" to describe its sustainability work, and uses "sustainability" for its more environmental initiatives. When referring to academic work, however, I interchangeably use the concept "CSR", since this has been prevalent in theory development.

introductory chapter serves to motivate the dissertation at hand; to outline its main focus and contributions.

I will contextualize the purpose of the thesis in a larger societal debate and present the research questions of the thesis, as well as establish my theoretical framework, in which I expand on Strategy as Practice and Institutional Logics. The research questions and corresponding theoretical approach are have been developed iteratively with my methodological choices, which I will outline. I then briefly anticipate the case and show how my findings provide deeper insight in how logics and micro-strategic choices interact in the ambiguous process of sustainability implementation and integration. First, however, I will explore the phenomenon "corporate sustainability" to understand why it merits attention from a strategy theory perspective.

## **1.1. Embedding sustainability in business practices: mechanisms and motivations**

### **Theoretical stances**

Regardless of the rise of sustainability on the corporate agenda, little research exists which explains how companies actually work to combine sustainability and business value and which strategies help them obtain these goals. Researchers in the field of sustainability take different theoretical stances, and CSR has been subject to numerous literature reviews and conceptualizations to understand its implications. One of these is Garriga & Melé (2004), who identify four theoretical strands in CSR:

1. *Instrumental theories*, in which the corporation serves only a profit end, such as shareholder maximization (Friedman, 1970).
2. *Political theories*, in which the corporation must take responsibility for the power it has by engaging with societal issues, such as Corporate Citizenship (Carroll, 1999; Matten & Crane, 2005).
3. *Integrative theories*, in which the corporation is argued as dependent on society and obliged to integrate social demands, such as stakeholder management (Freeman, 1984; Friedman & Miles, 2002, ) and corporate social performance (Carroll, 1979).
4. And finally *ethical theories*, in which the corporation must set ethical concerns and obligations above all else, such as normative stakeholder management (Donaldson & Dunfee, 1994; Donaldson & Preston, 1995). One common denominator for these otherwise diverse theories is their philosophical approach: they discuss why and how companies should behave in a more or less society-regarding manner. They do not, however, turn to the strategic challenges (and opportunities) entailed in their prescriptions, and generally steer clear of organizational and strategy literature.

Most relevant to this dissertation's aims are the *integrative* theories, which embrace the mutual benefit of sustainability for both business and society and thus be relevant for this dissertation.

Numerous studies have searched for correlations between increased sustainability targets and tangible business value (Corporate Social Performance – Corporate Financial Performance), but the level of analysis stays on generic firm performance, and no clear findings have yet been made (Margolish & Walsh 2003; Van de Ven & Jeurissen, 2005). This may be due to its focus on macro-causality, in which e.g. a corporation's ethical code of conduct or waste-prevention politics are treated as independent variables of generic economic performance measures in financial reports. The actual managerial and strategic implications of embedding sustainability into business practices are scantily assessed, and thus leaves scholars – and practitioners – bereft of a deeper strategic understanding of the mechanisms behind. Furthermore, such a type of causality; from specific initiatives to aggregated economic measures, entails a high degree of uncertainty and reliability and validity problems, as CSR scholars have themselves discussed (Margolish & Walsh, 2003).

Even if a positive correlation between sustainability and the bottom line could be proven, thus, we still know very little about the strategic processes that may lead corporations to embed and benefit from the sustainability potential in their own practices. Academic research on sustainability has provided valuable knowledge on moral and cultural reasons for corporate responses to sustainability (Lockett et al., 2006), and given normative directions towards corporate actions such as stakeholder management (Freeman, 1984; Post, Preston & Sachs, 2002; Margolish & Walsh, 2003), but has been less productive concerning the more strategic aspects of the phenomenon. CSR theory has tended to make a dialectical divide between ethics and strategy (Singer, 2010) and its epistemological foci lie outside strategy as an organizational and managerial practice (Lockett et al., 2006). This makes it difficult to investigate how sustainability is actually enacted inside existing corporate strategic practices, with a sustainability/CSR (Corporate Social Responsibility) theory lens. Calls for a more pragmatic approach to strategy (Singer 2010, Margolish & Walsh 2003) from within the CSR community open up for insights from the vast discipline comprising strategic management studies. There are examples of CSR research interacting with strategic management studies, e.g. on the Resource-Based View (McWilliams et al., 2006) and dynamic capabilities (Lattemann et al., 2007; Marcus & Anderson, 2006) and firm competitiveness (Vilanova et al., 2009), but the nature of their inquiry is not to learn *how* companies may embed sustainability into their business practices, rather they discuss whether and *why* this should be done.

### **The practitioner literature: prescriptive strategy and grand visions**

The strategic issues of sustainability – the *how* – have been approached by great number of more practitioner-oriented books, offering advice to corporations on how to strategically manage sustainability (e.g. London, 2010; Epstein, 2008; Grayson & Hodges, 2004; Haque, 2011). There is also

a large number of corporate cases on successful sustainability thinking presented at conferences, on websites and blogs, in books, articles, magazines and newspapers. But the general trend in such cases and advice is to either propose firm-level, step-by-step implementation plans or to talk about the overarching rationales for sustainability, i.e. taking a vision and mission based approach to how corporations can see their role in the world.

An example of the visionary approach can be found in Porter and Kramer's "shared value" concept (Porter & Kramer, 2011). Corporate Shared Value (CSV) is a critique of Corporate Social Responsibility, which the authors find works only at the periphery of company attention, and does not change business practices. It is also a critique of the shareholder value driven performance measures shaping corporate decisions today: the authors argue that companies have an "outdated" and narrow view of value, focusing on short-term financial gains and depleting resources and ignoring the wellbeing of customers and communities. To overcome the problem of short-term and unsustainable growth with more than peripheral CSR solutions, companies need to understand better that the value they create for core stakeholders, the environment and relevant communities serves as investment in their own future. Porter and Kramer point to three mechanisms to making this happen: Re-conceiving products and markets, redefining productivity in the value chain, and enabling local cluster development, and they exemplify with companies who are currently experimenting with such initiatives. The message is intuitively positive, though critics have noted that CSV is not a new concept, but draws on ideas from CSR, social innovation and sustainability advocates (Sadowski, 2011) and that pivotal societal problems are not addressed by CSV as they are by CSR – for example human rights or corruption (Elkington, 2011). But the issue of actual implementation and execution of this new practice in corporate routines, existing productivity demands and socialized norms, is not clearly addressed, neither by the authors or their critics. The common denominator of business and social concerns is explicated, but as this dissertation will show, companies can inherently agree with this vision, initiate strategies to unfold it, and still not be able to make it work in praxis.

Thus, the prescriptive advice and bold visions from practitioner oriented literature do not leave us any more enlightened on the daily practice that goes into making the visions come true.

### **Practitioners' practices: motivations and mechanisms**

Turning to practitioners themselves, i.e. corporations and their managers, the motivations for sustainability purported in scholarly and other literature seem to resonate. Interestingly, although corporate sustainability is a strategically uncertain practice, and although research has not identified any easy-to-measure economic advantages of it, companies still engage in it, and find it increasingly

important to do so (McKinsey Global Survey on Sustainability 2010, Dahlberg "Business Guide to Partnering" 2007).

There is great variety in corporate motivations for and ways of engaging in sustainability, e.g. risk management, legitimacy and PR, stakeholder management, energy efficiency, ethical concerns, knowledge creation and product/process innovation (see e.g. Global Compact International Yearbook for a variety of case-based motivations).

The mechanisms to meet motivations can be more or less integrated with the corporate strategy. On one end of the scale is "greenwashing" (Westerwelt, 1986; Greer & Kenny, 1996), where companies brand themselves as environmentally friendly, though their practices are not. More sympathetic are philanthropic initiatives, but they may have no effect on business processes and corporate strategy, though they do make a social difference. An example of many is Goldman Sachs microfinance initiative "10.000 Women", which funds business education and courses to female entrepreneurs in emerging markets – but does not integrate its work with the corporation's existing business practices in e.g. investment banking. On the other end of the scale we find deep integration with strategic targets, such as when Unilever initiated "Roundtable on sustainable palm oil" with WWF (World Wide Fund for nature) and many other organizations in 2002. By investing in strategic alliances with other actors interested in a stable, sustainable supply of palm oil, Unilever secures its future raw product supply and simultaneously helps local farmers and authorities create better growth- and work conditions ([www.rspo.org](http://www.rspo.org)). Another example is the chemicals and nutrition company DSM, who partners with the World Food Programme to "distribute vitamins, nutrient mixes, and fortified food to malnourished people" in low-income countries, thus investing in a future market and gaining first-mover insights ([www.dsm.com](http://www.dsm.com); Beard & Hornik, 2011).

This thesis will concern itself with corporate aims like the Unilever and DSM examples at the latter end of the scale: the aims to embed sustainability thinking and doing into core business practices. In terms of corporate motivations for doing so, the thesis focuses on sustainability as a means for knowledge and market creation. Thus, it is to the coalface (Barley, 2008) of the social/business dialectic that we will endeavour: Where sustainability must make so much sense to business that it becomes a driver of business targets and vice versa. Judging from corporate attention, there is an intuitive logic in making this bridge, but it seems practically and strategically challenging.

### **Corporate paradoxes: strong sustainability interest but weak execution**

According to a recent survey of almost 2.000 corporate executives (McKinsey Global Survey on Sustainability 2010), executives believe that there are benefits for both company and society in proactively managing sustainability and embedding it into business practices. 76% say engaging in

sustainability contributes positively to creating *shareholder* value (thus direct imprint on business success) in the long term, but only 30% can be said to proactively engage in investing in sustainability or embedding it in their business practices.

The same conclusion is found in Denmark; in a Deloitte report from 2011 (Deloitte 2011: CSR forankring i danske virksomheder). Danish companies are well represented in the UN Global Compact<sup>6</sup> with 231 companies – a number above both Germany and the UK. They generally "show great interest in CSR" (Deloitte 2011:9). However, most of the 250 companies (not only and not all Global Compact members) surveyed by Deloitte have not been able to anchor their CSR goals and ideas into their business practices. This seems due to a variety of challenges to CSR implementation: 75% of respondents say that "competing priorities" are a challenge, 68% mention "habitual thinking" and 73% "the complexity of implementing across the organization", to mention a few of the factors surveyed (Deloitte 2011:14). Another challenge is the lack of sound analysis as background for CSR activities. Only 18% of respondents have "to a high degree" analyzed CSR related strategic opportunities and risks, and very few have attempted any economic calculation of the value of CSR goals (ibid.:15). There is, however, a general trend for larger and publicly traded companies to be generally better at "anchoring" CSR, not least the "C20" companies which compose the top of Danish publicly traded companies.

In Denmark, where this dissertation's case company, Healthcaring<sup>7</sup>, is located, companies' increased interest in embedding sustainability in business practices has been proactively supported by the Danish government. In 2008, the government launched an "Action Plan for CSR" (Danish Government publication, May 2008), in which "business-driven" CSR was presented as a core solution to Danish companies' competitive advantage. The plan involved 30 initiatives, from campaigns and dialogue initiatives to legislative requirements. It made it mandatory for the 1000 largest companies in Denmark to report on CSR in their annual reports, as well as for institutional investors. The underlying motivation was the reciprocity of business and society in value-creation for both – just as the shared value concept of Porter and Kramer later purported, too:

*"How a business chooses to work with CSR is not insignificant. Businesses and society each reap the optimum benefits from CSR work, if it constitutes a natural part of its business strategy and core competences. This action plan refers to this aspect as business-driven*

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<sup>6</sup> UN's Global Compact was launched at the 1999 World Economic Forum as a vehicle to encourage corporations (and other organizations) to "align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption". Global Compact has more than 8700 members today; mainly corporations. Members commit themselves to writing an annual report on their progress within these principles, and they participate in local groups to discuss issues regarding responsibility and sustainability.

<sup>7</sup> "Healthcaring" is a pseudonym for the company: the case has been anonymized for confidentiality reasons

*social responsibility. Business-driven social responsibility entails that businesses consider social challenges not only as aspects impacting on business operation, but also as conditions they can actively influence and utilise."*

(Danish Government's Action Plan for CSR:p.6).

This discourse has been dominant in the institutional landscape of CSR in Denmark since, as conveyed at numerous conferences and magazines (e.g. "Responsible Growth" conference by the Ministry of Economy and Commerce in May 2009, the independent print- and online magazine "csr.dk", the conference "Greater value from your social responsibility" by the Danish Centre for Social Economy in January 2012). Hence, there is a certain momentum, excitement and also normative pressure to engage in sustainability as a positive driver for business in Danish corporate life. Yet the strategic implications of this are still uncharted and not clearly addressed.

When CSR goals take on complex issues, which challenge current business models, they can be extremely hard to implement, even for large corporations. In their case study on Novozymes' implementation of new sustainability goals, Olsen and Boxembaum (2009) showed that sustainability goals, which demanded entirely new business practices, created strategic disruptions and uncertainty, and ultimately could not be reached. In 2006, Novozymes launched a new sustainability strategy shifting focus from a risk management approach to a business opportunity orientation (Olsen and Boxembaum 2009). While an initiative focussing on existing practices – the "Life Cycle Assessment" of products – was easily implemented across strategy-, sales- and marketing divisions, another initiative to drive new practices – a Bottom of the Pyramid (BOP) vision to create products for poor consumers and support the Millennium Development Goals – created strategic turmoil and resistance. The BOP project had no match with current business practices, and the "imaginary leap" needed to bring together the two goals in "creating business opportunities by solving some of the world's biggest problems" could not be made by the existing cross-functional strategy groups in the company (Olsen and Boxembaum 2009:105f.).

Summarizing these brief insights on the state of proactive engagement in the embedding of sustainability into business goals and strategy, we find an emerging phenomenon, whose empirical challenges we know little about. The theoretical discussions on the phenomenon are manifold, but provide only little knowledge about the actual strategic work needed to embed sustainability in daily corporate practices. There is a strong normative undercurrent in the CSR literature, which tends to overlook the organizational and strategic processes involved in its implementation. In the more practitioner oriented literature, prescriptive advice and positive case examples are common, but the strategic challenges and institutional barriers are not addressed. The practitioner literature thus

leaves managers with a strong celebration of sustainability thinking's potential for business, and seemingly simple guides to do so. This, however, does not prepare managers for the strategic difficulties inherent in fitting long-term social visions into short-term performance cultures, or for the likelihood of failure and lengthy experimentation to find the right strategy for sustainability in their individual companies. The celebratory nature of practitioner literature is repeated in corporate praxis, where many sustainability initiatives, positive as they may be, have little to do with core corporate strategy. A few pioneering companies embed sustainability deeply into their supply chain or product development strategies, but we know little about *how* they do so – which strategic processes and decisions they have chosen to operationalize their visions for embedded sustainability. Companies are increasingly interested in doing so, as surveys show, and political and other institutions are supporting this agenda. Yet there is a discrepancy between corporate interest in sustainability embedding, and their actual practice. Changing core business practices to lever the sustainability potential in a business area appears a strategic challenge not easily met by current advice and knowledge.

## **1.2. Problem, purpose statement and research question**

This dissertation is based on a single instrumental case study (Stake 1995) of one company's attempt to integrate a sustainability vision with business goals. The case itself is the implementation of Action for Health<sup>8</sup> (AFH); a sustainability initiative, in Healthcaring; a Scandinavian corporation producing medical devices.

The single case serves as an instrument for understanding the larger problem: How can sustainability be embedded into corporate strategies in order to drive both social and business value? We know that surveys and research indicate that sustainability is a growing phenomenon on its way to institutionalization, and that executive managers believe in creating more sustainable practices. However, when it comes to the type of sustainability that demands embedding into core business strategy and models, companies seem challenged in their practical strategic pursuit of this. Current research in the CSR/sustainability field does not thoroughly address the strategic challenges managers face in embedding sustainability, and research in strategic management does not address the specific tensions and actions emerging when the social logic of sustainability meets the deeply institutionalized logic of corporate business strategy. Thus, we still know little about the day-to-day managerial reality of the globally growing practice of pursuing sustainability as a business strategy.

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<sup>8</sup> "Action for Health" is a pseudonym for the sustainability programme, which comprises this dissertation's case, just as the company "Healthcaring" is, as mentioned in earlier footnote.

The **purpose** of this dissertation is to explore what happens on a micro-strategic level in corporations, when they attempt to embed sustainability objectives in corporate strategy to integrate social and business value.

The **research question** is:

*How do managers execute a vision of sustainability integration into the micro-strategic processes of everyday corporate life?*

A series of specific questions will help pursue the research question and reach the purpose:

1. How does the initiative's shape and goals interact with everyday corporate structure? How is the vision attempted executed in praxis?
2. How do managers make sense of the initiative and bridge the divide between sustainability and business: which socialized logics are they driven by in their actions and discussions relating to the initiative?
3. Which managers play a role in developing and implementing the initiative, and how do they interact in this regard?

### **1.3. Theoretical choices**

If we wish to understand the apparent difficulty in integrating sustainability into business, we need to understand strategic motivations and actions in this pursuit. For this dissertation, it means turning to a theoretical community which works with the details and daily life of strategy; namely the Strategy as Practice (henceforth SaP) field (e.g. Johnson, Melin & Whittington, 2003; Whittington, 2006; Jarzabkowski, Balogun & Seidl, 2007). It also means taking seriously the tensions between existing business practices and the new sustainability logic, and investigating how these tensions affect and are affected by mundane strategic actions. To this end I will supplement the micro-focus of SaP with a neo-institutionalist perspective on institutional logics and tensions (Friedland & Alford, 1991; Lok, 2010; Pache & Santos, 2010a; Seo & Creed, 2002; Thornton, 2004; Thornton & Ocasio, 2008; Thornton, Ocasio, & Lounsbury, 2012).

#### **Pursuing micro-processes: Strategy as Practice**

Strategy as Practice is a response to macro-level theories of strategic management, which SaP scholars view as ignorant of the "myriad, micro activities that make up strategy and strategizing in practice" (Johnson, Melin & Whittington, 2003:3f.) and leaving out "the human being" or the intra-organizational actor (Johnson, Melin & Whittington, 2003, Jarzabkowski 2004, Jarzabkowski, Balogun & Seidl, 2007). SaP scholars are interested in strategy as something practitioners *do*, which they call strategizing (Johnson, Melin & Whittington, 2003). They find strategizing practitioners in all layers of

the organization, not just in a direction-setting top management. SaP is an empirically oriented community working with "the detailed processes and practices which constitute the day-to-day activities of organizational life" in relation to strategic outcomes (Johnson, Melin & Whittington, 2003:14). Thus, when we study the development of new strategies and initiatives in corporations, we should look beyond the formal communications and plans, and into what involved managers and employees actually do with them. To do so, one proposed and central framework in SaP is to follow a triangle of practitioners (the actors engaged in strategizing), praxis (their actual activity; what they do) and practices (their institutional embeddedness or "shared routines of behaviour, norms and procedures") (Whittington, 2006, Jarzabkowski, Balogun & Seidl, 2007). Often this involves long and complicated processes, with strategic outcomes that are unclear, changed along the way or never reached (see e.g. Maitlis & Lawrence, 2003 on strategic failure). However, insisting on "strategic outcomes" is an important feature of SaP research, which serves to distinguish it from other micro- and process-oriented research fields such as sensemaking (Weick, 1995) or institutional work (Lawrence, Suddaby & Leca, 2009).

Strategy as Practice is still a theoretical field in the making, and its community actively discusses where its focal points and borders should be. This dissertation builds on some of these discussions: Whether strategic work must be "intentional" to be categorized as strategy, how the micro-focus of SaP can play together with an institutional macro-focus, and how the notion of "emergence" can be tackled empirically.

A traditional view of strategy is that it is planned by a defined set of actors, and implemented more or less according to plan. A SaP view of strategy is that it may involve planning, but implementation involves agency from numerous actors beyond the originally defined ones, and strategy can emerge from anywhere in the organization. Also, implementation may be a long and muddled process resulting in completely different outcomes than first envisioned by the involved managers. But what does it take for a given process to be "strategic" and for actors to "strategize"? Here, we encounter the discussion of intentionality, where most SaP scholars argue that individual actors must have some sort of intention to reach some sort of objective, if we are to talk about strategic work. More radical processualist scholars, however, argue that strategic outcomes do not presuppose intentionality, but are the results of actors' relations with each other and the world they inhabit; "practical actions and relationships precede individual identity and strategic intent" (Chia & Holt, 2006). This builds on a pragmatist view of how people think and make decisions in their lives – how they create agency – by constantly relating themselves to others and to their embedded knowledge of the world (Emirbayer & Mische, 1998). The findings of this dissertation's case study supports a processual perspective on strategy, by showing how the strategic vision for the launched sustainability initiative is neither clear

nor coherent across actors, but is subject to continuous change through actors' negotiations with each other and their own world-experiences. These negotiations emerge from tensions between co-existing practices and mindsets.

## Understanding emergence

One of the problems that arise with an agentic and processual perspective on strategizing is that it can be ephemeral – it is difficult to grab hold of empirically. If a strategic process is not initiated by definable actors' concrete intentions, then when and where does it start, and what does it contain? Where are the borders of such a process and how can we know as researchers that we are studying a coherent process and not just an arbitrary corner of action in a gigantic interwoven and perpetually changing system of thought? Strategy as Practice scholars are increasingly addressing such questions in their discussions of the broad concept emergence. Emergence is "the new hot thing" but "empirically tricky", in Sarah Kaplan's words<sup>9</sup>. The concept of emergence was presented in management literature with the seminal article "Of strategies, deliberate and emergent" in the mid-eighties (Mintzberg & Waters, 1985), but has not been elaborated much beyond Mintzberg. SaP scholars have criticized Mintzberg for not being sufficiently oriented to micro- and managerial actions below the firm-level (Whittington, 2007). SaP scholars are recognizing that strategic processes and outcomes can be much more emergent than planned (e.g. Maitlis & Lawrence, 2003; Lowe & Jones, 2004; Chia & Holt, 2006; King, 2008, Regnér 2003; 2008; 2011), but themselves struggle with how to identify and follow emergence. The belief is that as strategy researchers we can find patterns of emergence through specific methodological choices and tools. Some of these, on which this dissertation builds, are to "zoom in, out and across practices" from micro events to larger strategy processes, to use longitudinal, real-time ethnographic research, and to make explicit choices to frame the parts of emergence we as researchers focus on<sup>10</sup>. By doing exactly this, this dissertation aims to take us to the "back-stage activity"<sup>11</sup> of sustainability strategy building.

## Institutional practices and logics

SaP researchers are increasingly advocating a lifting of their scholarly gaze from the micro-practices inside organizations to the macro-institutions these are part of (Whittington et al., 2003; Whittington, 2006; Jarzabkowski, Balogun & Seidl, 2007; Johnson, Langley, Melin & Whittington, 2007). This means

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<sup>9</sup> Notes from workshop summaries by Sarah Kaplan; "SaP: Taking stock and Going Forward" 11.8.2011 and Cross division session "Agency and Emergence: On the Origins of Strategy" 15.8.2011, both at AOM Annual Meeting 2011, San Antonio Texas. This section on emergence draws on several AOM workshops, in which the concept was discussed – all subsequent quotes are thus from notes I took attending these workshops.

<sup>10</sup> I here refer to discussions at SaP workshops at the Academy of Management Annual Meeting in San Antonio, Texas, August 2011.

<sup>11</sup> Notes from Julia Balogun presentation at AOM 11.8.2011

allocating more attention to the concept "practices", which is as previously described one part of the strategizing triangle "practitioners, praxis, practices". Practices are the shared routines of behaviour, norms and procedures (Whittington, 2006), which has been the pivotal focus for neo-institutionalist theory since its initial formulations of organizations' isomorphism, formal myths and cultural persistence as opposed to the then prevailing rational-actor perspective (Meyer & Rowan, 1977; Zucker, 1977; DiMaggio & Powell, 1983). By engaging with a neo-institutionalist perspective, SaP problematizes strategy-making a step further than it already has by seeing strategy as emergent, micro-enacted and complex in relations and agency. A neo-institutionalist perspective adds an extra layer to the unruliness of strategic work: namely the larger social understandings and norms in which practitioners may be embedded. Not only is strategic work full of individual actors who create agency in a not-so-planned and emergent manner, but strategic work is also embedded in social norms and understandings specific to each individual actors, as well as in shared sets of meaning. Managers in a team may come from different geographic and social cultures, and thus interpret the world and the actions needed differently. At the same time, they may have common references that are very strong, such as "our company needs to satisfy its shareholders". To research strategic emergence with an eye to institutional embeddedness means to constantly look for the taken-for-granted elements in actors' agency, the synchronicity or disagreement of the practices they draw on, and whether and how they break loose of these practices – to try to determine the effect of it all on strategic outcomes.

In order to simplify the research scope, SaP scholars have proposed a very specific limit for which types of institutions SaP should be interested in; namely the institution of strategy (Whittington et al., 2003; Whittington, 2006; 2010; Johnson, Langley, Melin & Whittington, 2007). They identify strategy as an "organizational field" with its own logics and norms driving forth organizations' courses of action and sometimes even supporting destructive practices, in which e.g. corporations may use all the "right" practices, but end up betraying shareholders, stakeholders alike, as in the case of Enron (Whittington et al., 2003). By focusing attention on how strategy practitioners enact strategy practices, SaP creates a theoretically appealing coherence – but also creates empirical blind spots, where institutional norms outside "strategy" may have enormous impact on concrete strategic work and outcome.

This dissertation advocates a broader understanding of practices in SaP research, in which its institutional layer is expanded to all "shared routines of behaviour, norms and procedures" affecting strategic thought and action in organizations. I argue that tensions between the emerging institution of corporate sustainability and the taken-for-granted practices of the corporation impact the strategic agency and outcomes of implementation efforts. Behind corporate sustainability, as we shall see are logics drawing on ideas of "community" and "state", which creates friction with the logics drawing on

"corporation" and "market" (Thornton, 2004; Thornton & Ocasio, 2008). We see this tension in the micro strategizing processes of creating a new sustainability programme in Healthcaring. It evokes dialectics and frictions of long- and short-term thinking, of core and peripheral business strategies and of ethics and profits. Ultimately, the seemingly rational steps to create sustainability strategies that are deeply integrated with business purposes, are made porous and uncertain by practitioners' multi-logical embeddedness and their relational actions to create strategic relevance in their daily organizational reality. The corporate road to coalface (Barley, 2008) sustainability is built like this: by actors' negotiations of tensions, ideas and pragmatic solutions in "day-to-day stuff" (Johnson, Melin & Whittington, 2003) of corporate management.

#### **1.4. Case description and methodology**

To pursue a *how* approach to strategic emergence, and get "behind the scene" as advocated in the above, we must get close to practice as it unfolds in everyday corporate life. We need "understanding [of] the world from the perspective of those studied" through a qualitative "examining and articulating" of their processes (Pratt 2009:856). Such an understanding is also advocated in the main theoretical perspective of the dissertation; *Strategy as Practice* (SaP). SaP urges empirical and observational analysis (Jarzabkowski, Balogun & Seidl, 2007; Golsorkhi, Rouleau, Seidl & Vaara, 2010; Whittington, 2010) as a means to understand what strategy practitioners *do* (Johnson, Melin & Whittington, 2003).

Therefore, the dissertation is based on a highly empirical and inductive research approach to move beyond the firm-level reports on sustainability practices and into micro-level day-to-day enactment of strategies, which are believed by practitioners to support the sustainability-business value integration. I have done this through an ethnographically inspired single instrumental case study (Stake 1995), in which I have followed the actions and deliberations around the implementation of a sustainability initiative into a corporate setting, strategy and logic. The case is the implementation of Action for Health (AFH); a sustainability initiative, in Healthcaring; a Danish corporation producing medical devices. I followed AFH over a period of two and a half years, including 45 weeks of on-site fieldwork, from January 2009 to June 2011, and have extended the study in each end by document data and interviews September 2007-January 2009 and informal talks and interviews June-December 2011. This investigative work provides all the empirical information for my analysis, and the inductive approach gives the case findings a prominent position in the dissertation.

## Brief case introduction

Action for Health was launched by the CEO in Healthcaring in September 2007, with a dual social-business purpose of providing societal care while creating corporate value, with emphasis on the former. The programme allocated 7 million Euro over 10 years to "give something back to society": To improve healthcare within the company's specialty areas in emerging markets, where poor people with e.g. a stoma typically are not serviced well by healthcare authorities, cannot afford products and are not offered any help in dealing with their disease or handicap. AFH would support projects that would better the situation of these people. At the same time, Healthcaring expected to create long-term business advantage through the knowledge, reputation and relations that the programme built. Since its inception, AFH has been subject to numerous changes caused by a changed corporate strategy and financial pressures. The programme has been through three programme managers, several strategic renewal attempts and an ongoing change of structure and content. The programme today has eight projects running in India, China and Mexico and has recently re-launched (Dec. 2011) its strategy, now integrating its work with the public affairs strategy in emerging markets. The programme's objectives target both society and business value, but in a visionary rather than concrete form, and outcomes in terms of communicable results have yet to be seen.

The specific case was selected because: 1) The AFH programme was in its start-up phase and its development and strategic creation could be followed as it emerged; 2) The corporation – Healthcaring – had never engaged in sustainability work on that scale before, thus it was likely to be challenged by both the how's and the why's of such a programme. Building a successful strategy for the programme would be far from routine, and I could follow in detail the involved managers' struggles to create and sustain the meaning and shape of the programme and translate its mission into concrete and valuable actions. 3) The inherent "sustainability-business" duality in programme's purpose – delivering value for poor people in emerging markets *while* creating long-term business value for the company – corresponded with the CSR trend in corporate Denmark at the time; the previously described belief that thinking socially could create business value. At the same time, AFH went beyond the practices of most sustainability projects conducted in companies in Scandinavia at the time, which were more concerned with environmental value-gains, PR, risk and reputation management. 4) Access to the programme was not only possible but also generous, and would allow me to be close to daily operations and action.

## 1.5. Expected contribution

The overall objective for this dissertation is (a) to contribute to our theoretical understanding of how sustainability objectives can be integrated with corporate strategy and (b) to facilitate reflection and sensitize managers to the challenges and opportunities of sustainability integration.

The market economy is at the early stages of paradigm shift; from the consumption of the industrial age to a new era of collaborative, sustainable value-creation, and corporate sustainability plays an important role in this. My dissertation discusses the challenges for this role, by framing a case study of corporate sustainability integration with two theoretical perspectives: micro strategy and socially embedded logics. By following a specific corporate case, I aim to bring the contents of its strategic and logical challenges into light, and further the dialogue on *how* to pursue long-term sustainable thinking in a short-termed institutional environment.

More pragmatically, this dissertation contributes to an increased understanding of how corporate sustainability is strategized, which may help practitioners overcome their apparent hesitance to pursue its integration with business strategy and objectives.

In terms of expected contributions, this dissertation has four aims:

- To respond to calls from the Strategy as Practice community to investigate the influence of social norms and routines on micro-strategic actions, more precisely how tensions between business and social logics play out in sustainability strategizing.
- For Institutional Logics, to offer an empirical lens on the practical dynamics of how logics' tension shapes strategic choices, responding to calls for more case studies on an intra-organizational level (Thornton, Ocasio, & Lounsbury, 2012d). Additionally, to provide an interpretation of the newly added institutional order of "community" in terms of its practical content, definitions and demarcations to other orders influencing managers in their sustainability embedding work.
- To provide illustrations and insights to the challenges of sustainability strategizing for managers and enhance their opportunities for reflexion and informed action.
- To expand the strategy understanding in the CSR literature, specifically integrative theories, where corporations are conceived as interdependent with society. By analyzing the managerial challenges in integrating business and social objectives, the dissertation complements the social perspective typically emphasized in CSR with a business perspective on integration.

## 1.6. Dissertation structure and chapters

The dissertation comprises six chapters beyond this introductory chapter: Theory, methodology, setting, findings, conclusions, and contribution.

In chapter 2, I present the two theoretical schools, which construct the framework for the analysis. One is Strategy as Practice (SaP), an empirically oriented community founded on criticism of

mainstream strategic management studies. Strategy as practice focuses on what managers *do* in terms of daily strategic work, but has insufficient insight in socialized norms and macro-level logics impacting their daily choices. The other is Institutional Logics (IL), a perspective deriving from and partly criticizing the neo-institutionalist understanding of social norms as determining for individual or organization action. Institutional Logics argues that meta-level institutional orders such as state, market and religion co-exist in everyday social life, though they are sometimes paradoxical and may create tensions for actors. But these tensions are simultaneously an opportunity for agency and change, since they force actors to find compromise and new solutions. By extending the micro-oriented SaP perspective with the macro-oriented IL perspective, I argue for a deeper understanding of the tensions managers face when integrating new objectives and values into existing managerial practices.

In chapter 3, I present my methodology. I first position my research in a larger ontological and epistemological discussion, accounting for my inherently constructivist approach. This approach defines my choices of qualitative, single-case and interpretative methods, and I elaborate on my research design by explaining my ethnographic data-collection choices and my methods of analysis. I finally describe considerations and implications concerning my researcher role in the corporate setting I have been part of for this PhD.

Chapter 4 is a fairly brief description of the case setting. This includes a presentation of the company's overall strategy and developments relevant to the study, and an introduction to the unit of analysis – the Action for Health programme.

In Chapter 5, I present the findings from the case study in an extensive analysis of AFH's strategic developments over time. Based on a chronological division of the programme into four stages, I identify nine strategic practices, in which practitioners negotiate praxis and try to bridge macro-level logics with micro-level concerns. The findings are expounded in a narrative format, where each of the nine practices contains the practitioners and their actions and re-actions to each other and to external events.

In chapter 6, I synthesize and conclude on the findings. I present a framework comprising all nine practices across the SaP triangle and the four stages. Here I also highlight the dominant logics across the stages. I analyze and present the core features of each practice.

Chapter 7 elaborates on the nine practices and identifies developing and recurrent themes across these and the four stages of the sustainability integration process. I contribute first to The SaP perspective, then to Institutional Logics and furthermore point to usefulness for CSR theory and practitioner. I show how interdependence of strategic choices and socialized logics affects the

sustainability programme's position and integration over time, and contribute to The SaP perspective by extending its "practices" construct with these insights into the influence of social logics on strategic practices and praxis. I contribute to Institutional Logics by discussing the challenges in applying the Institutional Orders framework to empirical studies, and through discussion and models I suggest to IL theory a conceptualization of different layers, in which logics work. I round off by acknowledging the limitations of this dissertation.