Towards a sustainable strategic formation process

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Abstract
This article establishes a framework to describe the firm’s strategic formation process when considering Corporate Social Responsibility (CSR). Following Martinet and Reynaud (2004), we consider corporate strategy as a continuous “game” between financial and sustainable axis within the business context. We posit that the firm’s strategic formation process involves both vertical dimensions (e.g., corporate, business and operational) and horizontal ones (i.e., from shareholders’ orientation to stakeholders’ perspectives). We then present some theoretical characteristics for each element of these dimensions relating to the financial and sustainable axis and go on to demonstrate the dynamic nature of CSR strategies.

Key words:
Strategy, Sustainable Development, Corporate, Social Responsibility

INTRODUCTION

As long as both local and global competition increases, managers will constantly search to develop strategies that guarantee the long-term economic survival of their firms. However, recent years have seen a marked shift in the strategic orientation of some firms. Although their main objective remains the generation of value for their shareholders, in the eyes of some of those shareholders the meaning of “valuable” has continuously evolved.

One aspect of such change in shareholder expectations and managerial attitudes has been the idea of the integration of sustainable development concerns into a firm’s business operation. Although preoccupations with environmental and social justice emerged well before the 1980s, the Brundtland Report (1987) played a historically impor-
2. Recently, Martinet and Payaud (2008) added a fourth dimension of sustainable development: the political side. In this paper, we will use the three common aspects (economic, environmental and social).

3. Consistent with the European Commission, we assume CSR here as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (European Commission, 2002, p.5).

tant role in defining the concept of sustainable development, which in turn has influenced various researchers and practitioners worldwide. Common knowledge of and debate on sustainable development have acknowledged the commitment with a famous triple bottom line: economically profitable, socially fair and environmentally respectable.

When it comes to business, various social and environmental projects carried out by companies have been associated to the concept of Corporate Social Responsibility (CSR). This notion of CSR has led managers to rethink the development of strategy by incorporating environmental and social objectives with specific goals and actions into traditional economic objectives. This has obliged managers to deal with a constant paradox, that is, to develop strategies that take into account environmental and social concerns while concurrently guaranteeing sufficient levels of profitability for shareholders. This situation is more complex in those firms with more than one business line, where decisions taken at the corporate level must be communicated to each business line in order to put them into practice in a particular business context.

Although several studies have addressed the integration of sustainable development and CSR into a firm’s strategy in recent years (McWilliams & Siegel, 2001; McWilliams, Siegel & Wright, 2006; Porter & Kramer, 2006), little attention has been paid to the influence of sustainable development and CSR on both the vertical (e.g., corporate, business and operational levels) and horizontal (e.g., from shareholders’ orientation to stakeholders’ orientation) dimensions within a given firm’s strategy. Thus, the objective of this article is to propose a framework in order to detail this strategic formation process by considering CSR in firms with more than one business line. Our analysis is illustrated by the case of the Brazilian bank ABN AMRO Real, which has successfully integrated CSR into its strategy. Through this study, we contribute to the literature on CSR and strategy by showing the dynamic nature of CSR strategies on the basis of both vertical and horizontal dimensions.

The article is structured in three parts. First, we present a theoretical discussion on corporate strategy by detailing the strategic formation process and its different strategic levels. Second, we present a theoretical discussion about sustainable development and CSR to demonstrate how corporate governance, stakeholders, corporate ethical behaviour, and organisational learning are the main elements in this process. Finally, we present our framework linking the various different theoretical elements under investigation using an illustrative example.
STRATEGY FORMATION AND LEVELS

Strategic Formation Process
The strategic formation process can be understood through the complementary and antagonistic relationship between deliberation and emergence (Martinet, 2001).

Mintzberg (1987) makes a key distinction between deliberate strategy and emergent strategy. Emergent strategy originates not in the mind of the strategist, but in the interaction of the organisation with its environment. Mintzberg claims that emergent strategies tend to exhibit a type of convergence in which ideas and actions from multiple sources integrate into a pattern.

Along similar lines, Martinet (2001) considers enterprise strategy as simultaneously being both constructed and imposed. The imposed side would be the deliberated strategies, which are defined and planned by the firm’s managers. More specifically, strategies are constructed insofar as they emerge from practical actions. Thus, according to Martinet (2001), the strategic formation process does not exclusively comprise either deliberate planning or emergent practices, but, rather, consists of a continual “game” between these two aspects of strategy formation.

Avenier (1997) also considers the strategic formation process as a constant “game” between deliberation and emergence, and suggests that enterprise strategies have complex characteristics. Managers’ deliberations cannot fully address uncertainties, but considering strategies exclusively as emergent neglects their intentional character. Avenier proposes the concept of “tatonantes strategies” to reflect this complex relationship between deliberation and emergence. It is important to note that the complexity of this relationship is due to the simultaneous antagonism and complementarity between deliberation and emergence, as well as to the interactions between reflective and strategic actions across different company levels.

By declaring “the fall of strategic planning”, Mintzberg (2004) also develops some proposals (Mintzberg & Waters, 1985; Mintzberg, Ahlstrand & Lampel, 2000) for recognising the strategic formation process as a constant interplay between deliberation and emergence. According to Mintzberg, emergences affect the deliberate strategies initially imposed by the managers. Thus, realised strategies are the result of both deliberation and emergence.

Accordingly, Johnson, Scholes, Fréry and Whittington (2005) also affirm that in the context of deliberate strategies (i.e., orientations intentionally formulated or planned by managers) as well as in realised strategies (i.e., the orientations actually followed in practice), emergences resulting from the routines, processes and daily activities of the company could be decisive.

Thiétart and Xuereb (2005) corroborate this idea. According to these authors, a strategy cannot be developed purely through deliberation or emergence. Rather, it is the result of a constant game between deliberate action aimed at corporate planning and the emergence of unexpected events that occur in the course of practical action.
Based on these propositions, we retain the strategic formation process as presented in Figure 1

![Figure 1: Strategic Formation Process](source: Mintzberg and Waters (1985); Mintzberg et al. (2000); Johnson et al. (2005))

**Figure 1** reflects our understanding of the strategic formation process, where this process is as a constant interplay between deliberation and emergence that occurs continually in a firm and leads to the formation of realised strategies. Hence, the strategic formation process is considered here as a combination of both antagonistic and complementary processes involving deliberation and emergence.

**Strategic Levels**
In addition to the dynamic nature of the strategic formation process, the different levels at which this process can take place are important. Many authors (Andrews, 1980; Atamer & Calori, 1998; Hofer & Schendel, 1978; Johnson et al., 2005; Thiétart & Xuereb, 2005) have come to a consensus regarding the key levels of entrepreneurial strategy, namely, corporate, business and operational.

Strategy at the corporate level is related to decisions that determine and disclose objectives (e.g., ambitions and goals), produce the central rules and plans in order to reach these goals, define the variety of business lines in which the company will operate, define the type of economic and human organisation that the company is or intends to be and define the type of economic and non-economic contributions that the company intends to offer its shareholders, employees, customers and the community. Macro-directives are defined and structured at this level.

Business-level strategy concerns the definition of a firm’s products and services and the markets that will be explored in each line of a firm’s business. Thus, this strategic level determines how a company will compete in a certain type of business and how it will position itself among its competitors.

Operational-level strategy concerns the practical application of the strategies defined at the corporate and business levels. It determines how the various components of the organisation (e.g., resources, processes and know-how) are effectively put in practice.

By combining these three levels (corporate, business and operational) with the strategic formation process (deliberation versus emergence),
we develop Figure 2 below.

Figure 2: Framework – Strategic Formation Process and the Levels of Strategy
Source: Created by the authors

SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

On the one hand, debates about sustainable development are vast and cover the projects and actions developed at the transnational, national, regional and local levels. On the other hand, consistent with Aggeri, Pezet, Abrassart and Acquier (2005), proposals and actions specifically related to the firm level are considered within the context of CSR. Although we recognise the vast theoretical contributions (e.g., Barin-Cruz, Pedrozo & Estivalete, 2006; Bansal, 2003; 2005; Bansal & Roth, 2000; Egri & Pinfield, 1999; Gladwin, Kennelly & Krause, 1995; Martinet & Reynaud, 2004; Sachs, 1993; 2002; 2004) that already exist in this field, we focus here on the contributions of some specific authors in the link between CSR and strategy in order to develop our framework.

Martinet and Reynaud (2004) provide an important contribution for the application of CSR to a firm’s strategy. According to these authors, a complementary and antagonistic relationship exists between two axes of concern that form the basis of enterprise strategies, namely, the financial axis and the sustainable axis. These same authors assert that the financial axis can be understood using traditional economic theory, agency theory and current notions of corporate governance. The financial axis requires a short-term mindset that involves simplified and standardised growth models while seeking to control finances through risk concentration and formal procedures. The sustainability axis stands in opposition to this financial counterpart. It aims at the long-term development of internal competences and involves diversification in the management of business risks, a focus on the social management of employees and the ecological impact of organisational strategies.

Martinet and Reynaud (2004) posit that organisations are constantly transitioning between the financial and the sustainable axis. These two
axes actually have both a complementary and an antagonistic relationship; some social and environmental activities have negative effects on the finances of a company in the short term, but these same activities can increase the profitability of the company through its enhanced reputation in the long term. According to these authors, the transition from one extreme to the other comprises four main steps. A company begins by having an exclusively economic vision directed at short-term financial returns. It subsequently maintains this profit-maximising attitude by considering that the environment can be a source of necessary resources. As a result, social relationships with institutions outside the firm become important. In the third step, managers adopt a much more long-term vision that involves the conservation of natural resources. Despite this growing interest, economic goals continue to drive investment intentions. Finally, managers become concerned about the development of an organisation that grows with its environment. Thus, the implied objectives of the various stakeholders are taken into account. At this point, a firm’s strategy is remade in order to develop the potential for value creation for stakeholders by cultivating interdependences with the environment without sacrificing the company’s autonomy (Martinet & Reynaud, 2004).

By incorporating Martinet and Reynaud’s (2004) proposal regarding the strategic formation process as presented above, we further extend our framework as shown in Figure 3.

Figure 3: Framework – Strategic Formation Process between the Financial and Sustainable Extremes
Source: Created by the authors

As suggested in Figure 3, with the inclusion of Martinet and Reynaud’s (2004) proposition, the strategic formation process can be considered a process that involves constant interaction between deliberation and emergence across three different levels, namely, the corporate, business and operational levels. It is also a process that involves a constant transition between the financial and sustainable axis. This does not mean that the sustainable axis is unrelated to the company’s financial objectives. In fact, the financial axis is related exclusively to financial objectives, while on the sustainable axis, financial objectives are only one of many concerns that also include social and environmental objectives. Thus, the strategic formation process can be understood as
the constant movement of macro-directives defined at the corporate level that pass through the business level and are put into practice at the operational level. At the same time, emergent practices are developed in each business line, which can in turn affect the corporate level. This process occurs continuously with respect to financial objectives and actions, as well as with social and environmental objectives and actions.

Thus, in view of this complementary and antagonistic relationship between the financial axis and the sustainable axis as suggested by Martinet and Reynaud (2004), we highlight four theoretical elements which have emerged in the CSR literature: corporate governance, stakeholders, corporate ethical behaviour and organisational learning. These four elements are discussed in terms of the financial and sustainable axes.

**Corporate Governance**

The characteristics of the type of corporate governance adopted by a firm have an important role in the firm’s strategic formation process. Mauléon (2005) asserts that governance is central to debates about the role of corporations in society. This author states that the basic notion of corporate governance involves the distinction between those that are the owners of the capital that finance the company (i.e., shareholders) and those who are responsible for managing the company (i.e., managers).

Mauléon (2005) and Fernández (2008) are noteworthy in their consideration of the interests of diverse stakeholders with respect to corporate governance systems. According to these authors, when recognising the limitations of a system in which the only objective is to address the interests of the shareholders, companies recognise the importance of a management style that incorporates social responsibility. The fact that companies recognise the stakeholders’ needs together with the implications of the stakeholders’ actions on corporate performance encourages these companies to develop a governance system that is guided by the principles of sustainable development. Thus, the authors advocate a rejection of the notion of governance as exclusively centred on stock option performance in favour of a view of governance that takes into account sustainable development by highlighting the role of corporate transparency and responsibility with respect to all stakeholders.

D’Humières (2005) illustrates how CSR ultimately depends on the quality of a firm’s governance structure. Ballet (2005) corroborates this notion and calls attention to the need for adaptive governance that takes into account the plurality of different stakeholder demands. Ballet (2005) emphasises the need for a procedural type of governance that is based on mutual confidence and dialogue.

In viewing governance structure as a central element for CSR strategies, Martinet and Reynaud (2004) and Barin-Cruz and Boehe (2010) highlight a key element used in the framework of this paper: the corporate governance view as a specific structure created to lead CSR projects that demand the allocation of some managers to, and the consideration of some stakeholders on specific committees.
Stakeholders
As discussed previously, there has been a tendency in recent years not only to maximise shareholder value but also to address the concerns of all stakeholders in an organisation. Freeman (1984) defines a stakeholder as being any individual or group that can affect or be affected by the realisation of a firm’s objectives.
Taking this definition into account, some authors have analysed the relationship between an organisation and its stakeholders (Buysse & Verbeke, 2003; Carroll & Nasi, 1997; Frooman, 1999; Jawahar & McLaughlin, 2001; Jones & Wicks, 1999; Martinet & Reynaud, 2004, among others).
Mitchell, Agle and Wood’s study (1997) provides insights on how to manage this relationship.
Mitchell, Agle and Wood (1997) consider a typology of stakeholder theory that involves three dimensions: power, legitimacy and urgency. They identify different types of stakeholders through the possession, or attributed possession, of stakeholders’ power to influence the company, stakeholders’ legitimacy in their relationship with the company, and the urgency of stakeholders’ claims on the company. This typology helps managers to identify the actors to which they must pay attention. It also allows diverse stakeholders to be classified for the benefit of managers wishing to improve relationships with them.
Based on this contribution, we can posit that a company’s stakeholders and the importance attributed to them can vary according to the company’s assessment of the power that each stakeholder possesses, as well as the legitimacy and urgency of its claims. Considering the various levels of strategy, this assessment can vary across the corporate, business and the operational levels, while it can also be modified over time.

Corporate Ethical Behaviour
The type of ethical behaviour adopted by a company is often considered to be a very important element in both CSR strategy and the strategic formation process. Although we can question whether a company can really engage in ethical behaviour (or if its employees, rather than the company itself, ultimately engage in such behaviour), we consider that a company’s positions and actions reflect the ethical behaviour of the company, which in turn influences the community in which the company operates.
Pena (2004) recalls that ethics are a basic element in a company’s strategy. According to this author, a firm aims to adapt its formal systems to social demands by adopting benevolent attitudes towards society. Thus, a company’s attitudes oriented towards sustainable development both influence and are influenced by the company’s ethical behaviour. Although analyses relating the corporate ethics debate with notions of sustainable development are numerous (e.g., Ballet & De Bry, 2001; Bansal & Roth, 2000; Buchholz, 1998; Desjardins, 1998; Pena, 2004; Sharma, 2000), we have chosen to retain Rayborn and Payne’s (1990) and Payne and Rayborn’s (2001) contributions due to their notion of
different behaviour levels in corporate ethics. These authors propose four levels through which companies pass as they incorporate sustainable development ideas into their strategies: basic, usual, practical and theoretical.

*The basic level* describes the behaviour of a company that takes the minimum steps necessary to fulfil the laws imposed upon it. The company fulfils “the letter” of the law, but it is not genuinely concerned about the “spirit” of the law. At this level, managers consider the resources expended with this type of action as a cost rather than an investment. In the mission and value statements of the company, no mention is made of environmental preservation or social justice. Thus, companies at this level of behaviour are in great danger of being fined because they fulfil the absolute minimum demands that are required by legislation.

*The usual level* reflects the behaviour of companies that are judged by society at large as moral but not honourable. At this level, companies may engage themselves in activities oriented towards sustainable development that are not demanded by law. However, the only objective of these actions is to guarantee short-term financial benefits that are presumably greater than the costs of undertaking such activities. The company is primarily concerned with improving its reputation. Thus, at this level, the mission and value statements of the company may contain references to sustainable development; however, managers' objectives do not involve the creation of a “better world” but rather the development of a socially acceptable company image where environmental and social practices are concerned.

When companies progress to *the practical level*, they adopt environmentally and socially responsible actions because they understand that this is the “right thing” to do. The main concern is not short-term financial returns. The companies at this level invest in this type of action because they understand that such actions can lead to long-term returns. That is, managers of these companies understand that the consumers value these socially and environmentally responsible practices and thus will pay a higher price for the products on offer. Thus, companies at this level have a strong tendency to adopt sustainable practices in order to profit from a specific market segment (as illustrated by Callejo and Broncano (2008) in the case of Mercadona in Spain).

Finally, companies can engage in socially and environmentally responsible activities at *the theoretical level*. At this level, companies are engaged in environmentally and socially responsible actions for the intrinsic value of doing so, that is, for the “good” of all. According to Rayborn and Payne (1990) and Payne and Rayborn (2001), a company at this level truly incorporates the notion of sustainable development into its strategies. It does not adopt such practices under legal pressure, but rather because it considers such practices fundamentally necessary. Thus, through these different levels of corporate ethical behaviour, employees in a given company may become engaged in different forms of social and environmental actions. A firm can vary between a more basic level and a more theoretical level of engagement.
Organisational Learning

The engagement and consciousness of individuals regarding the diverse hierarchical levels of a company, as well as the importance of implementing strategic actions that take into account sustainable development issues, are important elements in the strategic formation process. Employees are engaged in a learning process that influences understanding about the importance of these sustainable actions. This can be reflected in the behaviour of the entire firm.

Several authors (Argyris & Schön, 1996; Easterby-Smith & Araujo, 2001; Hayes & Allison, 1998; Kolb, 1997; Nonaka & Takeushi, 1995; Prange, 2001; Senge, 2000; Swieringa & Wierdsma, 1995) have influenced the literature on organisational learning processes. Some have already made the link between individual learning within a company and sustainable development (Sharma, 2000; Bansal, 2003; Bansal & Roth, 2000; Ramus & Steger, 2000; Anderson & Bateman, 2000; Reverdy, 2005).

These arguments highlight the importance of stimulating social and environmental consciousness among employees. In particular, Argyris and Schön (1996) characterise the different types of learning among employees and the consequences of such different types of learning. We adapt this proposition to the context of CSR.

According to Argyris and Schön (1996), individuals in an organisation are engaged in two types of learning: single-loop learning and double-loop learning. Single-loop learning is a type of instrumental learning that modifies the strategies of current or anticipated actions without modifying the values that lead to those actions. Double-loop learning refers to learning that results in changes in actions as well as in the values that are at the foundation of such strategic actions. In other words, double-loop learning includes changes in objectives and directives.

Extending Argyris and Schön (1996) to the sustainable development debate, single-loop learning might result in changes in the actions of companies that aim to adapt to environmental and social laws or that wish to enhance their reputations. Alternatively, double-loop learning might result in changes with respect to the values that individuals hold, especially as they acquire consciousness about the importance of environmental preservation and social rights. This consciousness, in turn, may be exerted in order to change strategic actions within and even outside the company.

THE THEORETICAL FRAMEWORK

In order to detail our theoretical framework fully, we summarise the literature discussed earlier while presenting the case of the Brazilian bank ABN AMRO Real. As suggested by Siggelkow (2007), we use this case in order to illustrate the proposed framework.

ABN AMRO Real of Brazil is one of the leading banks in Latin America in terms of CSR integration into firm strategies. It was founded 91 years...
ago, with the first banking centres operating in the cities of Rio de Janeiro and Santos. In 1971, the bank changed its name to Bank Real, and in 1993, it became ABN AMRO Real. In 2003, the bank was bought by a consortium formed by RBS, Fortis and Santander (CSR Report, 2007). In 2007, the bank was one of the five major private banks in Brazil, and it was on the list of top 15 most admired companies in the country (Kanter & Pinho, 2007).

In 1998, the Brazilian banking industry entered into a consolidation phase, and the top managers of ABN AMRO Real decided to emphasise “value creation” as its distinctive theme. Kanter and Pinho (2007, p.4) highlight how the bank became a leading company in terms of CSR:

*In May 2001, a report was issued, “A New Bank for a New Society,” which explained the Bank of Value concept and identified initiatives already underway that exemplified it. The bank also decided to postpone external communication until internal processes for corporate socio-environmental responsibility were in place. It was not until late in 2002 that the “Bank of Your Life” campaign went to the media. “The process will be slower than what many had hoped for, and deeper than what many believed it would be,” observed an executive from Amsterdam headquarters."

Based on the CSR strategy set up by ABN AMRO Real, we present illustrative examples for each CSR dimension, namely, governance, stakeholders, ethics and organisational learning. At the end, we present our entire framework in order to understand this bank’s strategic formation process.

**Dimensions of the Framework**

**Governance**

The governance system of the bank can be divided into three levels. At the corporate level, the bank states its vision and mission in terms of sustainable development and also discusses the subject at the highest levels of the company in an explicit manner:

**Vision:** A new bank for a new Society. An evolving Society, one that is increasingly well informed and aware, striving to integrate social and environmental needs with economic activities in all its decisions. We, as organization and as individuals, are agents of this evolution. (CSR Report, 2007)

**Mission:** To be an organization recognized for providing the highest quality financial services to our clients, generating sustainable results and working to satisfy people and organizations, which together with us contribute to society’s evolution. (CSR Report, 2007)

At the business level, we see that in 2004, a Directorate of Education and Sustainable Development was created to emphasise the company’s educational mission as well as its main target (Kanter & Pinho, 2007, p.5).

This directorate guarantees a formal structure for organising activities surrounding sustainable development at the business level.

At the operational level, the bank has created committees integrating customers, employees and suppliers in order to diffuse sustainable development actions:

*In order to broaden the discussions, one of the first actions made was to*
create three committees of executive directors and managers from throughout the bank: market (responsible for products, customers, and credit risk analysis); management (eco-efficiency, employee diversity, and suppliers); and social action (social investment and community involvement).

These committees would oversee projects and programs and also help the concepts penetrate all levels of the company. By 2002, the executives who had discussed the Bank of Value proposition were serving as champions of the ideas and sponsors of projects. (Kanter & Pinho, 2007, p. 5)

**Stakeholders**

At the corporate level, as in the governance section, we see how the vision and mission stated by ABN AMRO Real create a unique relationship between the bank and its stakeholders. The society in which the bank operates becomes an important stakeholder in the bank’s discourse, which significantly affects on its strategy. At the business level, micro-credit activities have been developed. This business practice was honed in poor communities in Brazil, and in 2007, it has resulted in the employment of 250 individuals across 200 cities and 53,000 new clients (CSR Report, 2007).

At the operational level, negotiations with suppliers have been implemented, while a new policy has been developed. As stated in the vision and mission, to become an agent in society, ABN AMRO Real has started to demand responsible behaviour from its suppliers.

**Corporate Ethical Behaviour**

At the corporate level, the bank’s vision and mission are also good examples of how the company acts with respect to legal requirements. It is clear that its actions to change society at different levels go far beyond the legal requirements imposed on the company. In addition, this helps to explain the unique position that the bank occupies in the Brazilian market with respect to sustainability issues.

At the business level, the 2007 CSR Report emphasises micro-entrepreneurs. Certain conditions notwithstanding, the bank has given these micro-entrepreneurs credit and has allowed them to distribute revenues. As such, this is a way of investing in the personal development of new clients as well as in the construction of a business that will serve as a basis for the bank’s profitability in the future.

At the operational level, guidelines for supplier relationships include a task force that reports to a procurement department that works to systematise social-environmental responsibility procedures:

The bank undertook to forge a new kind of relationship with its 4,000 active suppliers, beginning with a pilot effort. The supplier mobilization committee selected 15 very diverse companies (totalling 882 employees) – from giants such as IBM with high-skill professionals to small local service suppliers. The idea behind combining companies apparently so different was to create a mutual learning process. The selected suppliers were invited to a meeting at the company’s headquarters in November 2001, to discuss the still-vague concept called “Bank of Value.” None of the suppliers knew what would be discussed – but they feared it involved cutting costs. ABN AMRO REAL’s goal was not to revise contracts. The top managers wanted suppliers to partner with the bank and to adopt the principles of corporate social responsibility themselves. Idea sharing led to joint projects. In 2003, guidelines for supplier relationships were
defined by a task force reporting to the procurement department, which was working to systematize socio-environmental responsibility procedures. The idea was not to develop a “black book” by which suppliers would be put aside if they did not adapt to principles, but a “white book” that could stimulate good practices regarding human resource management and relationship with the community. Suppliers were asked to sign terms of service declaring that they know the bank’s policies and are willing to follow them, and that ABN AMRO REAL could also monitor and evaluate the fulfillment of contracted obligations through personal inspection. (Kanter & Pinho, 2007, p.10).

Organisational Learning
At the corporate level, the bank’s top managers have embraced the company’s new vision and mission as a way of developing business. They were the first to become aware of the importance of the notion of “a bank for society” and to implement this idea throughout the company (Kanter & Pinho, 2007).

At the business level, the bank has tried to disseminate this new social and environmental risk analysis and policy to the middle managers:

In May 2002, the bank launched a training program, in partnership with IFC, for widespread education about social and environmental risk analysis and policy, starting with approximately 100 bank executives. From July 2002 to February 2003, Friends of the Earth partnered with ABN AMRO REAL in training another 1,750 employees, including branch managers, middle market and large accounts relationship managers, and credit analysts. (Kanter & Pinho, 2007, p. 6)

At the operational level, awareness activities have also been fostered:

Overall, employee participation and creativity were encouraged. Employee development was valued; for example, in 2003, 79,433 e-learning sessions took place. Communication was abundant, and employee ideas were solicited. Bank leaders wanted to continue their “organic and inspirational approach” while further embedding sustainable development in the organization and the mindset of the staff. (Kanter & Pinho, 2007, p. 12)

Through these examples, the case of ABN AMRO Real allows us to illustrate the implementation of the four dimensions of CSR at different strategy levels. This means that actions linked to CSR involve top managers, middle managers and operational employees; such actions are often directed by the top and middle managers but implemented by the operational employees. Table 1 displays the relationships between the different highlighted elements and the strategic formation process. Note that in each box in Table 1, an illustrative example from ABN AMRO Real is presented.
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<th>Strategic levels</th>
<th>Dimensions of sustainable development</th>
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<th>BUSINESS</th>
<th>OPERATIONAL</th>
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<td>Previous Literature</td>
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<td>Structure of CSR and the engagement of middle managers</td>
<td>Structure of CSR and the engagement of operational employees</td>
</tr>
<tr>
<td>ABN AMRO Real</td>
<td>(CSR Report, 2007; Kanter &amp; Pinho, 2007)</td>
<td>Vision, mission and the engagement of top managers.</td>
<td>The creation of the Directorate of Education and Sustainable Development in 2004 to emphasize the company’s educational mission, as well as its main target.</td>
<td>Three operational committees were created regarding the market, management and social action.</td>
</tr>
<tr>
<td>STAKEHOLDERS</td>
<td>Previous Literature</td>
<td>Power, legitimacy, and urgency of corporate shareholder claims.</td>
<td>Power, legitimacy, and urgency of corporate and business stakeholder claims.</td>
<td>Power, legitimacy, and urgency of operational stakeholder claims.</td>
</tr>
<tr>
<td>CORPORATE ETHICAL BEHAVIOUR</td>
<td>Previous Literature</td>
<td>Proactive attitude regarding global and macro-level social and environmental laws.</td>
<td>Proactive attitude regarding global and local social and environmental laws.</td>
<td>Proactive attitude regarding local social and environmental laws.</td>
</tr>
<tr>
<td>ABN AMRO Real</td>
<td>(CSR Report, 2007; and Kanter &amp; Pinho, 2007)</td>
<td>Vision and mission.</td>
<td>Micro-crediting for entrepreneurs and related investments to guarantee the profitability of the bank in the future, with more than 19 million potential clients in Brazil.</td>
<td>Steps towards enhanced customer focus include increasing decision-making autonomy for branches to solve small problems on the spot, reviewing communications with customers and encouraging dialogues across branches within the bank.</td>
</tr>
</tbody>
</table>
Table 1 : CSR Elements and Strategic Levels Using the Brazilian bank ABN AMRO Real as an Illustrative Case

Table 1 contains three elements which should be highlighted. Firstly, the traditional elements of firm strategy (i.e., the tension between deliberation and emergence and the three levels of strategy) are important for understanding the framework. Secondly, Martinet and Reynaud’s (2004) proposition about the constant interplay between financial and sustainable axes suggest the dynamic and risky sides of CSR strategies, including the economic, environmental and social elements. Finally, the illustrative example of ABN AMRO Real further demonstrates how these dimensions may be combined. We thus propose a theoretical framework that links these basic concepts using the four elements of CSR presented here, namely, corporate governance, stakeholders, corporate ethical behaviour and organisational learning. We highlight that these characteristics always represent idealised, if not stereotyped, situations for each of these elements, as companies in reality move between these axes. Figure 4 depicts our theoretical framework, including its various components and the links between them.

<table>
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<tr>
<th>ORGANISATIONAL LEARNING</th>
<th>Previous Literature</th>
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<td>ABN AMRO Real</td>
<td>(CSR Report, 2007;</td>
<td>In May 2002, the bank launched a training program in partnership with IFC for the widespread education of social and environmental risk analyses and policy, starting with approximately 100 bank executives. From July 2002 to February 2003, Friends of the Earth partnered with ABN AMRO REAL to train another 1,750 employees, including branch, middle market and large accounts relationship managers, as well as credit analysts.</td>
<td>Overall, employee participation and creativity are encouraged. Employees development is valued; for example, in 2003, 79,433 e-learning sessions took place. Communication is abundant, and ideas are solicited from employees. Bank leaders aim to continue their “organic and inspirational approach” while further embedding sustainable development in the organisation and the mindset of the staff.</td>
<td></td>
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The engagement of top managers.
Thus, from a theoretical point of view, this framework links various concepts related to firm strategy and CSR in order to advance our understanding of the strategic formation process that takes into account sustainable development. From a firm's point of view, this framework serves as a foundation for managerial decisions and reflections. It represents a dynamic process within which a company can constantly move, depending on the type of action that it carries out at different times. It is a conceptual structure that should vary across each company depending on its specific sector and geographic region.

*It is important to note that the four components of CSR detailed above can vary across corporate, business and operational levels; they can constantly be influenced by various actions that are deliberated, as well as by actions that emerge at the operational level and influence the corporate level. It is important to observe that the objective of this framework is not to indicate whether the company arrives at one axis or at another, but to ensure that the company understands that it is necessary to balance economic, social and environmental concerns dynamically.* Thus, this notion of constant movement is fundamental in the framework.

**DISCUSSION AND CONCLUSIONS**

This paper contributes to the literature on CSR and strategy by showing the dynamic nature of CSR strategies, taking into account both ver-
tical dimensions (e.g., corporate, business and operational levels) and horizontal ones (e.g., from shareholders to stakeholders).

To achieve those aims, we linked basic concepts involving strategy as a process of deliberation and emergence occurring at the corporate, business and operational levels with concerns linked to sustainable development and CSR. We followed findings by Martinet and Reynaud (2004) by considering enterprise strategy as a constant “game” between financial and sustainable axes. To detail these two extremes, we included in the framework four important elements from the CSR literature, namely, corporate governance, stakeholders, corporate ethical behaviour and organisational learning. For each of these four elements, we proposed some theoretical characteristics regarding the financial and sustainable axes.

For corporate governance, we used Martinet and Reynaud’s (2004) study. According to these authors, corporate governance can oscillate between the financial and sustainable axes. Thus, companies in the financial axis may present characteristics such as the lack of a specific structure for managing sustainable development and CSR with no consideration of stakeholders in decision committees. On the other hand, a company is considered to be focused on the sustainable axis if it has a specific structure to manage sustainable development and CSR. In this case, managers are engaged with these issues while stakeholders are considered for the decision committees.

Regarding stakeholders, we referred to Mitchell et al. (1997) to argue that the financial axis is associated with the idea that stakeholder claims regarding sustainability are not considered urgent and that stakeholders are not considered legitimate or powerful enough to impose such restrictions on the company. The urgency, legitimacy and power of such claims are greatest with respect to shareholders, and their goal is to maximise the value of the firm’s capital. The sustainable axis, meanwhile, is associated with the idea that stakeholder claims for sustainability are considered urgent. Moreover, these stakeholders are considered legitimate and powerful enough to impose restrictions on the firm.

Regarding corporate ethical behaviour, we highlighted the contribution from Rayborn and Payne (1990) and Payne and Rayborn (2001). As discussed above, these authors view companies as passing through four levels of ethical behaviour related to sustainable development, namely, the basic level (i.e., action solely determined by legal requirements), the usual level (i.e., action slightly beyond the minimum legal requirements without an awareness of the importance of social-environmental responsibility), the practical level (i.e., action that passes well beyond the legal requirements and includes a more developed level of awareness regarding the importance of such actions) and the theoretical level (i.e., action that greatly exceeds the legal requirements together with the presence of a highly developed awareness of social-environmental concerns).

Thus, the basic level is associated with the financial axis, while the theoretical level is associated with the sustainable one.

Regarding organisational learning, we highlighted a contribution from Argyris and Schön (1996).
As presented above, these authors consider that the individuals involved in a given firm pass through two types of learning process. The first is single-loop learning, which involves a change in behaviour but not values, and the second is double-loop learning, which involves a cognitive change in values considering sustainable development concerns. Thus, single-loop learning is associated with the financial axis, while double-loop learning is associated with the sustainable axis. **Table 2** summarises the financial and sustainable axes concerning the four elements discussed above.
| SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY | 
| --- | --- |
| Aggeri et al. (2005); Bansal (2003; 2005); Bansal & Roth (2000); Barin-Cruz et al. (2006); Egri & Pinfield (1999); Gladwin, Kennelly & Krause (1995); Martinet & Reynaud (2004) | 

| CORPORATE GOVERNANCE | 
| --- | --- |
| Ballet (2005); D’Humières (2005); Martinet & Reynaud (2004) | 
- Company does not have a specific structure for managing sustainable development and CSR.
- Managers are not engaged with these issues.

| STAKEHOLDERS | 
| --- | --- |
| Carroll & Nasi (1997); Freeman (1984); Frooman (1999); Martinet & Reynaud (2004); Mitchell et al. (1997) | 
- Stakeholder claims regarding sustainability are not considered urgent: lack of legitimacy and power.
- The goal is to maximise the value of the firm’s capital (at the corporate level).

| CORPORATE ETHICAL BEHAVIOUR | 
| --- | --- |
| Ballet & De Bry (2001); Bansal & Roth (2000); Buchholz (1998); Sharma (2000); Payne & Rayborn (2001); Pena (2004) | 
- The company’s behaviour is based on the basic level (action solely determined by legal requirements).
- In the three levels (corporate, business and operational), the main focus of the employees is the generation of financial value for the company.

| ORGANISATIONAL LEARNING | 
| --- | --- |
| Anderson & Bateman (2000); Argyris & Schön (1996); Bansal (2003); Kolb (1997); Prange (2001); Reverdy (2005); Senge (2000); Sharma (2000) | 
- Single-loop learning (changes in behaviour but not values).
- At the three levels (corporate, business and operational), the employees are aware of the importance of balancing economical, social and environmental issues. However, they do not place much importance on sustainability in their daily activities.

|  | 
| --- | --- |
| Company has a specific structure to manage sustainable development and CSR.
Managers are engaged with these issues at three levels: corporate (top managers), business (middle managers) and operational (employees). | 
- Stakeholders’ claims for sustainability are considered urgent.
- These stakeholders are considered legitimate and powerful.
- The values are integrated at different levels: corporate, business and operational.

| The company’s behaviour is based on the theoretical level (actions that greatly exceed the legal requirements together with the presence of a highly developed consciousness about social-environmental concerns).
In the three levels (corporate, business and operational), the main focus of the employees is finding a balance for the generation of financial, social and environmental values for the company. | 

| Double-loop learning (cognitive change in values).
At the three levels (corporate, business and operational), the employees are aware of the importance of balancing economical, social and environmental issues. Sustainability really matters for them in their daily activities. | 

Table 2: Various studies from the literature and the main elements of the proposed theoretical framework
Managerial Implications
This framework can assist managers with CSR, particularly in the case of those involved in the definition of strategic objectives, goals and practices. The framework has as its central characteristic a dynamic and evolutionary nature. The constant interplay of deliberation and emergence among the three levels, as well as the constant movement between actions aimed at the financial axis versus actions aimed at the sustainable one, collectively guarantee constant change and reorganisation with respect to the strategic formation process. Indeed, our framework, as illustrated by a practical example, highlights the dynamic and multidimensional characteristics of CSR strategies. Based on this framework, managers may consider placing greater importance on the governance system, the consideration of stakeholders’ interests, the ethical behaviour of their companies and the organisational learning process. Moreover, our framework offers managers some guidelines regarding how to “translate” corporate decisions to the business and operational levels.

As can be seen in the illustrative example of ABN AMRO Real, different kinds of projects and actions can be adopted across the various vertical and horizontal dimensions. These projects and actions always evolve, and they can affect the company both internally and externally. Managers involved with CSR can use the ideas presented in this framework to guide their strategies.

Limitations and Future Research
The framework proposed here is limited in its literature review and illustrative example. The literature on strategy, sustainable development and CSR is vast, and new analyses have recently emerged. However, we have focused our review on certain basic and important contributions to these fields so as to enhance the validity of our analysis. The illustrative example that we chose is also necessarily situated within the context of Latin America and, more specifically, Brazil. However, we consider that Brazil is fast becoming a leading country in the world in terms of sustainable development and CSR, and our illustrative example represents one of the most successful examples of CSR and sustainable development in the banking industry in the region in question. Therefore, the example has significant relevance in illustrating our claims.

The set of theoretical links presented in our framework may serve to stimulate future research that may incorporate other elements or explore the aspects presented here empirically across various cases, including comparative studies focusing on companies from the same industry as well as on companies from different industries.
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