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Business, society, and the need for stewardship orientation

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Abstract

Purpose – Organizational change involves optimizing a firm's sustainability performance. The purpose of this paper is to explore how strategic orientations concerning the interface between business and society influence organizations' sustainability performance. To explain how different strategic orientations – especially stewardship and instrumental orientations – impact sustainability performance, dynamic managerial capability theory is explored.

Design/methodology/approach – Ours is an inductive, qualitative study based on the template analysis of interviews conducted among sustainability managers from stock-listed multinational corporations headquartered in the Eurozone.

Findings – Corporations with a stewardship orientation develop different dynamic managerial capabilities underlying sustainability performance than corporations that apply a more instrumental orientation. Results also show an "in-between" position: an equidistant orientation.

Research limitations/implications – This study proves the emergence of different dynamic managerial capabilities that depend on companies' strategic orientation, but follow-up research based on appreciative inquiry is needed to investigate the development of these capabilities over time.

Practical implications – For achieving a higher level of sustainability performance, a stewardship orientation offers a stronger foundation than an instrumental orientation. Also companies with an equidistant orientation have a better sustainability performance than companies with an instrumental orientation, but based on a more central corporate level. The strategic orientation must be grounded in the development of fitting dynamic managerial capabilities that include an emphasis on shared cognition of long-term objectives, inclusion of stakeholders and setting objectives. Also strong internal and external ties, leadership of the CEO, educational background and how to deal with lack of knowledge are important aspects of managerial social and human capital.

Social implications – Due to its focus on the sustainability performance of companies and the identification of the supporting dynamic managerial capabilities, this paper is socially highly relevant.

Originality/value – Previous research has focused on strategic orientation, but little to no research has investigated how various strategic orientations toward the interface between business and society impact sustainability performance or what role dynamic managerial capabilities might play in the related change process.

Keywords Adaptation, Strategic orientation, Stewardship, Sustainability performance, Dynamic managerial capabilities, Stock-listed enterprise

Paper type Research paper

Introduction

Every organization has an impact on society due to its products and processes, and every organization depends to some extent on society for its resources (Harris and Crane, 2002; Millar *et al.*, 2012). This mutual dependency becomes increasingly important with the awareness of societal trends such as climate change, increasing levels of inequality and the degradation of ecological systems (Sachs, 2015). Therefore, the management of the interface between business and society has become a strategic topic for many companies worldwide (Kemp *et al.*, 2010; Orsato *et al.*, 2015). In this context, the term "strategic" refers to topics which relate to the company's long-term prospects and which have a critical influence on its success or failure (Agarwal and Helfat, 2009). This study focuses on the role of strategic orientation: how does strategic orientation toward the interface between

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business and society affect sustainability performance and how can this effect be explained in terms of dynamic managerial capabilities resulting in the change toward higher levels of sustainability performance?

The literature on strategic orientations toward the interface between business and society can be approached from different angles (Windsor, 2006). This paper builds upon the distinction made by Nijhof and Jeurissen (2010) between an instrumental orientation and a stewardship orientation. This distinction is based on studies exploring stewardship in terms of stewardship theory (Davis *et al.*, 1997), stewardship behavior (Hernandez, 2008, 2012) and stewardship climate (Neubaum *et al.*, 2017). A main starting point for this line of literature is that "Stewardship theory defines situations in which managers are not motivated by individual goals, but rather are stewards whose motives are aligned with the objectives of their principals" (Davis *et al.*, 1997, p. 21). According to stewardship theory, these principals cannot be limited to one specific stakeholder group. Instead, "stewards in loosely coupled, heterogeneous organizations with competing stakeholders and competing shareholder objectives are motivated to make decisions that they perceive are in the best interests of the group" (Davis *et al.*, 1997, p. 25). This means that the strategic orientation building upon stewardship assumes "that management should put the long-term best interests of a group ahead of personal goals that serve an individual's self-interests" (Hernandez, 2012, pp. 172-173). So, the best interest of the group is a key concept for a stewardship orientation. Hernandez (2008, p. 121) clarifies this best interest as "an outcome of leadership behaviors that promote a sense of personal responsibility in followers for the long-term wellbeing of the organization and society" (p. 121). Therefore, the definition used in this study for a stewardship orientation is that within the organization, decisions will be pursued with the good of society in mind, in addition to – rather than instead of – concern for making a profit.

In contrast, an instrumental orientation is defined as the mind-set of managers to include societal issues only as long and as far as they are instrumental for the creation of shareholder's wealth (Margolis and Walsh, 2003; Nijhof and Jeurissen, 2010). As a consequence, societal issues can only be included in managerial decision making when it is clear if and how it contributes to compete better in their market(s), reduce expenses and/or support a more positive corporate image (Bruton *et al.*, 2010).

Literature suggests that corporations embedding a stewardship orientation toward managing the interface between business and society – measured in terms of "voluntarily adopted sustainability policies" – achieve better performance overall as compared to that of corporations that have adopted an instrumental orientation (Eccles *et al.*, 2014, p. 2836). This is due to the fact that a stewardship orientation correlates positively with commitment and the long-term creation of value as well as other predictors of positive performance (Wellum, 2007). More specifically, stewardship theory argues that organizational actors can gain "greater long term utility from other-focused, prosocial behaviors relative to the utility gained from opportunistic, self-serving ones" (Hernandez, 2012, p. 172). Therefore, understanding the strategic orientation of companies is relevant for investors, enabling them to investigate why corporations have a higher chance on improving the company's performance in the long term, both from a financial point of view and from the standpoint of sustainability (Bansal and Song, 2017). However, it is not yet clear how this actually works in practice. In order to investigate how organizational change based on certain strategic orientations is enacted, dynamic managerial capability theory is promising since it aims to explain the relationship between managerial decisions and actions, strategic change and corporate performance under conditions of change (Adner and Helfat, 2003). Dynamic managerial capabilities are defined as "the capabilities with which managers create, extend, and modify the ways in which firms make a living" (Helfat and Martin, 2015, p. 1281). Hence, this paper aims to determine the strategic orientation of companies toward the interface between business and society and how the

strategic orientation adopted by stock-listed corporations influences their sustainability performance, especially in terms of dynamic managerial capabilities. Therefore, this investigation is based on an inductive approach to study the interrelationship between stewardship and instrumental orientations in relation to sustainability performance and what types of dynamic managerial capabilities are developed in relation to this strategic orientation. The results are based on a template analysis to code interviews conducted among sustainability managers from stock-listed multinational corporations headquartered in the Eurozone.

The next paragraph contains a description of the main concepts of this study. Next, the method used for the empirical study is clarified followed by the presentation and discussion of the results. The paper finishes with the main conclusions, limitations and recommendations for future research as well as managerial practice.

How strategic orientation impacts sustainability performance

Sustainability performance

Governments and civil society are increasingly placing pressure on businesses to report on social and environmental performance (Keeble *et al.*, 2003, p. 149). Sustainable development requires the integration of social, environmental and economic considerations in the interest of encouraging balanced corporate decision making over the long term (Eccles *et al.*, 2014; Bansal and Song, 2017). This leads to the definition of sustainability performance in terms of environmental, social and economic performance, also known as the "Triple Bottom Line." The Triple Bottom Line is an extension of the traditional concept of the "bottom line," which focused merely on a corporation's economic returns (Elkington, 1999). This study is interested in evaluating corporations from an investor's perspective. Many investors use environmental, social and governance (ESG) performance (Nicolăescu *et al.*, 2015) to help measure the extent to which a corporation is operating in a sustainable manner, in addition to the financial performance measures they already use. In this study, sustainability performance is defined as "observable outcomes of corporate and managerial actions relating to the firm's relationships with its external environment" (Wood, 1991, p. 693). This definition encompasses the social and ecological impacts of corporate behavior and the underlying programs and policies developed by companies to handle these issues and stakeholder interests. Based on the original conceptualization by Wood, this concept is over the years standardized into an ESG score of stock-listed companies (Schramade, 2016), including criteria such as the reduction of CO_2 emissions, human rights violations and transparency with respect to corporate policies. Therefore, sustainability performance is measured in this study on the basis of the ESG performance standards.

Strategic orientation

Predominantly since the end of the twentieth century, the management of the interface between business and society has been coupled with strategy literature (Yin and Jamali, 2016) and change literature (Dunphy *et al.*, 2007). Due to social developments, market pressure and the potential for greater overall long-term performance, firms have incorporated social issues into their strategy to stay competitive. Yin and Jamali (2016) argue that social issues are no longer conceived as purely an ethical or social responsibility for the common good, but increasingly as a potential strategic resource to be leveraged to advance not only a company's fiscal performance and reputation, but also the value of the brand names it holds and its customer relationships.

Depending on the context of a specific study, literature distinguishes between different types of strategic orientations. For example, strategic orientations to the renewal of organizations (Agarwal and Helfat, 2009) and strategic orientations to competition and

market leadership (Treacy and Wiersma, 1997). In this paper, the chosen context is the relationship between strategic orientations concerning the interface between business and society and its influence on organizations' sustainability performance. In this context, there is a long standing debate about the purpose of organizations, with a specific focus on stock-listed companies. One stand is that the sole purpose of a stock-listed company is to maximize their shareholder's wealth, while the other and opposing stand is that the purpose of a stock-listed company also comprises the creation of innovative solutions to deep-seated problems of human misery (Margolis and Walsh, 2003). Nijhof and Jeurissen (2010) build upon this debate by distinguishing an instrumental and a stewardship orientation toward the interface between business and society.

Although the instrumental and stewardship orientations are both valid approaches for businesses to manage the interface between business and society, there are certain differences (Nijhof and Jeurissen, 2010). When applying the instrumental orientation, corporations are expected to include only a selective set of economic measures to better compete in their market(s), to reduce expenses and to support a more positive corporate image (Bruton *et al.*, 2010). The interface between business and society only becomes relevant if these economic measures are influenced by societal issues. As a consequence, an instrumental strategic orientation instructs managers to include societal issues only as long and as far as they are instrumental for the creation of shareholder's wealth (Margolis and Walsh, 2003; Nijhof and Jeurissen, 2010).

When applying a stewardship orientation, corporations are expected to adhere to a broader set of measures because they aim for a relationship with society that creates positive societal contributions such as observing universal rights, sustainable development and the best interests of society (Wellum, 2007; Rath and Gurtoo, 2012). Applying the stewardship orientation means that within the organization, decisions will be pursued with the good of society in mind, in addition to – rather than instead of – concern for making a profit. Hernandez (2012, p. 188) states that "Instrumentality in terms of stewardship theory implies the organizational goal of sustainability – that is, meeting the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland, 1987). Organizations with a stewardship climate emphasize intrinsic motivation, organizational identification, the use of personal forms of power, collectivism, low power distance and involvement orientation (Neubaum *et al.*, 2017).

Dynamic managerial capabilities

Through their strategic orientation, organizations address the fact that a firm must be able to continually adapt to its internal and external environments. For this adaptation, dynamic managerial capabilities theory seeks to explain organizational change toward a certain goal-directed end state, such as the strategic orientation toward managing the interface between business and society, as it provides information in which decisions must be made by managers with regard to the ever-fluctuating environments (Sune and Gibb, 2015; Helfat and Martin, 2015). In order to do so, Helfat and Martin (2015) focus on the managerial impact on strategic change by distinguishing three dimensions of dynamic managerial capabilities: managerial cognition – the mental models and beliefs, knowledge structures, mental processes and emotions; the managerial social capital consisting of goodwill derived from relationships, both formal and informal, that managers have with others and may use to obtain resources and information for sensing new opportunities; and human capital referring to learned skills and knowledge that individuals develop through their prior experience, training and education. Following Helfat and Martin (2015), we focus on managerial cognition, managerial social capital and human capital as the main dimensions of dynamic managerial capabilities. How these dynamic managerial capabilities unfold in the context of the relationship between sustainability performance and the strategic

orientations toward the interface between business and society will be investigated as part of this study. The following list gives a summary of the dynamic managerial capabilities studied:

- Managerial cognition – the mental models and beliefs, knowledge structures, mental processes and emotions.
- Managerial social capital – goodwill derived from relationships, both formal and informal, that managers have with others and may use to obtain resources and information for sensing new opportunities.
- Human capital – learned skills and knowledge that managers have developed through their prior experience, training and education.

Sustainability performance, strategic orientation and dynamic managerial capabilities

Firms tend to develop dynamic managerial capabilities as directed by their firm strategy (Helfat and Martin, 2015). For example, when "the firm's strategic orientation is to achieve differentiation, its dynamic capabilities may direct toward concentrating its assets on developing innovative capability, which results in higher levels of innovative products or services" (Wang and Ahmed, 2007, p. 40). Similarly, if a firm's strategic orientation is aiming for stewardship, certain characteristics with respect to managerial cognition, managerial social capital and human capital might be required. Stewardship theory assumes that sustainable performance can be enhanced by directing resources to restore and develop all forms of capital (human, natural, manufactured and financial) to generate stakeholder value over the long term (Hawken *et al.*, 2008). However, on the basis of existing literature, it is hard to theorize about the specific characteristics of these dynamic managerial capabilities. This is why an inductive approach has been used for this study. Based on data collected at stock-listed corporations with a stewardship and an instrumental orientation, this study aims to identify certain patterns in how dynamic managerial capabilities unfold in the context of sustainability performance and subsequently discuss results in relation to the existing literature.

Method

Research strategy

This study aims to determine whether and how the strategic orientation toward the interface between business and society of stock-listed corporations influences their sustainability performance. To gain insight into stock-listed organizations, 12 Blue-Chip organizations were selected that were headquartered in the Eurozone. "Blue-Chip" organizations hold the most liquid stocks and are super sector leaders in their industries. These 12 companies were selected on the basis of the method proposed by Seyed Kalali and Heidari (2016). Polar samples from different industries were used to avoid sector bias. This is especially helpful because we wanted to compare stewardship-oriented organizations with instrumental-oriented organizations with respect to their development of dynamic managerial capabilities and related sustainability performance (see Martin, 2011; Maurer and Ebers, 2006, for a comparable way of sampling). This resulted in a sample of 12 companies with pairs of two companies (one instrumental and the other stewardship oriented) for the following industries: banking, chemistry, consumer goods, insurance, industrial, telecommunication and utilities. The steps of the research strategy are visualized in Figure 1.

Data collection on dynamic managerial capabilities

Initially, the 12 organizations were selected on the basis of their stewardship or instrumental orientation as expressed on their webpages, through online presence, and in sustainability reports.

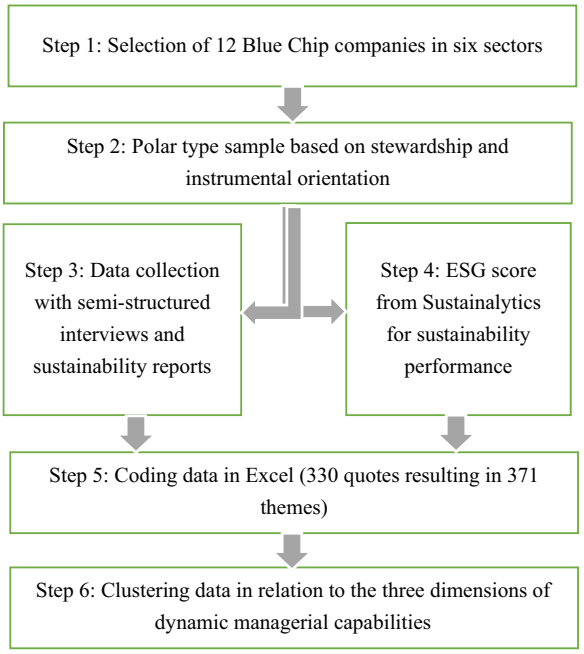

Figure 1.
Overview of the steps in the research strategy

Next, semi-structured interviews were conducted with sustainability managers and sustainability experts. The interviews together with the statements in the sustainability reports provided in-depth information on the strategic orientation toward the interface between business and society. The interviews were conducted in English and lasted an average of 40 min. Interviewees were asked to discuss their mental models of the strategic orientation of their company as well as their perceptions of how managers in their organization implement and update their strategy. Afterwards, in the coding process, these results were interpreted to derive the main themes mentioned by the interviewees and these themes were categorized in the three dimensions of dynamic managerial capabilities: managerial cognition, managerial social capital and human capital.

Data coding and analysis

The sustainability performance of the selected 12 companies was measured with the ESG score provided by Sustainalytics, a measurement for ESG performance that is often used and referred to in academic literature (Novethic, 2014). It provides information on a broad range of companies to the world's foremost investors (Sustainalytics, 2017). Sustainalytics conducts quantitative analyses of over 100 metrics in relation to the ESG issues that are all part of the sustainability performance of corporations and scores them in relation to their industry peers. The ESG score results in the classification of each company into one of the five categories: laggard, underperformer, average performer, outperformer and leader.

Next, the data of the interviews were transcribed, resulting in more than 150 pages of raw material. For this study, we chose to analyze our data on the basis of template analysis (King and Brooks, 2016) with the goal of generating theory from data. Building upon Eisenhardt (1989), our main interest was to develop stronger theory, that is to say a better understanding of relationships between the *a priori* themes or constructs grounded in empirical data. As qualitative research lends itself for deriving meaning from expressed

opinions, the "pragmatic" approach proposed by Turner (1981) was used which involves "the tentative deduction of central concepts and constructs as guides for subsequent inductive theory development" (Harris and Crane, 2002, p. 217). Template analysis of the data balances a relatively high degree of procedural structure while maintaining adaptive flexibility to fit the study at hand (King and Brooks, 2016). Both structure and flexibility stem from the central concept of template analysis: the so-called "coding template." This template is used to structure research data and is devised against the backdrop of a first set of (interview) data, to be subsequently refined on the basis of further research data.

The raw data were coded by themes and recorded in Excel. The themes of the initial template for this study were expressed in general terms, so to further distinguish nuances, a hierarchical coding mechanism was developed: "Hierarchical coding allows researchers to analyze texts at varying levels of specificity" (Cassell and Symon, 2004, p. 258). After the data had been analyzed, a second round of coding was conducted. This was done for a further focus on and categorization of common sub-themes. These sub-themes are not only academically relevant, but they also have practical relevance for the results of the current study, as they provide concrete examples of how companies can utilize the dynamic managerial capabilities studied.

Results

The interviews resulted in 330 quotes that referred to the main relationship between strategic orientation toward the interface between business and society and its influence on sustainability performance. Of these quotes, 371 themes were extracted because some quotes comprised more than one theme. To our surprise, we could not categorize these themes in relation to the two distinguished strategic orientations. Next to the stewardship orientation and instrumental orientation, a third category emerged from the data. That is why, from the interview results, three different strategic orientations could be distinguished in our sample: stewardship, instrumental and one which we termed equidistant because it lay in between the two previous orientations. In the discussion section, equidistant orientation is discussed. Here, the resulting classification of the strategic orientation and ESG performance for the selected companies in our sample is presented in Table I.

For each of these companies, the relevant quotes about the influence of the strategic orientation on sustainability performance were coded and interpreted in terms of how dynamic managerial capabilities unfold in this context. Table I presents the results of this study. The columns represent the classification of strategic orientation; the rows represent the various dynamic managerial capabilities found in the study. This study shows evidence that several dynamic managerial capabilities are important for achieving a higher sustainability performance. This was found to be especially true for emphasis on education and knowledge of sustainability issues, utilizing proven methods as a guideline to learn from, sustainability embedded in company culture and human intelligence, a

Strategic orientation	Sustainability performance	Industry	Sustainability performance	Strategic orientation
Equidistant (1.48)	Average performer	Banking	Outperformer	Equidistant (1.50)
Instrumental (1.00)	Average performer	Chemistry	Outperformer	Stewardship (2.24)
Stewardship (2.05)	Average performer	Consumer goods	Outperformer	Stewardship (2.44)
Instrumental (0.61)	Leader	Insurance	Leader	Stewardship (2.07)
–	–	Industrial	Leader	Stewardship (2.42)
Instrumental (1.74)	Leader	Telecommunications	–	–
Equidistant (1.72)	Outperformer	Utilities	Average performer	Equidistant (1.94)

Table I. Sustainability performance of selected corporations

top-down-bottom-up character of organizing, taking decisions and communication, and finally inclusiveness of groups from outside organizations. These themes were clustered in relation to the three dimensions of dynamic managerial capabilities and will be discussed in the next section of this paper.

The total column shows the total number of quotes per dynamic managerial capability noted over the total number of quotes; the total row portrays the total number of quotes that refer to each type of strategic orientation for the total number of quotes. The total for the themes sums up to the total number of quotations (371) in this study; consequently, the sum of the number of quotes for each strategic orientation also equals the total number of quotes used in this study. The percentages in each column were calculated by dividing the number of quotes that portray a strategic orientation with a certain dynamic managerial capability divided by the total number of quotes relevant to that dynamic managerial capability. Next to these quantitative data, Table II presents a qualitative description for every dynamic managerial capability regarding a specific strategic orientation.

Before we discuss the results in detail, we need to consider Table II. By coding and categorizing themes in relation to the three dimensions of dynamic managerial capabilities, several clusters emerged that all received a specific name in the coding process. The percentage of how frequent each of these themes was mentioned by the interviewees gives a first indication of the relevance of these themes, but is not leading in the interpretation of the results. First of all the coding process intended to reveal how managers within companies for each of the three strategic orientations give meaning to that specific cluster of dynamic managerial capabilities.

Managerial cognition

The coding of the interviews resulted in 189 themes illustrating some parts of managerial cognition. Each of these themes (descriptive themes) was interpreted (interpretative themes) and clustered (overarching themes). This resulted in three clusters for managerial cognition: long-term objectives, inclusiveness of groups and setting objectives.

The concept of long-term objectives refers to the belief of managers in long-term value creation, inclusiveness of groups concerns the mental models about what stakeholder groups are included in managerial decision making, and setting objectives represents the mental processes of interpreting standards for assessing, evaluating and improving strategy implementation. These clusters are illustrated and discussed in the next section. First, the main results are described in relation to these three themes.

Table II shows that for all three strategic orientations, long-term objectives are discussed almost equally, we see distinct differences with respect to the content of the remarks. Among the organizations with a stewardship orientation, the common values shared by the employees and the organization were most frequently mentioned. In addition, we saw that the emphasis on core values differed among the various orientations. Managers in instrumental organizations discussed business results when it came to long-term value creation and criticized vague terms used by other actors. Managers in equidistant organization highlighted the importance of incorporating a limited set of sustainability issues relevant for their organization. Furthermore, they emphasize the importance of materiality in assessing what issues should be included. Managers in the more stewardship-oriented corporations discussed how to direct the organizational intellect on core values to create long-term value. One of the most outspoken quotes comes from a manager of Case 8 (stewardship orientation):

> Look, I mean I think it reflects the main purpose the company has, which is to make sure our solutions are addressing the needs of society now, within the boundaries of the limitations of the planet so we don't compromise future generations or current generations. So that's kind of what it points to, right?

Strategic orientation	Stewardship orientation	% quotes	Equidistant orientation	% quotes	Instrumental orientation	% quotes	Total
Managerial cognition							
Long term objectives	Managers belief long-term value creation requires evaluation of all decisions based on core values of the company	22	Managers belief long-term value creation requires focus on materiality of sustainability issues	24	Managers belief long-term value creation is a lot of talk with limited effect on business goals	22	87/371 (23%)
Inclusiveness of groups	Mental models represent holistic thinking about business in society (all stakeholders)	14	Mental models include attention for a broad range of stakeholders including customers, investors and employees	11	Mental models represent primary attention for creating value for investors	6	36/371 (10%)
Setting objectives	Managers develop their own standards and fully integrate them in the planning and control cycle for progress measurement and improvements	15	Managers utilize proven standards such as GRI or RobecoSAM and use them especially for assessment, but also for improvements	22	Managers refer to sustainability standards and rankings such as UN Global Compact or Dow Jones sustainability index as a basis for evaluation	28	66/371 (19%)
Managerial social capital							
External ties of managers	Due to the consistent strategic priorities managers are able to convince and involve network partners in implementation of their sustainability strategy	14	Due to external constraints managers are opportunistic in applying sustainability initiatives with other stakeholders	8	Managers monitor external parties, especially pressure of NGOs, to manage sustainability risks	4	22/371 (6%)
Internal ties of managers	Managers stimulate innovation at every level of the organization and align them with the overall sustainability strategy	13	Managers tend to look at specialized departments or committees to drive sustainability initiatives	17	Managers emphasize top-down decision making and look for examples to showcase sustainability performance	24	59/371 (16%)
Leadership of the CEO	The CEO has activities outside the organization for sustainability	4	The CEO has initiatives within the organization for sustainability	2	The CEO has few initiatives in the organization for sustainability	4	14/371 (4%)

(*continued*)

Table II.
Strategic orientation and dynamic managerial capabilities – main findings

Strategic orientation	Stewardship orientation	% quotes	Equidistant orientation	% quotes	Instrumental orientation	% quotes	Total
Human capital							
Educational Background	Managers make sure they are educated in state of the art knowledge about sustainability	14	Managers are selective in what education and knowledge about sustainability they are looking for	11	Managers feel they do not need or have already enough education and knowledge development about sustainability	8	47/371 (13%)
Lack of education and experience	Managers use doubts to generate new ideas for sustainability	5	Managers hide doubts and focus on what they know	6	Managers use doubts about simplistic models for sustainability to delay progress or deny relevance of sustainability	2	21/371 (5%)
Total		224/371 (60%)		96/371 (26%)		51/371 (14%)	371/371 (100%)

Notes: Percentage for each strategic orientation: number of quotes that portray a certain dimension of dynamic managerial capability divided by the total number of quotes of that strategic orientation. The total column shows the total number of quotes per dynamic managerial capability divided by the total number of quotes. The total row portrays the total number of quotes that refer to each type of strategic orientation divided by the total number of quotes

Table II.

In contrast, a manager of case 3 (instrumental orientation) also discusses the core values of the organization, but with a strict focus on business results in the short run:

> Well I guess we're a publically listed company so the main legal goal is to make a return for the shareholders, so that's the basic legal essence of it.

This quote also creates a link to the next concept of managerial cognition: the inclusiveness of groups. This concept combines those themes of managerial cognition about what stakeholders were included for embedding the strategic orientation to the sustainability performance of a company. Managers in instrumental organizations include especially cost to shareholders and other investors while in equidistant organizations managers include a broader set of stakeholders, especially customers and employees next to investors. This is illustrated well in the next quote of a manager of case 6 (equidistant organization):

> We want to meet their [customer]needs as good as we can and design our innovations around them, nevertheless we are a public company therefore we want to create value for stakeholders especially our investors and employees.

Managers in stewardship organizations apply a more holistic cognition about the role of business in society and as a consequence include all relevant stakeholders, including local communities, supply chain partners and governments. The earlier quote of the manager of case 8 illustrates this point as well.

The third aspect of managerial cognition found in this study is setting objectives. This concept defines the standards that are used in the cognition of managers for assessing, evaluating and improving strategy implementation in relation to sustainability performance. When setting objectives was mentioned, organizations also discussed

screening methods or tools used, such as KPIs and reporting criteria. In addition, the interviewees mentioned reporting for sustainability as an important element and an effective way for corporations to prove that they pursue sustainability practices. However, there are clear differences in how managers reason about this. Managers in organizations with a stewardship orientation tend to set their own standard and mention them also as tools for learning and evaluation: they are useful for teaching employees and management in order to make improvements and to show them where they are doing well. Managers in instrumental organizations, on the other hand, and even though they are more strongly focused on KPIs and results, hardly ever analyze these for improving sustainability performance. Managers in equidistant organizations tend to focus on existing standards with a proven track record as is captured in the next quote of a manager in case 6 (equidistant orientation):

> So our approach was not to come up or develop something totally new. Our approach was to start where our business is and see how can we include sustainability aspect in our business. It is an outcome of our focus areas.

This quote illustrates that managers in equidistant organizations are more experimental and willing to try multiple methods to find which sustainability practices work for their organization.

Managerial social capital

From the 371 themes, 114 related to managerial social capital. Table II shows that these themes were clustered in three categories: External Ties of Managers, Internal Ties of Managers and Leadership of the CEO. External Ties of Managers captures the capability of managers to use their ties with external stakeholders to create sustainability performance, while Internal Ties of Managers defines the same capability but then for involving employees of the organization. Leadership of the CEO refers specifically to the relevance of the network of the CEO in creating sustainability performance.

The results showed that managers in stewardship organizations feel that they have an advantage in involving external stakeholders because they can convince them to contribute to a common goal. This shows a connection with the long-term objectives concept because stewardship organizations stand for core values and – as the concept of External Ties of Managers shows – also use them in their external alignment. Therefore, the social network of managers was emphasized in many interviews as is also illustrated in the next quote of case 4 (stewardship orientation):

> We were trying to kick this off and get all of the entities involved and actually that piece has gone so well that the provision is actually very very high on the business agenda and so there is less of a need to push it through the CR front purely because it's going to happen anyway.

Managers in equidistant organization also have the same ambition to long-term value creation as was shown on the managerial cognition level, but seem to lack the confidence to impose this on their external network. Instead, they apply a more opportunistic approach to build upon initiatives and partnerships that come along and seem to be in line with the overall strategy. Managers in instrumental organizations use their external ties in a different way. For them, these ties are important to monitor NGO pressure and become aware of early warning signals of potential risks related to sustainability issues. This is also illustrated in the next quote of a manager in an instrumental organization (case 4):

> I think the only thing that is a huge driver in corporations is NGO activity, so this has been a huge driver here and I've seen it in other companies that I've worked for before and how much of an impact they have. I think monitoring the activity on NGO's on corporates could potentially be a very strong indicator of future performance.

Internal ties of managers describe the capability of managers to use their ties with employees to contribute to sustainability performance. The respondents from companies with a stewardship orientation stimulate innovation at every level of the organization and apply different methods to align these bottom-up initiatives with the overall sustainability strategy. For example, they discussed social media platforms where employees could post and share information as well as important announcements with their fellow colleagues. Managers of instrumental organizations discussed this in terms of management boards making decisions on sustainability topics. This top-down decision making was combined with using their internal ties to highlight initiatives that showcase good sustainability performance. And managers of organizations with an equidistant orientation gave more authority to specialized departments or committees in relation to sustainability performance. In summary, managers in organizations with a stewardship orientation put greater stress on bottom-up initiatives from all parts of the organization, while managers of equidistant organization emphasize specialized units and managers of instrumental organization put greater stress on top-down decision making.

Leadership of the CEO is the third cluster of themes that emerged in relation to managerial social capital. This concept could arguably be combined with the internal ties of managers sub-theme, but was examined separately due to the focus on the CEO. Multiple participants referred to the CEO and CEO actions in terms of CSR and sustainability. A manager of Case 11 (stewardship orientation) puts it as follows:

> It's also good to know for you. It is where [the CEO] is putting a lot of time and effort. And he is chairing the world economic forum (as you may know) with a woman in Switzerland, in Davos in January. That is always a big event. And he chairs the project there on the circular economy.

This quote illustrates how managers in stewardship organization emphasize the leading role of the CEO in engaging the network partners in the implementation of their strategy. Managers of equidistant corporations also discussed their CEO's initiatives but see its effect more in terms of internal alignment. As Case 12 said it (equidistant orientation):

> […] but our CEO, ***, has set up a very ambitious timeline for this. In fact, he wants to get rid of all the fossil fuel assets in the near future. So yeah, quite ambitious.

Still, we should not overemphasize this theme when it comes to dynamic managerial capabilities, at least not on the basis of the current study: it was mentioned in only 4 percent of the quotes derived from the interviews.

Human capital

In total, 68 themes derived from the interviews were coded in relation to human capital.

Many of these themes emphasized either the knowledge of managers to implement sustainability based on previous education and how to deal with doubts in case they did not have the knowledge. That is why the coding of human capital resulted in two clusters: educational background, and lack of education and experience. Educational background refers to the knowledge and experience of managers relevant for increased levels of sustainability performance. Lack of education and experience describes the capability of managers to deal with doubts in stimulating sustainability performance.

First, the concept of educational background means for managers in corporations with a stronger orientation to stewardship that they either already have or make sure that they are educated in state of the art knowledge about sustainability. An example was provided by Case 11 (stewardship orientation) and concerns higher education coursework for managers:

> Let's look at the curriculum. There is so much more out there, ranging from simple presentation skills to all kinds of more advanced stuff. And I can take them. I don't have to pay anything. I don't need approval from my boss. I can do it in my spare time, but also mandatory courses; general

> business principles; ethical behaviour and all that other stuff. I had to take five of those this year because I am an insider in ***. And all kinds of other stuff. And now we've got another three training [courses] on quality. So all the employees in *** need to complete this course on quality by the end of this year. It's very nice.
>
> Interviewer: And do you find that these higher education courses contribute to innovation within ***? Respondent: I do. Yes, they do and for example what we also developed is a sustainability passport training [course] so every new employee in *** could attend this course. And in a number of countries they made this mandatory.

Managers in the more instrumental-oriented organizations tend to disregard educational background because they feel that they do not need this background or have already enough education and knowledge development about sustainability. Managers in corporations with an equidistant orientation do emphasize educational background but are more selective in what education and knowledge about sustainability they are looking for. It seems that corporations that are shifting toward a stewardship orientation put more focus on educational background because they are trying to generate knowledge about sustainability throughout their organization.

A last cluster derived from the coding is lack of education and experience. Due to the complexity of sustainability issues and the uncertainty about the right course of action, stimulating progress in relation to sustainability performance results in many doubts for managers. However, managers at companies with an equidistant orientation seem reluctant to show their doubts and focus on the things they do know in relation to sustainability performance. For the other two orientations managers use these doubts but in almost opposite ways. Managers in companies with an instrumental orientation have doubts whether the simplicity of some methods used for sustainability performance is a good fit with the complexity of these issues. Furthermore, they use these doubts to delay progress or to deny the relevance of sustainability issues. For example, a manager at case 4 (instrumental orientation) said:

> Even if you look at the UN's guiding principles they don't actually specify at what point in the transaction and what types of transactions and at to what extent of the thresholds in the transactions you are complicit, so you need to use the leverage because they don't actually know.

On the other side, managers in stewardship companies communicate openly about the things they do not know yet because it facilitates network partners to step up and help them in generating ideas for sustainability. The respondent in Case 3 (stewardship orientation) stated the following:

> We have an innovation process globally for all *** activities on CSR. This is the type of process to generate ideas and to try to implement these ideas everywhere. This is the best process of innovation for CSR. What we do is each innovation in different topics, IT, Marketing and Operations, people are able to create innovation in a responsible manner to be sure that each innovation aligns with the specific corporate social responsibility of ***.

Discussion

In this discussion section, the distinct concepts found in this study are discussed in combination for each of the three strategic orientations and related to existing literature.

The influence of stewardship orientation on sustainability performance is realized especially by confidence in the developed dynamic managerial capabilities. This could be due to the impact that a CEO has on an organization's decision to shift toward sustainability practices by sending a message and setting up guidelines for the strategy that needs to be adopted by an organization. As a leader, the CEO has a duty to personify the company values

and to keep the corporation competitive (Cherrier *et al.*, 2012). It is not that management tells employees that these are the foundations in which sustainability performance is built. Rather, these organizations with a stewardship orientation have actively incorporated sustainability into their daily business practices, and they regularly generate knowledge about how to do this. They have presented their strategy in such a way that employees can easily relate to these goals, so they also believe in the company's sustainability vision and work on it. They continually educate and update their employees about their sustainability efforts and combine this with their business purpose. The human capital in organizations with a stewardship orientation is characterized by making sure managers have the education they need and using their doubts to create a stronger involvement of external stakeholders. The decision-making authority is distributed: this means that the authority to make decisions for corporate operations about contributions to sustainability goals is organized locally. However, it is not just the distribution of authority that makes a difference, but also the inclusiveness of groups from outside organizations and the presence of visionary leaders who are active when it comes to sustainability issues. Although our study focused solely on stock-listed companies, the strong external ties of managers found for stewardship companies is in line with results reported by Eikelenboom and de Jong (2017) on dynamic managerial capabilities in small- and medium-sized enterprises. They found that especially the external integration of dynamic managerial capabilities positively related to the sustainable performance of these enterprises. As theorized, organizations with a stewardship orientation have a greater focus on society, which is one reason why they are influenced and impacted more extensively by outside organizations (Hernandez, 2012).

Firms with an instrumental orientation are expected to be characterized by more top-down infrastructure: they rely more heavily on management decisions (Jensen and Meckling, 1976). Firms with an instrumental orientation focus on achieving better business results and tend to have a more hierarchical management structure. The results of this study support this assumption. In these instrumental organizations, when strategic orientation was discussed, internal ties of managers was often mentioned by boards and committees, not only for creating and evaluating internal policies and processes, but also for managing the interface between business and society. Organizations with an instrumental orientation are more strongly focused on addressing pressure from stakeholders (especially shareholders) and on the benefits that sustainability delivers in the way of business performance. Instrumental organizations focus on the results of their KPIs, linked to their sustainability performance and indicating the degree to which they are socially responsible. Measuring and reporting KPIs are important to any corporation. However, what makes KPIs a telling indicator for firms with an instrumental orientation is that they are reported to show that these organizations are sustainable. In contrast, organizations with a stewardship orientation actively use KPIs as learning mechanisms to help them understand where they needed to re-evaluate their strategy. In instrumental organizations, human capital is much more clearly characterized by top-down features. That said, it needs to be stressed that managing sustainability issues is not seen as part of the culture, but rather as a tool for business goals. Strategic decisions seem to be "top-management business," but not "bottom-up business." All decisions taken in the pursuit of sustainability are made by top-level management: there is no distribution of decision-making authority among the staff at lower or local levels of the enterprise. Still, although instrumental organizations are more top oriented, their leaders generally show very few pro-active initiatives in the organization with regard to sustainability. In addition, there is little emphasis on educational background or other forms of using managerial human capital for sustainability issues, which further deepens the gap between employees and a firm's sustainability practices. With regard to managerial social capital, instrumental organizations utilize proven methods such as the Global Reporting Initiative (GRI) or RobecoSam as a basis for evaluation, while

organizations with a stewardship orientation often use these as a guideline only, or even do not mention them at all. Stewardship-oriented organizations tend to emphasize support, relevance and space that is given to individuals inside and outside of the corporation as well as on the demonstration of perseverance and creativity in resolving quandaries within an organization with a stewardship orientation (Davis *et al.*, 1997; Krzakiewicz, 2013). Hence, instrumental corporations would rely more on external standards in setting objectives, something which this study does in fact demonstrate. Parallel with this, instrumental organizations show no evident relationship between sustainability and long-term objectives, for example. In many cases, employees would not even know or relate to sustainability in any way. In summary, for an organization with an instrumental orientation, managing the interface between business and society is an add-on, an aspect that is needed to obtain the results that it seeks; such an organization does not analyze these results with respect to improvements in terms of sustainability performance. Since sustainability is only used as a tool rather than an integral part of an instrumental organization's business practices, this means that for employees there is no connection between the business mission and sustainability in their work.

An equidistant orientation concerns an approach with a focus that lies in between an instrumental business and a stewardship action orientation. This does not mean that these corporations do not have any stewardship features; it merely seems that they have not yet fully implemented them into their overall business strategy. This can be seen in how they report about their business: they are concerned with covering every aspect. For example, with the release of the United Nations Sustainable Development goals, many corporations have tried to touch on all aspects of these goals within their corporation, even when these do not align with their business or purpose (WBCSD, 2016). Equidistant companies use the sustainability goals or the Dow Jones sustainability index as a reference for how they should shape their own sustainability activities. They use proven methods such as GRI or RobecoSam sustainability assessment as a basis for evaluation rather than as a guideline. This may be effective for acknowledging that companies need to transition toward integrated sustainability, but these companies limit themselves by copying these methods and failing to customize their methods to fit their business identity. This can be observed in their sustainability performance, since they perform better than the companies with an instrumental orientation. Nevertheless, their performance on sustainability issues still lags behind that of the firms with a stewardship orientation. This is also shown by different emphasizes on the development of dynamic managerial capability. Aspects of internal ties of managers show that many decisions regarding sustainability are still being made at a more central corporate level instead of locally. Although there are efforts to communicate decisions throughout the organization, employees do not acknowledge how sustainability relates to their daily activities.

Conclusion and recommendations

This study aimed to determine whether and, if yes, how a strategic orientation toward the interface between business and society on the part of stock-listed corporations influences their sustainability performance. Based on this study, it can be concluded that a corporation with a stewardship strategic orientation does indeed show high scores on sustainability performance measured on the basis of ESG scores. An organization with an instrumental strategic orientation treats sustainability issues as an extraneous addition to their business, resulting in lower sustainability performance compared to organizations with a stewardship.

Furthermore, it can be concluded that based on the data next to the instrumental and stewardship orientation a third orientation – labeled as equidistant orientation in this study – should be distinguished in order to explain the developed dynamic managerial capabilities.

Organizations with an equidistant strategic orientation recognize the importance of sustainability issues even though they still need a transition to fully integrate them into their business strategy.

Limitations in terms of the scope of this research indicate that possible questions remain for future research. First, although the study was conducted in such a way that every participant could comprehend the questions and content of our research, there were language barriers. All interviews were conducted in English. This may have limited the extent to which the participants were able to understand the issue fully: for a majority of participants, English was a second or third language.

Second, the study of dynamic managerial capabilities focuses on managerial impact on strategic change (Helfat and Martin, 2015). However, as shown by this study and other studies on dynamic managerial capabilities for sustainability performance (Eikelenboom and de Jong, 2017), external factors in the eco-system surrounding the organizations in question play a role too. Since the interview protocol used in this study was geared toward internal operations (dynamic managerial capabilities), external factors may have played a more prominent role in the strategy than this research shows. Future studies could focus on external factors as a potential moderator for a strategic orientation toward the development of dynamic managerial capabilities and sustainability performance, particularly the theme inclusiveness of groups of outside organizations that emerged from the interviews.

Finally, in their overview, Aguinis and Glavas (2012) show that many studies on sustainability performance have investigated the relationship between institutional or organizational antecedents and performance at a certain moment in time, while it is crucial to gain better insight into how this relationship can be strengthened and developed over time. This study has contributed to the theorizing about the organizational change processes that underlie the development of this relationship on the basis of dynamic managerial capability theory. In order to deepen these insights and investigate how this change process develops over time, future research is needed on the basis of appreciative inquiry (Cooperrider and Srivastva, 1987). This would generate additional knowledge about the construction of dynamic managerial capabilities underlying sustainability performance and how this is influenced by an organization's strategic orientations.

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