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Corporate Sustainability and the Recession: Firms' Strategy Response in a Financial Crisis

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CORPORATE SUSTAINABILITY AND THE RECESSION: FIRMS' STRATEGY RESPONSE IN A FINANICAL CRISIS

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Introduction

As the modern world deals with an increasing number of environmental and social crises, corporate sustainability is becoming ever more imperative for business. There is broad agreement that profit maximization can no longer be the exclusive goal of a company, with firms working to align environmental, social, and financial performance. However, many different theories exist regarding the drivers of corporate sustainability. Most research suggests a positive link between financial and environmental/social performance. Yet, the lead-lag relationship is highly debated. Some studies suggest that good environmental and social performance influence financial performance, while others propose that financial performance determines a company's environmental and social performance. Additionally, factors such as industry, size, area of operation, and management are found to influence firms' corporate sustainability strategies.

In order to gain insight into how a company's financial performance relates to sustainability this paper studies the effects of the recent recession on firms' sustainability strategies. A series of interviews were conducted with sustainability heads a large US companies to gather firsthand information regarding firms' experiences. Companies throughout the world have been negatively affected by the financial crisis, seeing large drops in sales and revenues as well as internal changes to combat such problems. However, it is unclear from current research how corporate sustainability has been affected by the recession. The various theories linking financial performance to environmental and social performance suggest a mixed response from firms. If environmental and social performance lead financial performance then companies would be expected to increase corporate sustainability initiatives as an additional tool to help overcome the recession. But if financial performance leads social and environmental performance, then firms would likely decrease corporate sustainability efforts during a financial crisis. Additionally, there is the possibility that many companies now view sustainability as an important responsibility of doing business, one that cannot be overlooked in a recession.

Firms have had a wide variety of experiences during the recession, and therefore a large range of responses was found through interviews with sustainability officers. Most claimed that the recession has not significantly affected their firm's commitment to sustainability. Sustainability has become an integral part of these companies' business strategy and thus cannot be disregarded during a financial crisis. However, corporate environmental and social initiatives can be affected by a firm's financial performance. Many of the officers interviewed admitted that their companies' have looked to cut cost while also maintaining their commitment to sustainability programs and goals. This research thus suggests that there is no clearly defined relationship between a firm's financial performance and its dedication to sustainability. Instead, sustainability strategies depend most on the particular circumstances of a firm. Additionally, it is clear that sustainability is becoming an integral part of conducting business, which has been incorporated into many firms' corporate values.

Chapter 1: What is Corporate Sustainability/Corporate Social Responsibility?

a. Definition

Corporate sustainability and corporate social responsibility are becoming increasingly important aspects of a company's strategy to create value for all stakeholders. Many firms are bringing in corporate sustainability officers to help make their processes more environmentally and socially sound and there is a broad consensus that the maximization of profit can no longer be the exclusive goal of a company. But what exactly do these concepts mean? The European Commission defines corporate social responsibility as "a fundamental concept whereby companies integrate social and environmental concerns into their business operations and into their interactions with stakeholders on a voluntary basis" (European Commission 2002). This definition highlights the three essential concerns of corporate sustainability—economic, social, and environmental. Additionally, drawing from the Brundtland report, corporate sustainability is defined as:

> Meeting the needs of the direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups, communities, etc.), without compromising the ability to meet the needs of future stakeholders as well. Towards this goal, firms have to maintain and grow their economic, social and environmental capital base while actively contributing to sustainability in the political domain. (Dyllick and Hockerts 2002, 131)

In order for corporate sustainability to be achieved, all three dimensions—economic, environmental, and social—must be satisfied simultaneously in the long run. Figure 1 depicts the relationship between these three aspects. Corporate sustainability cannot be achieved unless all three dimensions are accounted for in a firm's strategy.

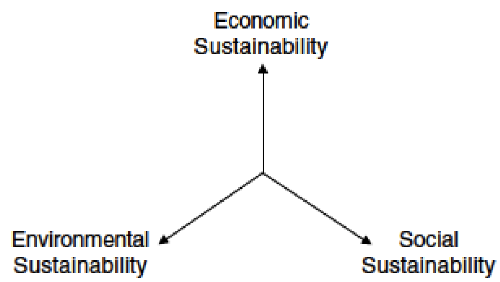

Figure 1. The three dimensions of sustainability (Dyllick and Hockerts 2002).

Additionally, firms must integrate both short-term and long-term aspects. An obsession with only short-term profits is contradictory to sustainability. For example, a firm that would choose to maintain an inefficient production process so as to avoid the upfront costs of analyzing and making changes to this process would not be acting in a sustainable manner.

The importance of integrating economic, environmental, and social concerns into a firm's strategy is key for achieving corporate sustainability. John Elkington first coined this idea of the "triple-bottom line" in this 1998 book, *Cannibals with Forks*. Elkington argued that companies cannot focus solely on financial performance, but must also take into account social and environmental performance. According to Elkington, society is dependent on the economy, the economy is dependent on the environment for natural resources, and the health of the environment thus represents the ultimate bottom line. A consideration of all three dimensions is therefore necessary for the survival of a company and "to refuse the challenge implied by the triple-bottom line is to risk extinction" (Elkington 1998, 2).

Accounting for the triple-bottom line implies three different types of capital. The first, economic capital, is familiar to most in the business world. Economic capital consists of financial capital, tangible capital, and intangible capital. For companies to be economically sustainable, they must "guarantee at any time cash flow sufficient to ensure liquidity while producing a persistent above average return to their shareholders" (Dyllick and Hockerts 2002, 133). The second type of capital important in achieving corporate sustainability is ecological or natural capital. This includes subtypes of natural resources as well as services provided by an ecosystem. While natural resources as capital is a fairly straightforward and easily understood concept, the inclusion of ecosystem services can be difficult to comprehend. Ecosystem services are "the processes by which the environment produces resources that we often take for granted such as clean water, timber, and habitat for fisheries, and pollination of native and agricultural plants" (Ecological Society of America). These services are necessary for a functioning world, yet their importance is many times overlooked by business. In order to a firm to be environmentally sustainable, the company must use "only natural resources that are consumed at a rate below the natural reproduction, or at a rate below the development of substitutes. They do not cause emissions that accumulate in the environment at a rate beyond the capacity of the natural system to absorb and assimilate these emissions. Finally they do not engage in activity that degrades eco-system services" (Dyllick and Hockerts 2002, 133). Social capital is the third type of capital included in the triple-bottom line. Human capital—skills, motivation, and loyalty; and societal capital—quality of public services; make up social capital. Firms are socially sustainable when they "add value to the communities within which they operate by increasing the human capital of individual partners as well as furthering the societal capital of these communities. They manage social capital in such a way that stakeholders can understand its motivations and can broadly agree with the company's value system" (Dyllick and Hockerts 2002, 134).

Corporate sustainability and corporate social responsibility are complex concepts that can be defined and initiated in many different ways. While some may argue that certain aspects of corporate sustainability deserve more weight than others, how a firm approaches its sustainability strategy depends on the particular situation of that firm. However, integrating economic, environmental, and social concerns into a company's business strategy and placing value on stakeholder concerns are essential aspects of achieving corporate sustainability

b. History

Sustainability has become somewhat of a buzzword for the 21st century. A growing number of companies are seeking to incorporate more efficient and sustainable practices into their business plans, corporate social responsibility reporting is becoming increasingly common, and some of the world's top consulting firms are beginning to include sustainability consulting as part of their business offerings. According to Thomas Dyllick and Kai Hockerts, sustainability is appealing because it "embodies the promise of societal evolution towards a more equitable and wealthy world in which the natural environment and our cultural achievements are preserved for generations to come" (Dyllick and Hockerts 2002, 1).

Corporate social responsibility began to be widely advocated in 1960s and 1970s. The civil rights movement and environmentalism caused people to call for businesses to be more proactive and responsible in its dealings. Additionally, advocates argued that increased corporate social responsibility by firms would help to limit the amount of regulation necessary by the federal government, improve the reputation of firms, and help to gain higher employee recruitment and retention rates. By the 1980s, environmentalism was being viewed as a social responsibility of business. The major environmental organizations in the United States had greatly increased their membership and in turn had increased their budgets. Environmental organizations were thus becoming more powerful and the influence of environmental activists greatly increased. This put significant pressure on firms, and many "began to take a more prominent role in establishing environmental rules and norms as a signal of social responsibility" (Hoffman 2001, 12).

In 1987, the United Nation's convened the World Commission on Environment and Development. The commission was called on to recommend environmental strategies for sustainable development; propose ways to encourage cooperation between developing and developed countries on the issues of people, resources, environment and development; encourage the international community to deal more effectively with environmental issues; and create a long term strategy for dealing with environmental concerns on a global level. The commission produced *Our Common Future,* also know as the Brundtland Report after the commission's chairman Gro Harlem Brundtland, which placed environmental issues on the international political agenda. Additionally, the report defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland 1987). This definition of sustainability has been widely used and adapted since its introduction *Our Common Future.*

The concept of strategic environmentalism came into force in the 1990's. Environmental management was seen as proactive management and many firms began to adopt environmental strategies in order to increase their competitive advantage. According to Andrew J. Hoffman, "the corporate environmental department reached new levels of organizational power, while environmental considerations began to be pushed back down into the line operations and integrated into both process and product decisions" (Hoffman 2001, 13). In 1992, the United Nations Conference on Environment and Development, also known as the Earth Summit, met in Rio de Janeiro, Brazil. The goal of the conference was to help governments change their thinking on economic development and help encourage countries to change their consumption patterns to decrease the detrimental effect these actions were having on the environment. The conference also highlighted the importance of dealing with economic, social, and environmental problems together. The Earth Summit was particularly important in that it influenced politicians and business leaders to accept the concerns of sustainability and environmental degradation.

Modern corporate sustainability was greatly influenced by early efforts towards corporate responsibility and calls for sustainable development. Advocates for corporate responsibility and environmentalism caused to firms to assess their impact on all stakeholders and think about the implications of their business activity. The UN World Commission on Environment and Development introduced a definition of sustainable development that has persisted throughout further advancement and clarification of sustainability as a business practice. Additionally, the Earth Summit called business leaders attention to the necessity of incorporating economic, social, and environmental concerns into a company's strategy in order to bring about global change. Corporate sustainability continues to by a dynamic concept, influenced by our increasing knowledge of economic, environmental, and social issues.

c. Corporate Sustainability Reporting

Many firms demonstrate a commitment to corporate sustainability through annual sustainability reporting. Corporate sustainability reports, usually available to an organization's stakeholders through the firm's website, illustrate a firm's sustainability strategy through a variety of quantitative and qualitative topics.

Environment, Health & Safety	**Human Relations**	**Philanthropic Contributions**
- Environmental visionary and policy statements - Firm's position on climate change, habitat conservation, and biodiversity - Efforts towards green purchasing, environmental education - Environmental structure and management - Environmental expenditures and accounting - Social/Health & Safety organization structure - Emergency preparedness - Quantitative Data: energy use, water use, recycling rate, emissions, incident/accident rate, etc.	- Social visionary and policy statements - Code of conduct or business ethics - Supplier screening for good social/environmental practices - Workforce profile: age, race, gender - Employee training and development - Employee satisfaction - Human rights reporting: working hours, equal opportunity, sexual harassment, bribery, child labor, etc.	- Community development and education - Employee volunteerism - Social community investment

Table 1. Common sustainability reporting topics (Adopted from Roberts Environmental Center Pacific Sustainability Index Questionnaire).

According to Ans Kolk's paper, *A Decade of Sustainability Reporting: Developments and Significance,* the "traditional" reporting topics include environmental health and safety, employee relations, and philanthropic contributions (Table 1). Additionally, firms use sustainability reports as an avenue to discuss the economic aspects and business drivers of corporate sustainability. Some companies use corporate sustainability reports to "show their value added and its distribution over the various stakeholders" (Kolk 2004, 57). Another important function of corporate sustainability reports is to benchmark performance of companies in the same sector or industry between years. In this way, companies can track progress towards environmental and social objectives.

The Roberts Environmental Center at Claremont McKenna College publishes annual reports on corporate sustainability reporting for various sectors and industries. Student analysts utilize the Pacific Sustainability Index (PSI) to score the reporting efforts of some of the world largest corporations. The PSI scoring criteria consists of three main elements: environmental—accountability (3%), management (12%), vision and policy (12%), resource utilization and emissions data (13%); social—accountability (3%), vision and policy (8%), management (8%), labor issues (22%); and human rights—principles (18%). Companies are then analyzed within their sector, with scores normalized to the highest scoring company and assigned a letter grade, A to F. The publication of sector specific reports allows firms' sustainability reporting efforts to be benchmarked against their competitors. This grading system has influenced firms that received low scores to implement changes into their corporate sustainability reporting efforts, ultimately leading to better transparency in global corporate sustainability.

Annual corporate sustainability reports are an important tool for firms seeking to demonstrate a dedication to good environmental and social practices. The number of companies producing corporate sustainability reports has increased since 1993 (Kolk

2005). The United States especially saw a large increase in the number of firms producing corporate sustainability reports (Figure 2).

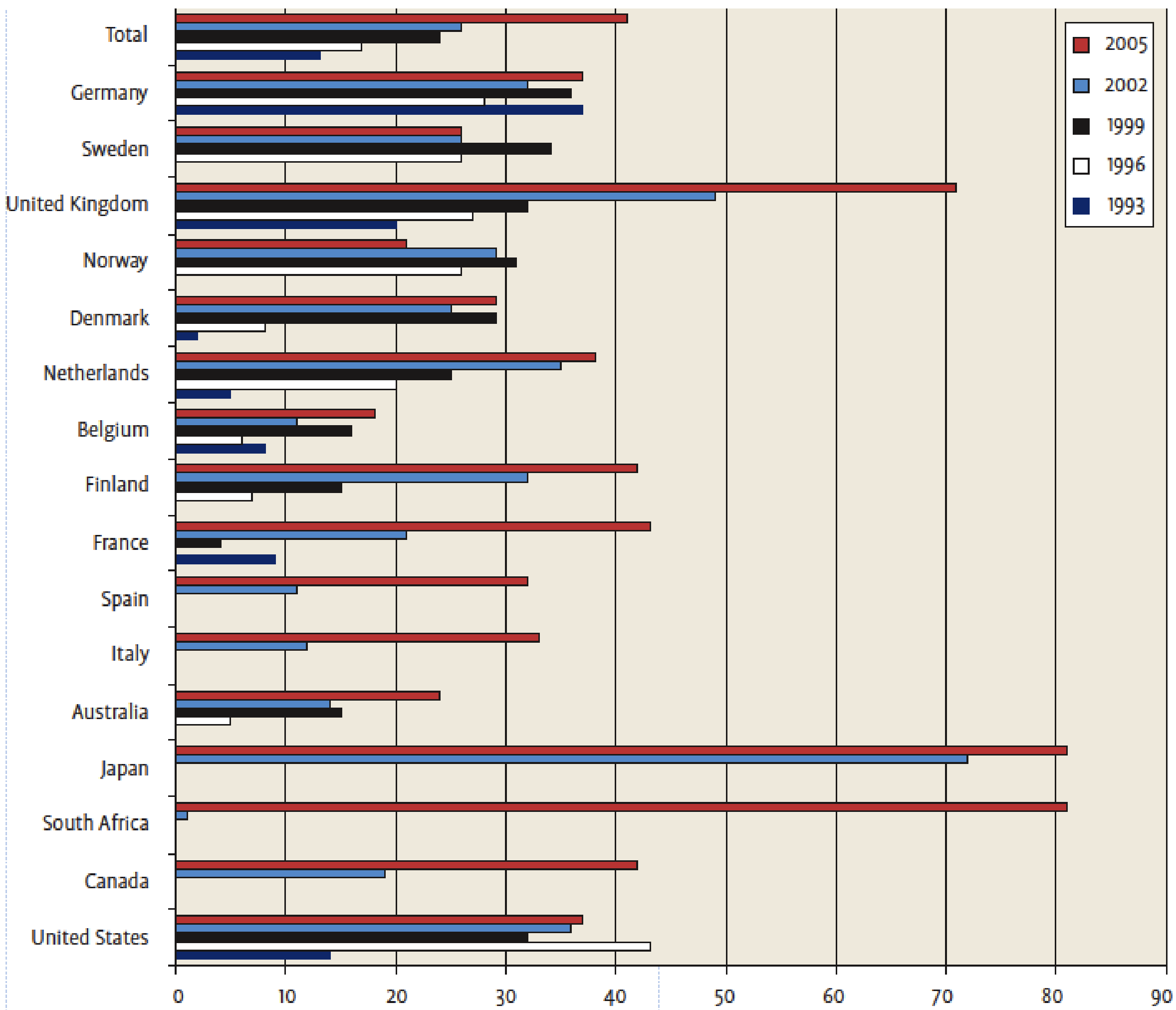

Figure 2. Sustainability reporting in 11 countries in 1993, 1996, 1999, 2002, and 2005 (in %). (Kolk 2005).

Firm's motivation for reporting can be highly varied. The most common reasons for companies to produce corporate sustainability reports include the enhanced ability to track firm progress against specific targets, assistance in the implementation of environmental strategy, increased awareness of environmental issues throughout the organization, ability to clearly convey the corporate sustainability message internally and externally, improved general credibility from greater transparency, ability to communicate efforts and standards, license to operate and campaign, reputational benefits, cost saving identification, increased efficiency, enhanced business development opportunities and enhanced staff morale (Kolk 2002, 54). While the arguments for corporate sustainability reporting seem irrefutable, some companies argue that reporting is not in their best interest. Companies that do not produce annual corporate sustainability reports argue that they have doubts about the advantages reporting would bring to the organization, their competitors are not publishing reports, customers are not interested in sustainability and thus reporting would not increase sales, the firm already has a reputation for good environmental performance, reporting is too expensive, gathering consistent data from all operations and selecting the correct indicators is too difficult, and publishing a report could damage the reputation of the company, have legal implications or wake up "sleeping dogs" (Kolk 2002, 54). With such variety in motivation for or against reporting, it is clear that the specific situation of an organization has an impact on its decision to publish an annual sustainability report.

While corporate sustainability reporting is a useful tool for companies to demonstrate a commitment to good environmental and social performance, without verification from an impartial third party stakeholders cannot be sure that firms are really doing what they claim. This dilemma, referred to by Kolk as the "implementation likelihood", can be overcome through building and spreading knowledge about performance measurement. While various standards and guidelines for corporate sustainability reporting are becoming increasingly developed, they are not yet as mature as the standards for corporate financial reporting. The Global Reporting Initiative (GRI) developed one such standard system, which includes a set of performance indicators for environmental, social, and economic factors. The GRI's reporting framework developed with the help of participants from business, civil society, labor, and professional institutions "in order to ensure the highest degree of technical quality, credibility, and relevance" (Global Reporting Initiative). The G3 Guidelines serve to define what content should be included in a corporate sustainability report, ensure report quality, and set report boundaries. Technical protocol for indicators as well as sector supplements for specific industries are also included in the G3 Guidelines. The GRI and other guideline setting institutions are helping to increase the standardization of corporate sustainability reporting and thus increasing the ability of stakeholders to benchmark the environmental and social performance of various organizations.

Corporate reporting is becoming an increasing important aspect of corporate sustainability. With firms reporting on a variety of topics within the environmental, social, and human rights aspects of sustainability, stakeholders have a useful resource to determine a company's sustainability policy. While the specific situation of a firm impacts its decision to publish a sustainability report, there is much positive motivation for an organization to demonstrate good environmental and social practices through reporting. Additionally, corporate sustainability reports are becoming increasingly reliable with the development of reporting guidelines such as the Global Reporting Initiatives G3 Guidelines. With the development of further standards and an increased call for corporate sustainability from stakeholders, it is likely that the quality and quantity of corporate sustainability reports will continue to increase in the coming years.

2. Why do firms choose corporate sustainability strategies?

There are many different theories among existing literature for why firms choose to implement corporate sustainability strategies. Some argue that good social and environmental performance is linked with positive financial performance. However, the lead-lag relationship is debated. Do social and environmental performance influence financial performance or does financial performance determine a company's efforts towards social and environmental performance? Other authors argue that there is a negative relationship between social and environmental performance and financial performance; that firms will ultimately sacrifice financial performance for environmental and social performance. Additionally, some argue that there is no link between environmental and social performance and financial performance, and that any relationship between the two can be attributed solely to chance. The existing literature describes many possible drivers for a firm in choosing corporate sustainability strategies, however most authors agree that there is a positive link between environmental and social performance and financial performance.

Preston and O'Bannon (1997) studied the social-financial performance relationship as an empirical issue, looking at six possible relationships. The social impact hypothesis suggests that favorable social performance ultimately leads to favorable financial performance. This hypothesis argues that serving the implied claims of major stakeholders, such as employees and customers, improves a company's reputation in a way that positively impacts its financial performance; conversely, disappointed these groups may have a negative financial impact. The social impact hypothesis proposes a lead-lag relationship between social and financial performance in which external reputation develops first and financial results follow. In contrast, the available funds hypothesis suggests a lead-lag relationship with financial performance leading social performance. According to this hypothesis, "although firms may wish to follow the normative rules of good corporate citizenship at all times, their actual behavior may depend on the resources available" (Preston *et al.* 1997, 423). Profitability may increase a firm's ability to fund social and environmental performance projects. Preston and O'Bannon also suggest a negative relationship between environmental and social performance. The trade-off hypothesis places social and environmental performance as the independent variables that involve financial costs. This hypothesis reflects Milton Friedman's position that "there is one and only one social responsibility of business—to use it resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud" (Friedman 1962, 133). Socially responsible activities take capital and other resources from the firm, putting it at a relative disadvantage compared to firms that are less socially responsible. In this hypothesis, higher levels of social and environmental performance lead to lower financial performance. The second possible negative relationship described in the paper is the managerial opportunism hypothesis. This hypothesis is based on the idea that corporate managers may pursue private objectives without regard for shareholders and other stakeholders and that manager's interests are of primary importance. The hypothesis suggest that the "pursuit of private managerial goals, in the context of compensation schemes closely linked to short-term profit and stock price behavior, might lead to a negative relationship between financial and social performance" (Preston *et al.* 423). Strong financial performance may lead managers to "cash in" on this success by reducing social and environmental expenditures in order to increase personal short-term private gains. On the other hand, weak financial performance may lead managers to offset or justify poor financial results by engaging in showy environmental and social programs. Additionally, the paper suggests the possibility of either a positive or negative synergetic relationship between social and financial performance.

In order to study the six hypotheses, the authors used data from a *Fortune* magazine survey on corporate reputation as well as financial performance data from COMPUSTAT to compute correlation coefficients between social and financial performance variables. Of the 270 correlations computed, not a single significant negative relationship was found, thus providing no support for the trade-off, managerial opportunism, or negative synergy hypotheses. All evidence pointed to a positive relationship between social and environmental performance and financial performance, with the strongest evidence suggesting that financial performance either precedes or is simultaneous with social performance.

Waddock and Graves (1997) undertook a similar study of the linkage between financial and social/environmental performance, testing for a negative, neutral, or positive association. The authors introduced two additional factors to their study: slack resources and good management practices. In support of a positive relationship between social and financial performance, the authors suggest that better financial performance potentially results in the availability of slack resources that provide the opportunity for companies to invest in social and environmental performance. Additionally, the authors propose that there is a "high correlation between good management practice, and corporate social performance, simply because attention to corporate social performance domains improves relationships with key stakeholder groups, resulting in better overall performance" (Waddock *et al.* 1997, 306). Positive perception of a company by outside stakeholders can lead to increased sales or reduced stakeholder management costs. Waddock and Graves tested two hypotheses: (i) that better financial performance results in improved corporate social performance; and (ii) that improved corporate social performance leads to better financial performance.

To test these hypotheses the authors constructed an index of corporate social performance based on eight performance attributes rated across the entire Standard and Poors 500. Financial performance was measured using return on assets, return on equity, and return on sales ratios. Controlling for size, risk, and industry the authors conducted a regression analysis, using first corporate social performance and then profitability as the dependent variable. The analysis found that corporate social performance is positively and significantly correlated with all three financial performance measures, supporting the first hypothesis that better financial performance leads to improved corporate social performance. Profitability was also significantly correlated with corporate social performance, supporting the second hypothesis that improved corporate social performance results in better financial performance. The authors discussed the possibility of a virtuous circle in the relationship between social/environmental and financial performance—"wherever the cycle begins whether in a initial availability of slack resources or in initial attention to the social performance dimensions, there *may* be a simultaneous and interactive impact" (Waddock *et al*. 1997, 313). Regardless of the direction of causation, social and environmental performance is found to have a positive association with financial performance.

Bansal and Roth (2000) focused primarily on corporate environmentalism, with a study to determine why companies "go green" and refine a model that explains corporate ecological responsiveness by identifying motivators and underlying factors. According to the authors, corporate ecological responsiveness is defined as "a set of corporate initiatives aimed at mitigating a firm's impact on the natural environment" (Bansal *et al.* 2000, 717). These initiatives can lead to changes in a firm's products, processes, and/or policies. The authors used the analytic induction technique in which researchers collect data intended to challenge their emerging hypothesis in an effort to develop theory. Cases were selected to highlight theoretical issues and challenge the theory being tested. Bansal and Roth's sample included twelve of the largest food retailers in the United Kingdom (UK), ten subsidiaries and corporate headquarters of P&O, a large, diversified, Britain based multinational, five auto manufacturing firms in the UK, five oil companies in the UK, ten major Japanese firms from auto manufacturing, oil, steel, chemicals, utilities, and electronics, and ten single case studies. Data were collected from interviews, participant observations, and archival documents. The authors identified motivations and key differentiating dimensions among sample companies and then compared the companies' actions with the expressed motivations.

Three motivations for corporate ecological responsiveness were discovered: (i) competitiveness—the potential for ecological responsiveness to improve long-term profitability; (ii) legitimation—the desire of a firm to improve appropriateness of its actions within a established set of regulations, norms, values or beliefs; and (iii) ecological responsibility—the concern that a firm has for its social obligations and values (Bansal *et al*. 2000, 724-726). From these motivations the authors developed the model below (Figure 3).

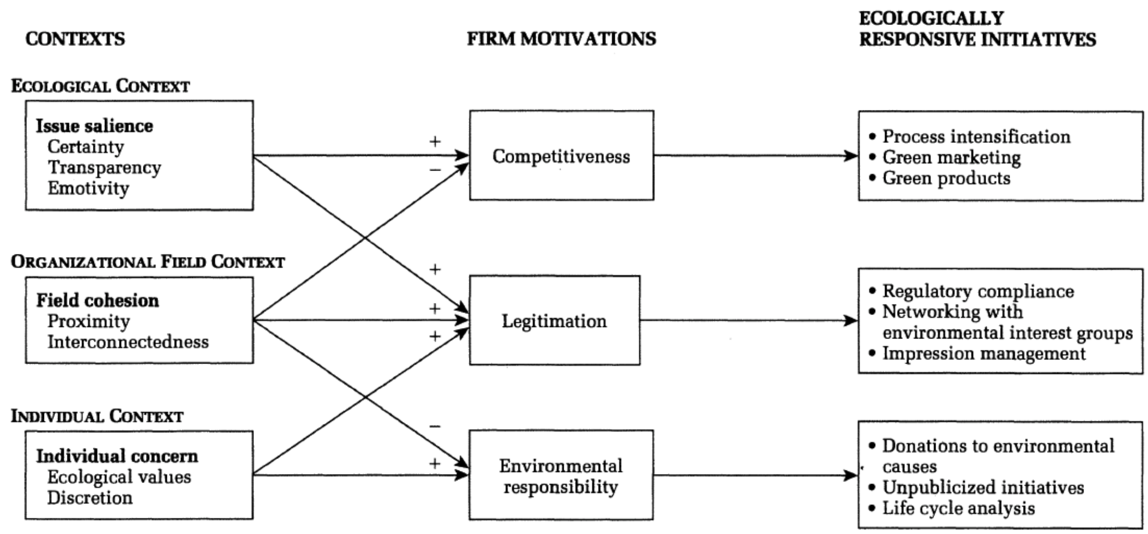

Figure 3. An advanced model of corporate ecological responsiveness (Bansal *et al.* 2000).

The model describes three contextual dimensions that influence firm motivations. The first is issue salience or "the extent to which a specific ecological issue has meaning for organizational constituents" (Bansal *et al.* 2000, 729). Issue salience is positively related to legitimation; with a highly salient issue, constituents can easily see the impact of a firm's activity on the environment, which can threaten legitimacy. Additionally, issue salience is positively related to competitiveness. With high issue salience government agencies are more likely to impose fines or penalties on activities. Customers are more likely to be aware of negative environmental impacts and will be less supportive of the company. Both of these consequences affect competitiveness by affecting firm profitability. The second dimension is field cohesion—"the intensity and density of formal and informal network ties between constituents in an organizational field" (Bansal *et al.* 2000, 730). Field cohesion positively affects legitimation and negatively affects competitiveness and ecological responsibility. Connectedness of employees, owners, and local residents leads to increased frequency and intensity of interactions between stakeholders. This interaction places firms in the same organizational field under greater scrutiny, which can lead to legitimation concerns. Competitiveness is negatively connected to field cohesion, as it is difficult for firms to be unique when there is high field cohesion. Additionally, superior environmental performance by a firm makes others "look bad" and can lead to increased standards for all field members. Therefore, field cohesion has a negative effect on ecological responsibility. Individual concern, the final dimension that influences firms' motivation, has a positive association with ecological responsibility and legitimation. This dimension refers to "degree to which organizational members value the environment and the degree of discretion they possess to act on their environmental values" (Bansal *et al*. 2000, 731). Individual concerns for the environment encourage socially responsible actions within the firm demonstrating a positive relationship with ecological responsibility. Additionally, if the concerns of an individual are similar to the concerns of constituents within society, then legitimation will be positively affected by individual concern. The model described by Bansal and Roth reflects the fact that all companies' operating circumstances are different, and thus the motivations for corporate sustainability will be varied.

Schaltegger and Synnestvedt (2002) studied the relationship between economic success and environmental protection. According to the authors, "it is not the pure fact of being green but the way in which a certain level of environmental performance has been achieved that influence whether the correlation between environmental and economic performance is positive or negative" (Schaltegger *et al*. 2002, 340). Most corporate sustainability theories suggests two possible causal relationships between economic and environmental performance: (A) environmental issues influence both costs and income of a company and therefore have an influence on economic success; or (B) good environmental performance is a luxury good and thus economic performance influences environmental performance (Figure 4).

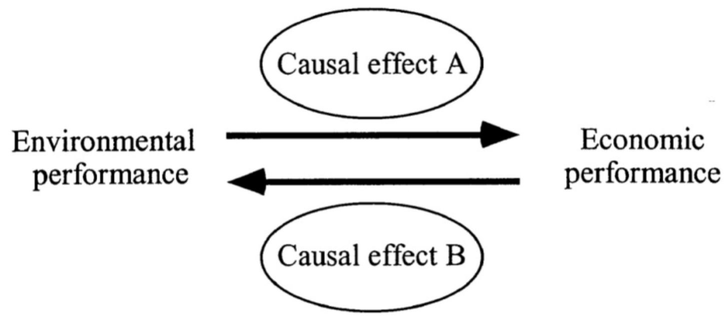

Figure 4. Current approaches of analysis (Schaltegger *et al.* 2002).

However, the authors argue that in practice these links do not exist; there is no natural or mechanical law automatically linking environmental with economic performance. Instead, how environmental performance affects economic success depends on many factors including consumers' willingness to pay for environmentally friendly goods in a given market, the kinds of environmental and health regulations in a country, the stakeholder pressure in different industries, the level of technological development, etc. Environmental issues must be financially important in order to have an impact on a company's economic performance. Additionally, companies must face a degree of competition in the market to be influenced by environmental issues; without competition, economically inefficient behavior does not necessarily have a measurable impact on profit. The authors state that, "those companies will be more economically successful which know how to improve their environmental performance in the most economical manner" (Schaltegger *et al.* 2002, 341). Inefficient environmental protection would not be sustainable. Furthermore, in a competitive market, the relation between environmental and economic performance depends on management. Corporate environmental management helps managers to focus entrepreneurial efforts to reduce environmental impacts of a firm in the most economically efficient way possible.

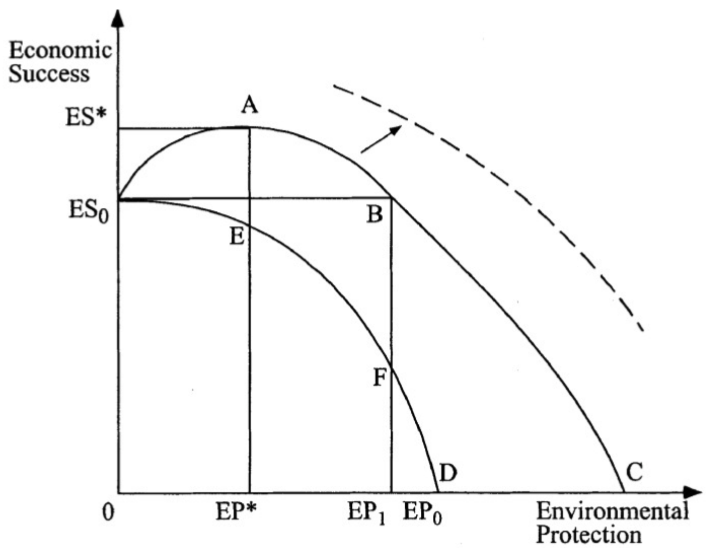

Figure 5. Possible relations between corporate environmental protection and economic success (Shaltegger *et al.* 2002).

There are two schools of thought among management regarding the effect of environmental performance on economic success. Some suggest that the current level of corporate environmental protection conflicts with other business objectives, particularly increase economic success, represented by line ES_0-E-F-D in Figure 5. As environmental protection increases, economic success decreases. Others argue that environmental protection efforts have a positive effect on economic success, represented by line ES_0-A-B-C. In moving from environmental protection of zero to the optimal level of environmental protection, EP*, economic success also increases to ES*. However, there is a decreasing net marginal benefit of environmental protection; picking the "low hanging fruit" increases economic success but after a certain level, EP*, increasing environmental protection decreases economic success. Therefore, the managerial challenge is (1) choosing the optimal level of environmental performance, EP*, which results in the highest economic success and (2) obtaining EP* at the lowest possible cost.

The economic success of a company "depends on the kind of environmental management applied and how well it takes the specific situation of the company into account" (Schaltegger *et al.* 2002, 342). Similar to Bansal and Roth, Schaltegger and Synnestvedt recognize that diverse operating circumstances influence a firm's decision to choose various levels of environmental protection.

Lo and Sheu (2007) studied the impact of corporate sustainability on firm value. By promising to act ethically, "a firm can differentiate its products and increase their demand". On the other hand, "a firm that acquires a reputation for unethical behavior will lose current as well as potential future customers and the profits they would have generated" (Lo *et al.* 2007, 348). Intangible assets related to environmental and social responsibility are highly related to customer satisfaction and stakeholder preferences. Therefore, the authors argue that environmental and social improvements can induce financial gains. In order to test whether corporate sustainability impacts firm value the authors tested a sample of large, US, non-financial firms from 1999-2002. The analysis utilized Tobin's *q*—the sum of market value, preferred stocks, and debt over total assets, and a sustainable dummy variable—1 if firm was listed in the Dow Jones Sustainability Group Indexes, 0 otherwise. Additionally, the study controlled for size, access to financial markets, leverage, profitability, sales growth, investment growth, industrial diversification, credit quality, and industry. The authors' hypothesis proved correct; "sustainable firms are rewarded with higher valuations in the marketplace for large publicly-traded US firms" (Lo *et al.* 2007, 352). Lo and Sheu point to a growing interest in ethical investing that has lead to a larger interest in sustainable firms. However, the authors stress the importance of balancing the ethical and profit factors of a business in order to be successful.

It is evident from current literature on the drivers of corporate sustainability that there is a positive relationship between social/environmental performance and financial performance. However, the direction of this relationship is less clear. While some authors argue that good social and environmental performance lead to good financial performance, others suggest that good financial performance is a precursor to good social and environmental performance. Other drivers for corporate sustainability include the concern a firm has for environmental responsibility and the desire of a firm to improve legitimacy. Furthermore, it is apparent that the particular circumstances of a firm affect its decision to adopt corporate sustainability strategies. Factors such as industry, size, country of operation, and management may influence its motivation towards corporate sustainability. Additionally, as stakeholder interest in ethical and sustainable business operations continues to grow, many firms may find that adopting corporate sustainability strategies is necessary in order to remain competitive.

3. Corporate Sustainability and the Recession

Firms throughout the world have been negatively affected by the financial crisis. Across all industries, companies have suffered large drops in sales and revenue. In order to deal with the recession, companies are making extreme decisions to improve their bottom line. Many firms are facing restructuring, downsizing, business closings or consolidation, and bankruptcies. Cost containment has been a nearly universal response, however, the type and extent of reductions vary among companies and industries. Feelings of fear and insecurity have become prominent as firms seek to survive in a tough economic climate. As companies make internal adjustments to deal with the recession, it is likely that corporate sustainability and corporate social responsibility strategies will also be affected. However, it is difficult to predict a firm's response, as there are multiple theories describing how good environmental and social performance are related to financial performance. While the current literature suggests a positive association between corporate sustainability and financial performance, the lead-lag relationship is debated. If environmental and social performance lead financial performance, it is likely that firms would see increased corporate sustainability initiatives as an additional tool in overcoming the recession. On the other hand, if financial performance leads environmental and social performance, firms would decrease efforts towards corporate sustainability in a recession. Additionally, it has been suggested that some companies view corporate sustainability as a responsibility of the firm that cannot be overlooked due to an economic crisis. Recent studies of firm's corporate sustainability in the recession have found examples of all three hypotheses, highlighting that companies will respond to their own particular circumstances when addressing corporate sustainability.

a. Corporate Sustainability Precedes Financial Performance

If environmental and social performance precedes financial performance, firms would be expected to increase corporate sustainability during a recession in an attempt to increase financial performance. Supporters of this hypothesis argue that good environmental and social performance enhances a company's reputation thereby leading to better financial performance. The appeal of corporate sustainability to stakeholders can be a major draw to companies during the recession. Many American's have become disillusioned with big business since the recession; they have lost their trust in large corporations, believing that these firms care only about earning profit and not about the people that are impacted by their actions. The UN Global Compact-Accenture CEO Study 2010 found that, "demonstrating a visible and authentic commitment to sustainability is especially important to CEOs because it is part of an urgent need to regain and build trust from the public and other key stakeholders, such as consumers and governments—trust that was shaken by the recent global financial crisis" (Lacey *et al.* 2010, 10). Corporate sustainability strategies can serve the demands of major stakeholders and consequently have a positive financial impact. Additionally, shifts in the economy and across the business landscape have lead many managers to throw out old business strategies and revise the business model, opening the way for corporate sustainability to be incorporated as part of the new strategy.

Cost savings are another financial benefit of corporate sustainability that may attract firms during a recession. Energy and material efficiency or conservation can help companies cut costs while good environmental and social practices can help companies to avoid fines. The hypothesis that companies will increase or maintain corporate sustainability practices in order to influence better financial performance is evident in studies by the UN Global Compact and the Boston College Center for Corporate Citizenship. In 2010, the UN Global Compact and Accenture conducted a study of CEO's opinions and perceptions of sustainability. The study found that, "in the face of rising global competition, technological change and the most serious economic downturn in nearly a century, corporate commitment to the principles of sustainability remains strong throughout the world: 93 percent of CEOs see sustainability as important to their company's future success" (Lacey *et al.* 2010, 10).

The global economic downturn has highlighted the importance of sustainability as an issue for top management and is causing large numbers of firms to align sustainability more closely with their core business. Additionally, companies are being forced to examine how corporate sustainability can deliver core business value, measured through cost reduction and revenue growth. Another demonstration of the importance of corporate sustainability to firms during a financial crisis is the Boston College Center for Corporate Citizenship 2009 study. This report found that, "despite the extreme turbulence, most business are committed to being good corporate citizens" (Velvea *et al.* 2009, 2). The business leaders interviewed argued that being a good corporate citizen adds to firm value, with 54% of U.S. senior executives expressing that corporate citizenship is even more important in a recession. Demonstrating the importance of corporate citizenship in the current economic climate, 72% of American companies were reducing costs through materials efficiency and 45% of companies were compensating employees for ideas that benefitted the bottom line and the environment/community. The findings of these studies support the hypothesis that corporate sustainability is just as or more important during a financial crisis. Good environmental and social performance can enhance a company's reputation, decrease cost, and provide a competitive advantage, leading to better financial performance.

b. Financial Performance Precedes Corporate Sustainability

Another argument for the relationship between corporate sustainability and financial performance suggests that a firm's financial performance precedes environmental and social performance. With a recession, poor financial performance would cause firms to put environmental and social efforts on the back burner, due to a lack of available funds. Restructuring and downsizing activities, which are often common in an economic downturn, would also influence corporate sustainability. Companies may chose to cut sustainability director positions or departments that run corporate sustainability operations, viewing them as nonessential for running the business. Additionally, funds may be rededicated, away from environmental and social initiatives. Cutting costs and non-essential spending in order to decrease expenses may also influence corporate sustainability. Some environmental and social performance initiatives such as installing more efficient equipment, hiring consultants to advise on corporate sustainability policy, and community development programs can require a high upfront cost. Therefore, firms are unlikely to find the resources to maintain these programs when they are facing poor financial performance. Poor financial performance can also lead to feelings of fear and uncertainty within the company, making it hard to convince Board members and senior managers that sustainability strategies should be incorporated into the firm's strategy. Changing consumer demands can also influence firms' decisions to move away from corporate sustainability. According to Marcela

Manubens, “In this climate, where once again we find the confluence of the wrong market incentives, mainly cheapest price, and short-term gains dictating some executive’s decisions, there is a danger of a race to the bottom, the abandonment of ethical sourcing and sustainable concerns” (Manubens 2009, 53). If consumers care only about cheap prices, as is common in a recession, companies will use this negative incentive to bypass social and environmental performance to gain a comparative cost advantage over firms which remain committed to environmental and social performances. The hypothesis that poor financial performance will cause firms to decrease corporate sustainability initiatives is supported by a 2009 Booz & Company study. The report states that, “forty percent of respondents said their industries won’t be able to accomplish as much as they had expected with respect to energy efficiency, the environment, and community service” (Banerji *et al.* 2009, 12).

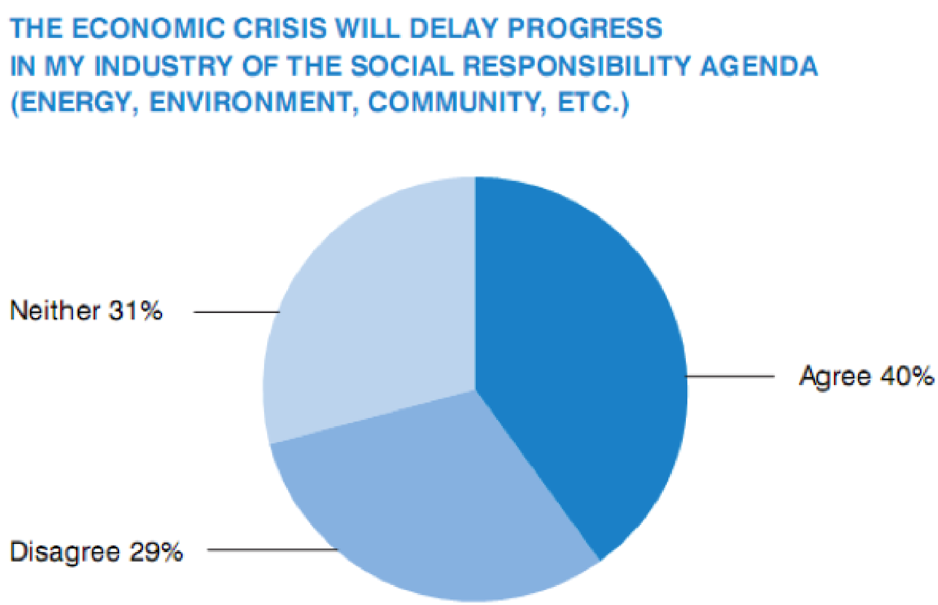

Figure 6. The impact of the recession on corporate sustainability (Banerji *et al.* 2009, 12).

Following the available funds hypothesis, with less financial capital firms will decrease social and environmental performance initiatives (Figure 6). Therefore, firms would be expected to place more importance on financial performance, ignoring corporate sustainability until they have the enough capital to fund environmental and social performance initiatives while maintaining a high level of financial performance.

c. Corporate Sustainability as Part of Firm's Responsibility

While corporate sustainability has generally been associated with financial performance, some firms view good environmental and social activities as an obligation of doing business. When corporate sustainability is built into a company's value system it is seen as a responsibility of the firm and thus will be maintained even during tough economic times. Intel is one such firm and has made a clear effort to maintain corporate social responsibility programs during the recession. In 2009, Intel launched the "Small Things Challenge" in which the company committed up to $300,000 to education and development in Afghanistan, Cambodia, Haiti, and Uganda. According to Intel chairman Craig Barrett, "We look at our CSR activities pretty much the same way: you can't just do them in good times and then just forget about them in bad times and hope to get any results" (*Fortune* 2009). Once corporate sustainability is integrated into the values of the company, firms will maintain a dedication to good environmental and social practices despite economic circumstances. While corporate sustainability can been seen as a recession-proof commitment, a firm's resources are not as constant. Therefore, in a recession firms may have to look for ways to cut costs while maintaining programs. For example, matching-grant programs for charitable giving may be scaled back and some commitments may take longer to achieve. As increasing numbers of firms begin to include corporate sustainability in their value systems, good environmental and social performance is likely to be maintained throughout economic crises.

Economic crisis has a profound affect on firms throughout the world. As companies seek to rebound from large drops in sales and revenue, changes must be made in order to improve the bottom line. However, firm's response to a recession, and corporate sustainability, depends on the particular circumstances of that company. Some firms may look to increase environmental and social performance initiatives in order to regain trust from key stakeholders, increase efficiency, and maintain a competitive advantage. Others may move away from corporate sustainability efforts as a result of downsizing or cost cutting measures. In organizations where corporate sustainability has been incorporated as part of the firm's values, it is likely that environmental and social initiatives will not be affected by an economic downturn; corporate sustainability becomes a nearly recession-proof business obligation.

4. Case Studies

In order to determine how firms' sustainability strategies were affected by the recent economic downturn I conducted a series of interviews with sustainability heads at large U.S. companies. In deciding how to collect data on the recession and sustainability I decided that an interview would be superior to other methods, such as a survey or analyzing reporting data, because it would allow me to obtain first hand insight about a firm's experience. Interviews were conducted from September 10, 2010 to October 12, 2010. The firms interviewed were from a variety of industry sectors including general merchandisers; household, apparel, and personal products; gas and electric utilities; petroleum refining; healthcare; consumer food and beverages; forest and paper products; and chemicals. During the interview I asked two main questions: 1) Can you discuss if and how your firm's sustainability strategy was affected by the recession? and 2) In your opinion, what is the driver behind corporate sustainability at your firm? (corporate citizenship, competitive advantage, cost savings, etc.). Additionally, I asked questions to follow up and clarify points made during the interview. While firms had a wide variety of experiences and responses, most claimed that the recession had not significantly affected their firm's commitment to sustainability. Though a few firms experienced setbacks in achieving sustainability goals on time or maintaining sustainability initiatives, the majority remained committed to their sustainability goals despite the economic downturn.

a. Avery Dennison

Sustainability is considered an integral part of business at Avery Dennison with a sustainability commitment based on achieving business success through responsible social, environmental, and economic practices that help build healthy communities where the company operates. Danny Wong, Avery Dennison's Director of Corporate Sustainability, explained how the company is working to incorporate concepts of sustainability as a core business initiative. According to Wong, Avery Dennison is looking to weave sustainability into its strategic plan and annual operating plan in order to ensure that sustainability is embedded in the company's business strategy. Additionally, the company is adopting sustainability initiatives such as energy and greenhouse gas reductions, climate change policy, sustainable products, lifecycle assessment, customer outreach, human resource activities, philanthropy, and improved working conditions and employment standards.

While the recession has clearly had an effect on the company's performance, Avery Dennison has remained committed to sustainability. In fact, investment and staffing on sustainability has increased, with the company's first sustainability report released at the end of October. Wong attributes the increased focus on sustainability to multiple factors. The economy has affected customers and in turn he believes they have changed their priorities, calling on businesses to be more socially and environmentally responsible. Therefore, companies such as Avery Dennison have increased their focus on sustainability in order to meet customer demands. Additionally, Wong sees greater efforts towards sustainability as a natural progression of the industry and the marketplace—Avery Dennison's uptake on sustainability activities is a reflection on these trends. Avery Dennison's dedication to sustainability throughout the economic downturn can be seen as a response to changing customer and market demands, as well as a desire to remain competitive in changed industry conditions.

b. Entergy

Entergy places particular emphasis on the environment and community through its sustainability strategy. As expressed by Rick Johnson, the Manager of Corporate Environmental Operations at Entergy, the company has a responsibility not only to preserve and protect the environment, but also to be an organization that contributes to society. Operating in the gulf coast, the company feels a strong connection to the effects of climate change. Therefore Entergy seeks to address climate change not only by reducing its emissions but also by advocating positive actions at the government level and within communities. Additionally, the company utilizes sustainability strategies to break the cycle of poverty and improve the lives of customers in its service area. Starting in 2000, Entergy recognized that there was a need to go beyond environmental compliance to build the concept of sustainability into the business model, investing a significant amount of time, energy, and money into creating a sustainability strategy.

According to Johnson, the recession took longer to hit Entergy, with financial effects not evident until 2009. However, the company is not new to economic hardship—hurricanes Katrina, Rita, Gustav, and Ike have had devastating affects on Entergy's service area. In response to an economic downturn, Johnson explained how Entergy undertakes "belt-tightening" on areas related to sustainability. The company has to be smarter in the areas that it focuses on and what it invests in while sticking with aspirations and core values of the company. An example of changing sustainability investment with financial crisis is Entergy's greenhouse gas (GHG) emissions program. In 2001 the company committed to stabilize GHG emissions at 2000 levels through 2005 and then reduce GHG emissions to 20% below 2000 levels from 2006-2010. Investing millions of dollars in efficiency improvements and emissions offsets, Entergy achieved its GHG emission goals. However, as the recession has started to trickle in, the company is struggling with what to do from 2011 on. With "low hanging fruit" improvements already achieved, further reductions would be even more expensive. Therefore, Johnson explains, Entergy is in the process of going through a strategy renewal, looking at current conditions and "what's coming down the pike". While Entergy maintains a dedication to environmental and social responsibility despite economic conditions, the company's investment decisions are affected by financial circumstances.

c. Exxon Mobil

Exxon Mobil maintains a commitment to corporate sustainability despite economic crisis, focusing its corporate sustainability strategy in six main areas: corporate governance; safety, health, and the workplace; environmental performance; managing climate change risks; economic development; and human rights and security. But according to Erica Matthews, Director of Corporate Citizenship, Exxon's approach to sustainability is much different than that of a consumer company. Exxon's environmental efforts often center on spill performance, emissions, and operations—areas that cannot be ignored or cut back during a recession. Therefore, Matthews maintains that Exxon's sustainability has not changed or been reduced because of the financial crisis. Instead, performance in all areas has been better than 2008; particularly, investments in flaring and spill performance have lead to increasingly strong environmental performance. Another reason for Exxon's unwavering sustainability performance is the company's long-term performance perspective. When looking at strategy for operations, Exxon tends to look about 30 years ahead. Therefore, the company does not make short-term decisions based on the economy. Instead Exxon maintains its commitment to good environmental and social practices, which Matthews states are currently "full steam ahead".

d. JC Penney

With corporate citizenship as a core aspect of business, JC Penney remains committed to good environmental and social practices despite economic conditions. Opening the first store in 1902, founder James Cash Penney dedicated his company to doing what is "right and just". JC Penney was one of the first companies in the US to have a business code of ethics and today supports a variety of environmental, social, and ethical initiatives. Jim Thomas, JC Penney's Vice President of Corporate Social Responsibility, argues that today sustainability is a win-win situation for the company—doing the right thing for people and the environment can also be the right thing for business. One example of a win-win situation concerns distribution. Trucks carrying goods from distribution facilities to stores are often empty on their way back to the distribution center. In order to decrease these empty miles, JC Penney is looking to see if there are opportunities for the trucks to stop on the way back and carry something from another vendor part way. This would reduce the empty miles driven by trucks and consequently take some trucks off the road. Additionally, the company would gain revenue by renting their trucks out to other vendors. Sustainability is also viewed as a competitive advantage for JC Penney as corporate citizenship is important to the company's associates and prospective associates.

The recession has not had an impact on JC Penney's corporate sustainability efforts. In early 2009, the company started into the process of developing a new energy strategy, pledging to reduce energy use by 20% per gross square foot by 2015. Opportunities, such as energy efficiency, that reduce environmental impact and also end up reducing cost, are even more applicable during a recession. Therefore, Thomas states, JC Penney continues to focus on ways to integrate sustainability into the business and communicate its dedication to both internal and external stakeholders.

e. Louisiana Pacific

Operating in the wood building products industry, Louisiana Pacific has been challenged financially with US housing construction at its lowest point in many decades. Sustainability is an ongoing corporate commitment at Louisiana Pacific with good environmental and social performance as core values of the company. Therefore, explains Corporate Affairs Manager Mary Cohn, sustainability is essentially non-negotiable and is maintained despite changing economic conditions. Since the beginning of the recession, the company's best-in-industry safety record and environmental record (measured by notices of violation) have continued to improve. All company mills are certified to sustainable forest management practices though the Sustainable Forestry Initiative and a chain of custody certification has been added to many mills during the recessionary period. Additionally, the PowerForward energy saving program is now in place at all mills and has been very successful to date. Cohn argues that programs like PowerForward are especially relevant during a financial crisis as they save expenses while also helping to meet corporate sustainability goals. In regards to philanthropy, Louisiana Pacific has kept up relationships and volunteerism, with more senior managers on charitable Boards of Directors than ever before. However, the company has had to cut back and refocus the dollars contributed through its foundation. While corporate sustainability is important to Louisiana Pacific's core values, the financial effects of the recession and decrease in US housing construction cannot be overlooked. Therefore, Louisiana Pacific seeks to maintain its commitment to sustainability through measures that can be achieved without significant expenses to the company.

f. McKesson

At McKesson, commitment to good corporate citizenship is a fundamental part of creating sustained value for the society, the planet, and the company. As a health care company, many of its citizenship efforts center on creating healthier communities. Additionally, McKesson is dedicated to good environmental practices including emissions reductions, recycling, and energy efficiency. According to Laura Rodormer, Director of Corporate Citizenship at McKesson, the company's corporate sustainability efforts have not been greatly affected by the recession. Citizenship programs such as matching gifts, grants to nonprofits, and company-wide volunteer days have continued despite the economic crisis. The company's Environmental Councils are stronger than ever, with the first executive level council established in 2008 and over twelve worldwide councils established by 2009. These councils are tasked with finding ways to incorporate sustainability into McKesson's business operations and looking for ways to save resources and money. As part of an effort to increase energy efficiency, McKesson is in the process of securing LEED status for corporate headquarters. While McKesson has maintained its corporate citizenship programs despite the recession, Rodormer admits that there have been some changes. The company has seen a downturn in participation in volunteer activities, as time is not a luxury when striving to maintain good financial performance in a recession. Efforts to be more conservative in expenditures have also affected corporate citizenship programs. At McKesson, corporate citizenship is driven by an internal motivation to mobilize and empower employees. In order to attract and retain great talent, Rodormer argues, the company must have resources available to those employees interested in corporate sustainability. This motivation does not change with a recession, as great talent is necessary to steer a company through an economic crisis. Therefore, McKesson has maintained corporate citizenship programs throughout the recession.

g. Molson Coors

For Molson Coors, corporate responsibility involves being a top-performing brewer while staying true to shared values of integrity and respect, quality, excellence, creativity, and passion. When the Molson and Coors families came together to join their two family-run businesses, they brought with them a heritage of corporate responsibility that persists in the company today. This historical dedication to corporate responsibility has lead Molson Coors to maintain a commitment to corporate responsibility throughout the recession. In 2008, four corporate goals were set for the company, one of which was to be recognized for world-class corporate responsibility. While this decision was made prior to the worst of the recession being felt, Corporate Responsibility Manager Nicola Helfert highlights how Molson Coors has stepped up and upheld its commitment to corporate responsibility. Sustainability has not been overlooked in the recession, with strategies and goals still reviewed and established on an annual basis. The company has a particularly strong tie to water through its operations and has consequently set a goal to reduce water use by 15% of 2008 levels by 2012. However, Helfert acknowledges that the cost implications of corporate responsibility programs are certainly a factor during the recession; Molson Coors must choose a strategy that makes sense to its business. Because corporate responsibility has been defined as a company goal, there is a clear connection between company performance and corporate responsibility performance—in order to do well as a company, Molson Coors must also do well socially and environmentally. According to Helfert, due to its position as global company, Molson Coors believes that it must also be a responsible company. Therefore, the company maintains a dedication to corporate responsibility regardless of economic circumstances.

h. ONEOK

Corporate sustainability is viewed as an essential responsibility of ONEOK to its shareholders, its employees, and the community. In order to fulfill this responsibility, the company seeks to operate its assets safely, efficiently, and environmentally responsibly. According to Geoff Sands, Vice President of Environment, Safety, and Health at ONEOK, the company has started focusing more on corporate responsibility in the last few years. In late 2007, the company established the Environment, Safety, and Health Leadership Committee to drive sustainable improvements within the company. The Climate Change Action Team meets monthly to address impacts of government regulations and investigate ways to promote emission reductions within ONEOK's operations. As a natural gas provider the company focuses much of its efforts on pipeline monitoring and education to protect the public. Additionally, ONEOK takes actions to mitigate the footprint of its pipelines including erosion control, re-seeding, and support of habitat restoration in other parts of the state. In order to involve employees ONEOK promotes environmental responsibility through lifestyle changes and carpool initiatives. The economic downturn has not had an affect on the company's corporate sustainability program. The natural gas industry is fairly diversified and therefore ONEOK did not see the financial impact that a lot of firms in other industries did. Instead, Sands asserts that ONEOK has continued to ramp up its corporate responsibility initiatives. ONEOK has a corporate vision and mission to be a lead operator, to be environmentally proactive, and to increase safety. Additionally, the company recognizes that corporate responsibility is important to both the public and its employees. In order to fulfill its vision and its responsibility to stakeholders, ONEOK has continued its corporate sustainability efforts throughout the recession.

i. Quiksilver

At Quiksilver, corporate sustainability is a lens through which to rethink how the company does business. However, as a consequence of the recession, significant prioritization was put on improving operating performance and overcoming a large amount of debt that had been accrued. Jeff Wilson, head of sustainability efforts at Quiksilver, started working on the issue in 2006. The company began to build language and resources around the initiative, which at the time was strongly embraced by the company's leadership. A consulting firm, Sustainability Partners, was brought in to help develop a corporate sustainability strategy in May of 2008 and the company moved to conduct an environmental audit. But by September 2008 Quiksilver was feeling the effects of the recession and by October sustainability was off senior management's radar completely.

Conditions have started to improve for Quiksilver in the past year. In February 2010 Wilson got senior management together to reengage on sustainability. The company is currently in the process of bringing people and resources back to the cause. But Wilson admits that it has been like pushing a rock uphill; there are fewer people doing more work due to layoffs, and senior management is still very concerned with cost components. Yet Wilson continues to work to build relationships within the company to get mind-space for sustainability, and some important progress has been made. Quiksilver has significantly increased the amount of recycling coming from world headquarters in Huntington Beach, with approximately 75% of recyclables now moving into the recycling stream. On the properties and facilities side, the company is looking to install solar energy systems at world headquarters and its Mira Loma distribution site. Additionally, Quiksilver is exploring initiatives surrounding its products, IT, and transportation/logistics, and is working to create a sustainability-reporting standard within the action sports community. According to Wilson, corporate sustainability efforts at Quiksilver are about building a smarter company. They are directly related to conserving resources and operating efficiently, which in the long-term saves the company money. Wilson believes that corporate sustainability can also be seen as a symbolic motivator. He argues that most people are not driven by cold, pure numbers, but instead are motivated by the opportunity to preserve the earth for their children and grandchildren. As corporate sustainability efforts begin to pick back up at Quiksilver, Wilson hopes to use the lens of sustainability to create a smarter, more responsible company.

j. Sherwin-Williams

Acting responsibly is ingrained in the culture of Sherwin-Williams. When Henry Sherwin started the company in 1866 he balanced being an effective business with being a responsible corporate citizen. Today the company focuses on seven guiding values—integrity, quality, innovation, people, performance, growth, and service. According to Scott Thomas, Director of Environmental Affairs at Sherwin-Williams, corporate sustainability initiatives started three to four years ago. In 2007 a group of employees started a concept committee to define the company's mission and principles in regards to sustainability. Solid waste and energy were identified as two key areas in which to focus Sherwin-William's sustainability efforts. Though Sherwin-Williams was just starting to implement sustainability initiatives as the economy went south, Thomas does not think the recession has had an effect on stated goals and activities. While no new positions were created and few additional resources were dedicated to sustainability, the company has been able to act on its sustainability strategy. Additionally, Thomas argues, many of the programs they were trying to implement go hand in hand with cost reductions. These projects, such as lighting retrofits, can actually save the company money during the recession. Thomas admits that resources have been spread thin throughout the company, and therefore some corporate and administrative projects have been delayed. One example is Sherwin-Williams' EcoMet Database, a repository for collected sustainability data and metrics. While the database is currently in place and functioning, it is not perfect but resources are too scarce to make changes.

According to Thomas, corporate sustainability at Sherwin-Williams is motivated by the company's core values and its desire to be seen as an industry leader. The company is proud of its sustainability efforts and Thomas believes they have had a big impact internally as well as externally. Employees are very conscious of sustainability and it has become a shared goal around which to rally support. Externally, sustainability efforts help Sherwin-Williams to maintain its reputation as a responsible corporation. However, Thomas argues that everything the company does must also make good business sense. As demonstrated by the company's commitment to sustainability despite the recession, good environmental and social performance are important aspects of good business at Sherwin-Williams.

k. Smithfield Foods

At Smithfield Foods, corporate social responsibility is an integral part of the company's culture, demonstrated through an ongoing committed to environmental leadership, food safety, employee safety, animal welfare, and community involvement. According to Bill Gill, Assistant Vice President of Environmental Affairs at Smithfield, the company has done very well in maintaining environmental programs throughout the recession. Instead of moving away from sustainability initiatives during tough economic times, Smithfield looks for opportunities to reduce cost without scaling back its programs. For example, the company usually does twice the number of required audits for its ISO 14001 certified facilities. However, in 2009 Smithfield conducted just the required number of audits in order to save money. Another cost savings method was employed for the Annual Environmental and Safety Conference. Typically, people from all over the company meet each year in Omaha for presentations, training, and guest speakers regarding environmental and safety issues. In 2009, employees did not travel for the conference but instead handled training through a series of webinars. Other cost savings measures include reducing the number of Environmental Excellence Awards, cash prizes presented to employees who come up with innovative solutions for solving environmental problems, from 12-15 to 8-10 and cutting back on funding for educational programs. Additionally, Smithfield has realized cost savings through recycling programs and the efficient use of resources. Employee safety, animal welfare, and food safety programs have continued unaffected, as they are viewed as particularly critical for Smithfield's business. According to Gill, corporate sustainability has been maintained throughout the recession due in part to the company's responsibility to meet internal and external stakeholder demands. Smithfield views corporate sustainability as an important part of its business strategy, one that cannot be forgotten with a temporary dip in the economy.

l. Weyerhaeuser

Weyerhaeuser's corporate sustainability is driven by a vision to generate superior returns with sustainable land and forest solutions for the world. Sustainability has been imbedded in Weyerhaeuser's culture from its beginnings over one hundred years ago and today is integrated into the strategic planning and operations of the company. These strong ties to sustainability have been maintained throughout the recession. The company has continued to achieve its goals of certifying all timberlands to sustainable forestry standards, implementing certification-ready environmental management systems at all operations, adopting business strategies that incorporate sustainability considerations, reducing environmental impact, maintaining an injury free work environment, creating products with sustainable resources, maintaining a diverse and inclusive workplace, and nourishing the quality of life in communities. According to Emily Hanning, Sustainability Manager at Weyerhaeuser, some sustainability initiatives are even more important during a recession in that they can save cost and appeal to stakeholders. Therefore, Weyerhaeuser has continued its dedication to sustainability regardless of the economic climate.

Conclusion

Companies have demonstrated a wide variety of experiences in regards to the financial crisis and its effects on corporate sustainability. While some firms experienced serious setbacks in achieving environmental and social goals others firms claimed to have been ramping up sustainability efforts during the recession. However, most firms report that their corporate sustainability strategies have not been significantly affected by the recession. Instead these firms have maintained sustainability as an important part of company culture and values despite the financial crisis. This dedication to corporate sustainability can be attributed to the importance of sustainability to both internal and external stakeholders. Many companies feel a responsibility to their customers to be good corporate citizens and therefore focus on promoting good environmental and social practices throughout their business operations. Additionally, firms report that corporate sustainability is becoming increasingly important to their employees. Corporate sustainability can act as a symbolic motivator for employees and helps firms attract and retain talented people. Another driver behind corporate sustainability is company values. Most firms that report no significant change in corporate sustainability strategy during the recession also describe a corporate culture committed to responsible environmental and social performance, often in place since the foundation of the company.

While the majority of firms questioned did not report any significant change in corporate sustainability strategy during the recession, financial performance was a factor. Though some sustainability initiatives, such an energy and resource efficiency, are cost saving measures others, including philanthropic contributions, employee training, and systems upgrades, lead to additionally costs. Therefore, many firms report looking for solutions to decrease cost while maintaining their commitment to sustainability initiatives. Additionally, some firms admitted that while they are still dedicated to achieving sustainability goals, some objectives might take longer than anticipated to achieve due to setbacks from the financial crisis. The wide range of experiences found among interviewed companies demonstrates that there is yet no clearly defined relationship between financial performance and sustainability performance. Instead, the way in which a company implements and approaches sustainability depends on the particular circumstances of that firm. Sustainability strategies are highly influenced by a firm's values and culture, the industry in which it operates, the size of the firm, and the area in which it operates. Though the recession has had a profound impact on companies throughout the world, sustainability is becoming an increasingly important aspect of firms' operations. In researching how firms' have dealt with corporate sustainability during a financial crisis, it is evident that a majority of firms are continuing to look for ways to integrate sustainability into their business model.

As corporate sustainability continues to gain momentum, future research should follow its ongoing development as an imperative for business. While the modern world deals with an increasing number of environmental and social crises, it will be interesting to monitor the role of corporations in addressing these problems. Though industrial processes have played a significant role in the perpetuation of environmental degradation, as more firms begin to implement measures to reduce their environmental impact how will this change the role of corporations in addressing the US's environmental problems? With the country's legislature locked in a standoff regarding climate change legislation can responsible corporations become a catalyst for environmental action? While these may be lofty ambitions for corporate sustainability, it is evident that the integration of social and environmental concerns into business operations has permeated corporate America and become an increasingly important part of company values.

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