

WEAVING SUSTAINABILITY INTO THE ORGANIZATION'S FABRIC: A FRAMEWORK FOR ORGANIZATIONAL RENEWAL

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Abstract

Our paper presents a comprehensive organizational renewal framework for managers to weave sustainability into their organization's overarching narrative and operations. We rely on the concepts of institutional logics (Thornton and Ocasio, 2008) and of organizational dominant logics (Prahalad and Bettis, 1986) to craft our argument, linking the often disparate literatures on institutions and business strategy. We pose that reconciling the institutional logics of shareholder value maximization (which most organizations espouse) with those of sustainability (which are increasingly receiving attention, but have proven difficult to approach) requires redefining the organization's identity, its strategy, and its configuration – cognitive and action-oriented organizational elements – in an externally consistent and internally coherent fashion. We illustrate our framework through the experience of The Ford Motor Company.

Introduction

“Customers can have any vehicle they want, as long as it is green.”

William Clay Ford, Jr., former Chairman and current Executive Chairman,

The Ford Motor Company, press release October 21, 1999

Sustainability is, possibly, one of the most powerful tenets of modern life. From an environmental standpoint, society is increasingly placing value on sustainable technologies, processes, and products which either have zero impact on our ecosystem or affect it within the limits of its carrying capacity. From a social standpoint, society is progressively being sensitized to issues that affect human life, dignity, and rights, such as fair labor practices, social justice, and equity. Environmental and social sustainability are transforming the landscape in which we live and, consequently, changing the institutional logics that govern the ways in which organizations operate. Many, if not all, industries today are being prompted in one way or another to embrace sustainability in a meaningful way (Delmas and Toffel, 2004, 2008; Short and Toffel, 2010).

Start-ups built on the premise of sustainability are burgeoning in many industries, from construction to transportation and from consumer products to financial services. However, for established organizations the promise of sustainability has been elusive to fulfill. Only some have made serious commitments towards incorporating sustainability into their own organizational logics. Many organizations continue to take a fragmented, reactive approach to sustainability, launching piecemeal initiatives to enhance their “green” credentials, to comply with regulations, or to deal with emergencies, all the while claiming that sustainability has long been on their strategic agenda. A recent survey of top executives showed that more than 50

percent considered “very” or “extremely” important in a wide range of areas, including new-product development, reputation building, and overall corporate strategy, yet only around 30 percent said their organizations actively sought opportunities to invest in sustainability or embed it in their business practices (McKinsey and Company, 2011).

In this paper, we analyze why it has been so difficult for established organizations to make a full commitment to operating sustainably and present a framework for organizational renewal toward sustainability. We combine institutional and strategy lenses by relating the concepts of institutional logics and organizational dominant logics to build our argument. As we run through our framework, we showcase the journey of The Ford Motor Company as an illustrative case study.

The organization’s first serious encounter with sustainability happened in the late 1970s, when William Clay (Bill) Ford, Jr., great-grandson of the founder, joined the ranks. Ford had been a passionate sustainability advocate since his years at Princeton and MIT. In a recent interview, he recalled: “I was alone in my thinking in those days. Through the ’80s, I tried to find kindred spirits within Ford. There were a few, but it was an uphill battle, particularly with top management, who thought I was probably a Bolshevik.”¹ Ford joined the board of directors in 1988, became Chairman in 1998 and CEO in 2001. He stepped down in 2006 but remained as Executive Chairman, after pioneering the development of a range of fuel efficient and hybrid vehicles. His replacement, former Boeing senior executive Alan Mulally, has continued championing sustainability. Ford is now hailed as one of the most ethical, most reputable, and greenest companies in an industry that is widely known as one of the greatest pollutants.

¹ McKinsey and Company, “Building a sustainable Ford Motor Company: An interview with Bill Ford”, 2010

Between 2011 and early 2012 alone, the organization received over ten sustainability awards from renowned sources and was included in the Dow Jones Sustainability Index North America and the FTSE4Good Index based on favorable evaluations of its sustainability programs and performance. The Ford Motor Company provides a rare example of an established organization that was able to reconvert itself around sustainability both from an environmental and a social perspective.

Institutional logics, organizational dominant logics, agency, and the unfulfilled promise of sustainability

Institutional logics of sustainability are rapidly becoming salient in many industries: fuel efficiency and alternative modes of propulsion are central to product development in the automotive industry; packaging efficiency and recyclability are key considerations in consumer products, while equity and justice are increasingly invoked in the apparel and consumer electronics industry. *Institutional logics* are the sets of organizing principles, symbols, practices, assumptions, values and beliefs by which individuals and organizations provide meaning to their daily activity (Friedland and Alford, 1991; Thornton and Ocasio, 2008). They represent frames of reference that condition actors' choices for making sense of and interpreting reality, for defining the vocabulary used to motivate action, for identifying and adopting appropriate behavior, and for crafting their sense of self and identity (Thornton, Ocasio and Lounsbury, 2012). Since they prescribe the ways in which institutional actors think and act, institutional logics span both cognition and action in a given space.

Institutional logics do not exist in isolation, but interrelate in often complex institutional environments. At any given time, multiple institutional logics may coexist, confronting

organizations with seemingly conflicting or incompatible prescriptions (Elsbach and Sutton, 1992; Friedland and Alford, 1991; Kraatz and Block, 2008; Selznick, 1949). The patterns of institutional complexity, however, are not immutable: the relative salience of particular institutional logics presents “ebbs and flows” so that certain themes, principles, and prescriptions appear more or less prominent over time (Greenwood et al., 2011: 318). In today’s business environment, institutional logics associated with sustainability are often juxtaposed to logics aligned with the maximization of shareholder value (Hoffman, 2011).

Environmental and social sustainability logics have risen in prominence in recent years, prompted by acts of nature (which many actors interpret as evidence of climate change), large-scale ecological catastrophes (caused by corporate negligence or lack of control), and reports of worker rights violations (stemming, again, from corporate lack of control or complacency), among other factors. Shareholder value maximization logics, on the other hand, have been well established for decades, especially in industries and locations subject to highly competitive capital and product markets (Fiss and Zajac, 2004; Hansmann and Kraakman, 2001). Not only do these logics prescribe different sets of principles and behaviors to the organization, but they also fundamentally imply different conceptualizations of what an organization is. While sustainability logics rely on a view of the organization as a social institution whose purpose is to further its own interests through the reconciliation of the interests of multiple stakeholders (including shareholders, employees, suppliers, customers, and society at large), a shareholder value maximization logic understands the organization as an economic entity whose purpose is to maximize shareholder value (Fiss and Zajac, 2004).

In the midst of this institutional complexity, managers are entrusted to reconcile the institutional demands the organization faces and craft an organizational *dominant logic* that is

both externally consistent and internally coherent. An organization's dominant logic is the narrative that weaves the components of the organization together (Prahalad and Bettis, 1986). Like institutional logics, an organization's dominant logic spans both cognition and action. Cognitively, the dominant logic articulates the organization's assumptions, paradigms, heuristics, and theories about competition, value creation, and value capture in its industry (Prahalad and Bettis, 1986). In terms of action, the dominant logic is reflected in the organization's strategy, formal structure, administrative tools, decision architecture, and resource-allocating practices, i.e. in the interdependent choices that make up the organization's configuration. The articulation of a dominant logic that is externally consistent with the institutional logics that govern its industry grants the organization legitimacy to compete (Thornton and Ocasio, 2008; Suddaby and Greenwood, 2005). At the same time, the dominant logic must be internally coherent, so that the different elements that make up the organization (particularly its identity, strategy, and structure) adequately reinforce each other (Siggelkow, 2002). While institutional logics can powerfully influence organizations' dominant logics through a variety of mechanisms² (Thornton and Ocasio, 2008), the presence of *agency* within the organization (i.e., managers' ability to shape and alter the ways in which the organizational narrative is woven) determines the extent to which particular institutional logics will be upheld (Sewell, 1992).

In exercising agency to weave the organization's dominant logic, managers read multiple signals from the institutional environment, and many of these can be fuzzy (Elsbach and Sutton, 1992). For example, only certain consumers are educated enough in sustainability matters and have the purchasing power to consistently demand and acquire sustainable products, which often

² Thornton and Ocasio (2008) mention identity, status and power, categorization, and attention as possible mechanisms whereby institutional logics affect organizational logics.

cost more than regular ones. Other consumers may be attracted to sustainable products but not be able to afford them, nor have sufficient knowledge to ascertain what options are available. The value that consumers place on sustainable products may therefore not be clear (McKinsey, 2008). While certain media, governmental, and non-governmental institutions advocate for climate change and environmental protection, others disregard the subject or even negate it. The general public's appreciation for sustainability issues may therefore not be clear either (Hoffman, 2011). In the legal arena, sustainability legislation has been restricted to specific topics and slow to progress: while certain industries have received attention and been subsequently regulated, others have relied on self-regulation, while some have managed to eschew scrutiny in sustainability matters (Short and Toffel, 2010). Finally, financial markets have been inconsistent in rewarding organizations that dedicate resources to making their products and processes more sustainable (Cheng, Ioannou and Serafeim, forthcoming). While sustainable initiatives are intrinsically valuable, their economic return is not immediate and may vary from ex ante estimates. A recent survey of investors and CFOs found general agreement among both groups that sustainability activities could potentially generate shareholder value, but in practice this possibility is not usually taken into consideration when they evaluate business investments (McKinsey, 2009). This diversity of engagement with sustainability at the institutional level has sent managers mixed signals about the importance of steering their organizations toward more sustainable products and processes.

Managerial agency vis-à-vis sustainability is also affected by managers' own personal motivations and incentives. As their tenure in many industries shortens, managers may be less inclined to engage their organizations in large-scale sustainability initiatives and opt, instead, to make pointed investments at a smaller scale. Uncertainty about short-term organizational

performance in the market and, in turn, their own compensation, may also trump managers' longer-term efforts regarding sustainability.

We argue that, when managers are unable (or unwilling) to weave together the institutional logics of shareholder value maximization and the logics of sustainability, the organization's understanding of sustainability remains abstract and its disposition to engage with sustainability remains fickle.

Sustainability is, in itself, an abstract mandate. Despite decades of dialogue on the topic, there is still no unified agreement on what sustainability means and no one-size-fits-all solution in terms of how to implement it (Marshall and Toffel, 2005). Thus, sustainability must be made concrete within the particular context of an industry and the organizations that compete within it. Managers should ask themselves: "What does sustainability mean for our organization? How can we redefine our dominant logic to make our products, our processes, and our thinking more sustainable?" These questions are not trivial: they will pose a different answer for each organization at different moments in time, depending on where the organization stands vis-à-vis sustainability and the demands of its environment. We expect managers who prioritize the logics of shareholder value maximization over those of sustainability to instill an abstract understanding of sustainability in their organizations.

Sustainability has the potential to be an all-encompassing mandate. If sustainability is meant to be incorporated into the organization's dominant logic, it must permeate everything that the organization is and does. Managers who prioritize the logics of shareholder value maximization over those of sustainability are often tempted to make one product line, one project, or one location sustainable. "Token" sustainability initiatives may have some effect in the external environment as means to signal accordance between the organization and the

institutional logics it is bound to, but very rarely do the lessons learned from these initiatives have an effect on the organization as a whole.

Finally, sustainability is too ambitious a goal to pursue in isolation. Organizations should engage with their partners across the entire value chain to operate in a sustainable fashion. Managers who prioritize the logics of shareholder value maximization over those of sustainability tend to eschew this dialogue. Their organizations often find themselves exposed when partners' environmental and social transgressions damage the organization's reputation.

In light of these arguments, we further argue that, when managers are unable (or unwilling) to weave together the institutional logics of shareholder value maximization and the logics of sustainability, organizational renewal toward sustainability is made more difficult: the organization lacks both a concrete starting point for the journey and a comprehensive view of what each instance may entail.

In the next section, we present our framework for organizational renewal toward sustainability. The framework details how managers can weave the institutional logics of sustainability into the organizational dominant logic of an organization that works under the premise of shareholder value maximization. We argue for the synthesis of both logics in three different organizational realms: organizational identity (the organization's collective sense of "who we are"), strategy (the organization's sense of "what we do") and formal structure and external collaborations (the organization's sense of "how we do it"). Because both institutional logics and organizational dominant logics span both cognition and action, the elements in our model naturally align themselves to these categories. Identity is predominantly a cognitive construct, while structure is predominantly a construct associated with action. Strategy relies on both cognition and action, providing a valuable bridge.

We illustrate each instance in our framework through the eyes of The Ford Motor Company, a well-established organization that spent nearly 90 years operating under a logic of shareholder value maximization. In the past decade, Ford has succeeded in weaving a logic of sustainability into its organizational overarching narrative. Their commitment to sustainability does not detract from the organization's financial performance, but is tightly integrated with it. In the words of Bill Ford: For us, sustainability in its broadest sense is about economic sustainability. It's not just about sustainability for environmental reasons – if you don't have a sustainable business model, none of the rest matters ... One of the things I realized all along was that if the whole sustainability exercise was just an expensive showcase, it would never work. It had to make sense from a business standpoint, and you had to be able to demonstrate that.”³

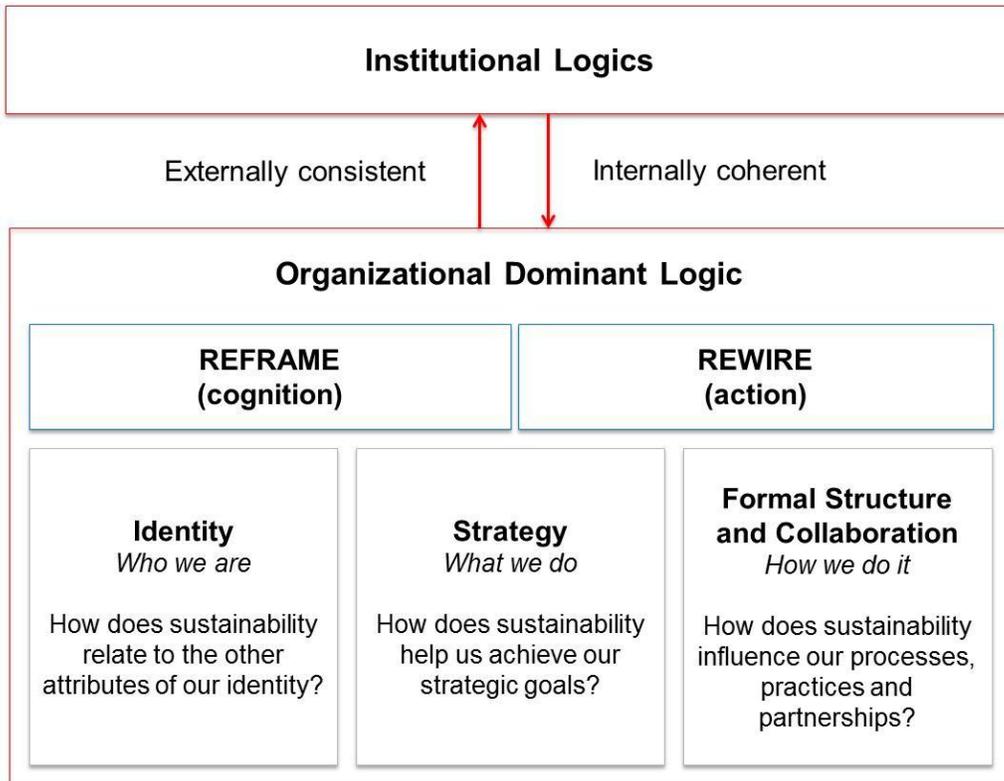
A framework for organizational renewal toward sustainability

Our framework for organizational renewal relates sustainability as an institutional logic with the organization's dominant logic – the overarching organizational narrative into which sustainability must be woven. To this end, our framework relies on two interdependent processes: *reframing* and *rewiring*. Reframing attends to cognitive aspects of the organizational renewal process: it consists of incorporating sustainability into the constellation of attributes that make up the organization's identity and of re-crafting the organization's identity from a symbolic perspective. In turn, rewiring is connected with action-oriented aspects of the organizational renewal process: it involves weaving sustainability into the organization's strategic action, its structure and the configuration of its external relationships. Both processes incorporate both

³ McKinsey and Company, “Building a sustainable Ford Motor Company: An interview with Bill Ford”, 2010.

internal and external considerations for the organization. Figure 1 shows a representation of our model.

Figure 1 – An organizational renewal framework for sustainability



Reframing

Reframing is the process of unpacking, analyzing, and redefining the organization’s dominant logic from a *cognitive* perspective (Barr, Stimpert, and Huff, 1992; Huff, Huff and Thomas, 1992; Reger, Gustafson, Demarie and Mullane, 1994; Bartunek, 1984; Prahalad, 2004; Spicer and Sewell, 2010). Reframing involves examining the ways in which sustainability applies to who the organization is (its identity) and what it does (its strategy), and re-weaving the organization’s narrative around those elements in a way that ensures both internal coherence and external consistency.

Reframing identity

Organizational identity denotes that which is central, distinctive, and enduring about an organization (Albert and Whetten, 1986). It explicitly articulates who the organization is and what it represents, both internally vis-à-vis its members and externally vis-à-vis the institutional environment (Gioia, Price, Hamilton and Thomas, 2010). Organizational identity contains the shared interpretive schemes that members collectively construct to make sense of and provide meaning to their organizational experience (Gioia, Schultz, and Corley, 2000). By supporting sensemaking and interpretation, identity acts as a guide to strategic decision making and issue interpretation (Dutton and Dukerich, 1991; Elsbach and Kramer, 1996; Gioia and Thomas, 1996), organizational change (Reger et al., 1994; Nag, Corley, and Gioia, 2007), and stakeholder relations (Brickson, 2005), among other important processes. At the same time, identity contains the claims that the organization makes in its institutional environment to portray itself as a legitimate player in its industry. These claims allow the organization to position itself as similar to some organizations and different from others in its space, and to achieve optimal distinctiveness (Whetten, 2006; Glynn and Abzug, 2002; Rao, Monin, and Durand, 2003).

Reframing the organization's identity around sustainability therefore entails determining what sustainability means to the organization and examining how this particular understanding should be integrated into the organization's internal narrative and external claims. Internally, managers should analyze how sustainability relates to the pre-existing attributes that constitute the organization's identity. While sustainability may add one more label to the constellation of attributes that define the organization's identity, it may also shift the organization's interpretations or valuation of other identity attributes. This redefinition of organizational identity in the light of sustainability should unfold in a way that allows the organization to retain

its general sense of self while enabling particular aspects of it to evolve in a coherent fashion. Identity should thus retain its essence while renewing its quality, so that members of the organization may continue identifying with it (Dutton, Dukerich and Harquail, 1994). The Ford Motor Company's executive chairman Bill Ford explained how the organization came to its own understanding of sustainability and how it converted this understanding into an identity attribute: "Inside Ford ... we don't use the term sustainability very much, because it lacks clarity. We talk about *being the fuel economy leader*, about which technology is going to drive that, and we talk about cleaning up our plants and about applying technology to our facilities to drive our carbon dioxide emissions out. It all adds up."⁴ (our emphasis)

Altering the organization's identity, however, is no easy feat. Attempted changes to the organization's identity may generate the opposite response: ambiguity and inertia, until members are able to fully reconcile the new attribute with what they know to be true about their organization (Elsbach and Kramer, 1996). Speaking of the evolution of Ford's identity toward sustainability, Bill Ford remembered his struggles to instill in the organization the need to become a fuel economy leader: "With gas cheaper than bottled water, there really wasn't a great pull in the marketplace for fuel-efficient vehicles. The other thing is, traditionally, fuel-efficient vehicles were seen as cheap and not fun to drive, so you really had a double whammy in terms of the acceptance of fuel economy. Now fuel prices have risen, and the technology has developed to the point where we can give customers great fuel economy and a great driving experience; they don't have to make that trade-off anymore. So now we're at the point where we can say *we want to be the fuel economy leader in every segment we participate in* – and that statement does not

⁴ McKinsey and Company, "Building a sustainable Ford Motor Company: An interview with Bill Ford", 2010.

scare people internally. They understand this is the right thing to do; it's the right business equation. In the past, they may have been skeptical.”⁵ (our emphasis).

Externally, on the other hand, managers should explore how the sustainability claims the organization makes may affect the organization's degree of legitimacy and credibility in its industry. The organization should project its reframed identity in a way that is consistent with stakeholder expectations and that demonstrates substance when examined, challenged or probed (Dutton and Dukerich, 1991). At the same time, the organization should communicate its reframed identity so that stakeholders are able to understand and accept the new conceptualization of the organization (Smircich 1983).

Reframing the organization's external identity may sometimes involve going against institutionalized practices in its industry while pioneering and legitimating new ones. The Ford Motor Company, for example, was the first automotive company to issue a sustainability report. Reflecting on the consequences of introducing a practice that seemed outlandish at the time, Bill Ford stated: “When I first introduced that report – I think around 2000 – I was blasted by the business press. They asked: Why would you criticize your own performance? We said in the report: Here's where we're falling short, here are the challenges ahead of us, and check in with us next year to see how we're progressing. I personally came under a lot of criticism. People said this was the stupidest thing they had ever seen. They thought I was an idiot. It was very controversial when we did it. Now it's become much more widely accepted.”⁶ Many companies since then have started issuing sustainability reports as a way of tracking their own progress

⁵ McKinsey and Company, “Building a sustainable Ford Motor Company: An interview with Bill Ford”, 2010.

⁶ McKinsey and Company, “Building a sustainable Ford Motor Company: An interview with Bill Ford”, 2010.

against their sustainability goals and as a means of establishing dialogue with institutions in their environments.

Reframing strategy

The process of reframing entails rethinking the organization's strategy from a cognitive perspective (Gavetti and Rivkin, 2007; Gioia and Chittipeddi 1991). Strategy – the determination of the basic long-term goals and objectives of an organization, the adoption of courses of action, and the allocation of resources necessary for carrying out these goals (Chandler, 1962) – exists first and foremost in managers' minds, i.e. in their theories about the world and their organization's place in it (Gavetti and Rivkin, 2007). In order to incorporate sustainability into the organization's dominant logic, these managerial theories must be re-tested under new assumptions and subsequently re-drawn. For instance, Ford's strategic goal is to “make mobility affordable in every sense of the word – economically, environmentally and socially”, as stated by Bill Ford⁷. The executive chairman was cognizant that this strategy changes Ford's place in its industry and its larger institutional environment. He explained: “There are about 1 billion vehicles on the road worldwide. With more people and greater prosperity, that number could grow to 4 billion by mid-century ... We need to view the automobile as one element of a much broader transportation ecosystem, and look for new ways to optimize the entire system ... We believe a truly sustainable long-term solution [outlined in the organization's 2012 Blueprint for Mobility, Ford's vision of what sustainable transportation will look like in 2025 and beyond, as well as the near-, mid- and long-term steps the company plans to take to get there] will require a global transportation network that enables wireless communication among vehicles and infrastructure. This system would use real-time data to [bring] all modes of travel into a single

⁷ Letter from William Clay Ford, Jr. in the Ford Motor Company's Sustainability Report 2011/2012.

network that links together public and personal transportation. Pedestrian walkways, bicycles, buses, airplanes, trains, automobiles – in our vision of the future everything would be fully integrated to save time, conserve resources and lower emissions.”⁸

Reframing strategy around sustainability involves introducing a substantial shift in the organization’s overall priorities and goals to reflect this new emphasis or direction. It entails making the organization aware of new criteria for decision making and resource allocation – some of which may stand at odds with entrenched practices. Managers can enforce this cognitive shift in their organizations through the use of symbolic devices that serve to create and legitimate the meaning of the change, such as language, metaphors, and images (Dutton and Duncan 1987; Gioia, Thomas, Clark and Chittipeddi, 1994). When asked about his early days as a sustainability advocate at Ford, Bill Ford remembered how he used a meeting with a high-profile NGO as a symbol for sustainability advocacy: “When I joined the board, in 1988, I was told I couldn’t have any environmental leanings. I completely disregarded that. Someone had to build a bridge between the environmental community and the business community – which, in that era, all through the ’90s, were very much polarized. I think I was the first executive to ever speak at a Greenpeace business conference, in London in 2001. That didn’t play well here at Ford, but I thought it was an important signal to send internally, that these were the kind of issues we needed to be grappling with.”⁹ In turn, a business decision that had profound symbolic connotations was the overhaul of Ford’s iconic River Rouge plant, once a decaying enclave and now a test lab for sustainable manufacturing practices. To accomplish the transformation, Ford hired the environmentally progressive architect William McDonough. Bill Ford stated: “We took

⁸ Letter from William Clay Ford, Jr. in the Ford Motor Company’s Sustainability Report 2011/2012.

⁹ McKinsey and Company, “Building a sustainable Ford Motor Company: An interview with Bill Ford”, 2010.

the world's largest brownfield site and made it into the world's greenest assembly plant. At Rouge, we're turning paint fumes into energy. We have grass roofs [that retain and cleanse rainwater and moderate the internal temperature of the building, saving energy] ... We have permeable parking lots, so that storm waters aren't flushed but sink into the ground ... We have a lot of technologies we're applying, some high tech, some low tech."¹⁰

Rewiring

Rewiring is the process of redefining the organization's dominant logic from the point of view of *action* (Kotter, 1996; Fox-Wolfgramm, Boal and Hunt, 1998; Siggelkow, 2002; Gulati, 2010). Rewiring involves examining and reshaping the organization's strategy as embodied in action, i.e. as enacted through the organization's activities (Porter, 1985), rules (March et al. 2000), and routines (Nelson and Winter 1982) for creating and capturing value. Rewiring also entails adapting the organization's configuration by altering its structure, sometimes even shifting the design away from the archetype the organization espoused before the dominant logic changed (Greenwood and Hinings, 1988). Finally, rewiring entails rethinking the way the organization's relationships to its collaborators, such as strategic alliance partners and suppliers are structured. Hence, rewiring speaks to the organization's general sense of "how we do what we do".

Rewiring strategy

In order to incorporate sustainability into the organization's dominant logic from a strategic action perspective, managers should consider how a sustainable perspective alters the way the organization has been competing in its industry, i.e. how the parameters of value

¹⁰ McKinsey and Company, "Building a sustainable Ford Motor Company: An interview with Bill Ford", 2010.

creation and value capture are put to the test as sustainability becomes a central strategic goal. In this sense, rewiring strategy entails making decisions and allocating resources so that the organization is best positioned to reach its reframed goals. In the case of sustainability, rewiring strategy may entail treating investments as real options: many organizations do not yet know the sustainable standards that their industries will adopt, and they must prepare themselves to compete on a variety of fronts. The automotive industry is a case in point. Over the past few decades, sustainable options have proliferated thanks to R&D investments in different areas. Bill Ford explained his organization's stance as follows: "For 100 years pretty much all we had was the internal-combustion engine ... Now we stand at the threshold of some real technological revolutions. And it's still unclear, ultimately, whether there will be one dominant form of propulsion or whether we will have a mix [but] we won't be the laggard. Whichever avenue proves to be the predominant one – whether it's electric or biofuels or hydrogen or diesel – we will be there with the hardware. During the difficult years from 2006 to 2008, I insisted we keep our R&D spending going in all these areas. Many of our competitors cut back. Now we are emerging, hopefully, in a better market, with a leadership position in many of these key technologies."¹¹

Finally, rewiring strategy involves introducing meaningful metrics to track the organization's progress toward its renewed strategic focus. The Ford Motor Company tracks performance in environmental and social sustainability along a variety of dimensions such as fuel economy, CO₂ emissions, water use, vehicle safety, supply chain training, and employee satisfaction. According to the organization's Sustainability Report Summary 2011/12, metrics in

¹¹ McKinsey and Company, "Building a sustainable Ford Motor Company: An interview with Bill Ford", 2010.

all but one dimension improved, with the remaining dimension maintaining its approximate level (Ford Motor Company, 2012).

Rewiring organizational design

The process of rewiring also entails redesigning the organization's formal structure in order to enable its members to bring its reimagined identity and strategy to life. Formal structure consists of the set of arrangements (in the form of roles, units, and the linkages that bind them) that specify how an organization will execute its task (Galbraith, 1973; Mintzberg, 1979; Nadler and Tushman, 1997). By rewiring the organization from a structural standpoint, managers are able to specify new areas of accountability that are directly related to the organization's renewed dominant logic and assign them to specific members. This is especially important when it comes to sustainability. In a recent study, less than 13 percent of Russell 1000 companies [an index that measures the performance of large capitalization U.S. companies] reported having an executive-level committee responsible for sustainability efforts, and less than 6 percent had appointed a C-level executive for making progress in this area (Sustainable Enterprise Institute, 2007). Lacking accountability for sustainable initiatives at the executive level, many organizations struggle with decision making, prioritization, and resource allocation. Pursuing coordinated action becomes difficult, and middle managers are left pursuing disjointed, local-impact initiatives.

The Ford Motor Company has taken several steps to rewire its formal structure to support sustainability. For instance, the organization created a board-level Sustainability Committee tasked with assisting management in the formulation and implementation of policies, principles and practices to foster the sustainable growth of the organization. The Committee is also responsible for supporting management in responding to stakeholder concerns and government regulation in sustainability matters. To this end, the Committee periodically reviews new and

innovative technologies, analyzes opportunities for partnerships and relationships, and evaluates Ford's communication and marketing strategies relating to sustainable growth (Ford Motor Company, 2008). At the executive team level, Ford has created the highly visible position of Vice President of Sustainability, Environment & Safety Engineering, who reports directly to the CEO. Robert Brown, who occupies that role since 2012, is responsible for the company's environment and safety strategy, policy and performance and assuring that Ford meets or exceeds all safety and environmental regulations worldwide. Brown supervises teams in three continents who manage the relationships between the organization, the unions, the dealers, the community and government in each location where Ford does business in order to make joint progress toward the organization's social and environmental goals.

Yet besides appointing a visible C-suite executive with clear accountability over sustainability efforts, managers should also analyze critical workflows and determine whether changes to the organization's structure – either involving new groupings or new linkages – are necessary to support sustainability matters. At Ford, one of the central processes that called for a redefinition of the organization's structure had to do with R&D and knowledge sharing. Bill Ford credits this particular instance of reorganization as a seminal event in the organization's evolution toward sustainable practices. He explained: "Derrick Kuzak, who is head of our global product development, took all of the disparate product development centers around the world and slammed them together. It was a huge management undertaking – these product development centers had grown up, over many years, as independent. Doing that allowed him to drive this sustainability philosophy through the whole product-development system, in a way that would

have been impossible before.”¹² Finally, Ford has reviewed the content of certain core functions to make them accountable for specific sustainability issues. In this way, sustainability is not interpreted as the sole domain of the VP of Sustainability and his team, but recognized as an organization-wide endeavor. Groups such as the Human Resources Department, Communications, Marketing, Product Development, Purchasing, Information Technology, Manufacturing and Land are taking on an increasing role in the organization’s sustainability efforts, from organizing and running Ford’s “Go Green” Dealership Sustainability Program (Marketing) to implementing a PC power management program to help decrease energy consumption (IT).

Rewiring collaboration

Finally, the process of rewiring involves examining and reconfiguring the organization’s partnerships along its value chain to ensure that sustainable practices are upheld end-to-end. Rewiring collaboration requires the organization to put its institutional resources to the test by engaging stakeholders who may not necessarily interpret or value sustainability to the same degree or in the same way that the organization does. Managers must attempt to create dialogue between disparate institutional actors and to steer the conversation toward a common understanding of sustainability and common goals. Multinational companies may often find disparities in the quality of this dialogue across regions. Reflecting on his own experience as a sustainability advocate in Ford’s ecosystem, Bill Ford acknowledged: “In Europe, all the players got around the table – the NGOs, the governments, and the automakers – and they said: OK, where do we want to head? Obviously, there wasn’t unanimity of agreement among them, but there was a lot of dialogue, and a target was agreed upon. Here [in the United States], we have

¹² McKinsey and Company, “Building a sustainable Ford Motor Company: An interview with Bill Ford”, 2010.

government, NGOs, and the manufacturers all lobbing bombs at each other. Whether it's the electric highway, a biofuels future, or a diesel one, the auto industry can't unilaterally solve these issues. We need collaboration, which is not something, in this country, that has traditionally happened. We need the players to sit down and make this happen."¹³ Still, Ford set global targets for its sustainability metrics and has a unified approach to supply-chain management when it comes to sustainability. The Ford Code of Human Rights, Basic Working Conditions and Corporate Responsibility, which applies to the organization's own operations and those of its \$75 billion supply chain, specifies different areas in which Ford actively works with suppliers and partners. The organization regularly conducts supplier training, assessments and remediation on sustainability matters and works with partners to align approaches to a range of issues from labor rights to raw materials sourcing (Ford Motor Company, 2012).

The need to rewire the organization's collaborative endeavors with external partners stems from the indispensable acknowledgement that no organization can tackle sustainability on their own. Sustainability is too comprehensive and too expensive a pursuit to carry out in isolation, and best practices are not necessarily always created within the organization's boundaries. Bill Ford maintained: "We're doing a lot more collaboration with universities and with our suppliers because we don't have a monopoly, by any means, on good ideas. We need to stay humble, and by that I mean recognizing that good ideas are coming from everywhere. We need to embrace good ideas no matter where they come from ... The magnitude of what we've got ahead of us ... means we can't afford, either intellectually or monetarily, to be the sole

¹³ McKinsey and Company, "Building a sustainable Ford Motor Company: An interview with Bill Ford", 2010.

investor. [Now we] have an early-warning system. If they start working on things we hadn't thought about, we're part of that now."

Discussion and conclusion

Our paper presents a comprehensive organizational renewal framework for managers to weave sustainability into their organization's overarching narrative and operations. We rely on the concepts of institutional logics (Thornton and Ocasio, 2008) and of organizational dominant logics (Prahalad and Bettis, 1986) to craft our argument, linking the often disparate literatures on institutions and business strategy. We illustrate our framework through the experience of The Ford Motor Company.

Our framework suggests that weaving sustainability into its dominant logic is a unique journey for each organization, heavily reliant on both the salience of different logics (sustainability vs. shareholder value maximization) in its industry and the effectiveness of managerial agency. While general best practices on sustainability exist and should certainly be taken into account, each organization must learn to understand sustainability as it applies to them. This process entails analyzing what sustainability means to the organization's identity or collective sense of "who we are", strategy or sense of "what we do", and formal structure and external collaboration or the organization's sense of "how we do it". These three instances have cognitive and action-oriented significance for the organization, as do institutional logics and the organization's own dominant logic. We stress the need for managers to carry out the organizational renewal process in a way that maintains external consistency between the industry's institutional logics and the organization's renewed dominant logic, as well as internal consistency among the organization's identity, strategy, and configuration. The way that the

organization integrates sustainability into its narrative and operations has important competitive implications and may be a source of competitive advantage.

In a world where sustainability is still looked at with skepticism and mistrust not only by managers but by a variety of institutional actors, specifying how the prevalent logics of shareholder value maximization and sustainability can be integrated and synthesized may aid organizations in actually pursuing the journey. Those determined enough to do it may ultimately influence their institutional environments and help correct the current imbalance between environmental and social benefit and financial gain. “Skepticism came from all comers,” Bill Ford said in a recent interview. “Our competitors used to love to laugh about the Ford green story. Those same people now are all falling all over themselves to see who can be greenest, which I find amusing.”¹⁴

¹⁴ Bloomberg, “Ridiculed Bill Ford Is Laughing Now as Rival Carmakers Go Green”, January 10, 2011.

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