Encouraging Sustainability: Why the Business Case Isn't Enough

By Marc Le Menestrel , INSEAD; Julian Rode and Nicolai Heinz , Helmholtz Centre for Environmental Research; and Gert Cornelissen , Universitat Pompeu Fabra & Barcelona School of Management

The business case for pro-environment investments makes sense intuitively, but appealing to executives' sense of responsibility might work better.

You probably know the pitch: Do well by doing good. As our planet warms and nature is degraded, the line between making money and sustainability has blurred. Businesses are increasingly **expected to embrace** practices that benefit society and the environment not only because it's the responsible thing to do, but it's also good for the bottom line. The assumption is that executives, long **beholden exclusively to shareholders**, would accept and act on the business case for sustainability more readily than if an appeal was made to their sense of responsibility to society at large. But do they?

The short answer is no. In an experimental **study**, we found that managers and professionals exposed to the business case argument did not express any stronger motivation or intention to act in favour of sustainability, compared to others exposed to the responsibility argument. In fact, the business case was associated with *less* approval for environment-friendly investments that boosted neither profits nor reputation.

Making a case for the environment

We recruited participants for an online survey via the **Prolific** platform for our study. A filter selected only those who were currently employed by a company, government organisation or held their own businesses. The final pool of 210 participants came from 19 different countries, including the United Kingdom (71 percent) and the United States (9 percent). Slightly more than half were in management positions and had authority over staff, budget allocation or purchasing.

Participants were randomly assigned to the Business Case discourse treatment group, the Responsibility discourse treatment group or a control group. Treatment groups watched videos and arguments in line with the business or the responsibility case for sustainability. Participants were also asked to give two concrete examples of “where and why your own company or organisation has a responsibility towards its stakeholders, society at large or nature to improve environmental performance”. The control group was not given any arguments for sustainability.

Then, all participants completed a questionnaire on their views regarding how difficult it was to engage businesses in sustainability efforts as well as their personal motivation and intention to promote sustainability in their professional capacity. They also indicated their inclination to approve several investments aimed at improving a hypothetical company’s environmental sustainability. The investments varied in terms of financial cost, reputation gain and environmental benefit.

We found that the Responsibility group rated engaging businesses in sustainability as significantly more difficult, compared to the two other groups. Professionals, it would appear, intuitively perceive the responsibility discourse as less attractive.

Yet the Business Case group did not express more commitment to corporate sustainability or to act in favour of sustainability. They were also not more likely than Responsibility participants to support sustainability investments (in the case of the hypothetical company) when the initiatives could be justified with financial and reputational gains. Quite the contrary, their enthusiasm dipped much more than Responsibility and control participants when mulling costly investments that would have negative financial impact and zero reputation benefits.

In other words, when investments involve a trade-off between sustainability and profit, the business case discourse may undermine willingness to invest in the former.

When a utopia remains useful

Our study offers the first direct empirical comparison of the two main approaches in environmental communication and campaigning. We show that the widely-touted business case may be less effective than the less fancied responsibility discourse in changing behaviour.

The reason, as past research argued, could be that the “do well by doing good” pitch mentally “crowds out” our intrinsic motivation for pro-environmental behaviour. Executives presented with the business case for sustainability are less inclined to think beyond strict financial interests. And since win-win is elusive, sustainability often takes a backseat. Some argue that **Emmanuel Faber** was fired as Danone chief executive in March at least in part because his environmental, social and governance drive failed to achieve desired returns for the French consumer goods company’s shareholders. Could it be because he did not go far enough to pitch sustainability as a matter of responsibility?

Sustainability campaigners and advocates might wish to reconsider their messaging. The takeaway here is not to abandon the business case, for that would ignore that profit is one of the, if not the priority goal of companies. For best results, sustainability advocacy should use the business case in tandem with the responsibility discourse. The business case would help trigger contemplation of how businesses could contribute to the solution, but it should not gloss over any **trade-off between sustainability and profit**.

Business professionals need not, and indeed should not, be passive targets of the messaging. With a climate crisis and other environmental challenges on our hands, there is no time to lose in using **wise power** to overcome entrenched beliefs and practices in order to adapt to disruption. With wise power, it becomes clear that a single-minded pursuit of profits is backfiring. Embracing sustainability along the way requires compromise but it brings meaning and purpose to “business as a force for good”.

Find article at
https://knowledge.insead.edu/responsibility/encouraging-sustainability-why-business-case-isnt-enough

---

About the author(s)

Marc Le Menestrel is an Affiliate Professor of Decision Sciences at INSEAD. He teaches and coaches senior executives and board directors on high-level performance and leadership as well as the exercise of wise power in governance, sustainability, anti-corruption and risk management.

Julian Rode is a researcher at the Department of Environmental Politics at the Helmholtz Centre for Environmental Research in Germany. He works on environmental decisions and policies, in particular related to biodiversity conservation and sustainable land use.

Nicolai Heinz is a doctoral candidate at University of Osnabrück and at the Helmholtz Centre for Environmental Research.

Gert Cornelissen is an Associate Professor at Universitat Pompeu Fabra and the Barcelona School of Management.

About the research

"**How to encourage business professionals to adopt sustainable practices? Experimental evidence that the 'business case' discourse can backfire**" is published in *Journal of Cleaner Production.*

About the series

Corporate Governance

Established in 2010, the **INSEAD Corporate Governance Centre** (ICGC) has been actively engaged in making a distinctive contribution to the knowledge and practice of corporate governance. Its vision is to be the driving force in a vibrant intellectual community that contributes to academic and real-world impact in corporate governance globally.

The ICGC harnesses faculty expertise across multiple disciplines to teach and research on the challenges of boards of directors in an international context. The centre also fosters global dialogue on governance issues, with the ultimate goal of developing high-performing boards. Through its educational portfolio and advocacy, the ICGC seeks to build greater trust among the public and stakeholder communities, so that the businesses of today become a strong force for good for the economy, society and the environment.