

# FIRM SUSTAINABILITY: LOOKING THROUGH CONTINGENCY THEORETICAL LENSES

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## ABSTRACT

While researchers have argued that corporate sustainability strategies can contribute to the competitive advantage of a firm, in the field of operations management, relatively less attention has been given to the role of operations strategy on the sustainability drives of a firm and its interface with corporate sustainability strategies. Integrating several disparate streams of research and using primary and secondary data, we empirically investigate the impact of an alignment between corporate sustainability strategy and operations strategy of a firm on its sustainability performance. The findings of this study can potentially provide significant implications for operations management researchers and practitioners.

**Keywords:** Corporate sustainability strategy, Operations strategy, Strategic alignment, Contingency theory, and Sustainability.

## EXTENDED ABSTRACT

### Introduction and Background Literature

Sustainability, in a broad sense, integrates economic, environmental, and social responsibilities [4]. Although corporations have been dealing with economic, environmental, and social issues for past several decades, emergence of corporate sustainability as an integrated concept and its implication on sustained corporate performance is relatively new. During the last couple of decades, corporations especially large ones, have been in the center of the sustainability debate as they are perceived to be responsible for a number of activities with adverse impacts on the natural environment and societies in general [6] [3] [5]. Although sustainability aspect has been studied from different angles such as corporate responsibility, corporate social responsibility, corporate environmental responsibility, there are no comprehensive studies that take a holistic view of corporate sustainability and investigate the impact of corporate sustainability strategy on the firm's sustainability performance and its relation with other functional level strategies. Specifically, there is no such study that investigates the alignment between corporate sustainability strategies and operations strategies of a firm in the context of sustainability.

In an effort to fill the gap in the extant literature, we aim to examine corporate sustainability issues in the manufacturing industry, given the impact of the manufacturing industry on the environment and sustainability issues facing this industry [4]. Gaining theoretical support from resourced-based view, stakeholder theory, dynamic capabilities theory, and the contingency theory literature, this study attempts to explore how a firm can be successful at integrating sustainability concerns into its strategic decision-making processes on various levels while still meeting its traditional business goals. Integrating several disparate streams of research, we empirically investigate the impact of an alignment between corporate sustainability strategy and operations strategy of a firm on its sustainability performance. The findings of this study can potentially provide significant implications for operations management researchers and practitioners.

## Methodology and Data

The theoretical constructs for the research model are developed with literature support. Corporate sustainability strategy is assessed in terms of four dimensions: environmental strategy, stakeholder management, strategic proactivity, and sustainability vision [2] [1] 8]. The operations strategy of firms is assessed in terms of four competitive priorities from the literature [7]. Strategic alignment is measured as matching [9]. The misalignment score is calculated using the Euclidean distance formula. The greater the Euclidean distance, lower is the degree of misalignment between the two strategies. The sample for this study consists of selected publicly traded firms in the metal-working industries in the USA. Our final sample comprises firms that are in both the KLD STATS and COMPUSTAT databases.

## Potential contributions

The premise of resource-based view and contingency theory is that a firm can enhance its performance by managing the valuable, rare, inimitable and non-substitutable resources at its disposal and aligning its strategies on various levels. When the firm creates and maintains a strategic alignment, it can derive a sustainable performance. Putting forth a theoretical argument in its support and taking a single industry perspective, as common in strategy research, this study aims to examine the sustainability issues in manufacturing industry at the firm level. The objective of this study is to explore the empirical reality of strategic alignment in the context of sustainability and in particular, to investigate how strategic alignment impacts firm sustainability performance. The findings from this study can make several important contributions to the extant operations management research and practice.

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