Making the business case? : Intercultural differences in framing economic rationality related to environmental issues

Abstract

**Purpose:** The purpose of this paper is to challenge the assumptions prominent in the Anglo-American context that the objective of a business is to increase its profits or/and that managers have to make 'the business case' in order to implement environmentally sounder solutions or other sustainability considerations into their business decisions. The paper argues that these assumptions are not presented as a human construction or agreement, instead they are treated as though they are a given, a prerequisite to a business system. By comparing qualitative statements in a cross-cultural study the paper highlights different ways in which economic rationality could be conceptualised.

**Design/methodology/approach:** Habermas (1984) framework of instrumental and communicative reason has been employed to analyse the accounts of German and British managers in the Food Retail and Energy Sector.

**Findings:** Only the British managers ‘make the business case’ when dealing with environmental problems. German managers employ a different instrumental reason to that applied by British managers; they would argue that cost-intensive environmental improvements can be made as long as the survival of the company is not at risk.

**Practical implications:** The study challenges the perceived objectiveness of the ‘business case’, which has strong implications for the theoretical and practical application of Business Administration in the British context and beyond. Furthermore the paper suggests that new conceptualisations of 'economic rationality' might help to better solve sustainability challenges.

**Originality/value:** Practical application of Habermas framework to question underlying assumptions in the business discourse about environmental issues.
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Introduction
Recently, the management of sustainability in business has moved from a focus on environmental improvements to the 'triple-bottom-line' approach (Elkington, 1999), whereby economic, social and environmental considerations have to be balanced. This has reinforced the view that a company’s competitiveness and financial performance can be enhanced through its environmental and social performance. Whole books and articles are now dedicated to the analysis of this link and to giving recommendations on how to make or 'manage the business case' for sustainability (Lingl et al., 2010; Epstein, 2008; Schaltegger and Wagner, 2006). The assumptions made in these books and articles, that a company has to strive for competitiveness and increased profits, are only shortly discussed or not even questioned (Aehlstroem et al., 2009; Welford, 1998). But do managers have to make 'the business case'? Or is this only one possible rationale which can be offered?

This is also reflected in the broader social discourse where people tend to assume that companies have certain objective necessities such as maximising their profits. In projects with multiple stakeholders participants would normally not question these assumptions but explore the possible ways in which companies can be encouraged to add social and environmental considerations. Therefore they would make the direct business case that environmental improvements for example save costs or the indirect business case that for example sustainability projects enhance the reputation of the company, which then in turn will benefit the financial bottom line. The purpose of this article is to question these underlying assumptions: Do managers have to make the ‘business case’? And do all managers make the business case or does it depend on the cultural context?

Employing Habermas (1984)' framework of ‘instrumental and communicative reason’ we can ask how do managers in different cultures construct ‘economic rationality’: Does it have to be increased competitiveness or could it be, as expressed by the German managers later in this article, framed as 'survival of a company' without striving for more market share? This article does not want to make any value judgements on these different concepts but wants to encourage a discussion about how economic rationality could be differently conceptualised.

In the next section different concepts of economic rationality and their limitations are therefore explored. Habermas’ (1984) framework of ‘instrumental and communicative reason’ is introduced to analyse these different concepts. Existing studies follow about how managers in the UK or in Germany, the two countries of the investigation, make sense of environmental issues in their business decision-making, and a gap is identified that there are no studies comparing these different
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Economic rationalities in relation to environmental issues. After the description of the methodology and methods used in the case studies the paper compares the economic rationality as presented by managers in Germany and the UK. The main insights of the study are then summarised highlighting that the metaphor of the ‘business case’ is not used in the German context. German managers use the metaphor of survival instead. Furthermore it is suggested that German managers challenge their ‘instrumental reason’ by using ‘communicative reason’. Finally new conceptualisations of economic rationality are suggested that might help to better solve sustainability challenges.

**Economic Rationality and Habermas**

In an Anglo-American context the term ‘economic rationality’ is often defined with regard to the assumed moral raison d’être of company survival and growth. In his article about economic rationality and ethical behaviour, Le Menestrel (2002), for example, analyses the relationship between economic rationality and ethical behaviour, concluding that both are of rational nature. The only irrational behaviour is to not behave ethically and at the same time to not follow economic rationality. Throughout his article he frames economic rationality as solely pursuing profit maximization. New concepts such as Porter and Kramer's (2011) shared value approach follow the same argument when they suggest that a company should investigate how they can simultaneously increase social value for a country and increase their own financial value at the same time. Most theoretical models in strategy, financial accounting and corporate finance rest on the assumption that the purpose of business is to increase its profits. Even popular approaches to Corporate Social Responsibility (CSR) such as Carroll’s (1991) pyramid of CSR argue that economic and legal responsibilities are required by society; ethical responsibilities - which would include environmental considerations – are only ‘expected’ by society. However, these assumptions are not seen as a human construction or agreement, they are treated as if they are a given, a prerequisite to a business system. One could argue that this thinking is ingrained in the study of business in the Anglo-American context. McMurtry (2012) also claims that the ‘underlying universal regulator (of economic rationality) is exactly identified across theory and practise by one formula: To be rational is to consistently self-maximise one’s private interests in money-value terms.’(2012:49) However, this is only one of many possible definitions for economic rationality. Wollenberg (2004) for example in his compendium for business administration published in Germany offers different definitions for 'economic rationality', one being the efficient distribution of scarce (renewable and finite) resources.

Various other definitions of economic rationality could follow. The existence of these possibilities
suggests that every so-called rationality was created by humans in the first place. Habermas (1984) described in his ‘Theory of Communicative Action’ the decoupling of social systems and the lifeworld. This is based on the idea that a culturally and historically created social system loses its connection with the normal everyday life and its unlimited possibilities of creating meaning and rules, which Habermas calls ‘lifeworld’. A social system, such as the capitalist system, is not perceived as a human creation anymore. Its rules and actions are not questioned and are perceived as objective reality. Actors in this system claim that they have to follow certain inherent necessities. Their way of thinking and acting is seen as morally neutral, so strong is the disconnection from the lifeworld. Habermas calls the prevalent rationality in such a system instrumental reason and distinguishes it from the communicative reason, which keeps the boundaries open between the lifeworld and the social system.

“Unlike instrumental reason, communicative reason cannot be subsumed without resistance under a blind self-preservation. It refers neither to a subject that preserves itself in relating to objects via representation and action, nor to a self-maintaining system that demarcates itself from an environment, but to a symbolically structured lifeworld that is constituted in the interpretive accomplishments of its members and only reproduced through communication. This communicative reason does not simply encounter ready-made subjects and systems; rather, it takes part in structuring what is to be preserved.” (1984:398) When humans use communicative reason, they go beyond the given instrumental reason in a specific system. For example in the business system managers would use a metaphor/a communicative reason normally not employed within the existing instrumental reason such as ‘stewardship’ (a concept from the Christian tradition in how to deal with environmental issues) and then restructure their understanding of the business system and practices using this metaphor. Sometimes such a metaphor or concept for example in the 19th century ‘the corporation’ gets more and more defined and after a while becomes part of the instrumental reason.

Denhardt (1981) stresses a similar point when he describes that “we originally sought to construct social institutions that would reflect our beliefs and our values; now there is a danger that our values reflect our institutions that is organisations structure our lives to the point that we become locked in their grasp. We wind up doing certain things not because we choose to do them, but because that’s how things are done in the world of organisations.”(Denhardt, 1981: 322)
In this context environmental reasoning can become part of instrumental reason, so that environmental issues are subsumed under the prevalent paradigms in the business world such as short-term or long-term profit maximisation. On the other hand individuals might use communicative reason to structure the economic system differently in order to tackle environmental problems.

First of all, the present study is interested in how managers describe the business system and its inherent logic with regard to environmental issues. These different concepts of economic rationality will be presented along with a short description of the system they help to maintain. However, the managers might also suggest that the business system is a human creation and that it needs to be restructured if new challenges arise like scarcity of resources or global warming. They might question the sensemaking in the business system and search for new concepts and redefinitions that would make sense. In this case, they would actually use communicative reason to create a new system. In a second step, the accounts of the managers are therefore analysed whether their arguments could be framed solely as instrumental reason or whether they employ communicative reason as well.

Existing cross-cultural studies of managerial values (Hofstede, 2003; Hampden-Turner and Trompenaars, 2000; Carroll and Gannon, 1997) suggest that managers refer to and employ different values in their business practices, which are transmitted through language and socialisation. Although they all participate in a business discourse, as they have to accomplish similar tasks, their business transactions are framed by country specific cultural characteristics. There is little understanding however of how managers relate to the environmental discourse in different countries (Kim, 2002). With regard to environmental values, there are also limited cross-cultural studies that assess the cultural variations of whether and if so, how managers integrate environmental concerns into their managerial practises (Purvis et al., 2000; Kessel, 1983).

Only few studies have investigated how managers describe their own economic rationality in relation to environmental problems. There were several studies undertaken in the nineties focusing on the UK solely (Fineman and Clarke, 1996; Fineman, 1996; Fineman, 1997; Fineman, 1998; Fineman, 2000; Schaefer and Harvey, 2000) and some studies in Germany (Heine and Mautz, 1993/1995; Hammerl, 1994) again only interviewing German managers. Even fewer studies have been undertaken that compare how managers in different countries frame their economic rationality in relation to environmental issues (Kim, 2002; Touche Ross, 1990). The present study fills the gap
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by comparing managers in two different countries – Germany and the UK – in how they make sense of environmental issues in the business context. Germany and the UK have been chosen as at least some studies have been undertaken in each country about this topic as mentioned above (but without comparing it to another country). Furthermore, the UK and Germany were chosen as two countries that represent very different versions of present-day capitalism (Thompson 2003; Williams 2000). Fisher and Lovell (2003) point out that Germany has adopted a corporatist approach, where the “interests of employee groups, non-equity finance, and sometimes the state, are represented alongside the interests of equity shareholders, on senior decision-making boards” (2003, p. 4). The Anglo-American approach can be on the other hand broadly classified as ‘classical-liberal-economic’, where the interference of government into business is kept to a minimum and where the main objective is “meeting the demands of equity shareholders” (2003, p. 4).

The studies undertaken so far, separately in each country, suggest that the ‘economic rationality’ expressed by German managers is different from the approach taken by British managers in their concentration on the 'bottom line'. The British managers in Fineman's studies (1996, 1997, 1998), for example, argued that ‘the bottom line’ was the main criterion and businesses should only consider environmental improvements as far as they would help to improve the bottom line. Fineman contrasts the moral, emotional world of the eco-transformers with the 'language of rationality' dominant in the business discourse. His way of contrasting rationality and emotionality reinforces the view that there is an ‘objective, neutral stance’ a manager can take and that morals are introduced later or as an add-on.

Schaefer and Harvey (2000) reported that some managers found it easier to relate to an environmental manager with “a business-focused approach, emphasizing business risks accruing from a ‘less than professional approach’ to environmental issues” than to an environmental manager with “a deep-ecology discourse, less concerned with reducing business risks than with promoting genuine ecological concern.”(2000, p. 175f)

Some German studies (Heine and Mautz, 1995; Hammerl, 1994) reported similar findings in that managers described their rational discourse as based on economical and technological facts and not biased by emotions and prejudices. However, their understanding of rationality differed, especially with regard to environmental issues. Rather than stressing an economical point of view some managers would claim that industry is better prepared than anyone else to solve environmental problems based on scientific knowledge and a holistic approach (Heine and Mautz, 1995). Overall,
German managers claimed that a good manager integrates environmental consideration into business decisions. The construct of an ‘economic rationality’ is employed by all managers but differently framed. The main difference seems to be that German managers refer much more to what Habermas (1984) termed the ‘lifeworld’. These managers utilized in their responses moral arguments and pointed to family members and friends challenging their opinions about environmental issues. The latter suggests that the interviewed German managers were more inclined to reflect on the business system and to consider arguments that questioned a pure financial orientation. It could therefore be argued that German managers spoke in a way consistent with Habermas (1984)’ notion of the ‘lifeworld’ and employed ‘communicative reason’. Nevertheless, it is questionable whether the design of the German studies encouraged managers to talk about the ‘lifeworld’ and whether British managers might also explore these issues when asked differently. In the interviews of the present study, managers in both countries were asked the same questions encouraging them to explain the relationship between environmental arguments and business considerations. The differences were pronounced as outlined below.

These first comparisons of previous studies suggest to us that German and British managers differ in their understanding of their economic rationality. This indicates how much sensemaking is depending on the culture, in which the sensemaker lives (Weick, 1995). Culture can be best understood in Kluckhohn’s (1962) terms as “every society’s patterns for living must provide approved and sanctioned ways for dealing with such universal circumstances as the existence of two sexes; the helplessness of infants; (…)” (1962, p.318) In this sense it can be added that every society needs also to develop patterns for how to deal with environmental issues. Every society also will have patterns for how to organize business transactions. However, often individuals belonging to one group such as a nation or a company will use a similar language and concepts to express their ideas. Culture can be therefore understood as the patterned way of expressing one’s ideas and opinions that exists in a particular group such as an organisation, a group within a society or a nation as well as certain forms of behaviour considered to be appropriate within this group.

As pointed out before, individuals are on one hand constrained by the discursive resources available to them in their language and their cultural setting, on the other hand they can employ different discursive resources experienced in encounters with other cultures and they can even create new concepts and understandings. Discursive resources related to the environment are an especially good example for the creation of new concepts as many of them such as ‘acid rain’ or ‘greenhouse gases’ were only developed in the last decades. The studies undertaken have shown that managers
might employ a similar discursive resource such as they both refer to economic rationality in their argumentation but this term has a different meaning. Overall, managers in each culture expressed certain shared ideas of how to make sense of environmental issues. Individuals are often not aware of these cultural influences. They might argue that ‘this is the way things are done here.’ Or they might even refer to ‘the system’, which requires certain behaviour. But as Weick (1995) points out: “They act, and in doing so create the materials that become the constraints and opportunities they face. There is not some impersonal ‘they’ who puts these environments in front of passive people. Instead the ‘they’ is people who are more active. All too often people in organizations forget this. They fall victim to this blindspot because of an innocent sounding phrase, ‘the environment’. The word ‘the’ suggests something that is singular and fixed; the word ‘environment’ suggests that this singular, fixed something is set apart from the individual. Both implications are nonsense.” (1995, pp. 31/32) When managers for example are convinced that customers are only driven by price they will build their marketing strategy just around this aspect reinforcing the customer to focus on price and so on. It is even difficult to decide who actually started this process. For every player it seems to make sense to focus on price. The price-driven economy has become something like an objective reality.

**Methodology and Method**

The methodology adopted in the present study builds on the social constructionist approach to environmental issues as developed by Hannigan (1995). The focus of Hannigan's approach is on how “environmental knowledge, risks and problems are socially assembled” (1995, p. 31). This approach was applied to the societal group of managers: How do managers choose, assemble and present environmental knowledge and concerns when making business decisions? Special attention was given to the framing of the 'business case' within the business discourse about environmental issues.

The research strategy employed for this study is a qualitative embedded multiple-case design (Yin 1994), which uses semi-structured interviews as its main research method enriched through observations and company documentations analysed in advance and fed into the interviews. In a semi-structured interview, the researcher develops a survey or interview guide, which lists relevant topics and questions to be covered, but the researcher can also follow up topics or remarks introduced by the interviewee (Bryman and Bell, 2003).

Company documents allow the researcher in advance to gain an understanding of the wider work
context, in which the interviewees operate as well as of company values they might share (Marshall and Rossman, 1995). Furthermore, documents and observations can supplement the interview material to clarify meaning and create depth to the research (Flick 1992). In the present study, the researcher analysed documents and used unstructured, non-participant observation (Bryman and Bell, 2003) to enrich the interviews. This approach is returned to later in this article.

The studies were carried out in two countries (UK and Germany) within the food retail and energy sector between 2002 and 2004. The companies in the food retail sector were divided into two groups; one with what the researcher termed an ‘ecological corporate identity’ and one, which she described as conventional. The group with an ecological corporate identity consisted of companies that sell exclusively organic food, companies that belong to the health food shop movement in the UK or equivalent outlets in Germany such as the ‘Reformhaus’, and finally supermarket chains, which are differentiating themselves in their marketing strategy as an ethical or environmental company such as the Co-op in the UK. A similar approach was planned for companies in the energy sector but proved difficult for the UK as most ‘conventional’ energy providers have now embarked on offering a green tariff and/or created a subsidiary with a focus on renewable energies.

Even so, most major supermarket chains and energy providers in the UK and in Germany participated in the study, it is not possible to identify the participating companies in more detail as strict confidentiality was granted; this is also reflected in the abbreviations used to describe the interviewees. The following abbreviations in box 1 were therefore used to classify the interviewees:

\[\text{Box 1: Abbreviations used to classify interviewees}\]

The researcher decided against using job titles. The main reason was that some job titles are shared only among a small group of employees such as environmental programme manager and some are even unique titles used only within one company making it possible to identify the individual (and the company). Furthermore, the researcher came to the conclusion that the job of the interviewee is of negligible relevance; there was no difference between British managers working in different functions in how they would talk about the ‘business case’. And as will be shown later none of the German managers referred to the business case again independent of their role within the company.

The researcher aimed to employ a “multi-stage cluster sampling” method (Bryman and Bell, 2003,
In this sampling method the required clusters are determined beforehand in several stages (for example as applied here: Nation, then Industry, then Function) in order to identify the case study individuals for the semi-structured interviews. However, due to significant access problems especially from headquarters it was not possible to fully follow this sampling approach even though confidentiality was granted. However, it was possible to achieve the first two clusters (countries and companies in different industries with different environmental orientation), but in most companies only one manager (instead of the intended three in various functions) was interviewed.

The breakdown of the 31 interviewees was then as shown in Table 1:

Table 1: Breakdown of interviewees

The interviews lasted on average between two and three hours and were taken on the business premises. The interviews were conducted by the researcher in the mother tongue of the interviewee; the questionnaire was first designed in English and then carefully translated into German using professional translators. The interviews were tape-recorded and transcribed.

The questionnaire addressed also other research topics, which were analysed and published separately (author of this article 2009). The answers used for the analysis in this article to understand the construction of ‘economic rationality’ were given to the following questions:

1. How would you describe your own role within the company?
2. To what extent do environmental issues (as you would define them) arise for you in your work? (If this is not clear, ask them to define an environmental issue)
3. How would you describe your point of view in regards to environmental issues?
4. Do you think you can influence the environmental policy and actions of your company?
5. (If they show passion or other indications of own involvement, pick up with this question: Are you driven in your daily work by the chance to act upon your own ecological values in shaping the demand?)

The questions were posed in the same order; however, the researcher would follow-up on certain comments made by the interviewee. If prompted the researcher would for example confirm that she read certain promotional material or that she had seen a poster in the entrance. The research always visited a shop of the food retailer before the interview or in case of the energy provider a visitor centre or something else on site. And she read the relevant documents on the internet. This helped to contextualise further questions.
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Grounded theory inspired the analysis of the research material (Strauss and Corbin, 1998). They requested that the researcher should have no preconception about the topics under investigation and that the theories should follow the data. But the social constructionist research paradigm chosen for this study assumes that we cannot gather theory solely from data; by asking certain questions during the research process we already influence the data that we will collect. Therefore this study has not adopted grounded theory. However, the present research followed the approach taken in grounded theory insofar as theories were drawn from the data during the research process and these theories were then further explored during the next interviews. For example, very early on German managers referred unprompted to school education as influential for their environmental awareness; in later interviews therefore all managers in both countries were asked whether environmental issues featured in their school education as the researcher was seeking to develop a theory about the impact of environmental education as part of the school curriculum. Additionally, some tools of grounded theory helped to analyse the vast amount of data generated through the interviews. At the beginning of the analysis, the researcher employed ‘open coding’, which Strauss and Corbin (1990) describe as “the process of breaking down, examining, comparing, conceptualising and categorizing data.” (1990, p.61). While the interviews were either fully transcribed or the main sentences of each track-marked paragraph noted, each paragraph was coded. These codes were either related to the theories and concepts identified though the literature review such as ‘the business case’ or emerged as new labels such as ‘survival’. The different labels were then transferred to coloured post-its together with a significant quote. The different colours represented the broad categories identified as areas of interest while designing the survey guideline. Within these broad areas the post-its, each representing only one element, were then grouped together under meaningful labels such as ‘investing into environmental improvements’.

As the researcher used post-its there was scope for rearranging the post-its on the poster over and over again. This allowed the researcher for example to sort one code such as ‘survival’ to all the categories under investigation. The researcher would divide the post-its on the poster according to differences in gender, age, sector, level of education, corporate identity or/ and nationality, the latter in most cases turning out to explain the differences better than any other category. For the analysis Habermas’s (1984) differentiation between the instrumental reason and the communicative reason has been employed as described before.

The framing of ‘Economic rationality’ in the UK

Most British managers in the present research argued along similar lines to the managers in
Fineman’s study (1998): They evaluated environmental activities and issues using business criteria. While a common statement according to Fineman was that “they wouldn’t do it if it didn’t help the bottom line” (1998, p.242), the British managers in the present study referred frequently to the metaphor ‘the business case’ as the following statement illustrates:

“I think I have quite a key role and responsibility to highlighting problems and issues and it’s highlighting them in a way that people take notice (…) I have to be careful… I have an employee who is very passionate and I have to protect him and he sometimes forgets the business case…” (UK-E 1)

Also, in other references made to the ‘business case’ managers would usually not dwell on an explanation of what this metaphor entails. They seemed to assume that everybody has a shared understanding of ‘the business case’. Only one manager tried to explain the idea of ‘the business case’ and how she uses it as a tool to convey environmental ideas:

“It is just putting the business case to people...making it clear what the costs are going to be, what the benefits going to be...cost-benefits-analysis basically.....it’s just about training really and keep drumming the drum I suppose and keep writing proposals and business cases and not letting it go.” (UK-FE 2)

All but one British manager expressed the same opinion that environmental improvements should be only made when you can establish a ‘business case’, so that the environmental improvements would actually save costs by using fewer resources such as energy or water.

In the interviews the managers were asked how they would deal with a situation where the more environmentally sound solution would not save money or would even cost more. The responses were similar, the following quote being quite typical:

“Unfortunately the external drivers are on cost here (…) so on economic grounds we would get SF6. (…) I think it would depend on either on the company’s corporate view of what the environmental damages was for the different options versus the differences in costs for the options.” (UK-E 3)

Some managers would express a strong concern about certain environmental issues, but they would see the business decision with its focus on costs as inevitable and would not question it. One manager for example claimed that the extensive usage of pesticides and fertilizers are his biggest concern and that he would prefer to deal with ten suppliers rather than 26,000 so that he could control what they do. However, earlier in the interview he made the following statement:

“I essentially make the policy...we spent the money (…) it all boils down to economics...if I want to spray less...no benefit for doing it now....” (UK-FC 3)
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One could argue that certain environmental issues such as scarce and therefore cost intensive resources can be easily integrated into the existing business paradigms due to their cost saving potential. However, it depends whether this cost is seen as a marginal cost or not as the following quote illustrates:

“Plastic bags? Why not reducing this cost? I believe people should be charged for carrier bags, they were fifteen years ago, but now consumers take as many as they can...but the cost of carrier bags is such an insignificant cost...and the customers pay for it anyway, it is put on the products like a tax...” (UK-FC 4)

With all this focus on price and cost-savings, quite a few British managers expressed pride in the fact that the margins for supermarkets in the UK are higher than in many parts of the world. However, they never raised the question, whether supermarkets in other European countries maybe make less profit because they spent more money on environmental improvements, pay suppliers better or do anything else that is not profitable in the British sense. On the contrary, high profits were seen as a result of good managerial practice.

The business system in its current form is not only described as unchangeable but some quotes even suggest that managers perceive it as given and not created by man. A preferred argument is to refer to the ‘real world’, which opposes any consideration other than price, as in the following quote:

“If we want to win contracts...maybe you have to have a certain standard like ISO 14001 but then the company cheaper or best able to do the job cheap...it has to be said that aye...that's the real world...good will doesn’t count so much in the real world...” (UK-E 6)

The only criticism of the existing business system, which managers frequently expressed, was the orientation towards short-term profit maximisation. This was seen as problematic with regard to environmental improvement as some investments into energy saving appliances for example pay back only after a few years. However, even when managers promote a long-term perspective on environmental investments, they stay within the overriding paradigm that there has to be a business case for it. Therefore, these investments have to result in cost-savings, at least in the long run.

The framing of ‘Economic Rationality’ in Germany

In contrast to the British managers, the German managers never refer to making the business case. The phrase, which is closest to the British understanding of ‘making the business case’, is that they do something ‘aus Kostengruenden’ (because of cost factors). Therefore the managers mention quite often that their environmental improvements save costs. However, the German managers seem to have reversed the order. While the British managers would if at all as an afterthought add that it
helps the environment, the German managers would start their argument with the environment and add that it also saves costs. The managers will often explain environmental improvements in detail using arguments borrowed from the environmental discourse like saving resources or avoiding waste; sometimes one can only assume that they are saving costs. With regard to some examples given by managers it is even debatable whether these initiative save money, are cost-neutral or cost even more. For example, several managers highlighted that they prefer to get fruits and vegetable from regional suppliers.

"...there's a strawberry farm next door. And from this farmer, where it is the best quality and the price is in line with our price, we get in season direct delivery several times per day - from the field. That's naturally better, as if it is transported over long distances, isn't it?" (G-FC 4) [1]

In the last quote a short reference to the costs is made but it only says that the price is in line with their price, whatever this might mean. ‘Regional’ in the German context referred to the landscape around the city. All British managers reported that their supermarkets do not supply fruit and vegetables from the immediate surroundings, as this would be too cost-expensive. They argued that it is cheaper for the supermarkets due to economy of scale to get big quantities of fruits and vegetables.

Instead of the British ‘Business case’ the reference most frequently made by the German managers was that of survival in the competition. German managers also did not use the German equivalent for ‘competitor’ but preferred the word ‘Mitbewerber’ (which could be translated as ‘Co-Applicant’). It is more about two people competing for a price, but in a sporting way. The ‘Co-applicant’, the German version of the competitor, is described as someone who also wants to live and survive.

"Yes, we see this positive as ‘Co-Applicant’. (...) But the ‘Co-Applicants’ shouldn’t be underestimated. They also want to get on; they also want to do something. (...) Let's say, in commerce one knows each other. The A at the XX, he is a colleague of mine, who I have known already for 16 years (...)" (G- FC 5)

The manager then explains in detail the problems of his competitors expressing his appreciation of their struggles by using communicative reason. While they show sympathy and understanding for their ‘Co-Applicants’, German managers highlight that it is not easy to survive in the competition and that they have to make concessions under the pressures of competition.

However, in contrast to their British colleagues, German managers differentiate between times when one has to focus on price in order to survive, and other times, when you can concentrate on quality and other issues, which include environmental initiatives. The following energy provider,
for example, had to concentrate on survival after the privatisation, but the company has not only managed to survive but to be profitable and is now spending five millions Euros of their profits for ‘Pro-Klima’ (Pro-Climate), an initiative, which promotes the usage of renewable energies and energy saving appliances in the private and business sector. For example ‘Pro-Klima’ would inform interested citizens about energy saving refrigerators and would contribute 50 Euro towards the cost of a highly energy-efficient (A rated) model if bought by the customer.

“Last year more concentration on competition, on prices etc. ....environmental protection has not been neglected, but we did not talk about it ....we haven’t gone to the dogs, on the contrary we are rather successful, funding 'Pro-Climate' with our profits, more than 5 million Euros per annum...price competition is now over, now it is more about quality and there we put the environmental protection in...” (G-E5)

One could argue that some German managers see the focus solely on price as something that is temporary, while for most British managers the price orientation is the foundation of business. Some German managers would argue that it is a choice made by the management:

"You have to decide what you want.....just saving money or doing something for the economy, saving jobs, keeping people in business....." (G-E4)

This quote also offers an example how German managers intertwine instrumental and communicative reason by discussing their own personal values and/or the purpose of business. German managers also tend to distance themselves from the philosophy that they have to gain market share by beating the competition often using communicative reason (moral arguments). If at all, they tend to identify other players who follow this approach:

“He wants to dominate the market. Once we have spent a whole evening with him. That was a long time ago. Was also quite an encounter. To understand, how do they actually tick, right?” (G-FE 2)

Consequently, none of the managers mentioned that they have to increase shareholder value, not even the ones working for shareholder owned companies. They never even used the term ‘shareholder’. Only two managers talked about the shareholder concept, both in a negative way. One suggested that the shareholder orientation is responsible for the short term thinking in business: Most managers would see it as a game, would focus on the twelve-month period and would not be able to develop anything with more substance, as this would need a long-term perspective.

As was said before the most common metaphor used by the German managers is that of survival in a competition. Environmental improvements as a mean to save cost are one strategy used to guarantee survival. However, most managers employed the metaphor of survival also in another
connotation: They argued that even cost-intensive environmental improvements should be made as long as the survival of the company is not jeopardized. Some like the manager in the following quote claimed that each year they would spend as much as possible on environmental issues without risking their own survival. Some investments are made, because a law will be put in force in the near future. But even without regulation or anticipated legal requirements he claimed that they will invest for example in new refrigeration, although the new cooling gas is more expensive for them, but they hope that many will install the same new system in the future so that the gas then becomes cheaper due to economy of scale:

"We invest into environmental improvements, before the law comes into action. Often we also make the changes, although we don’t know whether a law is planned there or not. This costs indeed more, but hopefully all will convert and then it will get cheaper again for us as in case of the refrigerators. We do every year as much as we can, one has to survive."

(G-FC 2)

Managers working for companies with an ecological corporate identity used a similar argument. In their case they admitted that the material used in their shops or the processes employed could be environmental friendlier, but that at the moment they would risk their own survival if they spend more on improving these aspects. And they argued that it is more important for the environment to concentrate all their (financial) efforts in gaining market share for organic products as this improves the environment more than trying to do everything at the same time with a much higher risk to lose out. Similar to the ‘conventional managers’ they anticipated improving the other aspects when they would be able to afford it.

The conceptualisation of economic rationality in the two countries studied: ‘Business Case’ versus ‘Financial Survival’

It was argued before that managers do not perceive the existing business system as a human creation. Its mechanisms and rules are referred to as objective reality and therefore not questioned. Habermas (1984) pointed out in his “Theory of Communicative Action” that the business system can be framed as a social system with its own inherent logic. Actors in this system perceive their way of thinking and acting as morally neutral, they just apply what Habermas termed ‘instrumental reason’. Habermas distinguished between this system-immanent ‘instrumental reason’ and the ‘communicative reason’: “This communicative reason does not simply encounter ready-made subjects and systems; rather, it takes part in structuring what is to be preserved.” (1984, p. 398) These devices designed by Habermas were applied in this study to analyse how managers in the UK
and Germany explain their environmental reasoning in relation to business activities.

Overall, one could argue that British managers stayed within the prevalent logic of what Habermas (1984) called the ‘instrumental reason’ of the existing business system, rarely questioning its purpose or contents. The business system in its current form was not only described as unchangeable but some quotes even suggested that managers perceived it as a given and not created by man. They would refer to it ‘as the real world’ or as ‘the market’, which was often personalised and treated as the driving force behind many decisions. The British managers defined their ‘instrumental reason’ in similar ways as the managers in Fineman’s study (1998): They evaluated environmental activities and issues using business criteria. The metaphor mostly used for this purpose by the British managers in the present study was ‘the business case’. They seemed to assume that everybody has a shared understanding of what the metaphor entails and that there was therefore no need to explain what they meant by making ‘the business case’. The research has shown that British managers tend to include environmental issues into their ‘instrumental reason only when they could make the business case for it. In other words, the environmentally sounder solution had to save costs. This approach is taken in many current text books in the Anglo-American context as described above. They highlight that there are good business reasons to include environmental issues, making the business case for them. Managers in the present study chose this approach when they wanted to convince their colleagues. Even cost-neutral environmental improvements or investments into the environment are suggested, when an ‘indirect’ business case can be made for these activities such as increasing the reputation of the company or using these improvements as marketing tools (Lingl et al., 2010).

Although some British managers expressed a strong concern about certain environmental issues, which were particular to their personal circumstances, they seem to be trapped in taken for granted notions on economic rationality so they stayed within the logic of their ‘instrumental reason’. A few British managers employed what Habermas (1984) termed ‘communicative reason’. However, these comments were often brief and unelaborated.

In contrast to the British managers, the German managers never referred to ‘making a business case’. There is not even a translation in the German language for the term ‘business case’; furthermore the German managers apparently used no other expression that would convey a similar meaning. Utilizing Habermas’ concept of the instrumental reason, ‘economic rationality’ in the German context seems to be based on the principle that a company has to make money in order to
survive. If a company fulfils this basic principle of financial survival then they can afford to integrate other considerations into their business decisions, most managers would therefore argue that even cost-intensive environmental improvements should be made as long as the financial survival of the company is not jeopardised. Furthermore it seems that the use of ‘instrumental reason’ and ‘communicative reason’ are constantly intertwined in the German business discourse, at least with regard to environmental issues. Sometimes the business considerations would for example override the environmental arguments, but the managers would still discuss the environmental implications. The latter might even suggest that the managers use ‘communicative reason’ to challenge and maybe change their instrumental reasoning. This would need further research, however as part of the bigger research project (see author of this article, year) the German managers referred to their school education as very influential for their thinking, where they had to take philosophy or religious studies until they finished school with the ‘Abitur’ (comparable to A-Levels) as well as another broader range of subjects than their British counterparts such as natural science. This broader education might facilitate a less myopic view on their own specialism allowing them to reflect on their daily practice.

The German managers were quite vocal about their environmental achievements and were quite familiar with the environmental discourse as presented in the media again using this as communicative reason. While the British managers would refer to the ‘business case’, to justify investment into environmental measures, most German managers would cite environmental considerations as reasons for their business decisions. They would dwell on these arguments and only add briefly, if at all, that these measures also help to save costs or improve the image of their company. One could even get the impression that German managers found it inappropriate, maybe even morally wrong to put their own interest or the interest of the company first.

One could argue that the German ‘economic rationality’ of survival could more easily integrate environmental issues than the British ‘economic rationality’ of ‘making the business case’, where environmental issues can be only integrated if they save costs. However the German managers seemed to be also more inclined to refer to the ‘lifeworld’ as Habermas (1984) termed it, so they would use arguments from natural science or refer to philosophers to make their point. This became especially evident when both groups of managers were asked about their role models. The German managers would refer to someone outside the business community such as a philosopher, a politician etc.; the British managers would refer to someone within the business community such as Richard Branson.
Conclusion: How could ‘economic rationality’ be conceptualised to embrace sustainability?

The perceived objectiveness by the British manager of their ‘economic rationality’, its conceptualisation, and its implications for the theoretical and practical application of business administration in the British context and the different perspective on ‘economic rationality’ by the German managers, which challenges the understanding of ‘economic rationality’ as ‘making the business case’, are considered to be the major contributions to knowledge of the present study. The research found evidence for strong differences in the way managers would construct ‘economic rationality’ in both cultures. As shown above the German managers would not even ‘make the business case’ but would use the argumentation instead that you should not risk the financial survival of the company. Cultural differences were strongly overriding any other differences, which could be attributed to the two industries studied, the corporate ecological identity, age, gender or level of education.

A further insight of the present study is that the ‘instrumental reason’ in the German Business discourse makes it easier to integrate environmental considerations. Highlighting and investigating these differences in how people frame ‘economic rationality’ might be a good approach in trans disciplinary projects. Otherwise there might be the risk that the business system in its current form is not questioned but taken as a given, as an objective reality. Therefore it seems to the researcher most important to raise awareness among managers and other stakeholders that the ‘business case’ is not an objective reality but a human creation. Only when they realise that there is scope for defining the ‘rules of the game’, can these be changed.

Apart from carrying out further research into the framing of business systems in relation to cultural differences, theoretical research should focus on the philosophical underpinnings of existing and potential business systems. This would contribute to brighten the narrow understanding of business in the current academic and practical discourse, but would also allow the business world to better address challenges faced by humanity such as climate change, overpopulation and loss of food supply.

It was argued before that German and British managers use two different metaphors, ‘the business case’ versus ‘survival’. Lakoff and Johnson (2003) point out that metaphors help us to structure a concept and they might reflect a different experience. In the German context managers stressed for example that the ‘Co-Applicant’ (Mitbewerber) has to survive too. It would be interesting to understand whether one metaphor has developed from the other e.g. did the British always ‘make the business case’? Or why did they start to ‘make the business case’? Was there a specific historic
event? And why do the German speak of financial survival instead? Why do the German managers use ‘Co-Applicant’ instead of competitor? Again has this changed over time? And will it change over time e.g. will German managers use more the metaphor ‘competitor’ as a reaction to the dominance of the Anglo-American approach? Lakoff and Johnson (2003) suggest that “new metaphors make sense of our experience in the same way conventional metaphors do: they provide coherent structure, highlighting some things and hiding others” (2003, p.139). While metaphor is a way of conceiving one thing in term of another, metonymy on the other hand “allows us to use one entity to stand for another” (Lakoff and Johnson 2003, p.:36) such as the ‘part for the whole’. ‘Business Case’ seems to be such a metonymic concept, where this word stands for the whole concept of a market-dominated system focused on financial value.

As highlighted before the UK and Germany represent very different forms of present-day-capitalism. The individual responses will be to a certain extent a reflection of the national business system and might have changed for example in the UK during its development to a ‘financialized economy’ (Williams 2000). A longitudinal study in a country like the UK might give more insight into how managers frame the ‘economic rationality’ in response to changes in the national business system and how and when they create new metaphors or metonymic concepts. It might be also useful to research the link between economic situation and economic rationality, for example could the focus in the UK on price be explained by the current economic situation of its population, which might be worse on average than the economic situation in Germany? In brief, research into the relationship between historical, societal and/or industrial conditions on one side and the framing of economic rationality on the other side in the two countries might offer some insights in how economic rationality is conceptualised.

The analysis of the accounts suggests two possible paths of how to introduce environmental protection and other sustainability considerations into business activities. One would be to include environmental considerations into what Habermas (1984) termed ‘instrumental reason’ as demonstrated by the British managers above. The other would be to challenge this ‘instrumental reason’ by using ‘communicative reason’.

In his article ‘The Life-Blind Structure of Economic Rationality’ McMurtry (2012) criticises that “social life standards to rationally regulate choices to cohere with life support systems are blinkered out” (2012, p.50) of the common understanding of ‘economic rationality’. He even offers arguments why this so-called ‘rationality’ rules out everything required for a healthy and flourishing human
life” (McMurtry 2012, p.52). He suggests instead a ‘life-coherent rationality’ which is judged by “consistency with and satisfaction of organic, ecological and social life requirements” (2012, p.56). McMurtry goes even further by claiming that “a misnamed system of economic rationality, capital, goods and efficiency is increasingly the reverse of what it assumes, with no capacity within its self-referential paradigm to recognize its final disorder” (2012, p.59).

A discussion about the philosophical underpinnings of a current business system could be at the start of a trans-disciplinary project to solve a sustainability challenge for example in the supply chain. It would offer a base on which to discuss the pros and cons of the existing business system, the scope for action within the business system and the possibilities to reframe parameters and metaphors of the existing system. Here the ‘communicative reason’ as defined by Habermas (1984) could be employed in “structuring what is to be preserved” (1984, p.398). With regard to environmental issues it would also allow room for discussions on how environmental issues could become part of a new ‘instrumental reason’.

One possibility could be to integrate the three dimensions of sustainability into the new ‘instrumental reason’ in order to find a balance between social, environmental and economic sustainability. The term ‘triple bottom line’ (Elkington, 1999), already suggests that the three dimensions should be analysed in how they contribute to the bottom line, however also here is scope to challenge this assumption from a critical perspective in developing new constructs. Economic sustainability has been commonly defined as securing the profitability of a company in the long term (Crane and Matten, 2010) however it might be better to define it similar to the German understanding of survival, so that the company has to survive financially even when they integrate social and environmental issues in their strategic decision-making. Or to search for a different concept of ‘economic rationality’ combining the German and British approach as a starting point. This would also open up the discussion which values of the ‘lifeworld’ we would like to integrate into our new ‘instrumental reason’ in business.

Reich (2000) had criticized the fact that social scientists are solely concentrating on reconstruction or deconstruction, which he described as understanding what has been going on in the world. He was suggesting that social scientists should in addition ‘construct’ reality in the sense that they create concepts to change existing practices. Applied to the ‘business case’ discussed in this study, academics and practitioners should try to understand the existing definitions and practices but they could also try to define a new ‘economic rationality’, write new ‘rules of the game’ and put them into practice. These new metaphors of ‘instrumental reason’ might then be better placed to solve sustainability challenges.
[1] The quotes of the German managers are given in the English translation. The researcher tried to stay as close as possible to the words used by the German managers.

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Making the Business Case?


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