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ORIGINAL PAPER

Corporate Environmental Sustainability Via Stakeholder Collaboration: Insights from Classical Institutional Economics

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Abstract

Stakeholder scholarship has made significant progress in identifying the factors that contribute to the successful impact of stakeholder collaborations on corporate environmental sustainability. An issue that has received less attention in this scholarship is an analysis of cases where stakeholder collaborations fail or encounter difficulties. To address this issue, we combine stakeholder theory with the unconventional perspective of classical institutional economics, which offers a critical view of corporate behavior. On this basis, we develop a conceptual framework that distinguishes four types of corporate behavior, ranging from disinterest in environmental protection to effective environmental behavior through managing for stakeholders. This framework allows us to formulate four propositions extending the extant stakeholder-theoretic analysis of corporate environmental sustainability. Our argument accommodates both successful and not so successful cases of stakeholder collaboration, strengthens the institutional economics foundation of stakeholder theory, and provides practical implications for corporate managers and policymakers.

Keywords Corporate environmental sustainability · Managing for stakeholders · Classical institutional economics

Introduction

A significant body of stakeholder research convincingly documents the positive influence of stakeholder collaboration on corporate environmental sustainability. For instance, Góes et al. (2023) conducted a systematic analysis demonstrating how managing for stakeholders can drive firms toward greater environmental sustainability. They emphasize the role of strong stakeholder relationships in facilitating proactive environmental strategies, synergistic value creation, and overall corporate performance improvements. This work is representative of a broad stream of stakeholder scholarship exploring various collaborative approaches companies can adopt to address environmental challenges as well as other societal issues (cf. Gibson, 2012; Harrison et al., 2015; Schultz et al., 2024; Velte, 2023). If we were to summarize the main message of this body of scholarship in one sentence, we would highlight the positive impact of ethical and well-functioning stakeholder relationships on a firm's environmental sustainability (cf. Hörisch and Schaltegger, 2019).

However, substantial evidence indicates that achieving corporate environmental sustainability through stakeholder collaboration is often challenging. Instances of trade-offs hindering successful collaboration have been documented (cf. Hahn et al., 2010), alongside superficial corporate environmental efforts that resemble greenwashing (cf. Jauernig & Valentinov, 2019). More extreme cases involve explicit environmental misconduct (e.g., Comyns et al., 2023). This evidence raises an important research question: How can the varying degrees of success in corporate environmental sustainability be reconciled with the positive momentum

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observed in stakeholder theory? We argue that answering this question requires equipping stakeholder theory with a more critical perspective, one that focuses on the ethical implications of cases where stakeholder collaborations fail to achieve their intended outcomes in promoting corporate environmental sustainability.

Our paper's strategy is to bridge stakeholder theory with classical institutional economics, a heterodox school of economic thought keenly attuned to ethical critiques of capitalism, such as its role in exacerbating environmental degradation and socio-economic inequalities (cf. Tool, 2001; Whalen, 2022). This critical awareness in classical institutional economics stems from its departure from mainstream economic theorizing, which often serves to legitimize existing capitalist institutions (cf. Kapp, 2011). Building on previous applications of classical institutional economics to stakeholder theory (cf. Valentinov, 2023, 2024a, b), we develop a conceptual framework categorizing corporate behavior toward environmental sustainability into four types: disinterest, opportunistic interest, environmentally oriented behavior constrained by trade-offs, and effective environmental behavior.

Our conceptual framework brings several valuable contributions to the literature. First, it deepens our understanding of the relationship between stakeholder theory and environmental sustainability by explicitly addressing the varying success in stakeholder collaborations aimed at promoting corporate environmental sustainability (cf. Góes et al., 2023; Kujala et al., 2022). Second, it strengthens the institutional economics foundations of stakeholder theory, emphasizing its connection to systemic issues such as environmental degradation within capitalist institutions (cf. Kapp, 2011; Paavola & Adger, 2005; Vatn, 2015). Finally, our framework provides practical insights for managers and policymakers by highlighting the importance of institutional environments that embrace sustainability as a shared social belief, promote fairness and transparency in stakeholder interactions, and encourage genuine pro-environmental efforts.

The paper's structure is as follows. The next section reviews the current research on the link between corporate environmental sustainability and stakeholder management. We then introduce a framework grounded in classical institutional economics to analyze corporate behavior. Following this, we present a set of propositions that highlight how our framework advances existing research on stakeholder theory in the context of corporate environmental sustainability. Finally, we discuss the contributions of our argument to the field, acknowledge its limitations, and outline implications for future research.

Corporate Environmental Sustainability and Managing for Stakeholders: What Do We Know?

A growing body of research in stakeholder theory underscores the positive impact of managing for stakeholder interests on a firm's environmental sustainability. Scholars have explored the various collaborative approaches companies adopt to address societal and environmental challenges (Nardi et al., 2022; Goes et al., 2023; McGahan & Pongeluppe, 2023), categorizing these approaches broadly as normative, instrumental, and descriptive (Donaldson & Preston, 1995). These categories often overlap in practice, reflecting unified aspects of the same theory (Freeman, 1999). From a normative perspective, stakeholder scholars advocate for ethical conduct by firms, urging them to contribute to the greater good by actively (and voluntarily) pursuing environmentally sustainable practices (Argandoña, 1998; Harrison et al., 2015). This encourages managers to take proactive steps that acknowledge their moral obligations and responsibilities toward the environment (Gibson, 2012; Velte, 2023). The instrumental perspective highlights that strong environmental performance can give firms a competitive edge in the marketplace (Journeault, 2016). By prioritizing sustainability, companies can attract environmentally conscious consumers and investors. Descriptively, research demonstrates that a focus on building strong stakeholder relationships facilitates proactive environmental initiatives (McGahan & Pongeluppe, 2023). Companies with well-developed environmental capabilities are also more likely to embrace sustainability practices (Delgado-Ceballos et al., 2012). Furthermore, closer collaboration with stakeholders increases the likelihood that companies will adopt proactive environmental strategies (Delgado-Ceballos et al., 2012).

By emphasizing the positive impact of ethical and well-functioning stakeholder relationships on a firm's environmental sustainability, stakeholder theory aligns with the inherent win–win nature of sustainability—a concept long recognized for harmonizing economic, social, and environmental well-being. While some scholars question the perfect harmonization of the sustainable development pillars at the corporate level (Hahn et al., 2010), stakeholder theory offers a compelling solution. It views businesses as networks of mutually beneficial relationships with groups having legitimate interests in the company's activities (Phillips et al., 2019). Freeman et al. (2018) discuss "win-win-win-win-win" relationships that transcend trade-offs by fostering collaboration previously constrained by those trade-offs. In the context of corporate environmental sustainability, such relationships can be leveraged to ensure that the economic, social, and environmental dimensions of sustainability are well-aligned. Schaltegger et al. (2019) suggest that this collaboration may take the form of building the business case for sustainability. They argue that stakeholders co-create this business case by actively seeking solutions to social and environmental challenges and ultimately creating win–win potentials. Schaltegger et al.'s (2019) argument makes it particularly clear that stakeholder engagement can lead to solutions for corporate environmental sustainability that would not exist without such collaboration. In essence, stakeholder theory emphasizes that businesses must address the concerns of stakeholders that affect their operations, including the concerns of environmental sustainability (Freeman et al., 2010; Hörisch & Schaltegger, 2019).

The transformative potential of stakeholder theory is vividly illustrated by Natura &Co, a company founded in 1969 with a focus on the Brazilian market that later expanded globally through acquisitions such as Avon and The Body Shop. Natura &Co distinguishes itself through its unwavering commitment to addressing social and environmental challenges, including Amazon rainforest preservation, supplier welfare, and the cultivation of sustainable stakeholder relationships (McGahan & Pongeluppe, 2023). Through strategic initiatives to combat deforestation and promote reforestation, the company has preserved approximately 730,000 hectares of land and prevented the emission of 58 million tons of carbon between 2000 and 2018 (McGahan & Pongeluppe, 2023, p. 38).

While exemplary cases like Natura &Co offer valuable insights and lessons, our paper seeks to draw attention to a pressing concern: the universality of such success stories is far from guaranteed. In the real world, it is unfortunately all too easy to find instances where stakeholder relationships falter, and corporate environmental sustainability remains a challenge. We contend that these less favorable examples deserve the scrutiny of stakeholder scholars who have long recognized that in our highly complex business environment, a one-size-fits-all approach is unattainable. For instance, as recently highlighted by Carson (2019), stakeholders often hold multiple and conflicting expectations, making it difficult for businesses to meet them all simultaneously without grappling with challenging trade-offs. Carson's work illustrates that many managers grapple with the question of whether pursuing proactive environmental initiatives is truly worth it. Another well-known issue, recognized by many scholars in management and business ethics, is that corporate environmental behaviors may not always be driven by genuine commitment. Instead, they may contain opportunistic elements. Sustainability reporting, for example, may include aspects of "greenwashing," where corporate managers use superficially eco-friendly actions to boost their rankings (Jauernig & Valentinov, 2019). A related challenge is that some firms may attract employees and customers with green preferences primarily as a defensive measure to stave off criticism from NGOs and activists, as well as to pre-empt regulatory actions that could lead to penalties, fines, and other sanctions (Lee, 2012; Cordeiro & Tewari, 2015; Perrault & Clark, 2016; Journeault, 2016).

These examples illustrate cases where stakeholder relationships fail to function effectively, raising questions about how stakeholder theory can accommodate such scenarios. We suspect that there has been limited interest in these cases from stakeholder scholars because these cases can be used to justify critiques of capitalism's tendency to exacerbate environmental degradation, a perspective echoed by ecological economics and other heterodox economic theories (Becker, 2024; Kapp, 2011). Thus, we must ask how far stakeholder theory, in view of its pro-business and pro-capitalistic character (Freeman et al., 2010) can actually register cases of corporate environmental sustainability, as these cases imply a critique of capitalism. While stakeholder theory advocates for collaboration and mutual benefits among stakeholders, it may encounter difficulties in tackling the systemic issues within capitalism that contribute to environmental degradation.

These difficulties prompt a deeper examination of the broader issue of the relationship between stakeholder theory and economics as a science about how capitalism works. Freeman et al. (2010, p. xv) acknowledge that stakeholder theory represents "an abrupt departure from the usual understanding of business as a vehicle to maximize returns to the owners of capital." By labeling this conventional understanding as "mainstream," these authors imply a distinction between stakeholder theory and mainstream economics, which tends to align with this conventional view (cf. Jensen, 2002). Indeed, mainstream economics often faces accusations of being sympathetic to existing capitalist structures and corporate dominance (cf. Dugger, 2006; Kapp, 2011). In delineating the disparities between mainstream economics and stakeholder theory, Bridoux and Stoelhorst (2022, p. 798) assert that "[s]ince its inception, stakeholder theory has explicitly positioned itself as an alternative to economic theorizing (Freeman et al., 2010). Whereas traditional economic theorizing emphasizes market competition as the main driver of social welfare, stakeholder theory emphasizes cooperation (Freeman & Phillips, 2002). Whereas traditional economic theorizing, and in particular agency theory, sees managers' duty as maximizing the financial market value of firms (Friedman, 1970; Jensen, 2002), stakeholder theory holds that the job of managers is to foster cooperative relationships with stakeholders by balancing their interests (Freeman et al., 2010). And whereas traditional economic theorizing assumes that humans behave as Homo economicus, rationally pursuing their self-interest by responding to financial incentives, stakeholder theory holds that human behavior is much more complex than that (Freeman et al., 2010; Jones, 1995)."

The distinction between stakeholder theory and mainstream economics becomes particularly pronounced in their approaches to understanding the role of businesses in society. Stakeholder theory, with its focus on interdependencies, aligns more closely with heterodox economics. This alignment is especially evident when considering the concept of sustainability. As Hörisch and Schaltegger (2019, p. 132) explain, stakeholder theory acknowledges that "the natural environment can be, and ultimately is, essential to secure existence and for achieving goals of a company and its stakeholders for various reasons, including the use of natural resources, the embedding into and dependence on ecosystems, and the intrinsic value of nature for stakeholders." This perspective aligns stakeholder theory with Kapp's (1985, p. 152) notion of "the open-system character of the economy," which posits that the economy is embedded within the broader natural environment. This view contrasts sharply with the tendency of neoclassical economists to assume the opposite (cf. Daly, 1999, p. 12). Agreeing with Hörisch and Schaltegger (2019), we note that stakeholder theory's embrace of sustainability resonates with the insights of ecological economists like Kapp. Their work highlights that the true essence of sustainability cannot be fully captured within the frameworks and methodologies of neoclassical economics (Constanza, 2020), thereby encouraging alternative institutional economics approaches to overcome these limitations.

A comparative analysis of the perspectives of various current schools of economic thought on sustainability has been the focus of recent publications by Bradley (2021, 2022) that survey, systematize, and update the contributions of various schools of institutional economics toward understanding sustainable development, with a focus on sustainable production and consumption. A distinguishing feature of Bradley's scholarship is his balanced and integrative review of these schools of thought. One of Bradley's (2022, p. 623) observations is the limited capacity of neoclassical economics, despite its theoretical advancements, to offer a nuanced understanding of the social and environmental dynamics. Neoclassical economics often treats the natural environment merely as an external factor that needs to be quantified and priced within its framework (ibid). In his 2021 work, Bradley draws attention to the extensive literature on institutional ecological economics, which has received significant impulses from parts of new institutional economics, traditionally categorized within mainstream economics. Some of the most notable of these contributions include an appreciation of how "interdependence, transaction costs, pluralism, and limited cognitive capacity shed light on the role of institutions in environmental governance" (Paavola & Adger, 2005, p. 361), as well as an elaboration of the ideas of bounded rationality and the social embeddedness of individuals (cf. Vatn, 2015).

While Bradley (2021, 2022) critiques the limitations of neoclassical economics, he notes that much of the focus within new institutional economics remains fixated on economic efficiency, which may overlook the broader values generated for individuals, organizations, society, and the environment (Bradley, 2021). He points out that the current state of the environment and economic growth indicates that some firms' focus on profit maximization has often been detrimental to other stakeholders and types of value, such as maintaining species and ecosystem integrity. This observation prompts him to underscore the importance of classical institutional economics, which recognizes the multifaceted value of the natural environment beyond mere exchange value and utility. Bradley (2021) makes clear that classical institutional economics acknowledges the inadequacy of market mechanisms in capturing such value and emphasizes the involvement of various stakeholders in defining and preserving it. Moreover, in the present context, it is noteworthy that Bradley connects the multidimensional value of the natural environment with how corporations should engage with their stakeholders. He explains that governance for sustainable production and consumption should enable corporations to pursue goals beyond profit or utility maximization, accounting for the "value/dis-value … for the range of stakeholders—individuals, organizations, society, and the environment" (ibid, p. 1328). Such goals, according to Bradley (2020), are pivotal for the development of sustainable business models.

These insights lead us to conclude that a deeper understanding of the potentially problematic relationship between managing for stakeholders and corporate environmental sustainability can be gained by examining the connection between stakeholder theory and classical institutional economics. The latter provides a more comprehensive perspective on sustainability compared to the reductionist stance often found in mainstream economics. Indeed, environmental sustainability has long been a central concern for classical institutional economics (cf. Adkisson, 2022; Bradley, 2021; Hayden, 2006). Furthermore, while Bradley (2021) hints at how classical institutional economics fosters the evaluation of corporate activities based on their impacts on stakeholder interests, Valentinov (2023) systematically elaborates a conceptual framework applying classical institutional economics to stakeholder theory. Valentinov (ibid) argues that stakeholder theory can draw upon critiques of capitalism put forth by classical institutional economics. Therefore, the current state of research allows us to perceive stakeholder relationships as a social context where institutional parameters, such as social beliefs, significantly influence the success of collaborative efforts aimed at achieving corporate environmental sustainability. In light of these insights, the following section will recapitulate the pertinent ideas of classical institutional economics and explore their relevance for corporate environmental sustainability.

The Approach of Classical Institutional Economics

The classical institutional economics school of thought, dating back to the foundational writings of Thorstein Veblen, John Commons, and Clarence Ayres, has a long-standing interest in critiquing the economic institutions of capitalism. Despite this interest, classical institutional economics has not received much attention from stakeholder theorists and business ethics scholars, even though it rejects many tenets of mainstream economics that are inconsistent with stakeholder theory (Bridoux & Stoelhorst, 2022; Freeman et al., 2020). Drawing inspiration from Valentinov's (2023) application of classical institutional economics to stakeholder theory, we explore this school of thought's potential contribution to how corporations can harness stakeholder collaboration to promote their environmental sustainability.

Classical institutional economics begins with the idea that society is engaged in the provisioning process (Gruchy, 1987; Tool, 2001), which Polanyi (1968, p. 145) defines as "an instituted process of interaction between man and his environment, which results in a continuous supply of want-satisfying material means." Valentinov (2023) argues that the provisioning process is at the heart of the process of "value creation and trade" explored by stakeholder theorists (Freeman et al., 2010, p. 4). Institutions coordinate the provisioning process, but their efficacy is never perfect. As Veblen noted, "not that the institutions of today are wholly wrong for the purposes of life today, but they are, always and in the nature of things, wrong to some extent. They are the result of a more or less inadequate adjustment of the methods of living to a situation which prevailed at some point in the past development" (Veblen, 1899, p. 207). By referring to the provisioning process, institutionalists highlight the role of institutions in shaping economic activity and how they evolve over time.

Institutionalists maintain that the progressive direction for the evolution of institutions is in the alignment with the requirements of the social provisioning process (Veblen, 1899). If it is progressive, this evolution helps to bridge the gap between institutions and the needs of society's continuous provisioning with material means of life. This evolutionary process is open-ended, and there is certainly no guarantee that it will proceed in a progressive direction. However, institutionalists possess a conceptual toolbox that allows them to distinguish between progressive and less progressive changes in institutions (Rutherford, 1999), providing a foundation for raising moral critiques of capitalism. For example, the proponents of classical institutional economics have traditionally criticized "the performance of markets for the inequities they create in the distribution of income, wealth, and economic opportunity, the exercise of monopoly and other types of economic power, financial manipulation and productive inefficiencies, macroeconomic instabilities and unemployment, the blocking of technological and instrumental advance, and various forms of waste such competitive salesmanship" (Rutherford, 1999, p. 130). Today, the list of these concerns is complemented by the ecological repercussions of corporate activities (cf. Adkisson, 2022; Bradley, 2021; Greenwood & Holt, 2016; Hayden, 2006).

We contend that this idea of evolutionary change is highly relevant in the business context, where corporations represent a major type of economic institution that may, and often does, fall behind societal expectations. If corporations become more responsive to societal expectations and assume more responsibility toward their stakeholders, we consider this evolutionary change to be progressive because it ultimately promotes the social provisioning process. Following Adkisson's (2022) emphasis on the role of social beliefs in the delineation of the social context of environmental sustainability problems, we argue that societal expectations directed toward corporations are ultimately influenced by these social beliefs. Logically, if corporate managers share the same beliefs with their stakeholders about the importance of corporate environmental sustainability, they are more likely to collaborate with these stakeholders in this area. Such alignment between corporate actions and societal expectations can lead to more sustainable business practices, fostering a progressive evolutionary change within the institution of the corporation. This change not only benefits the environment but also enhances the overall social provisioning process by ensuring that corporations contribute positively to societal well-being.

Institutionalists evaluate the progressive nature of institutional changes based on two normative approaches, instrumental value and reasonable value (Ramstad, 1989; Tool, 2001; Valentinov, 2023). The instrumental value approach, which can be traced back to the work of Veblen, Ayres, and Dewey, emphasizes a scientific assessment of how specific institutional changes promote the public interest in the orderly organization of the social provisioning process (Tool, 1986, p. 131). In contrast, the reasonable value approach prioritizes the intersubjective agreement on how specific institutional changes appear reasonable to negotiating parties (Bromley, 2019; Ramstad, 1989; Whalen, 2022), which can be understood to be stakeholders (Valentinov, 2023). While classical institutional economists continue to debate the relative merits of these approaches, we join those who advocate for the importance of these two approaches acting in concert (Atkinson & Reed, 1990; Whalen, 2022), particularly because each goes beyond the neoclassical utilitarian framework of evaluating economic performance.

Toward a Classical Institutional Economics View of Corporate Environmental Sustainability

Building on the foundational ideas of classical institutional economics, we integrate the approaches of instrumental value and reasonable value to examine how stakeholder collaborations promote corporate environmental sustainability. These approaches are particularly helpful for reflecting on how pro-environmental efforts and stakeholder collaboration are interrelated. On the one hand, managing for stakeholders alone does not guarantee success in achieving corporate environmental sustainability, as stakeholder collaborations can generally go in different directions and are not necessarily focused on sustainability (Hörisch et al., 2014). On the other hand, it is difficult to suppose that efforts at securing corporate environmental sustainability may be successful without well-functioning stakeholder relationships. If managing for stakeholders actually promotes corporate environmental sustainability, then the approaches of instrumental value and reasonable value provide useful starting points for the moral evaluation and approval of such outcomes. Conversely, if this success does not materialize, these approaches offer frameworks for moral diagnosis.

The core idea of the instrumental value approach is succinctly summarized in Tool's (2001, p. 293) social value principle, which endorses "the continuity of human life and the non-invidious recreation of community through the instrumental use of knowledge." The environmental compatibility of the economy is a corollary of this principle. Pro-environmental corporate efforts clearly qualify for the criterion of promoting the public interest in the orderly organization of the social provisioning process, as this process involves the continuity of life and the recreation of the social community (cf. Tool, 2001; Waller, 2022). However, as Adkisson (2022) notes, such efforts are unlikely to happen if corporate managers and their stakeholders do not hold conducive social beliefs that encourage these efforts. Another corollary of Tool's (2001) social value principle is democracy (p. 306), which, in our context, requires counterbalancing the control of corporations by vested interests, typically inherent in managers and shareholders. Freeman et al. (2010) emphasize that granting privileged status to any corporate stakeholder ultimately leads to the underutilization of collaborative opportunities that could be realized within a relational understanding of corporate life. In terms of classical institutional economics, this can also be expressed by the principle "that those who receive the incidence of policy must have and retain discretion over that policy" (Tool, 2001, p. 204). In the corporate context, those who experience the effects of corporate policies, including environmental impacts, are the stakeholders. If these stakeholders are engaged in collaborative efforts aimed at promoting corporate environmental sustainability, we can speak of improving discretionary control over the corporation. This improvement, in turn, contributes to the orderly organization of the social provisioning process, in line with the instrumental value approach.

The reasonable value approach in classical institutional economics is grounded in the work of John R. Commons (cf. Rutherford, 1999; Whalen, 2022). This approach underscores the importance of the perception of the moral quality of business transactions by their participants, which in modern terminology would be identified as stakeholders. As Whalen (2022) and Valentinov (2023) suggest, if stakeholders see their interaction as reasonable, they will be prepared to increase or maximize their collaborative attitudes. In Commons' (1970, p. 25) own words, "reasonableness is best ascertained in practice when representatives of conflicting organized economic interests, instead of politicians and lawyers, agree voluntarily on the working rules of their collective action in control of individual action," ensuring that these rules correspond to the prevalent conceptions of "what constitutes an exchange free from duress and coercion" (Ramstad, 2001, p. 266). According to Valentinov (2023, p. 81), "if stakeholders perceive their terms of interaction as reasonable, they activate the goodwill needed to carry out the joint value creation process." In line with the reasonable value approach, one can argue that the success of corporate pro-environmental efforts critically depends on whether stakeholders find their interactions reasonable and can therefore generate the goodwill required for the collaborative search for solutions to environmental challenges and the creation of win–win potentials (cf. Schaltegger et al., 2019). While the instrumental value approach requires counterbalancing the power of corporate vested interests by activating democratic governance (Tool, 2001, p. 306), the reasonable value approach additionally requires that this governance results in reasonable stakeholder interactions that maximize goodwill and collaborative attitudes.

Considered together, the approaches of instrumental and reasonable value generate a fourfold typology of corporate behavior as presented in Table 1. The typology is structured by two criteria: the extent of the strategic pro-environmental effort and the extent of the control of the corporation by vested interests. A combination of low strategic pro-environmental effort and high degree of dominance by vested interests yields a corporate behavior which is mainly insensitive to the adverse repercussions of its activity for natural environment as well as stakeholders who may be affected the likely emerging environmental damage. In contrast, a combination of high strategic pro-environmental effort with

Table 1 Four types of corporate behavior

	Strategic pro-environmental effort	
	Low	High
Domination by vested interests		
High (privileged position of managers and/or shareholders)	*Type* 1*: Lack of interest in environmentalp-Protection* • Managers exhibit no concern for environmental impacts • Focus solely on profit maximization, neglecting stakeholder interests and corporate sustainability • Often leads to environmental harm and reputational damage	*Type* 2*: Opportunistic interest (greenwashing)* • Managers adopt environmental practices primarily for economic gain • Actions are often superficial and designed to improve image • Includes practices like greenwashing, which mislead stakeholders
Low (stakeholder collaboration encouraged by managers and/or shareholders)	*Type* 3*: Environment-oriented behavior affected by trade-offs* • Managers care about stakeholder interests but face trade-offs among their interests • Compliance with regulations is prioritized, but not exceeded • Environmental performance is limited by conflicting stakeholder interests	*Type* 4*: Effective environmental behavior* • Managers are genuinely committed to environmental sustainability and stakeholder interests • Proactive and innovative environmental practices exceed regulatory requirements

the low degree of domination by vested interests yields a scenario where stakeholders successfully collaborate to promote corporate environmental sustainability. The typology includes two intermediate cases. If high strategic environmental effort is still accompanied by a high degree of domination by vested interests, it will likely fail to enable the collaboration of all interested stakeholders and will for this reason likely remain opportunistic, being exemplified by the instances of hypocrisy, such as greenwashing or report washing. Or, a low degree of control by vested interests may create space for the collaboration of stakeholders, but there would remain the possibility that stakeholders will not consider their interaction reasonable and will not activate the needed goodwill. In this case, it is likely that stakeholder collaboration will be blocked by trade-offs that will not allow to implement high strategic pro-environmental effort.

The four types of corporate behavior presented in Table 1 are ideal types, designed to help us understand how companies navigate complex environments. Many corporations, over time, may exhibit characteristics of multiple types or transitions between them. Therefore, this typology functions as a heuristic framework, not a rigid classification system. As such, it can sensitize stakeholder scholars to the possibility of progressive changes in corporate behavior as corporations seek to align their ethical considerations with economic benefits (Jones, 1995).

Lack of Interest in the Natural Environment

The first type of corporate behavior outlined in Table 1 is characterized by corporate managers who demonstrate a complete lack of interest in the impact of their actions on the natural environment. They neither engage in strategic environmental behavior nor manage for stakeholders. This behavior aligns with Kapp's (1975) theory of social costs in classical institutional economics, which highlights how managers consistently ignore the "significant social costs of production borne by third parties and future generations" (Kapp, 1975, p. vii). It also resonates with Veblen's critique of American institutions, which predominantly emphasize profit-making and individual gain while neglecting other values (Rutherford, 2001, p. 174). Bowen's seminal work from 1953 echoes this sentiment, suggesting that profit-driven businessmen may be "unable to see the social implications of their tasks—much less to follow policies directed toward the social interest" (Bowen, 1953, p. 115). Clearly, this type of corporate behavior fails to consider the social and environmental costs of production and is fundamentally incompatible with the concept of corporate environmental sustainability.

From an ethical point of view, this type of corporate behavior exemplifies the worst excesses of capitalism critiqued by classical institutional economics. This behavior contravenes the ethical principle of non-maleficence, which demands that entities refrain from actions that could cause harm to others, including the environment and future generations. It violates principles of justice and fairness. By prioritizing profits over environmental and social considerations, these firms contribute to environmental degradation and social inequities, disproportionately affecting vulnerable communities and future generations. This behavior also reflects what Veblen termed "pecuniary emulation," where corporations focus on financial gain at the expense of broader social values (Veblen, 1899). Moreover, it underscores the systemic flaws of capitalism that classical institutional economists critique, such as the tendency to externalize environmental costs and perpetuate social inequalities (Adkisson, 2022). Thus, this type of behavior not only undermines corporate environmental sustainability but also perpetuates broader systemic issues that hinder ethical and sustainable development.

In reality, this lack of concern for environmental impact is by no means a recent phenomenon. Over the past few decades, we have observed instances of companies not only neglecting this issue but also actively investing in disinformation practices. To illustrate, consider ExxonMobil, a multinational oil and natural gas company. As revealed in Supran et al.'s (2023) recent study, ExxonMobil was accused of denying the existence of climate change and discrediting climate science, despite possessing internal knowledge about the harmful effects of human activity on the environment. Leaked internal documents from 2015 showed that the company had been aware of the link between fossil fuel burning and climate change since the 1970s but chose not to disclose this information to the public. Instead, they financed campaigns denying the existence of climate change.

The example of ExxonMobil aligns with the first type of behavior in our typology, as ExxonMobil's management not only displayed a lack of interest in environmental concerns but also adopted a shareholder-centric approach, neglecting the impact on other stakeholders involved in their activities. As a result, the company has faced numerous lawsuits and criticism from environmental groups and governments for its stance on climate change. In response, in 2021, ExxonMobil announced plans to reduce greenhouse gas emissions and invest in clean energy technologies.

Opportunistic Interest

The second type of corporate behavior outlined in Table 1 is characterized by managers engaging in greenwashing, which reflects an opportunistic approach to strategic pro-environmental effort. While this behavior represents a moral improvement compared to the complete disinterest of the first type, it still raises significant concerns. In this category, managers are aware of societal expectations regarding environmental responsibility and make efforts to appear responsive to them. However, their primary focus remains on promoting vested interests, typically at the cost of other stakeholders. Even when stakeholders express an interest in promoting environmental sustainability, managers do not give these interests precedence. Strategic pro-environmental effort exhibited by managers in this type is primarily a tool to advance pecuniary gains, and does not come from an intrinsic motivation to improve or restore the environment. In essence, it amounts to corporate hypocrisy (Jauernig & Valentinov, 2019). This behavior is likewise reminiscent of Veblen's criticism of American institutions characterized by their predominant emphasis on pecuniary success and individual gain at the expense of other values (Rutherford, 2001, p. 174).

From an ethical point of view, corporate behavior characterized by greenwashing and superficial compliance involves deceptive practices that mislead stakeholders about a corporation's true environmental impact. This behavior violates principles of honesty and transparency and undermines trust between the corporation and its stakeholders. It also reflects a utilitarian approach where environmental initiatives are adopted not for their intrinsic value but as tools for economic gain, thus undermining genuine ethical commitments to sustainability and portraying ethics as mere instruments for profit maximization (cf. Cherry & Sneirson, 2012). By prioritizing image over impact, corporations engaging in greenwashing can discourage others from pursuing genuine sustainability initiatives, creating a culture of superficial compliance rather than substantive action (cf. Jauernig & Valentinov, 2019). From a classical institutional economics perspective, such behavior illustrates the inherent flaws in a system that incentivizes appearances over substantive ethical commitments, thus leading to environmental degradation.

Perhaps one of the most infamous cases corresponding to this type of corporate behavior is the Volkswagen scandal, known as "Dieselgate" (see Bouzzine & Lueg, 2020). In 2015, it was revealed that the company had intentionally manipulated emissions tests, resulting in severe legal, financial, and reputational consequences. Volkswagen used a "defeat device" to deceive regulators and consumers about the actual environmental impact of their diesel cars. This scandal underscored the importance of transparency, integrity, and ethical behavior in corporate governance. It emphasized the need for strong regulatory oversight and genuine sustainability commitments to prevent greenwashing and maintain the trust of stakeholders.

Environmental-Oriented Behavior Affected by Trade-Offs

The third type of corporate behavior outlined in Table 1 signifies a shift from prioritizing vested interests to enabling collaborative stakeholder engagement. In this scenario, there is recognition that some stakeholders express a genuine interest in the environmental sustainability of corporate activities. These stakeholders may exert pressure on firms to adopt proactive environmental strategies, routines, and innovations (Bansal and Song, 2017; Carson, 2019; Cordeiro & Tewari, 2015; Dentchev, 2009; Herremans et al., 2016; Lu and Abeysekera, 2017; Steurer et al., 2005; Wolf, 2014) or to adhere to voluntary self-regulatory codes such as the United Nations Global Compact or the Global Reporting Initiative (Perez-Batres et al., 2012). However, managing for stakeholders does not guarantee the achievement of environmental sustainability, particularly when stakeholder interests clash, leading to conflicts that ethical corporations often face.

From an ethical point of view, even though this type of corporate behavior shows a genuine concern for stakeholder interests, it struggles with conflicting interests and trade-offs. While environmental considerations may be acknowledged, trade-offs with other stakeholder interests limit the ambition and effectiveness of environmental initiatives. As a result, this corporate behavior reveals the ethical dilemmas faced by corporations attempting to navigate multiple stakeholder demands. Faced with such dilemmas, managers may need considerable competence to innovate and reconcile these trade-offs, ensuring that environmental initiatives do not come at the expense of various stakeholder interests. The corporation's focus on certain stakeholders over others might lead to an unequal distribution of environmental burdens and benefits, raising concerns about fairness and social justice (Hahn et al., 2010). Additionally, the extent to which stakeholder engagement translates into transparent decision-making and accountability for environmental performance can vary within this category (Mitchell, Agle, & Wood, 1997). This variation highlights the importance of the reasonableness of stakeholder interaction, as advocated the approach of reasonable value.

The possibility of stakeholder interest conflicts is prominently acknowledged by Carroll (2016, p. 5), who explains that corporations frequently encounter trade-offs between their economic, legal, ethical, and philanthropic responsibilities. Such trade-offs can result in a situation where strategic environmental behavior remains weak, especially if managers lack the competence to navigate these complex issues (Hahn et al., 2010). Freeman et al. (2020) also recognize the possibility of trade-offs between the legitimate interests of stakeholders and discuss potential ways to address them. Recent research suggests that managers may be better equipped to handle these trade-offs by adopting a long-term perspective (Han, 2023) and employing discursive justification procedures (Schormair & Gilbert, 2021). Additionally, Schaltegger et al. (2019) propose that managing for stakeholders can lead to the co-creation of new business cases for environmental sustainability if stakeholders are actively engaged in the search for innovative ideas.

The third type of corporate behavior underscores the complexities that companies face when striving for environmentally oriented behavior. Making sustainable choices while considering factors such as cost, affordability, supply chain management, and customer demands requires thoughtful decision-making and careful consideration of trade-offs to ensure that the overall impact is positive for both stakeholders and the environment. A notable example is Nestlé, which had to restructure its palm oil sourcing approach following accusations of involvement in illegal deforestation in Indonesian rainforests, resulting in international criticism (Teng et al., 2020). The company pledged to use only sustainably sourced palm oil in its products, but it encountered challenges in balancing these sustainability efforts with the needs of smallholder farmers and local communities, which are vital to palm oil production (Shukla & Tiwari, 2017). Nestlé considered stakeholders' interests by providing support to smallholder farmers to adopt sustainable practices through training and collaboration with local partners and organizations. However, achieving widespread adoption of sustainable practices among smallholder farmers proved challenging due to limited access to resources, technical knowledge, and financial constraints.

In view of these challenges, the example of Nestlé illustrates that balancing ambitious sustainability goals with operational and economic challenges can be a significant hurdle. While the company collaborates with certification schemes like the Roundtable on Sustainable Palm Oil (RSPO), it still faces criticism for its palm oil supply chain practices. These concerns about the genuineness and effectiveness of Nestlé's efforts likely stem from the inherent trade-offs involved (Nesadurai, 2018; Teng et al., 2020). For nearly two decades, critics have pointed to Nestlé's relationships with palm oil suppliers accused of labor rights violations and environmental damage (Amnesty International, 2016; Greenpeace, 2007). However, Nestlé is actively working to address these concerns. The company has joined the Indonesian Moratorium on Deforestation for palm oil, participated in the RSPO, stopped sourcing from problematic suppliers (Syarifuddin et al., 2020), and achieved 100% RSPO-certified palm oil by 2023 (Nestlé, 2024). Additionally, Nestlé has conducted supply chain analysis, formulated action plans, implemented supplier audits, and collaborated with international organizations to develop sustainable forestry practices (Syarifuddin et al., 2020). These efforts have resulted in a "Good" rating for sustainable palm oil commitment from the World Association of Zoos and Aquariums (WAZA). Overall, Nestlé's case demonstrates how trade-offs can impact even well-intentioned corporate environmental efforts.

Genuine Environmental Behavior

The fourth type of corporate behavior outlined in Table 1 combines a managerial focus on encouraging stakeholder collaboration with a strong strategic pro-environmental effort. This approach has been discussed in detail by Góes et al. (2023), who have demonstrated that managing for stakeholders can effectively lead corporations toward greater environmental sustainability. This progress is achieved through the promotion of synergistic value creation, the adoption of sustainable practices, and the enhancement of corporate reputation. Additionally, Garcés-Ayerbe et al. (2019) have emphasized the importance of communication and cooperation as key mechanisms for stakeholder engagement, which, in turn, strengthen a corporation's capacity for eco-innovation. Consequently, the fourth type of corporate behavior presented in Table 1 can be considered the most desirable among the four types. A classical institutional economics perspective makes clear that the congruence of managing for stakeholders and strategic environmental behavior represents an evolutionary accomplishment that should not be taken for granted. As John Commons (2009, p. 134) aptly states, "there has not been and never will be an automatic harmony of interests… If harmony of interests is actually attained, it can be accomplished only as we go along, from day to day, dealing with each conflict as it arises, and settling it the best we know how."

From an ethical point of view, this type of corporate behavior aligns with the ethical principles of beneficence, justice, and sustainability. It represents the ideal ethical standard for corporate behavior, as it seeks to harmonize economic success with social and environmental responsibilities, showcasing the potential for ethical business practices to contribute positively to societal well-being and environmental health. The reasonable quality of stakeholder collaboration, as underscored by classical institutional economics, ensures that diverse perspectives are considered in corporate decision-making. This inclusivity can lead to more equitable and effective environmental solutions that benefit all stakeholders (Schaltegger et al., 2019). Moreover, by incorporating the voices of communities, employees, and environmental groups, corporations can maximize the effectiveness of strategies that address corporate environmental sustainability (Hörisch et al., 2014). The reasonableness of stakeholder collaboration also logically implies transparency in decision-making and accountability for environmental performance. By openly disclosing their environmental practices and performance metrics, corporations create an environment where stakeholders can hold them accountable for their actions, thus fostering trust and the corporation's legitimacy in the face of environmental challenges.

In practical terms, the fourth type of corporate behavior has gained prominence in today's business landscape as concerns related to managing for stakeholders have become increasingly evident (Freeman et al., 2018). Prominent examples of companies that embody this type of behavior include Natura &Co and Patagonia and, both renowned for their genuine commitment to environmental sustainability (da Costa & da Silva, 2023; Dezi et al., 2022; Lombardi et al., 2010). Whereas Natura &Co, a Brazilian cosmetics multinational, has made sustainability a core principle of its business strategy, Patagonia, a well-known outdoor clothing and gear company, has become a leader in sustainability by adopting a mission-driven business model. Patagonia uses recycled and organic materials, reduces water and energy consumption, and actively supports grassroots environmental initiatives (Dezi et al., 2022). Patagonia's transparency is evident in its Footprint Chronicles, providing customers with comprehensive information about the ecological and social impact of its products (Rattalino, 2018).

Extending the Stakeholder-Theoretic Analysis of Corporate Environmental Sustainability: Four Propositions

The conceptual framework presented in the preceding section allows us to develop four propositions about the relationship between managing for stakeholders and impact corporate environmental sustainability. These propositions are premised on the idea that the fourth type corporate behavior in out conceptual framework, namely genuine environmental behavior, captures the main thrust of Góes et al.'s (2023) conceptual paper exploring how managing for stakeholders can impact corporate environmental sustainability. They argue that adopting a managing for stakeholders approach can encourage firms to become more environmentally sustainable and build closer relationships with stakeholders. They present a compelling narrative underscoring that as businesses align their sustainability efforts with stakeholders' expectations, the relationships between firms and stakeholders strengthen. Trust deepens, reciprocity thrives, and fairness becomes the cornerstone of these interactions. Firms that take this path find themselves engaging with stakeholders in a more meaningful and transparent manner. Moreover, firms that proactively adopt and transparently disclose their environmentally sustainable practices bolster their reputation. Customers and stakeholders alike begin to view them as responsible and trustworthy organizations. But there is even more to this story. Managing for stakeholders is not just a checkbox for corporate responsibility; it is a catalyst for overall performance improvement. Businesses that prioritize stakeholders and the environment often outperform their counterparts.

Góes et al. (2023) present a deeply optimistic story about how managing for stakeholders and corporate environmental sustainability hang organically together. We modify their story by drawing on our conceptual framework which suggests ways to criticize managerial behavior. This way, we take account of the possibility that strategic environmental behavior may be low rather than high, and that managers may prioritize economic welfare rather than stakeholder welfare.

The first type of corporate behavior in our conceptual framework is characterized by low strategic environmental behavior and low stakeholder welfare orientation. This type of behavior reflects a lack of interest or even hostility toward environmental protection and stakeholder welfare by corporate managers. Such managers may prioritize their own interests or those of their shareholders over the interests of other stakeholders, such as employees, customers, suppliers, communities, regulators, media, activists, and others. They may also disregard or violate environmental regulations and standards, causing harm or damage to the natural environment. This type of corporate behavior is not likely to promote corporate environmental sustainability, as it may lead to negative consequences for the corporation itself and its stakeholders, such as reputational damage, legal sanctions, social protests, and loss of trust and loyalty. We can see this scenario concerning ExxonMobil, as aforementioned. According to Supran et al. (2023), ExxonMobil's managers placed economic interests over recognizing the scientific evidence of climate change. This led to the company dismissing its environmental effects, a tactic that had worked before but ultimately proved unviable and expensive. Consequently, ExxonMobil Corp and similar companies were confronted with several lawsuits, political investigations, and civil society campaigns to hold them accountable for deceiving stakeholders about climate science (Supran et al., 2023). Based on these arguments, we propose that

Proposition 1 *Corporate environmental sustainability is not likely to be observed in firms whose managers are disinterested in environmental protection and stakeholder welfare. Such firms are likely to engage in misconduct causing harm both to natural environment as well as their stakeholders.*

The second type of corporate behavior in our conceptual framework is characterized by high strategic environmental behavior and low stakeholder welfare orientation. This type of behavior reflects an opportunistic interest in environmental protection by corporate managers. Such managers may adopt proactive and voluntary environmental practices, such as eco-design, green supply chain management, environmental auditing, and environmental reporting, but only for instrumental reasons, such as enhancing their competitive advantage, attracting customers or investors, or avoiding regulatory pressures. They may not genuinely care about the interests or needs of their stakeholders, especially those who are not directly involved in the joint value creation process with the corporation. They may also engage in deceptive or misleading practices, such as greenwashing or report washing, to create a false impression of their environmental performance or commitment. This type of corporate behavior may not promote corporate environmental sustainability in the long run, as it may lead to organizational misconduct that undermines the credibility and legitimacy of the corporation and its environmental practices. In this regard, Dentoni et al.'s (2016) study on cross-sector partnership found that although corporate proactive strategies regarding sustainability may be beneficial to society (and stakeholders), stakeholders (and society) may face problems if these partnerships do not continue with a proactive behavior toward interaction with stakeholders. Therefore, we propose that

Proposition 2a *Unless firms' strategic environmental initiative is supported by their stakeholder welfare orientation, they are likely to engage in opportunistic behaviors such as greenwashing. These behaviors may cause organizational misconduct.*

The third type of corporate behavior in our conceptual framework that can be observed in the market is characterized by low strategic environmental behavior and high stakeholder welfare orientation. This type of behavior reflects an environmental-oriented interest by corporate managers. Such managers may comply with environmental regulations and standards, but not go beyond them to improve their environmental performance or reduce their environmental impact. They may genuinely care about the interests or needs of their stakeholders, especially those who are directly involved in the joint value creation process with the corporation. They may also consider their economic performance only insofar as it enables or constrains their social performance. However, this type of corporate behavior may not promote corporate environmental sustainability effectively, as it may face trade-offs and conflicts among different stakeholder interests that affect their environmental behavior. For instance, they may have to balance between satisfying their customers' demand for quality and price and reducing their environmental footprint along the supply chain.

For example, Carson's (2019) study illustrates the Norwegian salmon farming industry. The industry had a reputational issue because it lacked credibility in arguing for the environmental benefits of the production of salmon. Thus, the industry faced legitimacy problems with stakeholders that negatively impacted production. Using this case as an example, Carson (2019) provides a tool that firms can use to address complex situations (such as addressing environmental claims) that can be used to weigh trade-offs in managerial decision-making.

Moreover, Ahmed et al.'s (2021) study analyzed the factors influencing the gap between planning and implementing corporate sustainability policy. Their findings indicate that the relationship between firms and stakeholders (internal and external) has significant implications when implementing these policies. However, the authors' rationale is similar to an instrumental perspective of corporate sustainability policy, indicating that trade-offs affect planning or implementing corporate sustainability policy. Based on these arguments, we propose that

Proposition 2b *Unless firms' stakeholder orientation is supported by strong strategic environmental initiative, their environmental-oriented behaviors will be likely affected by stakeholder interest trade-offs.*

The fourth type of corporate behavior in our conceptual framework is characterized by high strategic environmental behavior and high stakeholder welfare orientation. This type of behavior reflects a genuine interest in environmental protection and stakeholder welfare by corporate managers. Such managers may implement innovative and effective environmental practices that go beyond compliance with environmental regulations and standards and aim to improve their environmental performance and reduce their environmental impact. They may also genuinely care about the interests or needs of their multiple stakeholders, including those who are not directly involved in the joint value creation process with the corporation. They may also balance their economic and social goals and measure their performance not only in financial terms but also in terms of social and environmental impact. This type of corporate behavior is likely to promote corporate environmental sustainability, as it may lead to positive outcomes for the corporation itself and its stakeholders, such as enhanced reputation, trust, loyalty, innovation, resilience, and legitimacy, as observed in Natura &Co's case. Therefore, we propose that:

Proposition 3 *When firms combine strong strategic environmental initiative and stakeholder welfare orientation, they are likely to effectively promote corporate environmental sustainability.*

Contributions of the argument

Our research addresses a significant gap in stakeholder theory's analysis of the varying success of stakeholder collaborations, which is particularly crucial given stakeholder theory's understanding of business as a positive-sum game (cf. Freeman et al., 2018). The first contribution of our argument is in deepening our understanding of the relationship between managing for stakeholders and environmental sustainability. While the existence of this relationship has been acknowledged by existing research (Schaltegger et al., 2019; Hörisch & Schaltegger, 2019), we build upon this foundation by incorporating insights from classical institutional economics, particularly the approaches of instrumental value and reasonable value. We use these approaches to develop a novel typology of corporate environmental behavior. This typology differentiates corporations based on their level of stakeholder engagement and their strategic environmental commitment. By analyzing corporate behavior through this lens, we can identify four distinct types of companies. This typology provides the key to reconciling the contradictory results of previous research on the effects of stakeholder collaborations on environmental performance. Furthermore, our argument extends stakeholder theory by incorporating a critical dimension informed by classical institutional economics. Traditional stakeholder theory often emphasizes the ethical and mutually beneficial nature of relationships between corporations and stakeholders. However, classical institutional economics acknowledges the potential pitfalls of capitalism, including its tendency to exacerbate environmental degradation and social inequalities (Becker, 2024).

This critical dimension that we add to stakeholder theory can be further refined through the two normative approaches within classical institutional economics, those of instrumental and reasonable value, which add critical nuance to our present understanding of how stakeholder collaboration promotes corporate environmental sustainability. The approach of instrumental value has two implications. First, it highlights that corporate managers may or may not engage in strategic pro-environmental effort to enhance their corporation's environmental sustainability. This effort refers to the extent to which a corporation adopts proactive and voluntary actions that go beyond compliance with environmental regulations and aim to improve its environmental performance and reduce its environmental impact, e.g., by implementing green supply chain management, environmental auditing, and environmental reporting. The second implication of the instrumental value approach is that corporate decision-makers, such as managers and key shareholders, may or may not be willing to share their power with other stakeholders who would be prepared to contribute their efforts to the collaborative search for solutions to environmental challenges. Instead, we consider the key criterion for their relevance to be their interest in and willingness to contribute to the collaborative search for solutions to problems of corporate environmental sustainability. The implication of the reasonable value approach is that these stakeholders themselves may or may not find this collaborative search reasonable. As the reasonable value approach suggests, stakeholders will generate the necessary goodwill and maximize their collaborative attitudes only if they do find this collaborative search to be reasonable. In line with the reasonable value approach, we consider the availability of goodwill and the prevalence of collaborative attitudes to be critical determinants of whether stakeholder collaboration actually succeeds to promote corporate environmental sustainability.

The second contribution of our argument is that it strengthens the institutional economics foundations of stakeholder theory. These foundations not only sensitize stakeholder theory to the varying success of stakeholder collaborations in achieving corporate environmental sustainability but also reveal the institutional shaping of such collaborations. By drawing on key ideas from classical institutional economics, such as the approaches of instrumental value and reasonable value, our argument elucidates how institutional settings significantly influence the outcomes of stakeholder collaborations. From the perspective of instrumental value, the success of these collaborations depends on the existence of social beliefs about the importance of sustainability. These beliefs can influence corporate decision-making by aligning corporate goals with societal expectations. The concept of reasonable value highlights that successful stakeholder collaborations are those perceived by stakeholders as fair, transparent, and mutually respectful. Our argument clarifies that the genuineness of managerial motivations in promoting corporate environmental initiatives is not simply an individual trait of managers but is shaped by broader institutional forces best understood through the confluence of the positive aspects of instrumental and reasonable value. Thus, the positive effects of stakeholder collaborations on corporate environmental sustainability are influenced by supportive institutional settings where sustainability is embraced as a shared social belief, and stakeholder interactions are marked by fairness and transparency. In such settings, managers are more likely to develop genuine motivation to pursue significant pro-environmental efforts. Our argument builds on existing research that acknowledges the influence of contextual factors on pro-environmental behavior (e.g., Young et al., 2015). However, it goes a step further by emphasizing the importance of genuine managerial motivation, even when shaped by these contextual forces. We argue that "attitude change" (ibid), reflected in genuine motivation, is crucial for achieving long-term environmental sustainability.

The significance of our argument can be illustrated by highlighting a counter-intuitive parallel between the concepts of discretionary managerial responsibilities in Carroll's CSR pyramid (cf. Carroll, 1979, 1991, 2016) and discretionary control of the economy in classical institutional economics (cf. Tool, 2001). For Carroll, discretionary responsibility represents the highest level of managerial responsibility, involving voluntary actions that are not mandated or strictly expected by society but reflect a company's commitment to being a good corporate citizen. Classical institutional economics invites us to see discretionary managerial actions as an arena where managers engage in collaborative efforts with stakeholders. Since stakeholders bear the incidence of corporate policies, such collaborative engagement contributes to improving discretionary control over the corporation (Tool, 2001, p. 204). This control is enabled by managerial willingness, or genuine motivation, to leverage their decision-making power to implement environmentally sustainable practices that benefit the environment, stakeholders, and society at large. Thus, we see discretionary responsibilities of managers not only as a matter of their individual morality but as a form of community discretionary control powered by the confluence of institutional settings. These settings correspond to the positive implementation of the approaches of instrumental and reasonable value by aligning corporate actions with societal expectations and fostering fair, transparent, and respectful stakeholder interactions.

The third contribution of our argument is likewise related to strengthening the link between institutional economics and stakeholder theory. Our argument suggests that achieving the fourth, most positive, type of corporate behavior requires a considerable amount of what Mitchell and Lee (2019) call "stakeholder work" aimed at harmonizing the interests of stakeholders in achieving corporate environmental sustainability. If we view stakeholder work efforts as occurring over time, we can understand the successive types of corporate behavior as evolutionary stages in the process of corporations becoming more environmentally sustainable by harnessing stakeholder collaboration. However, we do not view this process as deterministic, as not all corporations will pass through all stages. Instead, we see the evolutionary process as open-ended, where the types help us understand how individual corporations have progressed along the path toward environmental sustainability through stakeholder collaboration. This perspective is in line with classical institutional economics, which acknowledges the importance of the historical and cultural context in shaping corporate behavior. The evolutionary stages of corporate behavior we have described help us understand how firms have evolved in response to changing stakeholder demands and societal expectations. The notion of the four types of corporate behavior as evolutionary stages finds support in Bowen's (1953) conception of CSR as an ongoing process of coaligning corporate and socially defined objectives (Acquier et al., 2011, p. 633), as well as in Carroll's (2016) idea of the continuing codification and institutionalization of the multifaceted spectrum of corporate responsibilities. However, while our understanding of the evolutionary stages does not entail a deterministic view of evolution, it does highlight a complex institutional structure of how corporations leverage stakeholder collaboration to advance environmental sustainability. Thus, the four types of corporate behavior may also be viewed as hierarchical levels that are analogous to the distinct types of corporate responsibilities in Carroll's (1991, 2016) pyramid. In Carroll's pyramid, different levels of responsibility are interdependent in terms of being required, expected, and desired. Similarly, we propose that achieving corporate environmental sustainability through stakeholder collaboration can be conceptually decomposed into a sequence of stages that build upon each other.

Identifying these stages also provides a distinct contribution to the ecological economics literature. Our fourfold typology of corporate behavior enriches this literature by systematically addressing how corporations evolve from disinterest in environmental protection to effective environmental stewardship through stakeholder collaboration. While ecological economics critiques the systemic failures of capitalism and calls for transformative institutional change, our typology provides a granular framework to analyze corporate behavior and its implications for ecological and social outcomes. For example, Type 1 behavior—characterized by corporate disinterest in environmental protection—is consistent with Kapp's (1975) critique of social costs, which illustrates how profit-driven entities externalize environmental harms. Building on this, Type 2 behavior, defined by opportunistic greenwashing, parallels the critiques of Daly (1996) and Vatn (2005), who highlight how superficial sustainability practices maintain the status quo while failing to address systemic environmental challenges. Type 3 behavior, which involves environmental initiatives constrained by trade-offs, reflects the concerns about procedural and distributive justice (cf. Paavola et al., 2006), highlighting how governance systems often fail to reconcile diverse stakeholder interests, resulting in limited sustainability outcomes. Finally, Type 4 behavior—effective environmental stewardship—aligns with the ideals of strong sustainability (Daly, 1991) and the transformative, participatory approaches advocated by Vatn (2015). Overall, our typology sensitizes ecological economics to the critical role of stakeholder collaboration as a mechanism for institutional change. While ecological economics has long critiqued the failures of capitalist systems to internalize environmental costs, our argument shifts the focus toward how inclusive governance and transparent stakeholder engagement can enable corporations to evolve progressively through these four behavioral stages.

In practical terms, our typology of the four types of corporate behavior may support managers or policy makers in evaluating the current state and performance of corporations in terms of their environmental behavior and management priority. For example, they can use indicators such as environmental impact, stakeholder satisfaction, and public reputation to assess which type of corporate behavior a corporation exhibits. Our typology may also help managers or policy makers to identify the gaps and challenges that corporations face in achieving environmental sustainability and stakeholder welfare. For example, they can analyze the trade-offs and conflicts that corporations encounter when they choose between different types of corporate behavior, such as between economic welfare and stakeholder welfare, or between strategic environmental behavior and genuine environmental behavior. Finally, our typology may help managers or policy makers to design and implement interventions and incentives that can foster progressive institutional changes that enhance the responsiveness and responsibility of corporations toward their stakeholders and the environment. For example, they can provide guidance, support, and recognition to corporations that adopt type 4 behavior, which corresponds to managing for stakeholders and exhibiting genuine environmental behavior. They can also discourage or sanction corporations that adopt type 1 or type 2 behavior, which corresponds to lacking interest or being opportunistic toward the environment.

Limitations and Implications for Further Research

We identify two key limitations of our typology of four types of corporate behavior. The primary limitation is the lack of empirical data to refine the framework. While our typology provides a conceptual foundation for understanding corporate behavior and stakeholder collaboration in the context of environmental sustainability, it needs to be supported by empirical data to fully capture the dynamic, context-specific nuances of how corporations transition between types of behavior or how stakeholder collaborations evolve over time. The secondary limitation is the ideal–typical nature of the framework, which may not fully reflect the complexity and diversity of real-world corporate behavior. Many practical cases fall into gray areas, where corporations exhibit mixed or inconsistent behaviors depending on the stakeholder or environmental issue at hand. Moreover, although the typology identifies four distinct types of corporate behavior, it treats these types as static categories. In reality, corporations may shift their behavior over time due to internal factors like organizational learning and innovation or external pressures such as competition, regulation, or social activism. Once again, empirical data are needed to assess the frequency, triggers, and outcomes of such shifts in specific contexts. Despite these limitations, we believe our typology provides a valuable starting point for understanding corporate environmental behavior. We encourage future research to address these gaps by collecting and analyzing empirical data, which would not only validate the framework but also enhance its applicability across diverse contexts and sectors.

In this line, one possible implication for further research that could address these limitations is to develop and test more refined and nuanced typologies or models of corporate behavior and stakeholder collaborations that can account for the variability and dynamics of corporate environmental sustainability. For example, future research could explore how different dimensions or indicators of strategic environmental behavior and stakeholder welfare orientation can be measured and operationalized, as well as how they can interact or influence each other. Future research could also examine how different types of corporate behavior can evolve or transition from one type to another, as well as what are the drivers or barriers for such changes. Another possible implication for further research is to conduct more empirical studies that can test and validate the propositions derived from the framework of four types of corporate behavior, as well as to compare and contrast the findings across different contexts, sectors, or cases. For example, future research could use quantitative methods, such as surveys or experiments, to measure and analyze the relationships between strategic environmental behavior, stakeholder welfare orientation, and corporate environmental sustainability. Future research could also use qualitative methods, such as case studies or interviews, to explore and understand the processes and mechanisms that underlie the different types of corporate behavior and stakeholder collaborations.

Conclusion

Stakeholder scholarship has been remarkably successful in identifying the keys to the successful impact of stakeholder collaborations on corporate environmental sustainability. However, a crucial issue that has been somewhat overlooked in this scholarship is the analysis of less successful cases of stakeholder collaborations. We argue that such cases, far from contradicting stakeholder theory ideas, require novel ways of analysis. We advance these ways by approaching stakeholder theory from the unconventional perspective of classical institutional economics, whose advocates have been particularly vocal in criticizing corporate behavior and capitalism more generally. We show that by merging the insights of classical institutional economics and stakeholder theory, we expand the applicability of stakeholder theory to a broad range of problematic cases of stakeholder collaborations and corporate environmental sustainability. In doing so, we hope to deliver conceptual contributions that would help corporations to critically evaluate the environmental practices and their ethical implications, thus guiding managers toward adopting more sustainable and stakeholder-inclusive environmental strategies.

Drawing on a combined stakeholder theory and classical institutional economics perspective, we develop a conceptual framework that identifies four types of corporate behavior, ranging from disinterest in environmental protection to effective environmental behavior through managing for stakeholders. By taking into account the potential diversity of institutional conditions of corporate life, this framework reconciles some of the contradictory findings in stakeholder research, strengthens the institutional economics foundation of stakeholder theory, and provides practical insights for corporate managers and policymakers. Hopefully, our framework will make clear the possibilities for progressive institutional changes that enable corporations to achieve environmental sustainability while meeting stakeholder interests.

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