

The Fortune inside the Garden:  
Eradicating Accelerated Negative Environmental Impact through Profits

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## **The Fortune inside the Garden: *Eradicating Accelerated Negative Environmental Impact through Profits***

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With the world shifting toward more sustainable economic growth, a global demand for innovative solutions to incorporate sustainability in the decision-making has emerged. This work challenges the premise that financial profits and pro-environmental purposes are mutually exclusive. The research addresses a major barrier that the corporate sector faces in incorporating sustainability in the decision-making: Corporate Short-Termism (CST) (UNGC, 2017). CST stems from the fact that there is a significant segment of investors with excessive sensitivity to companies' short-term financial performance, these investors tend to pressure management away from sustainability related investments as these investments tend to not generate positive short-term returns. The work tackles the question on how the corporate sector could increase its sustainability investments to generate a positive impact on the environment without compromising its ability to cater to its short-term investors' needs.

While previous work recommended addressing CST through regulations change, direct incentives to short-term investors and even a system-wide financial reform, this work proposes a different perspective, a perspective that responds directly to what management perceive as the main cause for CST: The industry-wide competition. Our proposed framework utilizes the same main element that enforces CST: competition and recommends overcoming CST through profits. This would be achieved by targeting a fast-growing consumer market segment; labeled the conflicted consumers. Tapping on this growing market segment would generate short-term financial returns while investing in sustainability. The conflicted consumer market segment differs from the general-public by having favorable environmental/ethical beliefs and by their willingness to defect to sellers who offer them viable options on environmental/ethical products. In 2007, the conflicted consumer segment was estimated to be 25% of all consumers and that this segment is growing fast (Watts, 2007 & Winston 2007).

This work utilizes the Theory of Planned Behavior (TPB) and New Institutional Economics (NIE) to gauge the conflicted consumer's intention to purchase environmental products and to understand the root of this purchasing behavior. A paper-pencil survey (n=136) was conducted to gauge the conflicted consumer intention to purchase organic food. Organic food was chosen because organic agriculture has a notable positive environmental impact (FAO). In addition, organic food is perceived favorably by the conflicted consumers.

Our findings reveal that only the elements of the Perceived Behavior Control (PBC) play a significant role in explaining the intention to purchase organic food by the conflicted consumer. Furthermore, the research utilizes NIE framework for economic change to demonstrate the mechanism in which a positive impact on the environment could take place. Our analysis reveals that consumers' pro-environmental beliefs would translate into a purchasing decision if these beliefs are in line with the main uncertainty priority of the consumer, or if the elements of the environmental products are not in conflict with the main uncertainty priority of the consumer. In other words, improving the elements of PBC in the environmental products offerings leads to demand creation by the conflicted consumers, which in turn lead to short-term financial returns and overcoming of the CST barrier while investing in sustainability.

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# 1. Introduction

The UN Intergovernmental Panel on Climate Change (IPCC) reported that human influence on the climate system is clear, and that recent anthropogenic emissions of greenhouse gases are the highest in history (IPCC, 2014). Moreover, a study conducted by Steffen et al (2015) found that four out of nine planetary boundaries have now been crossed. The four are biosphere integrity, deforestation, climate change, and the flow of nitrogen and phosphorus. According to the European Commission website “The scientists identified climate change and biosphere integrity as two core boundaries which are connected to all of the other planetary boundaries and either of which, alone, could drive the Earth System into a new state” (European Commission, 2015, par.8). Furthermore, the most recent IPCC report outlined that the world has only a dozen years left to take necessary action to avert a global warming catastrophe (Nuccitelli, 2018).

With such results, which are echoed by similar findings in the scientific community, a call for an impact reflects the need to respond to the accelerated environmental demise and imposes serious questions on the corporate sector practices (Dyllick & Muff, 2016).

A call for scaling up and creating an impact is reflected in a recent UNEP report:

*“A failure to scale up the current momentum allows for continued investments in an unsustainable development pathway, with associated negative and often irreversible effects such as accelerated climate change. Despite the positive momentum, we risk*

*slipping backwards if the bulk of financing continues to flow towards unsustainable production and consumption patterns. Without a more rapid, scaled redeployment of financing, we will lock in development trajectories that hinder the realization of the global goals and take us beyond the tipping points for life-supporting climate and wider ecosystems.”* (Clark & Sunderland, 2018, p341),

Due to the scale, gravity, and significance of the climate challenge, it is imperative to get the corporate sector involved in solving the environmental problem. Naturally, this highly desired broad buying-in from the corporate sector will not take place if the proposed solution hinders the corporate’s sector ability to cater to its own investors which consequently means hindering its own survival. Therefore, we decided to adopt the following business sustainability definition in our research: “Firms’ ability to respond to their short-term financial needs without compromising their (or others’) ability to meet their future needs” Bansal & DesJardines, (2014, p71)

Businesses are increasingly urged to play an active role in reducing their environmental negative impacts and to incorporate sustainability in their decision-making process (Figge & Hahn, 2012; IFC, 2012). However, their actions are constrained by many barriers. One of the major barriers that firms face, when investing in sustainability, is corporate short-termism (UNGC, 2017). Corporate short-termism (CST) stems from the fact that a significant segment of investors is excessively sensitive to companies’ short-term financial performance and have the lesser interest in the companies’ long-term performance. These investors tend to sway management’s decision away from sustainability-related investments.

To elaborate, businesses face a dilemma between contributing positively to lessen their negative environmental impact and pursuing their financial short-term goals. Our research addresses this dilemma and argues that financial profit and pro-environmental objectives should not be viewed as mutually exclusive. The work recommends a framework to overcome the barrier of CST while adopting sustainability practices at a scale to create profits and a positive impact on the environment. Importantly, our recommended solution ensures that the firms' ability to meet their short-term financial goals are not being compromised in the pursuit of adopting sustainable practices at scale. In other words, our framework recommends a win-win situation for companies where they can realize short-term returns and improve their long-term survival, while investing in sustainability.

## **2. Motivation**

Initially, it is important to shine the light on what led us to this research. As shown in Figure 1, our motivation for this research is highlighted in the urgency of climate change and the need for a feasible solution that would generate a significant buying-in from the corporate sector. As a result, we started, section 2.1, by examining the business case for sustainability: what are the competitive advantages generated from embracing business sustainability and what are the major barriers to scale up business sustainability investments to enjoy such advantages. Section 2.2 elaborates on one of the major hurdle facing business sustainability "Corporate short-termism".

Section 2.1.2. Investigates corporate short-termism as being a major barrier for



sustainability. Section 2.1.3 reviews the academic management and practitioner management journals for solutions to overcome corporate short-termism. Section 2.1.4 suggests that capitalizing on the conflicted consumer preference for environmental products and its fast growing demand could provide a viable option to overcome short-termism and to create a positive impact on the environment.

To investigate the purchasing behavior of the conflicted consumer, we decided to look into their intention to purchase organic food. We utilized the key elements of the Theory of planned behavior (TPB) (Ajzen, 1991) to gauge the intention to purchase organic food. The literature review on the use of TPB to gauge the intention to purchase organic food is described in section 3; methodology and discussion of the results are described in sections 4 & 5 respectively.

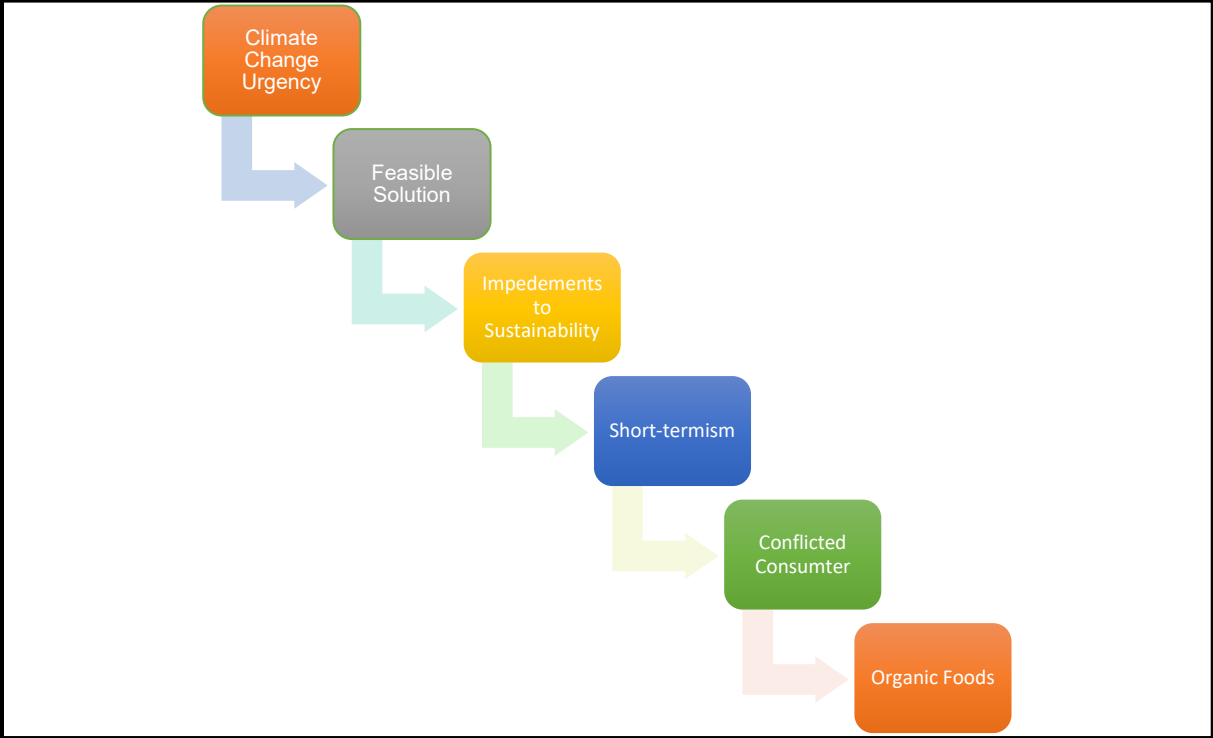


Figure 1: Research Track

## **2.1 The Business case for Sustainability**

The state of the art in management within the context of sustainability is abound with research papers outlining the strategic competitive advantages gained from embracing sustainability (Stefan and Paul, 2008; Hockerts 2015, Whelan & Fink, 2016; Broman & Robèrt, 2017 and Schaltegger & Burritt, 2018). The most prominent strategic advantages of the business case for sustainability are operational efficiency, mitigation of business risk, and improved employees and customer acquisition and retention.

### **2.1.1 Operational Efficiency**

Companies that choose to embrace sustainability would see an increase in their operational efficiency (Hockerts 2015; Whelan & Fink, 2016 & Broman & Robèrt, 2017). The resulting operational efficiency is directly related to cost savings in the reduction of materials flows, energy savings (Christmann, 2000; Hockerts 2015) or adopting cleaner production (Schaltegger & Burritt, 2018). Whelan and Fink (2016, paragraph 22) report that *“Since 1994, Dow has invested nearly \$2 billion in improving resource efficiency and has saved \$9.8 billion from reduced energy and wastewater consumption in manufacturing.”* However, as Heckerts (2015) explains: previous research found that the enjoyment of the “substantial” savings from environmental management does not continue for long as there is a limited number of investments that pay off quickly.

### **2.1.2 Mitigation of business risk**

Another competitive advantage that businesses embracing sustainability proactively would enjoy is the mitigation of their business risks. In other words, companies would hedge against environment, human and production losses that are associated with environmental accidents (Hockerts 2015), McKinsey's recent report found that possible losses from sustainability related costs could range from being as high as 25 to 70 percent of companies' earnings before interest, taxes, depreciation, and amortization (Whelan & Fink, 2016). In addition, business risk also includes the risk of litigation where affected parties from environmental accidents can file lawsuits against the company and it includes the risks associated with unexpected stricter environmental regulations. The work of Hockerts (2015) comments on the damage to production caused by the unanticipated stricter environment regulations and how they limit management's freedom in decision-making. Importantly, businesses could also suffer from legitimacy loss when the business reputation is jeopardized by the company's unsustainable practices, which could eventually lead to the loss of the firm's social licence to operate. Furthermore, embracing business sustainability helps firms to hedge against climate risks and the volatility of resource prices (IFC, 2012; Whelan & Fink, 2016).

### **2.1.3 Improved employees and customer acquisition and retention**

Management literature shows that embracing sustainability leads to improved employee acquisition, retention, and productivity. It also leads to the improved acquiring and retention of customers and allows companies to charge a premium price on environmental products (Hockerts 2015; Whelan & Fink, 2016). Empirical research suggests that some customers are willing to pay premiums for environmentally or more

socially responsible products; however, there is evidence of a gap between what consumers say they will buy from environmentally friendly products and what they actually end up buying. This is known as the attitude-behavior gap in the literature (Aertsens et al, 2009 ; Hockerts, 2015).

#### **2.1.4 Other strategic advantages**

Further to the above, embracing business sustainability creates new market space (Hockerts and Wüstenhagen, 2010; Hockerts, 2015) and fosters innovation (Porter and Van der Linde, 1995). Porter and Van der Linde (1995) suggest that new environmental regulations will trigger innovation in the new technologies, which would offset the costs of implementing the new environmental regulations. Such innovation will not only improve efficiency but will also create new business opportunities with new products and services.

In addition, embracing business sustainability provides the firms with the agility and confidence, which constitutes a solid foundation to achieve future success (KPMG, 2012). It also improves brand reputation and increases competitiveness (Dyllick & Muff, 2016). Finally, Danciu (2013) discusses the advantages of being the first mover in adopting more stringent sustainability standards and how it helps developing strategic competitive advantages in innovation and spotting business opportunities.

Even with all the aforementioned competitive strategic advantages, the number of companies embracing sustainability is still not up to the required scale to face out current environmental challenges. According to the eighth Annual Survey of Sustainable Business Leaders in October 2016, business sustainability implementation has shown

growth among companies, but the growth has slowly plateaued (The State of Sustainable Business, 2016).

## **2.2 Corporate Short Termism: A major barrier**

By examining the management literature and management practitioner resources, a major barrier for the business case for sustainability has emerged: Corporate short-termism. We start by defining what Corporate Short-termism (CST) is. Then we will show the relationship between CST and sustainability. Section 2.2.2 explains the contrasts between short-termism and sustainability. Section 2.2.3 shines the light on the causes of Corporate Short-termism (CST) while section 2.2.4 discusses the opportunities to overcome short-termism.

### **2.2.1 What is corporate short-termism?**

In a survey conducted by GlobeScan, SustainAbility and UNEP across businesses, NGOs, academia and government, the researchers found a significant majority (88%) of the 642 respondents cited short-termism as the most important barrier for their businesses to become more sustainable (UNEP, 2012).

In another report by the UN Global Compact, financial short-termism is stated as a major obstacle for companies to incorporate sustainability into their strategic planning and capital investment decisions (UNGC, 2017).

Laverty (1996: 826) defines corporate short-termism as “decisions and outcomes that pursue a course of action that is best for the short term but suboptimal over the long run” (Bansal & DesJardines, 2014, p73). Financial short-termism stems from the fact that

there is a significant segment of investors with excessive sensitivity to companies' short-term financial performance and have the least interest in the companies' long-term performance. As a result, executives tend to favor projects with positive short-term financial results at the expense of the long-term value creation of the firm. Graham et al. found in a study conducted on 400 executives, primarily chief financial officers (CFOs), that almost four out of every five executives had willingly sacrificed long-term value creation in order to smooth earnings or meet short-term earnings targets (Bansal & Desjardin, 2014).

### **2.2.2 Corporate short-termism and Sustainability**

Short-term investors tend to influence management decisions and have a tendency to move them away from strategic competitive actions that could be directed towards sustainability (Connelly & Slater, 2011). According to the United Nations Global Compact (UNGC, 2017), CST leads to the “discouragement of companies to invest in the development of new sustainable products, to invest in measures that deliver operational efficiencies, to develop their human capital, or to effectively manage the social and environmental risks to their business” (UNGC, 2017 Paragraph 2).

Another aspect that makes sustainability projects unappealing for companies pursuing short-term returns is the time span that these projects take; the long time span makes it hard to forecast the financial returns and costs of the investment (BCG, 2009). Also, sustainability projects tend to have high initial capital costs and long-term returns on investment (Clark et al, 2018). In addition, measuring a system wide effects of

sustainability initiatives and the difficulty to model intangible factors or externalities poses a serious problem on quantifying business sustainability initiatives. Primarily, because too many metrics exist and it is unclear which set of metrics is the most appropriate for the need of a given company. Moreover, sustainable business strategies often affect individuals and society at a macro level and their organizational implications are vague, therefore, the process of quantifying their results and impact to show short-term financial returns is still unclear (Laughland, and Bansal, 2011).

On the other hand, Graffland (2013) studied the effect of price competition and time horizon on the environmental performance of companies. He analyzes a sample of 3152 companies from twelve European countries using survey questionnaires. He found that while companies that apply long-term horizon in their decision-making have significantly increased environmental performance, the net negative effect of the intensity of price competition on environmental performance is small in absolute terms. In other words, he found no serious dilemma between price competition which leads to short-termism and environmental performance. While Graffland offers an interesting approach, the limitation we found in his work is that his survey questionnaire only focuses on operational efficiency savings which are savings on waste, energy and water consumption and lacks questions on other sustainability investments such R&D and new sustainable products. Usually, companies adopt the step to improve operational efficiency voluntarily and without any serious commitment to sustainability as the financial reward from such savings is immediate and does not require major R&D costs or capital investments. Therefore, we find that if the questionnaire had included questions on adapting new environmental products/services or venturing into a different environmental line of business or a pro-

environment consumer segment would have had contributed to different results and would given a more comprehensive reflection of sustainability investments.

Nidumolu et al. (2009), Lubin and Esty (2009), and Eccles et al. (2013) advocate that companies need to go through a stage where transformational investments in products, processes, or business models take place in order for business sustainability to become a source of new revenues and growth. However, corporate short-termism tends to inhibit businesses to reach this stage, as businesses tend to focus on incremental investments rather than transformational ones to report short-term gains. According to Bansal and Desjardines (2014), short-termism management will focus on operational efficiencies or adjacent moves into new product markets, and are less likely to make the necessary strategic investments in disruptive technologies or invest strategically in research and development for new product and process innovations.

Furthermore, the implications of CST on the market valuation of sustainable initiatives could be observed in the findings of Eccles et al. (2014) where they conducted a comparison study on 180 US companies: 90 corporations, termed as *High Sustainability companies*, which are companies that voluntarily adopted sustainability policies by 1993. These companies' performance was compared to a matched sample of 90 firms that adopted almost none of these policies – termed as *Low Sustainability companies*. They found that *High Sustainability* companies significantly outperform their counterparts over the long-term, in terms of both stock market and accounting performance. However, when the researchers analyzed analysts' forecasts of annual earnings for these companies,



they found that the market underestimated the future profitability of the *High Sustainability* firms compared to the *Low Sustainability* ones (Eccles et al, 2014).

Finally, an important reason signaling the urgency to address CST is that corporate short-termism feeds on the undervaluation of natural capital. Natural capital such as biodiversity, groundwater, clean air, and climate are often unpriced or undervalued. As the stock market rewards favorably positive short-term earnings, companies are tempted to exploit natural resources in unsustainable means to reap their financial profits quickly without any investments in long-term sustainable plans to preserve these natural resources.

### **2.2.3 Causes for CST**

Fusso insights four causes to short-termism other than the pressure from Wall Street.

The causes are as follows:

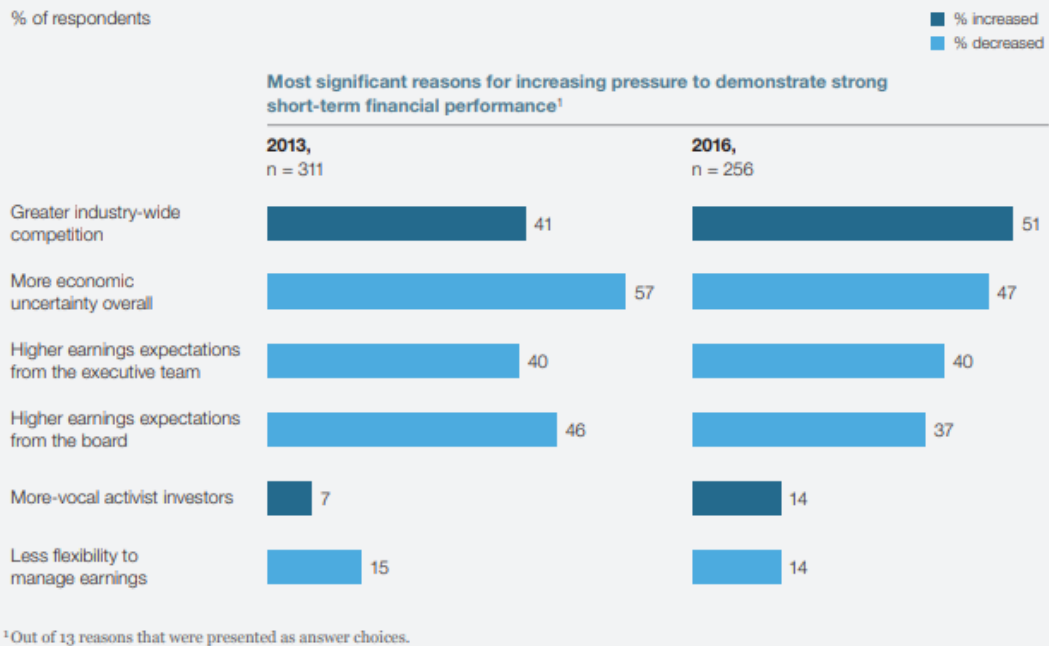
- 1) “Ill-aligned executive compensation where the compensation structures are based on short-term metrics and incentivize short-term executive behavior
- 2) Arrested executive capabilities where executives lack the competencies to create a long term value in an increasingly complex world
- 3) Weak corporate governance where corporate boards have very little capabilities and incentives to invest long term
- 4) Ill-aligned regulatory policy that currently encourages short-termism” Fusso (2012, p 806)

While we agree that all these causes lead to financial short-termism, however, we find that most of them are derived by the pressure from the financial markets. For instance, the short-term and stock-based executive compensation plan rewards positive short-term performance which responds to the stock market short-termism preferences.

Moreover, in a recent survey by McKinsey & Company, where over 1,000 executives and board members from all over the globe were surveyed on their views on CST, found that

Compared with survey results from 2013, the majority of them (survey participants) expressed the sentiment that most are pressured to produce results in two years or less. When asked why pressure is growing, the largest share (51 percent) of respondents cite greater industry-wide competition. This exhibits an increase from 41 percent in 2013. Respondents also accuse the augmented pressure on investors, who take activist roles, twice as often as they did before, following economic uncertainty and higher earnings expectations from company leaders (Barton et al. 2016, P 10). See Figure 2.

**Exhibit 7 Sources of short-term pressure have evolved over time.**



**Figure 2:** Adopted from Barton, Dominic, Jonathan Bailey, and Joshua Zoffer, Rising to the challenge of short-termism, FCLT Global, September 2016, <http://www.fcltglobal.org/docs/default-source/default-document-library/fclt-global-rising-to-the-challenge>.

We agree that competition seems to be the main reason prohibiting companies from incorporating sustainability, yet the academic management literature has not addressed this barrier directly and up to now did not equip management with the tools to address the barrier of competition in overcoming CST.

Here, we would like to mention that we agree with the findings of Montiel and Delgado-Ceballos (2014) regarding the lack of the academic literature in addressing the barriers

to business sustainability. Especially, works that highlight the practitioner management needs and priorities.

It is also worth noting that as the aim of our research is to provide management with a feasible framework to overcome CST, part of the material we cite is not only from academic management journals but also taken from practitioner management journals, UN agencies and consulting companies.

#### **2.2.4 Solutions to overcome short-termism**

Several attempts were suggested to come up with solutions that curb the effect of corporate short-termism on business sustainability strategies. A recent United Nations Global Compact report had advocated the following:

1. Cope with short-termism in their existing investor base:
  - Companies should develop, implement and communicate sustainability strategies that provide clear financial benefits (e.g. cost reduction, improved efficiency) over the short-term
2. Shift to a more long-term oriented investor base:
  - Companies should confidently communicate and demonstrate how their business strategy, including their approach to sustainability, will create long-term value for their investors
  - Companies should reconsider producing quarterly earnings guidance. Consider reporting on issues and metrics that are of relevance to the longer-term success of the business

### 3. Change the capital markets

- Companies should encourage policymakers to adopt measures that enable companies to take a longer-term approach to sustainability-related activities and investments
- Companies should take a long-term approach in their own investment practices and in the investment practices of their pension funds (UNGC, 2017, p 5,6 & 7)

Barton & Wiseman (2014) on the other hand call to have institutional investors (pension funds, mutual funds and other large investors) investing in strategies that aim to maximize long-term results. They claim that if these major institutional investors show preference for long-term value creation, the market valuation for short-termism will change and other key players such as asset managers, corporate boards, and company executives are expected to follow suit. Bansal and Desjardins (2014) add a different perspective and suggest that current strategic management theories are contributing to short-term decision making and that strategic management theories should integrate sustainability and focusing on long term impacts. They argue that “the pursuit of shared value, in the absence of analyzing inter-temporal trade-offs, has the potential to not only contribute to systems failure but also accelerate it.” (Bansal and Desjardins, 2014, p72) Fuso states that “a culture of short-termism has taken strong root because the rules of the game that support short-termism have been in place for so long. This culture has intertwined itself within firms, governments, and academia – and done so for decades” Fuso (2013, p. 818). Fuso argues for a shift to a model of capitalism with a longer-term perspective. His solutions for abating short-termism are summarised below:

- Investor communications should decouple from quarterly earnings guidance and instead offer guidance based on long term growth drivers.
- Seeking out investors with longer investment horizons.
- Change shareholder-voting rights to give more control to holders of patient capital.
- Re-orient compensation packages to incentivize long-term relationships.
- Incorporation of sustainability into the education and training of current and future managers, consultants, executives and investors

Most of the recommended solutions to address financial short-termism call for a change in the investors' mindset into favoring the long-term value creation of the firm. We find that such solution tends to be not feasible as changing the mindset of the investor is nearly proven to be impossible (Ignatius, 2014), also this solution doesn't address the present problem of ongoing competition from major rival companies who would see an opportunity in providing positive short-term returns if their competitors fail to do so.

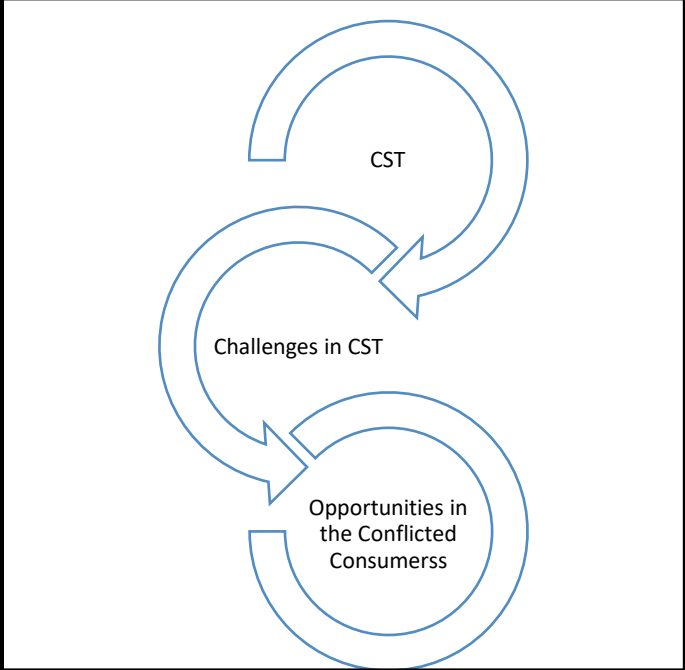
Barton & Wiseman (2014) recommended a good solution of engaging the big institutional investors into the long-term value creation of the firm in order to influence the market preference towards long-term investments. However, such move from the institutional investors still did not take place and (Barton et al. 2016) warned that short-termism is actually on the rise.

In this study, a different perspective is used to address the barrier of short-termism. We recommend viewing short-termism more like an opportunity rather than a barrier for companies to incorporate business sustainability. Meaning to say, sustainability investments need to lure businesses with substantial short-term returns in order for

businesses to hatch on the opportunity to incorporate them. This entails that sustainability investments should provide companies with the opportunity to tap on a fast-growing consumer demand that would generate positive short-term financial performance while at the same time safeguarding the environment.

*How is that possible?*

In order to clarify this perspective, we need to explore the potential of the fast growing conflicted consumer market segment.



**Figure 3:** Opportunity in the Conflicted Consumer Market

## 2.3 Conflicted consumers

One of Harvard Business Review's 20 breakthrough ideas for the year 2007 was a research conducted by Karen Fraser on a growing consumer segment labeled the "Conflicted Consumers". These consumers have social and environmental concerns and are willing to defect to more ethical and environmental companies if a "viable option" emerges in terms of price and quality (Watts, 2007). Winston (2008) gives an insight for the reason behind this changing purchasing behavior; he explains

Consumers' priority attributes for products are changing. A data report from the marketing agency BBMG found that people's "very important" attributes for products have changed: where quality and price remain the first two attributes, convenience and other sure attributes had dropped and got replaced by three aspects: Where was the product made? How energy efficient is it? What are the health benefits? These three aspects explain a great deal the rise of demand for environmental products, especially, organic food. (Winston, 2008, paragraph 3 & 4).

In 2007, Karen Fraser estimated that around 25% of all consumers fit the description of conflicted consumers and that this segment is growing fast (Watts, 2007 & Winston, 2007).

Tapping on the conflicted consumer segment is not simple, it requires businesses to invest in redesigning their products, processes and business models, as this consumer segment requires that price and quality of the environmental products to be close to par with the conventional ones. However, once a company is capable to cater to this growing consumer segment, it would open the doors for it to tap on a potential of unlimited demand, as the conflicted consumers are expected to defect from their current sellers to



purchase their products. This in turn would generate positive short-term returns and allow companies to overcome the barrier to short-termism.

A good example depicting the power of offering environmental products at viable options took place at Whole Foods when it was first acquired by Amazon. In the first days when Whole Foods was officially taken over by Amazon, it cut the prices of selected Whole Foods staples by as much as 43% (Kaplan & Boyle, 2017). The newly discounted prices of organic products made them a target for conflicted consumers as this market segment views organic food favorably. Importantly, the new discounted prices of organic food made them more affordable and enticed a defect behavior from the part of the conflicted consumer. In fact, competitor food retailers had felt the heat from their customers defecting to Whole Foods,

Wal-Mart Stores and Kroger, the leading U.S. grocer sellers with millions of shoppers, were the top sources of new customers after the price cuts at Whole Foods. They accounted for 24% and 16% of Whole Foods' new customers, respectively, from Aug. 28 through Sept. 16. During that period, 15% of shoppers came from Costco, 11% were from Target and 5% were from Wal-Mart's Sam's Club (Reuters, 2017, Paragraph 4).

Our research suggests that targeting the conflicted consumers, by offering environmental products at viable options, provides an opportunity for companies to realize increased short-term & long-term returns while reducing their negative impact on the environment. In other words, it provides an opportunity to scale up environmental practices while overcoming CST. However, as mentioned above,

tapping on this fast growing consumer segment is not easy as the conflicted consumer want price and quality to be close to par with the conventional products. This requires a mobilizing of the firms' investment capacity to redesign their products, processes and business models in order to cater to this growing market segment.

When C.K. Prahalad wrote his famous book, "The Fortune at the Bottom of the Pyramid, Eradicating Poverty through Profits", in 2004, he changed the corporate mindset on how to view the four billion people who live on less than \$2 per day. Parahald advocated that we should not view these very poor as individuals who rely on foreign aids or philanthropy donations. Instead, he argued that these people are resilient entrepreneurs and value-conscious consumers. This perspective had mobilized the investment capacity of large firms to redesign their products, processes and business models to serve the needs of this untapped demand, which in turn ended up to be the world's fastest-growing new market. Similarly, our work advocates that targeting the growing conflicted consumer segment represents an opportunity to unlock an untapped demand that would generate both positive short-term returns and positive environmental impact.

Furthermore, as explained earlier, the early mover to this market would see its customer base expanding as the conflicted consumers would start defecting from their current sellers to purchase the environmental products offered at viable options. On the other hand, companies that are late on tapping into this market segment will not only witness their customers disappearing to the early movers but will also face the pressure to follow suit in providing environmental product at viable options. This is referred to in the

management academic literature as “institutional isomorphism”. The concept of institutional isomorphism was mainly developed by Paul DiMaggio and Walter Powell. “In Haw ley's (1968) description, isomorphism is a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions” (DiMaggio & Powell (1983), p149). Institutional isomorphism argues that organizations in the same market environment are faced with the same uncertainty and constraints that will force them to eventually have the same structure, culture and output. This could be done in three different forms: normative, coercive and mimetic. In our context, the coercive and the mimetic isomorphism will explain the power attained by the first movers into the conflicted consumer market and how competitors will be forced to reshape their business models in order to survive in the long-run.

The first movers into the conflicted consumer market will gain organizational legitimacy which would in turn force competitors to follow suit in order to gain the same acceptance by their external environment and not to lose their social license to operate which is essential for their long-term survival (Demuijnck & Festerling (2016); this is referred to as coercive isomorphism. In addition, faced with the uncertainty by the changing features of the consumer market and the loss of their customer base, competitors will have to remodel their operations to follow the companies that had successfully ventures in the conflicted consumer segment; this is referred to as mimetic isomorphism.

The second part of this study looks into understanding the process in which the purchase of environmental products by the conflicted consumers take place. This step is taken to

examine what would influence the conflicted consumer's intention to purchase environmental products which would give corporations an insight on what elements to improve in order to create the demand by this consumer segment. Tapping on such demand will allow companies to overcome CST, generate short-term returns, improve their long-term survival and invest in sustainability.

This research utilizes the Theory of Planned Behavior (TPB) as a base model to gauge the intention to purchase organic food by the conflicted consumers. It also utilizes New Institutional Economics framework to understand the process in which pro-environmental beliefs transform into purchasing decisions.

Organic food was chosen as the environmental product to study because organic agriculture has a notable positive environmental impact on soil, water, bio diversity, nature conservation, and climate change (FAO). In addition, organic foods are produced by employing natural processes and using sustainable energy (Scalco et al, 2017). Furthermore, organic food is perceived favorably by the conflicted consumer because of its positive impact on the environment and health.

### **3. Literature Review**

The literature review section reviews the literature on the use of the Theory of Planned Behavior to gauge the intention to purchase of organic food. The Theory of Planned Behavior (TPB) is used extensively and largely in predicting the intention and behavior to purchase organic food (Arvola et al. 2008; Hoppe et al. 2013; Nocella et al. 2012; Soyez et al. 2012; Thogersen 2002, 2009; Zhou et al. 2013; Nuttavuthisit, & Thogersen, (2017).

TPB was developed by Ajzen (1991). Fundamentally, TPB is derived from an earlier model proposed by (Fischbein & Ajzen, 1981) which is the theory of reasoned actions (Gopi & Ramayah, 2007, p. 394). Asif et al. (2018) note that TPB had been broadly accepted in academic studies to gauge consumer purchasing behavior. Ajzen uses three sources of human behavior to predict purchasing intentions, which in turn predicts a purchasing behavior act. The three sources of human behavior are personal attitude, subjective norms and perceived behavioral control. Attitudes can be considered as “the personal evaluation of favorable or unfavorable outcomes of the behavior in question. Subjective norms refer to the perceived social pressure regarding the behavior in question and perceived behavior control (PBC) assesses the level of difficulty that the consumer perceives in performing this behavior” (Ajzen, 1991, p188). These three factors form the foundational theoretical framework that many researchers use to understand the psychological factors in predicting consumers’ motivation to purchase organic food.

Scalco et al (2017) conducted a meta-analysis to evaluate the magnitude of the relationships between attitude, subjective norms, perceived behavioral control, and intention to purchase organic food. The meta-analysis also assessed the relationship between intention and purchasing behavior. The authors present the results, which confirm the chief role played by individual attitude in formulating buying intention. They argue that social norms and perceived behavioral control constructs have a less impact on the intention to purchase organic food. Moreover, starting from a pooled correlation matrix, the authors applied a meta-analytic structural equation model to jointly assess the strength of the relationships among the factors in the original model. Their results support the strength of the TPB model. TPB not only has been proven to be robust in predicting

intentions to purchase organic food but also has been largely successful in predict the purchasing behavior of organic food across different cultures.

Chen (2007) investigates the consumer's intentions to purchase organic foods in Taiwan using TPB. These intentions are considered good predictors of the actual purchasing decisions. He found that people's intention to purchase organic foods is determined by their attitude to organic foods purchase, subjective norms, perceived behavioral control, and perceived difficulty, which are aligned with Ajzan's TPB theory. He also found that there are moderating effects of food-related personality traits, food neophobia and food involvement in organic food purchasing on the consumers' attitudes.

Suh (2015) conducted a survey based on TPB in South Korea to explore the key influences on South Koreans' intention to purchase organic food. He then followed the survey with follow-up interviews to determine the actual purchases of organic food. In his survey questionnaires, he added two more factors to the TPB model: past experience and trust. Suh (2015) found that the factors influencing intentions to purchase organic food were consumer past experience, attitude, the subjective norm, trust, and perceived behavioral control. The determinants of actual purchase behavior were unexpected circumstances, living circumstances, and price.

Vermeer and Verbeke (2008) study the Belgian organic food market. They studied the roles of attitudes, behavior, individual characteristics like confidence and values related to sustainable products. Based on the TPB model, they conduct a survey where they find that 50% of the variance in intention to consume sustainable dairy was explained by the combination of personal attitudes, perceived social influences, perceived consumer effectiveness and perceived availability. Yadav and Pathak (2016) look at consumer

intention to buying organic foods in India. Here the authors advise of the extension (inclusion of certain new constructs) of TPB model to better analyze consumer intention. They added moral attitude, health consciousness and environmental concern to the TPB model and their findings support the new factors extension as it improves the predictive power of their model in determining consumer's intention to purchase organic food.

Arvola et al. (2008) included the role of affective and moral attitudes in the TPB model. Their work sees contrasting results in terms of attitude across different countries. For instance, they found that in the UK and Italy moral attitude rather than subjective norms had stronger explanatory power in predicting intentions to buy organic foods while in Finland it was the opposite. Laureti and Benedetti (2018) study the Italian organic food market using TPB. They make a link between the probability of buying organic food and people's inclinations. They found that individuals concerned with animal welfare, soil pollution and deforestation have a higher probability of buying organic products on a daily basis.

In section 3.1, 3.2, and 3.3, we shall elaborate more on the three sources of human behavior, being personal attitude, subjective norms and perceived behavioral control.

### **3.1 Attitudes**

The attitude of a given behavior is the expected feeling resulting from performing this behavior. It is said that attitudes "arise from a combination of people's beliefs about behavioral outcomes and their evaluations of those outcome" (Sparks & Shepherd, 1992, p.388). Attitude is considered to play a significant role in predicting the intention to preform an actual behavior (Ajzen, 1991; Asif et al, 2018). Attitudes are measured in

accordance with “an expectancy–value formulation, the first component (the person's attitude toward a specific behavior) is proposed to be a function of the salient (behavioral) beliefs about the perceived consequences of performing the behavior and the person's (outcome) evaluation of these consequences” (Vallerand et al, 1992, p. 98).

In the context of organic food purchase, it has been found that there is a significant positive relationship between the consumers' attitude towards organic food and their intention to purchase organic food. Hoppe et al. (2013) found an alignment between positive attitude and organic consumption among Brazilian consumers. On the other hand, Magnusson et al. (2001) found that despite the majority of the Italian consumers have positive attitude towards buying organic products, only a small proportion of the surveyed subjects expressed an intention to buy organic products. Tarkiainen & Sundqvist (2005) found that attitudes influenced by subjective norms provide a better prediction for the intention to buy organic food. Asif et al (2018) found that attitude and health consciousness are better predictor organic of food purchase intentions in consumers from Iran, Turkey and Pakistan.

TPB stipulates that knowing how a person feels about the performing of the actual purchase of something is more powerful than knowing the person's evaluation of the purchased product (Chen 2007). The more positive the person feels about purchasing organic food, the more positive his actual purchasing behavior of organic food would be. Scalco et al (2017) conduct a meta-analysis and found that individual attitude owns the major potential to affect consumers' buying intention of organic foods. While attitude's affect on the intention and behavioral purchase of organic food was heavily examined in



the literature. No study has examined attitudes effect on the intention to purchase organic food by the conflicted consumer.

*H1. Attitude has a significant effect on the intention to purchase organic food by the conflicted consumer.*

### **3.2 Subjective Norms**

Subjective norm is defined as “The individual's perception of the likelihood that the potential referent group or individuals approve or disapprove of performing the given behavior (Fieshbein and Ajzen, 1975; Ajzen, 1991; Gopi, 2007-p.350). Subjective norms are a “function of the person's (normative) beliefs regarding what each referent thinks he or she should do and the motivation to comply with these referents (Vallerand et al, 1992, p98).” In other words, subjective norms deal with the influence of the expectations of one’s social circle such as family, friends and significant others on whether they should or should not perform a given behavior and the motivation of the individual to adhere to others' wishes (Asif et al, 2018; Sparks & Shepherd, 1992).

Chen (2007) found that subjective norms have direct influence on consumers’ intentions to purchase organic food. Dean et al. (2008) found the positive moral norm is a better predictor of organic purchasing as opposed to a negative moral norm.

Al-Swidi et al. (2014-p. 1561) states that “subjective norms significantly moderate the relationship between attitudes and buying intention as well as between perceived behavioral control and buying intention. Moreover, subjective norms significantly

influence attitude toward buying intention,” but does not have a direct relationship to influence the intention and thus the purchase of organic food. Tarkiainen and Sundqvist (2005) also did not find a direct relationship between subjective norms and the intention to purchase organic food, their research suggests that subjective norms have a significant direct effect on attitudes.

While the direct and indirect impacts of subjective norms on the intention and behavioral purchase of organic food have been examined in the literature, no study has examined the effect of subjective norms on the intention to purchase organic food by the conflicted consumer.

*H2. Subjective norms have a significant effect on the intention to purchase organic food by the conflicted consumer.*

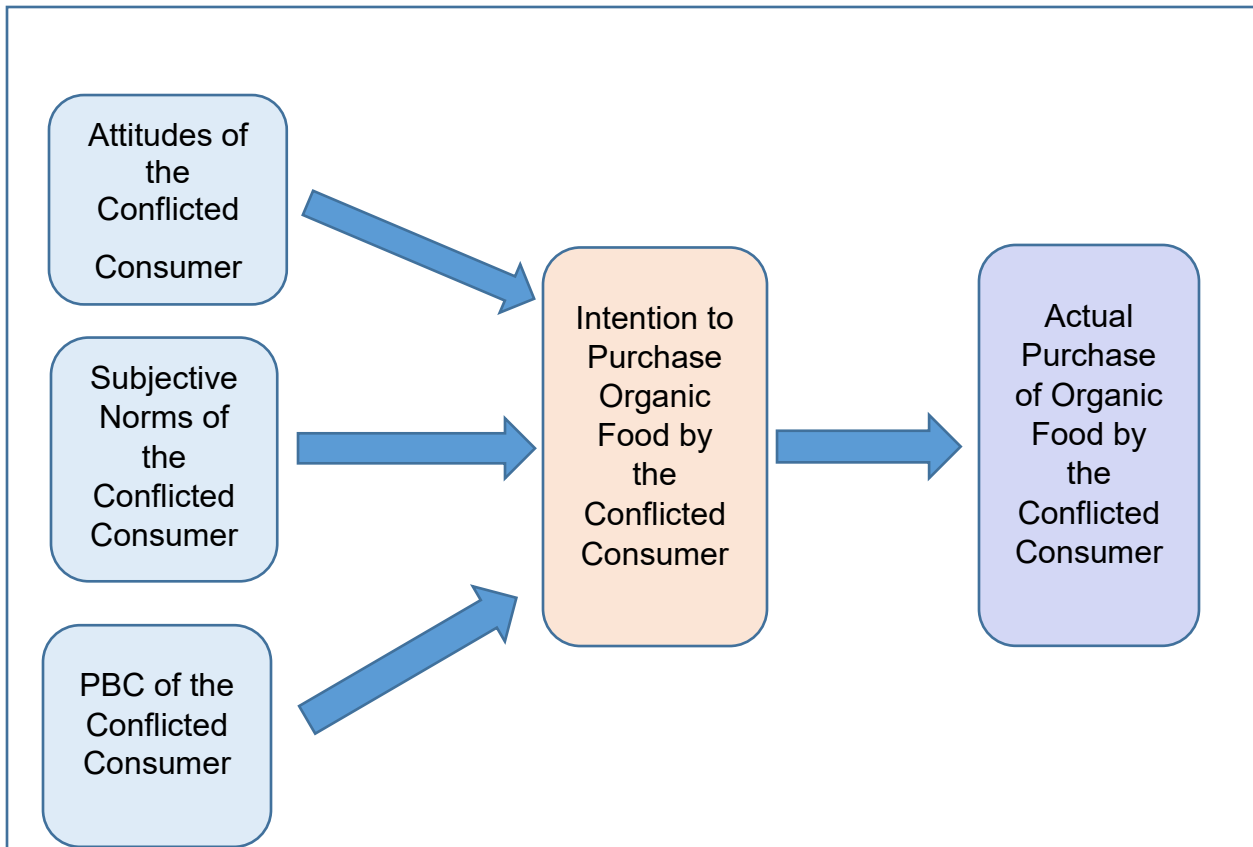
### **3.3 Perceived Behavior Control**

Perceived Behavior Control (PBC) refers to “The perceived ease or difficulty of performing the behavior and it is assumed to reflect experience as well as anticipated impediments and obstacles (Ajzen, 1991, P 188).” In other words, it is the perceived ability by an individual to perform a given behavior. For instance, an individual might have a strong positive attitude and subjective norms towards conducting a given behavior. However, because of impediments such as time or cost, this individual will not be able to perform the said behavior. In the case of organic food, the two major barriers for the purchase of

organic food found in the literature are price (Hill and Lynchehaun, 2002; Magnusson et al., 2001; Lea and Worsley, 2005; Hughner et al., 2007; Asif et al, 2018) and availability (Lea and Worsley, 2005; Asif et al, 2018).

Shah and Sayuti (2011) found that PBC presents no significant relation with the intention of buying organic food while other researchers found that a significant relation exist between PBC and the intention to purchase organic food (Chen, 2007.; Al-Swidi et al., 2014; Suh. 2015; Asif, 2018). While the perceived behavior control (PBC) impact on the intention and behavioral purchase on organic food has been examined in the literature, no study has examined the effect of perceived behavior control on the intention to purchase organic food by the conflicted consumer. Therefore, the following hypotheses is suggested to explore this relationship:

*H3. Perceived behavior control has a significant effect on the intention to purchase organic food.*



**Figure 4:** Research Design

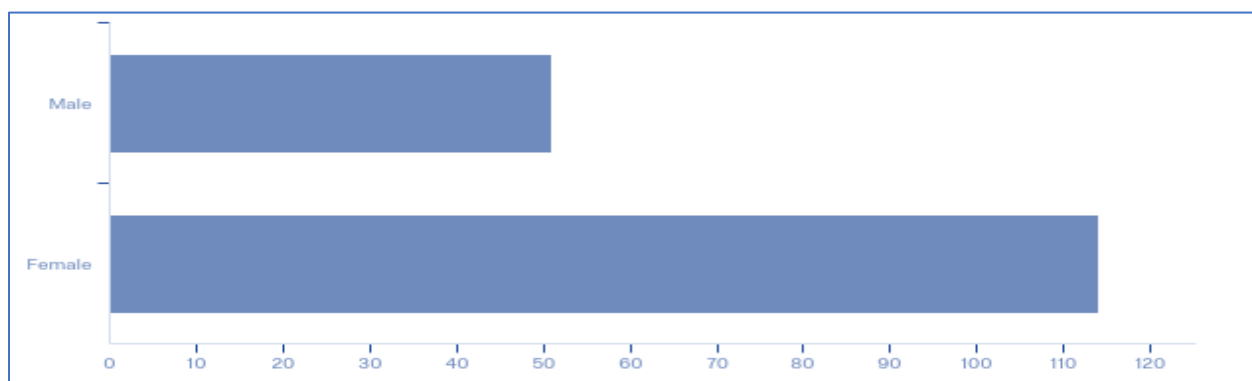
## **4. Methodology**

### **4.1 Sampling and Data Collection**

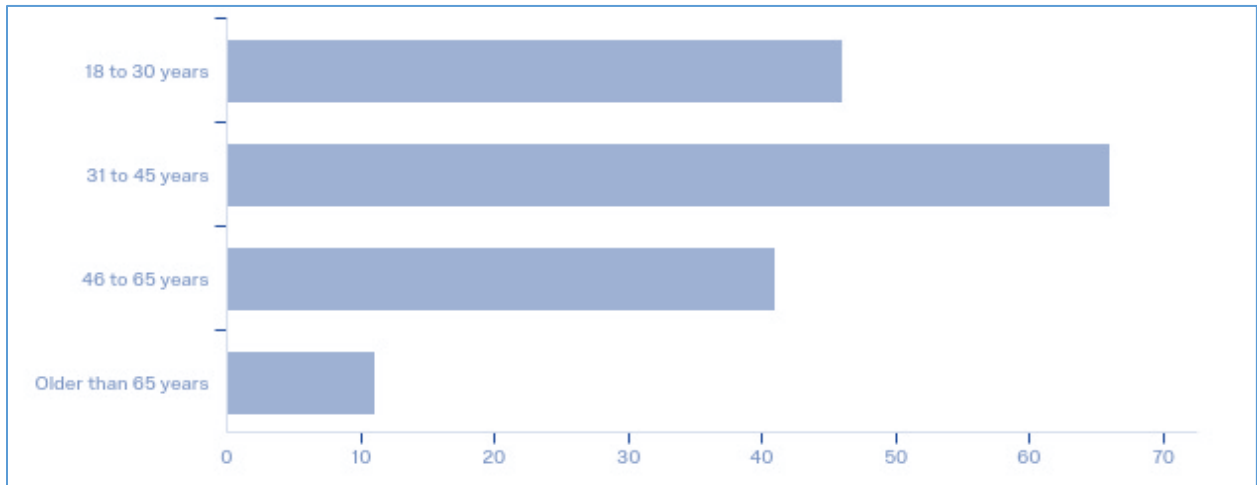
The design of our research is best depicted in Figure 4 where three elements of attitudes, subjective norms, and PBC of the conflicted consumer influence the intention to purchase organic food by the conflicted consumer.

We conducted two preliminary surveys to test the internal liability of the TPB constructs. The first preliminary survey took place at PA Nature, a grocery store located in Montreal. We choose PA Nature as an example of a food store that sells a wide selection of organic food at affordable prices. Therefore, we hypothesis that the consumer segment that shops at PA Nature would fit the characteristics of the conflicted consumer segment. Ninety-two adult consumers were approached randomly to fill up a paper-pencil questionnaire on TPB and the consumption of organic food. The participants completed a paper-and-pencil questionnaire and were rewarded a gift worth \$5 or less.

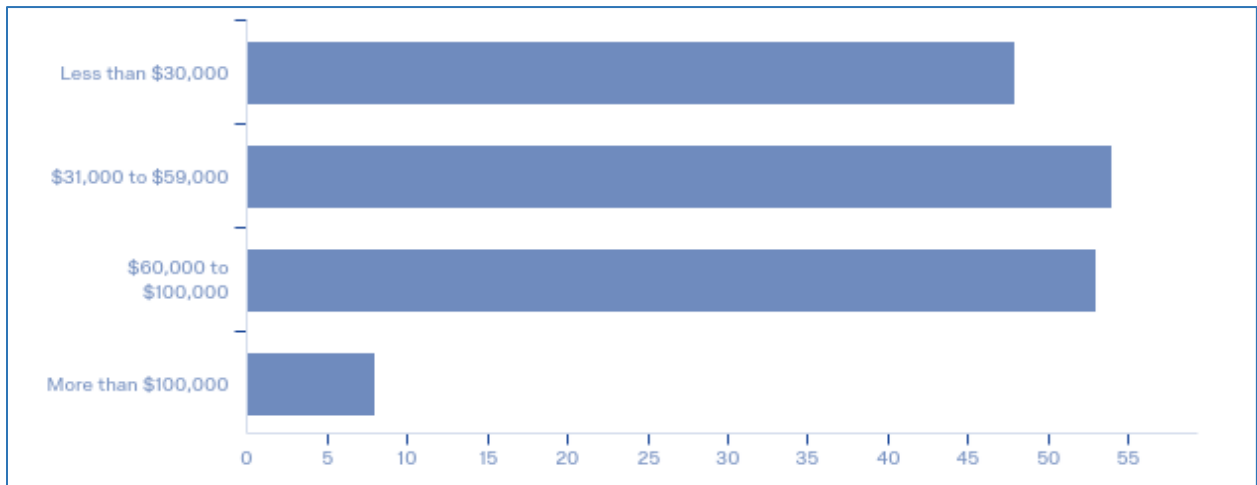
The primarily results showed that all the TPB constructs had a high acceptable internal liability except for PBC with a Cronbach Alpha of 4.14 which is considered significantly below the accepted level in a research setting. Next, we decided to add more questions to the PBC construct in an attempt to increase its reliability. We tested the new questionnaire via an online survey using Amazon mechanical Turk Figure 5,6, and 7 demonstrate the demographics of the people that completed the online survey.



**Figure 5:** Gender groups of the online participants



**Figure 6:** Age groups of the online participants



**Figure 7:** Yearly household income of the online participants

The new constructs, especially PBC, showed acceptable internal liability levels (See Table 1). Therefore, we decide to adopt this new set of questionnaire in our third and final survey which took place at PA Nature.

<b>CONSTRUCT</b>	<b># of Items</b>	<b>CRONBACH ALPHA</b>
<b>Attitude</b>	4	0.945
<b>Subjective Norms</b>	2	0.855
<b>Perceived Behavior Control (PBC)</b>	7	0.799

**Table 1:** Table showing the results of the online survey's constructs reliability

After obtaining acceptable levels for the constructs' internal liability values, a third and final survey was conducted at PA Nature (a grocery store located in Montreal) where 182 participants were randomly approached to participate in a paper-pencil survey. Due to missing responses, response outliers and the inadequate use of the response categories (stating that they are in the middle of two categories), data from 34 participants were omitted from the analysis. The final sample contained 136 participants. All participants were above 18 years in age. The profile of the respondents is presented in Table 2.

Sixty-one percent of the participants were females and the majority of the respondents (40%) fell in the age bracket 31-45 Years. The median household income falls in the late income range (31,000\$ to 59, 000\$) which is in line with the household income of the 2016 census results for the province of Quebec, Canada. The census found that the median total income of household is 59,882\$ (Census, 2016).

<b>Table 2 : Profile of Respondents</b>			
<b>Demographic Factor</b>	<b>Factor Grouping</b>	<b>No. of Respondents</b>	<b>Percentage</b>
<b>Gender</b>	Female	83	61%
	Male	53	39%
<b>Age</b>	18-30 Years	34	25%
	31-45 Years	60	44%
	46- 65 Years	33	24%
	> 65 years	9	7%
<b>Yearly Household Income</b>	18,000-30,000\$	47	35%
	31,000-59,000\$	30	22%
	60,000 to 100,000\$	33	24%
	>100,000\$	26	19%
<b>Household Composition</b>	Single w/o Children	50	37%
	Single w. Children	9	7%
	Living with a partner w/o Children	37	27%
	Living with a partner w. Children	40	29%

**Table 2:** Profile of Respondents.

## **4.2 Measurement**

The first section of the questionnaires comprised of questions on the TPB constructs. Participants were asked to rate 13 questions reflecting TPB constructs. The constructs, being the independent variables, are Personal Attitude, Subjective Norms and Perceived



Behavior Control. The questions were adopted from Zhou et al. (2013) which were developed based on the model questionnaire proposed by Ajzen (Ajzen and Fishbein, 1980). Unlike previous research, we adopt a six-point Likert Scale instead of 7-point Likert Scale in order to limit the choosing of the middle responses. The six-point Likert scale ranges from “completely disagree” to “completely agree.”

Buying intention, the independent variable, was measured with one item: “I intend to buy organic vegetables instead of conventional ones in the near future”. Originally, the questionnaire had two items. The second question was: “I will buy organic vegetables instead of conventional ones in the near future”. However, due to a practical limitation, this question was omitted. The researcher booth was placed right before the cashiers line and the question created some confusion for the participants as it implied questioning if they are buying organic food on that particular day.

Attitudes towards the purchase of organic food were measured by the mean of four items. The items for the attitudes reflect both cognitive as well as affective evaluations Zhou et al, (2013). The two cognitive evaluation items were: “Buying organic food instead of conventional ones is...” (harmful – beneficial, foolish – wise). The two affective evaluation items were: “Buying organic food instead of conventional ones would make me feel...” (bad – good, displeased – pleased). The attitude construct had an acceptable construct reliability (Cronbach’s Alpha .87).

Following the work of Zhou et al (2013), subjective norms were measured by testing two aspects: injunctive and descriptive norms. Injunctive norms, what we perceive as others’ approval on our behavior, were measured with the item: “Most people who are

important to me think that I should buy organic food instead of conventional ones.

Descriptive norms, our perceptions of what others would do, with the item: “Most people who I value would buy organic vegetables instead of conventional ones”. The two items are highly correlated with an  $r=.675$ , therefore we were able to apply a Cronbach alpha on them as they are considered reflective of the same latent disposition. The construct was measured by the mean of the two items (Cronbach’s Alpha .805).

Following the work of Zhou et al (2013), PBC was initially measured by two items only : “In general, for me to buy organic vegetables instead of conventional ones would be ... ” (Easy, Hard) and, “If I want to, I could easily buy organic vegetables instead of conventional ones”. However, the Cronbach’s alpha for this two item construct came back low (Cronbach Alpha=0.41). Therefore, we decided to increase the number of items for this construct in order to improve its reliability. 5 more questions were added to the aforementioned questionnaire in order to improve the reliability of the PBC construct. The PBC construct was measured by the mean of the seven items.

The added questions are in the form of statements and were adopted from the work of Al-Swidi et al. (2014). The statements are as follow:

- *I have the financial capability to buy organic food.*
- *I have the time to go for buying organic food.*
- *I have the complete information and awareness regarding where to buy organic food.*
- *Organic food is easily available in the location where I reside*
- *I can handle any (money, time, information related) difficulties associated with*

*buying organic food.*

<i>Construct</i>	<i>Item</i>	<i>Source</i>
Attitude toward buying organic food (ATTD)	(ATTD1) Buying organic food instead of conventional ones is (Harmful/Beneficial) (ATTD2) Buying organic food instead of conventional ones is (Foolish/Wise) (ATTD3) Buying organic food instead of conventional ones would make me feel (Good/Bad) (ATTD4) Buying organic food instead of conventional ones would make me feel (Pleased/Displeased).	(Zhou et al, 2013)
Subjective Norms (SN)	(SN1) Most people who I value would buy organic food instead of conventional ones (SN2) Most people who I value would buy organic food instead of conventional ones	(Zhou et al, 2013)
Perceived Behavioral Control (PBC)	(PBC1) In general, for me to buy organic food instead of conventional ones would be (Difficult/Easy) (PBC2) If I want to, it is possible for me to buy organic food instead of conventional ones. (PBC3) I have the financial capability to buy organic food. (PBC4) I have the time to go for buying organic food. (PBC5) I have the complete information and awareness regarding where to buy organic food. (PCB 6) Organic food is easily available in the location where I live (PCB 7) I have the complete information and awareness regarding where to buy organic food.	(Zhou et al, 2013)  (Zhou et al, 2013)  (Al-Swidi et al, 2014)  (Al-Swidi et al, 2014)  (Al-Swidi et al, 2014)  (Al-Swidi et al, 2014)  (Al-Swidi et al, 2014)

**Table 3:** Constructs items and sources

In the second section of the survey, participants were asked to provide standard socio-economic and general information such as gender, age, household composition and yearly household income.

Furthermore, when we conducted the online survey which was open to the general public in North America, we noticed that the online survey results showed a variation from the results obtained at PA Nature in our first survey. The majority of the online survey participants (i.e. 75%) stated that their consumption categories fall in one of the two categories (Once a week & once a month), as opposed to the results obtained in our first survey at PA Nature where the majority of participants (i.e. 98%) belonged in the following two categories (Once a week & Every time I eat).

We hypothesize that the reason to why organic food consumption patterns differ between the two samples could be attributed to the fact that PA Nature differentiates itself by offering a broad selection of organic food products at affordable prices. For instance, one can purchase a bag of organic apples for \$3.00 or a bunch of organic kale stalks for \$1.00, therefore, we reason that this grocery store could largely be sought by customers who look for organic food at affordable prices. This in turn provides support to our assumption that the uniqueness of PA nature organic offering makes it an ideal place to have a good sample representation of the conflicted consumer market segment. To further investigate that this consumer segment fits the characteristic of the conflicted consumers, we added two questions to gauge the participants' beliefs on the benefits of organic food on health and the environment.

We asked participants to rate their approval on the following statements:

*I purchase organic products because I believe they would have a positive influence on my health and that of my family (if applicable).*

*I am concerned that the environment is subject to degradation as a result of conventional farming techniques.*

## 5. Data Analysis & Discussion

### 5.1 Analysis

This section contains the data analysis of the final and third survey that took place at PA Nature. Each TPB construct (Attitude, subjective norms and PBC) achieves an acceptable reliability score with Cronbach alpha over 0.7. (See Table 4)

<b>CONSTRUCT</b>	<b># of Items</b>	<b>CRONBACH ALPHA</b>
<b>Attitude</b>	4	0.87
<b>Subjective Norms</b>	2	0.805 & r =.675
<b>Perceived Behavior Control (PBC)</b>	7	0.796

**Table 4:** Table for the final survey constructs Cronbach alphas

A linear regression analysis with the intention to purchase organic food being the dependent variable and the TPB constructs being the independent variables was conducted. The analysis is done through SPSS (Statistical Package for Social Science). The regression analysis assumes that all other variables remain constant in examining how the variation of the model's independent variables explain the variation in the model's dependent variable. Furthermore, a bootstrapping option was adopted to the regression analysis as the data violated the homoscedasticity assumption.

Table 5 shows the results of the ANOVA table which demonstrate the overall fit of our model which is found to be significant at .002

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.446	3	2.149	5.084	.002 <sup>b</sup>
	Residual	55.789	132	.423		
	Total	62.235	135			
a. Dependent Variable: Intention						
b. Predictors: (Constant), PCB, Attitude, SN						

**Table 5:** ANOVA table

Table 6 & 7 show the results of the linear regression model with the bootstrapping option. The results reveal that neither attitudes nor subjective norms achieved a significant p-value, therefore, no significant explanatory power in explaining the intention to purchase organic food by the consumer segment that shops at PA Nature. The only construct that has significant explanatory power is the Perceived Behavior Control which is significant

at 0.004.

The results suggest that only PBC has a significant power in explaining the variation in the intention to purchase organic food by the consumer segment at PA Nature. Therefore, hypothesis 1 and 2 are not supported. Alternatively, we fail to reject hypothesis 3.

<b>Bootstrap Specifications</b>	
Sampling Method	Simple
Number of Samples	1000
Confidence Interval Level	95.0%
Confidence Interval Type	Bias-corrected and accelerated (BCa)

<b>Coefficients<sup>a</sup></b>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.073	.526		7.751	.000
	Attitude	.116	.093	.112	1.248	.214
	SN	.007	.046	.014	.148	.883
	PCB	.211	.070	.262	2.993	.003

a. Dependent Variable: Intention

**Table 6:** Linear regression outcome

Bootstrap for Coefficients							
Model	B	Bias	Std. Error	Bootstrap			
				Sig. (2-tailed)	BCa 95% Confidence Interval		
					Lower	Upper	
1	(Constant)	4.073	-.022	.559	.001	2.990	5.045
	Attitude	.116	.002	.104	.279	-.104	.329
	SN	.007	-.003	.051	.898	-.090	.102
	PCB	.211	.004	.079	.004	.084	.390

a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

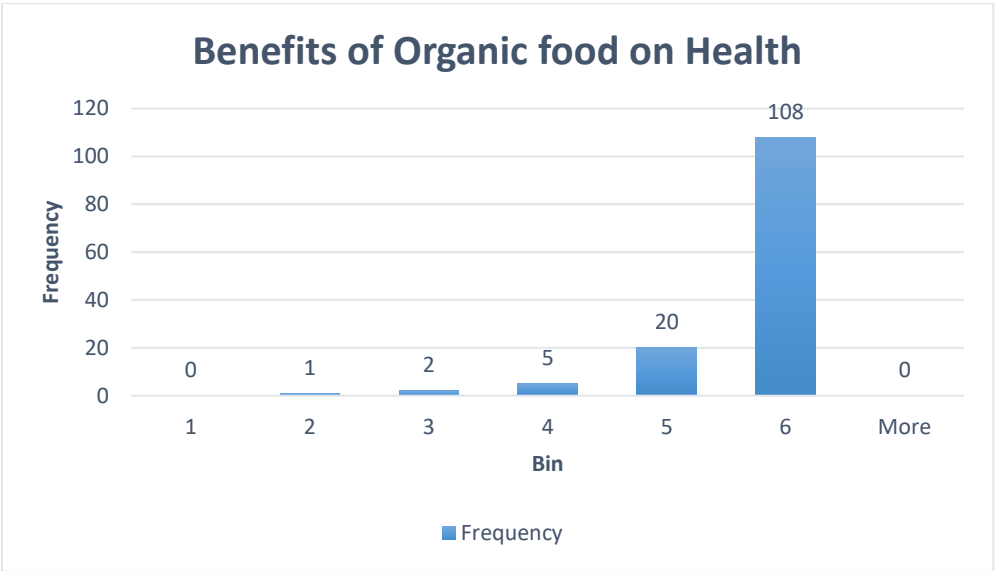
**Table 7:** Bootstrapping table outcome

## 5.2 Discussion

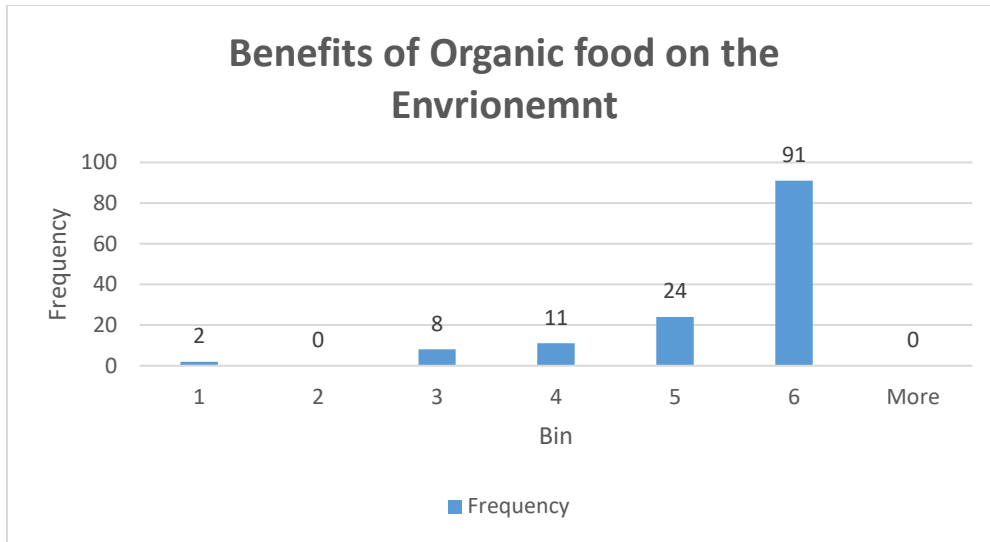
Our results differ from previous research findings where attitude was found to play a major role in explaining intention to purchase organic food (Scalco et al, 2017). This could be due to the fact that the consumer segment that shops at PA Nature differs from the general public. PA Nature offers a wide selection of organic food products at affordable prices, therefore, its customer base is likely to be more of regular organic food consumers who seek affordable organic prices. As explained in section 4.2, the majority (i.e. 75%) of participants in our online survey, stated that their consumption is either once a week or once a month. This is opposed to the results obtained in our first survey at PA Nature where the majority of participants (i.e. 98%) stated that their organic food consumption falls in one of these two categories: either once a week or every time they eat. Furthermore, PA Nature consumer might already carry the strong positive attitudes about the benefits of organic food; therefore, an increase in attitude will not play a significant role in explaining their increased intention to purchase organic food. This is further



confirmed in the responses obtained from the two questions added to gauge participants' beliefs on the benefits of organic food. The majority of participants scored high on the two questions showing the positive attitude on the health benefit of organic food and its positive impact on the environment with an average of 5.44 & 5.69 out of 6 respectively. Figures 8 & 9 show the number of participants' choices for each Likert scale category on each question.



**Figure 8:** Question 17, I purchase organic products because I believe they would have a positive influence on my health and that of my family (if applicable).



**Figure 9:** Question 18, I am concerned that the environment is subject to degradation as a result of conventional farming techniques.

In addition, our results confirm the findings of Tarkiainen & Sundqvist (2005) and Al-Swidi et al (2014) where no direct relationship was found between subjective norms and the intention to purchase organic food. This could be because the decision process to purchase organic food is based more on the individual's own personal priorities rather than on the influence of his/her surrounding. Since the purchasing of organic food entails monetary and flexibility sacrifices from the part of the consumer, it is suggested that these factors have a priority in the decision making and play a more direct relationship in the intention to purchase organic food than the influence of subjective norms. This is further explained in section 6.1.

Our findings reveal that PBC plays a significant role in predicting the intention to purchase organic food and confirm similar findings by (Chen, 2007; Al-Swidi et al., 2014; Suh, 2015; Asif, 2018) where they found a direct relationship between PBC and the intention to purchase organic food. This could be explained as the two major barriers for the purchase

of organic food found in the literature are price (Hill and Lynchehaun, 2002; Magnusson et al., 2001; Lea and Worsley, 2005; Hughner et al., 2007; Asif et al, 2018) and availability (Lea and Worsley, 2005; Asif et al, 2018). These two major barriers to the purchase of organic food represent the major elements of PBC. Thus, it is natural to expect that the variation of these two obstacles would play a direct relationship in predicting the increased intention to purchase of organic food.

This would also explain why the majority of our PA Nature survey participants showed more frequent consumption of organic food than the general public as PA Nature core attribute is to provide a wide selection of organic food products at affordable prices.

## **6. New Institutional Economics & Beliefs Manifestation into Action**

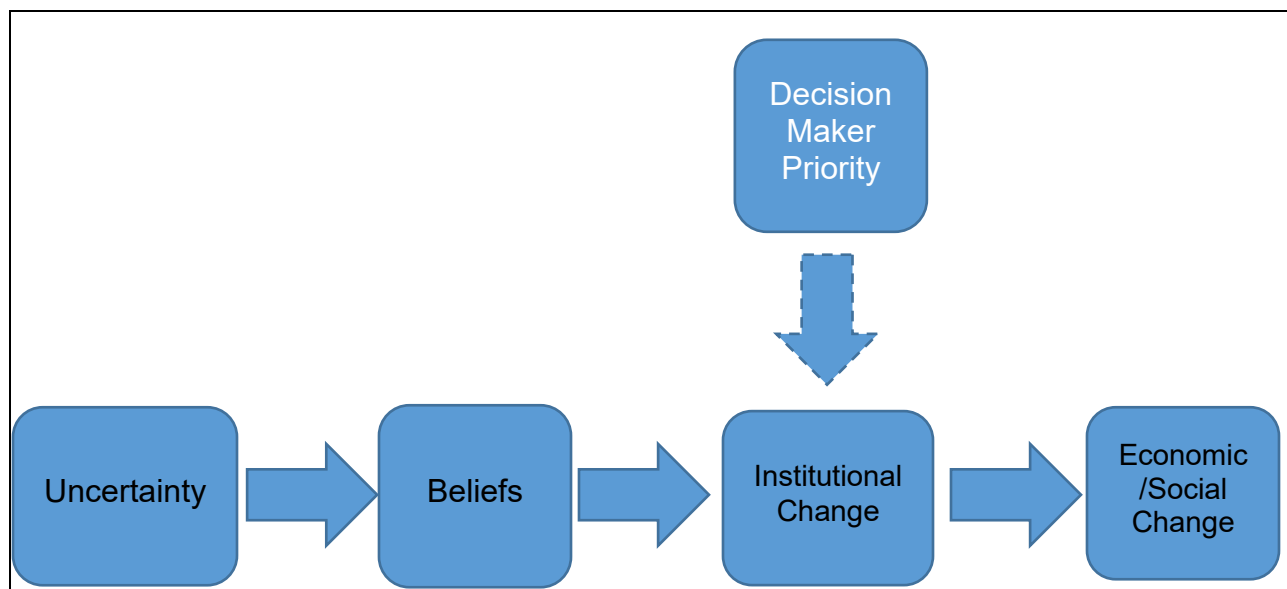
Since our work puts a lot emphasis on the conflicted consumer, it is important to understand the root to the beliefs and behaviors of this growing market segment. These consumers can be thought of as decision makers that might turn their existing favorable belief in the health and environmental benefits of organic foods into the important decision of purchasing organic foods.

New institutional economics helps us understand how beliefs develop into actions.

## 6.1 New Institutional Economics and the Consumer Changing Purchasing Behavior

This part bases its analysis in New Institutional Economics (NIE), more specifically, on the framework developed by North (2005). North incorporates uncertainty, beliefs, decision maker priority and institutions into analyzing economic and social change. His framework for economic growth/social change traces its roots to human's instinct to reduce uncertainty and beliefs. Importantly, North explains that the existence of uncertainty and beliefs do not necessarily develop into a change or a progress unless the decision maker views this said uncertainty/belief as a priority.

North's framework can be broadly described as shown in Figure 10.



**Figure 10:** North's framework for enacting change

Below are North's descriptions for each of these constructs. As we believe in the

universality of this model in explaining the elements of enacting change, we will attempt to project this model in explaining the '*changing purchasing behavior*' of the conflicted consumers.

### **6.1.1 Uncertainty:**

North traces change to our continuous efforts to reduce uncertainty in our environment. "What is the deep underlying force driving the human endeavor? It is the ubiquitous effort of humans to render their environment intelligible, to reduce the uncertainty of their environment" (North, 2005, p.4). As a response to our inability to predict uncertainties in our lives, humans tend to create belief systems and institutions in an attempt to control these uncertainties. North emphasizes on the importance of incorporating uncertainty as the source of change and argues that the creation of beliefs and institutions is the natural defense mechanisms or response that humans erect to control their own uncertainties. "The beliefs and institutions that humans have devised only make sense as an ongoing response to various levels of uncertainty that human have confronted and continue to confront in the evolving physical and human landscape" (North, 2005, 14).

### **6.1.2 Beliefs:**

Beliefs are the stock of knowledge human possess (North, 2005). North distinguishes between beliefs and institutions in the analysis of the process of economic change and designates beliefs to be the step antecedent to institutional change (North, 2005). The process change: "The process works as follow: the beliefs that humans hold determine the choices that they make, in turn structure the changes in the human landscape (North,

2005: p 23). In our study, beliefs represent the favorable beliefs that the consumer carries regarding the benefits of organic food on health and the environment.

### **6.1.3 Institutional change:**

Institutions are “Humanly devised constraints that structure political, economic and social interactions” (North, 1991: 97). Institutions are made up of formal institutions (constitutions, common laws and regulations) and informal institutions (conventions, norms of behavior, and self-imposed codes of conduct), and their enforcement characteristics (North, 1996). “Institutional change can result from changes in the formal rules, the informal norms or the enforcement of either of these” (North, 2005: 6). This study projects North’s model to the rise of a purchasing norm that reflects healthy and environmental living beliefs. In other words, it refers to the changing purchasing behavior norm of the consumer to reflect his/her beliefs.

### **6.1.4 Decision Maker Priority:**

Economic/social change take place as political and economic entrepreneurs perceive new opportunities or react to new threats affecting their well-being. North classified decision makers as political and economic entrepreneurs whose choices are what matter to shape policies (North, 2005: p6). In our consumer research context, the decision makers are the individual consumers as they are the ones who are making the purchasing decisions.

Since our work considers consumers to be the decision makers in their purchasing behaviors, then the framework will incorporate the uncertainty priorities of this consumer. Therefore, our model will start by stating that the consumer has several uncertainties to cover in his environment such as economic, health, safety, etc. In an attempt to reduce these uncertainties, the consumer develops beliefs such as “One needs to save in order to hedge against economic uncertainty”, “Organic food is healthier than inorganic ones” or “Affluent neighborhoods would provide a better living environment for my family”. It is natural that not all uncertainties could be answered at the same time; therefore, the consumer needs to prioritise what uncertainty to answer first. For instance, if economic uncertainty is a priority, then the belief about the healthiness of organic food high would likely not be materialize into a purchasing action of organic food. Alternatively, if the priority of the consumer is to move his family to a safer neighborhood, then savings would be more likely sacrificed to finance for the move.

We also note that secondary beliefs are possible to transform into a purchasing option if the elements of this action does not hinder the effort to respond to the consumer’s first uncertainty priority. For example, if the uncertainty priority of the consumer is financial, then the favorable beliefs in the benefits of environmental products would be more likely realised into a purchasing action if the price of the environmental products become close to par with the conventional products.

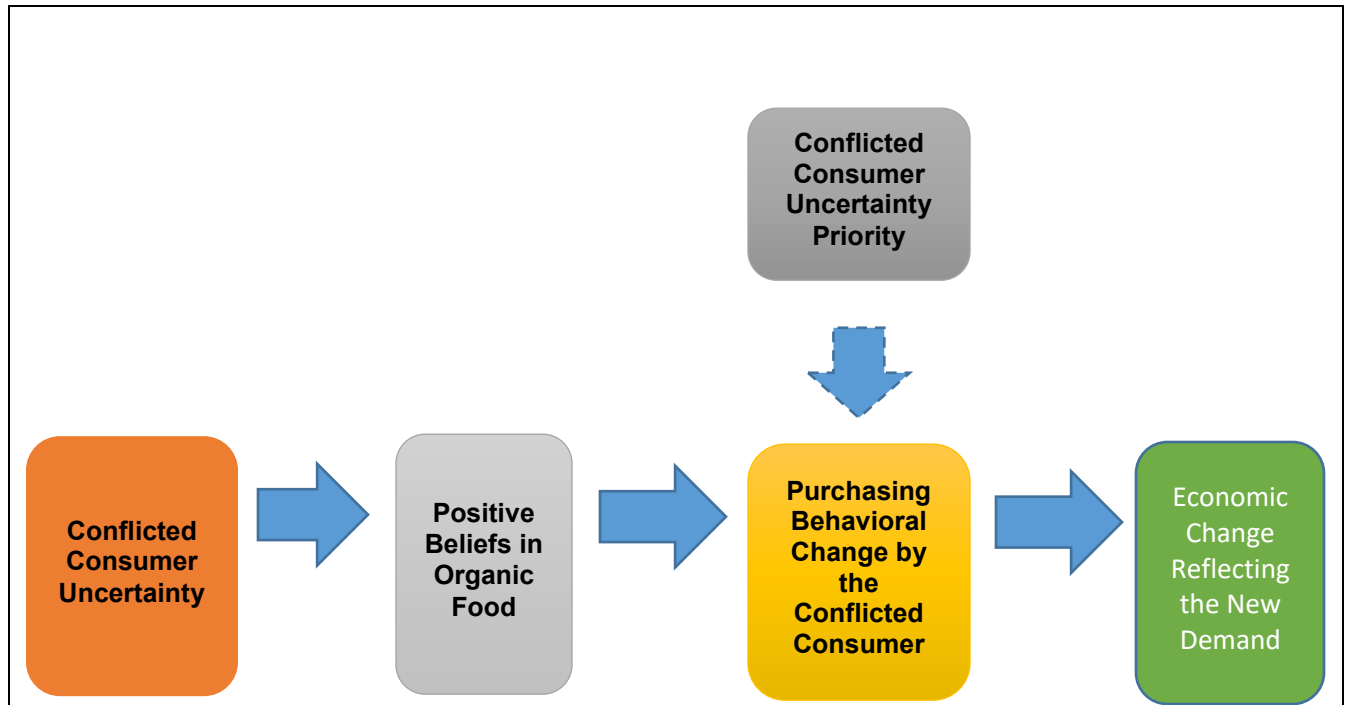
The most interesting part in North’s model is to understand the root of how beliefs that humans have manifest into action and change. According to North, the role of the decision maker priority on what uncertainty to address first creates the action that will lead to economic/social change.

## **6.2 NIE Framework & the Changing Purchasing Behavior of the Conflicted Consumer**

If we are to project this framework on the context of conflicted consumers and the organic food consumption. Conflicted consumers tend to have favorable beliefs about the benefits of organic food on health and the environment, however, these belief remains dormant until the right circumstances come for it to manifest in a purchasing action. In other words, if the consumer has favorable beliefs about organic food but does not have health or the environment as an uncertainty priority to cover, then the positive beliefs of organic food would less likely manifest into a purchasing action. In other words, if the conflicted consumer has his/her main uncertainty priority to be financial then the positive beliefs of organic food would less likely manifest into a purchasing action unless the prices of organic food become affordable. This could explain why the conflicted consumers who hold the favotable environmental beliefs will only defect from their current sellers if the prices of the environmental products are affordable.

Figure 11 depicts North's model projection on understanding the source of purchasing behavioral change of organic food by the conflicted consumer.





**Figure 11.** North's model for economic/social change projected on the changing purchasing behavior of organic food by the conflicted consumer.

The adopted framework from institutional economics provides support to Laurite and Benedetti (2018) findings where they studied the Italian organic food market using TPB. They made a link between the probability of buying organic food and people's inclinations: people who care about animal welfare, soil pollution and deforestation. They found that individuals concerned with animal welfare, soil pollution and deforestation have a higher probability of buying organic products on a daily basis. In other words, if the uncertainty priority of the consumer is the environment, then his/her beliefs in the benefit of organic food on the environment are more likely to manifest in a purchasing decision of organic food.

Similarly, (Asif et al 2018) found that attitude and health consciousness combined are better predictor of organic food purchase intention in consumers from Iran, Turkey and

Pakistan. This could be explained by the fact that if health is an uncertainty priority of the consumer then the positive beliefs about the benefits of organic food will more likely translate into purchasing decision.

Furthermore, this framework could also contribute to understanding the attitude-behavior gap outlined in the academic literature. Aertsens et al. (2009, p1150) cited the work of Tarkiainen and Sundqvist (2005) where they state “That in the majority of earlier studies, consumers hold positive attitudes towards organic food, while the proportion of consumers who purchase organic food on a regular basis remains quite low.”

As noted in the academic management literature, consumers might have the favorable attitudes towards organic food but they will not necessarily manifest into purchasing decisions, “even the strongest intention might not be transformed into a consequential action” (Scalco et al, 2017, p246). North’s framework suggests a reasoning for this gap, the adopted framework reveals that beliefs are dormant unless they become an uncertainty priority for the consumer or if the existing barriers to perform the purchasing action, enforced by the current uncertainty priority, disappear.

We acknowledge that North’s framework addresses changes at the macro level and that other marketing theories utilize uncertainty reduction as the motivation to perform an action. However, the reason we choose North’s framework to investigate the conflicted consumer purchasing behavior is because this framework emphasizes the role of beliefs to initiate change and the process in which they manifest into actions. As we mentioned above, one of the prominent characteristics of the conflicted consumers is that they already carry the favorable environmental beliefs but not necessarily act on them;

therefore, it was essential for us to understand the root of this segment's purchasing behavior and how their beliefs could transform into a purchasing decision.

Furthermore, multi-attribute theories used in predicting the purchase of organic food such as TPB and the theory of reasoned actions assume that beliefs/attitude transform automatically to an intention to purchase organic food and consequently to a purchasing behavior of organic food (Fishbein & Ajzen, 2011). However, we find that they fail weak in explaining why not all attitudes transform into actual purchases and thus explaining the attitude behavior gap.

To sum up, we have utilised the same factors in North's framework (uncertainty, beliefs and decision maker priority) to understand the changing purchasing behavior of the conflicted consumers. The projection of North's model reveals that even if the conflicted consumers have favorable environmental beliefs, they will not necessarily translate them into a purchasing decision. To elaborate, the conflicted consumer are more likely not to alter their purchasing behavior, unless the environment, health or animal welfare become an uncertainty priority for him/her, or alternatively, if the elements of the environmental products are not in conflict with the current uncertainty priority of the consumer.

Furthermore, North's adopted framework demonstrates how important elements from NIE pave the way for our case for business sustainability. North's model for economic change puts uncertainty, beliefs and decision maker priority as the keys to constructive change. Organization, who are the decision makers, perceive CST as a priority. Our work shows how allowing organizations to see short-term opportunities in sustainable initiatives, couple with a favorable belief system about sustainability; can produce gains in business

sustainability.

## **7. Conclusion**

The main objective of this study is to provide a framework to overcome the main barrier to business sustainability: Corporate short termism. It is our intent to provide a framework that is not only feasible but also encourages adaptation from the corporate sector. To elaborate, our proposed framework offers an opportunity for companies to generate short-term returns and enhancing the firm's long-term survival while investing in sustainability. Our recommended framework utilizes the main element that drives and enforces CST, the industry-wide competition, to steer a robust case for business sustainability. It suggests that companies can capitalize on a growing market segment - the conflicted consumers. Consumers in this market segment have favorable environmental beliefs and are willing to defect from their current sellers if a viable option on environmental products emerges (Watts, 2007 & Winston, 2007).

In addition, it is to our knowledge that this the first academic work that addresses the barrier of CST through the practitioner management's needs and priorities. Meaning to say, this is the first academic work that addresses the industry wide competition as the main cause for CST and utilizes the same elements of this cause to overcome CST.

Moreover, our work utilizes both the Theory of Planned Behavior and New Institutional Economics to demonstrate what factors influence the conflicted consumer intention to purchase organic food and the process in which the conflicted consumer's favorable

environmental beliefs transform into purchasing decisions. It is to our knowledge that this is the first academic work that projects a NIE framework to understand the changing purchasing behavior of the consumer.

To conclude, we perceive that a future where companies compete on viable options of environmental products will not only benefit the environment and ultimately the consumer but also the long-term survival of these companies. As an example of the success of offering environmental products at viable options, IKEA' Food services has recently introduced a veggie hot dog in its stores all across the globe. The new vegetarian offering has approximately seven times less CO<sub>2</sub> emissions/kg than its regular meat hot dog. The carbon footprint of the meat hot dog is 6.38 kgCO<sub>2</sub>eq/kg while the veggie hot dog has a carbon footprint of 1.02 kgCO<sub>2</sub>eq/kg. Furthermore, the veggie hot dog sells at 75 cents/unit. According to a representative from Ikea, the sale of the veggie hot dog exceeded forecasted sales by selling over one million hot dog in the first two months (Rushe, 2018, paragraph 2).

## **7.1 Future studies**

Our work focuses on the existence of the conflicted consumer market segment in the organic food context, future work can look into its existence within different industries that offer environmental products. Also, we currently perceive that only big companies, such as Amazon and Ikea, would be able to cater to the conflicted consumer market segment due to their ability to capitalize on their innovative and investment capacities in addition to their economies of scale. Future research could look at medium or even small organizations' ability to target and generate returns from catering to the conflicted

consumers' market segment. Additionally, future research can build on North's framework for institutional change to generate a marketing model to predict consumers' purchasing behavior changes. Finally, future research can look into the price elasticity of demand for environmental products before and after the conflicted consumer's affordable price level.

## **7.2 Limitations**

In our research, we encountered a problem in assessing the higher consumption of organic food by the conflicted consumers. We found difficulty in placing the consumption of organic food in sequential ordinal categories due to the limitation of organic food offerings (i.e., it was hard to place organic food consumptions patterns in small sequential intervals as organic food offering still cannot replace each and every conventional food item). Therefore, we decided to only test the intention to purchase organic food by the conflicted consumers. This pitfall can be addressed in future research.

Also, our proposed framework to overcome CST cannot be generalised to be applied on any commercial product. In other words, improving the elements of PBC in any given product will not lead to a demand creation by the conflicted consumers unless this said product is perceived as more environmentally friendly or more ethical by the conflicted consumer segment.

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# Appendix A

## Survey Questionnaire

How much do you agree with following statements, **1** being the lowest and **6** is the highest.

**1- Buying organic food instead of conventional ones is**

1	2	3	4	5	6
Harmful					Beneficial

1	2	3	4	5	6
Foolish					Wise

**2- Buying organic food instead of conventional ones would make me feel**

1	2	3	4	5	6
Bad					Good

1	2	3	4	5	6
Displeased					Pleased

**3. In general, for me to buy organic food instead of conventional ones would be**

1	2	3	4	5	6
Difficult					Easy

	Strongly Disagree				Strongly Agree	
	1	2	3	4	5	6
1. If I want to, it is possible for me to buy organic food instead of conventional ones						
2. Most people who I value would buy organic food instead of conventional ones						
3. Most people who are important to me think that I should buy organic food instead of conventional ones						
4. I have the financial capability to buy organic food						
5. I have the time to go for buying organic food						
6. I have the complete information and awareness regarding where to buy organic food						
7. Organic food is easily available in the location where I reside						
8. I can handle any (money, time, information related) difficulties associated with buying organic food.						
9. To buy or not to buy organic food is entirely up to me						
10. I purchase organic products because I believe they would have a positive influence on my health and that of my family (if applicable)						
11. I am concerned that the environment is subject to degradation as a result of conventional farming techniques.						
12. I intend to buy organic food in the near future (at least one item).						
13. To buy organic products means to support activities that have good impact on the environment.						

**14. Gender:** F M

**15. Age:** 18-30 Years  
31-45 Years  
46-65 Years  
>65 Years

**16. Household Composition:** Single, w/o children  
Single, with children  
Living with a partner, w/o children  
Living with a partner, with children

**17. Yearly Household income:** <30,000\$  
31,000 to 59,000\$  
60,000 to 100,000\$  
>100,000\$

**18. How often do you consume organic food (at least one item):**

Never

Once a month

Once a week

**Every time I eat**