



## SIG 14 - Conference General Track

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We invite you to submit your research to explore the theme of **Transform Business for Good** for the EURAM 23<sup>rd</sup> Conference.

### T14\_07 - Sustainability and the Black Box of the Firm

Paper submission deadline: **10 January 2023 – 2 pm Belgian time**

#### Proponents:

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#### Short description:

Strategic management and economics are jammed with thin accounts of the firm, where the inner workings of enterprises are left unexplained. This has been carried over to stakeholder scholarship, where sustainable enterprise behavior is a matter of ethical willpower rather than organizational mechanisms. This topic forum invites academics to contribute with scholarship that relies on a mechanism-based approach in search of the endogenous determinants of pro-sustainability enterprise behavior, thus contributing to opening the black box of the firm.

#### Long description:

The Nobel laureate and organization theorist Herbert A. Simon once said that if a Martian was given the task of describing the market economy seen on Earth, her account "...would speak of 'large green areas interconnected by red lines.' It would not likely speak of 'a network of red lines connecting green spots'" (Simon, 1991, p. 27). The metaphor of lines connecting spots, instead of large areas, testifies to a thin understanding of what firms are, yet it has been espoused by many schools of thought in strategic management and economics.

A thin understanding, or black-box account, of the firm leaves its inner workings unexplained. For instance, the existence of the for-profit firm has been explained in

terms of inside transactions being more cost-effective than outside or market transactions — which is a tautology that Ronald Coase (1988, p. 19) defended by saying that “[i]t is the criticism people make of a proposition which is clearly right” — as well as the firm as a nexus of contracts that simulates the market by other means (Jensen & Meckling, 1976).

The black-box account of the firm has carried over into stakeholder theory, where its exponents have recently acknowledged that: “Until the [stakeholder] theory can define the boundaries of the firm, there is no ‘inside’ that distinguishes the firm from the market” (Phillips, Barney, Freeman, & Harrison, 2019, p. 3). The future of a sustainable economy may hinge, however, on probing whether the inner workings of the firm can be locked in on a sustainability path from within (Agafonow & Perez, 2021), instead of simply inviting managers to be ethical or regulating enterprises from outside, through public policy and regulation.

Accordingly, this forum welcomes contributions that open the black box of the firm, building on scholarship that sheds light on the inner workings of the firm while relating them to goals over and above profits. A non-exhaustive list of early strides includes the displacement of enterprise goals by the influence of external stakeholders on *internal stakeholders* other than the senior management (Mintzberg, 1983); the acknowledgment that contractual relationships, far from being neutral, tend to favor “the corporation in relation to its constituencies” (Williamson & Bercovitz, 1996, p. 340); and the augmentation of the nexus of contracts view to account for the appropriation of rent by stakeholders other than equity holders (Coff, 1999).

Thus, this call for papers invites social scientists across the board to advance the research agenda on sustainability in organizations by exploring how the inner workings of the firm can be better “organized” to support sustainability objectives.

## References

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### **Keywords**

Sustainability

Theory of the firm

Resource-based view

Transaction cost economics

Stakeholder theory

### **UN Sustainable Development Goals (SDG):**

Goal 8: Decent work and economic growth

Goal 10: Reducing inequalities

Goal 11: Sustainable cities and communities

Goal 12: Responsible consumption and production

Goal 13: Climate action

Goal 16: Peace, justice, and strong institutions

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