

# What Does Strategic Management Have to Say About Grand Social Problems?

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# Agenda

We pose three questions as they relate to the broader question assigned.

For each question, we will make an assertion and discuss among the panelists.

After our discussion on each question, we will open discussion to the entire room.

# Questions

- Has strategic management had much to say to date about grand challenges?
- Should grand challenges be in the purview of strategic management?
- How can strategic management have more to say about grand challenges?



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# Obs 1: Grand challenges are receiving significant global attention and scholarship.

- Society faces system-level challenges on which current policy, market, and civil society are making limited progress:



Sustainability and  
Climate Change



Poverty and Income  
Inequality



Human Rights and  
Social Justice



Global Health and  
Pandemics

- A vast and interdisciplinary set of literatures across the sciences, social sciences, engineering attempting to address these challenges.



# Obs 2: Managers are paying attention to and responding to grand challenges.

- Firms, broadly, are being intentional in how they respond to and address social issues.
  - Efforts have migrated to the C-suite, as evidenced by the appointment of Chief Sustainability Officers and the publishing of annual reports on social performance.
  - Firms are setting ESG goals, disclosing impact data, aligning incentives of managers, collaborating with competitors, and investing in responsible innovations.
  - Firms are investing more in influencing their institutional envelope through corporate lobby, stakeholder engagement, public relations, and consumer marketing.
  - Investors are creating and marketing ESG funds and investment vehicles to funnel capital towards “socially responsible” firms.



# Q1: Has strategic management had much to say to date about grand challenges?

- A vast and growing literature on sustainability, stakeholder strategy and nonmarket strategy have been asking critical questions:
  - Under what conditions are ESG issues material to firms? Under what conditions do firms internalize negative externalities?
  - What impact do firms have on stakeholders and broader institutional structures? How do stakeholders influence value creation and distribution?
  - When do firms communicate these efforts to stakeholders, including shareholders? Under what conditions, do firms disclose impact?
  - When do firms coordinate with external stakeholders, forming alliances and outsourcing work ? With whom do they coordinate?
  - What is my organizational purpose and how is it influenced by stakeholders both inside and outside the formal legal boundary of my organization?



# **A1: Strategic management has had something, but not enough, to say about grand challenges.**

- Despite growing attention by firms on social responsibility and ESG performance, progress on grand challenges has been limited.
  - Strategy research has had some influence on the practice of firms, but the integration of more normative concepts into core business practice remains tepid.
- Focus on the firm as the unit of analysis and firm financial performance as the key outcome, limits what strategic management research currently can say about grand challenges.
  - Limited understanding of how firms influence system-level change to address grand challenges, especially when narrow firm self-interest is insufficient.
  - Requires even greater attention to industry, institutional, and social structures.





Thoughts & Comments?



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## **Q2: Should grand challenges be in the purview of strategic management?**

- Classic assertion that firm purpose should be the limited pursuit of shareholder value maximization (without institutional pressuring).
- Recent critiques of strategic management engaging on grand challenges have focused on classic agency issues.
  - Executives imposing political & moral beliefs (Wright 2023; Waldman & Sparr 2023)
  - Discretionary power of middle managers (Foss & Klein 2023a,b)
- Traditional definition of strategic management as exclusively concerned with the securing of supra-normal profits.





## **A2: Grand challenges absolutely should be in the purview of strategic management.**

- Managers view grand challenges as relevant and strategic.
- Grand challenges have several attributes that lend themselves to analysis by strategic management scholars.
  - Progress requires collective action and innovation across geographies, sectors, and time.
  - Systems-level coordination is critical including complex cross-sector partnerships with corporations.
- Strategy is all about heterogeneity, trade-offs and prioritization, interdependencies, setting simple and long-term goals, and objective appraisal of resources & capabilities.





Thoughts & Comments?



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# Q3: How can strategic management have more to say about grand challenges?

- Strategy scholars have a nuanced & complex view of firm behavior:
  - Markets are rarely perfectly competitive, allowing for the persistence of supranormal returns (economic rents).
  - Highlight importance of competitive positioning within markets and the resulting competitive differentiation that results.
  - Competition and cooperation between actors are common. Patterns can alter distribution of profits and drive complex dynamic multi-dimensional performance landscapes.
  - Relax assumptions of profit maximization, recognizing that firm decisions are complex, requiring search and unconstrained profit seeking, recognizing importance of individual and collective values.
  - Embrace the dynamics of markets, focusing on endogenous innovation, technology disruptions, and market disequilibrium.



## **A3: Strategy scholars have a unique opportunity to address grand challenges, but it requires shifts.**

- Expand DVs to include social outcomes and the unit of analysis to include socio-political-economic systems.
- Embrace multilevel analyses, combining micro and macro theorizing, that is truly interdisciplinary with allied sciences.
- Emphasize field studies and co-create research projects that involve managers and policy makers.
- Develop computational and systems models to study unintended consequences and interdependencies of firm strategic decisions.
- Embrace decision complexity, search, disequilibrium, endogenous institutions, social movements, and value-based decisions.



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