

Emotion as an ethical compass in strategic sustainability decisions

Snellman Kirsi, Hakala Henri

This is a Final draft version of a publication

published by Edward Elgar Publishing

in Laveren, E., Blackburn, R., Ben-Hafaïedh, C., Díaz-García, C., González-Moreno, Á.
Sustainable Entrepreneurship and Entrepreneurial Ecosystems : Frontiers in European
Entrepreneurship Research.

DOI: 10.4337/9781839109690.00011

Copyright of the original publication:

© Eddy Laveren, Robert Blackburn, Cyrine Ben-Hafaïedh, Cristina Díaz-García and Ángela González-Moreno 2020

Please cite the publication as follows:

Snellman, K., Hakala, H. (2020). Emotion as an ethical compass in strategic sustainability decisions. In: Laveren, E., Blackburn, R., Ben-Hafaïedh, C., Díaz-García, C., González-Moreno, Á. Sustainable Entrepreneurship and Entrepreneurial Ecosystems : Frontiers in European Entrepreneurship Research. pp. 70-89. DOI: 10.4337/9781839109690.00011

This is a draft chapter/article. The final version is available in [Sustainable Entrepreneurship and Entrepreneurial Ecosystems : Frontiers in European Entrepreneurship Research] edited by [Laveren, Eddy; Blackburn, Robert; Ben-Hafaïedh, Cyrine; Díaz-García, Cristina; González-Moreno, Ángela], published in 2020, Edward Elgar Publishing Ltd

<http://dx.doi.org/10.4337/9781839109690.00011>

The material cannot be used for any other purpose without further permission of the publisher, and is for private use only.

EMOTION AS AN ETHICAL COMPASS IN STRATEGIC SUSTAINABILITY DECISIONS

Kirsi Snellman and Henri Hakala

“Being ethical is about doing good deeds, and if you can generate revenues while doing good it is great. If there is a problem in the world, and you have the solution, it is your responsibility to tackle it”. (M6)

Introduction

Strategic sustainability decisions are characterized by their strategic importance and the high stakes they entail for several stakeholders (Eisenhardt, 1989). Making such decisions often demand the manager to see beyond what already exists. In such situations, managers face ethical dilemmas, defined as “situations in which the individual must reflect upon competing moral standards and/or stakeholder claims in determination of the ethically appropriate course of action among potential alternatives” (Schwartz, 2016, p.757). While businesses have an opportunity and a responsibility to participate in setting the agenda for a more sustainable future (Markman et al., 2016), it is important to learn more about those factors that drive strategic sustainable decision-making. In this regard, trailblazer companies —those creating “a path through new or unsettled terrain upon which others may follow” (Shepherd and Patzelt, 2017)—are particularly interesting because they often set the new standards for sustainable businesses.

Prior research has approached strategic sustainability decisions mainly through applying hard measures and rational criteria (Feito-Cespon et al., 2016; Rezaee, 2017; Wenstop and Seip, 2001). However, the impact of emotions is still not well understood. Hence, the objective of this study is to understand how emotion affects strategic sustainability decision-making. While emotion may be the enemy of good decisions for some (e.g., Callahan, 1989), we follow those who suggest emotion and reason are complementary in good decisions (e.g., Dane and Pratt, 2007). We propose that emotion helps to navigate toward more sustainable ways of doing business and helps resolve potential ethical dilemmas affecting strategic decisions (Markman et al., 2016; Rushton, 2002). Drawing on interviews with 23 SME managers, we suggest that emotion carries important messages that complement rational information and reasoning. Based on our findings, we theorize a model in which sensitizing, sensing, and selecting characterize emotion-imbued strategic sustainability decisions. We associate sensitizing with awareness of the ethical dilemma, sensing with establishing a global sense of a whole, and selecting with the ultimate ethical choice. Through sensitizing the manager becomes more alert to potential ethical dilemmas related to compliance with an environmental and societal mission, priorities in short-term goal setting, and conflicting interests with stakeholders. Sensing enables the manager to complement up-to-date knowledge derived from calculations and rational analysis, and use their own emotions in ethical evaluation. Treating emotion as an indicator of significance, the manager focuses on what feels important, and establishes a holistic picture of the situation. Finally, emotions can carry important messages when selecting the best ethical choice among potential alternatives in decision-making (Schwartz, 2016). Positive emotions can signal rightness/goodness while negative emotions usually have opposite implications, and lack of emotion can signal that the dilemma itself is not that important after all. Through such capacity to balance environmental, social, and financial goals, emotion helps managers to envision a better world where the natural environment is the foundation on which society sits and the economy operates (Markman et al., 2016).

The contribution of this study is threefold. First, we contribute to the literature of sustainability decision-making by adding emotion as an element that takes effect in multiple ways. While there are some exceptions (e.g., Chichilnisky 2009; Wenstop and Seip, 2001), thus far most sustainability decision models are based on rationality (Bolis et al., 2017; FeitoCespon et al., 2016; Garcia et al., 2016). However, some studies (e.g., Chichilnisky, 2009; Wenstop and Seip, 2001) have suggested that we need to move beyond rationality and add emotion in our multi-criteria decision models. To contribute to this goal, we introduce emotion as the sensitive compass that combines experience, observation, and meaning (Brundin, 2002), and begin to acknowledge those important messages that emotions can carry to foster sustainability decisions.

Second, we add some nuanced insights to the theory of integrated ethical decisionmaking (Schwartz, 2016). Associating emotions not only with long-term strategic ethical goals but also with daily routines and sustainable practices, our empirical findings are aligned with the theoretical notion (Prinz, 2009) that moral facts are often associated with emotions. Letting emotions illuminate those aspects the manager considers important when making strategic sustainability decisions, our data suggest that managers pay attention to their emotions when judging something to be right or wrong. As such, we begin to treat emotion as an important tool that helps managers to decide how to compromise during the sustainable transformation process, thus addressing a call to investigate factors that enhance readiness to change in small innovative firms (Shevchenko et al., 2016).

Finally, our study supports the idea that we should allow emotions to play a larger role in business affairs (Lurie, 2004), because of their capacity to harmonize experience, observation, and meaning (Brundin, 2002), and to recognize what really matters. Specifically, we find that we need to learn more about how emotions can influence ethical preferences in real-life organizational settings, because in those situations, emotions do not represent a self-centered but a moral perspective (Kals and Maes, 2002), thus contributing to a positive change in the business world.

What emotion can add to addressing dilemmas in sustainability decisions

Strategic sustainability decisions are often ambiguous and risky (Martin, 2015), and involve a potential mismatch between business imperatives and stakeholder interests (Wright and Nyberg, 2017). Hence, they call for ethical sensitivity in weighing potential pros and cons under uncertainty (Trevino, 1984). To date, this uncertainty and the risks involved in strategic sustainability decisions, has been tackled through hard measures and rational criteria (Feito-Cespon et al., 2016; Rezaee, 2017; Wenstop and Seip, 2001). The rationality of production that affects the natural environment has been embraced through costs, system efficiencies, and worker productivities (Elliot, 2004), and the key criteria of energy supply systems have been summarized from technical, economic, environmental and social aspects (Wang et al., 2009). Although very informative, these existing decision models largely disregard the role of emotions, thus indicating that a person facing an ethical dilemma arrives at a decision using rational reasoning alone (Callahan, 1988; Rest, 1986).

Adding the emotional perspective when investigating strategic sustainability decisions is important for at least three reasons. First, emotions can signal the presence of ethical challenges (Johnson, 2002). Strategic sustainability decisions are often made in the context of incomplete information, and emotions are suggested to help determine what information is important (Prinz, 2009). Discrete emotions (i.e., excitement, joy, fear, and anger) are, “intense prototypical affective experiences directed toward certain objects or situations” (Forgas, 1995; Russell, 2003; Seo and Barrett, 2007), whereas feelings are more generic. When managers face a potential dilemma, the emotional system in the brain sends signals to the physical body to help them deal with an uncertain situation, and the

looping interface between emotion and cognition can be associated with physical reactions (Smith and Semin, 2004). Our bodies also interpret other people's actions and emotions, and hence, our emotions link with what we perceive as knowledge, even without conscious awareness (Dane and Pratt, 2007).

Second, given that what is right for one may not be right for another (Trevino, 1986), we acknowledge that each manager has different values, rules, and approaches to ethical dilemmas related to sustainability. Although there may be almost universally accepted good goals such as addressing climate change through creating responsible products and services (Markman et al., 2016), each strategic decision-making situation is a unique puzzle. Embracing emotion as a compass when confronting an ethical dilemma (Schwartz, 2016), we acknowledge that for most sustainability decisions that involve ethical evaluation (right versus wrong), an intuitive process triggers an automatic gut sense of rightness and wrongness (Schwartz, 2016). For example, emotions can help a manager to tune in to what feels right or act as ethical alarms when things are not right (Salvador and Folger, 2009). While positive emotions such as happiness, joy and fun can be associated with rightness/ goodness, negative emotions such as pessimism and complacency can be associated with wrongness/badness (Johnson, 2002).

Third, although the aim would be to do what is right, just and fair, there is no machine into which the manager could feed the details of a situation and which would then deliver the one right and good ethical answer (Clarkeburn, 2002). Since organizational changes can challenge managers' extant cognitive lenses through which they interpret the world (Lockett et al., 2014; Moch and Bartunek, 1990), there can be a tendency to make choices grounded on dominant logic and old behavior patterns. These behavior patterns can be manifested

through a company's extant strategic practices and approaches to competition (Prahalad, 2004). Imposing severe demands upon managers' cognitive capabilities (Sadler-Smith and Shefy, 2004) and ethical sensitivity (Johnson, 2002), these judgments call for reason to be complemented with emotion in strategic decision-making (Dane and Pratt, 2007).

Empirical setting and method

Our empirical setting is 23 small and medium-sized trailblazer companies that "make a path through new or unsettled terrain upon which others may follow" (Shepherd and Patzelt, 2017), and whose ethical foundation has sustainability embodied in the firm's strategy. Embracing sustainable business opportunities, these pioneering companies aim to develop responsible innovations that contribute to a better future than that currently foreseeable.

Sample selection and data collection

Companies were identified using purposeful sampling (Smith and Osborn, 2007) to find a group of SME's (following the EU definition) with 'trailblazing' characteristics, active in circular economy (see Appendix 1). The sample consisted of 23 owner-managers from Finland; 20 men and three women, for whom the research problem was relevant and personally significant (Pietkiewicz and Smith, 2014). This provides an interesting context to examine how emotions can affect attempts to attain true sustainability (Shevchenko et al., 2016), that is, to act ethically, and end reliance on non-renewable resources. Data were collected through interviews during 1 February 2018 – 30 March 2019. Interviews were recorded and transcribed to capture the interviewees exact words for analysis (Sanders, 1982). The goal was to elicit first-person stories of how strategic decision-making unfolds in real life (Cardon and Glauser, 2011). Interviewees set the course of the dialogue and were free to express their views in whatever level of detail they wished (Cardon and Glauser, 2011). This

approach brought the flexibility that permitted additional and unexpected issues to arise (Pietkiewicz and Smith, 2014), thus making each interview a unique dialogue between the interviewer and the interviewee. After this data collection phase, the 150 single-spaced pages of interview transcripts were coded to develop our model. We analyzed the role of emotion in strategic sustainability decisions at the level of managers' lived experiences.

Data analysis

To analyze the data, we drew inspiration from the principles of phenomenological data analysis (Kleiman, 2004; Smith and Osborn, 2003), that involves coding, categorizing, and making sense of the essential meanings of the phenomenon. Our analysis began with a reading of the data to acquire a global sense of the whole (Corbin and Strauss, 1990). A second reading enabled us to divide the data into meaningful sections or units (first-order codes) (Smith and Osborn, 2003), and look for interview excerpts exemplifying the same underlying idea (Cardon and Glauser, 2011). Sections with a similar focus or content were grouped into higher level categories (second-order themes) which highlighted the commonalities across the first-order codes. Finally, following Cacciotti et al. (2016), the second-order codes were clustered into high-level theoretical dimensions (third-order codes). This determined which units were essential for, and made up of, an identity for the phenomena.

Findings

In our data, strategic sustainability decision-making is characterized by three interrelated but distinct elements: (1) Sensitizing, (2) Sensing, and (3) Selecting. Sensitizing is associated with an initial awareness of the ethical dilemma, sensing with establishing a global sense of a whole, and selecting with making the ultimate right/good ethical choice. These elements are presented below as they emerged in the data. The illustrative evidence of first-order codes, second-order themes, and aggregate dimensions is reported in Table 5.1 below.

-----Insert Table 5.1. about here -----

Sensitizing is the first element in our model. For our pool of managers, sensitizing appears to be associated with emotion-imbued awareness of the ethical dilemma. When emotion triggers ethical awareness in sustainability decision-making, the decision often involves some kind of dilemma. We identified three types of ethical dilemmas (second-order themes) from our data: dilemmas with environmental and social mission, dilemmas in goal setting, and dilemmas with conflicting interests. Dilemmas with environmental and social mission were largely relating to switching to more ecological materials, health and safety issues, and attempting to establish true sustainability. When switching to more ecological alternatives, the problems were often associated with money. As M7 said, "An ethical dilemma can emerge if we need to decide when to substitute our current packaging materials with more ecological but more expensive recycled materials." Although most managers were inclined to choose the ecological alternative despite the cost, there were also problems with complying with the social mission. As M16 said: "Current strategic decisions are linked with safety issues. Another reason for not entering a market can be associated rules and regulations that are not in line with our company values." When approaching sustainability goals, some managers were more inclined to follow their company's code of ethics than others. As M6 said: "Do we need to be very sustainable or is it ok to be somewhat sustainable? Is it acceptable to use 5% fossil ingredients in the product development, or should we instead try to eliminate non-renewable resources totally?" Dilemmas in goal setting were mostly attached to profits, quality demands, and regulations. A typical dilemma in goal setting was related to sacrificing profits in the short term to make a longer term ethical impact. As M8 said, "We make a lot of decisions that

hamper our profits in the short run but will be more reasonable in the long run. There are not many companies that can sacrifice their profits in the short run because of an ethical impact in the long run." Another typical dilemma in goal setting was linked with quality expectations of the product in progress. As M12 emphasized, "In our daily practices we try to make choices that are based on quality rather than costs. This leads to a cost structure that is perhaps not so nice, but it is the way it goes." Dilemmas in goal setting was also surprisingly often associated with regulative issues. As M13 said, "Sometimes the progress is slower than expected. Technologies are yet not available to separate all the components of the waste. Even if we were tempted to do something radical, but without the necessary [regulatory]permits we could not execute our plans." Dilemmas with conflicting interests were often related to different viewpoints regarding societal contribution and common good, as well as company values. As M4 said, "Although we need

to create a successful business, sometimes the willingness to help others feels more important than profit." Conflicting interests emerged also when choosing collaboration partners. As M16 said, "We are very careful when choosing collaboration partners, and make sure that there are no value conflicts involved." Conflicting interests were also recognized when key stakeholders had differing priorities. As M3 asked, "How to solve the ethical dilemma in decision-making if a key stakeholder thinks that coal (which is cheaper, but harms the environment) is a better choice than wood (more expensive, but more ecological)?" However, even if a manager were aware of the ethical dilemma through sensitizing, there will be no strategic sustainability decision unless that manager obtains a global sense of a whole through sensing.

Sensing is the second element in our model. To establish a global sense of a whole, managers use up-to-date knowledge derived from calculations and rational analysis as an important element in their ethical evaluation. However, sensing emotions and their implications is paramount. As such, emotions can be positive or negative. In addition, lack of emotion also appears to have specific implications. Positive emotion, such as excitement, was often associated with enhanced cognitive capacities. As M15 said, "Feeling enhances your own understanding of the quality of the analysis conducted. Joy of success is a key driver in sustainable performance." Excitement appeared to enhance clarity in holistic evaluation. As M23 stated, "When your attitude toward the new possibility is positive, you sense excitement, and you see everything more clearly." Excitement enhanced also creativity. As M18 pointed out, "You can feel good during decision-making if you are excited about the future possibilities or if you can validate facts. Afterwards it feels great if we know that we can accomplish those projects we have started." Negative emotion such as fear was often associated with identifying the most essential risks. As M14 said, "Strategic decision-making is about risk taking, believing in success, and evaluating whether you can perform or not. I sense fear if I make a promise and can't keep it." However, sometimes generic feeling carried the capacity to override fear. As M22 said, "Feeling shows the direction, helps in identifying risks, facing uncertainty, and confronting fear." Negative emotion such as frustration and anger were often interpreted as drivers for sustainable transformation activity. As M7 stated, "When there were lot of obstacles on our way, we decided to use 'frustration as a resource' slogan, because anger triggers action, and we are very good at justifying why there is no need

for change". Lack of emotion was mostly linked with unwillingness to change or make the commitment. As M5 said, "Although we could do it technically, but if there is no feeling involved, would it be wise to do it after all?" There were also many managers who felt that emotion might substitute and complement for incomplete information. As M14 stated, "I think that those people who can make their decisions without feeling are in some way mentally ill. Most skillful managers base their decisions on intuition when there is not enough information available." In turn, emotional disengagement was seen as a reason for poor performance. As M9 said, "Without feeling there are no results. Nobody works for the money. People will not commit to decisions that do not involve emotions." Although emotion makes the manager realize that there is an ethical dilemma, and

obtain a global sense of a whole by complementing rational thinking with emotions and feelings, one element is still missing. There is no strategic sustainability decision unless the managers use their hearts to establish their sense of rightness and wrongness of the available paths and select the ultimate emotion-imbued ethical choice.

Selecting is the third element in our model. When on the brink of selecting the best emotion-imbued ethical choice, both an emotion-imbued awareness of the ethical dilemma (Sensitizing) and an emotion-imbued global sense of a whole (Sensing) plays a role. Evaluation of the rightness or wrongness of the chosen direction (at the intersection of thinking and feeling) involved both emotional and rational components. Signals related to goodness/rightness were related to how it feels when making the decision. As M10 said, "Although in the middle of the decision-making process you can have some feelings, but later when you know that you have made the right choice, comes the best feeling." An ecstatic feeling was also associated with somewhat surprising implications: it caused the manager to avoid those things that everybody else does and opt for a more unique solution. As M3 emphasized, "Mixing different criteria in decision-making can guide you to choose the best possible option. However, it is not only about an ecstatic feeling reflecting the way things should ideally be; rather, the rightness can also be related to not following the crowd." Excitement was also associated with knowing that the chosen option is right. As M4 said, "When you are on the brink of making the decision, you know that you are about to do the right thing if you feel excited." Signals related to badness/wrongness were mostly related to uncertainty and suspicions regarding the option at hand. As M21 pointed out, "During

decision-making, feeling is related to uncertainty indicating that now we are betting on the wrong horse." Sometimes bad feelings triggered by wrong decisions also had positive implications. As M12 said, "In our company, people can show their feelings to their fellow co-workers even when something fails. This attitude brings life to our company and unleashes our creative energy." Signals related to wrongness had the capacity to terminate the ethical considerations. As M9 said, "If you feel that the decision you are about to make is wrong, there will be no decision." Taken together, these ideas suggest that strategic sustainability decision-making requires three conditions. First, managers establish their initial emotion-imbued awareness of the potential ethical dilemma through sensitizing. Second, managers use their emotion-imbued perceptions to establish a global sense of a whole through sensing. Third, managers make the ultimate emotion-imbued right/good choice through selecting.

Discussion

The analysis of our data allowed us to capture three interrelated but distinct elements that fuel emotion-imbued strategic sustainability decision-making: (i) sensitizing (ii) sensing, and (iii) selecting. Sensitizing is associated with an emotion-imbued initial awareness of the ethical dilemma, sensing with using emotion-imbued perceptions to establish global sense of a whole, and selecting with making the ultimate emotion-imbued right/good choice. Although emotion can have both advantageous and disadvantageous implications for decision-making (Damasio, 1991; Callahan, 1989); our findings suggest that at the very least, emotion carries important messages that leaders observe and evaluate while they make decisions. Moreover, also a more generic feeling can also take such effect (Guzak, 2015). Emotion is a mixture of experience, observation and meaning (Brundin, 2002) and has the capacity to serve as a sort of ethical compass that complements reason in strategic sustainability decision-making, in at least three ways (see Figure 5.1).

Emotions affect decision-making through sensitizing the mind to ethical dilemmas and complementing rational awareness. Our data suggest that in sustainability decisions, sensitizing is

linked with issues such as (i) problems in complying with an environmental mission, (ii) difficulties in short-term goal setting, and (iii) conflicting interests among key actors. Typically, there are no perfect or ideal practical solutions to deliver sustainability, but only compromises that are a little more sustainable than the currently available solutions. In the trailblazer firms of our sample, the tendency to do good is often incorporated in company values and strategies, yet the ability to sensitize is very much dependent on the alertness and personal capacities of the manager (Schwartz, 2016). Traditionally a person's moral value system and company's ethical long-term goals are considered part of the reasoning process (Trevino, 1986; Trevino and Brown 2004). Nevertheless, emotion also has the capacity to help interpret and ethically evaluate a situation. We also find that the human body, through its ability to feel emotion, serves as a sensor that scans the environment and recognizes the ethical issue that demands attention. Feelings can be treated as information (Schwarz, 2011), and anxiousness, for example, can signal the presence of a pressing ethical dilemma (Johnson, 2002). Of course, emotions can also have disadvantages (Damasio, 1991); especially if bodily reactions are so strong that they take over and lead to reflexive responses. While emotion helps in sensitizing and obtaining a first impression of the dilemma, our data do not suggest that it should substitute for reason; instead, the value comes from letting emotion enhance the openness to new discoveries.

Emotion also adds meaning to the evaluation of decision alternatives. Through sensing, managers acquire a more global sense of a whole. Rational models are informative in capturing moral reasoning in situations where the decision-maker is subject to multiple forces (Bommer et al., 1987). However; a more holistic understanding of why something feels important calls for acknowledging emotions as well. Such an extension adds creativity to product development processes (Amabile et al, 1996; Fredrickson, 2004), and is more in tune with the way humans behave (Bolis, 2018). In other words, things make perfect sense only after we begin to merge feeling with thinking. As such, emotion can help the manager to address the unknown and imagine alternative futures (Dunne and Martin, 2005). Our findings also suggest that that without emotions, there is no readiness to change, nor willingness to move forward in the decision process. Positive emotions such as excitement, the joy of success, and a more generic feeling of doing the right thing are associated with creative insights (Fredrickson, 2004). Negative emotions can also unleash creative energy (To et al., 2015) and spur people to make necessary changes. Within our pool of managers, especially frustration and anger appeared to trigger willingness to transform. We also find that positive

emotions such as excitement or joy serve as important ethical assets that enhance not only holistic understanding, but also the understanding of the quality of detailed analysis. This is interesting since research has previously suggested that positive emotions help in generating a global sense of a whole (Fredrickson, 2004; Sadler-Smith and Shefy, 2004), while negative emotion enhance deliberative and detail-focused analysis (Delgado-Garcia et al, 2015). Negative emotions such as fear, frustration or anger also help to identify problems by drawing attention to those factors that feel wrong or misplaced in the current situation.

We argue that emotion serves as an ethical compass through its capacity to recognize what really matters. Emotions assist in selecting the most appropriate ethical choice, especially in the presence of uncertainty when rational thinking and analysis are not enough. Although we agree that cognition is important (Steiner et al., 1982); it is also important to allow emotion to play its role in strategic sustainability decisions. Positive emotions can signal the goodness/rightness of the chosen direction, negative emotions can have the opposite effects, and lack of emotion can signal that the dilemma itself is not that important after all. Bommer (1987) argues that in the event of conflict between organizational and personal values, the emphasis will be on organizational and group values. The last point was manifested in our findings: many managers were ready to work long hours for the company at the cost of their private life, if such sacrifice contributed to solving global

issues such as climate change. Interestingly, and possibly because of our sample of sustainability driven informants, when the trade-off involved choosing between fast profit for the company or long-term ethical implications for society, the latter was often preferred.

As such, the ethical mission had the capacity to override business imperatives and made modest revenues acceptable (although most would have liked to have better business performance too). For some managers being at the cutting edge of ecological business development was a great motivator and most managers use their own excitement an important signal of the validity of a certain path. In contrast, negative emotions served as warnings that prevented incorrect decisions. This is in concert with those who suggest that emotions carry important messages for ethical decision-making (Johnson, 2002; Schwarz, 2016).

----- Insert Figure 5.1. about here -----

Overall emotion and reason can be mutually re-enforcing when overcoming ethical dilemmas in strategic sustainability decision-making. Our findings contribute to theory in at least three ways. First, we extend the rational sustainability decision-making models by identifying three different elements of how emotions interact with rational reasoning. The model introduces emotion as a compass that helps the manager to sensitize to the ethical dilemma, to sense what really matters in ethical evaluation, and finally, to select the best possible ethical choice. This is essential, since rational processes tend to evaluate the novelty of sustainable technologies, materials, and practices based only on previous experiences and memories (Rezaee, 2017). Although emotion carries important messages related to prior experience as well, it also embraces observation, and meaning (Brundin 2002). As such, emotion combines details with the big picture, and deliberative considerations with ad hoc thinking, when trying to imagine a better future that does not yet exist.

Second, we add empirical nuances to Schwartz's (2016) integrated ethical decisionmaking model. First, our model identifies typical ethical dilemmas in the context of sustainable transformation; expensive ecological materials vs. cheaper non-ecological materials, short-term profits vs. long-term ethical goals, ethical company values vs. stakeholder benefits. Schwartz (2016) has paid scant attention to this dimension. Second, moving beyond moral negative emotions such as anger, and disgust, (Johnson, 2002) we suggest that also positive emotions such as excitement, joy and fun can play a role in ethical decisions. While emotions can be positive, neutral, or negative, they can also have diverse implications in establishing the rightness/wrongness of the available alternatives during evaluations. Third, important nuance is also that feeling has some physical attributes in addition to mental and brain related attributes. While the embodiment of emotional experience is not new in the discussion on emotions as such (Prinz, 2002), prior work on emotion-imbued ethical decision-making has only captured emotion as a process within the brain, thus neglecting its physical manifestations.

Third, we contribute to the knowledge on how managers of trailblazing companies make decisions in general. We have captured them as sensitive change agents who utilize their emotions in navigating toward a more sustainable future in the presence of ethical dilemmas. Our findings support those notions affirming that emotions should be allowed a larger role in business (Lurie, 2004) because of their capacity to harmonize experience, observation, and meaning (Brundin, 2002) and because they can contribute to replacing unsustainable practices with more sustainable alternatives (Huppertz, 2015). In addition, our findings suggest that when utilized as a strategic tool to support distinguishing right from wrong, emotions may improve the ethical quality of strategic decision-making. Although extant frameworks (Bolis et al., 2017; Hallstedt et al., 2010; Subramanian et al., 2010; Wang et al., 2009) on sustainability decision-making are informative, they fail to acknowledge the nuanced role of emotion in distinguishing the right/good from the wrong/bad in the context of a judgment. Emotions do not necessarily represent only self-centered

feelings, but also reflect a moral perspective (Kals and Maes, 2002); although the excessive use of emotions can result in clouded decision-making (Damasio, 1994), for our pool of managers mixing rational criteria with emotions and feelings appears to be an important element in making sustainability decisions.

Finally, in terms of practical contribution, the identification of emotional influences on decisions can be beneficial not only for company managers, but also for those stakeholders and governmental financing bodies who aim to contribute to the worldwide sustainable development. To help managers and policymakers address the challenges involved in the intelligent use of emotions, our findings could be synthesized to offer some practical, albeit metaphorical, advice as implied in the title of this chapter. One could consider emotions a compass for decision-making, with the caveat that the compass in question only shows the direction to north. North will not always be the right way to go; nevertheless, when combined with an appropriate map (in the form of knowledge), emotions can help the manager to make more ethical and sustainable decisions. However, if those managers are working with inaccurate maps, emotion alone can only help distinguish what feels right or wrong and push the strategic decisions toward whatever feels right.

Limitations

Our empirical setting is limited in the sense that we focus on 23 small and medium-sized ‘trailblazer’ companies in Finland, whose ethical foundation includes sustainability as embodied in their strategy. Hence, our results are valid and reliable only within the purview of our current sample. However, we embrace ethics mostly as a decision-making skill (Clarkeburn, 2010; Surie and Ashley, 2008), and hence do not highlight any specific school of thought on what is right or wrong. We follow Trevino (1986), who invites us to take account of individual differences in the context of ethical considerations, and accept that what is right for one, may not be right for another. Therefore, culturally bound morality should not be an issue for the generalization of our findings. Given that collecting data through interviews is about retrospective interpretations, we acknowledge that the process involves the rationalization of past events (Schwartz, 2016). However, this is not a major issue for our research, on the grounds that if an emotion can be recalled after a period of time, it can be treated as meaningful (Brundin, 2002). Although calculations and rational analysis are critical elements in ethical judgment (Trevino, 1986; Rest, 1986), they are beyond the scope of this study. Moreover, we do not mean to suggest that in demanding situations, managers would not benefit from decision-support tools, sophisticated computer programs, or utilizing artificial intelligence.

Conclusions

Overall, this chapter has illuminated an important link between research on the ethical aspects of strategic sustainability decisions (Blockley, 2015; Rushton, 2002; Wenstop and Seip, 2001), and the real-life experiences of owner-managers. Merging the oral interpretations of owner-managers with theoretical insights concerning ethical decisionmaking (Trevino, 1986; Schwartz, 2016), we link these theoretical extensions with the emerging context of sustainable transformation (Markman et al., 2016). In doing so, we portray these managers as change agents, whose emotions can inspire them to realize their ethical images in strategic sustainability decision-making (Shepherd, 2017; Venkataraman et al., 2012), and to acknowledge planet, its people and company profits simultaneously (Elkington, 1999). Through their capacity to direct attention to what feels important, emotions take effect through three interrelated but distinct elements: sensitizing, sensing, and selecting. As such, emotion serves as an ethical compass when managers attempt to make strategic

sustainability decisions. These decisions reflect not only their commitment to the sustainable goals of their business, but also to more universal goals such as addressing climate change. This is considered significant in that it supports the view that business success depends on sustainability (Rushton, 2002).

References

Amabile, T. M., R. Conti, H. Coon, J. Lazenby and M. Herron (1996), 'Assessing the work environment for creativity', *Academy of management journal*, 39(5), 1154-1184.

Bolis, I., S.N. Morioka and L.I. Szelwar (2017), 'Are we making decisions in a sustainable way? A comprehensive literature review about rationalities for sustainable development', *Journal of Cleaner Production*, 145, 310-322.

Bommer, M., C. Gratto, J. Gravander and M. Tuttle (1987), 'A behavioral model of ethical and unethical decision making', *Journal of business ethics*, 6(4), 265-280.

Brundin, E. (2002), *Emotions in motion: The strategic leader in a radical change process* (Doctoral dissertation, Jönköping International Business School).

Cacciotti, G., J.C. Hayton, J.R. Mitchell and A. Giazitzoglu (2016), 'A reconceptualization of fear of failure in entrepreneurship', *Journal of Business Venturing*, 31(3), 302-325. Callahan, S. (1988), 'The role of emotion in ethical decision making', *Hastings Center Report*, 18(3), 9-14.

Cardon, M. S., and M. Glauser (2011), *Entrepreneurial Passion: Sources and Sustenance*, Wilson Center for Social Entrepreneurship, Paper 3, 29 p. ([http:// digitalcommons.pace.edu/wilson/3](http://digitalcommons.pace.edu/wilson/3))
Chichilnisky, G. (2009), 'The topology of fear', *Journal of Mathematical Economics*, 45(12), 807-816.

Clarkeburn, H. (2002), 'The aims and practice of ethics education in an undergraduate curriculum: Reasons for choosing a skills approach', *Journal of Further and Higher Education*, 26(4), 307-315.

Damasio, A. (1994), *Descartes' error: Emotion, reason, and the human brain*, New York: Putnam.

Damasio, A. R., T. Daniel and H. Damasio (1991), 'Somatic Markers and the Guidance of Behaviour: Theory and Preliminary Testing'. In H.S. Levin, H.M. Eisenberg and A.L. Benton (eds.), *Frontal lobe function and dysfunction*, 217-229. New York: Oxford University Press.

Dane, E. and M.G. Pratt (2007), 'Exploring intuition and its role in managerial decision-making', *Academy of management review*, 32(1), 33-54.

Delgado García, J. B., E. De Quevedo Puente and V. Blanco Mazagatos (2015), 'How affect relates to entrepreneurship: A systematic review of the literature and research agenda', *International Journal of Management Reviews*, 17(2), 191-211.

Eisenhardt, K. M. (1989), 'Agency theory: An assessment and review', *Academy of Management Review*, 14(1), 57-74.

Elkington, J. (1999), 'Triple bottom-line reporting: Looking for balance', *Australian CPA*, 69, 18-21.

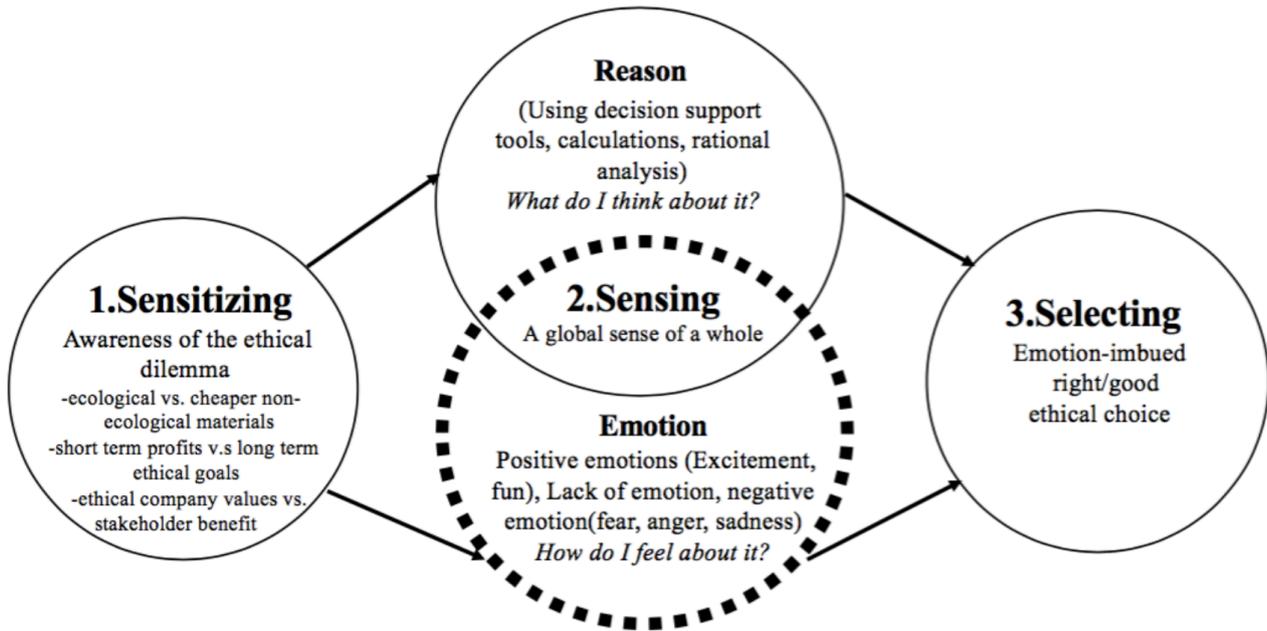
- Feito-Cespon M., W. Sarache, F. Piedra-Jimenez and R. Cespon-Castro R. (2016), 'Redesign of a sustainable reverse supply chain under uncertainty: A case study', *Journal of Cleaner Production*, 151, 206-217.
- Forgas, J. P. (1995), 'Mood and judgment: the affect infusion model (AIM).' *Psychological bulletin*, 117(1), 39.
- Fredrickson, B. L. (2004), 'The broaden-and-build theory of positive emotions', *Philosophical transactions-royal society of london series b biological sciences*. 1367-1378.
- Guzak, J.R. (2015), 'Affect in ethical decision-making: mood matters', *Ethics and Behavior*, 25 (5).
- Johnson, C.E. (2002), 'Ethical Decision-Making and Behavior'. A chapter in "Meeting the ethical challenge of leadership. Casting light or shadow". 235-269. CA, Sage Publications, 260 pages.
- Hallstedt, S., H. Ny, K. H., Robèrt and G. Broman (2010), 'An approach to assessing sustainability integration in strategic decision systems for product development. *Journal of Cleaner Production*, 18(8), 703-712.
- Huppertz, D. J. (2015), 'Revisiting Herbert Simon's "science of design" ', *Design Issues*, 31(2), 29-40.
- Kals, E. And J. Maes (2002), 'Sustainable development and emotions', *Psychology of sustainable development* , Springer, Boston, MA, pp. 97-122.
- Kleiman, S. (2004), 'Phenomenology: to wonder and search for meanings', *Nurse researcher*, 11(4), 7-19.
- Lerner, J. S., Y. Li, P. Valdesolo and K.S. Kassam (2015), 'Emotion and decisionmaking'. *Psychology*, 66.
- Loewenstein G., E. U. Weber, C. K. Hsee and N. Welch N. (2001), 'Risk as feelings'. *Psychological Bulletin*. 127, 267-86.
- Lockett, A., G. Currie, R. Finn, G. Martin and J. Waring (2014), 'The influence of social position on sensemaking about organizational change'. *Academy of Management Journal*, 57(4), 1102-1129.
- Lurie, Y. (2004), 'Humanizing Business through Emotions: On the Role of Emotions in Ethics. *Journal of Business Ethics*, 49(1), 1-11.
- Markman, G. D., M. Russo, G. T. Lumpkin, P.D. Jennings and J. Mair (2016), 'Entrepreneurship as a platform for pursuing multiple goals: A special issue on sustainability, ethics, and entrepreneurship'. *Journal of Management Studies*, 53, 67394.
- Martin, L. (2015), 'Incorporating values into sustainability decision-making', *Journal of Cleaner Production*, 105, 146-156.
- Moch, M. K. And J. M. Bartunek (1990), *Creating alternative realities at work: The quality of work life experiment at FoodCom*, HarperBusiness.
- Pietkiewicz, I. And J.A. Smith (2014), 'A practical guide to using interpretative phenomenological analysis in qualitative research psychology', *Psychological journal*, 20(1), 7-14.

- Prahalad, C. K. and R.A. Bettis (1986), 'The dominant logic: A new linkage between diversity and performance'. *Strategic management journal*, 7(6), 485-501.
- Prinz, J. (2011), 'Against empathy', *The Southern Journal of Philosophy*, 49, 214-233.
- Rest, J. R. (1986), 'Moral development: Advances in research and theory'. New York: Praeger.
- Rezaee, Z. (2017), 'Corporate Sustainability: Theoretical and Integrated Strategic Imperative and Pragmatic Approach'. *Journal of Business Inquiry: Research, Education & Application*, 16(1).
- Rushton, K. (2002), 'Business ethics: a sustainable approach'. *Business Ethics: A European Review*, 11(2), 137-139.
- Sadler-Smith, E. and E. Shefy (2004), 'The intuitive executive: Understanding and applying 'gut feeling' decision-making'. *The Academy of Management Executive*, 18(4), 76-91.
- Salvador, R. and R.G. Folger (2009), 'Business Ethics and the Brain', *Business Ethics Quarterly*, 19(1), 1-31.
- Sanders, P. (1982), 'Phenomenology: A new way of viewing organizational research', *Academy of management review*, 7(3), 353-360.
- Schwarz, N. (2011), 'Feelings-as-information theory'. *Handbook of theories of social psychology*, 1, 289-308.
- Schwartz, M. S. (2016), 'Ethical Decision-Making Theory: An Integrated Approach', *Journal of Business Ethics*, 139(4), 755-776.
- Seo, M. G. and L. F. Barrett (2007), 'Being emotional during decision-making—good or bad? An empirical investigation', *Academy of Management Journal*, 50(4), 923-940.
- Shevchenko, A., M. Levesque and M. Pagell, M. (2016), 'Why firms delay reaching true sustainability', *Journal of Management Studies*, 53(5).
- Shepherd, D. A. and H. Patzelt (2017), 'Researching entrepreneurs' role in sustainable development', In *Trailblazing in Entrepreneurship* (pp. 149-179).
- Palgrave Macmillan, Cham.
- Smith, J. And M. Osborn (2003), *Interpretative phenomenological analysis*. In J.A. Smith (ed.), *Qualitative psychology: a practical guide to methods*, London, Sage, pp. 53-80.
- Steiner, I. D. (1982), 'Heuristic models of groupthink'. In *Group Decision Making*, Edited by: Brandstatter, H., Davis, J. H. and Stocker-Kreichgauer, G. 503–524. New York: Academic Press.
- Subramanian, R., B. Talbot and S. Gupta (2010), 'An Approach to Integrating Environmental Considerations Within Managerial Decision-Making', *Journal of Industrial Ecology*, 14(3), 378-398.
- Surie, G. and A. Ashley (2008), 'Integrating pragmatism and ethics in entrepreneurial leadership for sustainable value creation', *Journal of Business Ethics*, 81(1), 235-246.

- To, M. L., C. D. Fisher and N.M. Ashkanasy (2015), 'Unleashing angst: Negative mood, learning goal orientation, psychological empowerment and creative behaviour'. *Human relations*, 68(10), 1601-1622.
- Trevino, L. K. (1986), 'Ethical Decision-Making in Organizations: A Person-Situation Interactionist Model', *The Academy of Management Review*, 11(3), 601-617.
- Trevino, L. K. and M. E. Brown (2004), 'Managing to be ethical: Debunking five business ethics myths', *Academy of Management Perspectives*, 18(2), 69-81.
- Venkataraman S., S. D. Sarasvathy, N. Dew and W. R. Forster (2012), 'Reflections on the 2010 AMR Decade Award: Whither the promise? Moving forward with entrepreneurship as a science of the artificial', *Academy of Management Review*, 37: 21-33.
- Wang, J. J., Y. Y. Jing, C. F. Zhang and J. H. Zhao (2009), 'Review on multi-criteria decision analysis aid in sustainable energy decision-making', *Renewable and Sustainable Energy Reviews*, 13(9), 2263-2278.
- Wenstøp, F. and K. Seip (2001), 'Legitimacy and quality of multi-criteria environmental policy analysis: a meta-analysis of five MCE studies in Norway', *Journal of Multi-Criteria Decision Analysis*, 10(2), 53-64.
- Wright, C. and D. Nyberg (2017), 'An inconvenient truth: How organizations translate climate change into business as usual', *Academy of Management Journal*, 60(5), 1633-16.

<p><i>“Feeling enhances your own understanding of the quality of the analysis conducted. The joy of success is a key driver in sustainable performance.”- M15</i> Joy enhances understanding detailed analysis</p> <p><i>“You can feel good during decision-making if you are excited about the future possibilities or if you can validate facts. Afterwards it feels great if we know that we can accomplish those projects we have started.”-M18</i> Excitement signals future possibilities</p> <p><i>“When your attitude toward the new possibility is positive, you sense excitement, and you see everything more clearly.”- M23</i> Excitement enhances clarity in holistic evaluation</p>	<p>Positive emotion</p>	
<p><i>“Although we could do it technically, but if there is no feeling involved, would it be wise to do it after all? Feeling is the final element in validation.”-M5</i> Without feeling there is no willingness to change</p> <p><i>“I think that those people who can make their decisions without feeling are in some way mentally ill. Most skillful managers base their decisions on intuition when there is not enough information available.” – M14</i> Without feeling incomplete information stays incomplete</p> <p><i>“Without feeling there are no results. Nobody works for the money. People will not commit to decisions that do not involve emotions.” –M9</i> Without feeling there is no real commitment</p>	<p>Lack of emotion</p>	<p>Sensing (Establishing a global sense of a whole)</p>
<p>-----</p> <p><i>“When there were lot of obstacles on our way, we decided to use ‘frustration as a resource’ slogan , because anger triggers action, and we are very good at justifying why there is no need for change” –M7</i> Frustration and anger accelerates the willingness to change</p> <p><i>“Strategic decision-making is about risk taking, believing in success, and evaluating whether you can perform or not. I sense fear if I make a promise and can’t keep it.”-M14</i> Fear indicates risks regarding expected performance</p> <p><i>“Feeling shows the direction, helps in identifying risks, facing uncertainty, and confronting fear.”- M22</i> Gut feeling that shows optimal direction overrides fear</p>	<p>Negative emotion</p>	

FIGURE 5.1. Emotion as an ethical compass in strategic sustainability decisions



Appendix 1.

Core purpose of the company	Personnel	Turnover 2017
1.Natural, resin based pharmaceuticals	3 employees	0,9 MEUR
2.Technological innovation for food production	8 employees	0,14 MEUR
3.Electricity production, solar panels etc.	4 employees	0,19 MEUR
4.Waste management, circular economy	1 employee	0 €
5.Waste water treatment processes	2 employees	3,8 MEUR
6.Re-use left over materials for design products	3 employees	0,1 MEUR
7.Ecological materials	12 employees	0,1 MEUR
8.Responsible practices, recycling	17 employees	3,7 MEUR
9.Micronutrient fertilizers, technology innovations	3 employees	0 €
10.Fly ash as an effective forest fertilizer	5 employees	1,8 MEUR
11.Surface material containing recycled post industrial plastic	18 employees	1,9 MEUR
12.Biodegradable composites for mech. and techn. industries	30 employees	0,1 MEUR
13.Waste recycling system	16 employees	7,8 MEUR
14.Ecological fertilizers, circular economy	13 employees	3,5 MEUR
15.Biofuels	4 employees	0,2 MEUR
16.Environmental friendly warming systems	67 employees	7,8 MEUR
17.Lighting innovations, reducing electricity consumption	93 employees	40 MEUR
18.Vertical farming innovations	25 employees	2,7 MEUR
19. Mushroom growing innovations	2 employees	0,1 MEUR
20. Environment-friendly, oil-free lubricant for agricultural machinery	10 employees	1,8 MEUR
21.Technological innovation for drying materials	3 employees	0,12 MEUR
22.Treatment of stormwater, nutrient recycling, efficient organic algriculture	2 employees	0,12 MEUR
23. Produce products that are based on biocoal	29 employees	10 MEUR