

How do investors see the world?

THE ROLE OF SUSTAINABILITY MINDSETS IN INVESTMENT PRACTICE

Annebeth Roor-Wubs recently defended her PhD at the Rotterdam School of Management, Erasmus University. Her research focuses on how social and environmental impacts can be measured and managed in investment portfolios. One of her papers shows that investment professionals use three different cognitive frames to understand and act in implementing sustainable investing. In a field where debates often focus on data quality, investment performance and measurement methodologies, this research highlights a deeper driver of decision-making: the sustainability mindsets – or cognitive frames – that shape how investment professionals interpret information and respond to sustainability challenges. As ESG considerations become increasingly politicized and established assumptions about sustainable investing are reconsidered, understanding these mindsets may become as important as understanding the data itself. This study was conducted at one of the largest pension providers in the Netherlands. Drawing on an extensive qualitative dataset of more than 2,000 codes from interviews, observations, and document analysis, the research applies the Gioia methodology to identify three distinct sustainability mindsets: the business case frame, the paradoxical frame, and the sustainability case frame. These frames explain why investment professionals often approach sustainability differently, but also demonstrate that each

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perspective contributes valuable insights. Rather than viewing them as competing positions, organizations can use them as complementary lenses to strengthen sustainability integration. The **business case frame** approaches sustainability primarily through financial value creation. Professionals operating within this frame rely on neoclassical market principles and consider sustainability when it supports financial objectives. This results in a pragmatic, incremental approach based on established processes, leading to potential underestimation of emerging sustainability risks. They contribute financial discipline, implementation realism, and a strong emphasis on evidence-based decision-making. The **paradoxical frame** seeks to integrate sustainability while recognizing tensions between financial and sustainability objectives. Professionals in this frame experience high complexity and uncertainty, leading to a prudent but adaptive approach. Rather than seeking simple solutions, they emphasize experimentation, iterative learning, and "no-regret" or "least-regret" strategies that acknowledge the complexity of sustainability challenges. The **sustainability case frame** extends previous research on cognitive frames by integrating financial and sustainability objectives into a single investment objective. Rather than viewing sustainability as a constraint, professionals see it as essential to achieving long-term investment goals. This perspective reduces perceived complexity and encourages proactive, innovative approaches that reshape investment processes and identify new opportunities. Its identification contributes

to research on sustainability sensemaking, organizational change, and investment practice. A key finding is that all three frames contribute to effective implementation of sustainable investing. Progress depends on constructive interaction between perspectives. The business case frame provides financial rigor, the paradoxical frame supports learning and navigating complexity, and the sustainability case frame offers strategic ambition and long-term orientation. The research also shows that collaboration can stall when professionals fail to recognize the assumptions underlying their own perspectives. Beliefs about investor impact, market efficiency and climate risks shape how individuals interpret and evaluate opportunities. Discussing these assumptions may therefore be more productive than debating technical details alone. Cognitive frames are not fixed either; professionals can shift their perspectives. Leadership, cross-functional collaboration, and shared reflection can help organizations develop a common language around sustainability while preserving the diverse viewpoints needed for robust decision-making. For institutional investors facing growing pressure to address climate change, biodiversity loss, and broader societal transitions, the implications are clear. The future of sustainable investing will depend not only on better data and models, but also on understanding the sustainability mindsets that shape investment decisions and enabling these different perspectives to work together effectively.

Cognitive frame	Business case frame	Paradoxical frame	Sustainability case frame
Cognitive content	Only integrate sustainability insofar it aligns with financial objective	Juxtaposition of financial and sustainability objectives, even if contradictory	Convinced that financial and sustainability objectives can be jointly achieved
Cognitive structure	Low degree of complexity	High degree of complexity	Medium degree of complexity
Stance	Pragmatic stance	Prudent stance	Proactive stance