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EXPLORING THE GENERIC UNDERSTANDING OF MANAGING SUSTAINABILITY

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Abstract:

The intensive use of resources and the environmental impacts associated with the growth of the world's population have made it clear that the traditional twentieth-century way of doing business is not enough for a sustainable future. Thus, businesses are forced to make a transition towards new forms of management, adapted to the reality of the global - social, political, economic, ecological and technological - context, which is becoming more and more unpredictable and raises more challenges than it did a decade ago. Thus, stakeholders expect and demand improved products and services, made with a low negative impact on the environment and society. The requirements end up being applied not only to every facet of the business, but also to its partners. Overall, changing the way we do business today is undoubtedly not only complex, but also exciting for many managers who need to integrate sustainable development and sustainability into their strategic approach. In addition, a new sense of responsibility is developing for future generations as the effects of resource overexploitation and pollution increase. The sense of responsibility also evolves in the relationship between stakeholders and companies, which is why the latter are moving towards adapting their own strategic orientation. me one of the starting points for sustainable development. Under these circumstances, the question arises on how managers are supposed to integrate sustainability into their strategies. Consequently, this paper aims to explore the understanding of managing sustainability and provide a generic clarification for it.

Key words: management, managing sustainability, sustainability

1. Introduction

In a context in which the business environment is becoming increasingly competitive, the pressures on resources limitations together with finding solutions to social and ecological problems are becoming more and more topical. Sustainability brings changes to traditional management practices, and points managers' actions to the needs of the environment and communities. Sustainability management supports organizations to re-evaluate their triple bottom line strategies, policies, processes and programs by considering the formulation, implementation and evaluation of enterprise-level decisions and actions on sustainability.

Industry dynamics shows that companies are subject to multiple challenges, and in order to be able to face the risks and opportunities related to sustainability, they must

provide a proactive management, differentiate themselves from competitors and identify the appropriate mechanisms for improving their performance in a competitive market. Despite these necessities, the managerial specifications related to ensuring sustainability are often inconclusive for managers. Under these conditions, this paper aims to gain a better understanding of sustainability management.

2. Integrating Sustainability into Organizational Strategy

In today's competitive economic context, in which the availability of natural resources is becoming increasingly limited, the efficiency of production processes becomes essential. In order to be sustainable, businesses need to formulate and implement pragmatic strategies. Thus, identifying the reasons behind integrating sustainability strategies is the premise for analyzing challenges and ways of action for companies. Eco-efficiency strategies aim to achieve objectives such as reducing pollution levels, obtained through the use of renewable energy resources, the reintroduction of materials into the economic circuit, and by limiting the number of pollutants (Schaltegger and Figge, 2000). Efficiency strategies involve the development of productivity targets by minimizing the amount of resources engaged (inputs) in relation to maximizing the outputs obtained (OECD, 2010).

For enterprises, sustainable development involves the adoption of strategies and activities that meet the current needs of the company and its stakeholders, while protecting the human and natural capital needed by the company in the future (IISD et al., 1992). To meet the requirements of the triple bottom line (Dyllick and Hockerts, 2002) and sustainability-related strategies, firms need to adapt their strategies at all levels.

While the term "strategy" has its origins in the military field (Harris, 2009), its conceptual placement established by theorists in the management context and later in the context of strategic management dates back half a century (Will and Mertins, 2013). Strategy formulation is conditioned by the analysis of exogenous factors, from the external environment, and not only. Enterprises are also analyzed from an internal perspective, based on resources. This perspective is also seen as a value creator one, that mobilizes company's key competencies (Prahalad and Hamel, 1990). By value is meant a collection of benefits of a product or service available at a reasonable price (Duchessi, 2002).

Although the early approaches of strategy were mainly based on the external and internal factors of the organization, their connecting factors also gained importance. According to the vision of Bansal and Roth (2000), van Marrewijk and Werre (2003), Schaltegger and Burritt (2005), Lozano (2015) and Engert et al. (2016), the main factors for corporate sustainability include: (1) Organizational influences (eg. business model, organizational structure, strategy, industry type), (2) External factors (eg. legislation), (3) Internal factors (eg. quality management, innovation, competitive advantage, risk management), (4) Connecting factors (eg. social and environmental responsibility, corporate reputation), and (5) Support/Obstruction factors (eg. stakeholder engagement, organizational learning, transparency and communication, attitudes and managerial behavior, organizational culture).

The basic definition of strategy states that it is a long-term action plan that aims to meet the company's objectives (Welge, 2001). This can be adapted to the considerations of business sustainability by ensuring the company's ability to guarantee the achievement of objectives for future generations. In this way, economic, social and ecological capital must be expanded and sustained so that it can be used by future generations (Dyllick and Hockerts, 2002). In addition, from a strategic point of view, the following can be undertaken at organizational level: (1) setting economic, social and environmental performance objectives, afterwards (2) formulating specific sustainable development strategies and (3) redefining the corporate strategy based on the premise of creating a holistic sustainability strategy (Figge et al., 2002). Also, in order to achieve the objectives of sustainable development, a proactive management is necessary.

Each organization learns in different ways and the routes to achieve learning are often complex. According to Zadek (2004), as companies move forward on the learning curve, most of them go through five stages of reporting on corporate responsibility. In the first stage, the defensive one, the company considers that it is not its role to solve certain problems. It faces waves of unexpected criticism, usually from activists or media trusts, but also from direct stakeholders such as customers, employees or investors. Criticism and attacks on companies can affect sales, talent and productivity in the short term. The firm's responses tend to dismiss the allegations (eg. Royal Dutch / Shell's refusal to take responsibility for the emissions created by the production and distribution of its energy products).

In the second stage - of compliance, responsibility is perceived as a cost that creates value by protecting company's reputation. In this stage, the company is only doing the things it needs to do (eg. as a result of the health hazards scandal of Nestle baby formulas marketed in developing countries, the company has chosen to change its marketing policies, aiming at clarifying the situation for new mothers instead of dealing with general education on how to ensure better nutrition for babies).

In the managerial stage, the company is aware that it is dealing with a long-term problem, which cannot be solved through communication and public relations strategies or attempts to comply with it. Managers are responsible for finding a solution to the problem (eg. Nike and other companies in the clothing and footwear industry have understood that it is not enough to comply with occupational health and safety standards in the global supply chain without introducing changes in the way they are providing incentives in procurement).

Obtaining competitive advantage is the motto of the strategic stage. At this stage, the company realizes that the strategic reorientation towards responsible business practices can provide competitive advantage and contribute to its long-term success (eg. automotive companies have become aware that their future depends on the ability to develop ecological products). In order to gain competitive advantage, a firm must offer products and services similar to those of competitors, either at a higher value or at a lower price than them (Porter, 1985). In Porter's view, value is expressed through customers' willingness to pay for a product or service. More, competitive advantage is relative, and in order to be able to evaluate it, companies compare their performance with that of other companies in the industry or with the average performance at industry level (Rothaermel, 2017). Firms that outperform other competitors in the industry or the industry average gain

competitive advantage. Afterwards, companies that manage to outperform their competitors for a longer period of time, gain sustainable competitive advantage (Rothaermel, 2017).

In the last stage, the civic stage, companies promote collective action as a solution to society's problems, and this is often directly associated with strategy (eg. Diageo, as well as other large alcohol companies are involved in educational initiatives that promote the responsible consumption of alcohol; Even so, many are wondering to what extent Diageo's responsible behavior will help reduce alcoholism and associated abuse and violence).

Currently, companies are expected to align their objectives to their stakeholders' needs. This is especially necessary given that the business environment is characterized by increasingly shorter product life cycles, falling prices, new technologies and increasing demands on sustainability. Such reasons, and not only, underlie the need to develop sustainability aligned strategies.

In the economic doctrine, the term "strategy" was first used in the late 1950s at Harvard Business School. Later, the foundations of strategic planning and strategic management were laid, through pioneers such as Chandler (1962), Ansoff (1965) and Porter (1980). The use of the strategy concept for more than 50 years in the context of corporate governance has led to identifying its characteristics, namely proactivity and long-term orientation (van Someren, 1995). Generally, strategy is used to establish the conditions that will guarantee long-term economic success and company's continuity. Therefore, a successful strategy leads to an advantage held over competitors (Grant, 2005).

Developing a comprehensive strategy, that does not focus solely on obtaining economic benefits, is proving to be much more complicated. Strategies that incorporate sustainability aspects involve integrating the ecological and social dimensions, as well as evaluating their cause-and-effect results. More and more companies seem to be active in terms of sustainability management, but their efforts remain unclear from a strategic perspective. Thus, the focus of their activity seems to be looking after sustainability issues and how they evolve, rather than act on the basis of a clear strategy (Baumgartner and Ebner, 2010).

The development of a strategy that meets all the requirements of internal and external stakeholders, and contains the perspectives of sustainability, is a process that requires a structured approach, especially to keep uncertainty to a minimum. According to Oertwig et al., 2017, the strategy development process consists of four stages, as shown in figure 1.

Figure 1. Strategy development process

Source: Oertwig et al., 2017

In the first stage, information is gathered regarding the current state of the company to establish a consensus on the initial situation. In this sense, information is extracted from the external and internal environment, together with information related to corporate objectives. The second stage involves classifying products and analyzing markets for a better understanding of their contribution to the overall results of the company. Thus, there is an assessment of the current market situation, but also of the business model. This leads to deciding on how the company will address the challenge of sustainability without jeopardizing its growth potential. The next step is to improve the existing business model and incorporate sustainability into strategic decision-making processes. In determining the appropriate strategic options, one should look at the first stage of the model, which includes the general corporate objectives and trends of the business environment. The selection of the strategic direction, which is also the last stage of the model, is based on the evaluation made in the previous stage and aims to establish a strategic objective as detailed as possible.

Regarding the strategic decision-making process, Baumgartner and Ebner (2010) developed a set of profiles on sustainability strategy aimed to provide a better guidance for managers, found in Table 1.

Table 1.1. Corporate strategic profiles for sustainability

Profile	Characteristics
Introverted	<ul style="list-style-type: none"> • Low level of sustainability • Focus on compliance
Conventional extroverted	<ul style="list-style-type: none"> • Communicating the commitments undertaken towards sustainability to improve the competitive position • Responsibility often belongs to the public relations department
Transformative extroverted	<ul style="list-style-type: none"> • The general orientation is conventional-extroverted • The company is an engine of corporate sustainability in society • Facts are important
Conservative	<ul style="list-style-type: none"> • Orientation towards internal measures • Focus on cost-effectiveness and well-defined processes • Investment allocations in appropriate technologies • Processed are core to corporate sustainability
Systemic visionary	<ul style="list-style-type: none"> • Strong commitment towards sustainability • Internalizing sustainability; focuses on improving solutions to sustainability issues • Aims to obtain good results on sustainability issues • Equal commitment to sustainability from the perspective of all stakeholders
Conventional visionary	<ul style="list-style-type: none"> • Focus on market impact • High level of maturity • Sustainability leader, without any controversial activities

Source: Baumgartner and Ebner (2010)

Each of the profiles must be assessed should a company want to adhere to one in particular, and managers must decide which one designates the most appropriate profile. The evaluation should take into account the risks, opportunities and potential development scenarios related to market penetration, product differentiation, diversification or market expansion.

Management is the activity that aims to achieve predetermined goals through the use of resources, in the most efficient and effective way (Laasch and Conaway, 2014).

Management practice involves understanding its basic elements. These elements can be grouped into inputs, processes and outputs. The main inputs of the managerial process are the resources, as well as the set objectives.

The criteria according to which the processes are carried out involve effectiveness (the way in which the managerial activity contributes to the fulfillment of the objectives) and efficiency (the achievement of the objectives through a minimum usage of resources). The performance obtained is, by rule, evaluated in the light of the results obtained in relation to the established objectives.

In order to integrate sustainability into the management process, its elements need to be reconfigured. Traditionally, the objectives (the results of a planned activity of the management process) are focused on achieving an improved level of competitiveness, respectively on maximizing profits, which ultimately shareholders benefit from (for example, one of the objectives of a sales manager could be increasing the number of sales contracts conducted by his team). This (narrow) perspective can be adapted to the three dimensions of sustainability by creating value for all stakeholders, not just for the shareholders (for example, the sales manager will need to consider whether the marketed product is beneficial to the consumer, the environment, society and other product-related stakeholders). If the objectives that encompass economic, social and environmental sustainability are supported by the management process, the organization will become a contributor to a healthy community, which creates value for all its stakeholders.

Traditional management considers any type of input that contributes to organizational performance as a resource. Resources are often classified into financial, human, material, social, and technological resources. From sustainability's perspective, resources are perceived through three types of capital - economic, social and ecological - which must be supported or even renewed in the management process. These are seen as a set of means to achieve objectives and take on a much more comprehensive meaning. In this regard, responsible managers will stop the excessive use of non-renewable natural resources (eg. products of the extractive industry) and will invest in the well-being of the people they work with.

Effectiveness is the extent to which the management process contributes to the achievement of the established objectives. If the objectives integrate aspects of sustainability, the management must work to contribute as much as possible to their achievement. For instance, the effectiveness of the goal of a tobacco firm successfully entering the market of a developing country that didn't smoke before will be praiseworthy. However, from sustainability's perspective, such a result is considered unfavourable as it affects the health of social capital living in that environment.

While effectiveness focuses on management's effort on achieving objectives, efficiency is about the relationship between allocated resources and outputs. In the classical view, the management process is more efficient if it obtains at least the same output with fewer resources. The sustainability perspective supports the same principle and aims at maintaining or even regenerating economic, social and ecological capital. The concept of eco-efficiency supports the use of a minimum amount of resources such as water, energy or raw materials used in the production of goods and services (Laasch and Conaway, 2014).

In most cases, the performance (outputs) of a management process is interpreted by obtaining short-term profits. Through the lens of sustainability, performance is considered an effect of long-term financial planning, and in the view of a manager concerned with sustainability, performance is not limited to economic results, but is a combination of economic, social and environmental performance, according to the triple bottom line.

In 2009, at the initiative of Gary Hamel, one of the most renowned management consultants in the United States, a group of management experts was formed to develop a series of ideas about the future of management. Among the 35 participants were theorists such as Henry Mintzberg or Peter Senge, as well as executives from large prestigious companies such as Google or McKinsey. The conclusions have brought many criticisms to management, in general, stating that it is outdated and obsolete (Hamel, 2009). The group of experts reached a consensus according to which management needs to evolve; in this regard, they provided a series of 25 recommendations. Among the recommendations, the ones that are closely related to sustainability include: ensuring that management, both in theory and in practice, is concerned with achieving noble, socially significant objectives; integrating ideas from communities in management systems; and developing holistic means of evaluating performance.

3. Conclusion

The expectations for managers to develop a greater responsibility towards internal and external stakeholders and to review the way in which they conduct their business activities are undoubtedly increasing. Under these circumstances, companies face the imminent challenge of adapting their strategic orientation and value proposition properly. Thus, strategic orientation can be considered a premise of sustainability in business. Surprisingly or not, classical management theories encompass multiple ideas of sustainability management practice and provide understanding upon the practices that need be avoided or used, respectively. Although sustainability elements are found in the visions of early management theorists, the importance of sustainability management has grown since the 21st century. Currently, there is a consensus among theorists that sustainability management is a long-term trend. However, only time will tell whether sustainability management is just a type of management or a decisive step towards a higher field of management.

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