
CLASSIFICATION AND OVERVIEW OF COMMON MANAGEMENT PRACTICES FOR THE IMPLEMENTATION OF SUSTAINABILITY IN EUROPEAN ENTERPRISES

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Abstract

Enterprises which decide to implement sustainability following the triple-bottom-approach (environmental, social, economical) face an almost infinite number of practices and tools that are more or less appropriate for managing this challenge. Using suitable management practices on the various management levels can speed up and smoothen this change process.

The objective of this paper is to develop an overview and classification which should enable managers to easily find and pick useful general management practices for the implementation of sustainability. Therefore, an intensive literature research was conducted to find out which management practices for implementing sustainability are commonly used and to analyze the current state of classifications in the given field.

Based on the findings suitable classification tables have been developed.

In the first dimension of the classification tables the management practices are sorted into the three management levels “normative, strategic, and operative”. In the second dimension, the management practices are sorted according to the five management functions “planning, organizing, staffing, directing, and controlling”.

The result is a guiding tool for managers of various levels enabling them to quickly find suitable management practices for the implementation of sustainability on a certain management level and for a specific function.

Further validation of the result with regard to its feasibility in practice is recommended.

Keywords: management practices, sustainability, normative management, strategic management, operative management, management functions, corporate social responsibility

JEL Classification: M14, Q50, Q51, Q52, L10, L11, L15, L20, L21, L22

Introduction

To run smoothly, enterprises need a management which is suitable to their individual situation, business area, and goals. If not, it is quite unlikely that the organization is successful (Eze, 2012). Therefore, even if a company currently runs smooth, if any incisive changes of its business environment, business area, or goals occur, it is important to review and if necessary adapt the way it is managed.

Handling change situations is a managerial task. And the more change an organization is facing, the more management it needs (Grannemann and Seele, 2016). Management practices are methods, procedures, processes, or rules used in enterprises to fulfill management tasks, shape changes and to reach managerial goals. Depending on the integration depth and the initial situation (including the business environment), the decision to focus on sustainability leads to the need for incisive changes in the enterprise (Gessner and Koelle, 2016). Using suitable management practices on the various management levels can speed up and smoothen this change process. Therefore, the aim of the work presented in this paper was to conduct a research on common management practices which are helpful for the implementation of sustainability in enterprises and to develop an overview of the findings. Further, a classification was developed, to facilitate the use of this overview. This classification is based on the three management levels “normative, strategic, and operative” (Dillerup and Stoi, 2016) as well as on the five typical management functions “planning, organizing, staffing, directing, and controlling” (Koontz and O’Donnell, 1959).

1. Review of the scientific literature - Sustainability in business management

In 1972 the first conference of the United Nations concerning environmental issues took place. It is widely considered to represent the beginning of a global sustainable economic policy. One substantial result of this conference was that global environmental problems could not be solved without considering social and economic issues (United Nations, 1972). In 1983 the World Commission on Environment and Development (WCED), also known as Brundtland Commission was convened to elaborate recommendations for future action. The final report “Our Common Future” (World Commission on Environment and Development, 1987) implies three fundamental principles: The global perspective, the linkage between environment and development, as well as the realization of justice. Thereby the Brundtland Commission substantially influenced and shaped the understanding of the concept of sustainable development.

In 1992 the United Nations Conference on Environment and Development (UNCED), so-called Earth Summit in Rio de Janeiro devised amongst others the „Agenda 21” – a development and environmental policy plan of action, comprising objectives, measures, and instruments for the implementation of sustainable development in the 21st century. The „Agenda 21” treats four perspectives: Social and economic dimensions, preservation of resources, strengthening the role of major groups (e.g. equal treatment for women) and means of implementation, such as the role of science and education (The United Nations Conference on Environment and Development, 1992).

The Earth Summit led to various follow-up conferences up to the latest „United Nations Sustainable Development Summit 2015” in New York. The „Agenda 2030”, adopted in New York by all member countries of the United Nations, describes objectives in the fields of people, planets, prosperity, peace and partnership until the year 2030. These objectives

apply to all countries in the world – industrialized, emerging as well as developing countries (United Nations, 2015).

The decision for this sustainable development process and the measures to reach the above-mentioned objectives has a substantial impact on the strategies and policies of the nations. The results are also expected to radiate into companies. As one example the European Energy Efficiency Directive (2012/27/EU) had to be transferred into national law. In Austria, for example, the respective law is the energy efficiency law (Bundes-Energieeffizienzgesetz - EEffG), and in Germany, the relevant law is the law for energy services and other energy efficiency improvement measures (Gesetz ueber Energiedienstleistungen und andere Energieeffizienzmassnahmen - EDL-G). Amongst others, these laws force companies, which are not a small or medium-sized enterprise, to perform an energy audit every four years or to implement an energy management system.

As another example, the German Sustainability Code plays an important role by formulating principles of „good corporate management”. Sustainable corporate management thus requires economic performance and social responsibility in line with the regenerative ability of the earth (Rat fuer Nachhaltige Entwicklung, 2016).

In business management, sustainable corporate management is known as „Corporate Social Responsibility” (CSR), representing a company’s voluntary contribution towards sustainable development exceeding legal compliance requirements (Pufé, 2014). Elkington (1997) therefore created the expression „Triple-Bottom-Line”, outlining that corporations should not just focus „on the economic value that they add, but also on the environmental and social value that they add – or destroy” (Elkington, 2013, p.3).

According to the dimensions’ weighting, it can be differentiated between one-dimensional and multi-dimensional models.

The one-dimensional model emphasizes one – usually the ecological – dimension. Though economic and social factors are included, they are not considered to be of equal rank.

On the other hand, the dimensions are all equally ranked in multi-dimensional models (Michelsen and Adomssent, 2014).

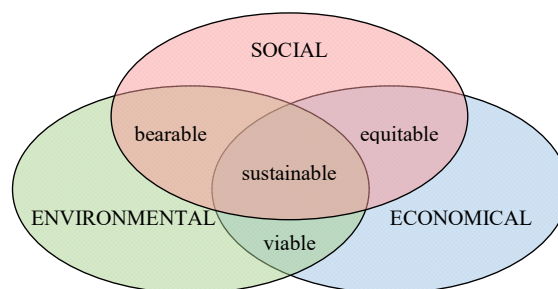


Figure no. 1: Confluence of the economy, society, and the environment

Source: Srebotnjak, 2011

2. Research Methodology

For every of the three dimensions, there is almost an infinite number of practices and tools available that are appropriate for managing business challenges. Therefore, this paper concentrates on widely used business practices which have their focus on general management questions and may be used for implementing sustainability approaches.

On the basis of an intensive literature and internet research, commonly used management practices were identified and the current state of classification in the given field was figured out. The result allows a rough qualitative assessment about commonly used management practices for implementing sustainability. Based on the findings, suitable classification tables were developed.

3. Results

The normative management describes the fundamental goals of the company and defines the vision, values, and standards under which the goals should be achieved. Therefore, the normative management characterizes the company’s culture in many areas (Doll, 2016). To be successful in the long term and in preparation to define the supporting visions, standards, and values, the normative level of the company must be aware of its entire business environment.

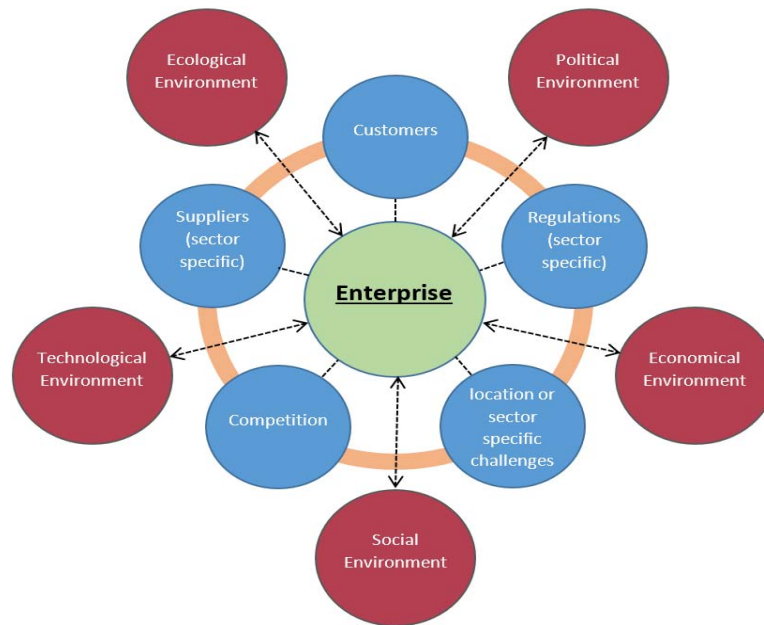


Figure no. 2: External environment of an enterprise: General (red) and operating (blue)

Source: authors contribution based on data from Dillerup and Stoi, 2016

Understanding the respective requirements helps to anticipate upcoming changes, thus enabling the organization to react quickly and appropriately. A distinction is made between the general environment which affects all enterprises, and the environment which concerns only the operating business sector.

The general environmental analysis, which is an important basis for setting up the right goals, is part of the normative management (Dillerup and Stoi, 2016, pp. 102 ff). It helps to clarify which factors influence the business on a general level and understand which meaning the factors have for the company. From the point of view of the normative sustainability management, the environmental analysis can also help to clarify which

factors are influenced by the company and to identify the respective stakeholders. The findings are a valuable basis to develop the necessary mission, values, and standards to fulfill the requirements which derive from the entrepreneurial responsibilities. Legitimate entrepreneurship requires the consensus of all those who are actually or potentially, positively or negatively, affected by the consequences of entrepreneurial activity (Bieker, 2005, pp. 20 ff). Both, the external and the internal environmental analyses (which provides an assessment of the businesses internal resources) build the foundation for strategic management. The analyses provide the means to identify strengths to build on, chances to seek, weaknesses to overcome and risks to avoid. Altogether, this is fundamental information for the formulation of strategies (Gavinelli, 2016, pp. 22 f).

Strategic management is quite a young discipline: In 1976 Ansoff, Declerck and Hayes released their book "From Strategic Planning to Strategic Management". The term "Strategic Management" goes back to this time (Bea and Haas, 2016, p. 7). Strategic Management has the purpose to figure out the performance potential of the business and to develop recommendations for an appropriate course of action to unlock its potential for success. Its focus lies on developing existing competitive advantages and discovering new business fields in line with the company's potentials and the requirements of the normative management (Dillerup and Stoi, 2016, pp. 42 f). Strategic sustainability management enhances the classic strategic management theory with the facets of sustainability. It can be described as strategic management with the purpose of addressing the needs of the three dimensions environmental, social and economical (Blunk, 2015).

The **operative management** is responsible for planning, steering and controlling the daily activities of the business (Dillerup and Stoi, 2016, p. 44). Its goal is to use the success potentials of the business and the given resources as efficient as possible (Amann and Petzold, 2014, p. 131). Here, sustainable management focuses on the realization and implementation of the input and guidelines on sustainability developed by the normative and strategic sustainability management. Therefore, the operative management develops and integrates sustainability processes and measures.

The managerial levels can further be subcategorized according to the typical management functions "planning, organizing, staffing, directing, and controlling" as described by Koontz and O'Donnell (1959).

The following tables summarize the management practices which were identified in our research and, according to the explanations from chapter "3. Research Methodology", can be considered as common. The management practices have been categorized according to the appropriate management level and subcategorized according to the respective management function.

Table no. 1: Sustainable management practices and managerial functions on the normative level

Normative Level	
Planning	<ul style="list-style-type: none"> ▪ Analyze the findings of the environmental analysis with a focus on sustainability. ▪ Define the organization's vision, norms, and goals regarding sustainability and align them with the business goals
Organizing	<ul style="list-style-type: none"> ▪ Define the organization's rules, standards, policy and values regarding sustainability. ▪ Allocate a budget necessary for implementing and operating the sustainable management structure, management system, resources, and measures
Staffing	<ul style="list-style-type: none"> ▪ Provide guidelines for the recruitment and allocation of human resources for management and realization of measures in the field of sustainability. ▪ Provide guidelines for education in the field of sustainability. ▪ Provide guidelines for incentive systems in the field of sustainability. ▪ Provide guidelines for employee participation
Directing	<ul style="list-style-type: none"> ▪ Lead by example ▪ Give feedback and support ▪ Decide organization (For example staff function, line function, or integration in existing functions) ▪ Set guidelines for the communication of achievements in the field of sustainability internally and externally ▪ Set guidelines for the implementation of a managerial system for sustainability ▪ Decide on the extent of the managerial systems for sustainability: Energy, Environmental, or CSR? ▪ Decide, based on proposals of the Strategic Level, about a suitable integration of sustainable management
Controlling	<ul style="list-style-type: none"> ▪ Conduct regular management reviews about the implementation of sustainability measures and the progress of the business in the field of sustainability periodically.

Source: authors contribution

Table no. 2: Sustainable management practices and managerial functions on the strategic level

Strategic Level	
Planning	<ul style="list-style-type: none"> ▪ Analyze the general and operating environment of the organization, its abilities and needs to comply with its own and the stakeholders' requirements in the field of sustainability. ▪ Analyze the organization's structure regarding its ability to fulfill the requirements in the field of sustainability
Organizing	<ul style="list-style-type: none"> ▪ Develop a strategy which fulfills the requirements of sustainability (triple bottom line) in line with the guidelines of the normative level; ▪ Develop a managerial structure which fulfills the sustainability requirements; ▪ Develop a strategy and guidelines for fulfilling the demands of stakeholders, and involving them where necessary (i.e. Purchasing only products which were produced following sustainability guidelines); ▪ Develop a set of strategic measures which help to fulfill the sustainability requirements; ▪ Based on the preceding: Develop decision proposals for the normative level about a suitable integration of sustainable management in the organization (i.e. staff function, line function, or integration in existing functions). ▪ Develop a budget process to allocate budgets to the implementation and operation of the sustainable management structure, management system, and measures. ▪ Develop controlling procedures, measures, and tools based on the findings to ensure that the implementation of structures and measures follows the plans.
Staffing	<ul style="list-style-type: none"> ▪ Develop strategies and guidelines for: ▪ Hire the right people: procedure and frame (for soft and hard skills) ▪ Further education in sustainability. ▪ Incentives to encourage staff to work on improvement of the sustainability: monetary and non-monetary (strategic dimension). ▪ Employee participation.
Directing	<ul style="list-style-type: none"> ▪ Set targets. ▪ Lead by example. ▪ Give feedback and support. ▪ Take into consideration the guidelines of the normative level: Decide on a suitable budget process to allocate budgets to the implementation and operation of the sustainable management structure, management system, and measures.
Controlling	<ul style="list-style-type: none"> ▪ Develop suitable controlling procedures, measures, and tools based on the findings to ensure that the use of the budgets follows the plans. ▪ Plan the defined controlling procedures, measures, key performance indicators and tools on the strategic level to make sure that the implementation of structures and measures follow the plans. ▪ Plan the implementation and use of the defined controlling procedures, measures, key performance indicators and tools on the operative level. ▪ Plan the defined controlling procedures, measures and tools on the strategic level to make sure that the use of the budgets follows the plans. ▪ Plan the periodic management review of the normative level and participate in it. ▪ Communicate the goals and achievements in the field of sustainability internally and externally according to guidelines.

Table no. 3: Sustainable management practices and managerial functions on the operative level

Operative Level	
Planning	<ul style="list-style-type: none"> ▪ Analyze the current situation: ▪ Compliance with external regulations and internal guidelines. ▪ Current sustainability status: Use of resources (energy, water, etc.), use of human resources, emissions, material, and waste mgmt., etc. ▪ Analyze the necessity and the priority of specific sustainability measures. ▪ Plan the implementation of specific sustainability measures (technical, organizational, etc.) considering the budget guidelines.
Organizing	<ul style="list-style-type: none"> ▪ Develop and implement structures and processes which enable the organization to handle the requirements of sustainability. ▪ Implement and work with budget process to allocate budgets to the implementation and operation of the sustainable management structure, management system, and measures.
Staffing	<ul style="list-style-type: none"> ▪ Prepare job descriptions based on the organizational needs and the guidelines from the normative and strategic level for staff responsible for sustainability tasks. ▪ Choose/hire staff which is in line with the guidelines and the job description. ▪ Develop a plan for and conduct further education in sustainability. ▪ Develop an implementation scheme and implement monetary and non-monetary incentives (operative dimension). ▪ Conduct employee participation (Surveys, employee suggestion system, etc.).
Directing	<ul style="list-style-type: none"> ▪ Set targets. ▪ Lead by example. ▪ Give feedback and support
Controlling	<ul style="list-style-type: none"> ▪ Implement the defined controlling procedures, measures, key performance indicators and tools to make sure that the implementation of structures and measures and the use of the budgets follows the plan. ▪ Control the implementation and use of the defined controlling procedures, measures, and tools on the operative level. ▪ Use the defined controlling procedures, measures and tools on the strategic level to ensure that the use of the budgets follows the plans. ▪ Measure key performance indicators concerning sustainability. ▪ Prepare the periodic management review of the normative level and participate in it. ▪ Communication of goals and achievements in the field of sustainability internally and externally according to guidelines.

Conclusions

Although, “sustainability” traditionally refers to environmental questions, from a business perspective the multi-dimensional approach is a clear necessity. Depending on the individual competitive and economic situation the focus of the respective business might be temporarily shifting to one or the other dimension thus balancing changing management requirements. In an open market, if it shifts too far and neglects a certain dimension the effects of this behavior threatens the existence of the business. Therefore, it is important for a company’s management to pick tools and practices which help to balance and in a reasonable way fulfill the occasionally opposing requirements of the three dimensions social, environmental and economical.

The developed classification concept and overview of typical management practices which support the implementation of sustainability in European enterprises can be a helpful tool for managers of the various levels of an organization, who are planning to or are already in the process to implement sustainability measures. The classification tables help managers not only to find management practices which are useful on a certain management level, but also to choose suitable solutions regarding a particular management function.

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