International Journal of Research
e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 07 Issue 08
August 2020

A Study On Strategic Sustainability Of Economic Growth In Global Business Organizations

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ABSTRACT

Sustainability has become an increasingly important strategic concept for organizations. The idea of sustainability is also starting to become ingrained in various managerial and organizational decisions. Sustainability in an organization is defined by its commitment to economic factors, environmental factors, and factors of social commitment in a firm. A framework is used to develop a strategic or long-term justification for the concept of sustainability. Also, this study attempts to extend the concept of sustainability and decision making to a global business environment. This study proposes a mission-driven management methodological framework that acts as a base for decision-making using the concept of international strategic sustainability. This contribution includes investigating the design and development of strategic sustainability and combining the relationships of organizational decision-making to economic, environmental, and social sustainability outcomes.

1. INTRODUCTION

The notion of strategic sustainability is shown in the broader strategy literature. Initially Porter focused primarily on value creation for buyers, and posited that competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm’s cost of creating it. By 2008, R. M.

Grant was suggesting that business is about creating value added by firms and is distributed among different parties: employees (wages and salaries), lenders (interest), landlords (rent), government (taxes), and owners (profit). In addition, firms also create value for their customers to the extent that the satisfaction customers gain exceeds the price they pay (i.e., they derive consumer surplus) (Grant, 2008). In fact, Porter and Reinhardt (2007) argue that "business leaders need to approach global warming in the same hardheaded manner as any other strategic threat or opportunity." Sustainability is more than being responsive to ecological concerns. It includes economic, legal, ethical, and discretionary responsibilities depicted by Carroll (2009). However, today's natural environment, the diminishing natural resources, the climate change and global warming impose significant constraints to the way businesses operate.

Sustainability not only helps companies to reduce the backlash they face from the governments and the public, but it also makes business sense. By looking inside with an effort to reduce the carbon emissions, firms may be able to reduce their costs by streamlining their activities. Similarly, climate change and global warming do not only pose threats but also present businesses with some opportunities.

2. SUSTAINABILITY

Sustainability as a concept has been referred to in the literature for many years, yet the term still lacks a working consensus. The most common definition of sustainability is the one provided by the World Commission on Environment and Development that it as "development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs". Within this broad definition, sustainability provides a framework for managing the development of communities, nations, regions, and essentially meeting global needs to ensure efficient resource use, creation of infrastructures, security for enhancing the quality of life, and creation of new businesses to build and strengthen economies. It incorporates principles of sustainability into each of its business decisions.

1. It supplies environmentally friendly products or a service that replaces demand for non green products and/or services.
2. It is greener than traditional competition.
3. It has made an enduring commitment to environmental principles in its business operations.

3. JUSTIFICATION

A fundamental question therefore, is why a firm must consider sustainability-related corporate initiatives given the pressures on the organizational decision-makers. The answer is a rather complex set of stakeholder pressures acting on the firm. The firm must then develop tools and approaches to offset the stakeholder pressures. In addition, a part of the justification tools requires the use of “traditional” financial decision tools for the evaluation of corporate programs and projects with sustainability implications that may not be compatible with a stakeholder-mediated decision-making process.

4. STRATEGIC INITIATIVES FOR STRATEGIC SUSTAINABILITY

The various initiatives proposed in our framework determine the firm’s activities and strategies that are influenced by firm attitude and culture. We must assume the firm has a vision, mission, and objectives, and is seeking to evaluate the system within the context of these strategic elements. It is important to note that the strategic sustainability initiatives should be derived from the overall firm strategies already in place. Thus, once the strategies are identified, a set of strategic sustainability initiatives can be developed within the framework of the overall firm strategic decision-making process.

5. CLASSIFICATION

While many classifications of initiatives are possible, this framework has focused on incorporating sustainable concepts by organizing the initiatives into the 'triple-bottom-line' categorization of sustainability (Economic, Environmental, and Social) while dividing them into proposed strategic, tactical, and operational initiatives within each of these categories.

5.1 Economic

The Economic (or business) category identifies programs measuring the interaction with relevant customers and market segments that contribute to financial goals. "Direct strategic measures of financial and business performance, such as net present value, returns on investment, delivery performance, and supply chain cycle time may be introduced (Sarkis, Presley, & Meade, 2006)."

5.2 Environmental

The Environmental category may include strategic initiatives such as environmentally proactive organization, waste reduction, and improved compliance, for example. The tactical and operational initiatives would result from the strategic initiatives selected. Examples of these are shown in Table 1.

5.3 Social

The Social category of possible strategic initiatives includes factors such as human resources, the overall population, and the extent of stakeholder participation, perceived aesthetics, education level, and goodwill. Again, the tactical and operational initiatives would be based on the desirable strategic social programs selected and examples of these are in Table 1.

Figure 1.Framework for Strategic Sustainability

Strategic Level

Economic Initiatives

- Net present value
- Delivery performance
- Cost reduction

Environmental Initiatives

- Waste Reduction
- Improved Compliance
- Percent of product reclaimed

Social Initiatives

- Internal human resources
- External population
- Perceived aesthetics

Tactical Level

Economic Initiatives

- Improved supply chain effectiveness and efficiency
- Disposal costs

Environmental Initiatives

- Engage in sustainable operations practices
- Hazardous material output

Social Initiatives

- Employee Satisfaction
- Maintained skilled workforce
- Stakeholder influence

Operational Level

Economic Initiatives	Environmental Initiatives	Social Initiatives
• Day in transits • Monetary value of customer returns • Monetary value of energy consumption	• Quantity of Packaging • Percent of recycled or Reused materials	• Training hours utilized per employee • Unfavorable press coverage

6. STRATEGIC SUSTAINABILITY

Environmental factors are sometimes cited as a driver for implementing strategic sustainability initiatives (Chouinard, 2005). The firm must cope with regulatory issues, market and customer pressures, and ethical motivations to improve environmental performance. Of particular note is the fact that business and environmental factors are often related. For example, consumers are now fully aware of environmental considerations when making purchase decisions. As awareness of environmentally friendly products has increased, so too has the need to implement effective handling of waste and hazardous materials. Consumers demand that a firm act responsibly with respect to waste removal. In addition, consumers are increasingly searching for firms that actively implement sustainability initiatives that will lengthen a product's or material's life, because such an extension of the product life will typically have environmental benefits (Murphy & Poist, 2003).

7. CONCLUSION

From a pragmatic point of view, strategic sustainability should start with this study's proposed three dimensions of strategic sustainability (economic, environmental, and social) rather than with the traditional metrics used by firms. The transformation to strategic sustainability then proceeds to infiltrate the firm in all levels of the decision-making process. Underlying the framework is that the three seemingly separate aspects of sustainability (economic, environmental, and social) should be transformed into an all inclusive approach to strategic sustainable decision-making process. In addition, to fully reach organizational strategic sustainability, the demands of stakeholders must be endlessly fulfilled. Indeed, the demands, wants, and expectations of stakeholders should become an accepted input for strategic management in their sustainability goals. This framework suggests that all parties related to the firm, from all stakeholders to, ultimately, the end consumer must be involved in the decision-making process.

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