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STRATEGIC SUSTAINABILITY: BAILING OUT THE FUTURE FROM TODAY

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Abstract:

Decisions taken by managers today do not only seal the organization future, but they also affect the future of other stakeholders. On this basis, this paper assesses the role in strategic planning of business ethics and Corporate Social Responsibility (CSR) as key components of sustainability.

In this sense, when aiming to achieve strategic sustainability, managers should face all stages of decision-making processes in organizations taking in mind the interest of all stakeholders in order to avoid a misfit between the organizational objectives and those of other stakeholders, keeping in deep consideration the future of the organization not only at short, mid or long term, but also at very long term.

Keywords: *Corporate Social Responsibility (CSR)*; *strategic sustainability*; *business ethics*; strategic *planning; strategic objectives*

SOSTENIBILIDAD ESTRATÉGICA: RESCATANDO EL FUTURO A PARTIR DEL PRESENTE

Resumen:

Las decisiones adoptadas hoy por los directivos no sólo sellan el futuro de la organización, sino que también afectan al futuro de otros grupos de interés. Sobre esta base, este artículo valora el papel en la planificación estratégica de la ética en los negocios y la Responsabilidad Social Corporativa (RSC) en tanto elementos clave de la sostenibilidad.

En este sentido, con vistas a lograr la sostenibilidad estratégica, los directivos deben afrontar todos los estadios de los procesos de toma de decisiones en las organizaciones teniendo en mente el interés de todos los grupos de interés de cara a evitar un desajuste entre los objetivos organizativos y los de otras partes interesadas, manteniendo en gran consideración el futuro de la organización no sólo a corto, medio o largo plazo, sino también a muy largo plazo.

Palabras clave: *Responsabilidad Social Corporativa (RSC)*; *sostenibilidad estratégica*; *ética en los negocios*; *planificación* estratégica; *objetivos estratégicos*

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1. Introduction

Businesses are taking more and more into consideration the principles of responsibility and sustainability. As a clear example, we can refer to the Lincoln Electric manifesto (2015): "the goal of the organization must be this to make a better product, to be sold at a lower price. Profit cannot be the goal; profit must be a by-product".

Accordingly to the above or similar statements, the future direction of an organization is set by the decisions taken by managers today, which also affect the future of all stakeholders. So the first decision to be taken is related to defining the mission, vision, goals and objectives in the organization.

Decisions set the ultimate direction of the organization in its acquisition and allocation of resources and also create a meeting or melting point for all interests converging in the organization. So, where/when the corporate mission and vision are not encompassing all stakeholders' interests, hopes and aspirations, a strategic conflict will arise.

In other words, where/when the interest of all involved stakeholders, both internal and external ones, is completely out of line with the organizational long-term goals and objectives (if strategic planning exists), strategic misfit will appear. Let us think, for instance, about a situation where shareholders want quick and high returns on their investment, while employees want higher wages and the society wants roads, schools, etc. The company will likely invest back its profit into the business at short term, and here there will exist a misfit if all these different interests are not balanced as appropriate in the strategic decision-making processes.

Moreover, the company will want report a high profitability by all means, which may lead it to sharp practices, cutting corners and exploiting the environment. When managers must report on high profits at all cost, the organization focuses all its resources toward the achievement of one single goal, that is, "profit maximization", and forget any other objective or aspiration. Short-term solutions are used to address long-term problems, trying to cut today costs, even when or just by incurring in damages tomorrow.

Focusing on one goal can make a company to be strategically myopic. Strategic myopia is the state in which the organization is concerned with the achievement of one or two goal(s) at the expense of the others. In other words, it is a way of surviving today to die tomorrow therefore depleting the little available resources in the present and denying the future generation the ability to meet their needs.

However, a social contract between the organization and it environment exists, and to deliver on this contract organizations must welcome the concepts of social responsibility and sustainability. The first step towards strategic sustainability is to balance the interests of the various stakeholders in the organization with the organizational long-term objectives.

According to Chikwendu (2011), objectives are targets or results which are linked to concrete time scales (terms) and concern such things as the size or type of organization, the nature and variety of its areas of interest, and the levels of success. Higgins (1991) refers to them as "specific statement of results anticipated".

Objectives set the direction of the organization. So, any board or manager wanting to remain the organization competitive in the market must understand its objectives and must be ready to commit resources and management efforts towards their achievement. Deciding on the organizational objectives is one of the most important decision managers take, specifically when this decision either bails out the future from current actions and activities or sell the future for today (nothing).

Already in 1956, John F. Mee advised that organizational objectives for business can be summarized in three points: i) profit is the motivating force for managers; ii) services to customers by the provision of desired economic value (goods and services) justify the existence of the business; and iii) managers have social responsibilities in accordance with the ethical and moral codes of the society in which the business operates.

To simplify these objectives Peter F. Drucker (1955) suggested eight operational areas where objectives can be comfortably set:

1. *Market standing*: managers should set objectives where they would like to be in relation to their competitors.

2. *Innovation*: managers should set objectives outlining their commitment to the development of new methods of operation.

3. *Productivity*: managers should set objectives outlining the target level of production.

4. *Physical and financial resources*: managers should set objectives regarding, acquisition, use and maintenance of capital and monetary resources.

5. *Profitability*: managers should set objectives that specify the profit that the company would like to generate.

6. *Managerial performance and development*: managers should set objectives that would specify rates and levels of managerial productivity and growth.

7. *Worker's performance and attitude*: managers should set objectives that would specify rates of productivity as well as desirable attitudes for workers to progress.

8. *Public responsibility*: managers should set objectives that indicate company's responsibilities to customers and society and the extent to which the company intends to live up to those responsibilities.

On the above basis, *strategic sustainability* is a competitive strategic advantage which an organization can maintain over the long term through an effective and efficient utilization of resources. The *Brundtland Report* by the United Nations World Commission on Environment and Development (1987) attracted the attention of the world to the excessiveness of governments and businesses in the name of development. The report introduced the concept of sustainability development, as a "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations 1957, p. 41) advocating the integration of social, economic and environmental considerations into policy decisions by businesses and governments.

The concept of strategic sustainability evolved from the concept of strategic development, which established that strategies in every organization aimed at securing and maintaining competitive strategic advantages over a long-term, should be captured at the primary stage of decision making. They should also provide the policy framework for addressing the negative impact of their operations on the environment and top management commitment. When aiming an organization to be able to sustain strategic advantages or positions over a long-term, its socio-economic objectives and those of its stakeholders must achieve a strategic fit.

Considering the strategic fit as "the extent to which the activities of a single organization or of organizations working in partnership complements each other in such a way as to contribute to competitive advantage" (Goleman et al. 2002), the activities of the company and its stakeholders must complement each other to achieve a strategic sustainability in the market. So strategic sustainability involves the blend of various components working together, namely: i) strategic planning; ii) business ethics; and iii) corporate social responsibility.

All these three components must work together towards one objective, that is, sustaining the strategic position of the organization. The three components are a system, which means that they are interdependent and interrelated.

In this sense, it will be good to point out that strategic sustainability is not fighting to become the sole producer, supplier or buyer in a market, but it is about allowing healthy market competition. A market system in the "present" that lacks competitors, to allow the play of market forces will grow very big and influential, but in the long-run will surely fail causing a big market gap and lack in the future.

2. Strategic planning

Higgins (1991) referred to *strategic planning* as "the problem–solving process of establishing strategic objectives and formulating strategic plans to accomplish those objectives". He also established that it is "principally concerned with long-term actions to achieve objectives, but it could be a major short- term action". It has also been considered as a "long range planning that focuses on the organization as a whole" or defined as "the managerial process of developing and maintaining a strategic fit between the organization and its changing marketing opportunities". (Certo 1997; Chikwendu 2011).

So, strategic planning can be considered as the process of creating the desired future, which is achievable by using the available organization resources and taking advantage of market opportunities. From the above definitions, this concept deals with four separate tasks, in the following areas:

1. Determination of the long-term directions of the organization.

2. Determination of the requirements of resources in the organization.

3. Establishment of overall goals and strategies.

4. Assessment of the desired competitive position of the firm in the industry.

In other words, it addresses to answer the three critical (and classical) questions on “where are we now?”, “where do we want to be?”, and “how do we get there?”.

Answers to the above questions will strategically position the organization in the market. When designing the organization future, planners must have in mind that profit should be a by-product (but very vital to long-term survival of the business) and at every stage of implementation and control, they must design sustainable means.

There are several steps in strategic planning, which include:

1. *Setting corporate/strategic objectives*, which should be expressed in quantitative terms, with any constraints identified.

2. From the previous step, *establishing targets for corporate performance* in terms of return, EPS, sales turnover etc., over the planning period.

3. *Internal appraisal*, by means of assessing the current situation of the organization in terms of available resources and performance.

4. *External appraisal*, by means of surveying and analysing the organization environment.

5. *Forecasting future performance* based on the information obtained from steps 3 and 4.

6. *Analysing the gap* between targets (step 2) and forecasts (step 5).

7. *Identifying and evaluating the various alternative strategies* to reduce this “performance gap” in order to meet strategic objectives.

8. *Preparing the final corporate plan*, including distinction between short-term and long-term goals and strategies as appropriate.

9. *Implementing the chosen strategies*.

10. *Evaluating actual performance against the corporate plan*.

Having a look on the steps of the strategic planning process, it is evidenced that if organizations do not incorporate the concept of sustainable development from the first step of their strategic planning, strategic sustainability will be unachievable in the long-term run and the future will be lost.

In this sense, more and more business executives use to state that they support (and even implement) sustainable policies. However, most policies on sustainability are not incorporated into the company main strategic plan (but should be integrated into the business policies as one document). And since strategic planning is carried out by top management, integrating policies on sustainability into the strategic planning at the primary stage will make the policy to secure support and commitment from the top management level.

Once strategic plans do not bring into consideration the concept of sustainability at the first step of strategic planning, maybe it could be introduced at any other step, but then it will have little or no significant impact on the organization in the long-term.

At any case, balancing advantages and disadvantages, some reasons could be highlighted to support the necessity of strategic planning in organizations, namely:

a) As a company increases in size, the risk also increases (risks would be defined as the potential losses from the inefficient or ineffective use of resources). Strategic planning helps in managing these risks.

b) Strategic planning can give a sense of purpose to the personnel in the company, leading to the improved quality of management, and it can encourage creativity and initiative by tapping the ideas of the management team.

c) The company cannot remain static, but it has to identify and cope with changes in the environment. The strategic plan helps to chart the future possible areas where the company may be involved and draws attention to the needs to keep on changing and adapting, not just to "stand static" and survive.

d) Strategic plans are not merely stating-on papers to achieve departmental objectives which have always existed. They help to make them more effective and workable.

e) A well-prepared strategic plan drawn up after analysis of internal and external factors (risks and uncertainties) focuses on the long-term based interests of the company because better quality decisions will be made "on the whole" and management control can be better exercised.

f) Long-term, medium-term and short-term objectives, plans and controls can be consistent among them.

Just summarizing, strategic sustainability ensures both the short-run and long-run profitability. But profits may not be large at short-term when compared with that in organizations which do not have a sustainability policy. And they wouldn't be around in the long-run, because they wouldn't be able to manage the short-term growth into long-term profitability. This is hand to mouth.

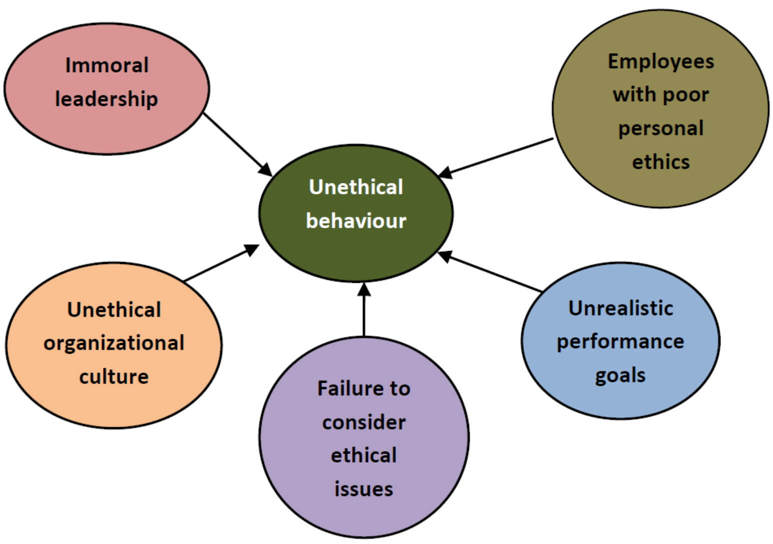
3. Business ethics

Just as ethics are referred to the established rules that say what is right or what is wrong, *business ethics* deals with the application of the discipline, principle, and theories of ethics to the organizational contexts (Helms 2006,), i.e. the application of general ethical principles to business behaviour.

In case of Nigeria, the oil and gas industry is the main activity of the country economy, being managed by the Nigeria National Petroleum Corporation (NNPC). Any form of corruption or unethical conduct will spell doom for the country. However, yet we witness different forms of corruptions in this sector ranging from contract awarding, to selling of biding information and illegal subsiding deduction (a recent audit by PricewaterhouseCoopers stating that around $1.48 billion are not remitted to the federation account). This corruption and unethical behaviour account for the poor standard of living in the country and poor government performance due to shortage of funds.

The root cause of any form of corruption in any organization or public body is unethical behaviour not checked or crossed-out as nothing by management. Unethical behaviour starts from trying to help the company results on balance sheets or trying to make them appear as better, that is, above real incomes. This means deliberately using the companies or countries resources for personal or group advantage and not minding the organization long-term profitability and survival. No matter the organization situation, it is completely unethical to try to inflate the book balance and give false impression. The root causes of unethical behaviour can be depicted in Figure 1:

Figure 1. The root causes of unethical behaviour



Source: own elaboration based on Hill and McShane (2009)

Well-known scandals in various forms have resulted from unethical behaviour[1]. These undesirable examples include Worldlycom (the giant in the telecommunications field, which admitted fraud and misrepresentation in financial statements), Enron (the energy, commodities and services company), Imclone (a biotechnological firm), Arthur Andersen (one of the largest and oldest public accounting firms at world level), and Health South (a large healthcare firm). Notable cases in Nigeria were linked to the financial sector, namely Cecilia Ibru (the CEO/MD of the Oceanic Bank PLC), and Erastus Akingbola (former MD/CEO of the Intercontinental Bank PLC).

All this unethical behaviour resulted in: i) public humiliation of the companies and their officers and employees; ii) huge financial losses; iii) in some cases, bankruptcy or dissolution,(e.g., Oceanic Bank PLC, and Intercontinental Bank PLC); iv) firm directives going to prison (e.g., Cecilia Ibru); and iv) lose of shareholders investment in the company (partial or total loss). The situation can be summarized through the statement in an online comment to the Oceanic Bank affair: “this is the tale of a celebrated institution, once toasted as a Bank of the Year, now ridiculed as a sham house of fraud and a shining example of how not to run a financial institution. It is indeed, a story of fraud unlimited”.

Day-to-day ethical dilemmas which are faced in the organization by employees and management should be addressed promptly to guide against unethical behaviours. Such undesired conducts, when exposed, may even make an organization and its officials look as criminals due to the strategic misfit of the stakeholders’ demands and the organization survivals, that caused managers to try by all means to report on profits not as heard as earned. In this sense, it is usual to focus attention only on large corporations, but unethical behaviour in small business is alarming, this resulting in many small businesses that would have become a giant dying before their 20th birthday.

Unethical behaviour, for whatever reasons, does not promote sustainable development. The shareholders interest that the officials want to protect is at last left unprotected in the long-run. Organizations must encourage ethical behaviour and enforce it at all levels even when it means reporting loss in the short-run and being around in the next 200 years and counting.

As stated by Newell (2002), maybe the decision to be ethical can involve disadvantages at short-term for a company, but in the long term it is clear that behaving ethically is the core key to achieve sustainable development. This author posits some questions to solve when facing with an ethical dilemma: i) what will happen when the action is (not) discovered?; is the decision really in the long-term interest of the company?; will organizations that behave unethically attract the necessary employees?

As conclusion, Newell states that “behaving ethically is clearly key to the long-term sustainability of any business focusing on the triple bottom line –the social and environmental as well as the economic impact of a company– provides the basis for sound stakeholder relationships that can sustain a business into the future” (Newell 2012).

4. Corporate Social Responsibility

Authors as Premeaux and Mondy (1993) or Agulanna and Madu (2008) define Corporate Social Responsibility (CSR) as the implied, enforced or felt obligation of managers, acting in their official capacity, to serve or protect the interests of groups other than themselves. CSR appears as an opposing concept to that of social philanthropy, which is dominating organization activities.

To be precise, organizations do not ignore the broad concept of CSR, but they prefer the concept of social philanthropy (Emezi 2014). According to Amaesh (2011), “the emphasis on corporate philanthropy gives the broad CSR agenda a poor characterization and invariably an underserved negative reputation and strong cynicism, which often trails CSR in most corporate boardrooms. In such instances, CSR is often seen as an extra cost, which most businesses would naturally and understandably like to avoid”.

CSR strategy is a planned and detailed programme of action on how a corporate organization will involve its corporate activities (mission, vision and objectives) in value development towards its stakeholders and thereby will achieve its corporate objectives (Emezi 2014). Moreover, the concept of CSR is not only broad but also complex, involving a real number of issues, just as implied/involved parties (the company and its stakeholders), principles (sustainability, accountability and transparency), levels or reasons[2].

[1] Regarding this topic see, e.g., Crowther and Aras (2010) or Chikwendu et al. (2011).
[2] A more detailed explanation on this and other related issues can be found at Emezi (2014).

5. Conclusions

Strategic sustainability is not an issue for firefighting approach, but it should imply a detailed action plan from the beginning of organizational operations. As stated by the United States Environmental Protection Agency, "the most effective way to reduce waste is to not create it in the first place" (USA-EPA 2015).

Moreover, at every stage of their operational life, organizations most always put themselves on constant check to know when they are diverting from the intended objectives. At this purpose, Sterling (2010) provides a checklist for strategic sustainability, including the following four questions: i) is the company wide?; ii) does it generate revenues?; iii) does it set baselines?; and iv) does it establish a framework to assess and evaluate its investments?

Answers to these or similar questions will inform the management if the intended strategy is sustainable. In this sense, some characteristics of strategic sustainability can be considered as a reference point:

- The strategy must be profitable both in the short-term and in the long-term.

- The strategy must promote ethical behaviours and have established mechanisms for checking unethical behaviours before the situation turns into global embarrassment.

- There must be a strategic fit between the organization management and its numerous stakeholders.

- Strategic sustainability should be integrated into all stages and levels of policy formulation, interpretation, implementation and control.

- A sustainable strategy is a green strategy, that reduces or eliminates the negative effects of the organizational processes on the environment.

- A sustainable strategy is a product resulting of various strategic inputs from all stakeholders in the organization.

Thus, strategic sustainability is made-up of components that are interdependent and interrelated, working together towards the achievement of the organizational objective. After having an overlook on this concept and its implications, some questions come to mind as, for example: are we comfortable with short-term profitability, assisting the balance sheet to balance adjusting figures?; will the future generations be able to meet their own needs given the ways and method we meet our present needs? It is time to think about them bailing out the future from today.

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