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## A SYNTHESIS TOWARDS A COMPREHENSIVE, SUSTAINABLE STRATEGIC MANAGEMENT FRAMEWORK

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### ABSTRACT

The current conceptual paper aims to elaborate on the evolving approaches to developing a sustainable strategic management framework. It aims at integrating sustainability into the theory and practice of strategic management, producing a comprehensive framework that will help organisations integrate the concept into their corporate, competitive and functional levels.

**Key words:** sustainability, strategic management, sustainable development, sustainable strategic management

### INTRODUCTION

The recent wars, oil crises, financial shocks and global financial crises hitting the world economy have posed serious questions about business firms' ability to develop the resilience required for withstanding these global shocks and achieving sustainable competitive advantages (Avery and Bergsteiner, 2011).

Sustainable strategic management has been the subject of much research over the past few years. It includes "strategic management processes that are economically competitive, socially responsible and in balance with the cycles of nature" (Stead and Stead, 2004, p. 6). It is regarded as an evolutionary stage in the strategic management discipline which has emerged in the 21<sup>st</sup> century. This evolution has reflected a paradigm shift regarding the basic relationship between the economy, society and the environment. It reflects the need for strategic managers to implement sustainability strategies aimed at enhancing an organisation's profits while protecting the wider ecosystem.

Sustainability is a multidimensional concept seeking an ongoing balance between economic, social and ecological segments with an organisation's internal systems and processes (Stead and Stead, 2008). It focuses on formulating and implementing enterprise strategies that will provide organisations with sustainable competitive advantages while taking into consideration ecological and social responsibilities as paths to it (Stead and Stead, 2000). The philosophy of sustainability results in the evolution of what is called "type III industrial ecosystems", which focus on materials recycling, renewable energy sources, minimal waste generation, and ecological connections with other organisations (Hart, 1995).

Stead and Stead (2008) argued that firms which base their strategic decisions on the core value of sustainability tend to develop instrumental value systems aimed at serving the various needs of multiple stakeholder groups. The adopted sustainability strategies are integrative and are aimed at the simultaneous enhancement of both a firm's economic survival and its wider ecosystem.

Hart (1997) contended that few companies have incorporated sustainability into their strategic thinking since they never considered themselves part of the solutions to the various social and environmental problems caused by their businesses. These companies lacked the skill to develop a vision for sustainability, i.e., a logic beyond today's operational focus moving towards an external strategic focus on sustainability.

There is a compelling need for business firms to adopt sustainable strategies that meet the needs of their enterprises while protecting, enhancing and sustaining human and natural

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resources for future generations. This requires a new cultural orientation and an extensive refinement to current organisational systems, change processes and procedures with greater accountability for non-traditional external stakeholder groups.

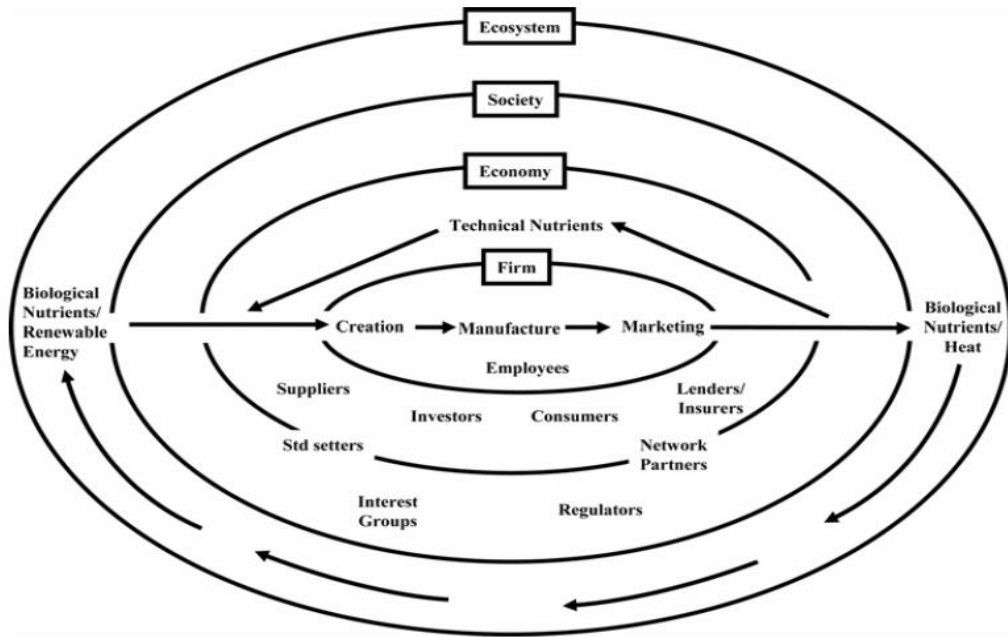
Different views of how firms could gain a sustainable competitive advantage have been explored in the area of strategic management. Strategic management researchers are compelled to develop sustainable strategic management frameworks uniquely tailored to the demands of various industries/sectors since the factors necessary to gain and sustain competitive advantage in each industry/sector vary greatly. Therefore, based on a cursory review of the generic literature on the topic, the current conceptual paper aims to elaborate on the evolving approaches to developing a sustainable strategic management framework. It aims at integrating sustainability into the theory and practice of strategic management, and at producing a comprehensive framework that will help organisations to integrate the concept into their corporate, competitive and functional levels.

### **EVOLUTION OF SOURCES ON SUSTAINABILITY**

Organisations' competitive advantages have a life cycle which starts with planned selection and resource accumulation; however, enduring competitive advantages require organisations to redeploy resources in new product markets since they might be replicated by other competitors (He, 2012). The evolution of thought about competitive advantage and the efforts towards sustainability have passed through a number of stages. A review of the sources of sustainable competitive advantage is presented chronologically in the following sections.

Porter (1985) was among the pioneer authors to develop concepts related to strategy, competitive industry forces and competitive advantages. He developed a number of generic business strategies that organisations might adopt to create unique competitive advantages over rivals. These strategies include, for instance: cost leadership, which focuses on maximising efficiency with tight cost control measures; differentiation, which focuses on offering unique products and services with differentiated features to a wider segment of the market at premium prices; and the resource-based view, which assumes that an organisation can gain competitive advantages only by possessing valuable, rare and inimitable resources. Barney (1991) confirmed that sustainable competitive advantages could be derived from organisations which possess such resources. Based on these generic strategies, Porter (1985) and Barney (1991) argued that organisations can maintain sustainable competitive advantages only as long as they erect strong barriers to duplication/imitation efforts by rivals. However, research results asserted that in the real business world, establishing a causal link between resources and sustained competitive advantages is difficult. Therefore, the capability-based view of competitive advantage focuses on an organisation's ability to transform resources into competitive advantages, i.e., it clarifies how firms can develop core competencies allowing them to sustain competitive advantages (Oliver, 1997).

Today's call for sustainability strategies, responding to the explosion of research on management ecological dimension, pushes firms to embed sustainability into their generic business strategies, adopted from Porter (1985), whereby they can reduce resource usage within cost leadership or use non-toxic ingredients to differentiate their offerings (Halal, 1986). A visual depiction of how sustainability has adjusted the value chain view of business activities, developed by Porter (1985), to account more for resources and wastes is presented below in Figure 1.



**Figure 1: Sustainable Strategic Management Value Chain**

Based on the assumptions of sustainability, the new value chain focuses on creating cost and differentiation competitive advantages via ecological efficiency from sustainability strategies within biological cycles. An organisation's renewable energy and resources will be transformed into products and services whose waste serves as input for other industrial cycles leading to eco-effectiveness (Dyllick and Hockerts, 2002). A sustainable strategic management value chain considers socio-efficiency by enhancing a community's social capital and a firm's human capital; in addition, it is concerned with socio-effectiveness, including value to the global community (Freeman and Liedtka, 1997).

Hart (1995) suggested that sustainability is likely to occur within learning organisational structures which are flat, informal, team-based, participative and change-oriented. It is magnified by redefining organisational core assumptions and embedding cultural values (Stead and Stead, 1994).

Leonard and Sensiper (1998) suggested that sustainable competitive advantage depends on the cognitive capacity of people to apply knowledge (based on enterprise knowledge theory), specifically tacit knowledge.

Sustainable competitiveness calls for strategic flexibility enabling organisations to reallocate resources to novel innovative uses. Ren, Xie and Kraabbendam (2010) added that strategic flexibility should be stressed through continuous innovation. This is an indigenous factor allowing firms to obtain and sustain competitive advantages and overcome rivals' continuous mimicking of their current competitive advantages (Han et al., 1998).

Sustainable strategic management requires strategies which incorporate functional and competitive level strategies into the corporate level. Functional-level sustainable strategic management strategies focus on eco-efficiency, either associated with primary or secondary value chain activities. On the other hand, competitive level sustainable strategies include pollution prevention and product stewardship strategies with more focus on eco-efficiency (Stead and Stead, 2008). Moreover, at the corporate level, sustainable strategic management operates through creative processes, managing strategic business units' portfolios in ways that create synergies among organisational economic, social and ecological systems, contributing to the preservation of social and natural capital (Ansoff, 1979).

Ansoff's (1979) enterprise strategy perspective for sustainability pushes organisations to consider key sustainability-centered values and assumptions as well as key sustainability-centered stakeholders' networks in addition to broader economic, social and ecological issues into their strategic decisions emerging from the corporate, competitive and functional levels (Stead and Stead, 2008). However, this enterprise view of a sustainability strategy does not integrate a vision for sustainability into the decision-making processes.

Since the twentieth century's dynamically turbulent business environment requires another strategic response; thus, a new strategic change wave emerged in the 1980s represented by organisational transformation which involves changing an organisation's strategy, structure and culture. Changes concerned with the first two dimensions – strategy and structure – are considered first order changes which are incremental and convergent in nature, whereas changes in behaviour – culture – are regarded as second order changes which are transformational and radical, and which lead to fundamental organisational change (Guido Maes, Geert Van Hootehem, 2011).

Avery and Bergsteiner (2011) introduced a number of sustainable (“honey bee”) strategic leadership practices which are used to build and foster collaboration among stakeholder groups promoting an organisation's long-term value. This view of sustainability considers the organisation as an interdependent part of the wider community. They portrayed around 23 practices which allowed successful giant companies such as BMW to circumvent the poor economic conditions brought about by the global financial crisis. These practices range through the various organisational levels (functional, competitive and corporate), leading to sustainability of business management. They are ranked from lower to upper organisational levels and are represented in foundation, higher-level, and key performance drivers leadership practices.

Cameron (2012) suggested that sustainability requires organisations to pursue a shift in their corporate culture with a “unique people” development strategy. This strategy involves people at all organisational levels and communicates to them environmental and sustainability issues which are critical for business survival.

## SUSTAINABLE STRATEGIC MANAGEMENT FRAMEWORKS

A number of frameworks have been developed in the literature about sustainable strategic management. These include the following:

1. **Shrivastava's (1992) ecocentricism:** “organisation's goals should reflect sustainability, quality of life, and shareholders' welfare” (p. 131). Accordingly, an organisation's strategies, structures, values, processes, resources, products and services should be structured to account for ecological concerns. In other words, organisations should develop a corporate vision based on sustainability in order to continuously enhance the quality of the ecosystem and the survivability of their businesses. Shrivastava (1995) argued that sustainability requires organisations to operate in industrial ecosystems composed of firms seeking to minimize environmental degradation by using one another's waste to minimize the burden on natural resource use.
2. **Process-driven (pollution prevention) sustainability:** This provides firms with cost advantages through improved environmental efficiency; it ecologically reduces resource depletion, emissions and energy waste (Stead and Stead, 2008).
3. **Market-driven (product stewardship) sustainability:** This provides firms with competitive advantages by differentiating products ecologically while reducing environmental hazards and life-cycle costs to the minimum (Hart and Ahuja, 1996). Both types of process and market-driven sustainability strategies allow firms to achieve positive results.

4. **Sustainable development strategies:** It captures the cost savings, market differentiation and social legitimacy aspects of pollution prevention and product-stewardship strategies together (Hart, 1995 and 1997). They are designed to fight the unique social and environmental problems facing developing nations.

## **TOWARDS A COMPREHENSIVE CONCEPTUAL SUSTAINABLE STRATEGIC MANAGEMENT FRAMEWORK**

The literature reveals a number of approaches to define an organisation's sustainable competitive advantages. The paper attempts to integrate various approaches to sustainable strategic management by merging an "inside-out" perspective with an "outside-in" perspective into a unified framework for sustainability. The inside-out perspective includes an assessment of value-adding activities in a firm's value chain, its core competencies, a number of sustainable honey bee leadership practices operating through the levels (corporate, competitive and functional) and key instrumental values. On the other hand, an outside-in perspective to sustainability includes Porter's (1985) competitive forces model assessment, analysis of an organisation's competitive positions (McAleese, 1989), market orientation (customer, technological) (Bradmore, 1995), and sustainability-centred stakeholders' networks (Ansoff, 1979).

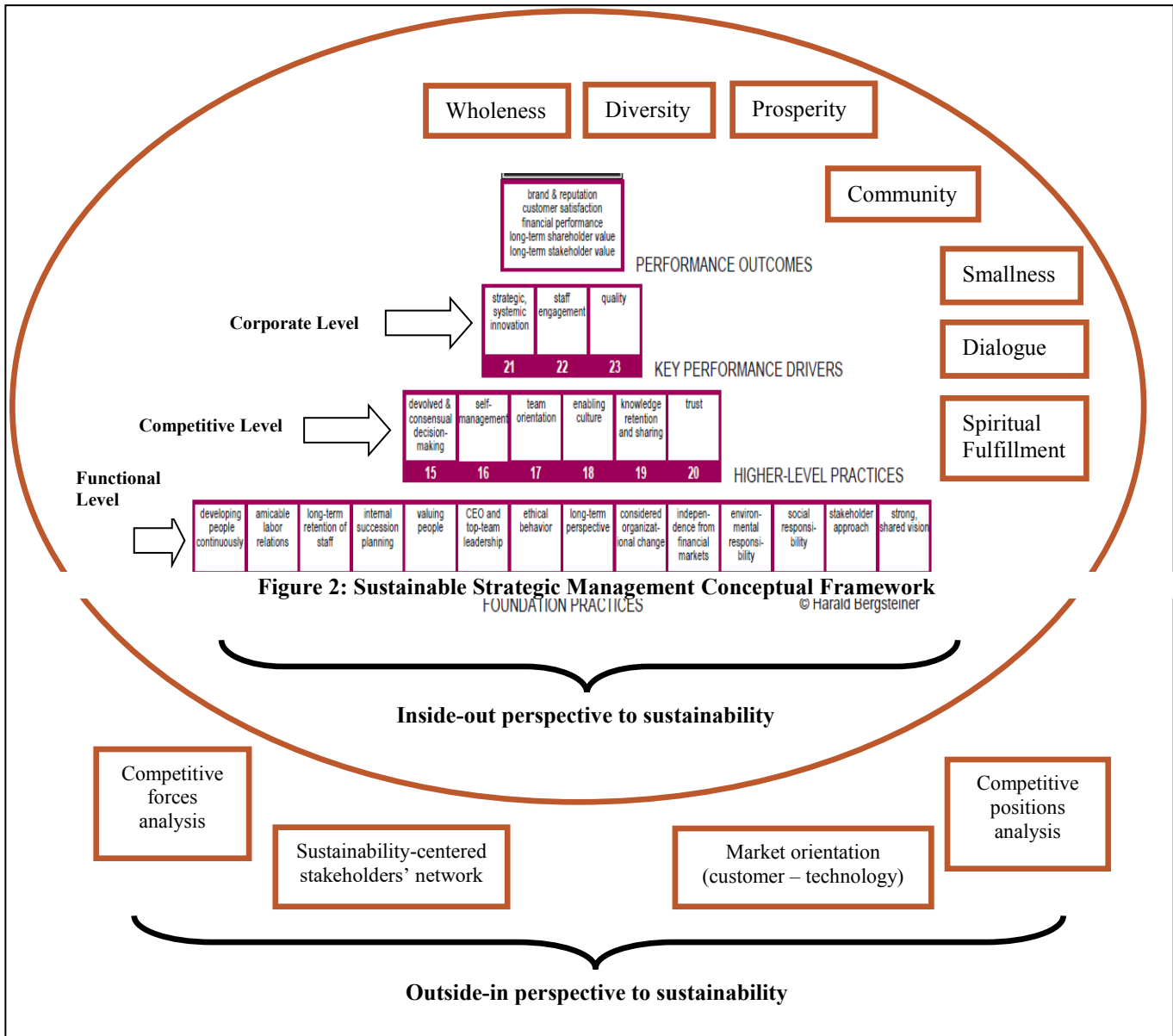
As seen in the following figure, the inside-out perspective to sustainability requires an internal audit of the extent to which the 23 (more/less) practices of honeybee strategic leadership are exercised across the various organisational levels. An important emphasis should be placed on communicating a shared vision for sustainability among people; the time scale should be 10–20 years ahead. In addition, seven key instrumental values to sustainability should be present supporting the core value of sustainability promoted at the top level of the sustainable leadership pyramid. They are personal but necessary to support the fulfilment of the core values (Freeman, 1984; Stead and Stead, 2000). These values include the following, as cited from the authors:

1. Wholeness: allows organisations to recognise interconnections with their economic, social, technological, political and natural environments. It offers a foundation for long-term mutual causal thought processes.
2. Diversity: perpetuates biophysical balance, cultural richness and economic success necessary to sustain a high quality of human life.
3. Prosperity: demonstrates that economic issues such as good jobs and shareholders' wealth are interwoven over the long term with ecological issues such as resource depletion, pollution prevention, species loss, social justice and gender equality.
4. Community: allows organisations to consider the social, environmental and economic benefits of being a good corporate citizen.
5. Smallness: focuses on the economic scale and enhances the creative output of work teams within organisations.
6. Dialogue: emphasises interactions with both internal and external stakeholders for sustaining a healthy ecosystem–economic system balance.
7. Spiritual fulfilment: focuses an organisation's attention on ultimate ends, putting together economic success and ecological protection as avenues for realising a higher quality of life.

These instrumental values form an interrelated network which when tied together can provide a sturdy web upon which organisations can achieve sustainability (Stead and Stead, 2000). Hart (1997) suggested that organisations need to develop a sustainability portfolio which asks the following questions:

- a) Is there an overarching vision of sustainability giving direction to an organisation's activities?

- b) To what extent has the company progressed through the stages of eco-enterprise strategy from pollution prevention to product stewardship and finally to clean technology?
- c) How do companies develop their skills as educators, not mere marketers of products/services to their customers?



**CONCLUSION**

Based on the proposed conceptual framework for sustainable strategic management, it can be concluded that organisations need to manage sustainability from inside-out perspectives and integrate them together while being guided by an overall shared vision for sustainability that is supported by a number of sustainable strategic leadership practices and instrumental values permeating various levels. They are also recommended to commission a periodic audit/assessment of the factors contributing to sustainability attainment and take corrective actions whenever needed; these might involve an adjustment of existing culture, structure,

processes or leadership practices, or the injection of new instrumental values supporting the core value of sustainability and responding to the ongoing assessment of external factors.

Sustainable strategic management should be thought of as an ongoing process of fitting/matching between internal as well as external factors contributing to sustainable business operations. Therefore, any organisational effort to sustain competitive advantages that ignores the integration of both perspectives might cease to succeed given the turbulent nature of today's business environment.

It should also be noted that the proposed conceptual framework for sustained strategic management that is based on a modest synthesis of the literature on the topic should be subject to empirical testing and validation efforts in order to test the validity of the underlying theories and possibly alter and/or extend them.

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