



MODULE 2: Understanding sustainable processes in real-world business setting



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1. Introduction

Sustainability in business environments means a company's effort to reduce negative environmental impact resulting from its operations and practices at all levels. This includes the company's strategy and practices in all organizational processes within the business ecosystem and is not limited to its products or services alone.

In recent years, sustainability has become a priority for many businesses, marking a shift from including social, economic, and environmental corporate responsibility to embracing a greater social purpose that reframes business and society on a grander scale. Real-life sustainability in the business environment extends well beyond corporate social responsibility statements.

In this module, we will introduce sustainability in the business environment, including potential difficulties, setbacks, and dilemmas. We will look at various stakeholders whom an organization can (and should) involve in its sustainability efforts. We will also cover the prerequisites of a company's transformation to sustainable business practices, such as its sustainability vision, strategy, and plan, which form the basis for organizational change across all processes. Organizational changes often entail increased uncertainties, which an organization needs to be ready to manage, including finding ways to sustain its sustainability efforts.

Finally, we will discuss the importance of sustainability empowerment in the workplace, along with its beneficial results for the company and its employees.

2. Key words

sustainability plan, Corporate Social Responsibility (CSR) statements and plans, business ecosystem, organizational change, strategic transformation

3. Learning Objectives

- Understand the benefits of businesses adopting sustainable approaches
- Identify various stakeholders involved with sustainability in business environment
- Outline the steps an organization needs to take from envisioning, strategizing, planning and implementing change in the organizational processes to move towards sustainability

4. Sustainability in business environment

Sustainability has become a top priority for many businesses in recent years. Sustainability in business environments means a company's effort to reduce negative environmental impact resulting from their operations and practices on all levels. This includes a company's strategy and practices in all organizational processes and is not limited to their product or service alone. In recent years, a growing number of companies have adopted sustainability as a general approach in their company's business models and daily operations by integrating social and environmental issues in their strategies through the adoption of socially responsible corporate policies (Bansal & DesJardine, 2014). Businesses that practice corporate social responsibility mean to improve the economy, their communities, and the environment – their goals extend beyond their ability to make a profit in the face of competition.

The idea that companies can “do well by being good” is two-fold:

- Meeting the needs of the stakeholders directly creates value for shareholders (e.g. employee satisfaction); and
- Not meeting the needs of the stakeholders can destroy shareholder value (e.g. consumer boycotts, issues with recruitment of necessary personnel, potentially paying punitive fines to governments/officials) (Freeman, 1984).

However, a concern that is often raised when businesses are moving towards sustainability is that adopting environmental and social policies can cause a strain on the business itself, especially in terms of costs in relation to profits, leading to the destruction of shareholder wealth – the argument is that sustainability might be a type of agency cost to the company (Clarkson, 1995).

However, most real-world examples show that sustainable business practices are beneficial for companies, employees, and the environment, as they can help companies reduce costs as well as increase profits, improve public image, account for greater employee satisfaction, and enhance social responsibility (Porter & Kramer, 2011).

5. Company-level sustainability efforts

Sustainability is a joint effort for a greater communal good – every individual can contribute their own part towards more sustainable working and living. Therefore, to become sustainable, a business must engage everyone who can contribute.

When it comes to improving sustainability and implementing environmentally, economically and socially sustainable initiative and practices in business, there are some people who are in a unique position to bring change into the way the organization operates. An organization should be mindful of how to plan to activate all of these groups of individuals:

- Business owners, organizational leaders, high executives
- Managers, supervisors, administrators
- Human resources professionals
- All employees

5.1 Business owners, high executives and organizational leaders

Business owners, high-level executives, and organizational leaders are the individuals responsible for making strategic sustainability decisions that benefit the business, its customers, employees, and the greater ecosystem. They are capable of identifying the most

effective strategies and initiatives, possess the necessary skills to make effective top-down decisions, and have the power to change company policies (KPMG, 2020).

5.2 Managers, supervisors and administrators

Managers, supervisors, and administrators have a more active role in the day-to-day operations of an organization than business owners, high executives, and organizational leaders, which provides them with unique insights into how the organization operates. This participation in everyday business processes gives them a different perspective and understanding of how to improve sustainability or start to implement sustainable practices. They also have a unique combination of skills and expertise in their field and team, making them a valuable link in the sustainability transition and upkeep. On one hand, they can provide business owners, high executives, and organizational leaders with potential new ideas and ways to improve sustainability. They can oversee the implementation of the adopted strategies and business models, report on potential issues or setbacks, and be mindful of how practices are being carried out by their subordinate employees. They can also support employees with the direct implementation of sustainable practices in their work and working environment.

5.3 Human resource professionals

Human resource professionals play an important role in the development, creation, and implementation of company-wide and department-wise sustainability policies and practices. They are essential individuals who help co-create and support a company culture where sustainability can truly become part of the company's day-to-day operations. HR professionals can act as cultural ambassadors, helping all managers, supervisors, administrators, employees, and new recruits feel valued as key actors in the company's path towards sustainability.

HR professionals can help create a business environment, including company culture and climate, that reflects the company's values in terms of social, economic, and environmental responsibility. They can also create an environment that encourages employees to share their ideas about sustainability, and help managers, supervisors, and administrators lead their teams in a way that supports the organization's sustainability strategy and plan. Additionally, HR professionals can play a role in recruiting sustainability-conscious employees and in ingraining

sustainability policies into the company culture for business owners, high executives, and organizational leaders.

5.4 All employees

For sustainability strategies to truly integrate into a company's daily operations, all employees must be actively engaged. An organization can commit to making every employee and department accountable for sustainability to advance action and further operationalize sustainability across its entire business (Senge, 1994). Organizations need to encourage employees to come up with and share their own thoughts and ideas about improving the sustainability of the organization (Steg, Bolderdijk, Keizer, & Perlaviciute, 2014). Bottom-up initiatives, which come from first-hand experience with the product/service of the company, are typically based on everyday experience and have a direct influence on company processes and profitability. However, improving sustainability is not the only reason a company should be mindful of employee initiatives; this helps improve overall employee engagement and productivity, improves organizational commitment and employee retention as well as boosts company climate and job satisfaction (Kompaso & Sridevi, 2010).

6. Sustainability in external business environment

For a business to achieve true sustainability and become a driving force in the improvement of sustainability within its broader sectorial environment, it is essential to engage all relevant stakeholders on all levels of business activities. This means addressing sustainability across the entire business ecosystem, including the core business, extended business, opportunity environment, and society as a whole. While the level of impact that an organization has on these stakeholders may vary significantly, with the organization having the most direct impact on its internal stakeholders, its impact and the possibilities for influencing sustainability decrease as it moves further away from the center of the ecosystem. However, involving all parts of the ecosystem is crucial to bringing about the desired changes.

6.1 Supply chain ecosystem stakeholders

An organization has the most direct and typically biggest impact on their supply chain ecosystem, aside from their internal stakeholders. This includes the organization's shareholders, strategic partners, trusted suppliers, trusted vendors, investors, and any other parties with whom the organization has a direct relationship. By calling for change from these partners, an organization can directly influence their sustainability endeavors. This may involve re-negotiating business relationships, sharing good practice examples, or opting for more sustainable products and services.

6.2 Downstream stakeholders

Engaging downstream stakeholders in sustainability efforts can have a significant impact on a company's sustainability goals. This includes working with local authorities to ensure compliance with regulations and implementing sustainable practices within the community. In addition, involving target and existing customers in sustainability initiatives can lead to increased brand loyalty and customer satisfaction. Trade unions and employer organizations can also play a role in promoting sustainable practices within a company and its industry. By working with downstream stakeholders, companies can create a more sustainable and resilient business model.

6.3 Broader (business) ecosystem

An organization has the least impact on broader stakeholders, such as educational entities, comparable organizations, social and traditional media, competitors, national agencies, and government. However, they can still greatly influence them by setting an example, sharing good practice examples, directly engaging and supporting sustainable causes and calls to action, and providing broader incentives. Collaboration is critical for efficient sustainability practices, especially in solving crises and shaping broader, cross-communal, cross-industrial, or cross-country solutions. Governments have recently started positioning their economies for a sustainable future, making it easier for companies to innovate and capture value from new

circular and net-zero economy businesses. This societal shift is something that any individual organization can further support.

6.4 Business collaboration

Sustainability is a systemic concept, and an organization cannot achieve it alone. Additionally, one company cannot change the industry's value model by itself. Traditional business strategic approaches typically involve head-to-head competition, but the concept of business ecosystems supports new systemic collaborations to create sustainable value for different parties and actors through collaboration between businesses. Companies can join forces to drive economic, social, and environmental changes. A recent example of this can be seen in the financial services sector, where investor pressure has significantly influenced the market and share value.

7. Strategic transformation

If an organization aims to achieve success in its sustainability efforts, it must carefully plan and implement a strategic transformation of its business as a whole. This means reimagining and reconfiguring the way the company operates across the entire organization, involving all processes and stakeholders.

To enable a strategic transformation, a clear vision, strategy, and plan must be developed.

7.1 Sustainability vision

The first step in creating a sustainability strategy is having a clear vision of the desired future business and outcomes that is agreed-upon by all relevant decision makers. This can include improvement of business impact, business perception, consumer perception, reducing costs

or improving profits, improving business reputation or competitive advantage, long-term societal change or any other area that is important to an organization.

7.2 Sustainability strategy

On the basis of the vision, an overall strategy can be prepared. A strategy provides guidelines for long-term business changes, while a sustainability plan is based on shorter-term changes to organizational processes. A strategy is less defined and less specific than a plan, and contains broader concepts of desired changes (Carroll & Buchholtz, 2021).

A precondition for assessing and improving a company's sustainability practices is transparency. For companies to achieve transparency, they need to openly communicate with all key stakeholders. This includes high levels of information disclosure, clarity and accuracy of information, as well as a readiness to recognize and account for faults and mistakes and continuously improve their practices and processes (Epstein & Buhovac, 2014).

The organization also needs to align its existing company strategies with its sustainability efforts. Any divergence can cause disruption in the implementation of sustainability-related changes and innovations in organizational processes. Lack of proper alignment between the company's overall strategy and sustainability can make its efforts in implementing sustainability fragile. This can be caused by a lack of prioritization, commitment, or poor communication of planned changes to employees and other stakeholders, resulting in delays and unwanted results in organizational processes (Carroll & Buchholtz, 2021).

In order to address sustainability appropriately, companies need to have a plan and strategy to bridge two critical gaps:

- The "knowing doing" gap. This gap relates to the discrepancies between stated values and the active incorporation of these values into all business processes. While most employees in a company might find sustainability to be important, the company must provide the necessary means for sustainability to be integrated into the company's day-to-day activities. Without such integration, the implementation of sustainable

endeavours will be impossible. Sustainable thinking is not enough if it is not put into action. Not all companies incorporate sustainability in their strategy, and only a small share of companies incorporate sustainability in their business models. This step is the first step in providing the means of integrating environmental and social issues into the organization.

- The “compliance – competitive advantage” gap. In recent years, there has been an increase in organizations seeing sustainability as an area of competitive advantage. Quite often, the subject of competitive advantage is addressed in correlation to compliance. However, compliance is a prerequisite in all businesses (all companies need to be compliant), and therefore these topics should be addressed separately. Companies need to address compliance first, which often relates to laws and regulations in energy efficiency, waste management, pollution, as well as labour responsibility and human rights. When making investment decisions, investors often shy away from compliance risks. However, lately more attention has been paid to an organization’s sustainability performance as well.

7.3 Sustainability plan

After establishing a clear vision and strategy for company sustainability, the first step in creating a sustainability plan is to analyse all available data and identify areas for improvement. These areas may include economic viability, social equity, and environmental issues related to the company's core business or its broader ecosystem. Typically, areas connected to the core business are easier to identify, assess, analyse, and implement changes in.

The next step is for the company to explore opportunities to incorporate changes in the identified areas. This can involve mechanisms such as innovation (problem-solving, adoption of new technologies, improvement of existing technologies, finding new or better ways of implementing organizational processes, etc.), soliciting input from employees or other stakeholders (market research, customer feedback, etc.), upgrading business and industrial infrastructure, and investing in technology.

Based on this analysis, the company should set clear, well-defined goals that are specific and achievable within realistic timelines. These goals should be accompanied by a clear plan for implementation, monitoring, and evaluation. The company should set realistic targets that it can achieve, even if they require significant planning and changes. The plan should define the desired outcomes, the person(s) responsible for achieving them, the actions required to accomplish the goals, the budget, roles, and measurements to be implemented in the organizational processes, and a monitoring, tracking, and evaluation system with a comprehensive timeline.

By following this process, the company can create a comprehensive sustainability plan that leads to organizational change and improved sustainability practices.

8. Organizational change

Within the recent years, some organizations have shifted from Corporate Social Responsibility to Social Purpose. This means that some organizations have shifted from having a community investment strategy and sustainability as an optional “nice to have” mindset towards adopting a holistic approach to sustainability and incorporating sustainable practices and goals into everything they do. This means they have incorporated a large organizational change – shaping organizational interactions and development on all business processes by changing the rules and expectations of their internal and external publics.

Introducing and implementing organizational change can be a challenging task. Organizational change is implementing any plan to shift the way an organization does business and performs organizational processes – new business strategy, employee practice, software, equipment, ... A shift towards sustainability requires changes in all of these areas, which means it also requires effective change management – preparing employees and all involved shareholders for an organizational transition using various resources and strategies.

After the organization has developed an organizational change plan, the plan needs to be effectively communicated to all persons involved – most importantly employees, as they will be directly influenced by this change. This means that an organization needs to prepare its main messages, make them suitable for their identified target audience and consider ways of delivering the message. Clearly communicating the reason why the change is being implemented and demonstrating the necessity to change helps employees understand the potential benefits the change will bring, motivating them to actively participate and making the transition easier. However, depending on the change, planning for management response to potential resistance and feedback from employees is also necessary.

Implementing changes generally happens in stages, with a pre-set timeline, complete with intermediate deadlines for evaluation of the implementation process. Change can also be implemented gradually, for example through pilot programs. A company should monitor the change throughout implementation to keep an eye on the progress and help fix any potential mistakes or unexpected outcomes. After implementation, change is evaluated and results communicated to all involved – all relevant stakeholders.

Organizational change in introducing a sustainable approach means changing the rules and expectations that shape organizational interactions and development, on all business processes. Any particular organizational process is embedded in a variety of other processes, making it difficult to predict the outcome or long term consequences of even small changes. Organizational changes mean increased uncertainty that the organization has to be ready to manage. It can take years to (try to) achieve full sustainability in business. Sustaining sustainability is therefore pivotal in real-world business environment.

9. Sustainability empowerment

Sustainability empowerment in the workplace is dependent on the context of work as well as the individual characteristics of employees. Therefore, when preparing a sustainability strategy and plan, it is essential to consider all these aspects and incorporate ways of managing them effectively.

Regarding the context of work, important parts of sustainability empowerment in the workplace are work design characteristics, such as using sustainable equipment and materials, managerial and leadership practices, such as perceived organizational support towards sustainability, and the socio-political environment, such as governmental incentives towards sustainability and open calls to support the business environment in this transition. Organizations have a direct influence on some of these aspects, such as work design characteristics, but not on others, such as the socio-political environment, which is an important aspect to take into consideration.

Individual employee characteristics and team characteristics also play a vital role in sustainability empowerment. The sustainability orientation of employees has a direct impact on their willingness to adopt new sustainable practices and engage actively in sustainability improvement. Factors that influence this include self-evaluation traits and social responsibility as an important value. While employee individual characteristics are not something the organization has direct control over, recruitment and employment practices, as well as incentives in changing company culture, skill building, competence frameworks, and support in providing a healthy company environment and social climate, are ways in which organizations can influence this.

Giving special emphasis to sustainability empowerment in the workplace, both in team empowerment and individual psychological empowerment, yields two distinct types of results. First, it results in a change in attitude, which includes increased job satisfaction, lower turnover intentions, and higher organizational commitment. Second, it results in a direct change in employee behaviour, including better individual and group task performance and greater task innovation.

10. Summary

Sustainability is becoming an increasingly important aspect of business models and daily operations for many companies. Such businesses aim to make improvements to the economy, society, and the environment through their commitment to social responsibility and sustainability. However, since sustainability is such a broad and all-encompassing concept, companies need to engage with all relevant stakeholders to implement changes throughout their ecosystem and organizational processes. This requires active engagement of all employees, from business owners and high executives to managers, supervisors, administrators, and the HR department. Furthermore, companies need to engage their external stakeholders and their broader business ecosystem.

For a company to truly become sustainable, it needs to undergo systemic change and strategic transformation. To achieve this, the company must develop and implement a clear vision, strategy, and plan on how to reconfigure its operations. This requires organizational change, and an effective transition necessitates developing a change management plan. The plan should include effectively communicating the desired changes, gradual implementation, and evaluation of the change. Sustainability empowerment in the workplace can help employees adopt the company's sustainability efforts while simultaneously bringing about positive changes in attitude and employee behaviour that are beneficial to the company.

Ultimately, for a company to be successful in its continuous transformational path towards sustainability, it needs to develop ways of sustaining sustainability.

11. Questions for reflection

- 1) On which stakeholders and processes should a good sustainability plan be based?
- 2) What makes organizational change difficult to manage?
- 3) What sustainability issues do you think companies might face in their work environment in the future?
- 4) Can you suggest some ways for a company to sustain their sustainability efforts?

12. Useful References and Resources

- 1) [Beyond corporate social responsibility: Integrated external engagement.](#)
- 2) [The importance of environmental awareness when running a business](#)
- 3) [A process to implement the sustainability in organizational management: Support tools.](#)

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