

## CORPORATE SUSTAINABILITY PERSPECTIVE IN THE CONTEXT OF A MULTI-LEVEL STAKEHOLDER MANAGEMENT

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### **Abstract:**

This paper presents various definitions of Corporate Sustainability (CS), each related to certain social circumstances and values. The goal is to develop a framework in order to assist an organization in finding an appropriate path, relying primarily on the dominant values. A general model of CS strategy is not reasonably available in the context that organizations are faced with different problems. Concepts such as stakeholder engagement, public disclosure, human capital and Human Talent Management should be tailored to the specific level of ambition of Corporate Sustainability. The first step in drawing a roadmap for Corporate Sustainability is defining the present position. Many tools are available for diagnosis; these provide a deep understanding of the dynamics and complexity of the organizations. It is important to define the constraints, challenges and risks but also, it is important to define also the dominant values and depending on these, to develop an appropriate strategy. The model proposed in this paper helps in shaping a stakeholder management strategy in four distinctive hierarchical levels: vitalizing, optimizing, shifting and transition. This model can be adapted depending on the values of each organization, complexity and objectives. Recently, the focus is increasingly on social issues and human resources. The success of an organization depends not only on processes, numbers and systems. One of the important values is employees' talent or strategic planning of human resources. Recruiting, retaining, developing, rewarding employees are aspects that are part of Human Talent Management, issues mentioned and developed in the present work.

*Keywords: corporate sustainability, human talent management, stakeholder management, system values*

# 1. CORPORATE SOCIAL RESPONSABILITY VERSUS CORPORATE SUSTAINABILITY

According to Montiel, 2008, management literature uses both Corporate Social Responsibility CSR and Corporate Sustainability CS to refer to social and environmental management issues, but there is no clear distinction between the two terms. Although CSR and CS evolved having different histories, both share the same vision, which intends to balance the responsibilities of the social, economic and environmental frames. Combining some elements of CSR and CS, might create a much better definition for organizations working to become sustainable and socially responsible. In the following, the tables 1 and 2 show few relevant definitions of CSR and CS over time.

**Table 1:** CSR definitions

| Reference           | Definition   |
|---------------------|--|
| Elbing Jr, 1970     | <i>Social Responsibilities of Businessmen</i> : describes the social responsibility framework, businessman has a responsibility more important than profit maximization, opposed to the economic framework; businessman has one singular responsibility to maximize profits of its owners. (Montiel, I., 2008)   |
| Friedman, M., 1970  | "there is one and only one <i>social responsibility of business</i> – to use it resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud" (Friedman, 1970).  |
| Purcell, 1974       | <i>Corporate Social Responsibility</i> : a willingness on the part of the corporate manager - acting not only as an individual but as a decision-maker implicating his firm - actively and with moral concern to confront certain social problems he deems urgent and to bend the influence of his company toward the solution of those problems insofar as the firm is able to do so. Such responsibility requires that the manager balance intelligently the needs of the many groups affected by the firm so as best to achieve both profitable production and the common good, especially in situations in which he is not required to do so by law or by external pressures which the company cannot easily resist. (Montiel, 2008) |
| Mears & Smith, 1977 | <i>Social Responsibility</i> : responsibility of the firm to the public, employee, and consumer; and responsibility of the employee to the firm. (Montiel, 2008)   |
| Carroll, 1978       | <i>Corporate Social Performance</i> : as a firm's economic, legal, ethical, and social/philanthropic responsibilities to society. (Carrol, 1999)   |
| Zenisek, 1979       | <i>Social Responsibility</i> - a model with four phases: owner-manager type; organizational-participant type; task-environment type; societal type.  |
| Van Marrewijk, 2003 | Van Marrewijk combines literature review and philosophical analysis. A successful CSR strategy, according to Van Marrewijk, has to be context specific for each individual business, i.e. what are the specific CSR issues to be addressed and how to engage with the stakeholders.  |
| Dahlsrud, A., 2008  | According to Dahlsrud, the definitions show that CSR is nothing new at a conceptual level; business has always had social, environmental and economic impacts, been concerned with stakeholders.   |
| Bowen, H. R., 2013  | <i>Social responsibilities of a bussinessmen</i> will be used to refers to the obligations of businessmen to pursue those polities, to make those decisions, or to follow those lines of action which are desirable in terms o the objectives and values of our society (Bowen, 2013).   |

Source: Authors own research

**Table 2:** Terms and definitions related to Corporate Sustainability

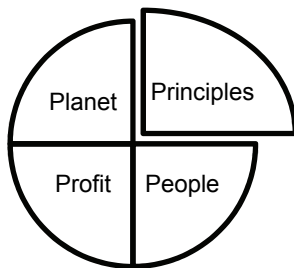
| Reference   | Definition  |
|---|---|
| Falk, 1972  | Asserts that the values underpinning <i>sustainable development</i> include 'the unity of mankind and the unity of life on earth, with particular recognition that the future of man and the planet are tied to one another.  |
| The Brundtland Report, Our Common Future, 1987                  | <i>Sustainable Development</i> : "meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. (Burton, 1987)  |
| Starik & Rands, 1995  | <i>Ecological Sustainability</i> : ability of one or more entities, either individually or collectively, to exist and flourish (either unchanged or in evolved forms) for lengthy timeframes, in such a manner that the existence and flourishing of other collectivities of entities is permitted at related levels and in related systems. (Montiel, 2008)  |
| The 2002 World Summit on Sustainable Development                | The Johannesburg Declaration created "a collective responsibility to advance and strengthen the interdependent and mutually reinforcing pillars of <i>sustainable development</i> - economic development, social development and environmental protection - at local, national, regional and global levels."  |
| African Delegate to Johannesburg (Rio+10) <sup>1</sup> , 2002.  | <i>Sustainable Development</i> "Enough - for all - forever."  |
| Van Marrewijk & Werre, 2003                                     | <i>Corporate sustainability</i> refers to a company's activities - voluntary by definition - demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders. A differentiated set of CS definitions implies that there is no such thing as the features of corporate sustainability. Transparency, public disclosure, stakeholder engagement, waste management, societal approach to business, human capital, any CS/CSR activity or intervention can be implemented effectively only in supportive contexts and situations. |
| Bansal, 2005  | <i>Corporate Sustainable Development</i> : introduces the new CSD construct based on three principles: economic integrity; social equity; environmental integrity. (Montiel, I., 2008)  |
| The sustainable development strategy of the UK government, 2005 | "We need a major shift to deliver new products and services with lower environmental impacts across their lifecycle, and new business models which meet this challenge while boosting competitiveness" (HM Government, 2005, p. 7).   |
| Ehrenfeld, 2005   | <i>Sustainability</i> : the possibility that all forms of life will flourish forever. (John Ehrenfeld, 2005)  |
| Visser, W., Matten, D., Pohl, M., & Tolhurst, N., 2010          | <i>Sustainable development</i> is now widely accepted. It was brought into greater focus in 1994 with the introduction of the triple bottom line concept, which has subsequently been widely adopted – for example, by the Global Reporting Initiative (GRI).   |

Source: Authors own research

The definition of the CSR and CS concepts has been made in many ways over time, but, as it can be observed in those two tables, the border between those two terms is very thin. Still, Van Marrewijk, M., & Werre, M., 2003, explained that the CS-level differentiation is achieved by adding a fourth P (from Principles) to existing triple bottom line concept Profit-People-Planet - the 4P-framework of Corporate Sustainability (figure1). Additionally, in 2010, Marcel van Marrewijk recommended to keep a distinction between terms: CSR relates to phenomena such as transparency, stakeholder dialogue and sustainability reporting, while CS focuses on values, system of values, environmental management, environmental friendly production systems, human capital management and so forth. In the view of this statements and considering that, in follow lines, it will be put on table topics like: values, principles, professional development, in this paper the term - Corporate Sustainability - will be used more often.

<sup>1</sup> World Summit on Sustainable Development , Johannesburg, South Africa, 10 years after the first Earth Summit in Rio de Janeiro. It was therefore also informally nicknamed Rio+10.

**Figure 1:** The 4P-framework of Corporate Sustainability



Source: Authors own development

## 2. THE ROUTE TO CORPORATE SUSTAINABILITY

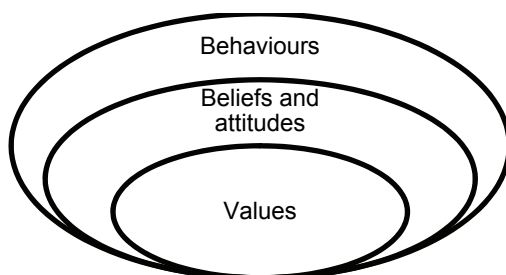
### 2.1. New business models are required

As a result of globalization, context in which the organizations work is changing at an increasingly rapid rhythm. New stakeholders and new legislations are putting new expectations on business. Today, managers from some of the world's largest and most profitable corporations are actively seeking to transform their businesses to respond to sustainability issues (Benn, S., Dunphy, D., & Griffiths, A. 2014). *As a result of continuous progress, with different challenges, everybody, even the managers or the corporate executives, have to adapt or to change their behaviours.* There are persuasive arguments for sustainability and for ethical responsibility in order to find ways to transform the earth's resources and to reshape the physical and social environment. Thus, in such a context, CS management tools and models are needed for develop and implement a sustainable business strategy. In terms of adaptation to change business tools existing on the market at this moment have at least two negative sides. First, existing models were designed to be used in specific circumstances and as long as no change occurs, these models and tools will keep their status and practical use. But when change is continuing, these tools do not offer efficient long-term solutions. Secondly, the enormous amount of new tools and concepts attractive for management were recently introduced on the market, making it difficult for managers to select the most suitable for achieving desired results.

### 2.2. Value system

According to Homer & Kahle (1988), a series of analyses supported the hypotheses that values (personal and cultural) influence attitudes. In turn, attitudes were found to influence behaviours, as the final phase in the value-attitude-behaviour hierarchy (figure 2).

**Figure 2:** Value-attitude-behaviour hierarchy



Source: Homer & Kahle, 1988

One or more people can hold a value system. Also, a value system can be applied either one person or more. In the following table are listed few definitions of value system.

**Table 3:** Value system

| Reference                        | Definition   |
|----------------------------------|--|
| BussinessDictionary.com          | <i>Value system</i> : a coherent set of values adopted and/or evolved by a person, organization or society as a standard to guide its behaviour in preferences in all situations.  |
| Graves, C., 1974                 | Alternative terms for “value” could be “levels of human existence”, the latter was used by professor Clare W. Graves <sup>2</sup> . Graves’ research showed that “ <i>value systems</i> are like themes or movements in a symphony, beginning with its simplest expression and working through ever-increasing levels of complexity. As humans evolve from one level to the next, as in a spiral, their world and their thinking becomes more complex”. (Graves, 1974)   |
| Rosado, C., 2004                 | There are over 6 billion people in the world today, and though we all come from some 30,000 genes—all of us—we share only a few basic “ <i>value systems</i> ”, eight of this were identified by Dr. Clare W. Graves. Though initially Graves used letters of the alphabet to identify the value systems levels, his students, Beck and Cowan, gave color-coded to these for the sake of clarity and easy understanding.   |
| Wenstøp, F., & Myrmel, A., 2006. | They have proposed a structure for <i>corporate value systems</i> that consists of three main value categories juxtaposed on the same level: <i>Core values</i> prescribe the attitude and character of the organization. They are often found in sections on code of conduct, values statement, or credo. <i>Protected values</i> are protected through rules, standards and certificates. They are mostly found in sections concerning health, environment and safety. <i>Created values</i> are the values that stakeholders, including the shareholders, expect in return for their contributions to the firm. They are often found in sections on objectives and always in the annual report. |
| Marrewijk, 2008                  | A consistent system of values, beliefs and corresponding behaviour.  |

Source: Authors own research

### 2.3. Multiple levels of corporate sustainability

Multiple Levels of Corporate Sustainability<sup>3</sup> are based on significant organization values, six most relevant ambitions levels in the context of corporate sustainability were established and were shown in the Table 4. It was used the same colour codes as Beck and Cowan in 1996 for codification the value systems, respectively red, blue, orange, green, yellow and turquoise. Every organization has the option to choose an ambition level based on awareness of circumstances and on existing values systems. Every level of ambition will lead to the implementation of business practices and toward an institutional development corresponding to demonstrate the performance and the level of sustainability.

<sup>2</sup> Graves died in 1986 before releasing his major work, a book entitled *Levels of Human Existence*. His students have published, later, the essence of the Gravesian theory in a book called *Spiral Dynamics: Mastering Values, Leadership and Change* (Edwart, B.D., &Christopher, C. C., 1996).

<sup>3</sup> In 2001 Van Marrewijk initiated an international research project assigned by the European Commission to develop a Multilevel Framework of Corporate Sustainability. Erasmus University Rotterdams Faculty of Business Administration is leading the EU-financed, international research project, entitled ‘European Corporate Sustainability Framework’ (ECSF). Project provides coherent sets of corporate institutional arrangements, including or based upon value systems, management philosophies, methodologies, business concepts and related sets of measurement tools and practices. The objectives of the project are to aid organizations to improve performance, encourage inclusion of various stakeholders interests into corporate decision making as well as support them to become more sustainable operating entities. In this project – ECSF - Van Marrewijk and Werre, based on Gravesian Value Systems, established a set of the CS ambitions levels expressed on six different contexts.

**Table 4:** Multiple levels of CS

| CS levels                   | Typical Values  | Description   |
|-----------------------------|---|---|
| Pre-CS (Red)                | Courage, vitality, strength, respect, personal power, territorial, intimidation, hedonism, loyalty to persons                 | Basically, at this level, there is no ambition for CS. However, some steps labelled as CS might be initiated through external pressures such as legislation or buyers' strikes. Close monitoring and constant reinforcement would be required.  |
| Compliance driven CS (Blue) | Clarity, discipline, responsibility, loyalty, duty, guilt, conformity, justice, obedience, orderliness                        | At this level, CS consists of providing welfare to society within the limits of regulation from the rightful authorities. In addition, organisations may respond to charity and stewardship considerations. The motivation for CS is that it is perceived as a duty and obligation or the 'just' way to act.  |
| Profit-driven CS (Orange)   | Results, reward, image, quality, innovation, productivity, creativity, career advancement, enterprising, control              | At this level, CS consists of the integration of social, ethical and ecological aspects into business operations and decision making, provided it contributes to the financial bottom line. The motivation for CS is the business case as it is promoted when it is profitable, such as an improved reputation in the market place.   |
| Caring CS (Green)           | Consensus, conflict avoidance, teamwork, equality, participation, honesty and openness, being a decent person, harmony        | Here, CS consists of balancing the economic, social and ecological concerns. CS initiatives go beyond legal compliance and profit considerations. The motivation for CS is that human potential, social responsibility and care for the planet are all important.   |
| Synergistic CS (Yellow)     | Insight, integrity, learning, long-term orientation, ability to reflect, flexibility, tolerance for uncertainty and paradoxes | At this level, CS consists of a search for well-balanced, functional solutions to create value in the economic, social and ecological realms of corporate performance in a synergistic win-win approach with all relevant stakeholders. The motivation for CS is that sustainability is important in itself, especially as it is perceived as being the inevitable direction to progress.                                   |
| Holistic CS (Turquoise)     | Inspiration, interdependence, future generations, ability to forgive, wisdom, sufficiency, responsible living                 | Here, CS is fully integrated and embedded in every aspect of the organisation, aimed at contributing to the quality and continuation of life of every being and every entity, now and in the future. The motivation for CS is that sustainability is the only alternative since all beings and phenomena are mutually interdependent. Therefore, each person or organisation has a universal responsibility for all others. |

Source: Van Marrewijk, M. & Were, M, 2003.

#### 2.4. Multiple levels of stakeholders management

According with Multiple Levels of CS model, and using the specific colours, Van Marrewijk, M.&Were, M, 2002, have defined the stakeholders management for the three dimension Profit, Planet and People (Table 5).

**Table 5:** Multiple levels of stakeholder's management

| Stakeholder    | Red  | Blue                                  | Orange   | Green  | Yellow  | Turquoise                                |
|----------------|--|---------------------------------------|--|--|---|--|
| <b>Profit</b>  |  |                                       |  |  |   |  |
| Share-holders  | Share-holders are relevant when powerful.                    | Keep owners satisfied.                | Maximizing shareholder value is key; Managing perceptions of potential shareholders to increase stock price. | Balancing shareholder value with interest of other legitimate stakeholder. | Increase of stakeholder values furthers shareholder returns as well doing something of use. | Fair price for owners, no stocks traded. |
| Investors      | Tell them whatever it takes to keep them from interfering.   | In line with relevant regulations.    | Proactive managing of relations to secure financing at minimum costs.  | Beginning of exchange of social and environmental information.             | Full info on Corporate Sustainable Performance  |  |
| <b>Planet</b>  |  |                                       |  |  |   |  |
| Neighbour-hood | Non issue.   | Compliance with relevant regulations. | High visibility projects boosting reputation.  | Supporting development   | Together win.   |  |
| <b>People</b>  |  |                                       |  |  |   |  |
| Consumers      | Victims  | Company Oriented.                     | Market oriented, but still basically supply push.  | Discovery of the human being behind the customer.                          | Truly customer oriented.  | Integrated production consumer systems.  |
| Suppliers      | 'Players who are trying to get to us before we get to them'. | Hierarchy; loyalty; tradition.        | Business based on strict cost (win-lose approach).   | Process control and internal Audits.                                       | Together win approach.  | Integrated supply chains.                |

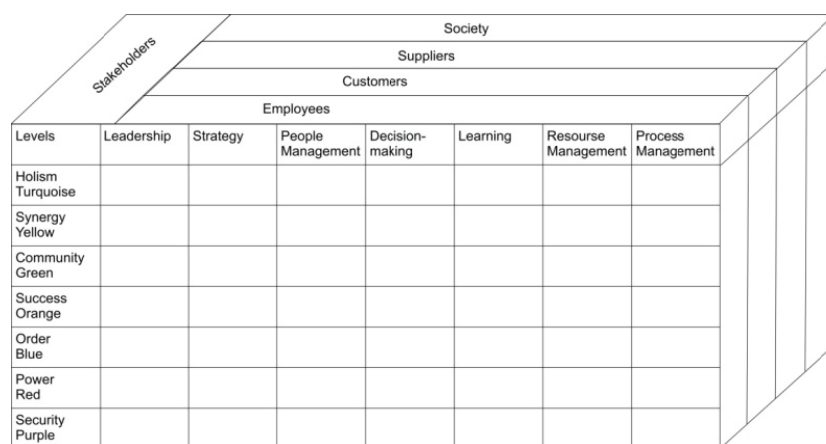
Source: Van Marrewijk, M.&Were, M, 2002.

## 2.5. Cubrix – an integral model for diagnosing performance

*Cubrix* elaborated by Van Marrewijk is a sophisticated integral management framework, which support further analyses of institutional arrangements in practice and emphasize the relationship between performance and organization development. The *Cubrix* shows the three dimensions:

- organization development (CS ambition multi-levels);
- disciplines (multi-disciplinary management areas): the path of development;
- multi-stakeholder management (People, Profit, and Planet): the most relevant stakeholders to the organisation should relate.

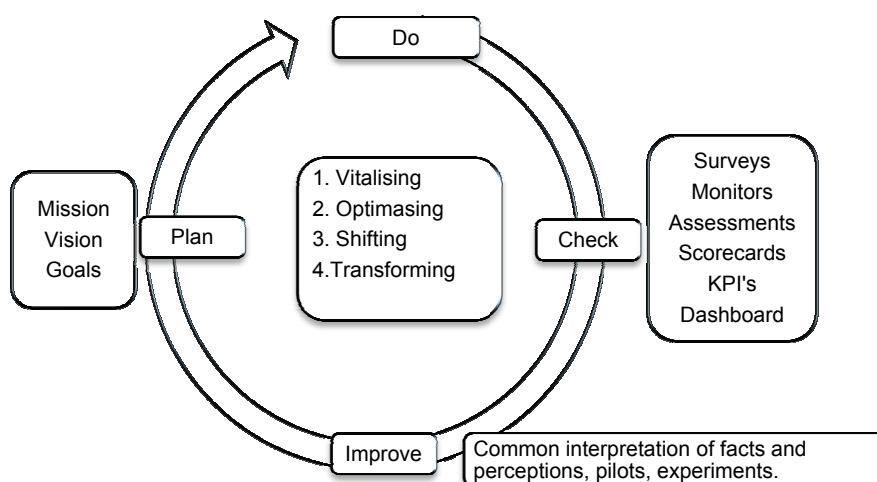
**Figure 3: The Cubrix**



Source: Van Marrewijk, M. (2010).

According to Van Marrewijk, M., 2010, the Cubrix helped in structuring change management into four distinctive hierarchical complexity levels: vitalising, optimising, shifting and transforming, the Performance Cycle.

**Figure 4: The Performance Cycle**



Source: Van Marrewijk, M., 2010.

### 3. CONCLUSIONS

The aim of this paper is to emphasize the role of value systems in selecting development strategies and provide a management tool that is based on the values of an organization. Cubrix is a complex tool that connects multiple sectors of the organization. Each of the cells within the Cubrix can be highlighted and made specific. Each organization must find their own answers, applying various diagnostic tools, be able to identify and know their position and define its "colour" based on significant values. Driven by values, principles, ambitions and competition, organizations must looking for the perfect mixture of "hard" and "soft" measures in order to continuously improve corporate performance. By constant concern to achieve performance, every organization has to find his customized route through sustainability "without compromising the ability of future generations to meet their own needs" (Brundtland Commission definition; WCED, 1987).

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