Corporate Sustainability and Managerial Competencies

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SUMMARY

This study deals with sustainability (a challenge to reshape conditions of company operations) and managerial competence principles. First, it provides a comparative review of the relevant and important international literature. In the next step, it summarizes six considerations that contribute mostly to the successful development of managerial competence compliance with sustainability requirements. These six interconnected specific guidelines are a common goal, long-range approach, emotional commitment, opening to the public, innovation and self - organization. Finally, it presents the major issues of the further research. This paper can make a contribution to put sustainable development into practice.
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INTRODUCTION

Together with the tendencies of earlier centuries, corporations operating in the 21st century need to face new, ever more significant challenges. One of the most striking challenges is sustainable development, or sustainability in itself, as it has become a central issue for today's corporations and it also has an outstanding impact on the majority of a corporation's business operations. According to Kerekes and Wetzker (2007), corporations bearing in mind such criteria for sustainability as economic goals, social orientation and environmental awareness have to be prepared for the fact that, while social and environmental standards have become more stringent, the social and environmental nature of their activities will eventually be one of the most important factors of their competitiveness.

The European Union is also paying increased attention to the issue of sustainable development. In 2010 the European Commission relaunched the Europe 2020 Strategy, identifying sustainable development as a particularly important driving force for recovering from the economic crisis (EUROPE 2020, 2010).

Nevertheless, the management of numerous corporations is committed to the belief that the more environmentally friendly their corporation becomes, the bigger their loss in competitiveness will be as a result of their efforts. They share the view that maintaining sustainability can only be achieved by involving extra costs and it does not bring immediate financial benefits. This, however, does not correspond to reality, as sustainability is a rich source of organizational, product and technological developments, which is reflected in both revenues and operating results as well. While the idea of sustainability deeply influences the life of corporations, they cannot state — especially in the Eastern European countries — that their activities are in line with the principles of corporate sustainability, mainly because of the lack of related theoretical and methodological knowledge and leadership shortcomings. This assertion is underlined by the findings of a previous experimental survey conducted among Hungarian enterprises (Fülöp and Pelczné Gáll, 2010):

- Regarding the options of adapting to the fundamental requirements of corporate sustainability, 61 percent of the corporations think the solution is to identify environmentally-friendly products (to use environmental labelling). In the meantime, making institutional arrangements more sustainable (making environmental claims against corporations) is preferred by 43 percent of corporate leaders.
  It is food for thought however, that the possibility of extending sustainability (by introducing explicitly written guidelines or laws) was selected by less than a third of managers (30 percent). In any case, this indicates a positive change in the mindset of corporate leaders, which may result in significant consequences for their practical efforts in the near future.
- The emerging obstacles to sustainability are explained by corporations with the following factors. Forty-three percent of the responding corporate leaders fully and 39 percent of them partially agree with the statement that the topmost hurdle is legal uncertainty (that is, regulations may exclude environmentally preferable products). The same number of the respondents with different distribution expressed their full (17 percent), or partial (65 percent) agreement in the inappropriate selection of the focal points of green procurement (from daily purchases and construction to delivery) as a major inhibiting factor. Reaching a partial consensus of 57 percent among the respondents, a further problem is the existence of internal institutional or organizational barriers (the lack of precise targets and systems for settlement). It takes many years for corporations to eliminate these obstacles by pursuing conscious and systematic activities in the field of sustainability, with the simultaneous development of leadership competencies.

Based on the principles of sustainability, those corporate leaders can be considered competent who, firstly, take the responsibility of operating their corporations in a broader sense that goes well beyond economic responsibility and integrates social and environmental concerns as well, and secondly, have the ability to integrate elements into their everyday decisions and activities that allow the practical manifestation of their broader responsibility, as was noted by Szegedi in his study (2011).

It can be seen from the above notions that the development of adequate leadership competencies is far from being an easy task. In this study, therefore, the findings of the research and publications about corporate sustainability leadership competencies are overviewed first. The following section reviews the aspects related to the development of corporate leadership competencies according to the interpretation of corporate sustainability. Finally, the most important directions for further research are summarized.

LITERATURE REVIEW

In the literature (see van Kleef and Rommel's study, 2007) the competencies are seen as the basis of competitiveness. These enable a company to offer products and services of value to customers and to innovate in order to generate new products and services, while adapting to changing circumstances faster than competitors. For this reason our review of the literature set out to identify the research on competencies for innovation in the context of competitiveness and corporate sustainability.

The Competencies to Innovate for Competitiveness

Innovation is the process of inventing and applying a new idea (Galbraith, 1996). In order to support the continuous innovation, first, a company has to change rapidly, strategic variety and experimentation are more suitable to create competitive advantages than optimization (Tushman and O'Reilly, 1997). An effective combination of competencies for optimization and innovation may be found through the development of an ambitious, integrated organization with cultures for efficiency, consistency, reliability, and for experimentation, improvisation and entrepreneurial abilities.

Second, understanding innovation processes makes it necessary to take account of all the important factors that influence innovations. Together these factors form 'systems of innovation' (Edquist, 1997). In these systems, different types of actors experience different learning processes and therefore have different perspectives on problems and opportunities. Moreover, the innovative competencies of a company may be enlarged through co-production of knowledge with partners at all levels in the organization.

Companies strengthen their competence to innovate by developing the competencies of employees within the organization (Hargadon and Sutton, 2000). These competencies relate to systems thinking, learning, combining and integrating, thinking inventively, networking and coalition building. A key issue is how these competencies compare with those identified by authors who focus on the competence to innovate for corporate sustainability. In the next section we, therefore, consider what the literature says about innovation for corporate sustainability and competencies that support that form of innovation.

The Competencies Contributing to Corporate Sustainability

The definition of corporate sustainability states that economic interests cannot be isolated from social and ecological limits and interests. For example, sustainable business takes into account the interests of future generations, biodiversity, animal protection, human rights, life cycle impacts, and principles like equity, accountability, transparency, openness, education and learning, and local action and scale. Innovation for sustainability involves networks of actors with very different perspectives, interests, and cultures spanning different levels and contexts.

Table 1 shows the competencies that underscore the work of various authors and that support the competencies in innovation for corporate sustainability. In this table, six comparable competence categories are used. This competencies are in the fields of systemic thinking, learning, integrating, developing alternative models and methods, networking and building coalitions that span diverse groups. A quick comparison shows that the competencies for innovation for competitiveness and corporate sustainability partly overlap. This is not surprising as competitiveness is merely one part of the larger concept of sustainability. This comparison also suggests that innovation for corporate sustainability is a specific and complex organizational competence that is different from the competence of innovation for solely competitive reasons. A look in more detail at the nature of the main differences leads to two critical observations.

- ➢ The competence to discover new or unknown options (category 4 in the table) is rarely mentioned in the literature. In the case of innovation for competitive reasons less than half of the authors briefly mention this competence without references to methodical approaches to their development. In the case of innovation for corporate sustainability, only 4 out of 18 authors mention this competence. Moreover, as sustainability is seen to require radical innovation this competence becomes even more critical. Lack of attention to the development of methods and competencies for discovering unknown options is seen as a serious omission in both bodies of research, especially given the importance of inventiveness in the development of sustainable options.
- ➢ The literature on innovation for corporate sustainability often refers to networks of actors that are larger and more diverse than those in the literature on innovation for reasons of competiveness. For example, these networks involve interests representing environmental and social concerns, and the network specifically includes actors with local knowledge. Comparison of the six categories of competencies in Table 1 with those in the literature on innovation clearly shows the focus in innovation for corporate sustainability is on communicating and collaborating with very diverse and culturally unfamiliar (and or local) networks of actors, on integrating their diverse perspectives, criteria, and information processing and decision styles; these concerns are not found in the literature on innovation for purely competitive reasons. These qualitative differences in the type, scale and character of the issues are significant in the two kinds of innovation processes. Competencies have to be able to accommodate these very diverse perspectives while operating within a multi-organizational system that is sensitive to locality.

THE GUIDELINES FOR THE DEVELOPMENT OF MANAGERIAL COMPETENCES

In this section, based on both the above-mentioned literature as well as on the work of Fülöp and Hódiné Hernádi (2012), Kanter (2011) and Prahalad and Hamel (1990), six criteria are described below that may contribute to the successful development of the most appropriate managerial competencies fitting to the current needs, resulting in a radical change in both leadership and corporate behaviour.

Common Goals

As companies grow, take over other companies or withdraw their capital from them, their business portfolio changes frequently; as a result, working positions and roles also often change. This brings uncertainty to the minds and actions of employees. The formulation of a clear set of objectives and corporate values can help to solve this complex problem.

Business uncertainty can be compensated by creating values based on a common goal. Sustainable corporations offer ideas containing a higher level of meaning and purpose than just resorting to offering business transactions and business portfolios. Being aware of the defined goal pervades the whole organization with meaning, "institutionalizing" the company as a close part of society, in a manner of speaking. One of the central tasks of corporate leaders is to provide a meaningful purpose for business operations and, in turn, that purpose provides coherence within the organization. Among other things, the determination of common goals and values includes activities aimed at creating and strengthening the culture of the organization but its meaning reaches well beyond that. Organizational culture is often a by-product of the series of previous steps, and it is a passive result originating from past activities. The definition of common goals and values is an investment in activities and relationships that does not immediately lead to results in terms of business but that reflects the set of values envisioned by the company and determines the key to its long-term survival.

Long-term Approach

In order to keep corporations alive, resources are needed and the logic of finance accordingly requires intense attention to figures. If a company is regarded as a social institution, a long-term perspective is established according to which the short-term financial sacrifices needed for the company's survival in the long run can be justified by the corporate goals. Sustainable corporations are willing to compromise on short-term financial opportunities which are not in accordance with their organizational values. Such values are in the focus point of a company's reputation, as are product quality, characteristics of the existing range of customers and the by-products of the manufacturing process. Companies may enter into an in-depth screening process for assessing the social norms and the financial state of their potential customers. As a result of the assessment process, they are able to give up on those potential customers who have failed the test of environmental and social responsibility. This short-term sacrifice actually means careful risk management in the long run.

Emotional Commitment

Utilitarian rationalism is not the only driving force affecting business performance and attitudes within an organization. Emotions play an almost equally important role. People's moods are often contagious and can have an effect on such factors as work absenteeism, health care, work efforts and the level of energy input. People have an influence on each other, and in this way they either enhance or offset each other's level of performance. If properly understood, corporate values and principles may be the appropriate sources for an emotional appeal that may increase employees' commitment.

If we adhere to the logic based on the foundations of common goals and defined values, the continuous expression of corporate values becomes an important part of business operations. At companies respecting the requirements of sustainability, work is accompanied by an emotional drive, and the operation of the whole organization conveys much more meaning than in the case of a less sustainable personal cult. Top leaders illustrate and communicate the values and goals of their corporation through their own activities and those values are shared by the whole organization, integrating into the tasks, objectives and performance standards. Instead of being dependent on the leadership of charismatic persons, sustainable corporations turn charisma into a "routine", pervading the organization as a whole.

Opening to the Public

For the sake of obtaining new business opportunities, it is not only needed to cross sectoral borders but corporations also need to deal with public affairs beyond their regular business activities. In order to achieve that, the establishment of PPPs (partnerships based on cooperation between the public and the private sector) is necessary in which corporate leaders weigh up social interests together with their own business interests.

The number and the significance of PPPs dealing with social demands is growing, being especially widespread among corporations representing social responsibility. At these companies, managers do not groom their relationships with public officials in order to demand any form of compensation in exchange or so they find it easier to get something done. Instead, they seek to understand and take part in the public affairs on the agenda, all the more if they have an influence on their development.

Many people's contribution is needed for building partnerships with the public. The more top interest corporate leaders show in external relationships, the greater the likelihood that others will also be involved and rewarded for establishing partnerships at the local and national level. When corporate leaders realize that they have a social goal, they can choose whether they wish to contribute to the realization of that goal at a local, national or even a global level.

Innovation

Companies stressing the importance of social and environmental responsibility can become credible when managers devote time, talent and resources to local or national projects without the prospect of immediate return, and when they encourage the population of a given country to serve the interests of a different country as well. The framing of a more comprehensive goal than just making money can provide guidance in determining sustainability strategies and actions, opening new sources of innovation, and helping people to enforce corporate and personal values in their daily work. The attention directed at social and environmental needs often gives birth to ideas that can eventually lead to innovation. Thinking over the insatiable needs of society and the growing number of environmental aspects may bring innovations that may end up in a business model innovation.

Reaching common sustainability goals is promoted when individuals are given the opportunity to serve the society and the environment with the assistance of corporate resources. Similar interactions express the values stressed by corporations and offer a valuable learning opportunity at the same time.

Table 1
Overview: Managerial competencies suggested by authors, to be developed for an organizational competence in innovation for corporate sustainability

Managerial Competencies \ Authors	European Commission (2001)	Roome (2001)	Clarke and Roome (1995)	Sweet et al. (2003)	Partidario and Vergragt (2002)	Remmen (1995)	VROM-raad (2002)	Rip et al. (1995)	Herbold (1995)	Hawk (1999)	Boons and Berends (2001)	Jelsma (1995)	Shilling and Osha (2003)	Martens et al. (2003)	Foster and Green (2000)	Dyllick and Hockerts (2002)	Winter and Steger (1998)	Wynne (1995)
1. System thinking	v	v	v	v			v			v				v				
2. Competencies for learning and developing																		
a) To learn and translate learning into action, to deal effectively with the requirements, values, assumptions and cultures of various interacting network actors, to successfully understand and execute innovation activities with the network	v	v	v	v	v	v	v	v	v		v	v				v	v	v
3. Competencies for integrating business, environmental and social problems, perspectives and information																		
a) To integrate the perspectives and knowledge of different actors in the network	v	v	v	v	v	v		v					v					
b) To integrate traditional criteria of efficiency with eco- and socio-efficiency and effectiveness	v	v					v	v						v		v		
4. Competencies to develop alternative business models, methods and trajectories that are more synthetic, dynamic, and pragmatic, to enable radical or systemic innovation		v			v		v			v								
5. Networking and social competencies																		
a) To develop social relations with (culturally) unfamiliar actors in- or outside the organization for information gathering, experimentation and negotiation	v	v	v	v	v	v			v	v	v	v			v		v	v
b) To create and cultivate broad, diverse, inclusive networks for learning to cope with uncertainty and for gathering information and diverse approaches from actors	v	v	v		v	v			v		v	v	v		v			
c) To build trust, a shared vision and agreement on basic values		v		v	v					v	v							
d) To involve local actors & initiatives	v	v				v			v				v	v				
6. Coalition and collaboration building competencies																		
a) To promote joint action by many different (local) stakeholders, an open process of innovation and adaptation, building a shared vision, supporting collaboration and collective problem finding	v	v	v	v	v	v	v	v	v			v	v	v	v			
b) To integrate differences in information processing and decision styles, to deal with differences in the width of focus and the desired degree of maximization of the result				v														

Self-organization

According to the logic of corporate sustainability, people are neither hungry slackers waiting for their pay slip after making hardly acceptable efforts, nor robots that can be ordered to come up with an outstanding performance. On the contrary, employees decide themselves where, when and with whom they work. The allocation of resources is not only determined by formal strategies and budget processes but is also shaped by informal relations, spontaneous actions, and the preferences of people working at different levels of the organization.

The managers of corporations aspiring for sustainability assume that they can trust people, and aside from relying on rules and structures, they can also rely on relationships. They are more likely to treat employees as independent and unconstrained professionals who coordinate and integrate their activities through bringing in new ideas and self-organization. The managers of these companies are aware that the framework of formal structures, being either too general or too strict, does not allow the multi-directional flow of ideas and resources. Strict controlsuppresses innovation. Informal, self-organizing, unconventional and transient social networks are more flexible and able to quickly develop a relationship with people or resource groups. Employees working without formal instructions operate as explorers and entrepreneurs.

The Issues for Further Research

The aspects presented above are interrelated. They have numerous common characteristics, reflecting leadership competencies and styles that pervade the whole company. The managers of sustainable corporations make their decisions by taking these specific aspects into account. In doing so, they establish new competencies and models for action with which they can restore confidence in their business.

We discuss ideas and guidelines drawn from presently rather fragmented knowledge about the formal and informal organizational factors that enable the development of the managerial competencies. This leads us to suggest a number of areas for further research. While our research focus is on competences in the firm and its network it is also clear that there is a public policy agenda that follows from our findings in this paper. A set of key research issues seem crucial to a better understanding of innovation for sustainability in relation to public policy and management in firms. There are also some methodological issues for research identified below.

Among the research issues that arise from this paper we suggest the following.

- As competencies and skills for sustainable innovation are fostered in national innovation systems, this raises questions such as which national systems are most effective in fostering those competencies, and why are they successful?
- What policy actions and levers best promote and foster innovation for sustainability involving business and other social factores?
- What is the appropriate balance between the role of public policy and company practice in promoting innovation for sustainable development?

- In terms of the process of innovation within companies and networks involving companies, research is needed to address our understanding of the development of competences for participative innovation for corporate sustainability. In particular: how do we recognize the competencies in managers that build the competence of collaborative innovation for corporate sustainability?
- How do managers and others in possession of competence in inventive thinking and other competencies develop them, and how do they develop the capacity to take specific roles in the innovation process?
- How do these competencies fit together in ways that build organizational competence in bringing forward innovation for sustainability?

- In the case of management research there are critical issues about the way to study the development and deployment of these competences in a given company, or network, especially as their development through experience implies the need for longitudinal, historical or event studies that track changes in potentially tacit skills. How might the key competencies and roles be observed and measured and to what extent do they each need to be present in a team or network or organization to enable corporate sustainability to flourish?

In our opinion, these issues could provide a valuable contribution to the body of knowledge on corporate sustainability as a way to build a theory of innovation for sustainability, to develop education and organizational development programs that foster the competencies for corporate sustainability, and to guide companies and public policy in a transition towards corporate sustainability as a contribution to a more sustainable pattern of production and consumption.

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