

SUSTAINABLE MANAGEMENT OF AN ENTERPRISE – FUNCTIONAL APPROACH

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Abstract: Sustainable enterprise management is a young, only just developing field of knowledge, being a branch of sustainable science. It emerged to meet the global need to protect the Earth, on which enterprises are located and operate. Sustainable management is a response to the deteriorating health of our planet. Growing ecological and social problems have led to a high degree of unsustainability of economies and environments in which most enterprises operate despite sustainable development efforts made for many years. It is a threat to the existence of future generations. Sustainable management makes it possible to reverse the detrimental tendencies because it aims not only to achieve economic but also ecological and social goals. In order for sustainable management to be used in enterprises, planning, organizing, leading and controlling have to be adjusted to its needs. These functions are the essence of managerial work and they determine the results of the enterprise activity. In the field of sustainable management they adopt the form of sustainable planning, sustainable organizing, sustainable leading and sustainable controlling. Sustainable management used in millions of enterprises all over the world would undoubtedly contribute to the balance of intergenerational needs, being the evidence of wisdom and responsibility of present day managers.

Key words: functions of sustainable management, sustainable development, sustainable management.

Introduction

Enterprise management should keep pace with changes taking place in the world. One of the most important changes of the global extent is the deteriorating health of our planet, which is the consequence of the accelerated pace of the civilization development. The development of mankind is accompanied by growing economic and social problems and in consequence a high degree of unsustainability confirmed with the indicators presented in the Living Planet Report 2012 (WWF International, 2012). This pitiful condition is mainly the fault of enterprises. Most of them are managed in the traditional way, which leads to maximization of production, sales and profits. Managers in charge of such enterprises have no knowledge of sustainable management or they underestimate its significance. In these circumstances it is worth referring to the wisdom of American Indians, who have the saying: “We don’t inherit the earth from our ancestors; we borrow it from our children” (Emery, 2012). Concern for future generations and their development changes the priorities in enterprise management. Ecological and social goals become as important as economic goals. Traditional enterprise management is transformed into sustainable management, a young and developing field of knowledge, being a part of sustainable science. Traditional management is based

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on fulfillment of four basic functions: planning, organizing, leading and controlling. Sustainable management modifies these functions, giving them the form of: sustainable planning, sustainable organizing, sustainable leading and sustainable controlling. They are the essence of managerial work on all levels of enterprise management. This paper contains an outline of the writer's own conceptions of these functions with model solutions for a sustainable enterprise. This document is a template. We ask authors to follow some simple guidelines. In essence, we ask you to make your paper look exactly like this document. The easiest way to do this is simply to download the template, and replace(copy-paste) the content with your own material.

The state of the planet

Sustainable development efforts undertaken for many years have not improved significantly the health of our planet. Growing ecological and social threats are confirmed by the Living Planet Report 2012. An analysis of the data presented in the Report led to the following conclusion: „clearly, the current system of human development, based on increased consumption and a reliance on fossil fuels, combined with a growing human population and poor overall management and governance of natural resources, is unsustainable” (WWF International, 2012). The degree of this unsustainability is well reflected by Table 1.

Table 1. State of the earth's unsustainability - selected indices (Pabian, 2013)

| Areas | Indices |
|---|---|
| Biodiversity has declined globally | The global Living Planet Index declined by almost 30 per cent between 1970 and 2008. The global tropical index declined by 60 per cent during the same period. The global temperate index increased by 31 per cent – however this disguises huge historical losses prior to 1970. The global terrestrial, freshwater and marine indices all declined (freshwater index by 37 per cent) The tropical freshwater index declined by 70 per cent. |
| Human demands on the planet exceed supply | Humanity's Ecological Footprint exceeded the Earth's biocapacity by more than 50 per cent in 2008. The carbon footprint is a significant component of this ecological overshoot. Biocapacity per person decreased from 3,2 global hectares (gha) in 1961 to 1,8 gha per capita in 2008. |
| Many river basins experience water scarcity | Examining scarcity on a monthly basis reveals many river basins that seem to have sufficient supplies based on annual averages are actually overexploited, hampering critical ecosystem functions. 2,7 billion people around the world live in catchments that experience severe water scarcity for at least one month a year. |

The ever increasing unsustainability leads to surpassing of the tolerance limits of nature and uncontrolled growth of social problems, in consequence of which future generations will to a considerable extent be deprived of chances for development – as the Earth is an isolated system, powered from outside only by solar energy and in future this system will be unable to carry the burdens created by man (Pabian, 2013). Therefore, one of the greatest challenges for the present generation is to transform contemporary consumer societies into sustainable societies, based on sustainable production and consumption (Pabian et al., 2012). The European Union took up this challenge going down the road of sustainable development. The current strategy of sustainable development of the European Union is set forth in the document called *Europe 2020*. It was adopted by the European Council on 17th June, 2010. The *Europe 2020* strategy is based on the following three priorities: smart growth, sustainable growth and inclusive growth. The basic instruments of implementation of the *Europe 2020* strategy on the Member States' level are the so-called National Reform Programmes (Ministerstwo Gospodarki, 2012).

Enterprises can contribute to sustainable development to a much greater extent than they do now. "Produce better" is one of the most important recommendations given to enterprises: significantly reduce inputs and waste in production systems, manage resources sustainably, scale-up renewable energy production (WWF International, 2012). The special role of enterprises in sustainable development is the result of their number as well as scope and types of activity. In 2012 only in the European Union 20,399,291 enterprises were operating, of which 20,355,839 were Small and Medium-Sized Enterprises (SMEs) (European Commission, 2013). The population of the European Union accounts merely for 7% of the world population and its territory is not more than 3.0% of our planet surface (europa.eu, 2012). An enterprise is at the same time a buyer, manufacturer and seller of products and services. It purchases goods, transforms them in manufacturing processes and then sells in consumer or business markets. The following section of this paper demonstrates that each of these phases can contribute to sustainable development. To achieve that goal sustainable management is also indispensable.

Sustainable management – a new challenge for enterprises

Sustainable management is a young, only just developing field of knowledge, being a branch of sustainable science. S. Cohen in his book published in 2011 in the U.S.A. states: „sustainability management is in its infancy [...]. It today will not be able to predict its pace, shape or trajectory” (Cohen, 2011). According to that Author “sustainability management is the practice of economic production and consumption that minimizes environmental impact and maximizes resource conservation and reuse [...] At the heart of sustainability management is a concern for the future” (Cohen, 2011). B. Bossink defines sustainable management in the aspect of eco-innovations „as the development of new initiatives in an organization to sustain, improve and renew the environmental, social and societal quality of its business processes and the products and services these business processes produce”

(Bossink, 2012). A. Pabian perceives sustainable management with regard to its functions. He defines sustainable management as planning, organizing, leading and controlling resulting in establishment, operation and development of a sustainable organization, that is an entity contributing to the balance of intergenerational needs (Pabian, 2013).

The Author relies on the simple, common for a long time in management and still valid list of functions including: planning, organizing, leading and controlling. Management has been described through the prism of these function *inter alia* by: R. Lussier (2009), A. Ghillyer (2009), S. Certo and T. Certo (2009), R. Daft and D. Marcic (2013), L. Rue and L. Byars (2009). A. Pabian adapts these functions to the needs of sustainable management transforming them into sustainable planning, organizing, leading and controlling. If sustainable management is to be implemented in practice, such an approach is simply indispensable as these functions constitute the essence of managerial work and determine its results. The essence of sustainable management of an enterprise from a functional perspective has been presented in Table 2.

Table 2. Sustainable management of an enterprise from a functional perspective

| | | | | | |
|-----------------------------|--|------------------------|-------------------------|-------------------------|---|
| Sustainable incoming assets | Sustainable management of an enterprise | | | | Sustainable results of activity (safe, efficient and durable products/services) |
| | Sustainable managers | | | | |
| | Sustainable planning | Sustainable organizing | Sustainable influencing | Sustainable controlling | |
| | Sustainable operational employees | | | | |
| | Sustainable material resources (buildings, machinery, equipment, furnishings and fittings) | | | | |
| | Sustainable activity | | | | |

As shown in Table 2, sustainable management is carried out by sustainable managers on all levels of management. Managers, performing their functions in the form of sustainable planning, organizing, influencing and controlling have an impact on sustainable operational employees. The aim of this impact is not only to achieve economic but also ecological and social goals. Using sustainable material resources the enterprises of sustainable operational employees do the work consisting in transformation of sustainable incoming assets (including raw materials, materials and components) into safe, efficient and durable products/services.

Sustainable managers are ecologically and socially sensitive people, whose activity has the following features (Cohen, 2011; Pabian et al., 2013):

- they want to take responsibility for the health of Earth,
- they act for the benefit of future generations, so that they are able not only to survive, but also to develop,
- they focus on future (also very distant),
- they make efforts to achieve economic, environmental and social goals,

- they value sustainability (also in production, consumption and sales) much more than economic growth,
- they control the environmental and human effects of their organisation,
- they minimise negative impact of their organisation on the planet,
- they develop products, services and technologies in line with the rules of sustainable development.

Sustainable management is applicable in two situations:

1. during transformation of unsustainable enterprises into sustainable enterprises,
2. in course of operation and development of sustainable enterprises.

The first stage consists in gradual replacement of all unsustainable components of the enterprise, including its supplies and outcomes of its activity, with their sustainable equivalents. In the second stage management focuses on the enterprise resources, its supplies and outcomes of its activity, which have a sustainable character.

Functions of sustainable enterprise management

Sustainable management enables the attainment by the enterprise not only of economic but also ecological and social goals. It manifests itself in the managers' performance of the particular functions, namely sustainable planning, organizing, leading and controlling. These functions have been outlined below.

Sustainable planning as a function of sustainable management initiates, arranges and consolidates the activity which contributes to sustainable development. It ensures that sustainable development is taken into account in strategic, tactical and operational plans. Owing to planning sustainability practices become an integral and permanent part of the enterprise activity. They become synchronized with other areas of the enterprise operations and permanently embedded in its activity.

Planning processes should be preceded by defining the mission which the enterprise intends to fulfill in the market. The mission creates a framework for establishing goals and then plans – it defines the firm's objectives in the markets in which it intends to operate. Including sustainable development in the mission statements is an appropriate introduction to planning.

In the aspects of sustainability planning should be considered in two areas:

- a) contents of plans, and therefore, of the actions expected to be taken in future,
- b) planning activities performed by appointed staff members employed by the enterprise.

Reliance on sustainability principles in these areas involves taking into account pro-ecological and pro-social measures not only in the plans (e.g. replacing traditional products with their safer, economical and durable equivalents, participation in social campaigns), but also during planning activities. Plans are the outcome of work of managers and personnel drawing up planning documentation. These people use definite materials (e.g. paper, office supplies), equipment (e.g. computers, photocopiers) in their work areas. Sustainable planning requires that all

these elements are subordinated to the principles of sustainable development. The most important link are managers and the personnel creating planning documentation. The condition of the genuine involvement of these staff members in sustainable development is their ecological and social sensitivity and willingness to solve problems connected with sustainability. Special role is played by management of the firms which are product manufacturers or service providers – without their support and setting an example enterprises can at the most pretend to be involved in sustainable development, sporadically launching sustainability campaigns. Moreover, the material environment, equipment and materials used by the planning staff should also be sustainable, and therefore safe, economical and durable.

Properly prepared sustainable plans refer to all spheres of the enterprise operations, setting goals and directions of sustainable development for them. These plans should have the status of formal documents. Owing to that managers and personnel will have to obey their provisions.

Sustainable organizing, being the next function of sustainable management, can be considered in many dimensions and aspects.

An organization in its material aspect is reflected by its organizational structure consisting of departments and positions. In such a structure departments and positions can be created in line with the principles of sustainability. If each department and position within the organizational structure of an enterprise has sustainable personnel, sustainable basic and incoming goods and carries out pro-ecological and pro-social activity, such an entity fully deserves the name of a sustainable enterprise. If this condition is not satisfied, the enterprise represents only a lesser or greater degree of sustainability.

Principles of sustainable development should be present in all important documents formalizing the status of the organization, including the organizational regulations, job descriptions and job instructions. Provisions included in these documents impose pro-ecological and pro-social activity on the enterprise employees – this activity is a part of their official duties and responsibilities, for which they will be held accountable.

Organizing, which is a sequence of activities carried out by employees, is aimed at performance of specific tasks. With regard to sustainability, an important area in the organizing activity is procurement of resources. To fill the positions included in the structure of a sustainable organization, selection of appropriate personnel is required, in particular managers working on all levels of management. Managers, making key strategic, tactical and operational decisions in the organization will lay down its direction in conformity with or contrary to the principles of sustainability. For such conformity to take place, most required are the so-called sustainable managers i.e. sustainable development oriented managers. Filling the managerial positions with people of high ecological and social sensitivity considerably increases the probability that the departments and positions managed by them will

carry out their activity according to sustainable development principles. Top management plays a special role in creation of favorable conditions for sustainable activity. Appropriate human resources policy with support given to and example set for the subordinate staff helps to build a sustainable enterprise.

Organizing in line with the principles of sustainable development requires hiring in the positions subordinate to managers employees representing pro-ecological and pro-social attitudes and supplying the divisions and organizational units with sustainable basic and incoming goods.

Sustainable leading as the third basic function of sustainable management consists in exerting such an influence on the employees that they perform work according to the adopted goals, following the principles of sustainable development. Methods of motivating employees play the main role in the so defined sphere of leading.

Motivation skills in the aspects of sustainability are an important element of work of sustainable managers. Sustainability focused motivation should be used in the following areas:

- a) employee – enterprise relationships,
- b) employee – direct supervisor relationships,
- c) employee – position and immediate environment relationships.

In these areas many different incentives can be used to motivate employees to perform work according to sustainable development principles, including both monetary reward schemes (e.g. pay rises, bonuses, cash awards) and non-cash rewards (e.g. certificates of appreciation, extra days off).

Relationships between an employee and his direct supervisor play an important role in the sphere of motivation. Supervisors showing a high degree of involvement in pro-ecological and pro-social activity will set an example for their subordinates. It is important that they notice, understand and appropriately reward their achievements in the area of sustainable development.

Likewise, the behaviour of fellow workers can be a source of motivational stimuli. Obeying the principles of sustainable development by colleagues employed in the same division or department may be a stimulus motivating an employee to follow their example.

Encouraging employees to work for sustainable development in the organization and truly rewarding them for definite achievements in this sphere is the basic condition of their greater pro-ecological and pro-social activity. It should be a continuous process, running through all areas of the enterprise activity and all levels of its management.

Sustainable controlling is the last of the examined functions of sustainable management. Its aim is to monitor on an ongoing basis the operations of the enterprise and to make any corrections, if necessary. The task of such control is to verify the degree of attainment of not only economic but also ecological and social goals. It applies both to the firm as a whole and to its departments and individual positions. In a more detailed approach the controlling activity should *inter alia* answer the following questions: Have the sustainability measures provided for in

the enterprise plans been accomplished? Have these measures contributed to improvement of the condition of the natural environment and solving social problems and if so, to what degree? Are the results of these measures commensurate with the expenditures? Have these measures contributed to the growth of the degree of the enterprise sustainability? Have these measures had an impact on the enterprise profitability, its competitiveness and market image and if so, how? Is there any unused pro-ecological and pro-social potential in the enterprise which can be used in future and if so, what is it?

It is particularly important to investigate the influence of sustainability activities on financial results of the enterprise. It is obvious that such activities increase costs, and therefore, they have a negative effect on the financial result of the economic entity. However, it has to be remembered that sustainability measures can also generate income and savings e.g. by growth of sales resulting from the enhanced image of the enterprise, lower electricity and water bills. Enterprises should generate profits – the task of income and expense monitoring is to discern early enough the opportunities and threats affecting the income and expenses, also in the aspects of sustainability (Pabian, 2013).

Conclusion

Implementation of sustainable management in the enterprise operations practices is very difficult. This conception requires a lot of sacrifices, including giving up the growth of production, consumption, sales and profits. Such sacrifices do not lie in the nature of enterprises as organizations or in the nature of managers who run these enterprises. Motivation to use sustainable management is additionally weakened by the fact that man does not notice or understand many detrimental phenomena occurring on our planet and cannot control them. Moreover, enterprises operate in the countries which have different attitudes to sustainable development, which is the consequence of their economic, political and cultural differences (Pabian and Pabian, 2013). A considerable barrier to the use of sustainable management are also high costs of implementation of pro-ecological and pro-social solutions in enterprises. Will therefore sustainable management and its functions of sustainable planning, organizing, leading and controlling ever be universally used in enterprises on a global scale? It is very unlikely. Why then do we study sustainable management and develop its ideas? Firstly, because there are no good alternatives of management in the situation of growing ecological and social problems of the modern world. Secondly, in order to search for more and more effective way of implementation of this concept in economic practices. Thirdly, because even a small progress in implementation of sustainable management helps to a certain degree to improve the state of health of our planet and thanks to that, it may have a positive effect on survival and development of future generations.

More and more managers understand problems of the contemporary world and take their enterprises down the road of sustainable development. It is important that the

principles of sustainable management run through all spheres of the enterprise operations and the managers who apply them show genuine concern for the state of health of the planet on which they live and are so much dependent on.

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Streszczenie: Zrównoważone zarządzanie przedsiębiorstwem jest młodą, dopiero rozwijającą się dziedziną wiedzy, jest gałęzią zrównoważonej nauki. Idea ta powstała aby sprostać globalnej potrzebie ochrony Ziemi, na której przedsiębiorstwa są zlokalizowane i działają. Zrównoważone zarządzanie jest odpowiedzią na pogarszający się stan zdrowia naszej planety. Rosnące problemy ekologiczne i społeczne doprowadziły do wysokiego stopnia niestabilności gospodarek i środowisk, w których większość przedsiębiorstw działa pomimo wysiłków zrównoważonego rozwoju podejmowanych przez wiele lat. Jest to zagrożeniem dla egzystencji przyszłych pokoleń. Zrównoważone zarządzanie umożliwia odwrócenie niekorzystnych tendencji, ponieważ ma na celu nie tylko osiągnięcie celów gospodarczych, ale również ekologicznych i społecznych. Aby zrównoważone zarządzanie

było stosowane w przedsiębiorstwach, planowanie, organizowanie, prowadzenie i kontrola muszą być dostosowane do jego potrzeb. Funkcje te stanowią istotę pracy kierowniczej i określają wyniki działalności przedsiębiorstwa. W dziedzinie zrównoważonego zarządzania przyjmują one formę zrównoważonego planowania, zrównoważonego organizowania, zrównoważonego kierowania i zrównoważonego kontrolowania. Zrównoważone zarządzanie wykorzystywane w milionach przedsiębiorstw na całym świecie bez wątpienia przyczyniłoby się do zrównoważenia potrzeb międzypokoleniowych, będąc dowodem mądrości i odpowiedzialności dzisiejszych menedżerów.

Słowa kluczowe: funkcje zrównoważonego zarządzania, zrównoważony rozwój, zrównoważone zarządzanie.

公司的可持續管理 – 法的功能

摘要：公司的可持續管理是年輕的，知識只能種植面積均衡教育的一個分支。這個想法是為了滿足全球需要保護地球，其中公司位於和操作。永續經營是我們這個星球的健康狀況惡化的反應。日益嚴重的環境問題和社會問題，導致經濟和環境中，大多數公司儘管可持續發展進行多年的努力操作的不穩定性的程度高。這是為了子孫後代的生存構成威脅。永續經營，以扭轉不利的趨勢，因為它不僅要實現經濟目標，而且環境和社會。對於可持續管理在企業應用，策劃，組織，領導和控制必須符合其需求。這些功能是管理工作的本質和決定了企業的績效。在可持續管理領域，他們採取可持續發展的規劃形式，組織可持續發展，可持續管理和可持續控制。可持續管理以百萬計的世界各地的企業使用，毫無疑問，有利於平衡代際的需要，是智慧和今天的管理者責任的證明。

關鍵詞：功能永續經營，持續發展，永續經營