

Justification of Sustainable Investment by the Management Theories of Sustainable Goal Setting and Stakeholder

Aurelija Zonienė, Violeta Valiulė

Klaipėda University, H. Manto str. 84, Klaipėda, Lithuania

The article has been reviewed.

Received on 23 October 2019, accepted on 16 December 2019

Abstract

Shifting societal understanding of sustainability can be tied to the potential of long-term growth of a company. This is reflected in the organization's approach to sustainable investment and its management. Mostly, sustainable investment is based on the theories of economics and there is no clear consensus regarding the justification of sustainable investment by the theories of management.

The purpose of this paper is to justify the benefits of sustainable investment for organizations by the two theories of management (modern and classic): Sustainable goal setting and Stakeholder theory. Those two theories have been chosen because they are believed to better correspond with the principles of sustainable investment.

The question of the research is how to justify sustainable investment by Sustainable goal setting and Stakeholder theories. The aim of the research is to justify sustainable investment by Sustainable goal setting and Stakeholder theories.

It has been found out that Sustainable goal setting theory and Stakeholder theory are related, overlapping and equally important in sustainable investment.

Keywords: sustainable investment, Sustainable goal setting theory, Stakeholder theory.

Introduction

The European Environment Agency (2018) estimates that in order to meet the EU's 2030 climate and energy targets, about EUR 1 trillion investments are needed annually, from 2021 onwards. It is estimated that future investment deficit, i.e. the lacking sum to reach EUR 1 trillion, will be about EUR 180 billion per year. This annual investment gap for the period 2021-2030 is calculated on the basis of the PRIMES model projection used by the European Commission to assess the impact of the Energy Efficiency Proposal. The United

Nations has estimated that about USD 57 trillion of investments would be needed to reach global goals for sustainable development, while the investment deficit in developing countries would be about USD 2.5 trillion (Niculescu, 2017). This investment deficit is significantly higher than the financial capacity of the public sector, which justifies the importance of sustainable private equity investment. It must be noted, that the United Nations during its 70th session, held on 25 September 2015, adopted the General Assembly Resolution called "Transforming our world". The agenda included 17 goals, 169 targets and over 200 indicators to achieve them. It should be noted that each country has different policy, instruments and budget for the analyzed object, but the objectives, targets and target values of the indicators will not be achieved unless private sector makes voluntary investments in sustainable development without waiting for support from the public sector. For this reason, businesses are encouraged to view sustainability as a market opportunity, not just as a need to comply with certain legal provisions. However, most organizations do not make sustainable investments because they have no experience in this field. Still, sustainable investment is something investors can no longer afford to ignore. A qualitative study by Petkevičiūtė and Balčiūnaitienė (2018) has revealed the main problems of sustainability development noted by the managers from 18 organizations: lack of initiative; lack of knowledge of sustainability and its development; lack of funds; most organizations do not have a separate department or person responsible for sustainable development. All this indicates that further research is needed in the area of management of sustainable investment of

organizations. Presumably, the first step should be to justify sustainable investment by the theories of management.

Methodology – the paper includes three parts. First, the authors justify the need for sustainable investment from the organization’s point of view. Second, the authors identify and briefly review the main sustainable investment tenets of sustainable goal setting theory. Finally, the authors identify and briefly review the main sustainable investment tenets of stakeholder theory.

The purpose of this paper is to justify the benefits of sustainable investment for organizations by the two theories of management (modern and classic): Sustainable goal setting and Stakeholder theory. Those two theories have been chosen because they are believed to better correspond with the principles of sustainable investment.

The question of the research. How to justify sustainable investment by Sustainable goal setting and Stakeholder theories?

Aim. To justify sustainable investment by Sustainable goal setting and Stakeholder theories.

Justification of sustainable investment by the theory of Sustainable goal setting

Successful sustainable investment can be based on the goal setting theory (GST). The theory was not developed through overgeneralization from only a few studies or by deduction but rather by induction. The inductions involved the integration of hundreds of studies involving thousands of participants. The theory initially focused solely on consciously set goals. To date, the goal setting theory has shown generality across participants, tasks, nationality, goal source, settings, experimental designs, outcome variables, levels of analysis (individual, group, division, and organizational), and time spans. The theory identifies both mediators and moderators of goal effects (Locke and Latham, 2019). The theory first of all focused on the performance of individual tasks and later was applied to the whole level of organization (Locke and Latham et al., 1990). Mitchell and Dyck (2016) have published the theory of Sustainable Goal Setting as an alternative to GST.

It is noticeable that in today’s world more and more organizations are making sustainable investments. This justifies the importance of the SGST in the context of this analysis (Figure 1).

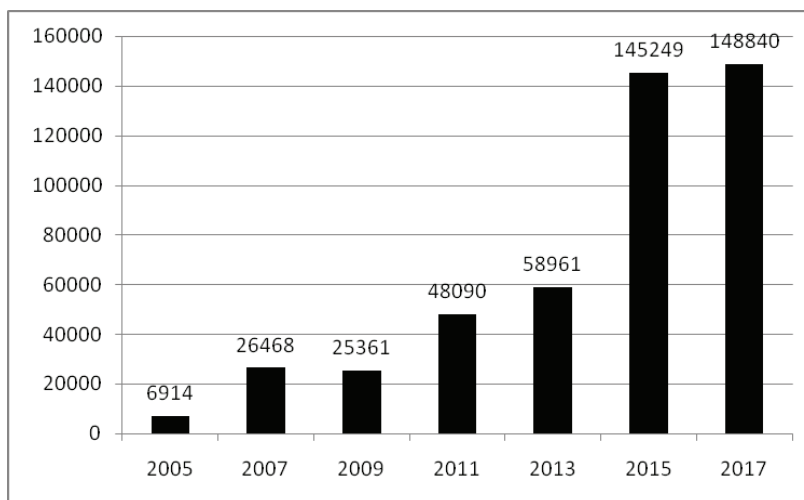


Fig. 1. Development of sustainability themed socially responsible investments (SRI) in Europe biannually from 2005 to 2017 (in million euros)

Source: Statista, 2019

Between 2005 and 2017, investments in companies concerned with issues specially related to sustainability on the European market grew exponentially from nearly 7 billion euros in 2005 to over 148 billion euros in 2017. It demonstrates the growing importance of socially responsible investments.

As it has been mentioned earlier, most organizations are reluctant to pursue sustainable investments because they have no experience in the field. Fuentes and Fredriksson (2016) note that making

sustainable investments requires the organization to be prepared and adaptable in developing versatile discourses and issues of sustainability.

The main reason for the development of sustainable goal setting theory is to explain why some individuals are more satisfied with their work, engage not only in performing specific tasks but also in the context of what they do, thereby contributing to the short and long-term viability of the organization and whole society. It can be explained in several aspects. First of all, people want to live in balance. Not

only do they want to be productive in organizations (the conventional approach), but they also want to live in a full-fledged relationship, enhance their communities, promote social justice and ecological well-being, and leave the world a better place than they found it. The second point, which is inherent in the sustainable approach, is that the conscious pursuit of goals by organizations, based on the created well-being for their stakeholders, enables the organization itself to remain viable and successful (Mitchell and Dyck, 2016).

According to Palmer and Flanagan (2016), business cannot survive without society, and the pursuit of sustainable goals is a way for an organization to position itself successfully in the market. One of the easiest ways to inform the public is by publishing corporate social responsibility reports. Juščius and Griauslytė (2014) support this idea by stating that

organizations which inform about actions, measures taken in the fulfilment of their obligations to society have much greater opportunities for business success. Fuentes (2015) states, there is no need to fear of promoting sustainability in the media for fear of consumer pressure. Each organization needs to think critically in advance about how its sustainability image will be built: what issues will be addressed, what sustainability issues will be highlighted, and how they will be presented to clients. Those organizations that are already making sustainable investments are invited to review the above criteria to determine whether the sustainability approaches used to date are appropriate and how their benefits are being measured.

The main theses of sustainable goal setting theory justifying sustainable investment are presented in Figure 2.

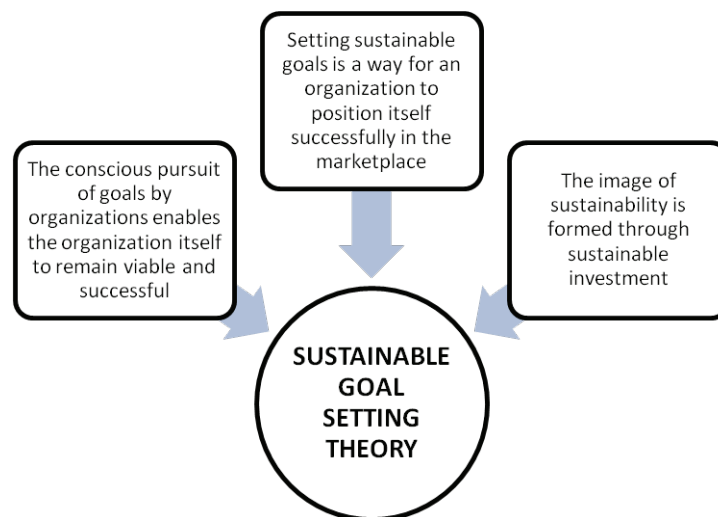


Fig. 2. Basic theses of sustainable goal setting theory justifying sustainable investment

Source: authored by Fuentes, 2015; Mitchell and Dyck, 2016; Palmer and Flanagan, 2016.

To sum up, an organization with conscious sustainable goals, sustainable image, and sustainable investment can successfully position itself in the marketplace.

Justification of sustainable investment by the Stakeholder theory

Sustainable benefits for organizations include long-term public acceptance and trust, favourable image, and demand for products or services that ensure profitable operation and enable successful business development. Most concepts are based on the stakeholder theory (ST), according to which companies are committed to individuals and groups (shareholders, employees, customers, society) inside and outside the company (Oželienė and Drejeris, 2015). According to Freeman (1984), a stakeholder

is any group or individual who can affect or be affected by the achievement of the organization's objectives. ST examines the company's relationship with the concerned information users in the following respects: emphasizes the responsibility of a company and analyses the identification of key stakeholders as well as the efforts of a company towards these stakeholders (Dagilienė and Bruneckienė, 2010).

It is noticeable that the head of an organization is also one of the stakeholders and his/her actions directly lead to sustainable investment. According to Bosas (2002), an entrepreneur does not focus on strategy development, but on seeking for new opportunities, he/she concentrates power in their own hands, moves resolutely, regardless of the uncertainty of the situation, considers business development as the main goal of an organization.

There is no doubt that actions of the leader of an organization affect its stakeholders (Huy and Zott, 2007; Scott and Tello, 2017). Huy and Zott (2007) have investigated how leaders of organizations manage stakeholder emotions when creating new organizations. The aim of their study has been to find out if entrepreneurs / leaders of organizations pay attention to managing emotions of stakeholders, how they manage them, and finally, what are the consequences of this management. The study has revealed that entrepreneurs pay attention to emotion management, sometimes a particular action is taken to evoke and modify emotional states of stakeholders. Entrepreneurs who use such tactics have been found to achieve a solid level of mobilization that increases the ability of an emerging organization to cope with challenges, i.e. improves the resilience of the organization. However, it can be assumed that an organization, a newspaper of such values as to achieve sustainability, is fundamentally contrary to the philosophy of sustainable development – to create not only organizational but also societal value, i.e. to stakeholders (2007).

Stakeholder theory answers the question why an organization is worth doing this. As Grubor and Milovanov (2017) argue, understanding consumers, building business processes and sustainable brands, and encouraging a broad audience to adopt sustainable behaviours will be one of the key challenges for the future and a key milestone for a thriving business. The question of how to do this is answered by Dovelac (2019). According to him, most companies are just starting to use social networks such as Facebook, Twitter, and YouTube. Consumers and communities require more information about organizations'

sustainability and responsibilities than they did in the past, and they share their views on organizations that are connected to the aforementioned social networks. How and where to communicate with consumers about the sustainability of organizations is widely debated, but there is no doubt that social media channels are crucial (Dovelac, 2019).

Pakseresht and Mark-Herbert (2016) have observed that consumer demand is a key driver of sustainability. It is assumed that brands with a greater number of stakeholders will live longer. However, each stakeholder has different goals, and conflicts between stakeholders are inevitable. This statement is substantiated by Neto and Borges (2019) who argue that organizations cannot take care of all stakeholders and therefore need to negotiate, which in turn creates tension. Therefore, the problem is how to determine which stakeholder goals are the most important and how this can be justified by avoiding conflict situations. Generally, there is a need for ranking of stakeholders and their goals. Perhaps an organization should focus not only on economic goals, but also to bring its stakeholders together from social and, at the same time, environmental perspective. In other words, sustainable investment could be the connecting link for all stakeholders. It is argued that effective stakeholder identification and categorization can help the managers of organizations to understand the sustainable expectations of different stakeholders and how to meet them profitably (Kumar, Rahman and Kazmi, 2016).

Key theses of the stakeholder theory on sustainable investment are presented in Figure 3.

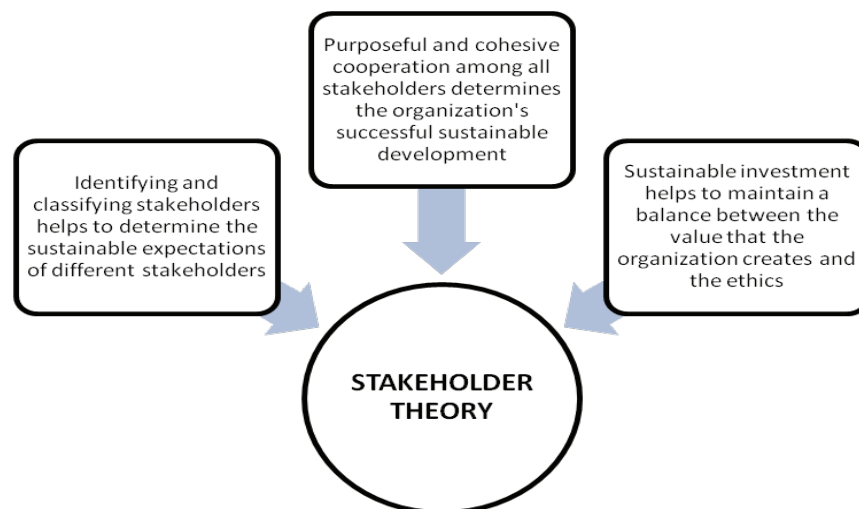


Fig. 3. Basic theses of Stakeholder theory justifying sustainable investment

Source: authored by Huy and Zott, 2007; Dagilienė and Bruneckienė, 2010; Kumar, Rahman and Kazmi, 2016.

It is presumed that an organization with conscious sustainable goals can successfully position itself in the marketplace by forming a sustainable image. The role of stakeholders in organizations is crucial in making sustainable investment decisions, maintaining a balance between value creation (capitalism) and ethics, thus ensuring the organization's competitiveness in the market. It is important to mention that smooth sustainable investment can only occur when stakeholders work together rather than compete with each other.

Conclusion

The accomplished analysis of the theories of management has shown that sustainable investment can be justified by both theories of management: classic (Stakeholder) and modern (Sustainable Goal Setting). Today's organizations should abandon a culture of short-term victory and focus on developing a long-term sustainable business strategy. McPhee (2014) notes that today's sustainable business model should clearly identify new actions and new behaviours that will change the way a company communicates with the world. Incorporating sustainability into a solid strategy can provide financial and reputational value this way strengthening an organization's resilience to future changes. The value of any strategic model is that it can help to create a unique business strategy and generate new ideas, thereby increasing competitive advantage (2014). It is important to understand that if the sole purpose of an organization is to achieve economic success in the short-term, then the interest in sustainable development is indisputable (Duralia, 2014). Only those organizations that decide to pursue sustainable investment have long-term goals and this is based on the theory of Sustainable Goals. There have been identified six main theses which are most in line with sustainable investment and the theories being studied.

References

- Bosas, A. (2002). Šiuolaikinės strateginio valdymo problemos: socialinių, ekonominių bei technologinių pokyčių įvertinimas. *Tiltai*, 10, 12–24.
- Dagilienė, L., Bruneckienė, J. (2010). Savanoriškai atskleidžiamos informacijos vaidmuo įmonių socialinės atsakomybės aspektu. *Ekonomika ir vadyba*, 15, 451–456.
- Dovleac, L. (2019). The role of new communication technologies in companies' sustainability. *Economic Sciences*, 8 (1), 33–40.
- Duralia, O. (2014). Applying sustainable marketing strategies – the key to obtaining competitive advantages on the industrial products market. *Studies in business & economics*, 9 (3), 21–28.
- European Environment Agency. (2018). Investicijos siekiant užtikrinti tvarumą. Internet access: <https://www.eea.europa.eu/lt/articles/investicijos-siekiant-uztikrinti-tvaruma>.
- Freeman, R., E. (1984). *Strategic Management: A Stakeholder Approach*. Pitman, Boston, MA.
- Fuentes, Ch. (2015). Images of responsible consumers: organizing the marketing of sustainability. *International journal of retail & distribution management*, 43 (4/5), 367–385.
- Fuentes, Ch., Fredriksson, C. (2016). Sustainability service in-store: service work and the promotion of sustainable consumption. *International journal of retail & distribution management*, 44 (5), 492–507.
- Grubor, A., Milovanov, O. (2017). Brand strategies in the era of sustainability. *Interdisciplinary description of complex systems*, 15 (1), 78–88.
- Huy, Q., Zott, Ch. (2007). How entrepreneurs manage stakeholders' emotions to build new organizations. *Academy of management annual meeting proceedings*, 2007 (1), 1–6.
- Juščius, V., Griauslytė, J. (2014). Lietuvos įmonių socialinės atsakomybės ataskaitų taikymas verslo praktikoje. *Organizacijų vadyba: sisteminiai tyrimai*, 69, 55–70.
- Kumar, V., Rahman, Z., Kazmi, A., A. (2016). Stakeholder identification and classification: a sustainability marketing perspective. *Management Research Review*, 39 (1), 35–61.
- Locke, E. A., Latham, G. P. (2019). The development of goal setting theory: A half century retrospective. *Motivation Science*, 5 (2), 93–105.
- Locke, E. A., Latham, G. P., Wood, R. E., Smith, K. J. (1990). *A Theory of Goal Setting & Task Performance*. Prentice Hall, Lebanon, Indiana, U.S.A.
- McPhee, W. (2014). A new sustainability model: engaging the entire firm. *Journal of business strategy*, 35 (2), 4–12.
- Mitchell, J. N., Dyck, B. (2016). Developing sustainable management theory: goal-setting theory based in virtue. *Management decision*, 54 (2), 304–320.
- Neto, J. B. S., Borges J. F. (2019). Narratives of stakeholders under the perspective of the strategy as social practice. *Revista de Administração Mackenzie*, 20 (1), 1–23.
- Niculescu, M. (2017). *Impact investment to close the SDG funding gap*. Internet access: <https://www.undp.org/content/undp/en/home/blog/2017/7/13/What-kind-of-blender-do-we-need-to-finance-the-SDGs-.html>.
- Oželienė, D., Drejeris, R. (2015). Įmonių darnios plėtros vertinimo metodinio potencialo analizė. *Mokslas – Lietuvos ateitis*, 7 (2), 189–198.
- Pakseresht, A., Mark-Herbert, C. (2016). A review of sustainable development in brand value assessments. *Social Business*, 6 (3), 219–247.
- Palmer, T., Flanagan, D. J. (2016). The sustainable company: looking at goals for people, planet and profits. *Journal of business strategy*, 37 (6), 28–38.
- Petkevičiūtė, N., Balčiūnaitienė, A. (2018). Darnu

- mo vystymas organizacijose: problemos ir iššūkiai. *Visuomenės saugumas ir viešoji tvarka*, 20, 232–260.
23. Scott, L., Tello, S. F. (2016). Examining entrepreneurs' presentation effectiveness in generating stakeholder interest: observations from the medical device industry. *Journal of small business management*, 54 (1), 85–101.

24. Statista. (2019). Sustainable development investments in Europe biannually 2005-2017. Internet access: <https://www.statista.com/statistics/422435/socially-responsible-investments-europe-sustainability-themed/>.

Zonienė, A., Valiulė, V.

Tvaraus investavimo pagrindimas tvarių tikslų nustatymo ir suinteresuotųjų šalių vadybos teorijomis

Santrauka

Straipsnyje analizuojamas tvarus investavimas vadybos teorijų kontekste. Pasirinkta klasikinė – suinteresuotųjų šalių (ST) – ir šiuolaikinė – tvarių tikslų nustatymo (TNT) – teorijos. TNT esmė – sudėtingi ir specifiniai tikslai lemia aukštesnį užduočių įvykdymo lygį nei paprasti ir neaiškūs tikslai. Kaip alternatyva minėtai teorijai, buvo sukurta tvarių tikslų nustatymo teorija. Pastebima, kad organizacijos vengia investuoti į tvarius projektus, nes šioje srityje neturi patirties. Be to, tvarus investavimas reikalauja organizacijos pasiruošimo ir prisitaikymo plėtojant visapusiškus tvarumo diskursus ir problemas. Tvarių tikslų nustatymo teorijos pagrindinė plėtojimo priežastis yra paaiškinti, kodėl vieni asmenys yra labiau patenkinti savo darbu, įsitraukia ne tik į konkrečių užduočių vykdymą, bet ir į visą vykdomos veiklos kontekstą, tokiu būdu prisidedami prie trumpalaikio ir ilgalaikio organizacijos bei visos visuomenės gyvybingumo. Tai galima paaiškinti keletu aspektų. Pirmiausia, visuomenė nori gyventi pusiausvyroje. Jie ne tik nori būti produktyvūs organizacijose (tradicinis požiūris), bet ir palaikyti visaverčius santykius, stiprinti bendruomeniškumą, skatinti socialinį teisingumą bei ekologinę gerovę ir palikti pasaulį geresne vieta, nei jie ją rado. Visa tai atspindi pagrindinius tvaraus investavimo principus. Antras teiginys, būdingas tvariam požiūriui, yra tai, kad organizacijų sąmoningas tikslų siekimas, atsižvelgiant į suinteresuotuosius šalims kuriamą gerovę, sudaro galimybę pačiai organizacijai išlikti gyvybingai ir sėkmės lydimai (Mickell ir Dysck, 2016). Verslas negali išgyventi be visuomenės, o tvarių tikslų išsikėlimas yra būdas organizacijai save sėkmingai pozicionuoti rinkoje. Nustatyta, kad vienas paprasčiausių būdų visuomenę apie tai informuoti – organizacijų socialinės atsakomybės ataskaitų viešinimas, nes gerokai didesnes galimybes verslo sėkmei turi organizacijos, informuojančios apie veiksmus, priemones, kurių buvo imtasi vykdant įsipareigojimus visuomenei. Būtent dialogas, komunikacija su visuomene turi lemiamą reikšmę įgyvendinant socialiai atsakingą veiklą. Kiekvienai organizacijai siūloma iš anksto kritiškai apgalvoti, kaip bus kuriamas jos tvarumo įvaizdis: ties kokiomis problemomis bus telkiamasi, kokios tvarumo problemos bus akcentuojamos, kaip jos bus pateikiamos klientams. Toms organizacijoms, kurios jau investuoja į tvarius projektus, siūloma iš naujo

peržiūrėti minėtus kriterijus, nustatyti, ar iki šiol naudoti tvarumo metodai tinkami ir kaip išmatuojama jų nauda. Tvarumo teikiama nauda organizacijoms – tai ilgalaikis visuomenės pritarimas ir pasitikėjimas, palankus įvaizdis, gaminių ar teikiamų paslaugų paklausa, kuri užtikrina galimybę dirbti pelningai ir sudaro sąlygas sėkmingai įmonės plėtrai. Dauguma sąvokų remiasi suinteresuotųjų šalių teorija, pagal kurią įmonės yra įsipareigojusios privatiems asmenims ir grupėms (akcininkams, darbuotojams, klientams, visuomenei) įmonės viduje bei už jos ribų. Vartotojų paklausa yra pagrindinė tvarumo varomoji jėga. Daroma prielaida, kad prekės ženklai, turintys vertę didesniai suinteresuotųjų šalių skaičiui, gyvuos ilgiau. Tačiau kiekviena suinteresuotoji šalis turi išsikeltus skirtingus tikslus, todėl neišvengiami konfliktai tarp suinteresuotųjų šalių. Žinoma, organizacijos negali rūpintis visomis suinteresuotosiomis šalimis, todėl joms reikia derėtis, o tai sukelia įtampą. Todėl iškyla problema – kaip nustatyti, kurios suinteresuotosios šalies tikslai yra svarbiausi ir kaip tai galima pagrįsti išvengiant konfliktinių situacijų. Ir apskritai, ar būtinas suinteresuotųjų šalių ir jų tikslų reitingavimas. Manoma, kad organizacija turėtų fokusuotis ne tik į ekonominius tikslus, bet kartu sutelkti savo suinteresuotąsias šalis socialinėje, o kartu ir aplinkosauginėje perspektyvoje. Kitaip tariant, darnus investavimas galėtų būti visų suinteresuotųjų šalių jungiančioji grandis. Veiksmingas suinteresuotųjų šalių identifikavimas ir klasifikavimas gali padėti organizacijų vadovams lengviau suvokti, kokie yra tvarūs skirtingų suinteresuotųjų šalių lūkesčiai ir kaip juos patenkinti pelningai.

Manoma, kad organizacija, kelianti sąmoningus tvarius tikslus, formuodama tvarų įvaizdį gali sėkmingai save pozicionuoti rinkoje. Suinteresuotųjų šalių vaidmuo organizacijose yra labai svarbus priimant tvaraus investavimo sprendimus, išlaikant balansą tarp kuriamos vertės (kapitalizmo) ir etikos, tokiu būdu užtikrinant organizacijos konkurencingumą rinkoje. Svarbu paminėti, kad sklandus tvarus investavimas galimas tada, kai suinteresuotosios šalys bendradarbiauja, o ne konkuruoja tarpusavyje.

Atlikta vadybos teorijų analizė parodė, kad tvarus investavimas gali būti grindžiamas tiek klasikine (ST), tiek šiuolaikine (TNT) vadybos teorijomis. Šiandieninės

organizacijos turėtų atsisakyti trumpalaikių pergalių kultūros ir dėmesį sutelkti į ilgalaikės tvaraus verslo strategijos kūrimą. Šiandieninis tvarus verslo modelis turėtų aiškiai nustatyti naujus veiksmus ir naują elgesį, kuris pakeistų tai, kaip įmonė bendrauja su pasauliu. Tvarumo

įtraukimas į tvirtą strategiją gali suteikti finansinę ir reputacinę vertę sustiprinant organizacijos atsparumą ateities pokyčiams.

Pagrindiniai žodžiai: tvarus investavimas, tvarių tikslų nustatymo teorija, suinteresuotųjų šalių teorija.