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Chapter

Strategic Management and Stakeholder Engagement: A Case for Environmental Sustainability

Ajay Khatter

Abstract

There has been an increase in industrial activity in the last few decades, but we must not lose sight of the importance of protecting the natural world. Industry stakeholders are concerned because we have yet to determine the long-term effects of this significant issue. Environmental sustainability is crucial given the world's increasing population, industrialization, and mounting evidence of climate change, environmental degradation, and global warming. Organizations have made significant efforts to reduce their environmental impact, and this study will explore the obstacles they must overcome to become environmentally sustainable. The study's findings may have important implications for businesses, clients, stakeholders, and the environment. The application of stakeholder theory has improved our understanding of company behavior, particularly in a dynamic and rapidly changing business environment, where environmental concerns are gaining traction. The purpose of expanding stakeholder theory could be to create fair value for all stakeholders while benefiting society and the environment.

Keywords: environment, sustainability, management, stakeholders, policy

1. Introduction

The modern industrial society has negatively impacted the global environment in numerous ways, most notably through air, soil, and water pollution, global warming, and climate change. This generation's defining issue may be climate change and its repercussions [1]. Consequently, it is acknowledged that the current rate of resource consumption cannot be maintained in the future. The greenhouse effect, which describes how carbon dioxide and other gases in the earth's atmosphere trap solar radiation in a greenhouse-like manner, is becoming more prevalent due to increased human activity, resulting in further global warming and climate change [2]. Governments are under increasing pressure from environmentalists, consumers, and communities to protect the environment [3]. This is essential for avoiding future harm, preventing irreversible damage, enhancing the ecosystem's capacity to support life, and allowing the regrowth of life forms whose survival has been threatened by excessive pollution and depletion of natural resources [4]. All parties must collaborate

to manage and resolve a pressing issue like environmental sustainability. Stakeholder theory has been utilized frequently in sustainability management research to explain corporate environmental and social behavior and corporate social responsibility (CSR) motivations and drivers [5]. Understanding, developing an effective plan, and reaching a consensus are crucial components of stakeholder theory to achieve environmental sustainability. To increase the value of a concept—in this case, the idea of environmental sustainability in an organization—a variety of stakeholder perspectives and influences are required, as the best results and value cannot be achieved without their guidance [6]. Companies may miss valuable input, support, and advice if business partners are not involved as stakeholders [7]. This can be detrimental to the organization, as stakeholders' influence and power will impact the organization's initiatives. Engaging stakeholders in a company's decision-making process will help it achieve corporate responsibility and environmental sustainability over time, ensuring that they benefit from the results and contribute to their creation [7].

2. Literature review

In recent years, the global significance of environmental sustainability strategies as a core value has increased [8]. In recognizing and addressing their corporate social responsibilities and the environmental impact of their operations, organizational management needs to overcome significant obstacles. Brundtland Report defines sustainability as "development that meets present needs without compromising future generations' ability to meet their own needs" [9]. After quality management and information technology, environmental sustainability is anticipated to become a management priority of the utmost importance. The ability to implement sustainable practices will significantly impact the survival and success of an organization [3].

Sustainability encompasses the economic, social, and environmental aspects, although these have been treated separately to serve distinct interests. Social, economic, and environmental sustainability are interdependent, but in the developed world, social and economic sustainability has received more attention than environmental sustainability [1]. As a result of population growth driving increased economic activity to support social progress at the expense of the environment, it is still being determined whether environmental, social, and economic goals associated with sustainability can be harmonized [10]. There is a growing awareness that these three dimensions must work together because the earth's natural resources are limited, and the current generation must leave them to future generations.

Organizations have positively impacted the social dimension of sustainability by creating jobs, educating and training the workforce, enhancing working conditions, and supporting other social initiatives [11]. The increase in commercial activity has drawn attention to the economic aspect of sustainability. Consumption of goods and services has increased society's happiness, well-being, and social welfare, so this aspect has received the most attention. As a result, organizations have invested in infrastructure, manufacturing, plant, and machinery, achieving its primary objective of maximizing profits for owners and shareholders [12]. Economic activity has aided social sustainability by increasing employment and fostering a skilled labor force. Humanity has depleted ecological reserves and distributed waste that has contaminated the earth and its atmosphere to promote social and economic sustainability, impacting the delicate climate that sustains life. We are now experiencing the repercussions of failing to balance and coexist the three sustainability pillars [13, 14].

Failure to balance the three dimensions of sustainability leads to deforestation, bio-diversity loss, resource depletion, the production of pollutants and long-term spoils, increased greenhouse gasses, world warming up, and harm to ecological surroundings [15]. We have long believed that environmental protection and economic growth are mutually exclusive. Environmental sustainability must precede economic and social sustainability if climate change and greenhouse gases have to be mitigated. These three components must collaborate and rely on one another to ensure sustainability. Moreover, achieving sustainability in these three areas is necessary for sustainability as a whole [10].

Internal barriers are one of the primary reasons organizations do not incorporate environmentally sustainable practices into their daily operations. Costs and a lack of legitimacy are internal barriers to environmentally sustainable practices, while regulation and industry-specific obstacles are examples of external barriers [16]. Small and medium-sized enterprises (SMEs) must be convinced about addressing environmental sustainability concerns. When attempting to address environmental management issues, SMEs face internal and external obstacles, but the latter is more crucial to their success [17]. Moreover, these companies are still determining the advantages of implementing environmentally friendly initiatives and practices. Due to a lack of client pressure, low client awareness and understanding of environmental sustainability, and other inadequate drivers, smaller organizations exert less effort to address environmental sustainability issues [17]. In addition, these organizations need help to locate and acquire high-quality environmental management guidance and data. Even when SMEs initiate and implement an Environmental Management System (EMS), the process is frequently halted, and resources are redirected to core business operations [18].

Freeman and Reed [19] developed the stakeholder, organizational management, and business ethics theory. This theory examines how morals and values should be applied to an organization's leadership for it to adhere to societal norms and standards. Freeman and Reed [19] developed the stakeholder theory, presenting ethical considerations based on the obligations and interests of stakeholders. According to stakeholder theory, an organization is a collection of stakeholders, and its objective should be to manage their interests, needs, and perspectives [20]. The stakeholder theory is predicated on the notion that businesses and organizations do not operate in a vacuum; instead, they rely on the assistance of various groups and individuals to generate value and facilitate trade. According to Freeman [21], stakeholders can be any group or individual who can influence or be influenced by achieving an organization's objectives. Included are parties with influence over environmental management policies and procedures. Employees, suppliers, future generations, customers, the government, shareholders, and communities are stakeholders in an organization [22].

To achieve sustainable development, resilience is a crucial factor that must be considered. To address sustainability, it is essential to be resilient and employ adaptive alternatives. Resilience may contribute to the reduction of uncertainty and unpredictability in sustainability management. For "resilience planning," stakeholders must work together because it provides a framework for developing new methods of collaboration and operation in response to the need for environmental sustainability [14]. Implementing environmental sustainability is difficult due to numerous stakeholders' diverse agendas and objectives. It may be difficult to strike a balance between the standards and operating policies of an organization and the financial goals of the owners and shareholders. All stakeholders must be informed of the difficulties posed

by environmental degradation and why the organization should contribute to mitigating its impact [23].

The significance of the obstacles involved in achieving environmental sustainability indicates that achieving individual objectives is unlikely to resolve these obstacles. According to Hörisch, Freeman [22], stakeholder theory focuses primarily on individuals and groups who rely on an organization to help them achieve their objectives and upon whom the organization's survival depends. A prerequisite is the investigation and development of relationships between stakeholder interests that are mutually beneficial [24]. In contrast, stakeholder theory can support a broader objective of producing comparable value for all stakeholders to benefit society and the environment. To achieve this, the emphasis must shift from short-term financial gains or profit based on accounting to long-term societal and environmental benefits.

Significant and long-term change requires resources, the returns on which are frequently intangible. Businesses should recognize that investing in sustainability is a long-term strategy, even though certain practices and initiatives have short-term benefits. One of the most significant obstacles to environmental sustainability appears to be the expectation of quick or immediate returns on investment [3]. Using "strategy" in place of "initiative" and "investing" in the area of "spending" or "bearing costs" may result in a shift in environmental sustainability-related thinking and philosophies. Changing behavior may take decades, but the process must begin with a growing recognition that humanity faces a crisis of epic proportions [11]. Although the importance of environmental sustainability and the overexploitation of the planet's natural resources has been recognized for some time, business operations have yet to incorporate adequate initiatives to address these issues. Moreover, our environmental sustainability concerns are growing, and governments, world leaders, and organizations are attempting to address what was once a minor global environmental concern [1].

3. Discussion and recommendations

Educate stakeholders to encourage their participation in environmental sustainability collaboration. In a world preoccupied with the debate over climate change and the closely related environmental sustainability issue, stakeholders keep abreast of these as a focus of national governments and international organizations. To effectively inform and align all business stakeholders, organizational managers must establish a vision, values, and support practices in a formal written policy in consultation with all business stakeholders [12]. A sustainable culture can be created by integrating environmental sustainability throughout a company and appointing a leader for the initiative. Promoting a sustainable culture can also be aided by setting specific, measurable goals for sustainability initiatives. Working directly with owner stakeholders may make decision-makers, such as organizational management, uneasy, resulting in a radical transformation of operations and decision-making procedures [25]. This must be maintained, however, to obtain better inputs and support for addressing environmental sustainability issues. Developing and improving stakeholder relationships is one of the most crucial factors that can propel environmental initiatives and practices to succeed.

Despite the obstacles, balancing financial success and environmental sustainability is essential. To add value to the environment and society, stakeholders must

supplement their short-term perspectives with a long-term view. Stakeholder theory remains open to the outcomes of stakeholder interactions, which necessitate a greater focus on environmental and societal contributions [26]. It should be noted that this shift in perspective and direction is likely to occur slowly in organizations, but as the importance and urgency of addressing environmental sustainability challenges increase, altering stakeholders' views may be one way to alleviate some of these pressures. To serve each other's interests and address environmental concerns, the emphasis must be on cooperation, finding areas of agreement, and gaining mutual benefits. If environmental sustainability is to have a more significant impact, stakeholder engagement must become a key component [27].

Having a formal policy on environmental sustainability ensures that employees have a direction for their daily responsibilities when senior management cannot be present. These guidelines improve an organization's internal effectiveness and goals, and objectives. Environmental sustainability policies demonstrate a company's initiative and foresight. The absence of a clear policy suggests ambiguous intent, while the presence of a policy suggests good intentions [28]. The mission statement, which describes the organization's objectives, should exemplify its environmental sustainability policy. An organization's policies establish a framework for delegating decision-making authority and defining its direction. Policies explain the consistent and transparent actions that organizations must take. The real value is only achieved when policies are implemented and closely monitored [28]. Identifying significant gaps between planned and actual implementation, as well as implementation enablers and impediments, is one method of policy monitoring. The recording and linking of policy changes facilitate the creation and implementation of future policies.

A formal policy on environmental sustainability suggests that this concept is separate from the organization's business philosophy. The most challenging aspect for these organizations may be approaching this crucial idea. Companies can initiate environmental sustainability by conducting research and developing a formal policy. The development of such a policy may be assisted by specialized environmental sustainability consultants retained by companies. This will help all involved parties formulate a clear strategy and comprehend what is required to contribute to environmental sustainability [12]. It will also demonstrate the management's aspiration to affect global change. Its written environmental sustainability policy and culture will reflect the organization's values. These will establish an ongoing commitment to environmental sustainability through formal policies and procedures that serve as the organization's guiding principles for education and guidance. If properly implemented and supported, these will strengthen the resolve of stakeholders to work together to promote and advance environmental sustainability. Implementing these policies will be facilitated by the guidelines' contribution to staff training and direction [29, 30]. Additionally, it can strengthen business ties between stakeholder groups.

Policies can be a potent communication tool for informing and bringing stakeholders together because all stakeholders can view them as a decision-making framework, concrete evidence of commitment and intended practices, and a component of the business strategy [12]. Although ad hoc sustainable practices must be implemented, formal policies can aid in defining the organization's objectives and ensuring that stakeholders cooperate and understand the significance of contributing to environmental sustainability. Environmental sustainability policies increase profits while simultaneously protecting the environment [31].

4. Conclusion

The environmental sustainability policy of a company demonstrates its dedication to environmental management. Without a policy, an organization lacks the necessary decision-making and implementation policies and guidance systems, making decision-making unpredictable [32]. The sustainability of the environment is one of the most pressing global issues. Recent years have witnessed a rise in concern for the health of our planet. Communities, nations, governments, and for-profit and not-for-profit organizations increasingly collaborate to address environmental issues. This has led to efforts to reduce our environmental impact and emphasize living harmoniously with nature. Scarcity of water, population growth, the need for more resources, climate change, and accumulating scientific evidence of environmental deterioration all contribute to the increasing significance of environmental sustainability [3]. To comprehend environmentally sustainable management's financial and brand-image organizational stakeholders must be aware of the benefits of going green. Stakeholders can encourage an organization's commitment to environmental sustainability by emphasizing its significance and acknowledging that they are already affected by environmental degradation. In the eyes of their stakeholders, organizations must bear a proportional share of the responsibility for ensuring environmental sustainability and improving the global standard of living, just as they do for their financial performance. Financially, organizations work to benefit their shareholders and investors, but they must now consider the environment an important stakeholder. Businesses that understand the numerous benefits of environmental sustainability, such as improved reputation and branding, competitive advantage, cost savings, increased productivity, reduced waste and resource consumption, branding as an employer of choice, and higher profits, will benefit significantly from going green. All parties involved—investors, shareholders, employees, customers, and the organization—win in this scenario.

Author details

Ajay Khatter
William Angliss Institute, Melbourne, Australia

*Address all correspondence to: ajay.khatter@angliss.edu.au

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