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Bridging political, managerial and legislative components of sustainability strategy with business demands

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Abstract

The present study explores features of policy, management and legislation (PML) that may facilitate country's sustainable development with the account of business demands in national governance. The paper discusses former attempts to measure PML related aspects from the perspective of sustainability at different levels. In order to get business strategies function in harmony with sector and national strategies in a sustainable manner, a framework interconnecting PML and business is required. There are numbers of methodologies, including sophisticated criteria systems, elaborated to measure PML in terms of sustainability. However, none of these methodologies correspond to linkages among PML sustainability and business demands. Therefore, the paper aims to construct conceptual framework requirements for sustainable governance and explain effects of such requirements on business.

Results of research indicate the hierarchy of measurable and aggregated overlapping criteria for evaluation of PML domains of sustainable strategy of a country. Among the most significant parameters are political, managerial and legitimate inclusion, level of corruption, balance of evidence based policy practice, process transparency, balance of interests, open process monitoring system, etc. These criteria represent principles of public in general and business in particular inclusion, rule of law and integrated solidarity based management that should be achieved for strategically driven sustainable development. Business motivation and engagement, stable and favorable political, procedural and legal environment, long-term strategy support via regulation, and other features of PML could secure sustainability of business strategy.

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1. Introduction

Societies on organizational, state, international or even global level continue to be challenged to develop their strategies in compliance with sustainability demands. Rankn et al. (2011) divide the existing literature on sustainability strategies into the category of the measurement-based literature and the category of theoretical literature. The theoretical literature attempts to explain sustainability strategies elaborating their phases and levels without explicit focus on quantitative measurements. Some researchers dig into complexity of sustainability definitions

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(Mirvis and Googins, 2006). Others investigate balancing of the three aspects (social, economic, ecologic) of sustainability (Elkington, 2004), and there are scholars who work on recognition of sustainability actions (Markevich, 2009). The second stream of scientific literature is targeted on measurement of factors influencing sustainability strategies. From the perspective of corporate strategy, studies discuss the most powerful factors affecting sustainability. These factors are government and management (Grolleau et al., 2007), stakeholders and communities (Henriques and Sadorsky, 1996), media and competitors (Bansal, 2005), characteristics and position of a company in the market (Ambec and Lanoie, 2008; Vorley 2001), and customers (Giovannucci, 2001; Grolleau et al., 2007). The relationships among these factors are measured applying factor, regression or cluster analysis and other qualitative techniques (Grolleau et al., 2007; Arragon-Correa et al., 2008; Marcus and Anderson, 2006). Structuring literature on sustainability, Rankin et al. (2011) distinguishes five levels of sustainability that are recognized among theoretical research: organizational sustainability, sustainability for regulatory compliance, profit-driven sustainability, innovative sustainability and societal sustainability. Even though there are many variations on what characteristics could be included in these levels, they are rather overlapping than isolated one from another.

Expanding sophistication of sustainability notions and integrating different concurrent frameworks, the concept of universal sustainability is evolving (Rutkauskas et al., 2011; Rutkauskas, 2012; Rutkauskas and Navickas, 2013). Universally, sustainable development deals with running a country in a sustainable manner and scans all the major areas of state existence. Therefore, the authors propose an idea of universal sustainability covering much more than a three-component classic definition of sustainability, and encompasses 12 components, which are grouped in four sub-systems making a universally sustainable development system. The first sub-system is composed of social-demographic, economic and ecologic components; the second one is designed of educational, cultural and religion components; the third sub-system comprises financial, investment and innovation-technologic components; and the last sub-system is constructed of political, managerial and legislative (PML) elements. Each component has to be sustainable itself in order to build up universal sustainability. Business is an inseparable domain within all the subsystems. However, linkages among business functions and governance functions are not self-evident. In order to get business strategies function in harmony with sector and country strategies in a sustainable manner, a framework interconnecting PML and business is required.

The scope of our research is the PML sub-system. We strive to discuss what key features of PML should be maintained in order for these elements to ensure sustainability of country's development in general and sustainability of business strategy in particular. This goal includes:

- study of attempts to measure PML aspects of sustainable development,
- spotting requirements for PML sustainability;
- elaboration of conceptual framework interconnecting PML sustainability requirements with business demands.

The paper combines analytical methods applied in investigation of sustainability literature and could serve as a theoretical background for further empirical studies measuring sustainability of PML systems. The proposed framework focuses on PML features, functioning and monitoring, while internal factors of business domain remain out of the research scope. However, this paper does not include validation of the framework, but highlights the methodology to be utilized for an empirical research showing PML system interaction with business demands.

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2. Attempts to Measure Political, Managerial and Legislative Components of Sustainability

Since the World Commission on Environment and Development (WCED) officially defined sustainable development in 1987, this concept rapidly became the key notion of environmental policy (Koroneos and Rokos, 2012). The recognition of environmental integrity, social justice, and economic prosperity principles were embedded in both industry and government strategies striving to protect species and natural resources, ensure food security, and integrity among societies (Brundtland, 1987). Sustainability shortly bloomed as prerequisite for strategies of companies, nations and international structures far beyond the environmental policy area. However, expansion of the

concept of sustainability into different spheres and social layers challenged the need of guidance beyond the definition that sustainable development is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (United Nations, 1987). Elaboration of the concept required helping to understand processes and rules of balancing demands and various responsibilities, explaining strategies for implementation of sustainability principles, determining needful technologies and resources (Carter and Rogers, 2008). Today’s definition of sustainable development remains vague, encompassing the vast of different values, objectives of different groups and social levels, applicable to diverse public policies and economic sectors (Peterson, 2009). Notwithstanding complexity around and within sustainability concept, this category remains highly appreciated, demanded and engaged in science, as well as in praxis (Omer, 2008; Muntlak et al., 2009; Hannon and Callaghan, 2011; Yildiz and Yercan, 2011; Koroneos and Rokos, 2012; Orecchini et al., 2011; Cumming, 2011).

More than a decade ago, researchers were challenged to resolve the problem of structuring existing methodologies dedicated to measurement of such important social constructs as democracy, governance and human rights, which are elements incorporated in the notion of sustainability of country development. The research conducted in 2003 discovered 170 initiatives evaluating the aforementioned areas (Landman and Häusermann, 2003). However, only 45 of those include methodologies that have been applied or still are used in practice or for scientific purposes. All the initiatives entail difficulties in choosing measurable and unambiguous measurement instruments (UNDP, 2002, p. 36). Data for measurements are selected applying diverse techniques: population census data, questionnaires, values surveys, focus groups, expert surveys, collection of data from national statistical agencies, events analysis etc. Measurement criteria also vary in typology: objective (such as statistical data) and subjective (expert or population opinions); input, output or outcome. From 1954 to 1965, more than 2 000 criteria for democracy measurement were proposed, and only 28 percent of those were applied more than once (Barsh, 1993, p. 91). Each of the measurement methodologies encounters a problem of selection and matching different types of criteria. The higher level measurement is executed at (organization, system, sector, national level, international, global), the higher level of abstraction of criteria is required. Measurement of such components as policy and democracy, management and legislation, or human rights varies depending on the goals or levels of measurement. For example, Kaufmann, Kraay and Zoido-Lobaton (2002) elaborated 300 criteria for measurement of democracy globally. From those were being composed sets of criteria selected to produce specific indices. Combinations of criteria could vary even for application in different countries. However, such multiplicity of criteria causes methodological problems. For instance, the diversity in sets of criteria cannot ensure reliable comparability of different countries without a multilevel data analysis. As a result, countries can be ranked only as a poor, average or good in some aspects. Landman and Häusermann (2003) study revealed, that plurality and variety of criteria ignoring the context of their application, failure to match achievements of political, management and law sciences, could lead to failures of holistic evaluation or could even result in meaningless measurement outputs. Therefore, researchers suggest to start with elaboration of an explicit concept and components of the subject that is measured and set clear goals of the measurements. Then, criteria and aggregated criteria have to be established for each component and sources and methods of data collection should be thought over.

Problems in measurement of PML remain unresolved until today. Resolution of these problems is of great importance for practical reasons in the area of sustainability of country development. The importance is demonstrated by the scientific work done within the framework of a European project in 2009-2010. The focal point of the project was on organizing governance criteria for sustainable development (7FP project “Participatory Assessment of Sustainable Development indicators on good governance from the Civil Society perspective” – PASSO, 2009, 2010a, 2010b). PASSO uses a notion of governance encompassing political, managerial and legislative domains. Therefore, our study validates and challenges the aforementioned project research. Like Landman and Häusermann (2003), PASSO team envisaged problems caused by the variety of evaluation frameworks and multiplicity of criteria used in these frameworks. The researchers analyzed different schemes measuring governance and elaborated a list of 482 criteria (PASSO, 2010b). They also proposed completed procedures aimed to reduce the list by selecting the most significant criteria in terms of sustainable development. After explicit analysis of the relevance of criteria and application of 2 rounds of Delphi workshops, the number of criteria was reduced to 30, supporting an opinion, that phenomena should be described with a limited number of only the most relevant parameters.

3. Organizing Conceptual Policy, Management and Legislation Sustainability Framework and Interface Corresponding Business Demands

Governance, as a concept to deal with public affairs within available resources, use political, managerial and legitimate decisions that altogether produce concerted efforts to build a sustainable practice once all three dimensions are interconnected and fully integrated with a clearly designed purpose. However, it is not so trivial to trace the importance of integration for sustainability while plenty of different approaches could be valuable for different societies. Consequently, the values or key principles could lead us to plausible sustainability and could be supported by elements that could implement values within the existing practice.

Screening values that lead countries to the desirable level of well-being in the typical society guides us towards the willingness to be responsible for oneself, follow agreements and use rationality when it is appropriate. In the context of sustainability in political, managerial and legislative decisions, aforementioned values correspond to a widely developed concept of inclusion, respectfulness to the agreement to implement rule of law, and rationality that could lead to integrated solidarity based management (see Fig.1).

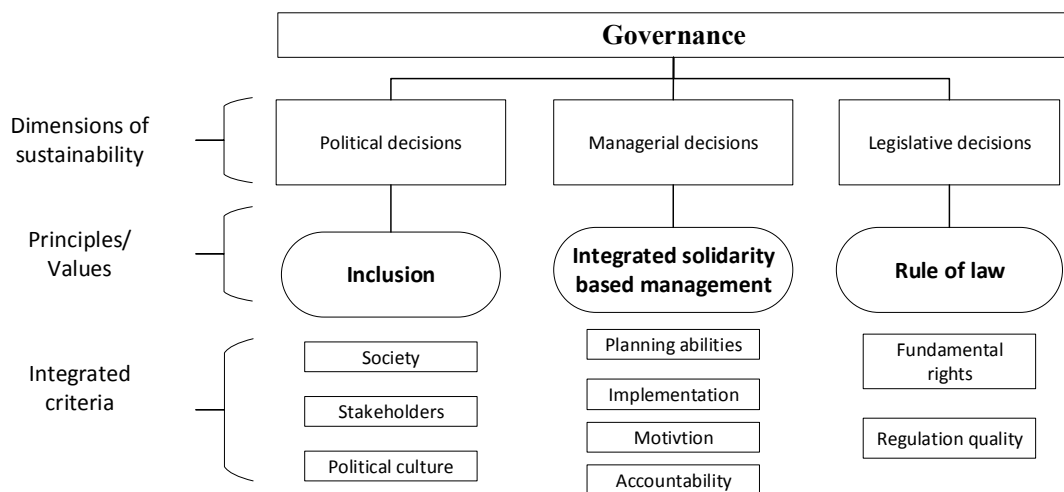


Fig.1. The conceptual framework of political, managerial and legislative sustainability

The key principle and prerequisite for sound development of governance sustainability is inclusion, which substantiates nature of political element in the context of sustainability of country's development. The methods how the society in general and business in particular could influence public decision making are as important as results achieved. Creation and implementation of such methods are obligations of the management component. The component of legislation is challenged to establish legal procedures ensuring open, transparent, equal procedures for entrance into decision making process, as well as obtain responsibility and accountability of governance institutions. In order to implement these principles, their integration is necessary. Therefore, criteria for measuring PML sub-system should not only explain a specific component, but also interact with criteria of other component.

The openness and flexibility of such system constitute particular criteria that are detached from individual values. A more detailed picture could be revealed by exhibiting components of integrated criteria, the set of which could be adjusted to specific needs. Such integrated criteria could be broken down into simple attributes associated with particular domains of interest. In our case a set of attributes forms an interface linking PML decisions with business demands (see Fig. 2). Such interface could contribute to the establishment of coherent and sustainable country's development.

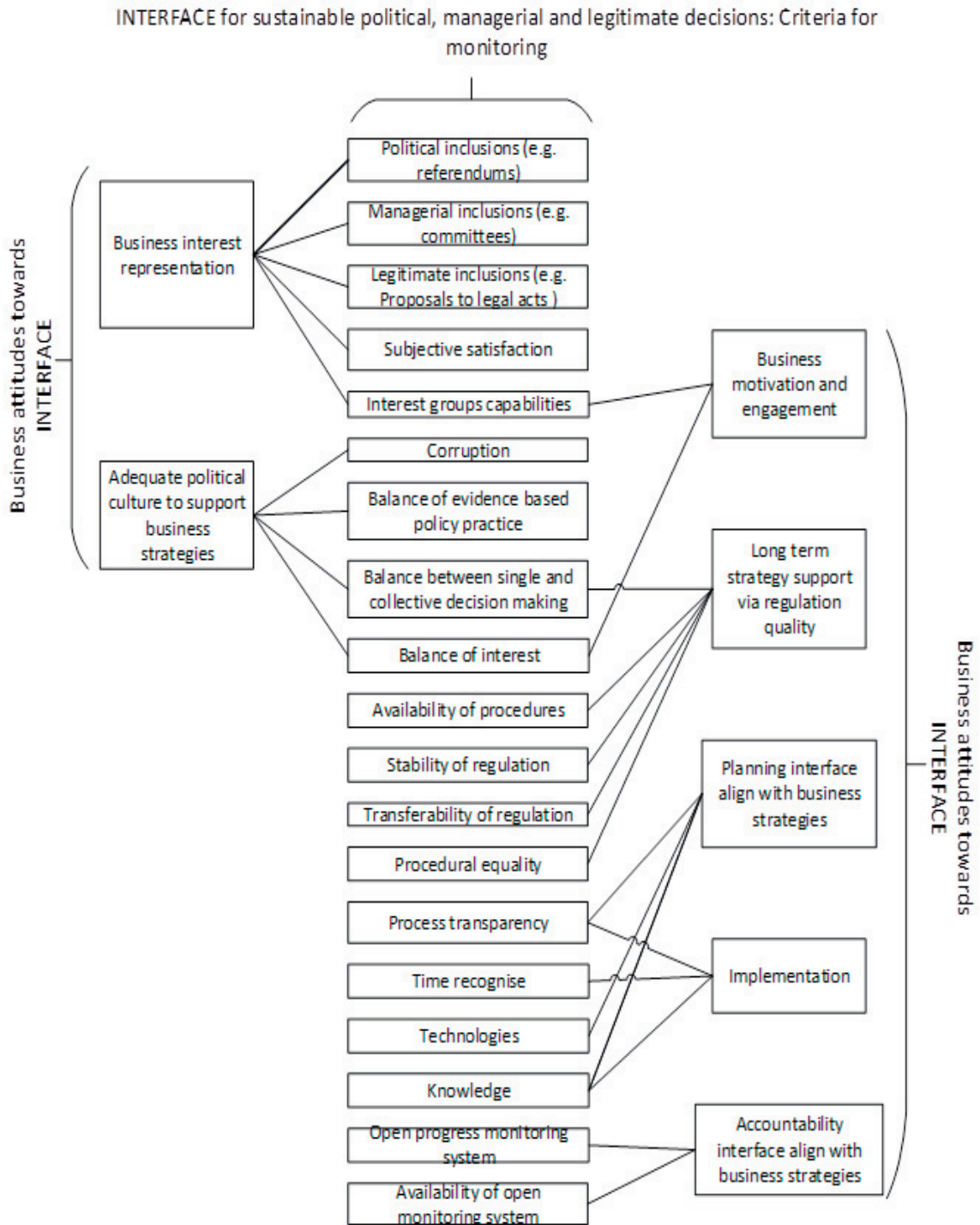


Fig.2. Interface for sustainable political, managerial and legislative decisions corresponding business demands.

Let us now take a closer look into Inclusion value. Inclusion is based on the assumption that those who will be effected by decisions have the right to take part in the decision making process. Both, society with non-public organisational groups and organised stakeholders have to be included. The way inclusion operates strongly depends on

the political culture, that is the functioning of superposition of political values, practices and beliefs. Consistency of Inclusion could be disclosed by the following elements: political inclusion, managerial inclusion, legitimate inclusion, subjective satisfaction by inclusion and interest balancing. Therefore, in political dimension of sustainability, the interface responds to business demands to operate in a stable and favourable political environment, and to introduce its interest when policies are designed.

Unfolding contents of managerial dimension of sustainability, a principle of integrated and solidarity based management emerges. This principle can only be implemented having adequate planning abilities, sound motivation and implementation and accountability schemes. A set of criteria aggregating the aforementioned principle could consist of such attributes as time management, process transparency, knowledge and technologies, existence and quality of process monitoring system. Reciprocal interaction among managerial, political and legislative sustainability dimensions is obvious as the managerial domain reflects political agreements that are described in legal regulations. The managerial part of the interface reflects commitment and responsibility of public and private sectors for implementation of agreed decisions in a transparent and efficient knowledge based manner. Business attitudes towards managerial components of the interface demonstrate its willingness to operate in the environment that motivates and engages stakeholders from business, ensures stable and favorable processes of planning and implementation of public managerial decisions allowing businesses to align and realize long-term business strategies. A proper system for monitoring sustainability in political, managerial and legislative domains keeps governance accountable and acts as an awareness system to maintain sustainability of business strategies.

The principle of rule of law within the legislative domain of sustainability could be specified by integrated criteria of fundamental rights and the quality of legal regulation that could be monitored using criteria of the balance between individual and collective decision making, stability and transferability of regulation, availability of procedures and solidity of their application. As an interface linking legislative decisions with business demands, these criteria testify that sustainable legislation determines stability of and support to long-term business strategies via legal regulation.

In the discussion on sustainable political, managerial and legislative decisions, it is worth mentioning that the proposed interface could serve as a background for further investigation of reciprocal interaction of business and governance to achieve mutually beneficial and sustainable goals.

4. Further research

In practice, an interface for sustainable political, managerial and legislative decisions indicates approach points among state governance and business strategies ensuring smooth integration of interests. Business entities through interface contribute with strategic knowledge which governance could apply stating common goals of sustainable growth. In addition, the framework highlights the modes for business to enter arena of governance where business strategies could be harmonized with society in general and other businesses in particular. Hereby, strategic knowledge is circulated among government and business units in natural and sustainable manner. Therefore, further research should focus on an empirical testing showing how PML components influence competitiveness and strategic management development within sustainable development field.

The elements of proposed framework refer to objective and subjective indicators and each element could include either survey-based data, standards-based data or events-based data (Landman and Häusermann, 2003). Accordingly, combination of diverse methods could be utilized for framework testing. Some of the elements can be evaluated using objective indicators (i.e. corruption level, political inclusion, managerial and legislative inclusion etc.) retrieving quantitative data, while the other elements refer to subjective indicators based on expert or mass opinion surveys (i.e. satisfaction, procedural equality, process transparency etc.). Evaluation of each element could encompass not only homologous but also integrated criteria. Moreover, each element requires unique set of parameters. Therefore, testing of the framework challenges researchers with the need of multilayer and multi-method techniques.

5. Conclusions

Measuring governance, political, managerial and legal elements are identified as interacting one with another and creating a background for sustainable governance of a country. The sub-system policy-management-legislation

interplays with other sub-systems in the framework of universal sustainability of development. Therefore, trying to select (or newly suggest) the most relevant criteria for measurement of sub-systematic components, elaboration of the set of criteria should be started at a higher level of abstraction. That would help to identify points of reference that have to be followed in order to envisage capital features of sustainable state governance.

Sustainability in business is influenced by external factors, one of which is governance and state support to sustainability at all social levels. When businesses and governments act in coherence for sustainability, businesses are able to develop more long-term and target oriented strategies. The conceptual framework of political, managerial and legislative sustainability focusing on inclusion of business as a partner into decision making processes highlights conditions for achieving the aforementioned effects.

The concept with only key values/principles of sustainability generates an open framework for a different input into measurement of the parameters of sustainability. The efficiency of the proposed framework is based on a set of individual criteria, that are equally sound to every dimension of sustainability and let us avoid duplication of indexes that sound differently but measure the same nature of sustainability. Meanwhile, the proposed framework does not restrict the system to the newly elaborated criteria that become meaningful in modern development trends.

While sustainable decisions are being developed, an interface allowing businesses to contribute to the development of the sector on the one hand, and supporting sustainability of business strategies on the other hand, is required. Business demands for transparent, impartial, stable and favorable political, managerial and legislative procedures could be met thus. Process sustainability monitoring systems integrated in the interface serve for all participants learning purposes and for introducing learning into strategies. The interface based on sustainability-oriented criteria ensures that governance, the public and businesses are linked by common principles and act in coherence.

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