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## Strategic Thinking and Sustainable Development



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### Definition

Sustainable development can be considered as a guide for building a society that integrates economic, social and environmental issues in all its spheres. This concept must be pursued by everyone in a variety of ways, including corporate and business areas. In this context, sustainability is also included as part of strategic thinking in organizations involving in this processes the demands of diverse stakeholders (Steurer et al. 2005).

### Introduction

From the Industrial Revolution to the present day, there have been continuous processes of technological advances that constantly change the organizations' performance and the view of consumers on the use of available production resources. Indeed, environmental concerns that directly impact organizations and the ways in

which goods, products, and services are commercialized are the most prominent in the corporate world (Ribeiro et al. 2017).

Within this scenario, the role of strategic management, governance, and sustainability stands out. All external environment of the organizations, formed by the stakeholders (an individual, group of individuals, or entities with legitimate interests in the attitudes and performance of an organization) and shareholders (set of people that affect or can be significantly affected by the organization, including the shareholders themselves), demand from the companies actions to preserve the environment.

Aiming to demand and validate measures and actions and planning which reinforce the achievement of the goals that aim to ensure and preserve the people, the planet, prosperity, peace, and partnership, the 17 Sustainable Development goals and the 169 goals announced were formulated (United Nations 2015). It is noted that not only industries, which historically have always been targeted as villains of the environment, are being charged in this new context, but the entire production chain is being involved in processes that seek sustainability.

Therefore, the present work intends to analyze the issue of strategic management, governance, and sustainability as a management tool for the decision-making process related to positive environmental practices. This analysis involves both organizations and all their stakeholders and shareholders, evidencing actions and the benefits generated.

## Organizations and Sustainability

The environmental issues exist since ancient times, and by the end of the last century, it became a worldwide relevance subject. There are several authors who address the theme of sustainability, presenting concerns about the care of the environment and the consequences of its devastation. Lima (2015, p. 27) states:

The environment is no longer seen and understood only as a social habitat, source of unlimited natural resources and space for the deposition of waste from economic activity, to be treated as a social problem that requires attention, reflection and intervention by society. The problematization of the relationship between society and the environment, and the resulting new consciousness gave the environment a new meaning and status, constituting an “environmental issue” where it did not exist before.

From the same point of view, Tinoco and Kraemer (2011, p. 88) point out:

Two major trends characterize the beginning of the third millennium. First, the global human ecosystem is threatened by severe productivity imbalances in the distribution of goods and services. A significant proportion of humanity continues to live in conditions of true poverty, and the projection of trends indicates a growing divergence between those who benefit from economic and technological development and those who do not. This unsustainable progression of the wealth and poverty extremes threatens the stability of the entire human system and the global environment.

In the meantime, the concept of environmental management has emerged including the organizational structure, planning activities, responsibility, practices, procedures, processes, and resources to develop, implement, achieve, critically analyze, and maintain environmental policy. In the business environment, besides other aspects, it seeks to minimize and eliminate negative effects caused in the environment by its activities. It presents then the way in which the organization internally and externally mobilizes in order to achieve the desired environmental quality, consisting of a set of measures that aim to have control over the environmental impact of an activity (Barbieri 2011).

As discussed by Tinoco and Kraemer (2011), environmental management (Table 1) can be

### Strategic Thinking and Sustainable Development, Table 1 Environmental management factors in organizations

Control and reduction of environmental impacts, due to operations or products
Compliance with environmental laws and regulations
Development and use of appropriate technologies to minimize or eliminate industrial waste
Monitoring and evaluating environmental processes and parameters
Elimination or reduction of risks to the environment and man
Use of clean technologies to minimize energy and material costs
Improvement of the relationship between the community and the government
Anticipation of environmental issues that may cause problems for the environment and, in particular, to human health

Source: the authors based on Tinoco and Kraemer (2011, p. 89)

conceptualized as the systems and organizational program integration that allow:

Thus, for a company to actually work with environmental management, it must, inevitably, undergo a change in its organizational and business culture by reviewing its paradigms. In this sense, environmental management has been set as one of the most important activities related to any enterprise and involves several sectors of an organization (Kraemer et al. 2013).

Environmental management instruments aim to improve environmental quality and decision-making process. They are applied to all phases of the projects. In this perspective, another aspects to consider are the environmental impacts determined by the organizations. The term “environmental impact” gained a more precise definition in the 1970s and 1980s when several countries realized the need to establish guidelines and criteria for assessing the adverse effects of human interventions on nature (Tinoco and Kraemer 2011).

The legal definition of environmental impact in Brazil is expressed in Resolution No. 1 of the National Environmental Council (CONAMA) of January 23, 1986, as follows:

Environmental impact is considered any alteration of the physical, chemical and biological properties

of the environment caused by any form of matter or energy resulting from human activities, which directly or indirectly affect: health, safety and well-being of the population; social and economic activities; the biota; the aesthetic and sanitary conditions of the environment and the quality of natural resources. (CONAMA 1986)

Environmental impact is the change in the environment or in some of its components by a given action or activity. These changes need to be quantified because they present relative variations, whether they are positive or negative, big or small. What characterizes the environmental impact is not any change in the environment properties but changes that cause the unbalance of the environment constitutive relations, such as changes that exceed the absorptive capacity of the environment considered (Tinoco and Kraemer 2011)

Most impacts occur due to:

[...] to rapid economic development, without control and maintenance of natural resources. The consequences involve pollution, uncontrolled use of resources such as water and energy, etc. In other situations, the areas are impacted by underdevelopment, which leads to undue urbanization in protected areas and lack of basic sanitation. Overall, the most significant environmental impacts are found in the industrialized regions, which offer more job opportunities and social infrastructure, leading to higher population concentrations. (Kraemer et al. 2013, p. 10)

In this context, in order to guide a more careful approach, with a new civilizing standard for corporate social responsibility, the United Nations, during the World Summit on Sustainable Development held in Johannesburg, South Africa, in 2002, presented the sustainable development which is based on three pillars: “economic development” refers to the preservation of the environment and natural resources, as well as the reduction of waste of materials. To minimize negative environmental impacts, the company must implement ways of avoiding or compensating them. For example, create projects that have a low environmental impact, invest in beneficial alternatives according to the region, and measure the amount of carbon emitted by their production processes, adapting to current standards. “Social

development” refers to human capital regarding to the activities of the enterprise, including the community, the target public, suppliers, and society in general. That is, it includes wages which comply to labor law, the well-being and health of employees and their families, as well as personal and collective development. Companies should analyze how their activities interfere with communities, including social characteristics such as education, leisure, and security. And, finally, the “environmental protection” including matters related to the production, distribution, and consumption of goods and/or services, that is, considering the environmental and social pillars. It is assumed that, in order to be sustainable, the company cannot profit at the same time that it devastates the environment or provides bad conditions of work to its employees. Another important issue is the fair competition with competitors in the market (Vieira 2017).

In 2015, the United Nations reinforced this issue by establishing the document entitled “Sustainable Development Goals,” which proposes 169 goals to be achieved globally by 2030. The purpose of the agenda is to reaffirm the results of all major UN conferences and summits which established a solid foundation for sustainable development and helped shape the new agenda (Vieira 2017).

The aim, among other issues, is to ensure that the efforts made to raise awareness of the sustainable structuring of a system in organizations, provide greater economic opportunity and competitive advantage, since the ecosystem has become one of the most mentioned themes today and has gained prominence in the business world, since there is a clear need for help to keep it in balance. A company concerned to contribute to a change from unsustainable consumption and production patterns to more sustainable patterns of natural resources uses, promoting quality of life, aims to benefit all stakeholders. Consequently, in a more conscious view, focused on environmental responsibility, as presented by Claro et al. (2008), sustainability in the business environment can be interpreted as satisfying the needs of individuals in the current scenario without affecting future

generations, because environmental practices have become increasingly present in organizational entities.

For Dias (2006), the competitiveness of a company involves a set of factors, which are variable, complex, and interrelated, and can be possibly dependent on factors such as human capital, technology, and innovation capability. From this juncture, environmental management has acquired a consolidated position in the competitive segment, due to the benefits that such a management model provides. The demands of the new economic standard stimulated companies to seek evolution based on the identification and recognition of their target audience. These aspects began to be analyzed from the generation of competitive value and the need to develop and to look for its due market share in the commercial scope.

The need to meet this specific market share is the result of a society which gradually increases its demand for a policy of control, preservation, and environmental recovery by organizations. According to Souza and Pfitscher (2013), consumers of products and services tend to value quality coupled with environmental responsibility. Consequently, organizations are under pressure to implement environmental management to control the impact of their productive activities on the environment.

Therefore, it is imperative to constantly seek new ways to meet market demands that contribute not only to business but also to building a sustainable society. Investing in corporate sustainability is, besides an ethical and altruistic behavior, a way of contributing to the business permanence in the market.

Companies should be evaluated and managed based on their performance and financial results, having profit as the main indicator. They must also be evaluated and managed for their environmental performance, which indicators vary according to the branch of activity. The company's social performance involves indicators related to the company's way of acting as an agent for the improvement of the life of some group of people in the society in which it is inserted (Sant'Anna 2013).

“To make such a context profitable and strategic, companies must manage opportunities in two ways: innovate by taking advantage of the company's own business and/or innovate by occupying new markets, ensuring business success” (Barreto and Moreira 2015, p. 45). For the authors, sustainable management becomes an opportunity for new enterprises, for example, the improvement of human development levels, represented in the greater purchasing power which can be reflected in access to consumption and, consequently, the increase in products and services to previously unexplored markets.

## **Strategic Management and Sustainability**

Sustainability in the current corporate context must be correlated with the strategy of companies aiming to meet the new behavior of consumers, who are more aware that products said to be ecologically correct bring benefits. These benefits must be understood through sustainable management, which causes socio-environmental impacts and requires balance of economic and financial results concerning the environment and social development promotion, as well as seek to create measures to eliminate or minimize the effects of negative impacts on the environment (Barreto and Moreira 2015).

According to the Brazilian Micro and Small Business Support Service (2016), strategic management is essential for effective action. Once recognized the scenario where the company is inserted, knowing the factors that generate opportunity for its success, as well as what generates threat to survival in the external environment, and also recognizing its strengths, competencies, and the internal weaknesses, the administrators can define what is the company's reason to exist and what goals will be achieved with the invested resources. Allowing to walk in a constantly changing environment, through administrative decisions and actions that guide the steps toward the desired results, with meaning, with determination, and with learning.

**Strategic Thinking and Sustainable Development,**  
**Table 2** Environmental management reflects in organizations

Encourage decision-making process with reasoned decisions based on a better understanding of society's expectations and the opportunities associated with social responsibility, including better control of legal risks and the risks of not being socially responsible
Improvement of risk management practices
Improvement of the organization's reputation and promotion of greater public confidence
Support for operations licenses
Generation of innovations
Improving the organization's competitiveness, including access to finance and preferential partner status, as well as low interest credit
Improvement of the organization's relationship with its stakeholders, thereby exposing the organization to new perspectives and contact with different stakeholders
Increased employee loyalty, involvement, participation, and morale
Improvement of the health and safety of workers of both sexes
Positive impact on the organization's ability to recruit, motivate, and retain its employees
Savings resulting from increased productivity and efficiency in the use of resources, reduction of energy and water consumption, reduction of waste, and recovery of valuable by-products
Greater reliability and fairness of transactions through responsible political involvement, fair competition, and lack of corruption
Prevention or reduction of possible conflicts with consumers regarding products and services

Source: the authors based on Barbieri and Cajzeira (2016 p. 231)

For Barbieri (2011), it is expected that the strategic management and sustainability practice will provide social, environmental, and economic benefits to the organization while contributing to sustainable development. The degree of benefit depends on the level of integration of the central themes in the organization's management, in particular, on the following factors in Table 2:

In this context, there are an increasing number of actions and measures that encourage companies to include practices and interventions that focus on environmental management and sustainability in their organizational structure. Considering this reality, the Exame Sustainability Guide, in its 18th edition, published in 2017 the list with the

ranking of the most sustainable companies. We analyzed information about the conduct of the 173 companies that answered the questionnaire prepared by the Getúlio Vargas Foundation of São Paulo, which analyzes the three dimensions of sustainability – social, environmental, and economic (Vieira 2017).

In order to choose, first, they separated the companies which scored above the average plus a standard deviation in the dimensions, regardless of the sectors in which they operate. Next, there was a journalistic investigation on critical issues of each company and the evaluation of a deliberative council, made up of specialists. The election featured ten themes: human rights, ethics and transparency, water management, biodiversity management, supplier management, waste management, sustainability governance, climate change (including energy management), community relations, and customer relations (Vieira 2017).

It is important to emphasize that for the first time, the questionnaire included questions on the 17 Sustainable Development Goals (ODS) established by the United Nations in 2015. This process generated the list of 75 best, divided into 19 sectors. Each sector has a highlight – and the other companies appear in alphabetical order (Vieira 2017). In order to demonstrate the relationship between strategic management and sustainability in organizations, the following are three prominent examples in the 2017 Exame Sustainability Guide.

The company Raízen, located in Piracicaba, São Paulo, has been present in the Exame Sustainability Guide since 2000, with 1 billion reais turnover in 2016 and approximately 5404 employees. It is taking the first step in the application of a technology capable of increasing its ethanol production by 50% without the addition of 1 ha of planted area. That is, Brazil's largest sugarcane ethanol company would be able to raise its annual output from 2 billion to 3 billion liters with the same amount of raw material used today. The key indicators that made it stand out within the regular group are ethics and transparency, biodiversity management, supplier management, waste management, sustainability governance, and relationship with the community. The factors classified as

below average are human rights, water management, climate change, and customer relations (Vieira 2017).

Another company present in the Guide since 2000 is Weg, an entity from Santa Catarina, which manufactures electric motors, currently exploring the field of solar and wind energy equipment sale. The company had revenues of 9.8 billion reais in 2016 and approximately 30,000 employees. Today, there are about 90 Weg wind turbines installed in the country, the most recent, in Brasília, on the roof of the headquarters of the Superior Electoral Court. The above-average indicators human rights, biodiversity management, governance, and sustainability stand out. The under-average indicators include ethics and transparency, water management, supplier management, waste management, climate change, relationship with the community, and relationship with clients (Vieira 2017).

Finally, the company Natura, which operates in the production of cosmetics, also present in the Guide since 2000, with revenues of 8 billion reais in 2016 and approximately 6397 employees. Many of its products take natural resources as raw material, so the company seeks to act for the maintenance and improvement of environmental conditions, minimizing aggressive actions to the environment. The company was the pioneer in launching cosmetic products with refills and without its packaging. It is also worried about using less impacting raw materials, using the green polyethylene originated from sugarcane, for example. Natura also signed a commitment to reduce emissions of greenhouse gases and seeks to boost the generation of sustainable businesses as an economic alternative for local communities. In the 2017 Sustainability Guide, Natura stood out as the sustainable company of the year.

The previous considerations confirm what has been said by Pinsky et al. (2013, p. 446) to whom “the increasing importance of sustainability in recent years has led some companies to consider the inclusion of business goals, which are compatible with sustainable development, as an integral part of business strategy.” Thus, without giving up their financial responsibilities, companies can play an important role in promoting an ecologically sustainable and socially fair society.

This positioning involves a new way of doing business, in which innovation and sustainability move together and become sources of competitive advantage.

## Final Considerations

In the current global scenario, the need of conservation and recovery of the environment is evident, as a result of the damages caused by the fast development. Given this, strategic management and sustainability play a key role for companies which are concerned with environmental issues, social responsibility, and economic development.

It was identified in the development of this work that in order to reverse a scenario of unsustainability, due to the growing scarcity of natural resources caused by industries and society in general, it is fundamental to apply an active, conscious, and participative management among all stakeholders and shareholders.

Although in a succinct way, the concept, applicability, and success of companies that invested their efforts in the concern with the corporate responsibility in the search for sustainability were presented. Considering the results, despite the positive data, it is important to emphasize that there is still a long way in the commitment of organizations to contribute to the three fundamental factors for sustainable development, that is, to promote activities that are socially fair, ecologically balanced, and economically viable.

A company which decides to have a sustainable positioning strives to meet in varied and different ways the community, seeking to benefit it. By doing it, with a focus on socio-environmental management, the immediate return is to be a differentiated company, often becoming a benchmark in the market. Finally, it is believed that the concept and applicability of corporate sustainability are understood and exercised as a commitment to sustainable development, based on benefits such as improved institutional image, product portfolio renewal, increased productivity, increased employee commitment, better relations with public authorities and with the community, and easier to meet environmental standards, as seen in the cited examples.

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