

GENERIC MANAGEMENT: A BASIS FOR IMPLEMENTING SUSTAINABLE BUSINESS MANAGEMENT

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1 INTRODUCTION

Bringing sustainability issues into the boardroom of companies is a central and important issue for a successful development of sustainable societies. The concept of Sustainable Business Management allows the integration of sustainability aspects on a corporate level. Therefore it has to be embedded in a management system. In this paper, Generic Management is presented as normative basis for Sustainable Business Management.

Sustainable business management emphasizes on innovation, stakeholder requirements and efficiency as well as effectiveness of business processes. It is supported with tools for identification, implementation and controlling of sustainability aspects in companies (Baumgartner 2004, p. 2). Integration of sustainability issues is a strategic task, the normative foundation in a company is an essential precondition for success. A proactive and integrated management approach is necessary. Generic Management is a management model with this holistic view.

2 GENERIC MANAGEMENT

Business is characterized through increasing complexity, rising interest of stakeholders and the necessary effort for value generation. Sustainable Business Management can deliver a solution for this challenge, especially regarding stakeholder orientation and value generation, due to the integration of economic, ecological and social aspects (Figure 1).

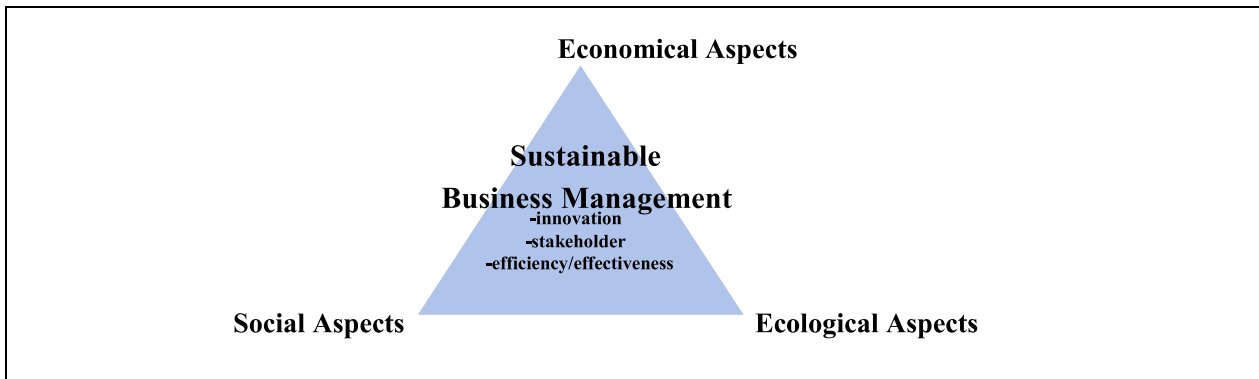


Figure 1: Model of Sustainable Business Management

Central aspects are innovation, stakeholder and efficiency resp. effectiveness (Baumgartner 2004, p. 3). For implementing a management approach regarding to these aspects is needed. It has to focus on following aspects:

- Regarding stakeholders
- Consideration of organizational environment including nature
- Focus on long-term corporate success and value generation

Therefore Generic Management can be defined:

Generic Management is an integrated model for managing internal and external demands regarding dynamic and complex processes in order to guarantee a successful and sustainable corporate development.

This definition is illustrated by the philosophy of Generic Management; with the structure model the organization-specific potentials and necessities can be identified.

2.1 Generic Management – basic philosophy

The basic philosophy of Generic Management consists of the three already mentioned aspects stakeholder orientation, flexibility and value generation. Each aspect is essential for an integrated and holistic management approach like Generic Management.

In modern economic concepts - like the neoclassical theory - stakeholders play a central role. The neo-institutional organization theory assumes that organizational structures and expiries are forced by stakeholders (Meyer and Rowan 1977, Tolbert and Zucker 1996). In daily business, organizations are tending to orientate themselves on single stakeholder requirements, like customer or interested public, and take these as a base for the adjustment of organizational structures. In consequence specialized management systems for quality issues like ISO 9000 series or environmental issues like ISO 14001 have been developed and implemented. This leads to sub optimal solutions due to parallelism of these systems and limited view on requirements of selected stakeholders (Baumgartner 2002, p. 56). In this case, it is not possible to manage stakeholder issues integrated and proactive. In a Generic management system the separation of these subsystems has to be overcome.

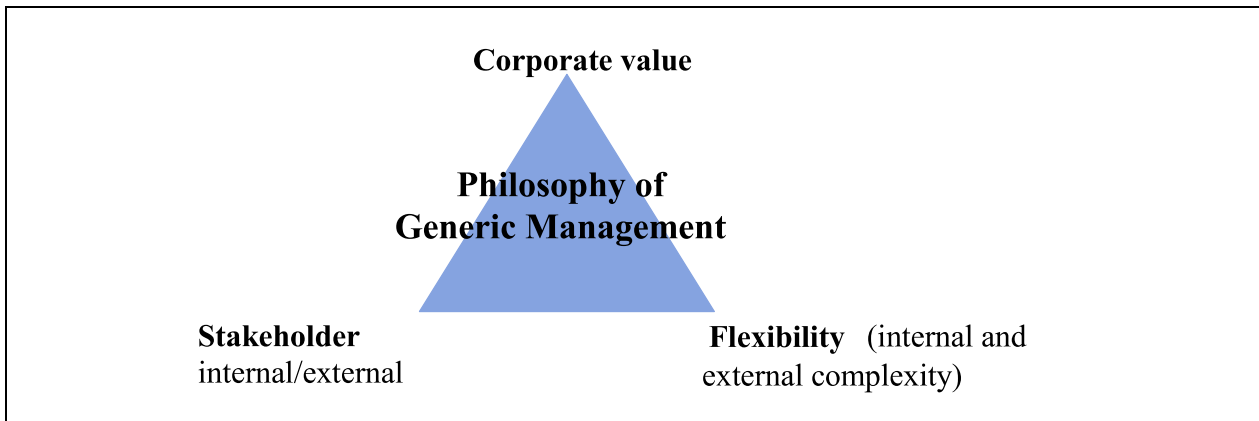


Figure 2: Generic Management Philosophy

Hereby stakeholder-requirements can be regarded in an integrated way and not only by separately formulated programs. This is also a connection to the concept of Sustainable Development as it consists of economical, ecological and social aspects, which are often formulated by stakeholders and pressure groups.

Flexibility enables an organization to manage the dynamism and complexity of the environment and the organization itself. This is a matter of not to reducing this but of handling it specifically and adequate to the organization's needs. Managing flexibility has to be based on the basic principles of cybernetics and systems engineering. Outgoing from Ashby's law - complexity can be mastered only by complexity – it is crucial to enable an organization recognizing and managing internal and external dynamic and complexity (Ashby 1970). Relevant issues are organizational learning, the principle of self-organization and agility management (Schreyögg and Noss 1995, Sarkis 2001, Pieler 2003). Therefore formal as well as informal structures and processes have to be examined, adapted and improved constantly.

The third aspect deals with the corporate value. An organization pursues no end in itself, but it has to serve the fulfillment of the basic aims of an enterprise. These aims describe together with the vision the basic adjustment and the leading parameters of an organization (Haberfellner 1975). In case of profit organizations an adequate profit achievement is part of these basic aims. The profit as a sole purpose is controversial in the economical research at least since Heinen (Heinen 1971); the decision-oriented management theory goes out from a multidimensional target system which encloses monetarily and non-monetarily targets. A restriction on the profit as a success size would complicate the consideration of long-term requirements like strategic planning and management or prevent modern performance measurement instruments like Balanced Scorecard (BSC) (for BSC Kaplan and Norton 1992, Kaplan and Norton 1993).

The corporate value has to be regarded in an integrated way. Several value management concepts have been developed during the last fifteen years, like shareholder value (Rappaport 1986, Rappaport 1995) or Economic Value Added (EVA) (Stewart 1991, Stewart 1994). They are focusing only on monetarily measurable factors, too, which can lead in conjunction with very extensive reimbursement regulations for the management board to visible wrong

developments (Enron, Worldcom). Nevertheless, it may not be overlooked that these attempts with the consideration of future monetary flows and the integration of market prices show an advantage compared with classical profit-loss concepts. So corporate value has to be seen as integrated measure, which includes financial resp. monetary figures and additional worth components. Examples for additional components are corporate flexibility, intellectual capital or stakeholder value as extension of Shareholder value. It is essential that every organization has to decide which additional worth components are used for complementing the corporate value. This has to be based on the corporate's basic assumptions and vision.

The philosophy model allows an integrated view on three central aspects for corporations. The following structure model concretizes this normative view.

2.2 Generic Management – structure model

With the aid of the structure model, the individual situation of an organization related to the philosophy of Generic Management can be assessed. It is a combination of the three aspects of the philosophy with an input – process – output model of an organization (Figure 3). The nine identified fields are used to assess the organization in the light of Generic Management.

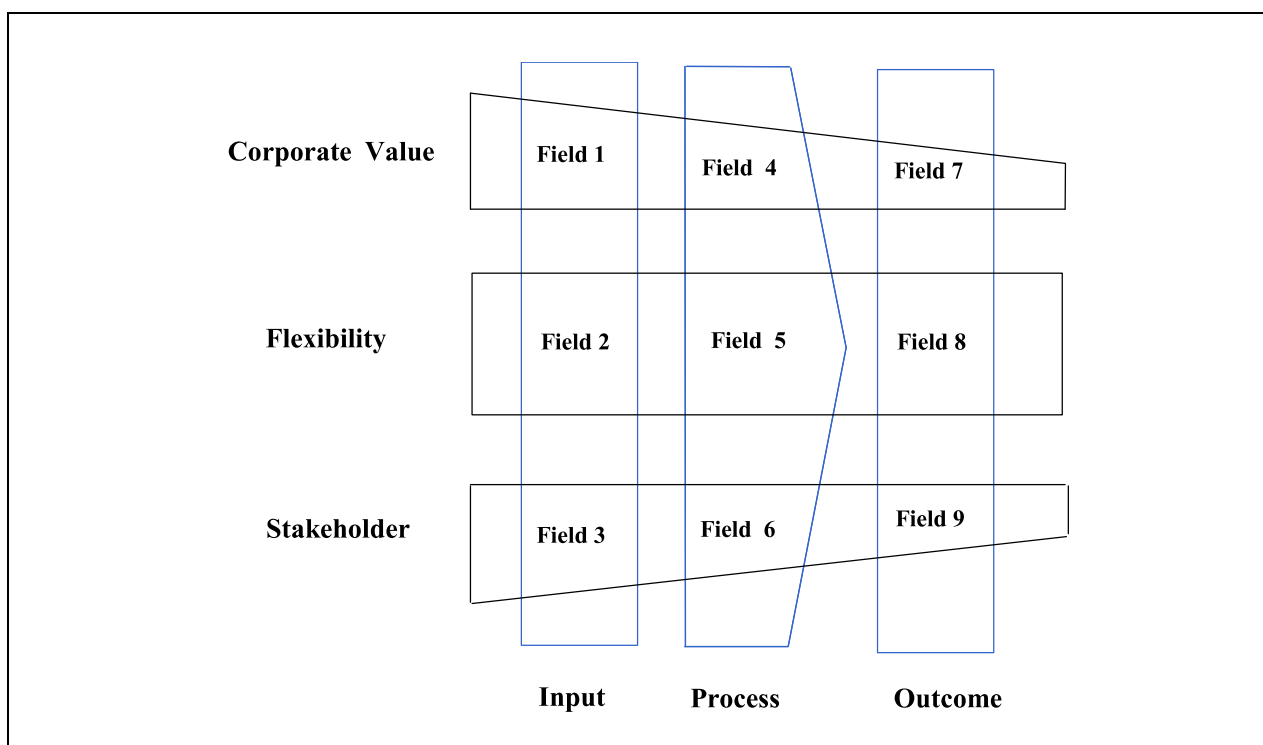


Figure 3: Generic Management: structure model (Baumgartner et al. 2004)

The input - represented in column one - consists of all needed input flows and potentials for the organization in order to enable value generation. The input is structured into three potentials: the human potential, the structural potential and relationship potential (following to Biedermann 2003, for human potential also Roos and Roos 1997). The human potential deals with selection, training and qualifying of employees. The structural potential consists of

material and energy flows and the infrastructure, facilities and plants. Formal and informal organizational structure, networks with suppliers and cooperation's with stakeholders regarding inputs are forming the relationship potential.

Column two represents the processes of value generation; potentials and inputs are used to create saleable products and services. Beside useful and desired outputs emissions, waste and other undesired outputs have to be regarded, too.

In column three the outcome is presented, which indicates the effects of organizational activities. Examples therefore are sold products and services, revenues, profit, image, brand value and value generation as well as reactions from stakeholder.

For assessment, following questions in the nine fields can be used:

- Field 1: How can the corporate value be influenced by potentials and inputs? This regards human, structural and relationship potential.
- Field 2: How does the potentials influence organizational flexibility and the possibility to adapt changing internal and external circumstances?
- Field 3: Which requirements have internal stakeholders to the input side, for instance quantities and quality of raw materials? Which requirements have external stakeholders to the input side?
- Field 4: How influence processes the corporate value?
- Field 5: How influence processes adaptability and flexibility? How can flexibility be implemented in processes?
- Field 6: Which requirements have internal stakeholders to the processes? Which requirements have external stakeholders to the processes?
- Field 7: Which effects arise through the activities (sold products, brand value...) on the corporate value?
- Field 8: Which effects arise by the corporate activities on the flexibility? Which effects show the organizational flexibility?
- Field 9: Which effects arise by the corporate activities on the internal and external stakeholders?

As result an individual picture of strength's and weaknesses of the analysed organization is obtained. Usually it is impossible for an organization to improve and redesign procedures in all nine fields; so this result is the basis for prioritisation of all activities in Generic Management. The identified activities have to be implemented consequently, proved procedures and principles of project management are here useful.

3 CONNECTIONS BETWEEN SUSTAINABLE BUSINESS MANAGEMENT AND GENERIC MANAGEMENT

Generic Management is an integrated and holistic management approach and can be used for

implementation of Sustainable Business Management (Figure 4).

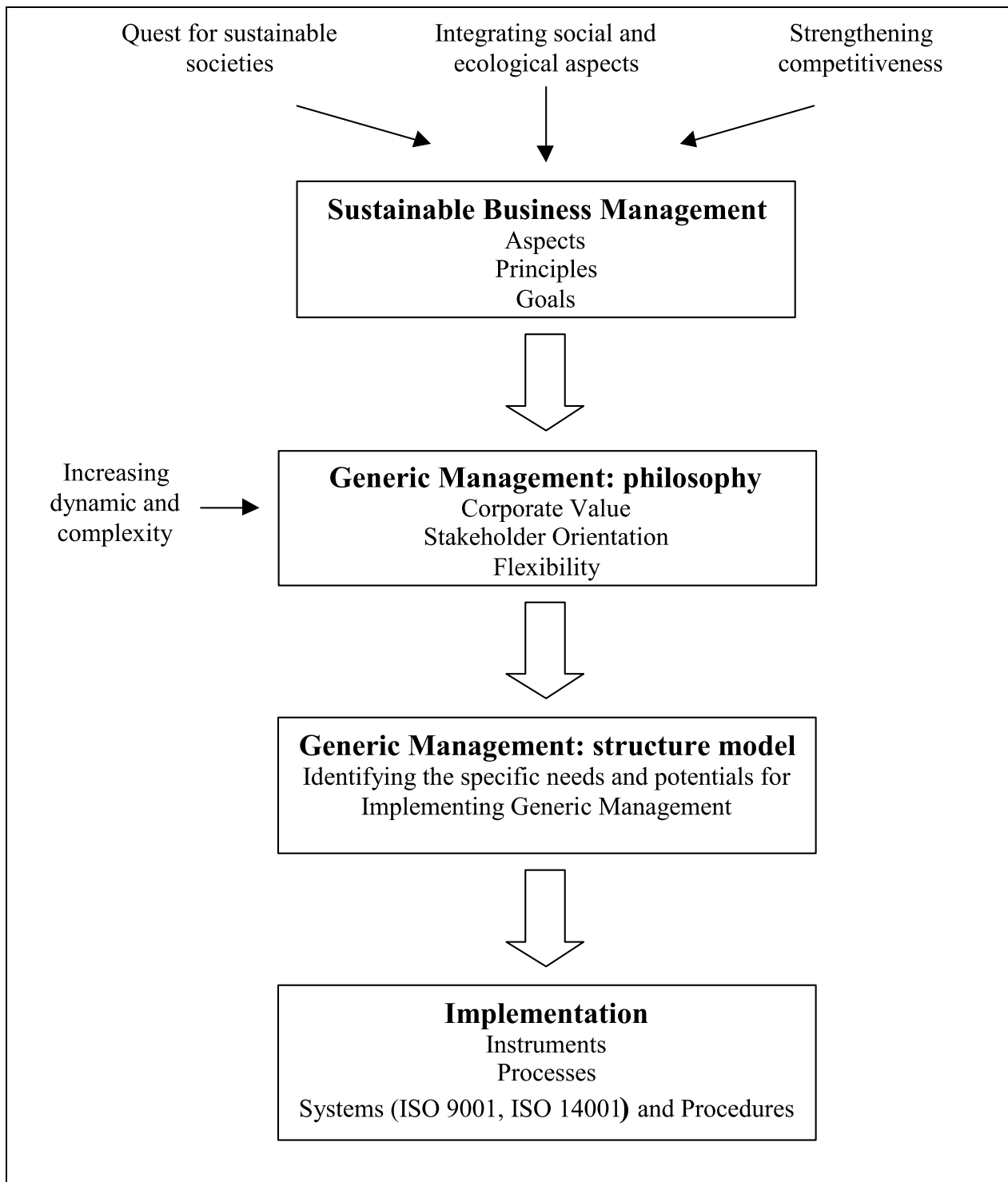


Figure 4: Interrelation between Sustainable Business Management and Generic Management

Sustainable Business Management concretizes the aspects, principles and goals of Sustainable Development for business practice (Baumgartner 2003, Baumgartner 2004). Corporations have to regard social and ecological aspects, without the engagement of economy in general the idea of Sustainable Development can't be implemented, but an integrated and proactive

implementation of sustainability issues will lead to better economic results. A detailed discussion of Sustainable Business Management regarding the aspects (social, ecological, economic), principles (Robert 2000) as well as interpretations (normative, innovation-based, rational) and goals can be read in Baumgartner 2003 and Baumgartner 2004.

Beside the challenge of Sustainable Development, increasing complexity and rising intensity of competition are evident for corporations. The Generic Management approach with philosophy and structure model allows combining these two aspects in an integrated concept. It enables the identification of needs and potentials; with this instrument at least Sustainable Business Management can be implemented.

4 CONCLUSION

This paper presents and discusses Generic Management as integrated management approach, which combines Sustainable Business Management with central challenges of companies regarding complexity and competitiveness. It consists of two elements - the philosophy and the structure model. The first builds the normative basis; the second allows the identification of needs and potentials. Further research will be carried out regarding implementation concepts and instruments for the implementation process.

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