Strategic Drivers for Implementing Sustainability Programs in Portuguese Organizations—Let’s Listen to Aristotle: From Triple to Quadruple Bottom Line

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Abstract

This article describes a study that investigated the main strategic drivers that influence the implementation of sustainability/social responsibility programs. An online survey was administered to managers of Portuguese organizations with certified management systems. The findings suggest that the implementation of such programs is mainly correlated to: 1.) the approach to understanding and working toward the satisfaction of the community’s needs (in the broad sense of social responsibility); 2.) how systematically sustainability within the organization is identified and managed (e.g., pollution prevention, improved environmental performance, and compliance with the applicable environmental laws); and 3.) the degree to which the organization tries to understand the needs of the employees and works toward satisfying them.

In addition to the survey, five interviews with top managers of the surveyed organizations provided some useful insights. There was no consensus on the meaning of sustainability and social responsibility: some described it as an instrumental approach for obtaining better organizational results, while others regarded it as the right thing to do (i.e., it is values driven). In all cases, however, the managers supported a kind of umbrella construct under which different size corporations use different models (for example, the Dow Jones Sustainability Index (DJSI), Global Reporting Initiative (GRI), ISO 14001 environmental management systems), although some managers reported that they simply do not know what to do.

All of those surveyed agreed that the lack of a systematic approach could represent a major threat to their organization, making them willing to pay more attention and take more action on the issue of sustainability. An additional suggestion made by managers was to change from a triple bottom line (economic dimension, environmental dimension, social equity dimension) to a quadruple bottom line by adding another dimension: personal and family happiness. This fourth dimension was recognized by the Greek philosopher/thinker Aristotle (384-322 BCE) who thought of happiness as the highest good (virtue) and ultimate goal and purpose of life, achieved through living well, in harmony. Such harmony suggests a balance and a lack of excess—in other words a sustainable existence.

Introduction

According to the United Nations Population Division and a report from the World Business Council for Sustainable Development, humanity today faces problems of unique dimension and complexity due to increasing population, mainly in developing countries, and large inequalities in wealth: 20 percent of the people in the world control 75 percent of the world’s wealth and 20 percent of poorest people in the world control only 2 percent. Yet, in the long run, climate change remains the biggest threat to human development. Climate
change affects everyone, though the effects will make life harder for those in the poorest countries, where there will be fewer agricultural outputs, a lack of potable water supplies, a rise in the ocean levels, and a decrease in biodiversity in their immediate environment.

In order to overcome these problems, there is a need for a development model that takes into account economic, social, and environmental perspectives, and which requires active involvement of all economic actors, governments, public and private institutions, and citizens. As stated in the Brundtland Commission Report, "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs." This statement implies the need for a simultaneous search for profitable economic development, social progress and equity, and respect for the environment, while creating value for shareholders, customers, workers, and society at large. Because these issues are global, solving them requires participation by everyone and a multidisciplinary and systemic approach.

In recent years, social responsibility has become a relevant concept that frames the way business takes action on sustainability. There is no consensus concerning the concept of sustainability and corporate social responsibility (CSR), including the definitions of sustainability and CSR, managers' motivations for their application, and the potential positive impacts and results (economic and financial, environmental and social) that can be achieved. However, a recent review of the literature shows that most definitions take into consideration the economic, social, and environmental dimensions. Throughout this article, sustainability and CSR are used as umbrella constructs, that is, as "a broad concept or idea used loosely to encompass and account for a broad set of diverse phenomena." This could include expressions like sustainability, CSR/corporate social responsibility, corporate citizenship, triple bottom line, stewardship, stakeholder engagement, business ethics, shared values, and the like.

Stakeholder theory is the foundation for the business case for social responsibility of organizations and is the underlying theoretical basis for this study. Stakeholder theory holds that organizations that integrate business with social issues create more value for their critical stakeholders and often lead to better operational, economic, and financial performance.

Materials and Methods

This study focused on the main strategic drivers for sustainability/social responsibility programs implemented in Portuguese organizations with systems-certified management. Building on the literature review and contributions gathered by interviewing top management (CEOs) and sustainability managers, the following research hypothesis was empirically tested: The main strategic drivers for sustainability/social responsibility programs implemented in Portuguese organizations with management systems certified by accredited certification bodies covered by International Accreditation Forum recognition (also known as Registrars), were found to be the internal and external context of the organizations, the organization managers' satisfaction, and stakeholder orientation, defined as follows:

- Internal context: generic strategies that include lower cost of products and services, differentiation of superior products and services by innovation and higher brand value, and fair value of goods and services (value matches the price customers believe is fair to pay)
- External context: level of competition at the macro and industry level
- Managers' satisfaction: level of satisfaction managers report about working with their organization
- Stakeholder orientation: degree of effort made to understand and satisfy the needs of key stakeholders: customers, employees, partners and suppliers, communities, nongovernmental organizations, shareholders, and supervising authorities

Following a literature review and inputs from top (CEOs) and sustainability managers (five case interviews), an exploratory study was performed with key managers regarding quality management, and environmental and safety issues; another five case interviews focused on sustainability.

A pretest of the questionnaire was sent to respondents via e-mail; a total of 36 valid responses were received, an 80 percent response rate. The final sampling frame tested the same issues as the pretest and used a self-administered online questionnaire (using LimeSurvey). The survey was sent to managers of organizations that had management
systems certified by APCER (Portuguese Association for Certification, the leading certification body in Portugal with approximately 50% market share; www.apcer.pt). Of the 2906 managers contacted by e-mail, 375 responses were received (with 204 full complete responses). The response rate was within the expected range for this kind of instrument and was considered sufficient for the statistical tests.

The main literature research that supports the elaboration of the constructs and variables of the survey can be summarized as follows.

**Internal Context**

1. Several authors maintain that the organizational dimension and industry sector have a significant effect on organizational performance (market-based view) and on social responsibility programs (e.g., Hillman and Keim^9^). (variables v1 to v15)

2. According to other authors, organizational internal factors such as organizational culture and structure (resource-based view) can better explain performance variability than industry factors (e.g., Powell^10^).

**External Context**

3. Authors like Greenley and Foxall^11^ and Porter^12,13^ support the influence of external context on organizational performance. (variables v16 to v29)

**Managers’ Satisfaction**

4. Project RESPONSE (http://www.insead.edu/media_relations/press_release/docs/RESPONSE-Executive-Briefing.pdf) focuses on the relevance of researching how managers and stakeholders prioritize organizational issues, risks, and responsibilities in terms of their social and environmental performance and impacts. (variable 30)

**Stakeholder Orientation of the Organization**

5. Stakeholder theory (Freeman,^8^ Donaldson and Preston^14^) advocates integrative approaches (e.g., Berrone, Surroca, and Tribó^15^) that support the relevance of organizational stakeholder orientation for sustainability and sustainable organizational performance through stakeholder satisfaction. (variables v31 to v37) (See Table 1.)

**Sustainability/Social Responsibility Program of the Organization**

6. The main theories that support this construct and the survey variables are stakeholder theory (Freeman,^8^ Donaldson and Preston^14^), social responsibility theory (Carrol,^16^ Carrol and Schwartz,^17^ European Foundation for Quality Management (EFQM),^18^ and Latin American Foundation for Quality Management (FUNDIBEQ)^19^ (business excellence model). (variables v38 to v43)

ISO^20^ is the world’s largest developer of voluntary international standards for business and government agencies; their standards cover all sectors of economic activity. ISO 9001 and ISO 14001 are management system standards that have been implemented by over a million organizations in 175 countries.^20^ The ISO 9000 family addresses quality management—compliance with customers’ quality requirements as well as applicable regulatory requirements, while also aiming to enhance customer satisfaction and achieve continual improvement. The ISO 14000 family addresses environmental management—reduction of harmful effects on the environment caused by organizations’ activities, while also achieving measurable results on reducing the creation, emission, or discharge of any type of pollutant or waste (therefore reduction of environmental harm).^20^ Both management systems apply the Plan-Do-Check-Act (PDCA) methodology, which can be easily combined and integrated with these standards.

There is not yet an ISO standard for health and safety management systems. Therefore, OHSAS 18001 (Occupational Health and Safety Management System) was used as the reference for this discipline.^21^
ISO standards can be implemented internally by organizations; no outside certification is required. However, many thousands of organizations have opted to have their management systems independently audited and certified to assure that they conform to the ISO standards. Because an independent confirmation of conformity can identify improvement opportunities and add value to the organization and is likewise perceived as such by the market and the society, an independent confirmation of conformity to standards adds value and helps to achieve both organizational enduring success and sustainability.

It should be noted that as a whole, ISO 9001 addresses customers, ISO 14001, the external environment of organizations, and OHSAS 18001, the internal environment of organizations. The three together reflect an ISO multi-stakeholder approach: economic, environmental, and social perspectives (triple bottom line).

In addition to the quantitative survey, five interviews were held with top managers to try to obtain an additional and independent source for confirmation and better understanding of the survey results.

### Results

Survey responses came from all company sizes (small, medium, and large) with private companies representing 79.5 percent of total responses. Industry was the sector with higher participation (40.8 percent of total responses) and most of the respondents were quality/environmental or safety managers (78.6 percent) followed by CEOs (9.5 percent). Gender was split in half—50 percent female and 50 percent male.

For the purposes of the data in the study, the independent variables were internal context, external context, stakeholder orientation, and managers’ satisfaction; sustainability/social responsibility program was the dependent variable. All variables were measured on a Likert scale with ranges from 1 to 7, and construct reliability was tested with Cronbach Alpha, which assesses reliability through the internal consistency of each construct. The constructs

<p>| Table 2. Correlation (Spearman’s Rho) Coefficients |
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* Correlation is significant at the 0.05 level (2-tailed)
** Correlation is significant at the 0.01 level (2-tailed)
presented good internal reliability values (above .7). Table 1 presents the variables and Table 2 the correlation values (Spearman's Rho).

Correlation coefficient Spearman's Rho was used to measure the intensity of the relationship between ordinal variables and does not require data from normal distributions. (See Table 2.) The Spearman's Rho coefficient varies between minus 1 and plus 1; the farther the values are from these extremes, the stronger the linear association between the variables. The sign (plus or minus) of the Spearman Rho correlation indicates the direction of association between X (the independent variable) and Y (the dependent variable). If Y tends to increase when X increases, the Spearman Rho correlation coefficient is positive. If Y tends to decrease when X increases, the Spearman Rho correlation coefficient is negative. If the value is zero this means there is no linear relationship between the variables. SPSS (Statistical Package for Social Sciences) software was used to make these calculations. To test reliability, significance test at 0.01 level (2-tailed) was used (a common procedure for this type of situation).

Because the correlation analysis showed a linear relationship between the variables, regression analysis was also used to specify how this relationship should be processed to identify the nature and the direction of these variables (see Table 3). Based on those analyses, it is apparent that there are significant linear regressions between the dependent variables, leading to the conclusion that the independent variables influence the sustainability/social responsibility program of organizations. The results seem to indicate that the higher the respondents’ managers orientation toward stakeholders, the stronger the sustainability/social responsibility program (as measured by stakeholders orientation and the effort made by the organization to understand their stakeholders’ needs and to work toward satisfying them, using a Likert scale from 1 to 7).

Additional interviews with five top managers of the surveyed organizations provided some useful insights as follows:

- There is no consensus about the meaning of sustainability and social responsibility; some managers see sustainability as being more environment oriented and CSR as leaning more toward social issues, but in the end they both support the sustainability/CSR umbrella construct approach.

- Some managers take a more practical approach to sustainability (extrinsic, i.e., looking at outcomes like improved management approaches that achieve

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<th>Table 3. Summary of Simple Regression Analysis</th>
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better employee performance and increased financial results; better risk management for all dimensions—financial, environmental, and social; reduced consumption and emission costs; fewer accidents; and more, new loyal customers), while others regard sustainability and corporate social responsibility as the right thing to do (intrinsic, values driven).

- Big corporations use models like the Dow Jones Sustainability Index, medium-size corporations more often use the Global Reporting Initiative, and small organizations look to ISO 14001, or simply do not know what to do.

- There is no consensus on the benefits for businesses that take a sustainability/social responsibility approach, but all respondents agreed that a lack of a lack of sustainability and CSR approaches could represent a major threat to their organizations, so they are willing to pay more attention and take more action on the issue.

- A change from the triple bottom line to quadruple bottom line could be made by adding a fourth component to the three dimensions of the triple bottom line: personal and family happiness. According Aristotle, the path to a life of virtue and fulfillment (happiness) lies in how we conduct our lives. Making the Earth sustainable for future generations is one of many actions that could be construed as acting ethically for the common good and part of a virtuous life. As such, it could be framed as a part of the foundations of sustainability.

### Conclusion

Table 3 shows a positive medium-to-moderate correlation between internal context, external context, stakeholder orientation (attitude/degree of responsibility toward stakeholders), and managers’ satisfaction and the sustainability/social responsibility program. All correlations (except one) are significant at the 0.01 level (2-tailed). The results of simple linear regressions indicate that the independent variables are useful to predict the dependent variables, statistically validating the hypothesis of the study—that internal context, external context, stakeholder orientation, and managers’ satisfaction are relevant drivers for the sustainability/social responsibility programs undertaken by Portuguese organizations.

This study found evidence to support the idea that when environmental and social dimensions are considered to be relevant to the success of an organization, it is most likely to implement best environmental and social practices and minimize negative environmental and social impacts. Also, there is a positive correlation between managers’ high satisfaction level about the organization and having a strategy to identify and understand the needs of the relevant stakeholders. In addition, these variables correlate with a higher probability of implementation of best practices for health and safety; employee benefits; management of suppliers, customers, and partners; and involvement with society and communities.

The results also highlight that the implementation of a sustainability/social responsibility program in an organization is mainly correlated to: 1.) the approach to understand and work toward the satisfaction of the community’s needs; 2.) the environmental dimension as key to the success of the organization (how systematically the environmental aspects of the organization are identified and managed, aiming for pollution prevention, improved environmental performance and compliance with the applicable environmental laws); and 3.) the organization’s understanding of the needs of its employees and how to satisfy them.

One of the research limitations of this study was that the respondents were managers in organizations with a certified management system and the analysis was based on their perceptions. Additional research should extend this study to non-certified organizations and to other countries.

### Acknowledgments

The author wishes to thank the anonymous reviewers for their most valuable inputs, his PhD thesis supervisors, Professors Amilcar Ramos and Álvaro Rosa, from ISCTE–IUL, Lisbon University Institute (www.iscte.pt), and the Organization of the EES 2012, 1st International Conference on Energy, Environment and Sustainability held at ISEP-IPP, Porto, September 26-27, 2012, where a preliminary and partial presentation of this study was presented.

### Author Disclosure Statement

No competing financial interests exist.

### References


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