

KNOWLEDGE, INNOVATION AND SUSTAINABLE DEVELOPMENT IN ORGANIZATIONS

Larisa Ivascu^{1*} and Monica Balan¹

¹ Politehnica University of Timisoara,
Faculty of Production and Transport Management
14 Remus Street, Timisoara, Romania

*Corresponding author: larisa.ivascu@upt.ro

Abstract

In an economy where knowledge becomes the most important driver of development, companies face new challenges in terms of performance and economic development. A company can ensure a harmonious development over time and even a competitive advantage by engaging in social activities and highlighting an emphasis on environmental protection. The major problem is the difficulty of understanding the specific directions of sustainable development in the current activity of a business.

Keywords: knowledge, innovation, sustainable development, organizational performance

1. Introduction

Difficulties in ensuring universal access to natural resources, especially water and energy, climate change affecting all regions of the world, deterioration of ecosystems through pollution (Rockström et al., 2009) have led to increased awareness of business sustainability. Sustainable business approach means more than financial performance. The concept is very current, is widely used and targets three components (Raderbauer, 2011) that are constantly interacting: environmental protection, economic dimension and social dimension (see Figure 1).

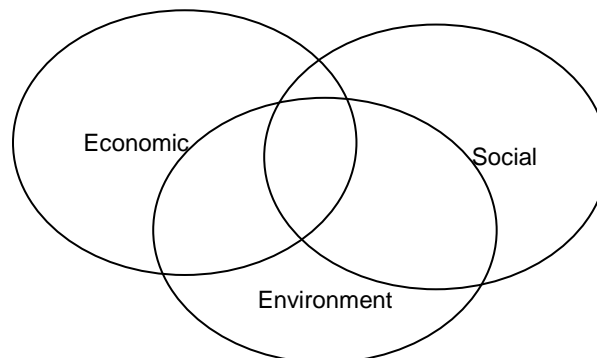


Figure 1. Components of sustainable development

Companies must realize the effects of their activities on the environment and society to help ensure quality of life and the environment. Sustainability of the

environment refers to the company's ability to perform activities without exhausting available resources, using it responsibly and without destroying the environment. It also refers to eco-efficiency, trying to reduce energy consumption and use of renewable energy sources, reduce the amount of waste produced, toxic emissions, pollutants, and recycle waste efficiently. Social sustainability aims to promote the principles of equal opportunities, create more sustainable jobs, focusing on health and safety aspects, reflecting the organization's attitude towards employees and also the impact on society. The company's economic sustainability involves making profits so that it can survive for a long time and benefit from local, national, and global economic systems.

The report of the World Commission on Environment and Development of 1987, also known as the Bruntland Report, refers to the term sustainable development as "development aimed at meeting the needs of the current generation without compromising the ability of future generations to use their own development potential". Sustainable development should be one of the fundamental principles in all fields of activity (Platon & Turdeanu, 2006), everything must become sustainable: society, education, industry, agriculture, resources, etc. Sustainable development is a process of acquiring new skills and abilities. To create new knowledge within the organization, managers should consider cross-border integration to allow employees to share existing knowledge and develop new sustainability-oriented innovation skills.

2. Literature Review

2.1 Why sustainable development?

A multinational company operating in the field of management, manipulation and distribution of economic goods has special responsibilities, which take into account the care of the exploited asset and the unchanged maintenance of the environment that supplies the good. Sustainability plays an increasingly important role in the development and success of companies. Development is a long-term process that includes economic growth and economic, social and environmental progress (Riel et al., 2015). Sustainability indicators such as the Dow Jones Sustainability World Index - DJSI (Searcy & Elkhawas, 2012), the Social Index MSCI KLD 400 (Soytaş & Atik, 2018) or GRI Performance Indicators (Menichini, 2014) allow monitoring and evaluation of various aspects of development and helps assess the success of companies.

2.2 Principles of sustainable development

To act for sustainable development means making very simple and very concrete gestures. The number of people who have become aware of environmental issues and understanding the importance of sustainable development is growing. Also, more and more companies present on the Romanian market are becoming more and more concerned with the sustainability of their own products. In order to reduce the environmental footprint as much as possible, they use certified ecological source materials, excluding hazardous chemicals and investing in renewable energies. The involvement of economic agents in national economies must be complete in order to talk about substantial changes in sustainable development. Thus, many companies

have begun to integrate the principles of sustainable development (Danciu, 2013, Zaman & Gherasim, 2007) into their activities (see Figure 2).

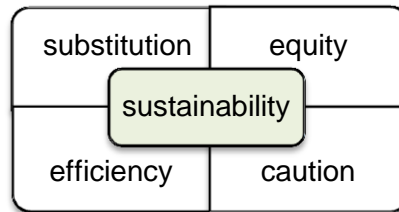


Figure 2. Principles of sustainable development

Resources should last as long as possible, so achieving the sustainability principle involves organizing and planning them effectively. Substitution involves replacing inefficient products and services with the most efficient and less harmful. The result of this principle is the reduction of waste by recycling or reuse of raw materials. Equity must be judged by the relationship between human beings and human-nature relationships. The result of applying this principle is the preservation of natural conditions. Efficiency means creating more value for the individual and for society, using fewer resources. Profit is not everything. Development involves capitalizing on a company's resources at all levels. The result of applying this principle is saving resources, such as energy or water. Precaution is the decision-making tool that takes action to address threats related to serious and irreversible effects on human health and / or the environment when we do not have the necessary scientific information. The result of applying this principle is safety, health, psychological comfort and well-being.

To overcome challenges, companies need to successfully define and implement strategies that provide the company with healthy growth and development and integrate the sustainability of actions taken in their global strategies. However, some companies do not have a clear vision of how they want to complement their sustainability policy, while others do not have a clear vision of how to implement sustainable strategies. That is why many valuable strategies have proved to be failures in the deployment phase. A sustainable development strategy has clear priorities and should be based on:

- Setting targets and sustainability commitments (reducing costs, reducing raw material consumption, energy resources, waste management, social action, or improving financial performance)
- Regular dialogue with employees, investors and suppliers on sustainability challenges.
- Establishing a performance measurement system for each objective.

3. Innovation - a strategic component of the sustainability improvement process

Continuous improvement of existing products and processes is required due to increased competitive levels. The ability to create more value for customers, to continuously improve operational efficiency, enables an organization to enter new markets, overcome competition and achieve excellence in sustainable innovation

(Siebenhuner & Anold, 2007). In order to achieve more sustainable products, the concerns of consumers must be understood, sustainable business practices should be used (Collins et al., 2010) and innovation is also needed. Innovative organizations adopt proactive strategies and develop a culture of innovation and creativity. An innovative idea makes it possible to successfully solve the difficulties and support the long-term benefits: saving resources, improving the quality of the services provided. In today's business environment, in search of new and efficient innovation models, "open innovation" (Alberti and Pizzurno, 2013) has developed, which includes workflows that go beyond the boundaries of the organization. This involves complex knowledge flows, new information (Giusti et al., 2017): financial, market, institutional, which can have a positive impact on enterprise performance by reducing risks, reducing product development times, expertise, increasing the pace of innovation, and the quality of the solutions adopted, improving employee participation and increasing access to new knowledge, technologies and markets. To achieve these benefits, organizations are becoming more and more interested in implementing sustainable solutions. However, innovation as a strategic component of the sustainability improvement process involves increased risks, and in order to be successful, in-depth assessments and value-added investments are needed. Business survival in a competitive environment largely depends on the innovative capacity that can be stimulated by an innovation management system and the implementation of creative methods and techniques.

Knowledge is the key to innovation. Each organization has a wealth of knowledge that can make a significant contribution to the company's success if managed efficiently. In particular, the use of external knowledge contributes to supporting the competitiveness of a company (Brettel & Cleven, 2011), being beneficial in terms of innovation of sustainable products and services. Collaboration with external partners (Chesbrough, 2003) is also a source of beneficial knowledge for the company's innovation activities (Rauter et al., 2018). Partnerships are one of the forms of collaboration: with other organizations, research laboratories or universities. Effective cooperation between businesses and universities is an important component of innovation systems that play a key role in society's development. Today's students are tomorrow's employees. Many employers are looking for graduates with sustainable education. Therefore, universities must use resources intelligently and provide students with a living experience in a sustainable environment (Riel et al., 2015) to ensure the development of technical skills and entrepreneurship.

4. The Organizational benefits of sustainability

The involvement of organizations in sustainable development leads to a number of benefits for the organization and for society. Organizations are increasingly interested in sustainable development and business alignment to global requirements. Sustainable development is a global requirement, an innovative approach. Among the benefits of sustainable development are those outlined in Table 1 (Izvercian et al.; Chesbrough, 2003; Rauter et al., 2018).

Table 1. The organizational benefits

Organizational benefits	Description
Responsible innovation	Innovation contributes to improving the image of the organization. The company can produce environmentally responsible, non-polluting and healthy products. Competitive advantage can move the organization forward and help set a new industry standard focused on responsible growth.
Operational efficiency	Integrating sustainability into its business model results in an improvement in the amount of resources used. Losses of natural resources may be reduced. Operational efficiency leads to reduced energy and water consumption, growth opportunities through the development of innovative products, better risk management and better brand reputation with customers and employees.
Improve the public image	The organization is involved in various corporate social responsibility actions that have a positive impact on society. The number of candidates for the recruitment process may increase. Employee involvement in various CSR activities helps increase employee motivation.
Shareholder value	The value of the organization can grow, and partners invest more in the relationship with the organization.
Reduce business risk	Sustainable development involves the assessment, monitoring and control of organizational risk. Operational efficiency helps improve production and reduce risks.
Business opportunities	Sustainable development can help identify new opportunities. Opportunities can refer to: green products, new partners, new customers, expanding production, rethinking the organizational structure, and others.
Cost reduction	Operational efficiency helps reduce costs. Developing sustainable products helps reduce costs. The circular economy activities (reuse, remanufacturing, reconditioning, recycling) can help reduce production costs.
Increased value	The organization improves its value by developing sustainable products, agreed by the company and partners.
Revenue increase	The revenue of the organization will grow by attracting new customers, developing innovative products, operational efficiency and cost reduction.
New innovation possibilities	Innovative technologies are an important element in sustainable development. Implementing new technologies helps increase operational efficiency and productivity.
Improves decision making	The decision-making process will be improved. Stakeholders will have increased financial results. Stakeholders should be directly involved in the decision-making process.

5. Conclusions

A sustainability policy aims at understanding the needs of an organization's stakeholders to meet them, and requires the common effort of all members of the organization that can generate different benefits for an organization. Companies that manage the environment properly have better financial results and create more value for all those interested in their results. Firms' contribution to building a promising future with sustainability becomes reality only if sustainability is seen as a progressive process that begins with rule compliance, continues with the creation of a sustainable value chain and the design of sustainable goods and services and ends with the development of new models business development and creates platforms for future practices. In order to successfully achieve every stage of the sustainability gaining process, the company must adopt as a general strategy a sustainability strategy.

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