



Organization and its Context

(Week 2)

Sustainability and the Organization

It should be clear that it is possible to succinctly define sustainability from the perspective of an organization. There are also widely available definitions available and a typology for characterizing organizations (Pojasek, 2013). Organizations usually operate within a defined structure and have a socialization process that is determined in large part by the governance of that organization. Understanding an organization depends on knowing how and where individuals participate (Seiler & Beall, 2010). Organizations play a significant role in our lives. They involve most everything we do. Most of us belong to several organizations starting with the family. As presented last week, we are looking at organizations at the community level.

A better working definition of an organization was provided by Edgar H. Schein, a behavioral scientist who specialized in the study of organizations;

“An organization is the rational coordination of the activities of a number of people for the achievement of some common explicit purpose or goal, through division of labor and function, and through a hierarchy of authority and responsibility.” (Schein, 1965)

Sustainability cannot be applied in the same manner by every organization. Since we have defined the practice of sustainability as having three responsibilities, it is important to view each organization in the *context* within which it operated. Responsibilities must address the various operational risks posed by these contexts. Recently, recognition of the organization and its contexts by the International Organization for Standardization has led to a requirement that all of the international management systems be revised to help address this need (Pojasek, 2013).

Understanding Context

An organization’s context involves its “operating environment.” The context must be determined both within the organization and external to the organization. It is important to understand the unique context of an organization before starting the strategic planning.

To establish the context means to define the external and internal factors that the organizations must consider when they manage risks. An organization’s external context includes its outside stakeholders, its local operating environment, as well as any external factors that influence the selection of its objectives (goals and targets) or its ability to meet its goals. An organization’s internal context includes its internal stakeholders, its approach to governance, its contractual relationships with its customers, and its capabilities and culture (Pojasek, 2013).

Context matters because it determines the influence and priority of stakeholder roles. It also helps determine how readily sustainability programs can be adopted and even whether they can



help get the organization to where it needs to be to address its social license to operate. If customers or principal stakeholders come from different contexts, this may systematically influence the statement of the goals and other operating requirements no matter what kind of organization is involved. Information on the performance of a sustainability program must be placed in context. According to the Global Reporting Initiative (GRI), information on sustainability performance should be placed in context (GRI, 2011, pp. 11-12). “The underlying question of sustainability reporting is how an organization contributes, or aims to contribute in the future, to the improvement or deterioration of economic, environmental, and social conditions, developments, and trends at the local, regional, or global level.” GRI notes that reporting only on the performance of the organization’s performance will fail to respond to the underlying issue of context.

Addressing Context

It is important to understand the internal context of the organization. An organization’s internal context is the internal environment within which the organization seeks to achieve its sustainability goals. The internal context may include, but is not limited to:

- Product and service offerings
- Governance, organizational structure, roles, and accountabilities;
- Regulatory requirements
- Policies and goals, and the strategies that are in place to achieve them;
- Assets (e.g., facilities, property, equipment and technology
- Capabilities, understood in terms of resources and knowledge (e.g., capital, time, people, processes, systems, and technologies);
- Information systems, information flows, and decision-making processes (both formal and informal);
- Relationships of the staff/volunteers/members and the perceptions and values of their internal stakeholders including suppliers and partners:
- Organization's culture;
- Standards, guidelines, and models adopted by the organization; and
- Form and extent of the organization’s contractual relationships.

Internal context can also be defined as anything within the organization that may influence the



way in which the organization manages its internal risks (Pojasek, 2013).

Once the internal context is understood, one can conduct the macro-environmental external analysis using “PEST” (political, economic, social and technological) analysis (Quick MBA, n.d.). A template for this analysis can be found in Table 1. Some would add demographic and environmental/ecological trends to this analysis. This analysis determines which factors are can influence how the organization operates. The organization cannot control these factors, but they must seek to adapt to them. The PEST factors can be classified as opportunities and threats in a SWOT (strengths, weaknesses, opportunities and threats) analysis. Alternatively, some organizations might use Porter’s “Five Forces Model.” These methods are used to review a strategy or position or direction of an organization. Completing a pest analysis is simple and helps the individuals involved in the organization to understand and find ways to deal with the context.

Table 1. PEST Analysis Template (Cockpit Arts, n.d.)

| Political Factors | Economic Factors |
|---|--|
| Ecological/Environmental Issues | National economies and trends |
| Current legislation | General taxation issues |
| Anticipated future legislation | Taxation to activities, products, services |
| International legislation (global influences) | Seasonality or other weather issues |
| Regulatory bodies and processes | Market and trade cycles |
| Government policies, terms and change | Specific sector factors |
| Funding, grants, and initiatives | Customer/end-user drivers |
| Market lobbying groups | Interest and exchange rates |
| Wars and conflicts | International trade and monetary issues |
| Social Factors | Technology Factors |
| Lifestyle trends | Competing technology development |
| Demographics | Associated/Dependent technologies |
| Consumer attitudes and opinions | Replacement technology/Solutions |
| Media views | Maturity of Technology |
| Law changes affecting social behaviors | Information and communications |
| Image of the organization | Consumer buying mechanisms |
| Consumer buying patterns | Technology legislation |
| Fashion and role models | Innovation potential |
| Major events and influences | Technology access, licensing, patents |
| Buying access and trends | Intellectual property issues |
| Ethnic/Religious factors | Global communication |
| Advertising and publicity | Social media use |
| Ethical issues | Maturity of organization’s products/services |
| | |



Although organizations cannot control macro-environment factors they need to manage them to their advantage. They also need to protect themselves from PEST factors which may increase operational costs or affect their reputation.

The external context's micro-environment consists of the organization's immediate operations and how they affect its performance and decision-making. These factors have a direct impact on the success of the organization. It is important to conduct a full analysis of the micro-environment before moving to strategy development. Here are some of the micro-environmental context factors (Learn Marketing.net, n.d.):

- **Customers** – Organizations must attract and retain customers by offering products services that meet their needs along with providing excellent customer service
- **Employees/Members/Volunteers** – There must be availability of people with the motivation to remain as contributing members of the organization and develop the skills necessary to provide a competitive edge
- **Suppliers** – Suppliers provide organizations with the resources they need to carry out their activities. If a supplier provides bad service, this affects the way the organization operates. Close supplier relationships are an effective way to remain competitive and secure the resources needed
- **Investors** – All organizations require investment to grow. They may borrow the money from a bank or have people invest in their work. Relationships with investors need to be managed carefully as problems can detrimentally affect the long term success of the organization
- **Media** – Positive media attention can bring success to the organization by maintaining its reputational strength. Managing the media (including the presence in social media) is a challenge.
- **Competitors** – Members of the organization need to have a sense of belonging. Can the organization offer benefits that are better than those offered by the competitors? Is there a strong value proposition? Competitor analysis and monitoring is crucial if an organization is to maintain or improve its position in the competitive landscape of the community. The organization must always be aware of its competitor's activities. The landscape can change quickly.

As in the case of the macro-environmental context, the organization cannot always control its micro-environment factors. But they must be carefully managed together and with the internal context understanding.

Organizational Sustainability Situation

The aim of addressing the organization's sustainability situation is to understand the key risks and challenges posed by the internal and external context. This helps create a system for establishing a sustainability program that will manage and balance the risks. Many organizations create standard sustainability programs that make it easy to report on their sustainability, whether this is in the form of a public report or to provide answers to questionnaires and scorecards



received from their customers and investors.

Organizations need to understand their competitive position as a result of their context analysis as described above. Business organizations look at their relative size and growth in its sector. Nonprofit organizations frequently are in a highly competitive environment since they must compete with other organizations to secure financial and volunteer resources, membership, visibility in appropriate communities and media attention. This is an area where SWOT analysis is quite useful. With the knowledge from that analysis, the organization can identify those products/services/projects, processes, competencies, and performance attributes that are unique to a successful organization, those that set it apart from other organizations, those that help it preserve its competitive advantage, and those that it must develop to sustain itself into the future. Understanding the competitors and their key characteristics is essential for determining what the competitive advantage might be (NIST, 2013).

It is important to understand any key changes taking place that might affect the organization's competitive situation, including opportunities for innovation and collaboration. Leading organizations have an in-depth understanding of their current competitive environment. It is important to search for comparative data that enables the organization to benchmark itself to help inform the sustainability strategy that will be developed or maintained.

Organizations face strategic challenges that can affect their ability to become more sustainable and maintain its competitive position among other organizations. Operating in today's highly competitive environment can mean fighting for markets, attention, and/or funding.

Sustainability challenges represent the ability to meet the organization's responsibilities with respect to environmental stewardship, social well-being, and the economic prosperity of the organization and the community as a whole. These challenges might relate to technology, products/services, operations, customer support, leadership, design or innovation capability, geographic proximity, accessibility, and warranty of the product/service options. For some nonprofit organizations, differentiators might include their relative influence with decision makers, ratio of administrative costs to programmatic contributions, reputation for program or service delivery, and wait times for service.

Strategic challenges can affect the organization's ability to sustain performance and maintain its competitive position. These challenges might include operational costs, expanding or contracting markets, mergers or acquisitions of the organization or its competitors, economic conditions, cyclical factors affecting the sector, the introduction of new or substitute services/products, rapid technological changes, or new competitors entering the market. In addition, the organization may face challenges related to recruiting, hiring, and retaining qualified workers, volunteers, or members.

One particularly significant challenge for many organizations is failure to prepare for disruptive technology innovations that can threaten the organization's competitive position — or even the market itself. In the recent past, notable technology changes have included cell phones (which replaced many landlines and pay phones), along with email and social media (which challenge



other means of communication). Organizations need to be scanning the environment inside and outside their immediate industry to detect such challenges at the earliest possible point in time.

Approaches to sustainability must take all of these things into consideration for each organization. After the analysis of the organization and its context, a management system can be scoped properly to address the key issues and risks posed by the context. This will be covered next week.

Let's take a look at how people are looking at sustainability in communities.

Sustainable Communities

There is a growing interest in the development of sustainable communities. In 2011, British Standards released a standard to help define what is meant by this term (British Standards, 2011). It is noted that it is difficult to create a standard approach to the development of a sustainable community given the diversity of *contexts* that are encountered at the local level. Different communities have differing needs and expectations.

The standard was prepared with the following set of principles (British Standards, 2011):

1. The *organization* known as the community must be sufficiently characterized in order to create desirable outcomes of community based sustainable development.
2. Sustainability must be integrated into everyday community life and not maintained as a separate initiative.
3. This process can be driven by grassroots efforts or by key community stakeholders (e.g., local organizations).
4. Confidence in the process would be achieved when some form of verification (e.g., measurement and monitoring) was used.
5. Development of a maturity matrix would provide a visual means of assessing progress, clarifying next steps, and combining the principles that are associated with sustainability.

A sustainable community is defined as a place where people want to live and work now and in the future (British Standards, 2011). The three responsibilities are expressed as follows:

“Such a community limits its impacts on the local and global environment, is fair, well governed and inclusive, and allows good opportunities for a flourishing local economy.”

It is pointed out that issues or risk and resilience are rising in importance for communities. While the achievement of some level of prosperity is important, communities are concerned with addressing vulnerability, and achieving and maintaining stability in order to thrive and flourish.

Communities' core values are informed by its context and activities (British Standards, 2011). This document presents a set of principles to be used by the community to measure the maturity of the sustainability practice (Table 2).



Table 2. Principles of Community Sustainability (British Standards, 2011).

| Principles of Sustainability | Features Associated with Principle |
|--------------------------------------|---|
| Mutuality | A group of people cooperating with each other are better able to act for their mutual benefit than if acting alone. |
| Shared external relationships | These relationships make a community open to outside ideas, people, and contributions while balancing the new and honoring existing traditions. |
| Sense of place | Appreciating what is distinctive and special about the local area. |
| Shared use of community space | Includes playing fields, commons, schools, community buildings, meeting spaces, streets, etc. |
| Connectedness | Close interaction between economic, social and environmental issues – the three responsibilities of sustainability. Activities are conducted within partnerships to address commonly shared goals |
| Engagement and inclusivity | Accountability to the wider community as well as empowerment to help the community develop confidence in working out what matters to them, their values, and their own capabilities to find mutual solutions. |
| Cooperation | Shared experience of schools, working life, family – interests and values brings common memory, activity, support, and fun. |
| Intra-community equity | Equity between and within different communities and groups. |
| Intergenerational equity | Equity between people alive today and future generations. |
| Quality of the environment | Monitoring, protecting and improving the environment while protecting biodiversity |
| Environmental limits | Ecosystems must be protected - a functioning environment provides clean air, water, and fertile land |
| | |

Our textbook also examines sustainability from the perspective of the community. Six forms of community capital are presented as the foundation of sustainable community development (Roseland, 2012). Sustainability requires that people minimize their consumption of essential natural capital while dealing with human, social and economic capital. The focus is on sustainable development. Sustainability is the program that addresses the efforts needed to obtain sustainable development. The key argument is that we need to do development differently!

Roseland recognizes context by stating, “Although the sustainability imperative is universal, the particularities of each place are unique” (Roseland, 2012). A sustainable community is not a static entity, but rather an organization that continually adjusts to meet the social and economic needs of its residents while preserving the environment’s ability to support that community. Roseland uses a definition developed by a Minnesota citizen-legislator taskforce in 1995:



“A sustainable community is a community that uses its resources to meet current needs while ensuring that adequate resources are available for future generations. A sustainable community seeks a better quality of life for all its residents while maintaining nature’s ability to function over time by minimizing waster, preventing pollution, promoting efficiency and developing local resources to revitalize the local economy. Decision-making in a sustainable community stems from a rich civic life and shared information among community members. A sustainable community resembles a living system in which human, natural, and economic elements are interdependent and draw strength for each other.”

It is recognized that sustainable community development is more a matter of the “how” rather than of the “what.” It is not prudent to recommend a series of initiatives that are not universally applicable. Sustainability must be integrated into how the community is managed.

Concluding Thoughts

We need to think about the fundamental differences between organizations within a community excelling in the area of sustainability and having individuals in the community working to create a sustainable community. Would a sustainable community encourage more organizations to practice sustainability by setting a good example? When organizations create partnerships and collaborate to improve their sustainability programs, aren’t they promoting a sustainable community? Individuals participate in a number of organizations and they reside in a community. Except for the governance structure, the local government consists of a large number of organizations (e.g., department of public works, police and fire departments, schools, etc.). As we progress with a focus on the organizations, we will continue to read about the need for sustainable development at the local level.

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