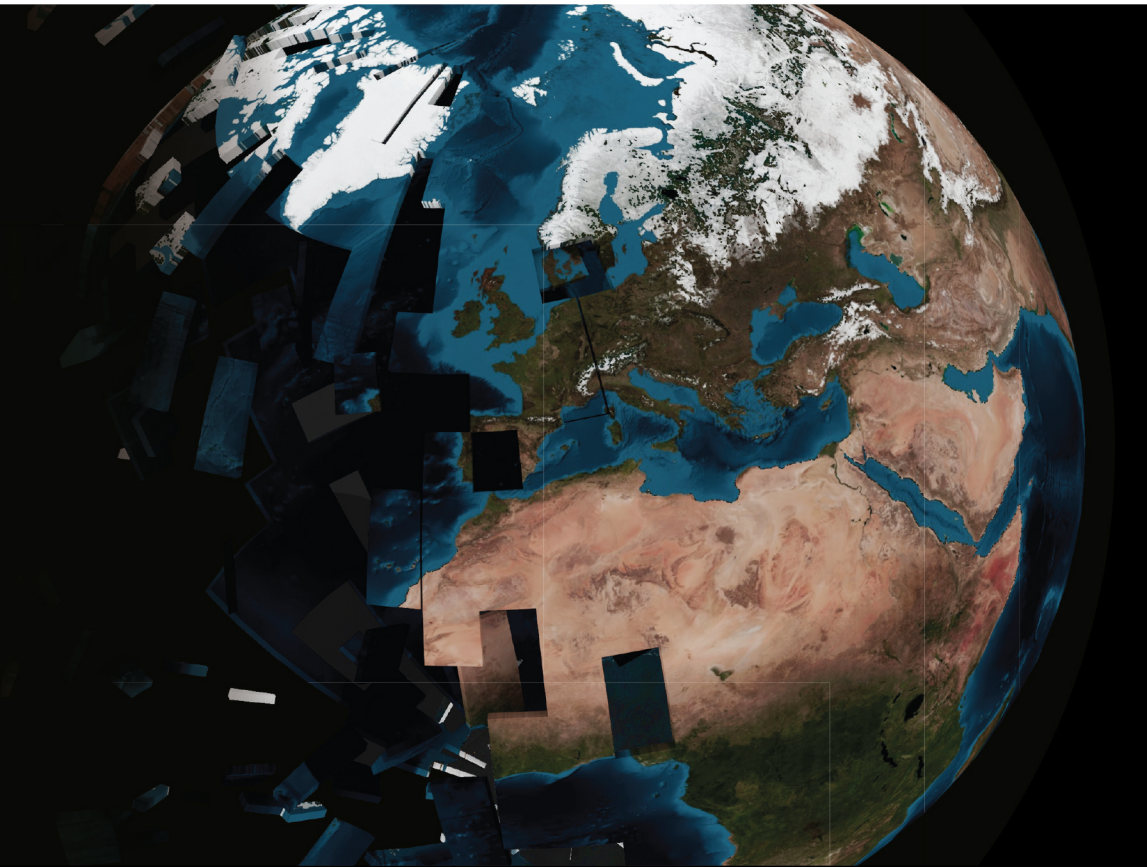


**EMERALD STUDIES IN GLOBAL
STRATEGIC RESPONSIVENESS**



**EDITED BY
TORBEN JUUL ANDERSEN**

**SUSTAINABLE
AND RESILIENT
GLOBAL
PRACTICES**

**ADVANCES IN RESPONSIVENESS
AND ADAPTATION**

Sustainable and Resilient Global Practices

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Sustainable and Resilient Global Practices: Advances in Responsiveness and Adaptation

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INVESTOR IN PEOPLE

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Preface

Corporate exposures to environmental changes appear to have increased in size and intensity over past decades with many unexpected disruptive incidents with adverse effects on business activities, public services, and societal welfare. Operating in an integrated global economy increases the complexity of multinational enterprise where actions and reactions in different regions around the world intermingle as a mechanism to produce unprecedented events with potentially extreme outcomes. The many interdependent elements can create wicked problems that may seem impossible to resolve through conventional analytics calling for new approaches that engage diverse constituents in collaborative efforts to develop sustainable solutions. The ability to survive, persevere, and prosper under abrupt and uncertain conditions requires dynamic adaptive strategy-making processes that can facilitate organizational realignment of business activities in responsive initiatives to deal with environmental changes as they evolve.

However, the ability to advance organizational adaptability and gain resilient outcomes, that make the organization even stronger after responding to emergent events, is different when the implied exposures have systemic proportions. Here, the individual organizations are exposed to emergent developments, but so are many other private and public sector entities, which therefore calls for collaborative initiatives to generate responses that lead to durable outcomes. Operating in complex global contexts reflects conditions of radical uncertainty where exposures often are hard to identify and outline thus de facto constituting unmeasurable exposures. To a large extent, these exposures derive from, and are locked into, standard practices we have established to govern the global economic activities that create economic value for society and its constituents. When the connected cross-border activities are tightly coupled, say in optimized global value chains, it will have systemic repercussions when political and economic conditions undergo fundamental changes. This creates exposures for all internationally engaged organizations and calls for collaborative solutions that involve all businesses in joint policy efforts with exposed societies across the global economy.

That is, contemporary firms must continue to adapt their business activities to thrive where recent events, such as a pandemic and military conflict close to Europe, have shown how sudden unexpected environmental jolts can cause severe disruptions to the prevailing business conduct. Successful responses to such emergent changes rely on a collective ability to sense ongoing developments and consider coordinated responsive actions that engage businesses in proactive, timely, and meaningful initiatives where economic practices and standards

coevolve going forward. It may entail joint reconnaissance involving internal and external stakeholders where organizational agents can take local responsive initiatives to explore for viable solutions that can generate new insights and inform forward-looking analyses for updated strategic direction and guidance as the context evolves.

We need to develop a better understanding of how to generate effective strategic adaptation in times of abrupt environmental changes where uncertainty and the unknown prevails. The interdependencies across specialized economic functions and regional market conditions require that business activities coevolve to gain lasting effects that permeate across all related business activities and public services on a global scale. Public policy and regulation can induce warranted change, but it will take corporate enterprise to effectuate the underlying economic transformation across interacting public–private relationships. Ideally, the public and private organizations should collaborate in the formation of viable and durable ecosystems that can form a sustainable economic path for the future. The ability to develop sustainable solutions thrives on innovation, experimentation, and learning across networks of collaborative institutional and individual relationships. We need to better understand how this can be established and managed.

This collection of chapter articles attempts to fill this void in our current knowledge by delving into the issues of effective responses, sustainable solutions, and long-term resilient outcomes from different perspectives and contexts.

Chapter 1 by Torben Juul Andersen argues for the need to develop *sustainable adaptive business practices* as a basis for long-term resilient outcomes. It argues that businesses operate in a complex dynamic world where human activities interfere with the natural environment in intricate ways that can lead to unforeseen potentially catastrophic outcomes that will affect all economic entities and therefore societies in general and particularly the most vulnerable communities. It argues that we must pay attention to uncertain and unknown factors that create our exposures although we as humans tend to ignore uncertainty and adopt control-based practices, thereby in reality creating a false sense of security, where in truth, we face more uncertainties than we realize. This reduces our ability to find ways to reduce the adverse outcomes caused by abrupt unexpected events and fail to address the underlying causes rooted in the way the global economic activities are structured. The related organizational exposures are only partially determined by enterprise governance but to a large extent derive from the prevailing structure of global business practices. So, effective responses must not only address local firm-specific conditions but should consider the systemic effects associated with the global business structure. Sustainable solutions must give thoughts to multinational enterprise risks as well as societal exposures around the world where they operate in public–private partnerships. The solutions to uncertain exposures and systemic risks will require experimentation that involves public and private organizations to generate new insights and engaged learning to identify viable solutions for a sustainable future.

In Chapter 2, Giuseppe Danese examines what is known about *business adaptation strategies* to deal with climate change conducting a systematic review of

the extant literature. This review uncovers a hierarchical structure of significant predictors that map interdependent adaptation decisions and their impact on the environment. The author identifies nine predictors from a final set of records including institutional (regulatory), industry (e.g., tourism, insurance, and wine), interorganizational (horizontal and vertical linkages), and intra-organizational (e.g., capabilities, exposures, and firm-specific characteristics) influences, and effects. The author examines different choices, for example, adaptation versus mitigation, adaptation versus maladaptation, and active versus passive adaptive efforts. There appears to be infrequent recording and monitoring of long-term social and environmental impacts of these adaptive choices. To this effect, the study explores the links between interorganizational predictors and adaptive choices including the role of cognitive and behavioral biases.

In Chapter 3, Elisa Martinelli, Elena Sarti, and Giulia Tagliazucchi investigate how to sustain *economic activity after a natural catastrophe* and the role of human capital as a source of organizational resilience. The specific background is earthquake events that threaten the performance of businesses that operate in regions hit by natural disasters. The exposed organizations must adopt dynamic adaptive strategies to survive after a disaster that allow them to continue to generate revenue and build long-term resilience. This takes human capital, or individual engagement, to realign business activities and identify opportunities for business renewal. The study examines whether businesses that value their human capital respond better, gaining economic sustainability to natural disasters. This is analyzed based on corporate survey data and archival accounting information from 131 sampled firms that were hit by the Emilia earthquake in Italy in 2012. The sampled data were analyzed using partial least squares structural equation modeling (PLS-SEM). The results show the importance of human engagement to develop effective adaptive processes that generate more resilient outcomes to the adverse events. It was specifically identified that involvement of human capital creates valuable and organizational responsiveness. The study investigates how human capital affects long-run (6 years) business performance.

In the ensuing Chapter 4, Kwadwo Asante, Petr Novak, and Michael Adu Kwarteng study *environmental sustainability effects* in the hospitality industry and examine the role of dynamic capabilities and autonomy. They specifically investigate the relationship between the environmental sustainability orientation of the hotel management and the subsequent effects on green creativity within the hotel. They argue that combinations of green dynamic capabilities and green autonomy determine boundary conditions that affect the environmental sustainability orientation and the ability to enact green creativity within the hotel. The study integrates dynamic capability theory with the componential model of creativity and tests the relationships based on data from the hospitality industry in Ghana. The analysis is performed using symmetrical and asymmetrical approaches to uncover plausible configurations that lead to green creativity outcomes. The results provide evidence of firm-specific factors that drive an environmental sustainability orientation and enhance green creativity as guidance for hotel managers.

Chapter 5 by Polina Baranova develops a transformative approach to support the development and *growth of green business activities*. The study is based on analyses of survey data from 372 businesses operating in the British Midlands that show a trend toward increased focus on green business activities that will require development of green skills and environmental business support. The data show significant differences between large and small businesses and the way they engage in green business development. The characteristics of the business sector affect the growth potential where companies in manufacturing develop more sales from green products compared to service offerings. Manufacturing companies are found to be more proactive than service companies and are better at integrating the green ambitions into their business strategies. It appears that information gaps are major impediments to promote green business activities where business support agencies can provide useful pro-environmental enterprise support. Community policies can support development of green skills and capabilities to develop the green growth potential where enterprise support can catalyze business community contributions toward sustainable business development.

In Chapter 6, Michelle Palharini, Matthias Fertig, and Peter Wehnert examine the potential *effects of the EU Taxonomy Regulation* and identifies different organizational responses to these new hybrid practices imposed by forthcoming regulation. The study is focused on understanding firms' responses to the EU taxonomy, and whether they recognize value creation opportunities by aligning market and nonmarket strategies with the taxonomy goals. This regulatory initiative introduces hybrid practices that combine the logics of environmental considerations and financial return logics. Adopting a conceptual framework based on institutional theory, dynamic capabilities view and nonmarket strategy research, the authors examine how organizational structures and practices affect the way companies respond to the regulatory pressures. A study of companies located in several European Union (EU) countries find that most firms respond reactively, while firms with sustainability-driven business models tend to respond in an anticipatory way, and firms with high greenhouse gas (GHG) emissions and low taxonomy eligibility in a defensive way. They also find evidence for mimetic isomorphism related to the influence of consulting and auditing services. Further, high levels of uncertainty, ambiguity and lack of clarity has a great impact on firms' responses and motives. The study identifies different response types when companies are confronted with multiple logics of mandated hybrid practices and explains how organizational structures and practices linked to the different institutional logics determine the corporate responses.

Chapter 7 written by Frederik Hejselbjerg Vagtborg presents a case study of a Danish–Malaysian palm oil multinational and analyzes how the company *responded to new EU regulation* aimed to forge a sustainability transition. The study explores the strategic responses of a company operating in developing economies to the requirements imposed by the new EU sustainability regulation. It adopts a theory-guided approach and develops propositions that subsequently are investigated based on insights from the case study. The research uses data collected from interviews with senior and middle managers as well as external

stakeholders cross-checked against archival data from corporate documents and public articles. The study finds that adherence to corporate social responsibility can enhance responsiveness to new regulatory demands particularly when combined with early signal scanning and real options reasoning. It shows how reputation, core values, and ethical concerns support stakeholder engagement and lever the ability to generate collaborative solutions that deal with the new regulation. The EU sustainability regulation has socioeconomic and political relevance and has not yet been studied from the perspective of commodity multinationals in developing countries. The study provides insights into how these companies can enhance responsiveness and adaptability to the uncertainties imposed by the changing regulatory environment.

In Chapter 8, Hannah Stolze, Jon Kirchoff, and Alexis Bateman present a case analysis of Dr. Bronner's as an example of an organization where *value-driven response capabilities* lead to more sustainable responses and resilient outcomes. The study investigates whether the use of sustainable strategies and responsive initiatives can help firms become more resilient in the face of disruptive incidents. Dr. Bronner's is a rapidly growing personal care products company with strong values that hone the engagement of their employees. The study explores the potential pathways to generate sustainable solutions and create resilient outcomes that resist disruptions and recover, even improve, operational capabilities after disruptions. It shows how sustainable responses can buttress and overcome the impact of emergent disruptions and build more robust long-term operations going forward.

Finally, Chapter 9 presents a case study by Italo Anderson Taumaturgo dos Santos and Victor Pessoa de Melo Gomes of the Brazilian company Justa Trama presenting the *effects of justice on sustainability* in a cooperative enterprise. The Sustainable Development Goal Number 16 established by the United Nations (UN) is about providing justice for all to build effective, accountable, and inclusive institutions. According to stakeholder theory, the perception of fair treatment implies that the organization incorporates fairness, impartiality, and morality as operating principles and core values. Hence, their study analyzes how justice influences organizational processes around an economic network of solidary cooperatives. They collect data from semi-structured interviews and archival information from formal documents made available by the involved members of the cooperative network. The study identifies how justice drives a series of corporate values and organizational processes applied across the production value chain. This develops relationships conceived as being fair, among organizations that pursue the same ideals, and thereby enhances more responsive actions with sustainable outcomes.

The chapters provide different perspectives to the issue of sustainable and resilient operating practices and the need for effective responses to deal with unpredictable, abrupt, and rapid changes in the global business environment. This search for sustainable solutions presents a diversity of methodological approaches including conceptual argumentation, theoretical modeling, systematic literature reviews, empirical examinations and data analyses, and several insightful case studies. These research chapter articles present current challenges

of dealing with uncertain and unknown conditions, accumulating environmental degradation, extreme natural events, new evolving regulatory initiatives, green business opportunities, cooperative approaches, etc. We hope these diverse contributions can provide some inspiring reading to advance our thinking about how to generate sustainable and resilient practices for the benefit of future societies.

Torben Juul Andersen
Frederiksberg, September 30, 2023