Tension Management Strategy in the implementation of Sustainability Agenda

by Juniarti -

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Abstract

The global demands on sustainability agenda reflect the paradoxical situation experienced by every business entities. This condition forces the organization to solve problems that are seemingly impossible to be solved. There is a need for a swift and clever strategy that allows the management to run the organization in a paradoxical reality. Tension management strategy is the key of success for the companies who manage the conflicts that arise between individuals or individual and companies regarding the choices of sustainable activities. Companies may not yet realize the choice of strategies done in managing the tension, strategy mapping will help giving a practical image of the strategies implemented by the companies. The success of the companies in doing sustainable mission will be the basis of the success of their financial performance.

Key words: tension, strategy, sustainability, acceptance, resolution

Abstrak

Agenda keberlanjutan yang menjadi tuntutan global, menggambarkan situasi paradoks yang dialami oleh setiap entitas bisnis. Kondisi ini menuntut organisasi untuk menyelesaikan masalah yang nampaknya tidak lagi bisa diselesaikan. Dibutuhkan strategi yang tangkas, cerdik yang memungkinkan manajemen tetap mampu menjalankan organisasi dalam realitas paradoks. Strategi pengelolaan tension merupakan kunci sukses bagi perusahaan dalam mengelola konflik yang muncul antar individu maupun individu dan perusahaan terkait pilihan-pilihan aktivitas keberlanjutan. Perusahaan mungkin belum menyadari pilihan strategi yang dilakukan dalam mengelola tension, pemetaan strategi akan membantu memberikan gambaran praktik pelaksanaan strategis yang dilaksanakan perusahaan. Keberhasilan perusahaan menjalankan misi keberlanjutan, selanjutnya perlu diukur dengan keberhasilan pencapaian prestasi keuangan.

Kata kunci: tension, strategi, keberlanjutan, penerimaan, resolusi

INTRODUCTION

Sustainable Development Goals (SDG) is a new development agreement that replaces MDG. SDG, which took effect from 2015 to 2030, is agreed by more than 190 countries and consisted of 17 goals and 169 development targets (INFID, 2015). Fulfilling SDG's indicators is very important because it builds the sustainability foundations of all life aspects. Although SDG is voluntary in nature, the Indonesian Government committed itself to be actively involved in reaching the Sustainable Development Goals. Government's involvement is important in order to maintain the credibility and commitment of Indonesian politics in answering the discrepancy between countries and within the country, the decrease in environment carrying capacity, as well as global recessions. Government's involvement will also strengthen Indonesia's bargaining position on International cooperation and partnership. All parties' involvement is needed, including companies as the institutions who have great resources to support the government's commitment to contributing to the success of the SDG.

Sustainability perspective changes almost every aspect of companies' business activities that traditionally were only focusing on the economic aspect. Now, the companies have to align themselves with the other aspects including social and environmental. These three aspects are the integral dimensions of sustainability. The era of sustainability has also radically changed business orientation. The management's mindset of the roles, goals, and impacts of the existence of the companies in the middle of the society experienced a major shift (Waddock & McIntosh, 2009). Companies as entities that have great powers to push changes, not only responsible of creating returns for certain parties such as shareholders, creditor, and managements but the companies are also responsible for the life of the next generation (Garriga and Mele, 2004; Payne and Rayborn, 2001).

The sustainability agenda becomes a strong requirement for every business people, including the go-public companies. Even so, companies that aim to integrate sustainability to their business processes are facing significant challenges in order to adapt themselves (Siebenhuner and Arnold, 2007). The change of business orientation into a sustainable business will trigger unavoidable tension. The differences of interests and normative perspectives between business people that is hard to be unified, desires that change along with demands to fulfil the sustainability aspects, the resistance of certain parties from the other side to do various changes and innovations, needs good management (Hoes and Reeger, 2015). Lüscher and Lewis (2008); Smith and Tushman (2005) argued that the achievement of corporate

sustainability depends on the management's ability to simultaneously follow the contradictory sustainability aspects. The pressures that are triggering tension such as vague roles, unbalanced workload, inequality, and failures in settling the internal conflicts will waste the time and energy on unproductive things (Danes and Lee, 2004).

There are many studies that had measured the success of the companies following the sustainability agenda. The measurement of that success generally only sees the companies' success in doing the sustainability mission by using accounting achievement indicators or market indicator. However, the internal conflicts that are caused by the differences of sustainability agenda between individuals and managements that can potentially obstruct the success of the companies in integrating sustainability aspects on their operational activities and achieving optimal performance are still not getting enough attention. Concentration to see the general benefits from the financial performance has moved the attention of various academics and practitioners about the potential conflicts on the internal levels of sustainability implementation.

This research aims to map the tension management strategy in relation to the demands of interrelating the sustainability dimensions done by the management. The description of the strategies applied to manage tension will help the management in evaluating the effectivity of the chosen strategies in achieving corporate sustainability so that the companies can have a wider contribution for the SDG's achievement. The success of the companies in achieving the SDG does not only increasing their credibility in the eyes of the stakeholder but also promising the financial sustainability that acts as one of the important pillars of corporate sustainability.

Tension and Tension Management Strategy

The situation where there are demands to do a radical change in the business direction as a response of a tight competition, turbulent situation, and complex organization environments, is called paradox in management science (Jarzabkowski and Sillince 2007; Smith et al. 2010). The sustainability agenda that becomes a global demand reflects on the paradoxical situation faced by all business entities. This condition demands the organization to solve the problems that seem to be impossible to solve. There is a need for a swift and smart strategy that enables the management to run their organization in a paradoxical reality (Ivory and Brooks, 2018). The tension management strategy is the key of success for companies in a sustainable era. Companies may not yet realize the choice of strategies done in managing the tension, strategy mapping will help giving a practical image of the strategies done by the

companies. The success of the companies in doing sustainable mission needs to be further measured with the success of their financial achievements.

Until now, there are two approaches to managing tension. First, an instrumental approach that tries to harmonize the sustainable aspect as stated by (Kliene & Hauff, 2009; Dentchev 2004). However, this approach seems to contradict the paradoxical reality because it tends to ignore the tensions that appear because the economic aspects are not always in line with the social and environmental aspects. This approach rejects the tensions or conflicts that are faced with the complexity of the level of implementation by the companies that focus on sustainability.

Hahn et al. (2015) suggested a strategy that is more at peace with paradoxical reality, integrative view. This approach tries to accommodate the tensions that appear when companies change their business paradigm from only focusing on the economic aspects into companies that consider sustainability. The integrative approach does not attempt to simplify the complexity of the economy, social, and environmental relation, but it tries to acknowledge the tensions in that interrelation and managing them. Companies need to follow the differences in order to keep the sustainability agenda by trying to accommodate diverse program ideas, innovations, or proposals, even when the ideas or proposal seem contradicting the formal agenda of the organization.

The integrative view is based on contradiction, tension, and paradox strategy literature (Ford and Ford 1994; Poole and Van de Ven 1989). Paradox refers to situations in which opposition elements coexist (Clegg et al. 2002; Lewis 2000; Smith and Tushman 2005), because there are two or more elements that are heard and accepted individually, but when picked together those elements seem to become inconsistent or not suitable (Poole and Van de Ven 1989). Integrative view tends to embrace and not eliminating the tension (Lüscher and Lewis 2008; Smith and Tushman 2005) and has the opinion that reaching corporate sustainability depends on the ability of the management to chase the seemingly conflicting sustainability aspects simultaneously.

The integrative approach describes two strategies in managing tension: acceptance strategies and resolution strategies (Bassett-Jones, 2005). Acceptance strategy tries to transform the tensions that are caused by the differences in the sustainability agenda of individuals with organizations into 'creative tension'. While the resolution strategy tries to find a way to transform that tension into a more manageable situation without needing to eliminate that tension.

Tension Strategy and Financial Performance

Tension management strategy is meant to manage the negative effect of tension that can obstruct the achievement of companies' sustainability missions. To reach sustainability, there is a need for a harmonious relationship between the three environmental, social, and economic aspects, where the companies can not only prioritize one aspect and ignore the other aspects. Sustainability happens by accommodating the three aspects simultaneously (Stankevicienea and Nikonorova, 2014). Companies cannot create value for one stakeholder and removing the value for other stakeholders. In other words, companies need to do value creation and not value transfer so that the existence of other stakeholders does not become a threat to company sustainability (Lazlo, 2008).

The success of strategy choice in managing the tension that appears in connection to the commitment to do company sustainability is very important to be measured. One of the important indicators from the strategy's success will be reflected in the company's financial performance. Porter (1980, 1985) argued that the correct strategy orientation will enable the companies to receive return above the industry average, have better performance than the competitors, and be able to survive in the middle of strict competition.

The more a professional executive understands the business and financial strategies, the better they will develop the strategical sharpness in today's disruption era and will make a faster and smarter decision. In their research, Capon et al (1994) found that strategical choices will create better financial performance because strategical decision making focuses on environmental adaptation, formal thinking process through strategical issues priorities, and resource allocation. This practice will enable them to identify opportunities and threats and make the right actions.

RESEARCH METHOD

Research Method

The research uses quantitative approach in explaining the different complex of situation. This research is not meant to evaluate the effectivity of the tension strategies chosen by the companies but only meant to dig things that had been done, describing the result comprehensively. The data was gathered through surveys by using structured inquiry. The data collection will be done through face-to-face interviews that will be conducted in two ways, personal/individual and group interview.

In the personal interview, the interviewer (researcher) will meet the prospective respondents and do the interview in the workplace of the respondents. Meanwhile, the group interview will be done by holding a focus group discussion (FGD) with target participants from the circles of practitioners or company professionals. The FGD will invite competent interviewees that come from competent business practitioners. In the FGD, the participants will be asked to answer a question that have been prepared before, so that the researcher get a whole picture regarding to what the tension arise in companies and how they overcome the tension. Based on the inquiries, then we map out which strategy the companies is running.

Research Sample

The research sample was obtained through purposive sampling technique using several criteria as follows:

1. Respondent is an active employee of medium and large-sized business groups from various industry sectors in East Java.
2. Respondent holds a position of at least the head of division or equivalent.

RESULTS AND DISCUSSION

Respondent Profile

The respondents of this study were individuals who were directly involved in implementing the sustainability agenda and at least they are in the middle managerial level. We intensively inquiry to 19 respondents that qualify our requirement. As many as 26 of respondents occupied top level management and the remaining 74 per cent were in middle level management. The gender composition is dominated by men, 79 per cent and the rest are women, as presented in Figure 1. All top management positions are held by men.
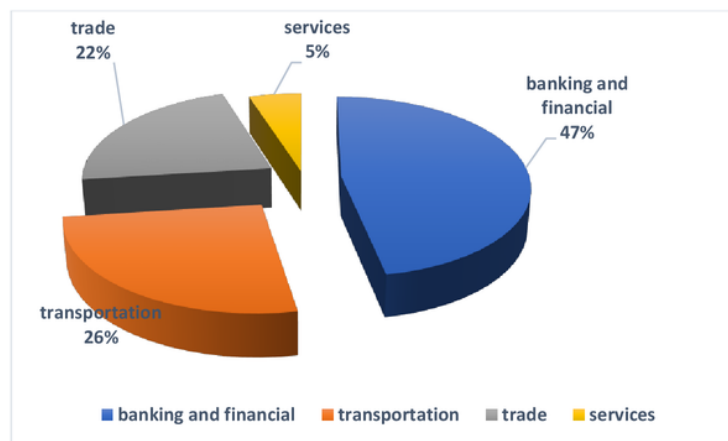
Figure 1. Gender and Managerial Level

Gender Composition

woman 21%

man 79%

■ man ■ woman

Level of Managerial

Top 26%

Middle 74%

■ Top ■ Middle
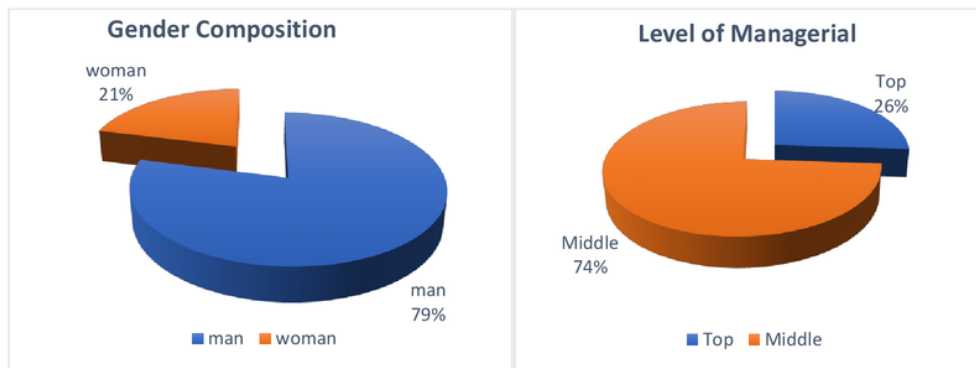
The industry's range of respondents is quite broad, covering more than 50 per cent of the existing industrial sector of the Indonesia Stock Exchange. The majority of respondents came from the banking and financial industry (see figure 2). Before being invited to a focus group discussion, researchers gave structured questions to get a general picture of the sustainability practices that exist in each company.

The overall profile of the respondents presented in the following tables

Figure 2. Industrial Sector

trade 22%

services 5%

banking and financial 47%

transportation 26%

■ banking and financial ■ transportation ■ trade ■ services

The respondents come from established firm. On average, the age of firm is 15 years, there is also a company that is established in 1895. The size of the company measured by the amount of assets differs, from 500 million to the highest of 36 trillion.

In structured interviews conducted through FGDs, each respondent was asked to provide an assessment based on what they experienced about how the company managed conflicts that arose both among individuals and between individuals and companies. The

interview was conducted in two stages, first, individually, then continued by focus group discussion.

Based on the respondents' answers during the interview, we find two groups of strategies implemented by companies in dealing with conflicts. The first group is companies that are more likely to choose acceptance strategies. In such companies, employees feel free to convey creative ideas to carry out sustainability activities. They are accustomed to throwing "strange" ideas and management still trying to accommodate.

Tension / conflict is considered commonplace so it does not need to be resisted, even it was allowed to exist, so that creativity thrives. The average respondents are those who are directly responsible for the company's sustainability agenda, from the strategic level to the operational level. Based on individual interviews it was revealed that the company developed a participatory organizational climate where differences of views between individuals and organizations in carrying out sustainability activities were well accommodated by the company.

The understanding of most staff about the sustainability agenda is quite good. They understand well, how to implement and control the sustainability agendas which are not only realized through short-term sporadic activities, but individuals within the organization have shifted towards activities that produce impacts long-term. This is interesting, because sustainability activities have become a strategic part and not philanthropic.

Respondents also stated that the top management team provided incentives in order to carry out creative tension, although only a small proportion, from respondents who stated that there were incentives from management to create new ideas. Incentives are given to individuals and this is quite satisfying for the them. The average respondent expressed satisfaction with the incentives provided by management, and acknowledge that the incentives provided were beneficial to the individual concerned. The types of incentives provided by management include monthly bonuses, holidays, rewards and other incentives for achieving monthly and annual targets and special incentives for achieving that beyond targets.

Further, from the inquiry, we also conclude that the way to resolve conflicts using resolution approaches is not an option by all the respondents. Some characteristics of the resolution strategy are difficult to fulfill, especially in the condition of companies in Indonesia. Resolution strategies require a large effort from management to facilitate employees organizationally (structured) as a consequence when choosing this strategy. For example, management must provide resources in the form of time and salary and encourage employees to carry out the agenda of sustainability activities they create. The demand to give special leave

to employees within a period of 6 months to 1 year so that employees can carry out their own sustainability agenda has also not become a common practice in almost all companies in Indonesia.

The company is categorized as implementing the resolution strategy, if the company takes a large initiative to facilitate employees to run their own sustainability agenda. In addition, the company formally sponsors employee engagement in the sustainability community by giving employees free time to carry out sustainability agendas, without burdening these employees with the company's sustainability agenda. For example, employees may participate in volunteer programs outside the company, but their rights as permanent employees are given. Although the results of the interviews revealed that management provided the flexibility to make proposals about good environmental practices, the company did not institutionalize formal procedures and systems as demanded in the resolution strategy.

However, another half of respondents have no experience with the tension in implementing sustainability agenda. The results of the interview revealed that they did not feel the existence of conflict, both among individuals or individuals and companies in carrying out the sustainability agenda. The middle level management does not feel significant internal conflict in carrying out sustainability activities. The absence of conflict is interesting due to the sustainability activities have been determined from top management. There is no room for improvising or giving creative ideas, so there seems to be no conflict. However, the conflict switch from internal to external conflict. It was happened between the company and the local community.

Tension management strategies and Financial Performance

To investigate the effectiveness of choosing a conflict management strategy, then the group of respondents with a tendency toward acceptance strategy answers, were asked to answer a number of questions related to the company's financial performance in the current year compared to the previous year. However, since there are no respondents who believe enough that the company runs a resolution strategy to deal with conflict, the financial impact is only associated with acceptance strategies. Based on the respondent's answers, it shows that the company's performance increased this year compared to the previous year. Performance measures are seen from several indicators, such as increase in assets, increase in turnover and increase in profit.

MANAGERIAL IMPLICATION

Proper conflict management is proven to increase employee satisfaction, because employees' creative ideas are accommodated, so loyalty increases, companies can still focus on carrying out their business activities properly. Companies do not need to allocate resources for unproductive things, such as protests of dissatisfied employees, which are most likely to occur, when the company does not manage the tension properly. Increasing tension between individuals or individuals and companies will shift the company's focus to resolve high tension, so that performance will be sacrificed. Therefore, the strategy of acceptance in managing tension is an effective choice for management. This strategy is able to accommodate conflicts that arise and turn them into creative ideas and on the other hand will enable company to maintain financial performance.

Overall this study gives an inside to managers that they actually face the tension in implementing the sustainability agenda of organization and theoretically their choice to deal with the conflicting agenda can be identified as an acceptance strategy. Even, when the internal conflicting not exist, they face another conflict with the local community where they also should address it properly

CONCLUSION

This study is a preliminary research that begin with the idea to describe how the companies deal with the conflict that arise in implementing the sustainability agenda. We predict based on underlying theory that the companies should be experience a tension due to the conflicting agenda either between group or individually. From the structured inquiry, we conclude that the companies tend to apply acceptance strategies in managing tension. This strategy seems more suitable to apply in context of Indonesia. While, other strategies, that is resolution strategy is not applicable since it requires much effort from the organization, such as pay employees fully during conducting their own sustainability agenda, provide vacancy for a long time and still pay them and also all the policy should be institutionalized. Such practices are not common in Indonesia.

On the other hand, there is an anomaly finding, since some respondents have no tension experience in implementing sustainability agenda. It is caused by the sustainability agenda come from the top management. Each of individual just follows the agenda and implemented accordingly. The tension have shifted to external, between companies and local community.

The such phenomenon need to be further investigated to get the picture of tension model and how the companies overcome such condition.

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