

A Behavioral Model of Management – Synergy between Triple Bottom Line and Knowledge Management

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This paper proposes a behavioral model of management by taking into consideration the triple bottom line components, like business (economic), society (social), and nature (environment), on the one hand, and knowledge management, which means to discover, develop, utilize, deliver, and absorb knowledge inside and outside the firm, on the other hand. From synergy between the two dimensions, triple bottom line and knowledge management, results: eco-knowledge, socio-knowledge, and ecological-knowledge in order to increase firm competitiveness and sustainability. Based on these results the paper shapes a behavioral model of management.

Keywords: triple bottom line, knowledge management, behavioral model of management

Fields of Research: Management, Organizational behavior

1. Introduction

At the beginning of the 21st century concepts like triple bottom line and knowledge management are more and more present in the literature in the field of management. In the context of knowledge based society, knowledge management is an imperative that firm must achieve in order to become more competitive. Also, the firms must be preoccupied to reach not only goals like profitability, maximizing shareholder wealth, but they have to follow other goals like social and ecological, must be concerned about community and nature. At the firm level these goals are driven by the knowledge acquisition, knowledge interest & expenses, knowledge volume, knowledge value, and transformation speed of knowledge. Under these circumstances, models of management must be change in order to incorporate more and more goals that firms will be propose, in order to incorporate triple bottom line components and knowledge management. These two dimensions – triple bottom line and knowledge management – are not very well related in the literature.

2. Literature Review

2.1 Triple Bottom Line (TBL)

The concept of the *triple bottom line* was firstly launched and promoted by John Elkington (1998). The author argues, first of all, that firms need to adjust in order to survive into an environment which is permanently and radically changed by the globalization and the (more and more intense) civic activism. By this concept, largely accepted and used today, the author “expresses his conviction that businesses do not follow just one goal – *to add (economic) value* – but they have also to follow other *social and ecological responsibilities*; by doing this, the accounting of tomorrow’s operations will contain, together with the well known calculus of strictly economical efficiency, a balance sheet of the firm’s activities effects on the environment and another one regarding the consequences of this activity over the social environment”.

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As a result, Elkington dedicated one chapter of his book to each one of the *7 dimensions* he discovered to be responsible for the conceiving and realizing of the strategies of those firms which adopted or are about to integrate the sustainable development (as an imperative requirement for surviving): markets, values, transparency, technological cycles, partnerships formulas, time and firm management. From all these determinants of change, Elkington constantly emphasizes the three complementary dimensions of sustainability: *ecological, economic and social*.

This type of approach has been captured by the global firms which are committed to the sustainable development and which adopt reporting principles based on the concept of (TBL). So, the firms' reports now contain information about the performances of the firms in all three areas of interest – economic, social and ecological – and all of them became integrant parts of the principles, strategies and operations that firms implement and act on. These arguments have been developed by looking at three different cases: the firm as altruist, as coerced egoist, and as strategist. First, it appears that it is to the advantage of the firm to act in a strategic manner, rather than react to a coercive political and social environment. Second, it also appears that a strategic focus increases the social output of the firm compared to the case of the coerced egoist (Husted and Salazar 2006).

Firms are not intended primarily to satisfy societal needs; although it is reasonable for societies to expect that they contribute to such needs. (Hacking and Guthrie 2008). When a firm decides to assume a socially responsible behaviour this is based, in most of the cases, on decisions of strategic nature. The social responsibility is more than a program or a campaign (Mercier, 2004); it is a philosophy, a way of ethical and responsible behaviour which reaches all the aspects: from business to the relationship with the employees, the clients, the shareholders, the suppliers, the environment and the local communities. As a result, more and more firms, conscious that such an approach may bring benefits to them (by creating a competitive advantage and by promoting a positive image and a good relationship with all the partners as well) have included the social responsibility in their development strategy. These are mostly of them big firms, which decide to invest some part of the profit into the development of the society, generally speaking. They were the first who realized their role, the first who were asked for implication and who had the financial power to support important programs.

The idea behind the TBL paradigm is that a firm's ultimate success or health can and should be measured not just by traditional financial bottom line, but also by its social/ethical and environmental performance. (Norman and MacDonald 2004). Triple bottom line reporting, although a step towards increasing the awareness of multiple, competing, simultaneous objectives for organizations, is an inadequate, and perhaps detrimental, representation of organizational sustainability (Darrell, Dillard and Marshall 2002).

2.2 Knowledge Management (KM)

Any organization that dynamically deals with a changing environment ought not only to process information efficiently but also create information and knowledge. Analyzing the organization in terms of its design and capability to process information imposed by the environment no doubt constitutes an important approach to interpreting certain aspects of organizational activities. However, it can be argued that the organization's interaction with its environment, together with the means by which it creates and distributes information

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and knowledge, are more important when it comes to building an active and dynamic understanding of the organization (Nonaka 1994).

Knowledge acquisition and on-the-job training are investments that have commonly been associated with the free-rider problem because of the inability of the firm to capture all of the benefits created by its investment in such activities (Baldwin 1969).

KM is to discover, develop, utilize, deliver, and absorb knowledge inside and outside the organization through an appropriate management process to meet current and future needs (Quintas et al. 1997). KM is inextricably linked to the sharing of knowledge between individuals and to the collaborative processes involved. The factors and environments which enhance this all relate to the human factor in the knowledge management process. In conclusion, we can say that, at firm's level, knowledge is not just about knowing something or posing an information, it is about how to apply that information to the specific realities that the firm confronts with. So, organizational knowledge – which can be identified and then valorized by use and/or transfer only if it is encapsulated into a coherent system, in processes, products, rules, and culture – can be defined as processed information embodied in routines and processes that allow action.

Under these circumstances, excepting the monopolistic politics and another market dysfunctions, the competitive advantage of the firm, and its sustainable competitiveness can not be reached and maintained but as a result of what a firm knows, how it can use what it knows and how fast it can learn something new. That's why in nowadays business environment the managerial performance relies mostly on the capability of the firm to buy, codify and transfer knowledge faster and more effectively than its competitors (Myers 1996). So, there is a general acceptance that sustainable competitive advantage in the 21st century will be accomplished through knowledge management (Halawi et al. 2005).

Large firms are becoming progressively more alert to the significance of knowledge for efficiency and competitiveness. The principal cause for this concern with knowledge management is the idea that knowledge and its application are the means by which creativity can be promoted, innovation facilitated and competencies pulled in such a way as to advance overall organizational performance whether in the public, private or not-for-profit sectors. Some of the knowledge management drivers include competition, customer focus, the challenge of a mobile workforce, equity in the workplace, and the global imperative. It is crucial to organizational survival. Nonetheless, knowledge management is complex involving great outflows of resources; as such knowledge management is becoming an ever more persistent subject within the business community.

KM is also the process through which organizations extract value from their intellectual assets (Kazemi and Allahyari 2010). Under these circumstances, top managers should define clear objectives and rules to support KM activities. KM strategy should be developed based on business strategy to confirm that KM goals are congruent with the strategic goals of the firm (see Figure 1.).

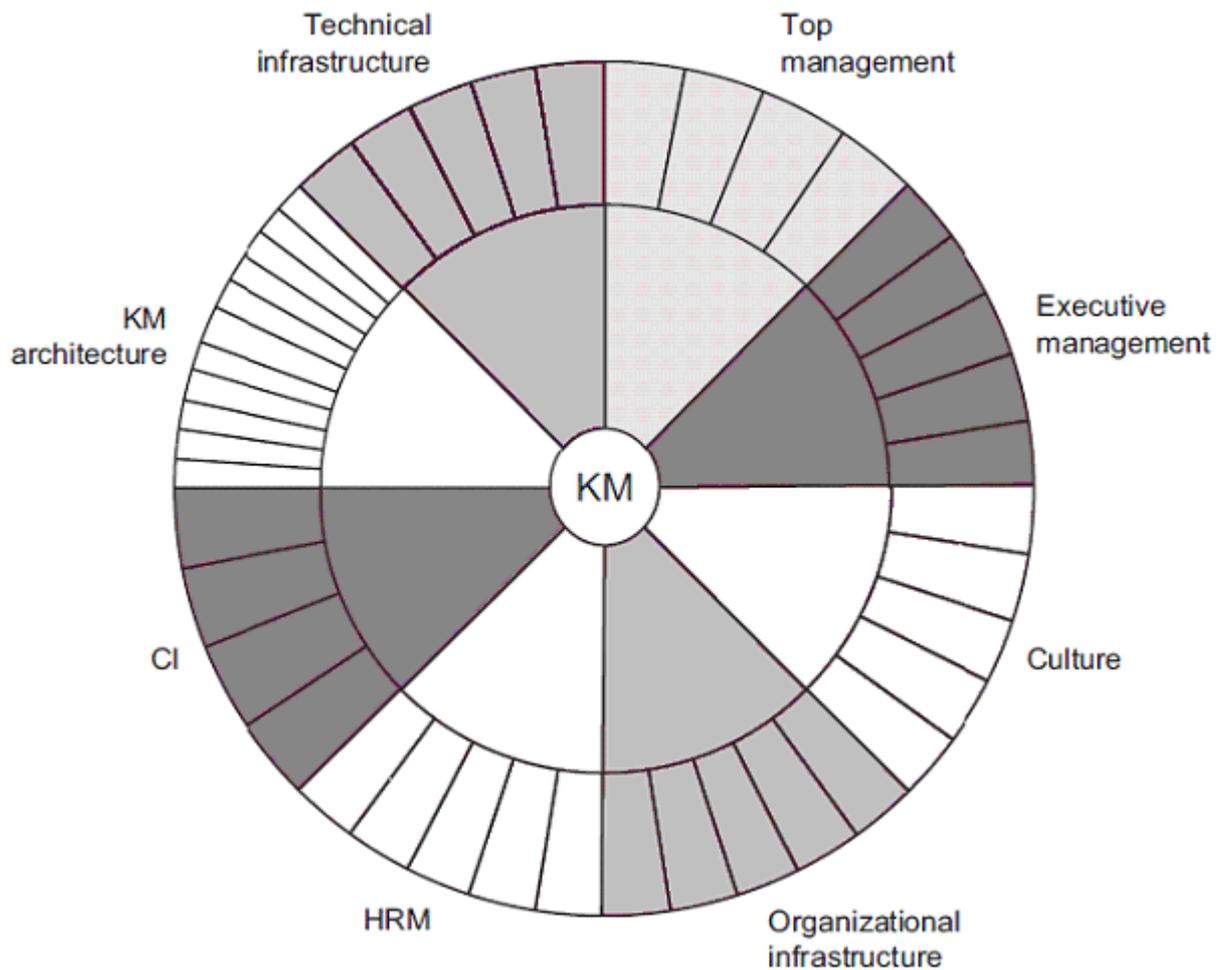


Figure 1: Hierarchical structure for solving the prioritizing problem of the success factors of KM (Source: Kazemi and Allahyari 2010)

3. Methodology

This paper proposed a behavioral model of management that can be measured by synergy between TBL and KM.

3.1 Measuring TBL

One of the best known initiatives for measuring the organisational TBL is the Global Reporting Initiative (GRI) guidelines document (GRI, 2002), mentioned by the United Nations Environment Programme (UNEP) and the World Business Commission for Sustainable Development

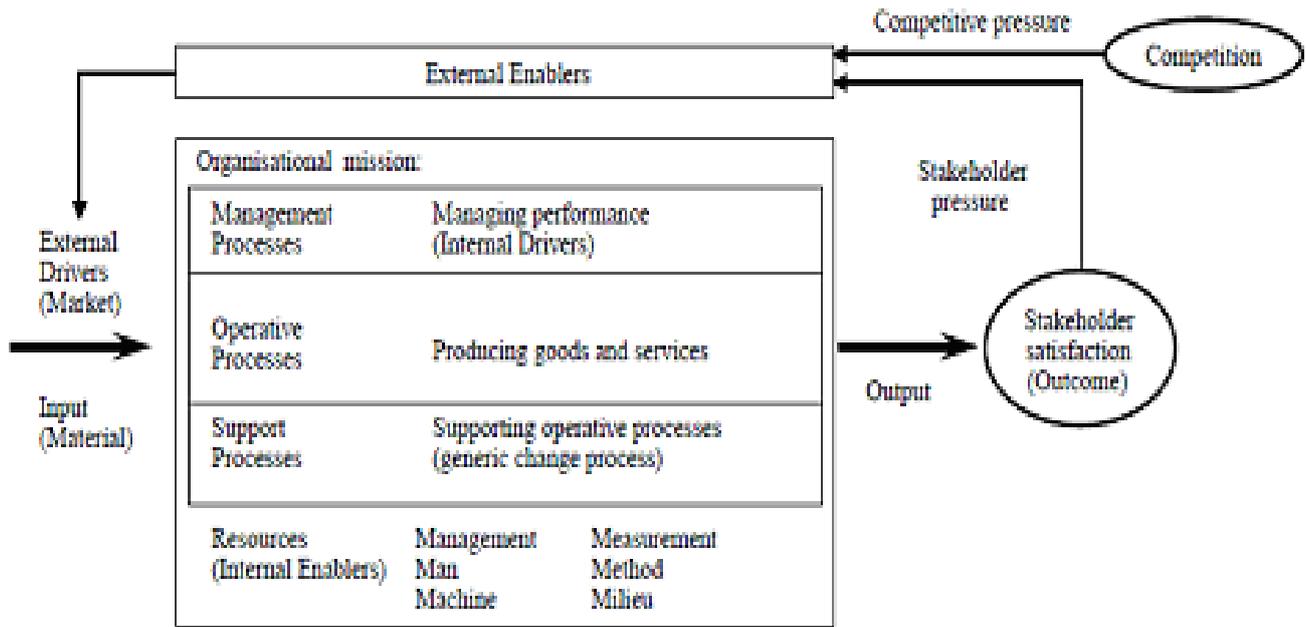


Figure 2: Proposed organizational system model for TQM-SD, indicating the different types of processes, measurements and elements (Source: Adapted from Isaksson and Garvare 2003)

Process management with the proposed process models and indicator systems for TBL could be seen as a methodology for describing and improving organizational sustainability and as a framework for further research on TQM and SD synergies (Isaksson 2006).

3.2 Measuring KM

For effective knowledge management, it is very important to measure knowledge. Without valid and reliable measurement, it becomes very difficult to develop a comprehensive theory of knowledge or knowledge assets. It should measure these different types of knowledge in the four aspects including "knowledge volume", "knowledge value", "knowledge interest and expenses" and "transformation speed of knowledge" (see Figure 3.).

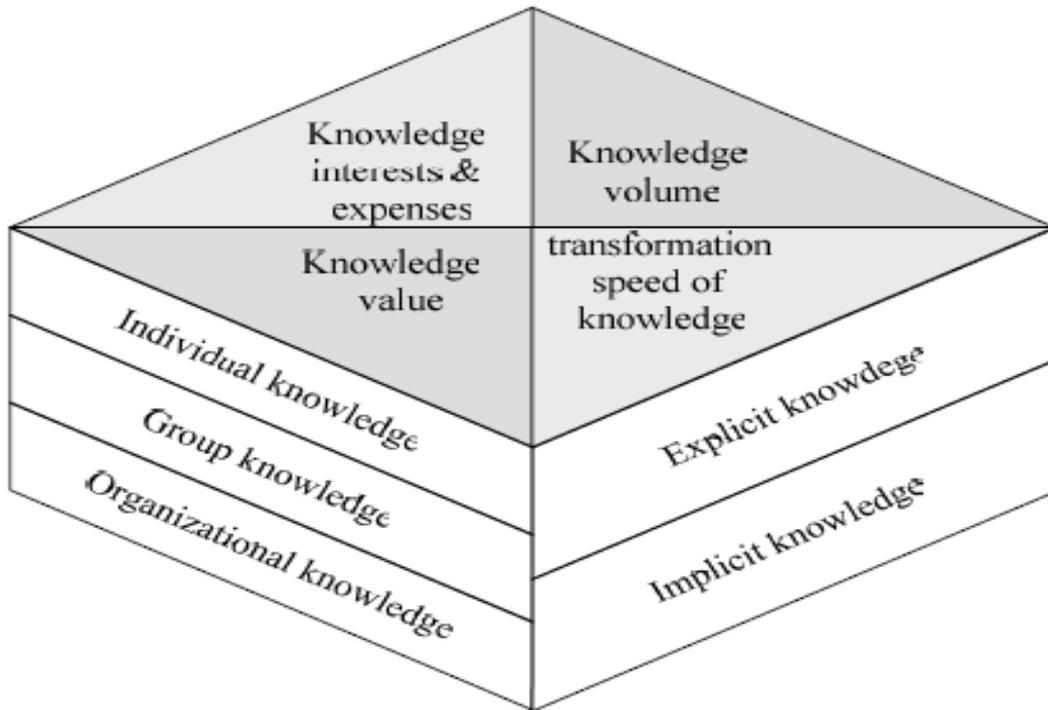


Figure 3: Equipose cubic model for the establishment of measurement method (Source: Afrazeh and Nezafati 2007).

3.3 A Behavioral Model of Management

At a micro level are several important synergies that firms have to satisfy to become truly sustainable and to promote a sustainable behavioral model of management: Eco-Knowledge, Socio-Knowledge, and Ecological-Knowledge.

From the Dyllick and Hockerts (2002) point of view, these three dimensions are related to: economically sustainable firms, socially sustainable firms, and ecologically sustainable firms.

(1) *Economically sustainable firms* guarantee at any time cash flow sufficient to ensure liquidity while producing a persistent above average return to their shareholders.

(2) *Socially sustainable firms* add value to the communities within which they operate by increasing the human capital of individual partners as well as furthering the societal capital of these communities. They manage social capital in such a way that stakeholders can understand its motivations and can broadly agree with the firm's value system.

(3) *Ecologically sustainable firms* use only natural resources that are consumed at a rate below the natural reproduction, or at a rate below the development of substitutes. They do not cause emissions that accumulate in the environment at a rate beyond the capacity of the natural system to absorb and assimilate these emissions. Finally they do not engage in activity that degrades eco-system services.

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The behavioral model of management is based on the synergy between triple bottom line components and knowledge management characteristics. The proposed model tries to reveal the importance of the link between the two dimensions: TBL and KM. In order to become sustainable, a firm must implement an efficient behavioral model of management. We also consider that knowledge management is an imperative for the firms who are concerned on TBL. In this case, the elements that make the link between TBL components are:

- (1) Eco-Knowledge: a firm must posed explicit and implicit knowledge in business (economic) and nature (environment) fields;
- (2) Socio-Knowledge: a firm must posed explicit and implicit knowledge in business (economic) and society (social) fields;
- (3) Ecological-Knowledge: a firm must posed organizational knowledge in nature (environment) and society (social) fields

These interrelations are able to create synergistic effects for a firm and give them a specific sustainability (see Figure 4.).

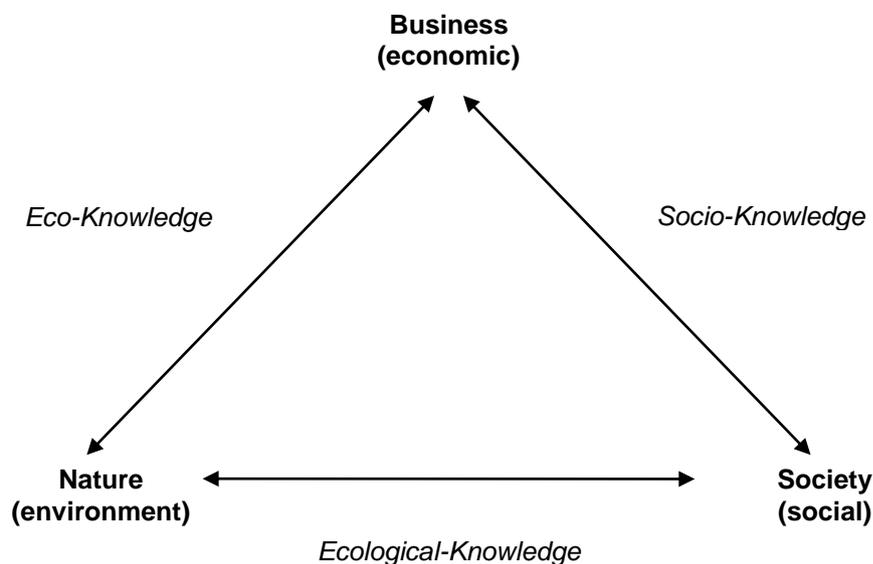


Figure 4: Synergy between TBL and KM

It is generally accepted that a *firm* might be defined as a *combination of tangible and intangible assets* in order to perform a specific activity with a view to covering a real or a potential demand on the market and to obtaining a net income from it. But the transition to the knowledge based society is the one that made possible and generated a big shift regarding the value of the firm: a study made in the USA in 2001 revealed that if in 1978 the accounting value of the firm represented 95% of the firm's market value, it now represents only 25% (Nicolescu and Nicolescu 2005). It doesn't mean that the tangible assets have now no value at all, because no economy and no firm could operate without them. It only means that the structure of the assets of the firm has changed, and it is necessary to define in each case the optimum combination of those two kinds of assets.

4. Conclusion

In conclusion, we have to agree that “in the *current context* of (1) increasing interconnectedness between economic actors, social actors and ecological actors, (2) consistent critical externalities for all types of firms confronted with an increasing competition in the local and/or international market, (3) tremendous impact of the new information and communication technology on each firm, in terms of strategic development and of organizational behavior, strategic management relies increasingly on the intangible assets in achieving corporate or market goals. These refer, on the one hand, to firm advantages given by the access in real time to accurate information, by the intellectual capital of the firm’s human resources, by the good reputation and image in the direct contact with clients, shareholders, or suppliers, and on the other hand, to the moral capital of the firm, the ethical conduct of the managerial team, the transparency of the financial accounts by voluntary reporting to the interested circles, the respect of the employees’ rights, the use of environment-friendly technologies, and last but not least, the corporate social responsibility promoted in contact with the members of the hosting community” (Korka 2005). But, if it’s relatively simply to at least evaluate the visible assets of the firm and then to try to catch them into a competitive strategy, it’s quite difficult to even distinguish and then to evaluate the invisible assets, and much more to use them profitably into a competitive strategy aiming to gain long term competitiveness.

Firms have to realize how important it is to “*know what they know*” and to be able to make maximum use of the knowledge. This knowledge resides in many different places such as: databases, knowledge bases, filing cabinets and peoples' heads and are distributed right across the enterprise. All too often one part of an enterprise repeats work of another part simply because it is impossible to keep track of, and make use of, knowledge in other parts. So, firms need to know: what their knowledge assets are and how to manage and make use of these assets to get maximum return. In terms of definitions, knowledge assets are the knowledge regarding markets, products, technologies and organizations, that a business owns or needs to own and which enable its business processes to generate profits, add value, etc.; on the other hand, *Knowledge management* is not only about managing these knowledge assets but managing the processes that act upon the assets, and these processes include: developing knowledge; preserving knowledge; using knowledge, and sharing knowledge.

Under this circumstance, the development of a behavioral model of management that incorporate knowledge management in the triple bottom line components it is very important and necessary for firm in order to obtain or to achieve a specific sustainability.

Acknowledgment

Research financed by UEFISCSU, CNCSIS, PN II, project no. 273/2009/IDEI

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