

THE INTERDEPENDENCE BETWEEN SUSTAINABLE PERFORMANCE AND ORGANIZATIONAL INNOVATION: A CONCEPTUAL ANALYSIS

Elisabeta Andreea Budacia*

Lucian Constantin Gabriel Budacia**

Abstract

In recent decades, the notion of performance has gained increasing importance in the management and organizational sciences literature, and numerous schools of thought have focused on its definition, classification, and optimization. Performance is not a one-dimensional concept – it is, by its very nature, complex and multifaceted. Sustainable performance refers to an organization's ability to achieve favorable long-term outcomes while integrating economic, social, and environmental dimensions. To support sustainable performance, organizations need to develop sustainable performance management systems that not only measure and report performance, but also actively manage it, integrating sustainability objectives. Numerous studies have demonstrated a positive relationship between organizational innovation and sustainable performance.

Keywords: sustainable performance, organizational innovation, performance management.

JEL Classification: M20.

1. Introduction

In recent decades, the notion of performance has gained increasing importance in the management and organizational sciences literature, and numerous schools of thought have focused on its definition, classification, and optimization. In the framework of modern organizational management, the concepts of value and performance are inseparable: measuring performance is equivalent to appreciating the value created by the organization, and understanding the causes of value involves decoding performance into operational and strategic components.

From this perspective, performance requires the adoption of an integrated vision, a holistic approach to the interdependencies between internal and external parameters: between quantitative and qualitative, technical and human, financial and non-financial. In addition, high-performing organizations are not limited to

* Elisabeta Andreea BUDACIA, PhD, Associate Professor at the Romanian American University in Bucharest. E-mail: andreea.budacia@rau.ro.

** Lucian Constantin Gabriel Budacia, PhD, Lecturer at the Romanian American University in Bucharest. E-mail: lucian.constantin.budacia@rau.ro.

production or consumption processes – they interact with the social and ecological environment, generating sustainable value (Bogdan, 2018).

Contemporary customer orientation and competition in globalized markets can only be achieved by providing real performance: organizing resources in an efficient, balanced and innovative way is the surest way to strengthen competitiveness. However, performance can only be achieved within a framework of high-performance management that ensures economic and financial stability in the medium and long term.

Performance is not a one-dimensional concept – it is, by its nature, complex and multifaceted. Among its manifestations are technical, technological, economic, financial, legal, social performance, etc. (Gruian, 2004). In essence, performance reflects the organization's capacity to reach a level of efficiency and effectiveness that ensures its sustainability and competitiveness over time.

The ultimate objective of high-performance management is to generate progress, efficiency, effectiveness, prosperity and satisfaction for stakeholders. However, the defining feature of performance is that it usually causes positive transformations. In this paradigm, performance must become the philosophy of the modern organization and the foundation of managerial culture.

1. Sustainable performance: success, balance and responsibility

Sustainable performance refers to the ability of an organization to achieve favorable long-term results, while integrating economic, social and ecological dimensions. Thus, success is not measured only by financial indicators, but by the balance between profitability, social responsibility and environmental protection.

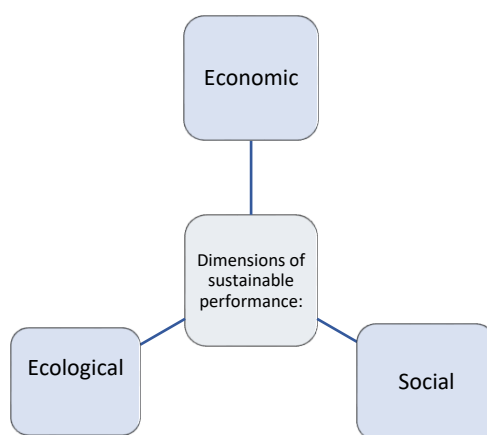


Fig. no. 1 The dimensions of the sustainable performance

According to the IGI Global dictionary, “sustainable organizational performance” is an integrated approach to corporate responsibility, learning and

development, which aims to maximize long-term well-being, prosperity and protection of the planet. Sustainable performance is also defined as performance that manages to achieve long-term objectives, maintaining a balance between internal factors and external pressures, so as not to compromise future resources. (Farchi, Touzi, Mousrij, & others, 2021).

Thus, a series of distinctive characteristics of sustainable performance emerge:

Extended time horizon:	sustainable performance is not only about immediate results, but also about medium and long-term viability.
Multidimensionality:	encompasses economic, social and ecological dimensions (e.g., reducing environmental impact, social well-being, ethical governance).
Interdependencies:	complex relationships between variables – what is environmentally friendly can affect economic performance; what affects social equity can influence reputation and human resources.
Adaptability and resilience:	the ability to respond to crises or external changes, maintaining balance and returning to an efficient operational state (resilient organization)
Innovation and continuous learning:	adopting innovative practices, green technologies and continuously adjusting processes to meet emerging challenges.

2. Performance Management in the Context of Sustainability

To support sustainable performance, organizations need to develop sustainable performance management systems, not just to measure and report performance, but to actively manage it, integrating sustainability objectives. The term “Sustainability Performance Management” (SPM) describes a continuous process of defining the sustainability strategy, setting clear objectives, monitoring and adjusting, so that the organization achieves its sustainability goals in a coherent way. A recent paper proposes a sustainable performance management framework that links the organizational culture of sustainability, strategy, implemented practices and expected results (Kantabutra, 2024). In practice, an SPM system needs to be holistic, iterative and transversal, involving all functions of the organization, not just the “green department”.

2.1. Major components of a sustainable performance management system

a) Strategy and alignment

The organization must identify areas where sustainability is material (materiality analysis) and align the business strategy with sustainable objectives (e.g., the Sustainable Development Goals – SDGs).

b) Objectives and performance indicators (sustainable KPIs)

In addition to traditional financial indicators, the organization adopts non-financial indicators: carbon emissions, energy consumption, diversity, social equity, recycling, stakeholder satisfaction. These must be relevant, measurable and comparable.

c) Implementation and operational practices

Internal management practices – governance, HR (Green HRM), green technologies, energy efficiency, supply chain management – must be integrated so that operational decisions support sustainability.

d) Monitoring, review and feedback

Internal and external reporting systems allow for monitoring progress, identifying deviations and adjusting strategies.

e) Learning and continuous improvement

The organizational culture of sustainability must support innovation, adaptation and learning from feedback. Organizations must be able to evolve and respond to changes in the external environment.

2.2. Main challenges of sustainable performance management

a) The role of accounting is crucial in sustainable performance management, as accountants have an essential role in collecting, validating and reporting sustainable data, contributing to strategic decisions.

b) The quality and availability of non-financial data (e.g. environmental) is often limited; the organization must invest in data collection, monitoring and integration systems.

c) Sometimes, short-term financial optimization can conflict with the necessary investments in sustainable practices (e.g. emission reduction).

d) Implementing an SPM system involves organizational change, culture and managerial involvement. Without leadership and real ownership, sustainability projects can remain fragmented.

e) Sustainability involves, in equal measure, technical, social, ethical and organizational aspects.

3. Organizational innovation – dimensions, determinants and impact on sustainable performance

In an economic environment characterized by volatility, globalization and intense competitive pressure, organizational innovation has become an essential condition for survival and sustainable development. Contemporary organizations

can no longer compete only by optimizing existing processes, but must generate new forms of value, through structural, cultural and strategic transformation (OECD, 2018). Thus, organizational innovation is not limited to products or technologies, but includes changes in structure, processes, management, business models, culture and stakeholder relations, becoming an integrative element of sustainable performance.

The Organization for Economic Cooperation and Development (OECD, 2018), through the Oslo Manual, defines organizational innovation as the implementation of a new organizational method in business practices, workplace organization or external relations of the firm. This definition emphasizes the processual and systemic nature of innovation, seen not just as an outcome (e.g. a new product), but as a continuous transformation process that changes the way the organization creates and delivers value.

According to Damanpour (2014), organizational innovation is the intentional adoption of an idea, processes, products or behaviors that are new to the organization, with the aim of improving performance or adaptability. Crossan and Apaydin (2010) also define innovation as a multilevel process – individual, organizational and interorganizational – of creating and implementing new ideas capable of generating economic and social value.

The specialized literature identifies several forms of innovation, depending on the nature and area of applicability:

a) Product innovation – development of new or improved goods or services (Tidd & Bessant, 2021).

b) Process innovation – introduction of new methods of production, distribution or logistics, aimed at increasing efficiency.

c) Organizational innovation – changes in the hierarchical structure, organizational culture, management systems or interpersonal relationships.

d) Marketing innovation – new ways of promotion, distribution or positioning on the market.

e) Social innovation – new solutions to societal problems, often achieved through collaboration between organizations, public institutions and communities.

f) Sustainable innovation (eco-innovation) – integration of environmental objectives and social responsibility into technological and organizational innovations (Carrillo-Hermosilla et al., 2010).

These forms are not independent, but interdependent: for example, a technological innovation often involves organizational (structure, communication flows) and cultural (attitude towards risk and experimentation) changes.

Organizational innovation is influenced by a series of internal and external factors.

A. Internal factors

- Organizational culture: an open culture, based on learning and risk-taking, stimulates creativity and experimentation (Schein, 2017).
- Transformational leadership: leaders who inspire, support autonomy and promote innovative vision, which determines a climate conducive to innovation (Bass & Riggio, 2006).
- Human resources and collective knowledge: team skills, diversity and motivation are major factors of innovative success (Nonaka & Takeuchi, 1995).
- Organizational structure: flat and flexible structures facilitate the exchange of ideas and rapid adaptation (Burns & Stalker, 1961).
- Information technology and digitalization: the integration of digital tools favors collaborative processes and data analysis for innovation (Nambisan et al., 2017).

B. External factors

- Competitive pressure: innovative organizations are more common in dynamic and competitive sectors (Porter, 1985).
- Regulations and public policies: tax incentives, R&D grants, and innovation policies support the adoption of change.
- Collaborative networks: partnerships between firms, universities, and clusters stimulate knowledge transfer and open innovation (Chesbrough, 2003).

Conclusions

Numerous research has demonstrated the existence of a positive relationship between organizational innovation and sustainable performance (Damanpour & Aravind, 2012; Bogdan, 2018). Organizations that invest in structural and managerial innovation have the ability to:

- improve operational efficiency and cost reduction,
- increase adaptability to environmental changes,
- stimulate collective creativity and employee satisfaction,
- develop reputation and social responsibility,
- generate sustainable competitive advantage.

In the current context, organizational innovation is closely linked to digital transformation and sustainability. Recent studies (Kantabutra, 2024; Sciarelli et al., 2020) show that companies that integrate innovation into their governance model and organizational culture have greater resilience and superior long-term financial results.

Organizational innovation is today a driver of sustainable performance and a condition for global competitiveness. It involves a combination of visionary leadership, open culture, knowledge management and adaptive capacity.

Organizations that treat innovation as a continuous learning strategy and not just as a one-time project significantly increase their ability to create long-term value and contribute to the sustainable development of society.

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