

SUSTAINABLE PROJECT MANAGEMENT: EVIDENCE FROM THE BANKING SECTOR

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Abstract: *The paper examines the principles of sustainable project management through the banking sector project specifics. The theoretical importance of work consists in systematization of the existing approaches to the concept of sustainability and in meta-analysis of the existing variations of an assessment and indications of a sustainable development at the enterprises. The practical importance is drawn by a comparative assessment of project activity of the financial sector companies in the direction of a sustainable development and identification of best practices and systematization of the sustainability implementation measures and describing of organizational optimization changes.*

Keywords: *sustainability, project management, banking sector, organizational optimization, corporate social responsibility*

INTRODUCTION

Relevance of a subject of research

Nowadays world community often faces the negative social and ecological consequences received as a result of irresponsible functioning of the enterprises during market economy establishment. At the heart of such enterprise thinking had only been a purpose of obtaining short-term benefits without accounting potentially possible problems that can arise at future generation. However, with the development of globalization and the international integration the world community began to realize need for orientation to long-term goals and to sustainability ensuring [18]. As a result, more and more attention is paid to global social and environmental problems that made the sustainable development the priority direction for many largest companies in various countries. At the same time, a necessity of specialized structure department, which would consider all principles of a sustainable development and of the assessment of efficiency of such management, has appeared.

Essential to admit that the most important condition of formation of the sustainable development concept in a firm is introduction of the periodical reporting which is to be issued once a year. Today there is even a separate organization - Global Reporting Initiative developing the whole range of indicators of a sustainable development in various spheres of social life for drawing up the reporting.

Relevance of introduction of concepts of a sustainable development and assessment of their productivity is confirmed by various researches conducted in this area. Therefore, for example, the leading consulting companies have already revealed positive correlation between

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the market value of firm and its extent of observance of the principles of a sustainable development. Besides, there is a large number of investment funds, such as Agora Microfinance and Acumen Fund investing in socially responsible enterprises exceptionally. There are such organizations as to Eurosif and Global Impact Investing Network (GIIN), preparing special ratings of the companies' sustainability according to which many banks and the international financial institutions take decisions, analyzing special indicators of a sustainable development, such as, Dow Jones Sustainability Index and FTSE4Good.

Practical realization of the sustainability concept connected with gradual implementation of these principles in various projects that are carried out by a company. Therefore, the most important aspect of successful introduction of the concept is the effective and adapted project management. Thus, investigating the projects within the concept of a sustainability, it is necessary to analyze dynamics of direction development and to reveal weaknesses and strengths in the existing stage of the implementation. In this research the implementation of sustainability concept will be considered in the context of banking sector project activities.

Objective

The objective of the research could be defined as the development of effective methods of implementation of the sustainable development concept in project management of the banking sector companies based on the best world practices of management.

Methodology

The main feature of the research paper is system approach to the analysis of the existing researches in the field of management of projects taking into account the concept of a sustainable development. In practical part of research methods of a statistical assessment, qualitative analysis and data synthesis were used.



Valeria Matyukhina is a student of Business Administration Faculty in Higher School of Economics, Moscow. Having specialization in Project Management, she is an active participant of Project Management Research Laboratory where she involved into analysis of real industry projects. Being a winner of case championships, she is also a speaker of student organization HSE Case School, where she prepare lectures in different topics dedicated to business case solutions. Besides, Valeria had additional education course in International Management Winter School by specialization in strategic and sustainable management in Helsinki, Finland. She also had working experience in the construction company (Moscow, Russia) where she helped to plan and conduct largest building projects.

THEORETICAL ASPECTS OF THE SUSTAINABLE DEVELOPMENT CONCEPT

Discussing the term 'sustainable development', it is possible to meet controversy. First of all, it should be noted that sustainability is considered as ability to keep the balance and stability throughout the long period. In other words, in the concept sustainability means streamlining of scientific and technical, ecological, social and economic resources so that the complete and integrated system to be supported in an equilibrium state. However, it is important to notice

that in this case sustainability does not signify static character of the phenomenon and stagnation or preservation of a certain stage of development at the constant level. Contrarily, in the concept it defines dynamic development of social and economic components while saving ecological balance [4].

The modern concept of a sustainable development combines three basic elements: ecological, social and economic. According to ecological aspect the sustainable development means such activity which is capable to provide integrity of biological and physical natural systems, to protect her from destructive anthropogenic intervention.

The social element of the sustainability concept is directed on providing stability and balance to the existing social and cultural systems. This can be reached through resources and opportunities redistribution, following the purpose of stabilization of society, minimization of world social differentiation of the income and reduction of number of the destructive conflicts in society. The economic component means optimum usage of the narrow resources and application of the energy-saving technologies, providing preservation of natural resources and minimization of external effects on environment.



Miron Rozov is a student of Faculty of Management and Business Administration in Higher School of Economics, Moscow. As a founder and current CEO of one of the biggest student organization in Russia that provides students with knowledge in a range of disciplines in a practice-oriented way, he performed many real projects being a leader of a project teams. He also has an experience of collaboration with real businesses and start-ups as an analyst in Russian managing company.

Penetration of sustainability principles in practice of project management allows the company to reach higher standards of activity and to become more attractive to investors [1]. During the development and promoting of the social responsibility concept in context of project activity the new scientific and practical direction 'sustainable project management' had appeared. The term was introduced in 1994 by J. Hugh Faulkner, the executive director of Business Council on a Sustainable Development (BCSD). Subsequently, this term was used at the meetings of the congress from the International association of project management (IPMA) and promoted development of new valuable orientation from project managers.

SUSTAINABLE DEVELOPMENT IN BANKING SECTOR

The analysis of branch specifics taking into account the principles of a sustainable development

The sustainable development of banks is the key factor providing loyalty from clients, partners in business and other stakeholders today. The trust is formed not only based on financial results of bank, but also due to ecological and social responsibility.

Implementation of the sustainability principles could be realized through the environmental protection. Touching upon the world best-practice, many largest players of the financial

sector, such as Deutsche Bank, Barclays Bank, Citigroup, Mizuho Financial Group, HBOS, Sumimoto Mitsui Financial Group, UBS and others, has introduced the standard ISO 14001, establishing requirements to system of ecological management, in the operational and project activity [13]. Ecological responsibility is not directly connected with the banks functioning as this sector of economy almost does not assume existence of any considerable external effects on environment [13]. However in this case the bank can act as the coordinator and impact on borrowers, imposing on them certain ecological requirements. In practice of project management, such coordination in banking sector can be realized within the following principles.

Equator Principles

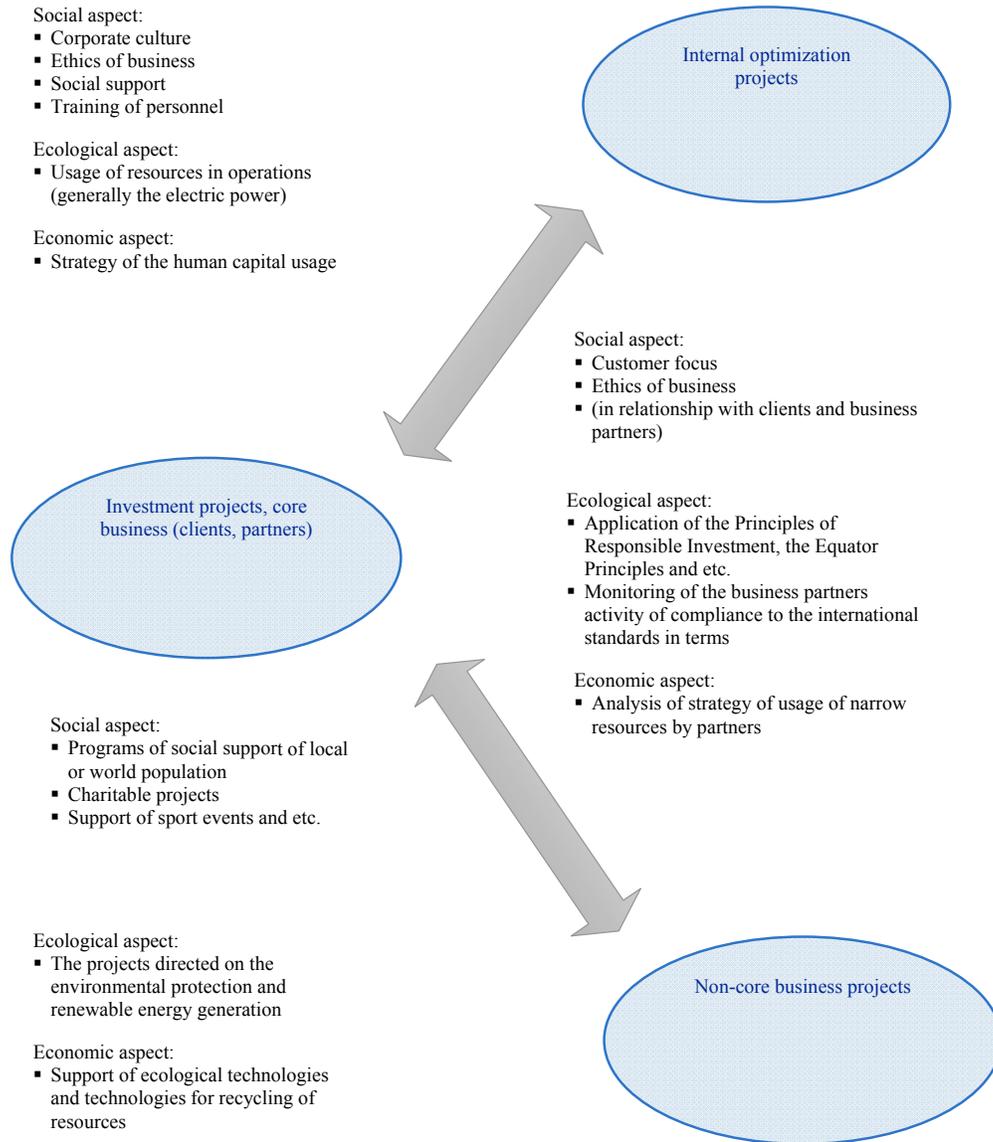
Depending on extent of potential influence of the project on environment, the several categories of social-and-ecological risk are allocated: A, B, C. Banks adopted the Equator Principles demand from the client or partner to carry out more detailed assessment of these risks and to confirm them with documentation including measures for minimization of negative impacts [10].

Principles of Responsible Investment

Institutional investors and asset managers in most cases make the choice for those firms that make a certain contribution to development and stable functioning of the society. These investments can be determined by the term of "impact investing". "Impact investing" are divided into various categories including interaction with stakeholders, with local population, suppliers and workers and protection of their rights, development education, medicine sciences, and also include "green investments" - the investments into the organizations which do not bring any damage to environment or undertake measures for reduction of negative external effects [8].

Nevertheless, ecological responsibility is not the only principle of sustainability can be examined in context of banking sector. In general, projects of banks can be considered in various planes that is displayed on the scheme below. [Source: author's development] Everyone structural units of the scheme describes a certain design orientation in which the specifics of the sustainability principles exists.

Projects of banks and specifics of sustainability concept implementation



Qualitative analysis of data

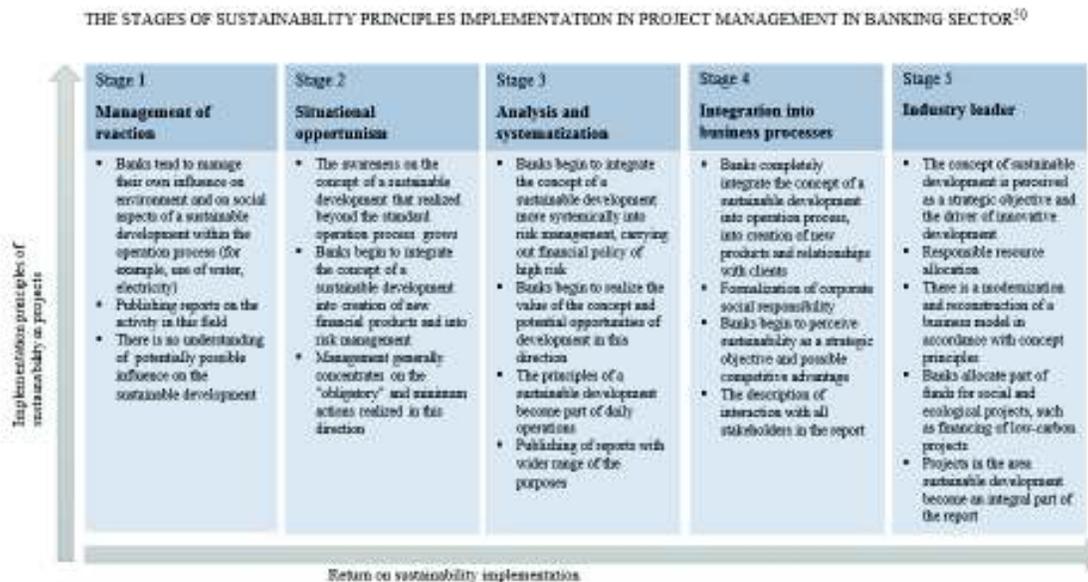
The leaders of the international investment banks that are now the parts of 'Bulge Bracket' have been chosen for detailed qualitative analysis (Bank of America Merrill Lynch, Barclays, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, J.P. Morgan, Morgan Stanley and UBS). These companies provide consulting and financial banking services; carry out selling of various financial instruments and conduct researches in the field of a wide range of financial products, including shares of corporate stock, rates, commodities and derivatives. Conducting qualitative research of the sustainability practices, the annual reports of these banks were analyzed.

Results

Having analyzed operating of the largest leading banking companies, it is possible to draw a conclusion that all 9 banks realize design activities for all allocated directions of a sustainable development. [Scheme 1]

Showing the best results, according to ratings socially and ecologically responsible business of Dow Jones Sustainability and FTSE4Good, investment banks form "sustainable climate" which becomes the strongest catalyst of development for all branch participants subsequently. The banks carry out systematic measurement of the sustainability, and also create and plan the new projects directed to the maximum possible satisfaction of interests of all stakeholders. Nevertheless, the analysis of the banking companies in the field of a sustainable development has revealed the problem connected with reporting forms. The report of Bank of America Merrill Lynch showing short numerical indicators and descriptive characteristics of the chosen directions of development became the most convenient form for perception of information on the purposes and achievements. In addition, it would be much more comfortable to have one common internet resource showing all sustainability reports from all the companies in the given form (GRI could be used).

The designing of the chart illustrating the stages of sustainable strategy implementation also has become a significant result of the research. According to comparative analysis of banking sector leaders to other participants of the industry, it can be found that leaders are on the fifth stage of sustainable development while other participants are generally located in third and fourth stage of the sustainable development [Scheme 2]. That emphasizes the potential directions of sustainable strategy implementation to all other banks that are oriented on gaining competitive advantages and doing more profitable and effective business.



APPLICATION OF IDEAS OF A SUSTAINABLE DEVELOPMENT IN PRACTICE OF PROJECT MANAGEMENT IN BANKS

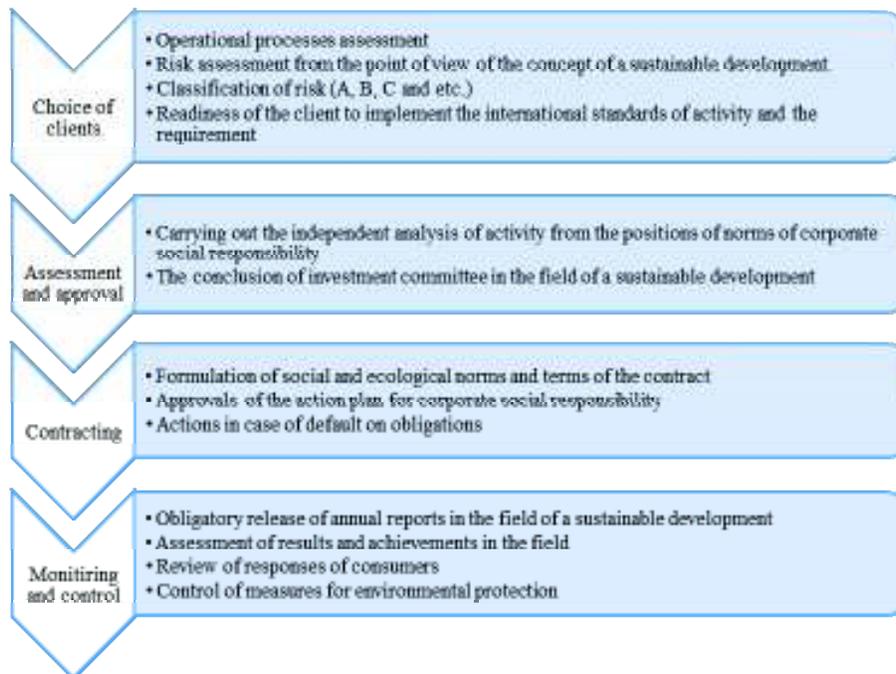
Based on the research it is possible to formulate a list of recommendations on effective practical implementation of the concept of sustainable development in a business model of bank [12]. First of all, it is necessary to systematize the potential directions for business

development, and then to define the purposes and strategy and to design necessary parameters of organizational structure.

Having defined spheres of possible influence [Scheme 3 appendix], the main valuable reference points which will become drivers of design of strategic objectives of the company subsequently could be created. The following points may act as such valuable focus:

- Differentiation of the existing products by means of application of the latest innovations
- Search and creation of new products and services according to the emerging requirements of the markets and society
- Development of corporate social responsibility and optimization of business processes for the purpose of decrease in expenses of primary activity without prejudice to workers and environment
- Establishing communications with clients for deeper understanding of requirements and improvement of channels of interaction
- Aspiration to compliance to expectations of employees in terms of social values for involvement of new progressive employees and deduction of the core of skilled workers
- Orientation to acquisition of reputation of the leader in management of social and ecological aspects of internal and external activity, positioning of this image as the competitive advantage.

Project management in banking sector also claims some transformations in context of sustainable development [3]. First of all, it is necessary to reconsider activity of the clients and partners and to carry out the analysis of potential risks for a sustainable development. The potentially dangerous sectors are oil and gas industry, agriculture, forest industry, chemical companies and enterprises for production of drinks. These enterprises are considered in the context of potentially dangerous impact on external and internal stakeholders of the activity.



Working with branch partners, there is a need for an assessment of the risks connected with insufficient level socially and ecological responsibility of business. The harmful issues destroying the atmosphere, destruction of a soil layer, reduction of water resources, influence on a nature biodiversity, growth and development of corruption, providing workers with necessary safety conditions, and also environmental pollution with production waste and other become risks from the point of view of the concept of a sustainable development. These risks demand introduction of special procedure of interaction with clients, which in a general view can be, described the following process scheme:

DESIGN OF ORGANIZATIONAL STRUCTURE OF BANK TAKING INTO ACCOUNT THE PRINCIPLES SUSTAINABLE DEVELOPMENT

Carrying out the development in the direction of implementation of sustainability principles in a business model of the banking company, the necessity of creation of the specializing units of organizational structure that are focused on this concept appears.

Within designing of the organizational structure adapted to the strategy of a sustainable development, it is necessary to resolve a number of the following issues. Firstly, organizations should create separate body responsible for a sustainable development and to allocate responsibilities [15]. Secondly, it is necessary to divide the submitting structural units into several profile teams, carrying out the principles of a sustainable development integration into project management of bank. Thirdly, the bank is to develop system of an risk assessment and estimation of efficiency of the held events. Allocation of responsibilities between structural units of sustainability department can be illustrated with the following table [Table 1, Appendix].

Thus, this structural body will exercise full control of the concept practical implementation in activity of bank and will help the companies of this sector to reach the international standards of sustainable project management in order to increase competitiveness in banking industry. Integration of the organizational units and their interaction with the other levels of hierarchy is demonstrated in the scheme of bank organizational structure [Scheme 4, Appendix].

CONCLUSION

Based on the conducted research in the field of implementation of the principles of a sustainable development in project management, a theoretical background was shown, illustrating the three aspects of sustainability, and banking sector specifics in terms of sustainable project management were also described. It can be noticed that there are three levels of banking company project types, considering internal business optimization projects, projects connected with core business activity and client interaction and external non-core business projects. All the described levels claims implementing the sustainability principles in order to reach industry best standards of sustainable development and corporate responsibility.

The wide influence of banking sector companies, touching upon various impact spheres, claims special mechanisms of cooperation with partners in clients. Realizing the principles of responsible investments, banks need in special procedure design. This procedure will formalize principles of choice of clients through estimation of potential social and ecological risks.

Turning to penetration of sustainable development in project management in banking sectors, the necessity in designing a special organizational unit was revealed. This structure body should carry out choice of clients in context of potential social and ecological risk assessment and control the bank operational process to comply international standards of responsible functioning.

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APPENDIX

SCHEME 3 – SPHERES OF BANK’S INFLUENCE ON SUSTAINABLE DEVELOPMENT

Key problems \ Direction	Ecological problems	Local communities	Clients	Workers (conditions and social support)	Business partners	World Society
Business Ethics						
Responsible Investments						
Financial Products						
Human Capital						

	Slight impact		Significant influence		Strong influence		Indirect impact
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Objective

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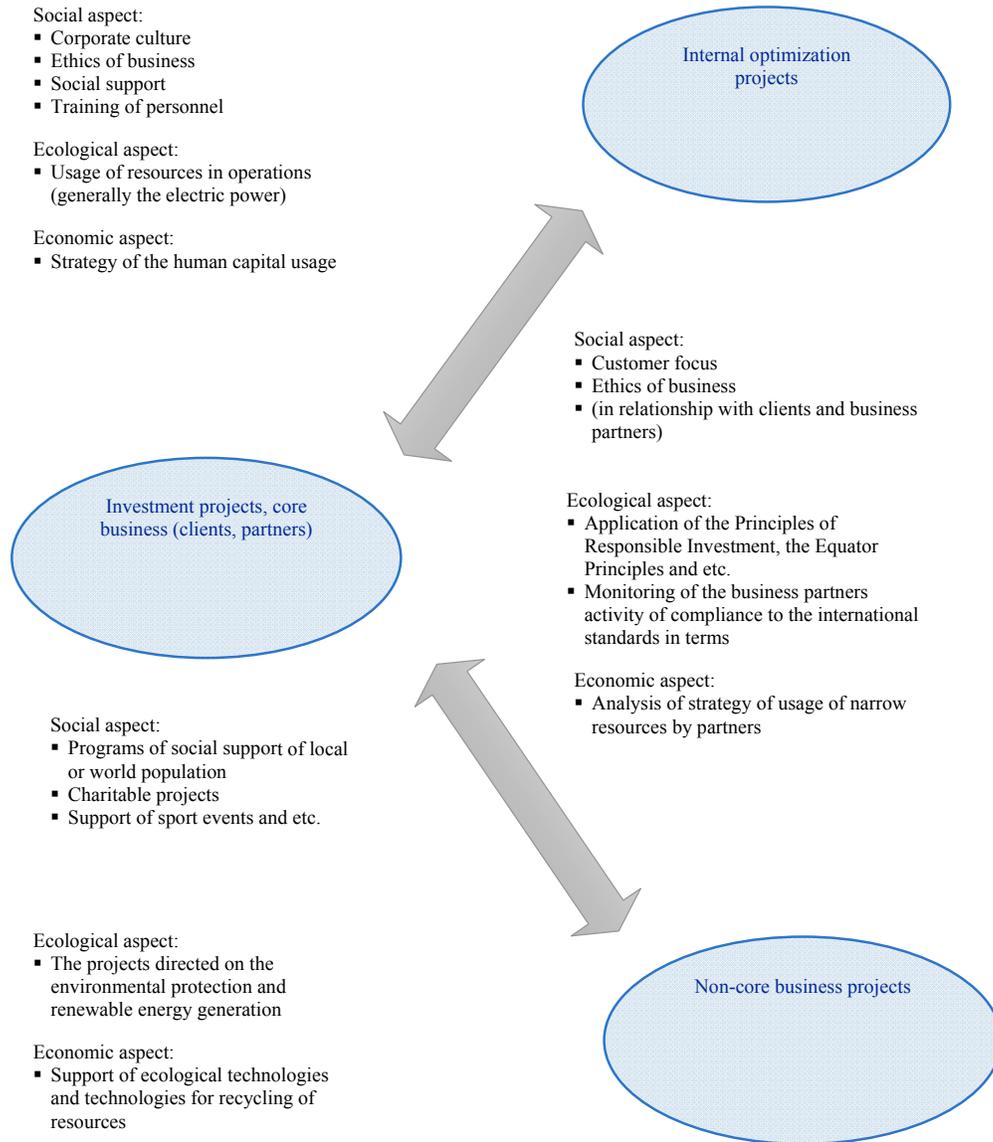
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Projects of banks and specifics of sustainability concept implementation



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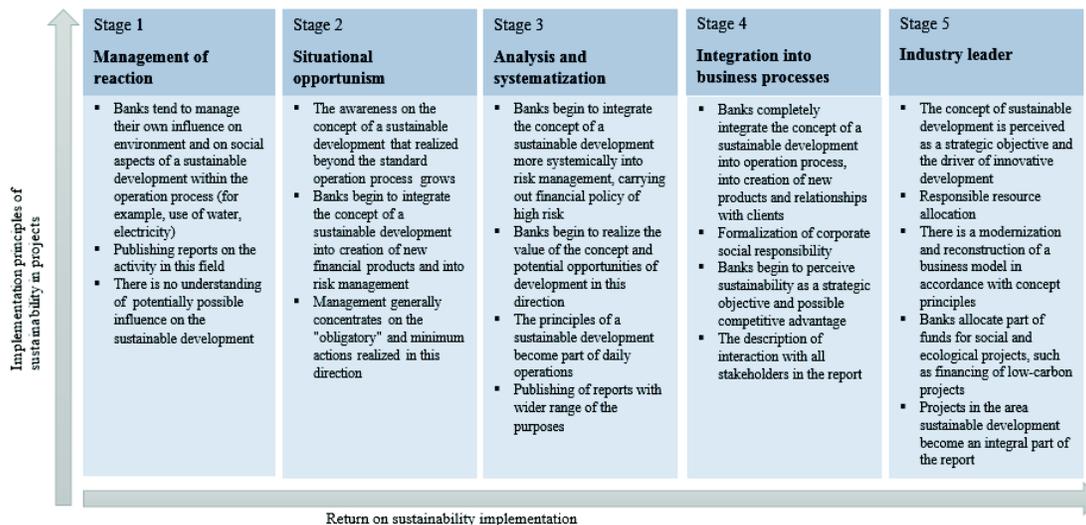
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THE STAGES OF SUSTAINABILITY PRINCIPLES IMPLEMENTATION IN PROJECT MANAGEMENT IN BANKING SECTOR⁵⁰



APPLICATION OF IDEAS OF A SUSTAINABLE DEVELOPMENT IN PRACTICE OF PROJECT MANAGEMENT IN BANKS

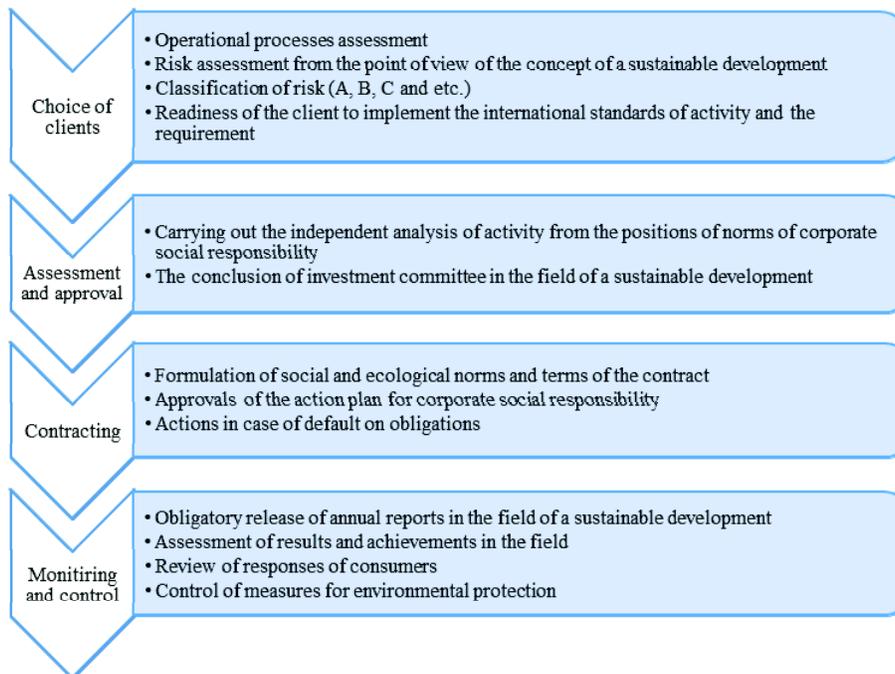
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Having defined spheres of possible influence [Scheme 3 appendix], the main valuable reference points which will become drivers of design of strategic objectives of the company subsequently could be created. The following points may act as such valuable focus:

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DESIGN OF ORGANIZATIONAL STRUCTURE OF BANK TAKING INTO ACCOUNT THE PRINCIPLES SUSTAINABLE DEVELOPMENT

Carrying out the development in the direction of implementation of sustainability principles in a business model of the banking company, the necessity of creation of the specializing units of organizational structure that are focused on this concept appears.

Within designing of the organizational structure adapted to the strategy of a sustainable development, it is necessary to resolve a number of the following issues. Firstly, organizations should create separate body responsible for a sustainable development and to allocate responsibilities [15]. Secondly, it is necessary to divide the submitting structural units into several profile teams, carrying out the principles of a sustainable development integration into project management of bank. Thirdly, the bank is to develop system of an risk assessment and estimation of efficiency of the held events. Allocation of responsibilities between structural units of sustainability department can be illustrated with the following table [Table 1, Appendix].

Thus, this structural body will exercise full control of the concept practical implementation in activity of bank and will help the companies of this sector to reach the international standards of sustainable project management in order to increase competitiveness in banking industry. Integration of the organizational units and their interaction with the other levels of hierarchy is demonstrated in the scheme of bank organizational structure [Scheme 4, Appendix].

CONCLUSION

Based on the conducted research in the field of implementation of the principles of a sustainable development in project management, a theoretical background was shown, illustrating the three aspects of sustainability, and banking sector specifics in terms of sustainable project management were also described. It can be noticed that there are three levels of banking company project types, considering internal business optimization projects, projects connected with core business activity and client interaction and external non-core business projects. All the described levels claims implementing the sustainability principles in order to reach industry best standards of sustainable development and corporate responsibility.

The wide influence of banking sector companies, touching upon various impact spheres, claims special mechanisms of cooperation with partners in clients. Realizing the principles of responsible investments, banks need in special procedure design. This procedure will formalize principles of choice of clients through estimation of potential social and ecological risks.

Turning to penetration of sustainable development in project management in banking sectors, the necessity in designing a special organizational unit was revealed. This structure body should carry out choice of clients in context of potential social and ecological risk assessment and control the bank operational process to comply international standards of responsible functioning.

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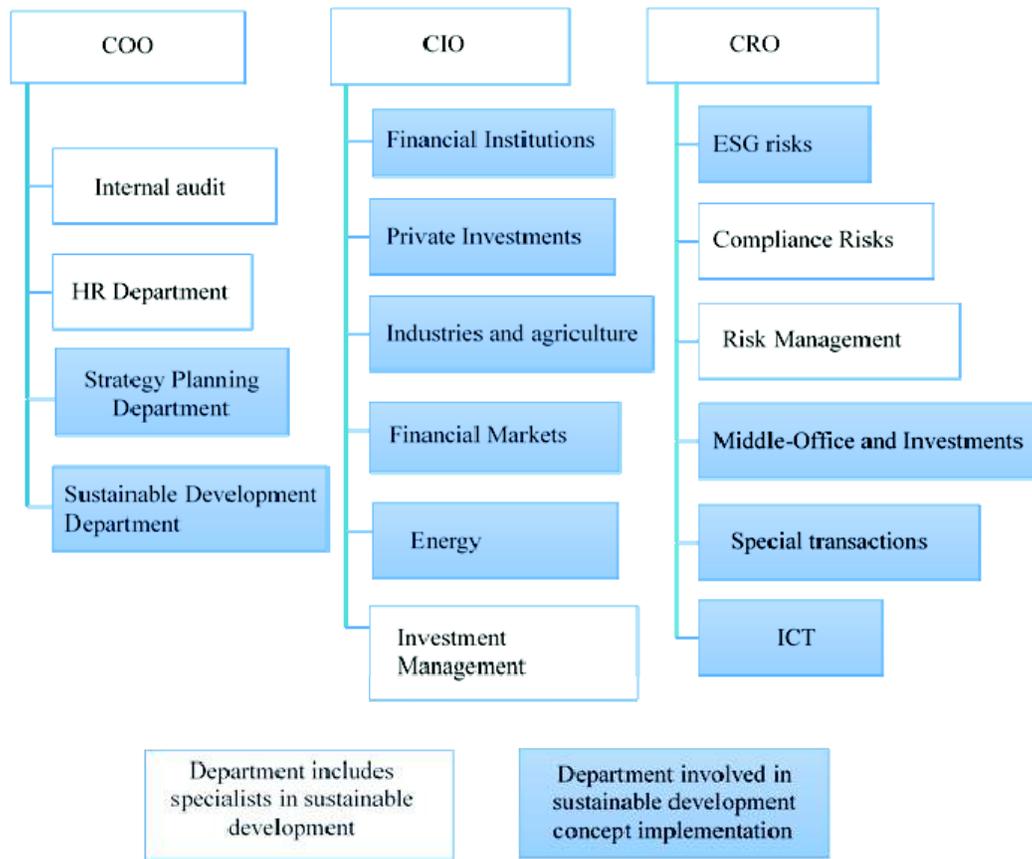
APPENDIX

SCHEME 3 – SPHERES OF BANK’S INFLUENCE ON SUSTAINABLE DEVELOPMENT

Key problems \ Direction	Ecological problems	Local communities	Clients	Workers (conditions and social support)	Business partners	World Society
Business Ethics						
Responsible Investments						
Financial Products						
Human Capital						

	Slight impact		Significant influence		Strong influence		Indirect impact
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SCHEME 4 – EXAMPLE OF INTEGRATIONA OF SUSTAINABLE DEVELOPMENT CONCEPT INTO BANK’S ORGANIZATIONAL STRUCTURE



Name of structural unit	Responsibilities
Executive council	<ul style="list-style-type: none"> ▪ General responsibility for implementation of sustainable strategy and functioning of the whole specialized department and risk management strategy definition ▪ Final efficiency assessment of integration of the sustainable development concept into the activity of bank
Department of a sustainable development (linear personnel)	<ul style="list-style-type: none"> ▪ Development and implementation of sustainability strategy and management of the direct and indirect influence of bank on environment ▪ The analysis of the projects directed to internal and external sustainability, involvement of stakeholders in this activity ▪ Planning and carrying out projects on training of employees and strengthening of intellectual potential ▪ The solution of internal problems in the field of sustainable development and release of the reports

<p>Team of interaction with clients and business partner</p>	<ul style="list-style-type: none"> ▪ Implementation of procedures for selection of clients ▪ Carrying out screening of clients in terms of potential social and ecological risks ▪ Control and monitoring of the clients activity ▪ Definition of the new business opportunities and initiation of procedures of new products approval
<p>Team of control and support</p>	<ul style="list-style-type: none"> ▪ A regulation of formal requirements of bank and their reflection in standard documentation ▪ Control of standard requirements execution by clients and borrowers, for example, control of providing timely reporting and illustration of plans in the field of environmental protection
<p>Risk management team</p>	<ul style="list-style-type: none"> ▪ Design and the analysis of strategy of a sustainable development in a context risk of management ▪ Integration of operational control of the strategy implementation and risk analysis of organizational structure ▪ A formulation of recommendations for other operational bodies, for example, for credit department ▪ Assessment of environmental and social risks of new projects and full assessment of portfolio risk ▪ Appointment of external consultants for carrying out a comprehensive assessment of risk in case of especially risky transaction ▪ Identification of problems of partner management and creation of project teams to help in their elimination ▪ Involvement of linear personnel in development of the general strategy
<p>The bodies that are responsible for risk adoption (credit department, department of interaction with partners, etc.)</p>	<ul style="list-style-type: none"> ▪ Adoption of recommendations from department of a sustainable development ▪ Ensuring compliance of the activity of strategy of a sustainable development ▪ Consultation on questions of the minimum standards and criteria of admissibility ▪ The approval of new offers on financial products and operational changes according to requirements of the sustainable development concept
<p>Internal audit</p>	<ul style="list-style-type: none"> ▪ Monitoring of compliance to the international industry standards and efficiency of activity in the field of sustainable development
<p>External consultants</p>	<ul style="list-style-type: none"> ▪ Providing expert opinion and consideration of alternative prospects of development in the sphere of sustainable business ▪ Ensuring third-party check

TABLE 1 – ALLOCATION OF SUSTAINABLE DEVELOPMENT DEPARTMENT RESPONSIBILITIES