

SUSTAINABILITY AND THE REASONS FOR ITS ADOPTION IN THE COMPANIES

Stela Zhivkova¹

Abstract: Sustainable development is all around us nowadays. Every day we are poured in with initiatives and information related to sustainable development. The world leaders talk about the green economy, circular economy, green deals, and sustainable development. However, what actually drives the companies to apply sustainable development principles in their business operations? Whether these are the different legislative requirements at the national and international level or the pure economic interest of the companies to earn additional income from their sustainable actions? The present paper highlights the key results of the project "International Business and Sustainable Practices" and attempts to summarize the motivations for the business to be sustainable. The research focuses on the three key dimensions of sustainability (economic, environmental, and social) and the sustainable development practices of internationally operating companies. The main objectives of the study are to identify the major business environment factors influencing the implementation of sustainable practices by companies operating internationally and to analyze the best sustainable development practices. The present study is primarily desk research based on the review of existing literature for developing and promoting the concept of sustainability in everyday business practices. Research papers, projects, and reports of international organisations working for sustainable development are extensively reviewed. The study found that internal environment factors like managers' attitude, employees, and financial benefits are the key motives for the organisations to apply sustainable development practices in their business operations.

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Introduction

The 21st century is witnessing dynamic changes in the cross-border movement of goods, services, capital, ideas, and people. Today, there is virtually no country in the world that does not participate in international economic relations, to one degree or another. The development of cross border economic relations aims to increase the efficiency and competitiveness of national economies and improve the welfare of the population. This is mainly due to the intense globalization taking place worldwide. Globalization is inherently a process of intercontinental economic, social and political integration. This integration allows companies to sell their products anywhere in the world, and to obtain human and material resources more easily (Wells, Shuey, Kiely, 2001). Globalization includes many things such as the international exchange of knowledge, ideas, culture, the global environmental movement, and economic globalization. During the process, greater integration is achieved between countries around the world through increased exchange of goods and services, capital, and even human resources (Stiglitz, 2002). These processes also contribute to the wide spread of the sustainable development concept. Thanks to the globalized economies, the business and customers all around the world are more and more committed to sustainability practices (Ameer, Othman, 2012). Many studies in the past have reported the key reason for implementing sustainability practices by the companies as the "command-and-control" principle where the governments were trying to impose sustainable practices in the economy. Nowadays, it seems that things have slightly changed; a lot of international companies are voluntarily applying sustainable development practices in their business operations and benefiting from them. The present study is a part of the project "International Business and Sustainable Practices" and reports its initial results from the literature review. It seeks to find the main drivers for the companies engaged in international business to be sustainable and whether these have changed over the years with the evolution of sustainable development. It also seeks to find whether the companies' behavior toward sustainable development has changed and have they really incorporated the idea of sustainability into their daily operations or is it still at the level of the "carrot and stick" approach. The study is primarily desk- research based on the review of existing and available literature, projects, and documentation of international organizations involved in developing and promoting the concept of sustainability in everyday business practices, a desk study of practices followed by companies operating in the international environment has also been carried out. The study results show that the companies' primary sustainability motivators are in their internal environment – managers' attitudes, employees, and financial benefits. The results from the study show that the attitude of the company's management has changed towards sustainable development practices and now instead of cost they perceive it as a real

¹ University for national and world economy, International Economics and Politics faculty, International Economic Relations and Business Department, Sofia, Bulgaria, st_zhivkova@yahoo.com

business opportunity. This indeed is good news as it shows that all efforts on an international and local levels to embed the sustainable development idea in daily life are not in vain. Future empirical studies may be conducted to see if the desk-study results hold true in real life.

The idea of sustainable development

The concept of sustainable development is based on the Bruntland Report (1987). This report formulated the definition of sustainable development as "meeting the needs of the present without compromising the needs of future generations, so that they can meet their own needs as well". This definition is still used today and provides direction to all the efforts towards sustainable development. This definition does not ask for something to be done in the distant future to provide our children with a better living environment. These are, in fact, the actions we all need to take here and now to preserve our natural resources for both the present and future generations (Boeva, 2019). Additionally, the report proposed three fundamental pillars of sustainable development, namely economic, environmental and social, to achieve a balance between economic development, environmental sustainability and social well-being. Based on these three pillars, many other elements have also been included in the sustainability concept. After this report, many actions have been taken globally to promote and stimulate sustainable development solutions. Since the publication of the Bruntland Report, the idea of sustainability has constantly been changing and evolving. Over the years, various programs and declarations have been adopted, various initiatives have been taken, initially voluntarily, and in recent decades through the development and implementation of a many regulations at the national and international levels.

The latest development in this direction is the UN Climate Change Conference - COP26, held in Glasgow in November 2021. At the end of the meeting, the Glasgow Climate Pact was signed, which contains the main commitments made by the participants, namely:

- Halt and reverse deforestation by 2030
- Reduction of methane emissions by 30% by 2030, compared to 2020.
- Phase down coal dependency
- Achieve Carbon neutrality

The idea of sustainable development has evolved over the years, but fundamentally it is based on three main elements: environmental, social, and economic. Special attention is paid to the environmental element as problems in this field are most visible, significant and challenging to solve. Unfortunately, all the environmental problems that people face today as a society have been caused by conscious business decisions. However, nowadays, various initiatives are being undertaken at the national and international levels to mitigate the environmental damages caused by human activities.

Factors that encourage companies to be sustainable

Previously most companies were going sustainable and green, mainly to comply with the regulatory requirements. The "command and control" approach paid off, and companies followed the regulations to avoid fines. In recent decades, however, the situation has gradually changed. Gradually, societies, especially in the industrialised countries, are becoming more and more sensitive to environmental issues and companies' behaviour. This sensitivity encourages business organisations to work hard to enhance their goodwill. Initially, the activities related to sustainable development were just limited to describing the social responsibility of a company on its website. Our study concludes that the understanding and behavior of company managers are slowly changing and now they perceive sustainable development not as a cost of regulatory compliance, but as benefits. In this sense, at present, many factors motivate companies to be sustainable.

There are many studies dedicated to the issues of sustainable development. For example, Low (2010) explored the motives that drive high-tech companies to apply the principles of sustainable development. He analysed the work of several authors and grouped these motives as internal and external factors. Initially, internal determinants were mainly corporate governance and the involvement of various stakeholders, while external determinants included the country's legal system, cultural and social factors (Burke & Gaughran, 2007). Lowe added a third determinant, namely management's attitude, as a factor in integrating sustainable development into companies' practices. He considered the following three groups :

1) Management's Attitude: Management's attitude towards sustainability and business responsibility is one of the key drivers in implementing sustainable development strategies at the corporate level. Managers of companies that have a well-formulated set of management principles and a strong sense of shared values are at a higher level of motivation and they are eager to make sustainable changes in their organisations.

2) Internal Factors: A company's internal environment should support implementation of sustainability strategies. Such a conducive environment supports the development of appropriate policies, resources, internal infrastructure, and a performance appraisal system within the corporation. The organisational policy must favour the implementation of sustainable development strategies. The engines of sustainable development are the context in which the company finds itself and its overall direction. Therefore, the relevant policy must provide a clear direction and depth of commitment while maintain conducive internal environment is equally important.

3) External Factors: External drivers such as local laws and regulations, market trends (industry specific), and social pressure lead toward the operationalisation of corporate sustainability strategies. Also there are several real business incentives to support sustainable development. Like advance technology, companies must develop sustainable products to meet the market needs. Sustainable product development includes both costs and market related factors that reflect standard things such as increased profitability, improved product marketability, and consumer perceptions of corporate social responsibility.

These three factors that motivate companies to be sustainable prove that although government regulation is necessary, it is not a sufficient condition ensuring the implementation of the sustainable development principles in a company. The main driving force behind people (employees, consumers, and managers) is their feelings and beliefs.

Two other authors, Uecker-Mercado and Walker (2012), also examined companies' motives to be sustainable, especially in the environment. They considered five motives that are a mix of internal and external factors. According to them, the internal factors are focused on internal aspects of the company and have no connection with the external environment. On the other hand, external factors account for changes that cannot be directly related to internal changes in the company. The motives identified by these two authors are as follows:

1) Internal Pressure: Internal pressure from different stakeholders can have a significant impact depending on the nature of organisation. Employees, investors, and other stakeholders who set goals and evaluate the results are in a position to influence the company and its operations. It is related to the different expectations from external sources and their impact on stakeholders, which in turn affects management decisions. In addition, owners and shareholders also play an integral role in influencing the decisions made by managers.

2) Organizational Culture: Organisational values, beliefs, and policies influence the culture of a company. The working approach of an organisation and its managerial impact influence its future actions and motives for applying environmentally friendly behavior. The authors argue that managers have an impact on employees. However, if the employees have a positive attitude towards working in an environment- friendly way there will be a faster implementation of the principles of sustainable development in the organization. In this sense, there is a two-way communication where each side influences the other. Corporate culture is an internal aspect of an organization that can either work for or against utilising more resources for sustainability.

3) Financial Factors- Based on several financial studies on the costs and benefits of sustainable operations, the two authors found a positive relationship between sustainability and financial performance of a company. They argue that one main motivation for companies to reduce their environmental footprint is to increase the financial benefits. In many cases, in an attempt to make a company more profitable, sustainable actions come as an additional benefit. The application of green practices shows that initially these may seem like an expensive investment, but in the long run they turn out to be profitable.

4) Competitiveness: It is another supporting motive for sustainable business operations. If competition is significant, more efforts are being made to develop various "green" and sustainable activities to retain competitive advantage or competitiveness. The authors believed that managers expect better results

while applying green practices. This is because green companies are perceived as environmentally responsible and often attract more customers through the improved social image.

5) Ethical Factors:– Finally, the last motive considered by the two authors is business ethics. Companies see their activities as valuable to society and are responsible for the future. According to them, for most companies, the financial results and the end result are not first thought of. Instead, the focus is on actions based on the company's core environmental values. Doing the "right thing" is a common motive. In this sense, managers guide their employees and the organization to implement sustainable practices.

All these factors prove that the companies are looking for ways to be sustainable not only because they are forced to but because they see different benefits in these sustainable practices.

Results

From the discussion above, it can be stated that motives for sustainable business initiatives stem from the internal environment of the company. Sustainable development is a well research topic and many past studies deal with the topic. From the desk research, the following factors influencing sustainable corporate practices have been identified:

1) Company's Cost: Although implementing sustainable business practices initially may seem expensive, over time, companies that adopt sustainable development as a part of their business strategy significantly save on water, gas, and electricity bills due to the purchase and use of energy-efficient equipment and consumables.

2) Pressure from different stakeholders: Pressure from the stakeholders is one of the main drivers of change in companies. These stakeholders include the owners and shareholders who seek to maximise the profits through a good image or new products, the consumers who are becoming increasingly conscious of companies' behavior and their environmental footprint, and various regulatory bodies that monitor compliance with regulatory requirements.

3) Competitiveness: By transforming their business models and introducing new, innovative, and environmentally friendly technologies, companies gain a competitive advantage as now they can produce and offer improved or entirely new products.

4) Environment Conscious Employees: Very oftenAs a result, companies are taking steps towards sustainability to meet the expectations of their employees, which in turn helps them in attracting new talent.

5) Image and Reputation: Consumers pay attention when companies strive to adopt green practices to save the environment. These efforts leave a lasting impression on customers, potential customers, and suppliers. Therefore, a company's transition to the sustainable development not just reflects its desire to increase sales and profits, but also to support and protect the society where they operate.

6) Positive and Measurable Impact: In the past, companies avoided green initiatives, as the return on investment was often difficult to quantify. In recent years, however, companies have increasingly shared their experience and activity in the field of the environment, making sustainability a priority. Consequently, they achieve higher growth, increased profits, and manage to attract new employees and partners.

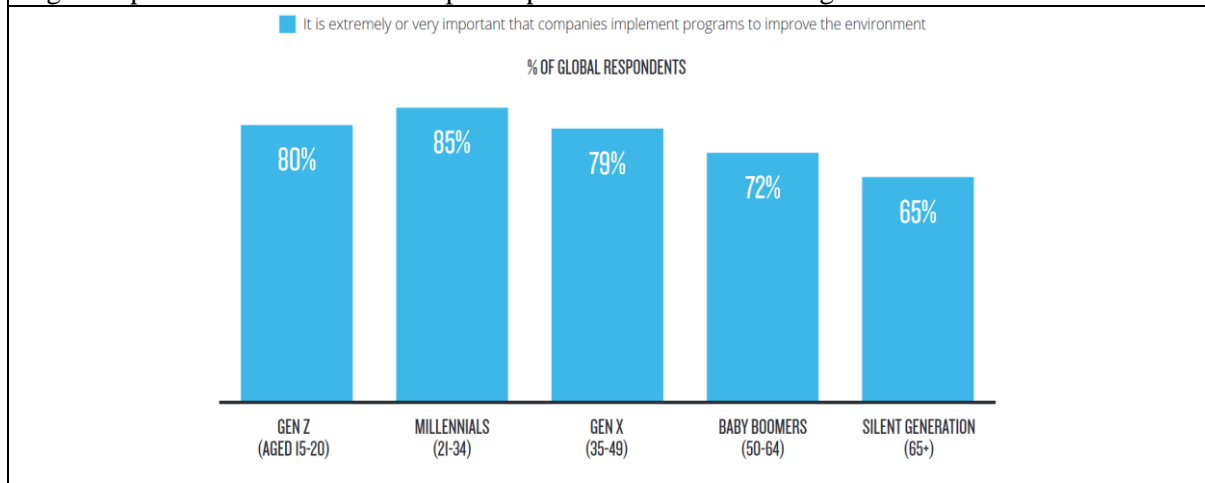
Additionally, several other reasons further encourage companies to go green. For instance, a study by global marketing company Nielsen highlights that consumers of every generation firmly believe that it is important for companies to implement programs to improve the environment and are strongly committed to it (Kulkarni and Lefebvre, 2018).

It is clear from the study that, regardless of age, a large proportion of consumers want companies to implement different environmental programs in their business operations, forcing companies to change.

As already mentioned, over the period, many governments and supranational bodies are moving from imposing regulatory requirements and monitoring compliance to offering various economic incentives like various tax reliefs. These incentives vary from country to country, but many governments are offering incentives to the companies for buying hybrid vehicles for their business use, making repairs that reduce heating and lighting costs, improving the company's microclimate and improving the working conditions for its employees. Another incentive is the provision of grants and low-interest loans for investments in "green" initiatives. As a result, many companies are motivated to become

environmental friendly because they can apply for these grants and funding to help further expand and green their businesses.

Fig. 1 Importance of sustainable corporate practices to the different generations



Source: Kulkarni and Lefebvre (2018)

Discussion

The findings from the study show that the companies are pretty interested in sustainable development practices. But there is also another point of view stating that the governments are forcing companies to act sustainable. Environmental problems have gained special attention during the economic development and improvement of the societies' living standards in industrialised countries. The environmental care and the regulatory measures taken by the governments of each country have forced the companies to develop and implement innovative environmentally sustainable strategies and begin to work with a thought of environmental protection (Martin et al., 2008). On the other hand, the increased pressure from the general public and consumers have led to the imposition of strict environmental regulations. These regulations force the companies to incorporate environmental considerations into their management practices (Azevedo, Carvalho, Cruz Machado, 2011). According to Skelton (2013), the driving forces behind companies' sustainable activities are regulatory (existing and expected) requirements, cost reductions, brand improvement, etc. A survey among companies in Mexico and Canada outlines three main reasons for the business to prefer to be sustainable, and one of them is the motivation to avoid further regulation (Cloutier et al., 2003). Moreover, due to the recent developments in the field of sustainability related to reporting and adoption of different legal regulations related to this issue, the companies are forced to act sustainably (Kolk, 2004). Thinking about the companies' behavior in sustainable development, it seems that till the end of the 20th century, the main driver had been legal pressure and the fear of more stringent regulations and penalties. This actually has a positive effect on the development of green innovations (Wu, Fang et al., 2022). Nowadays, as per the findings of the study, the primary drivers behind the companies' sustainable development practices have shifted and are more internal than these were in the past.

Conclusion

As already mentioned, over the years, many governments and supranational bodies have been moving from imposing regulatory requirements and monitoring compliance to offering various economic incentives for incorporating sustainable business practices.. Furthermore, the companies' management found out that these practices could be profitable from a financial viewpoint and socially in terms of reputation and image. It turns out that international companies nowadays apply sustainability practices more on voluntary bases and for their economic interests rather than because of legislative pressure.

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