# SUSTAINABLE ECONOMIC DEVELOPMENT: HOW CAN BUSINESS COMMUNITY CONTRIBUTE?


## Marina Muntyan

*Institute of International Relations*
*of Kyiv National Taras Schevchenko University*


With the increasingly growing business involvement of enterprises worldwide, there has been a significant increase in environmental degradation and economic inequality. All of these being a well-known fact, there is major concern that these features of the globalisation process may jeopardise its social and environmental sustainability. In order to clarify to what extent the recent process of globalisation may be considered as sustainable, this paper draws some hints from a critical assessment of the globalization in the context of ecological sustainability, while arguing that sustainability initiatives can be beneficial to business practices, and thus, to a certain extent the outlined negative implications of globalisation can be overcome by bringing out adequate business incentives to the global players.

Because of continuous growth propelled by improving technology, the modern human enterprise is already in a state of ecological overshoot. Globalization and trade exacerbate the situation by shuffling resources around and short-circuiting the negative feedback that would otherwise result from local resource degradation. This allows population and material growth within each individual trading region to exceed local biophysical limits. This, in turn, accelerates the depletion of natural capital everywhere and ensures that all now trade-dependent regions hit global limits simultaneously. Large-scale migration also worsens matters by reducing negative feedback and enabling increased resource consumption.

All these issues are partially inevitable, yet possible to deal with. One of the driving forces in striving to solve the above mentioned issues can be found in global business entities, since as global awareness and concern about the long-term health of the world's environment increase, some stakeholders and business leaders have begun to call on the business community to play a major role in moving the global economy toward "sustainability", which includes both environmental and social goals, recognizing that long-term environmental protection requires appropriate economic development, especially in developing countries.

Sustainability in the business context represents a progression beyond environmental regulatory compliance, eco-efficiency efforts such as energy efficiency and pollution prevention, and environmental risk management to a business model that gauges performance by a "triple bottom line." The “triple bottom line” adds environmental and social performance to traditional measures of economic performance. Companies attempting to create sustainable businesses are making fundamental changes not only in product design, production and distribution, but also in corporate philosophy and marketing strategies. Few companies are currently considered sustainable, and those that are tend to be small companies serving niche markets. A growing number of companies, however, are taking a leadership role in adopting some level of sustainable business practices as they move on a path towards sustainability.

Awareness of the business value of sustainability practices is growing. Whereas specific components of sustainability – pollution prevention, eco-efficiency (doing more with less), energy efficiency, and waste reduction – are seen by companies as providing "bottom line" cost savings, sustainability is also viewed as having the potential to expand the "top line" through the creation of new products, enhanced market share, asset retention, and other means of value-creation.

Sustainability promotion initiatives can be beneficial to companies insomuch as to create value for companies through such channels as: 1) access to capital: sustainability is increasingly viewed as proactive risk management, making companies with sustainability policies more attractive to investors and financiers; 2) new market development: sustainable business practices include a social as well as environmental element, in large part through meeting human needs in developing countries that multinational companies have largely overlooked in the past, and although these markets are less developed than those in the U.S., Europe, and parts of Asia, they can be profitable for companies; 3) asset retention: extending the productivity of resources is becoming a strategic business practice across diverse industry sectors; 4) brand image and customer retention: the marketplace is becoming more environmentally sophisticated. Appealing to the ecological and social as well as economic sensibility of consumers can improve a company's image and increase customer loyalty; 5) innovation: applying sustainability principles to the design and manufacture of products has helped several leadership companies bring entirely new product lines to market.

A growing number of companies, government agencies, academic institutions, non-governmental organizations and advocacy groups are exploring what sustainability means in terms of business practices, global issues and societal values. As an emerging area of study and practice, sustainability is attracting increasing attention on a number of fronts. Some recent developments include: i) increase in sustainability reports: many companies are publishing sustainability reports in addition to traditional annual and environmental performance reports. These reports not only present companies' efforts to integrate the environmental and social equity aspects of sustainability in their business practices, but also demonstrate the increased business value linked to these efforts. The Global Reporting Initiative is a collaborative effort to provide guidelines for sustainability reporting that is gaining increasing acceptance; ii) growth of markets concerned with sustainable products and services: in developed countries, markets for sustainable products and services are growing and are being linked to consumer health and safety; iii) strategic partnerships: increasingly, businesses are forming partnerships with nongovernmental organizations in order to understand emerging sustainability issues, create business opportunities, and in some cases avoid confrontation and negative publicity around environmental and social issues; iv) financial markets: financial markets increasingly recognize and reward companies exhibiting sustainable business practices, the number of socially responsible investors and funds is growing; sustainability is a key component of socially responsible companies. A reflection of the growth in socially responsible investing are the Dow Jones Sustainability Indexes, created in 1999 to track the financial performance of leading sustainability-driven companies worldwide. The indexes provide objective benchmarks for the financial products that are linked to economic, environmental and social criteria; v) government-industry partnership initiatives: government agencies have launched programs in partnership with companies across many industries in areas related to sustainability.

Western Europe countries are among the leaders in sustainability programs at the local, national, and European Union level; EU regulations are in fact driving some corporate environmental policies for multinational companies. In the U.S., the Environmental Protection Agency runs numerous industry programs that can contribute to a company's sustainability efforts, from pollution prevention and climate change to product stewardship and green product design.

While many standards exist for key components of sustainability such as eco-efficiency, toxicity and green product design, relatively few standards exist for sustainability as a whole. Some organizations have begun to take a systemic view in order to develop broad standards and definitions, and reporting guidelines, for sustainable business practices: the majority of CSR-related standards produced in recent years ask companies to voluntarily develop and implement policies and practices and commit to specific performance standards on various CSR issues. More recently, a limited number of standards have been developed that, rather than providing substantive recommendations for implementation of specific CSR policies and practices, are designed to provide guidance for companies seeking to report on their social, environmental, and economic performance. In many cases, these performance standards and reporting standards are complementary.

While being a highly complex issue, sustainability initiatives in the business community range from specific eco-efficiency measures to comprehensive, company-wide efforts to integrate environmental, economic and social considerations into every aspect of the company's business practices. Possible tools and strategies for moving a business toward sustainability include the following:

- High degree of top management involvement: companies with successful sustainability initiatives usually have visionary leadership at the senior level. A sustainability champion can identify business opportunities, while inspiring others in the company to adapt sustainability measures. Many business leaders are still unaware of the issues, or do not yet understand the business value of sustainability.
- Mission statement and corporate goals in line with sustainable development worldwide: a statement articulating a company's sustainability goals can provide a foundation on which to build a program of initiatives.
- High degree of expert engagement and professional consultancy: the most innovative initiatives often come from experts and conceptual leaders in the field of sustainability. Creating partnerships with private consultants and/or non-profit organizations expands a company's breadth of understanding.
- Emphasising sustainability goals within the inner structure of the company: interdepartmental teams generate employee participation and ideas to reduce waste and save money. Education on a company-wide scale allows employees from various sectors to understand their role in the company's sustainability practices.
- Orientation on product development as a key indicator of possible contributions to sustainability: analyzing a product's life cycle - the entire process that includes design, production, distribution, end-use and ultimate disposal or recyclability - is a valuable way to identify opportunities to reduce material and resource costs. As the life cycle of a product is considered, companies can begin to understand the environmental, economic and social impacts of their products and move toward a more sustainable practice.
- All levels of supply chain have to be involved: many leadership companies work with their suppliers on design for environment projects and other initiatives to reduce environmental impacts. Some companies involve customers, analyzing their needs to eliminate waste or develop systems to take back and recycle used products.
- Sustainability initiatives need to be established as profitable and inherent to the core business line: linking sustainability to the company's core values -- such as quality, innovation, or time to market -- is important. For example, reducing the amount of material used in a product while maintaining or improving overall product quality provides greater value to customers while preserving resources.
- Benchmarks to assess the results, as well estimate possible deviations and prospects of improvement: develop targets by which to measure progress towards sustainability. These might include specific goals for reductions in emissions, waste and energy use or benchmarks for gauging company impact on disadvantaged regions or social groups and sensitive ecological areas.