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Sustainability in Company Practices

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Abstract

The sustainability topic is present in our everyday life. No matter if we are traveling in the public transport, we are having coffee with friends or watching tv we hear something related to green economy, sustainable usage of resources or smart energy saving devices. All ads that we see around us, in one way or another, also are calling to be environmentally friendly and sustainable. On national and international level, there are a lot of regulations and requirements developed and enforced both for the business and for the citizens. In the general case, it is commonly accepted, that the companies are taking actions in the field of sustainable development only because they are forced to do so by legislative requirements and penalties. But is it always the case? The paper discusses the main idea standing behind the sustainable development and presents some of the models that summarizes this idea. Further, by reviewing the practices of three large companies in different economic fields, it discusses their approach and attitude towards the subject.

Keywords: Sustainability, environment protection, business practices

Introduction

The sustainability issues nowadays are all around us. At the beginning, when the sustainability concept had been only a good wish and it had not been accepted as something important, it has been based on four main principals - consideration of public priorities, not only with the needs of today but also the needs of the future generations; even distribution of efforts to reasonably use of natural resources and restoration of ecological balance; linking the economic to the environmental effectiveness; equal environmental responsibility and cooperation between countries in solving global problems facing humanity. These principals are even more valid today but since the 70s of the XXth century, they have been significantly improved and developed. Furthermore, different sustainability models have emerged due to the different understandings and the different approaches to the subject on

international level. All these developments through the years affect mostly the companies and their activities. One of the main objectives of the corporate governance is "to achieve high level of performance, profitability and to prevent the management from pursuing their own objectives at the cost of the stakeholders" (Zhelev, 2020). This objective usually is pursued without paying much attention to the side costs that emerge and to the harms that are caused to the environment. The general case from the beginning of the sustainable development talking is that the big corporations were forced by law to take the sustainability in mind. But is it really the case? Nowadays a lot of companies (big and small), led by different motives, are putting a lot of efforts to be sustainable, mostly on voluntary base. Looking at the history and practices of different multinational and global companies, it turns out that their sustainability thinking dates far before the sustainability concept to be in the spotlight.

The concept of sustainable development

There is a lot of things already written and discussed about the sustainable development, its nature and main characteristics. Some authors see it as a package of development programs that will help solving the problem of scarcity and lack of natural resources as well as the social equality (Bartelmus, 1994). Other authors accept it as a system of activities and mechanisms whose main purpose is to ensure optimal growth of the economy through the use of natural resources in the most efficient way and preserve them for future generations (Pearce, Barbier, Markandya, 1990). Still others present it as achieving a balance between social and environmental principles in a socially justified and environmentally sound economic development (Gechev, 2005).

The most popular definition, that has been used as a base for all other activities related to popularization of the concept, comes from a report written in 1987 by an international commission, led by Gro Brundtland, known as the Brundtland report. It states that "*Sustainable development is development that meets the needs of the present without compromising the needs of future generations to meet their own needs*".

Since the Brundtland Report, the sustainable development idea has developed further and went beyond the primary framework for "socially inclusive and environmentally sustainable economic growth". In 1992, the UN Conference on Environment and Development published the Earth Charter, with the main purpose to outline the building of a fair and sustainable "global society" in the 21st century. The agenda 21 action plan for sustainable development further defined these three pillars as interdependent (IISD, 2012). It points out the need to change the business practices from old resource-oriented to new approaches that involve interdisciplinary co-ordination and integration of environmental and social issues. Furthermore, Agenda 21 stressed that all activities related to the sustainable development would be in vain without broad public participation in decision making

process.

In December 1997, based on the principle of "common but differentiated responsibilities" the Kyoto Protocol was adopted. It is the first legally binding global instrument that engaged the developed countries with specific quantitative reduction of their greenhouse gas emissions. The Protocol entered into force in 2005, it is valid until 2012 and has been ratified by 184 countries.

The Protocol's scope includes six main greenhouse gases and its purpose is to reduce their emissions by 5% for the period 2008-2012 based on the emissions registered in 1990. The countries that have signed the Protocol are divided into Annex 1 countries (industrialized countries) and non-Annex 1 countries (mostly developing countries). For each state that has ratified it the Protocol sets mandatory targets for reducing the amounts of emitted harmful gases, but it also develops three mechanisms to encourage the participation of the private companies. These mechanisms are as follows:

- Joint Implementation (JI) - a mechanism that provides opportunity to the developed countries that cannot reduce their own greenhouse gas emissions, to invest and develop projects in transition economy countries. In return they receive a share of the reduced emissions by which to achieve their own obligations.
- Clean Development Mechanism (CDM) - enables developing countries to get investments for construction of new, low-carbon installations. On the other hand, the investors get the so called "credits from projects" by which they can cover part of their own obligations under the Protocol.
- Emissions trading – this mechanism allows the countries to sell the part of the reduced greenhouse gas emissions that exceed the commitments under the Protocol (so called 'Surplus of Assigned Emission Units"). Using this mechanism, countries that have failed to reduce their emissions, can buy part of the "surplus" emission units from countries that managed to reduce their greenhouse gas emissions below the required levels.

In 2000 the United Nations Millennium Declaration was adopted. The Declaration committed nations to a new global partnership to reduce extreme poverty, and set out a series of eight time-bound targets - with a deadline of 2015 - that became known as the Millennium Development Goals (MDGs). All actions taken after that on worldwide level were targeted to achieve these goals. They are as follows:

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health

- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

The United Nations Conference on Sustainable Development (known as Rio 2012) is the third international conference on sustainable development. Its aim is to reconcile the economic and environmental goals of the global community. The result of this conference was the development of the Sustainable Development Goals that aim to eliminate inequalities in the world and to promote sustainability.

After the Kiyoto protocol the next important action in the field of climate change and sustainable development is the Paris agreement which builds on the UN Framework Convention on Climate Change, posing the common world target to rapidly reduce greenhouse gas emissions and to strengthen the ability of countries to build resilience and adapt to the impacts of climate change. Pursuing climate action and sustainable development in an integrated and coherent way offers the strongest approach to enable countries to achieve their objectives efficiently and quickly under the Paris Agreement and the 2030 Agenda for Sustainable Development.

The latest development on EU level dates from 2019 when the European Union took an ambitious challenge to become the world leader in the field of climate change combat by presenting the European Green Deal. It is "a roadmap for making the EU's economy sustainable by turning climate and environmental challenges into opportunities across all policy areas and making the transition just and inclusive for all"[1]. The main idea of this initiative is, by different policy actions, the EU to become climate neutral by 2050. The Green deal plan includes seven general policy areas namely: clean energy, sustainable transport, sustainable industry, building and renovation, eliminating pollution, biodiversity and agriculture.

Looking at all the activities since the 70s of the XXth century to date related to sustainable development, it can be concluded that a tremendous work has been done but the results are not satisfactory yet. Based on the different viewpoints for the sustainable development and the different initiatives taken on international level various models developed throughout the years. Some of them are presented in the next lines.

Principles and models of sustainable development

At the beginning, when the sustainability concept had been only a good wish and it had not been seen as something important, it has been based on several main principals. These principals are even more valid today but since the 70s of the XXth century, they have been significantly improved and developed. Furthermore, different sustainability models have emerged due to the different understandings and

[1] https://ec.europa.eu/commission/presscorner/detail/en/ip_19_6691

the different approaches to the subject on international level.

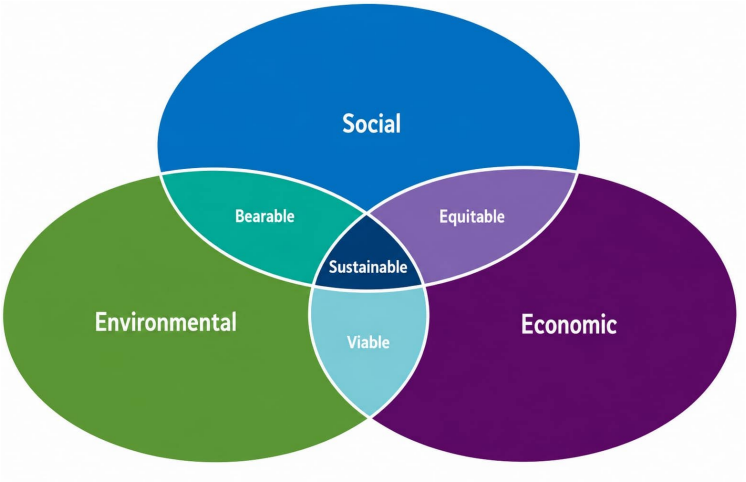
The concept of sustainable development is built upon the three most important aspects in the life of every society - economic development, social equity and environmental protection. In the context of sustainable development, they are known as the "pillars" of sustainable development.

The Brundtland report formulates the following basic principles of sustainable development:

- consideration of public priorities, not only with the needs of today but also the needs of the future generations;
- even distribution of efforts to reasonably use of natural resources and restoration of ecological balance;
- linking the economic to the environmental effectiveness;
- equal environmental responsibility and cooperation between countries in solving global problems facing humanity.

The relationships among these pillars are graphically presented in fig.1

Fig. 1 Sustainability



The sustainability concept has developed throughout the years. There are several models that present the evolution of the concept and its improvement in time. Some of these are:

- 3-Legged stool model
- Prism Models or 3 overlapping circles model
- The egg or 3 nested dependencies model

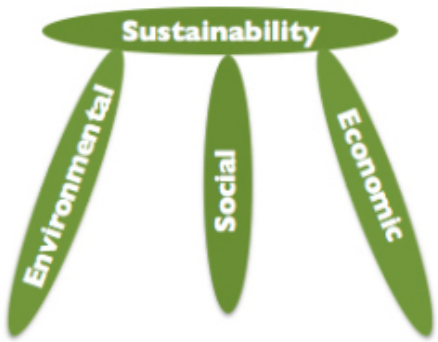
Legged stool model

At the beginning of its clarification and even nowadays sometimes the sustainable development has been depicted as three-legged stool, where the environment, the economy, and society are the legs. This model treats each of the three pillars as separate and equal entities.

The main idea of the stool is that if any of the legs is shorter, meaning is with smaller importance, or is missing, the stool will be unstable. However, if all three legs are with identical length (each pillar being given equal weight), the result is a balanced stool that will support sustainable development. This model sometimes is described as the "Three E's balance rule": Environment, Equity, Economy (SOGESID, n.d.).

The models have their criticism. Some authors (Dawe, Ryan, 2003) argue that it should not be a matter of balance as the world could not be forced to select among economics, environment and society. Each nation should have the right to achieve prosperity which according to the critics of the model is not possible without jeopardizing the nature. Therefore, the environment should not be a leg of this stool but the ground on which the model should be build. It is the foundation of any economy and social well-being that humanity is fortunate enough to achieve (Herath, Rathnayake, 2019).

Fig. 2 Three-legged stool model

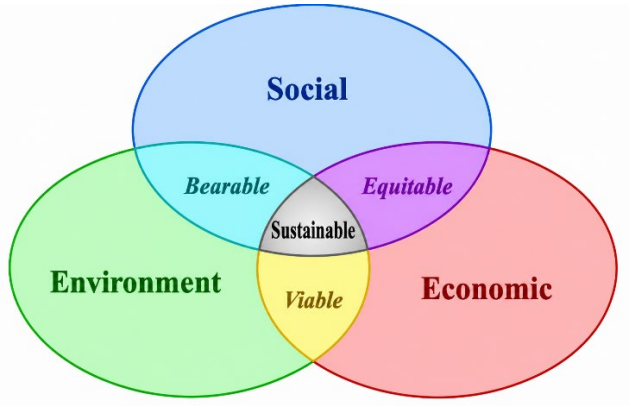


Source : https://bridgebrighton.wordpress.com/2012/11/20/defining-sustainable/

Prism Models or 3 overlapping circles model

Other authors (Lehtonen, 2004) think that the three pillars of sustainability are not equal, but have different positions in a hierarchy. In line with this some authors propose a more complex and profound model, such as the "egg" or Prism model.

Fig. 3 Three overlapping circles model



Source: IUCN (2006)

The Prism model develops four dimensions of the sustainable development:

- Economic
- Environmental
- Social and
- Institutional dimension

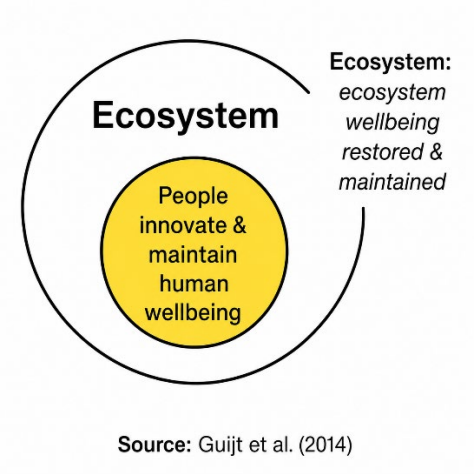
In each circle of the sustainable development there are imperatives (as norms for action). Indicators are used to measure how far one has actually come in comparison to the overall vision of sustainable development (Keiner, 2005).

The critics of the 3-legged stool model are valid for this model as well. Both take as granted that the different sustainable development elements are independent and in reality, they are quite intertwined and cannot exist separately.

The egg or 3 nested dependencies model

Another model, that tries to graphically replace the above ones is that of the International Development Research Center. In 1997 it proposes to replace the three pillars and the circles of society, economy, and the environment with the 'egg of sustainability', originally designed in 1994 by the International Union for the Conservation of Nature, IUCN (Herath, Rathnayake, 2019).

Fig. 4 The "Egg" model



Source: Herath, Rathnayake, 2019

This new approach describes all previous elements as an entire ecosystem where each element depends on the other. This model seems to be most comprehensive as it takes into consideration that the nature provides all necessary resources and each of the elements cannot function without the others.

However, this model faces challenges from those who place greater emphasis on human wellbeing (Herath, Rathnayake, 2019).

All above models and principals show that the sustainability issue has become more and more important through the years. It is a subject of national and international regulations, requirements and penalties for the companies and the people. However, that's not all. There are a lot of initiatives coming from the business that deserve attention. Some examples are reviewed in the next section.

The business in the sustainability talking

All above developments influence directly the business activities not only on country level but worldwide. To great extend the actions of the companies in the field of sustainable development are in order to avoid new regulations and new legislation. On the other hand, by being sustainable they get a lot of benefits such as competitive advantage on local or foreign markets, optimization of the production costs etc. Proof for this is the 2005 report of FORD on its greenhouse gas emission reduction activity where the company highlights three main reasons for taking actions in the environmental field namely gaining bigger market share, legislation compliance and compliance with the shareholders' expectations regarding the environmental performance. The economic reasoning and the avoidance of stricter regulations are supported also by the analysis of Skelton (2013) who claims the driving forces behind

the companies' activities in the field are legislative requirements, cost reductions, brand improvement, new revenue opportunities, corporate image etc. Nowadays, when the digital communication channels are used for everything, the uncontrolled spread of fakes is a fact (Valcheva, 2020) and companies' task to maintain their corporate image becomes more difficult and they turn to their sustainability activities as an additional image improvement. No matter the reason that drives the companies in the sustainability sector the truth is that the business puts a lot of efforts and invests in different innovative projects that result in benefits for the environment, the economy and the society. Some companies apply these practices even before they become popular and united in the sustainability concept.

Lush Cosmetics

One example is Lush Cosmetics, which has various sustainability initiatives. They initiate a whole sustainability investment program "born out of a desire to move beyond simply buying responsibly". This statement proves the common practice for just stating sustainability but practically doing business-as-usual. And yet it proves the company's desire for action. About 70% of the waste in the cosmetics industry comes from plastic packaging, which is why Lush takes steps to reduce its impact on the environment. The company ensures that its entire packaging is 100% recyclable, compostable or biodegradable (whichever possible). They also offer fresh and handmade products, not animal tested, and create 100% vegetarian products. An innovative idea of the company is their line of "naked" products with zero packaging. Customers can bring their own reusable containers to pick up their soaps and other skin care products so they can be waste-free (online orders with minimal biodegradable packaging). Another innovative approach are the shampoo bars. Since 2005, they have sold more than 41 million shampoo bars, saving 124 million plastic bottles. This is approximately 3417 tons of saved plastic or the weight of 30 blue whales. They also support charity, ethical ingredient extraction, responsible packaging and labelling, and promote community recycling.

Solvay Group

Solvay company was established in 1863 by Ernest Solvay and some relatives of his including his brother Alfred. Since then, Solvay has become one of the largest international chemical companies with 110 locations in 64 countries.

This company has started to apply the sustainability concept from the very beginning of its establishment, long before it became popular by introducing a revolutionary for the time ammonia-soda process. This process, applied to date, replaces the used by that time very polluting and expensive Leblanc process (Bertrams, et al. 2013). At the beginning of the XXth century the company enlarges all over the world becoming one of the first multinational companies. It introduces also employees' social policy by different health and protection initiatives including establishment of medical centres near "near the plants provided free services to workers and their families for general

medical needs, surgery, home nursing, maternity, dentistry".

Nowadays the sustainability is part of every process and activity in the company. In 2020 Solvay Group launches its newest initiative, Solvay One Planet, focused on three main categories – climate, resources and better life. By this initiation the company stets clear goals to be reached by 2030 addressing the targets set by the UN Sustainable development goals. Within the climate area the company plans to decrease with 26% the greenhouse gas emissions and 100% of coal phase out in energy production wherever renewable alternatives exist thus contributing to the Millennium goals 7 (Affordable and clean energy), 13 (climate action) and 14 (life below water); in the resource area some of the aims are reaching 30% decrease of non-recoverable industrial waste, landfilled or incinerated without energy recovery, 25% decrease of freshwater intake thus addressing the goal 12 (responsible production and consumption); in better life area the set targets are reaching 45% of women as senior and middle managers, 50% of women in senior leadership, 16 weeks by 2021 for extended parental leave thus addressing another four Millennium goals.

Looking at all activities and history of the company it could be stated that this enormous multinational is sustainable and socially responsible long before the sustainable development agenda became popular. It also sets quite high standards worldwide in the sustainability filed without the legislative or governmental pressure. Of course, the stimuli for economic growth is present from the very beginning but this stimuli is exactly the driving force for the company to incorporate the sustainability ideas into its daily work. Thus, long before the definition of the sustainability pillars Solvay Group applied the environmental and the social aspects in its agenda.

Hershey

Another example is the very popular chocolate brand Hershey. The company is a proof that the sustainability thinking is not always forced by law or authority but is a priority for itself. As stated on their web-site "We've been protecting the environment since before anyone cared". Looking at the company's history and development, its philosophy for being sustainable dates from the very beginning. The company' founder, Milton Hershey, back in the 19th century showed creativity and sustainable thinking by "seeing the waste from the manufacturing process as an opportunity to innovate, create and reuse". Following this approach the company used turbines to power its factory and the wasted steam from these turbines was used to heat residential and public buildings. Something quite revolutionary for that period. Nowadays the company continues to be very committed to the sustainable development idea. Its management has set quite ambitious targets not only in the environmental filed but also in the other sustainability dimensions, namely the social and economic sphere. Another good practice of the company is that it not only set

goals just to show that it is responsible and has a corporate social responsibility but it also monitors the achievement of these goals and communicates the results to the general public by publishing sustainability reports and web-site news. Thus, in the different fields their targets are:

1. Growth: here one of the goals is to achieve 100% of the cocoa from Côte d'Ivoire and Ghana to be bought by known farmers by 2025 and in the year 2020 they already reach 60%.
2. Environment: the companies set a couple of goals in this field. For example, they aim for 50% reduction of the greenhouse gas emissions from Scope 1 and 2 emission types included in the Paris Climate Agreement by 2030 and 2020 they already reached about 23% reduction.
3. People: the company aims to reach 30-40% of its workforce to be coloured representatives by 2025 and about 50% to be women. In 2020 they already achieved 21% on the first aim and 48% on the second one.
4. Communities: in 2020 the company reports $16.9 Million cash donated and 62,256 employee volunteer hours

The company also assigns special attention to the children and youth.

This company is a good example for corporate initiatives in the field of sustainable development even before this concept exists. This proves that the business is not just a passive participant in the process waiting to be forced by a certain legal requirement but voluntarily takes a lot of initiatives.

Conclusion

The sustainability undoubtedly is part of our life and it will continue to be so. The sacristy of all kind of resources (productive and living) is a fact and the only way to ensure the future of the planet and of the next generations is to stop being selfish and start thinking in perspective. This means that the business-as-usual, the production-as-usual and the consumption-as-usual should be drastically changed. Looking back in the years it should be admitted that a lot of things have been achieved and the change in the mind-set both of the people and of the corporate governance is a fact. Yet, a lot has to be done in the field. The three examples that have been discussed in the paper prove that the change can be done and is really beneficial for the companies. All three firms get profit from their sustainability behaviour and that's a fact. The founders of Solvay and Hershey turn to be people with great visions. They prove that the social, environmental and economic aspects of life can be combined in working symbiosis in such a way that could be profitable for everybody. Their win-win approach should be followed nowadays and more companies should aim for achieving such symbiosis.

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