

EFFECTS OF SUSTAINABLE BUSINESS TO PERFORMANCE OF ENTERPRISE

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Abstract: *The main objective of article is to identify effects of sustainable business to enterprise - how sustainability influences its financial, economic and other important sites of entrepreneurship. So the scientific aim is to find out how doing sustainability business, respectively socially responsible behavior of companies, effects on their performance. Presumption is positive correlation underlying for recommendations to doing sustainability business. The article is divided into five chapters and contains 1 table. The first chapter is introduction which presents actual situation of this topic and refer on the importance of sustainable development and corporate social responsibility. The second chapter defines main aim of article and briefly describes methods used during achieving this aim. The next chapter is findings which devoted this topic: definition substance of sustainability, sustainability as a strategy, the value and benefits of sustainability for enterprise. Fourth chapter contains discussions about found facts and deals about the role of financial manager in case of sustainability. The final chapter is result of solving the issue. It states actual status of doing sustainability business and gives some recommendations for the companies based on results of many studies, which prove benefits of sustainability business for enterprise performance (especially for financial management) and other sides of entrepreneurship.*

Keywords: *sustainability business, corporate social responsibility, enterprise performance*

JEL Classification: *L21, L25*

1. INTRODUCTION (PURPOSE OF ARTICLE)

In the context of the global financial crisis, drawing on the recent movements on corporate social responsibility (CSR), responsible investing (RI) and sustainable development (SD), this volume goes further to examine the ongoing making of financial reality towards social responsibility and sustainability. [10, p.4] The view on the functions and tasks of financial management is changing.

This issue has grown exponentially in the last decade. A larger number of companies than at any time previous are engaged in a serious effort to define and integrate CSR and SD into all aspects of their businesses. Main reason is external but also internal pressure. An increasing number of shareholders, regulators, activists, labor unions, employees, community organizations, and news media are asking companies to be accountable for CSR and SD issues. There is increasing demand for transparency and growing expectations that corporations measure, report, and continuously improve their social, environmental, and economic performance.

Despite the general recognition of the importance and necessity of CSR and SD, which is reflects into this external pressure, there is big question: Is this style of doing business beneficial for the enterprise itself (its performance)? The purpose of the article is answer this question.

2. SCIENTIFIC AIM, METHODOLOGY/METHODS

The aim of the article is to find out how doing sustainability business, respectively socially responsible behavior of companies, effects on their performance. Presumption is positive correlation underlying for recommendations to doing sustainability business

Used methods are basic scientific methods like analysis, synthesis, inductions, deduction, composition, abstraction, generalization. These methods are methods ordinary used

for data processing, respectively for whole exploring and research cycle. Purpose of these methods is analyse available data, studies and researches in the area of SD and CSR and then processing this information to achievement of set aim.

3. FINDINGS

At the beginning business leaders used the word sustainability to connote a company that has steady growth in its earnings. [13, p.8] Nowadays, corporate sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. [3] Although views on the definition of corporate sustainability are different, the core including importance and synergy of three basic components namely economic, social and environmental aspects (ESE) is the same.

In a broader context, ESE is considered for the three pillars of sustainable development (SD) defined by OSN in 1987 as „meets the needs of the present without compromising the ability of future generations to meet their own needs.“ [11, p.43]

With sustainable development the goal, corporate sustainability and corporate social responsibility have bonded together as a process, a means, of achieving the desired end. [9, p.2] Although there are some differences between these two concepts, in general it can be stated that CSR and sustainability are based on the same idea - conception of ESE elements, which is closely associated with corporate citizenship too.

Within the corporate world, they are sometimes referred to as the triple bottom line, companies seek to deliver not just profits and solid economic results but also good performance from an environmental and social perspective. [5, p.36]

Individual elements of triple bottom conception maybe define follows (including example of its realization in the corporate world): [2, p.57]

- Economic bottom-line: refers to the firm's creation of material wealth, including financial income and assets, the emphasis is on profits. For example profitability, job creation, expenditures on outsourcing and human capital, etc.
- Social bottom-line: is about the quality of people's lives and about equity between people, communities, and nations, the emphasis is on people. For example companies' commitment to gender equality, diversity, workplace health and safety, retention initiatives, human rights, etc.
- Environmental bottom-line: is about protection and conservation of the natural environment, the emphasis is on the planet. For example companies' efforts to decrease the negative impacts their products/services have on air, water, land, biodiversity, peoples' health; their commitments to increase energy efficiency; reducing waste.

Sustainability has evolved considerably over the last number of years. The economic, social and environmental challenges facing businesses today are unlike any that organizations faced in the past.

At first, organizations were just trying to be good corporate citizens, focusing on 'green' initiatives which weren't deemed central to the business such as energy conservation. Today many business leaders have begun to view sustainability as a more integral component of their business strategy, linking it with opportunities to enhance revenue, reduce costs, improve margins and strengthen brand value. [6]

Sustainability as strategy will encompass all aspects of the company's operations, as demonstrated in the previous chapters. Sustainability as strategy entails a new perspective, recognizing that financial gain is not the only imperative of the firm. The new aim is something like help or usefulness under the slogan "make the world a better place". [8, p.86] This idea gains much resistance from those who have been trained to believe that profit is the only purpose of business.

The application of strategic sustainability can be broken down into four basic steps, which combine to form an integrated systems approach that links sustainability principles and requirements with existing business drivers: [7, p.7-10]

1. New awareness (or education).
2. Creating a vision that includes sustainability principles as guideposts.
3. Developing a baseline of where one is today.
4. Developing flexible actions to move toward the vision of success.

In general, sustainable business is criticized for its credibility. Many companies do it superficially, only for own advertising and PR, so the essence of their business is not changed. In this case, the point of the conception of sustainability is lost and it is considered for manipulation with public opinion. This can be marked as the main negative aspect from the public view.

Primary problem for enterprises is issue of costs, the financial and economic performance. In traditional corporate cultures, social and environmental concerns have typically been considered to conflict with financial goals. Therefore, despite the general recognition of the importance and necessity of CSR and sustainability, there remains a protracted debate about the legitimacy and value of corporate responses to CSR concerns.

Realization of sustainability requires a more extended timeline for return on investment (ROI). This fact is marked as the most negative aspect of realizing sustainability for enterprises. However, many authors do not identify with this idea. They see many benefits of sustainability for enterprises that are inherently reflected in the financial results.

It is increasingly recognized that incorporating corporate sustainability into business makes good business sense and creates unique business value. Benefits of corporate sustainability initiatives include improved company reputation, enhanced employee morale, and strengthened competitiveness, amongst others. These factors are reflected to the financial and economic performance by different intensity.

In terms of the finally economic benefits, advantages of sustainable business can be classified under the following categories: [1, p.17]

- Revenue increases:
 - Better branding and creation of a distinctive market niche.
 - Additional socially and environmentally aware customer bases.
 - New products and services, including technological innovations.
 - Increased sales, market share, and other competitive advantages.
- Cost reductions:
 - Reduced energy costs as the result of greater cost efficiency.
 - Reduced packaging materials and costs.
 - Lower waste and waste management costs.
 - Declines in training costs and employee turnover.
 - Government tax rebates and other energy rebates.
- Additional economic gains may be less tangible, such as:
 - Gains in reputation and community goodwill.
 - Attraction of better, more dedicated employees.
 - Risk reduction from environmental, regulatory, and social responsibility exposure.

These all benefits do not arise for every company that decides to socially responsible business and with the same intensity. It depends on the depth and wide of sustainability strategies, mainly intensity of participation of the individual components of the concept of ESE is influential. More intense implementation across the all business activities provides more visible results, and thus provides greater economic benefits.

Several authors and institutions have been concerned with benefits of sustainability business. The results of their researches, as a clear summary of the proven benefits of sustainable business, can be seen in the following table:

Table 1 Benefits associated with corporate sustainability by research study

BENEFITS	AUTHOR (YEAR)	Aras and Crowther (2009)	IFC (2004)	MIT SMR (2009)	EXCEL Partnership (2005)	Lee and Sean (2012)
Better image of the corporate and/or product		✓	✓	✓		
Increased sales and revenues		✓	✓			✓
Cost savings		✓	✓	✓		✓
Increased productivity		✓	✓	✓		✓
Lower staff turnover		✓	✓	✓		✓
Improved relationship with stakeholders			✓	✓	✓	✓
Easier access to finance		✓	✓	✓	✓	✓
Health and safety benefits			✓		✓	
Effective risk management				✓	✓	✓
Innovation of products and business models				✓		✓

Source: [12, p.235]

4. DISCUSSIONS

Selected research studies have shown benefits in various economic and non-economic areas. Results of selected researches are different in many of these areas. But every author of these studies proves positive correlation between doing sustainability business and easier access to finance. This area significantly affected the enterprise.

Based on these results, we can clearly claim that sustainable business is currently an important topic that should be in the interest of financial management also. So sustainability approach can bring to financial management positive influences on key financial factors.

Traditionally, sustainability issues have fallen outside the jurisdiction of the Chief Financial Officer. CFOs ran the numbers, letting others handle soft issues such as social responsibility and corporate citizenship. But situation has been changed.

The changes stem partly from a realization by institutional investors that climate change and sustainability issues often bear directly on companies' risk profiles, their reputations and their financial performance.

Sustainability issues and financial performance have begun to intertwine. CFOs are getting involved in the management, measurement and reporting of the companies' sustainability activities. This involvement has expanded the CFO's role in ways that would have been hard to imagine even a few years ago. It can be stated, that role of the CFO has steadily evolved away from the singular role as the corporation's financial gatekeeper towards a more comprehensive role in management strategies that has been influenced by the way businesses are now viewing sustainability. The key areas where sustainability trends have influenced the role of the CFO are in investor relations, external reporting, and financial risk management (conception ESE).

Corporate finance team often leads key business processes, such as budgeting, capital appropriations, internal and external financial reporting, executive

compensation, and energy management that directly affect the achievement of sustainability goals. [13, p.208]

Company Ernst&Young made a research (2011) [4] about the integration and importance of CFO in sustainability. According to this survey, about one in six respondents (15 %) said their CFO was "very involved" with sustainability, while 52% said the CFO was "somewhat" involved. This means that about 65% of CFOs are now engaged in sustainability issues. Respondents cited cost reductions (74%) and managing risks (61%) as two of the three key drivers of their company's sustainability agenda along with increased monitoring of shareholder resolutions.

Three key areas where CFOs are playing an increasing role in sustainability are:

- investor relations,
- external reporting and assurance,
- operational controllership and financial risk management.

5. CONCLUSION

At the present it exists big group of authors, which support idea sustainability business, not only for general acceptance of its benefits for society, but also they see important benefits for enterprise itself. Although they admit difficulty and obstacles of implementation and realization this style of doing business, they claim that benefits arising from sustainability business behavior (or corporate social responsibility) are exceed prime negative impacts on efficiency of individual business processes and activities connected with the beginnings of doing this style of business. What is the most important is, that ultimately this business brings positive financial and economical effects - effects on performance of enterprise.

Therefore, recommendation for enterprise is start to doing sustainability business as much as possible, especially in financial management, which means new role of financial manager. Because it is not only needed for society, not only make good image of enterprise, but also what is important for economic side - because of better performance of enterprise in the long term.

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