

The Concepts of Sustainable Business-Implementation from Albanian Companies



Entrepreneurship

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Abstract

A sustainable business is concerned about the impacts that cause its operations in the economy, natural and social environment, the current state of resource use and distant future. Ideally a sustainable business strives to have a positive impact on the social environment, a reduction of negative impacts on the natural environment and a positive impact on the economy. If a business focuses mostly to reduce negative impacts on the natural environment is considered "green business" or "That is a business going green". In the world, the concept of sustainable business is embraced by most businesses. This has resulted in a positive situation between business and humanity. Business has improved its image and reputation, reduced costs, has stimulated the local economy. All these elements have led to the improvement of the business. It noted that businesses that have embraced the concept of a sustainable business have considered the advantage and have become a source of competitive in the market. Implementation of sustainable business concept is related to environmental and social issues of a company's business model. As with most areas of modern business management, globalization has had an impact on business sustainability. The level of competition in the world market has increased and organizations have been deferred to improve their level of efficiency and innovation. Globalization has increased the extent to which organizations rely on each other to provide products and services in the market. Improved technology, communication and distribution channels have changed the number of participants and the physical distance between partners in the supply chain. This means that the sustainability of any single organization can now have an impact on the viability of other participants in the supply chain. The aim of this work is to inform more about sustainability in business and the benefits of the company and all interest groups. How is the current situation in Albania and the positive effects it would have implemented this concept in building business strategies? The methodology used for this work is a combination of both qualitative and quantitative methods that including a literature review and a survey of businesses operating in Albania, to the knowledge they have about sustainable business and its implementation.

1. Introduction

The concept of a sustainable business is often used. Sustainable business is considered a business which operates in the market taking into account and respecting the interests of all stakeholders-s, in order to ensure a healthy long term business, so the system is direct lldhet economic, social and environmental.

Neoclassical theories of economics and management theories stated that the objective of a company is profit maximization. The main actor in such models is the shareholder acting as the only person who provides the Company the necessary financial resources for its operations (Jensen and Meckling, 1976; Zingales, 2000).

However, there is no substantial difference in how corporations compete and currently focus on maximizing profit. Some companies give more importance to long-term or some other short-term (Broch et al., 2011); worry more or less about the impact from operations to stakeholders (Paine, 2004); focus more or less on the ethical decisions taken (Paine, 2004); or show more or less important to some stakeholders in comparison with others (Freeman et al., 2007).

Some researchers argue that companies can do well by doing good (Godfrey, 2005; Margolis et al, 2007; Porter and Kramer, 2011) based on the assumption that the fulfillment of the needs of other stakeholders (eg. Employees by investing in their training) directly creates value for shareholders (Freeman et al, 2010, Porter and Kramer, 2011). It is also based on the assumption that if it does not fulfill the needs of crowding in stakeholders, companies can destroy shareholder value, consequently had boycott, unable to employ the most talented people, and potentially penalties should be paid to governments.

At its most simple, their argument is that sustainable business can be just one type of agency costs, managers take private benefits for the implementation of environmental and social policies in the company's strategy, but in doing so happen the negative financial implications for the organization (Baloti and Hanks 1999; Brown et al, 2006). Moreover, these companies can experience a higher cost structure (eg pay their employees higher wages than market wages). Consequently, the argument goes, companies operating under such restrictions additional environmental and social will be more competitive and more successful in a highly competitive environment. Business sustainability is closely linked to economic stability and growth of the market. If one of the buyers or suppliers find themselves in difficult economic conditions, it may have an impact on business. This is even more evident because there are businesses that operate in different circumstances in different countries. Growth in certain global markets can increase your options and provide new business opportunities.

One of most pressing issues of globalization is directly linked to environmental sustainability. With the growth of international trade increases the number of industrialized nations and consequently the amount of pollution. New industries are choosing to operate in developing countries as a consequence they add negative impact on the environment as the third world countries has not environmentally protective policies.

It is important to consider that many issues that could significantly affect business sustainability ignore national and international boundaries. Pollution, inflation, exchange rates, unemployment, politics, conflict and health issues that occur anywhere in the world can cause problems for business sustainability.

1.1. Advantages of practices's implementation for a sustainable business

Sustainability practices are often the best opportunities for a company. Corporate reputation becomes more important and many companies are adopting ethical approaches, taking responsibility for sustainability. This policy is becoming increasingly important as to ensure reputation, also to satisfy the requirements of stakeholders. Benefits of implementing the strategies for sustainability are reputation which leads to greater customer loyalty. Benefits can also be seen in terms of efficiency, using semi-finished material, less energy and more recycling. Both of these have an impact on profits and shareholder confidence.

Moral obligation or desire to contribute to society can be the reason of implementing sustainable business practices for some businesses. But most of the businesses are interested in the benefits associated with sustainable business practices.

Although each company has specific reasons or motives to be more green and sustainable business, below we will mention some of the key benefits.

➤ *Increase productivity and reduction of costs*

The most cited benefit practices for a sustainable business is to reduce costs.

Through a sustainable business developing practices will be increased the efficiency in operations. Starting from daily operations, that has a service company as the use of recycled materials, installation of equipment not misuse the water, the use of energy lamps, energy saving by using measures such as thermoisolation, solar panels or heating system water.

With better utilization and conservation of resources, operations will be more effective and costs will be reduced.

➤ *Evaluation of the brand and competitive advantage in the market.*

Natural Marketing Institute (The Natural Marketing Institute - NMI) has conducted research among consumers has resulted in the companies that are aware of the impact they have on the environment and society, consumers are 58% times more inclined to buy the product concerned to company compared with companies that have not implemented these strategies.

According to the Report of BBMG (Bemporad Baranowski Marketing Group) 9 in 10 customers are considered "conscious consumers" and are more willing to buy from companies that produce products without energy misused (90%), that promote health and safety in products (88%), supporting the honest work of trade practices (87%) and have implemented practices a sustainable business (87%) if the products are of the same quality. Companies that have adopted sustainable business practices have been able to create growth opportunities as:

- Focus on customer values, building trust, and creating an image more responsible to society.
- Production of new products and services that meet growing consumer demand for products that are created without having a negative impact on society and the environment.
- Improve safety and product quality, which increases customer satisfaction and loyalty.

➤ *Improvement of the finances and Investment*

Finance and investment analysts recognize companies that have developed plans for a sustainable business in relation to energy efficiency and reducing negative impact on the environment as an important evaluation criterion. Various studies show that leading companies in six industries that are considered leaders in environmental and social policies have exceeded the overall market share. Even managers believe their companies will increase revenue through the implementation of strategies for sustainable business.

➤ *Low cost and high productivity*

Through the development of many sustainable business models, companies have been able to produce goods and services using fewer resources and having lower costs. This is done through:

- Using alternative energy sources like solar and wind thus reducing the use of hydroelectric power, fuels and nuclear power sources.
- Improvement of product and process design has reduced the misuse of energy and materials, packaging and transport costs as well as increased recycling of materials to be reused in the future.
- Adoption of technique "lean" to avoid costs that do not add value to a product or service.
- Using the systems' thinking " to manage suppliers and distributors. Systems " thinking " have shown increased efficiency in all operations of waste reduction, energy use and costs of materials.
- Implementation of measurements for total costs which take into account the costs and the impact cashflow property, plant, and equipment during the life cycle of the asset.

➤ Improvement of working conditions through clean air and natural light is proven to have contributed to increasing worker productivity and reducing of their turnover.

➤ *Minimizing the risk of carbon and energy improvement*

Ernst and Young report of 2008 regarding business risks '10 ', highlights key business risk: Failure to implement rules relating to the environment. It is estimated that companies will be required to reduce 25% of carbon emissions by 2020 and 50-80% by 2050. These will be determined by law. This will affect energy costs, which are expected to double within the next 10 years.

➤ *Employee satisfied with the company*

Employees want to work with companies who "do the right thing "and are proactive environmental and social programs. A 2007 survey by Adecco, an international company HR, showed that 52% of employees consider that their companies should do more about social strategies and environmental. More importantly, companies want their employees to be loyal and ethical to the organization.

➤ *Business protection*

Management of sustainability practices can reduce the overall risk to your business in many ways. Some examples include:

- Protection against judicial proceedings deriving from social and environmental issues.
- Increased security for customers, employees and communities by eliminating or reducing the use of toxic substances.
- Good relations with the government, environmental agencies, and community.
- Reduced risk of being targeted by the media and consumer advocates

1.2 The barriers encountered in the implementation of sustainability

Business awareness of the impact that they have on the environment is growing. But many are the challenges faced by businesses to implement strategies related to sustainability. Greater difficulty in achieving environmental sustainability has medium business and small business. Below is treated some of the most common barriers encountered:

➤ *Information and Time*

Most studies on this field indicate that lack of information is the first hurdle. In a survey of 220 small firms where the owner was the manager, about 1/3 of respondents cited lack of information as an obstacle to implementing sustainability strategies, and about 57% were interested for requesting more information about how their business can help the environment (Revell et, 2009). Two research studies revealed a lack of literature as well as a lack of understanding of the laws (Schaper, 2002; Revell & Blackburn, 2007).

Lack of time is also mentioned as a challenge. Revell et al (2009) found that almost 53% of businesses surveyed noted the lack of staff time as an obstacle to the implementation of these practices.

➤ *Cost*

The most common obstacle mentioned by the executive directors of companies linked to the cost of implementation of practices for a sustainable business. This finding is consistent with previous research on the barriers faced by businesses (Revell et al, 2009; Taylor et al, 2003). Participants numbered variety of financial concerns.

➤ *Attitudes*

Attitudes of owners and managers play an important role in implementing sustainability initiatives. Some businesses believe that their actions have a minimal impact on the environment (Taylor et al., 2003), while others believe they have a moral responsibility to act (Jenkins, 2006). Businesses have had a variety of opinions regarding customer satisfaction and how to improve it. Some companies have shown skepticism towards the implementation of this strategy because didn't see an opportunity for a competitive advantage. But other companies reported having a competitive advantage by implementing measures (Taylor, 2003).

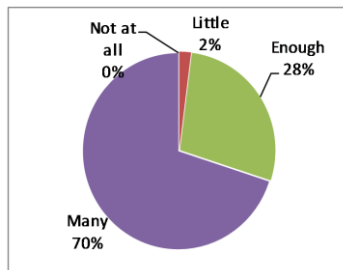
➤ *Consumer demand*

Studies have found that businesses do not face pressure from customers, suppliers, and stakeholders to implement environmental practices. In the study of Revell et al. 'S (2009), a study of 220 firms, 2/3 confirmed that pressure from consumers considered insignificant and 78% said that pressure from suppliers was 'neutral'. Also, 74% did not feel pressured by business stakeholders.

2. Research sustainability and Albanian businesses

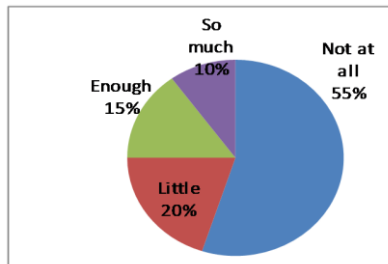
The main object of this study are organizations that have voluntarily integrate social and environmental policies in their business model, which represent a distinct type of completely modern corporation, characterized by a structure of governance in which besides financial performance, calculates the environmental impact and social impact of the company. All this brings a long-term approach to maximizing profit, an active process management stakeholders and a most developed reporting system. For this study was selected a sample of 50 businesses in Tirana.

➤ How much companies that know the concepts of sustainable business are oriented towards sustainable?



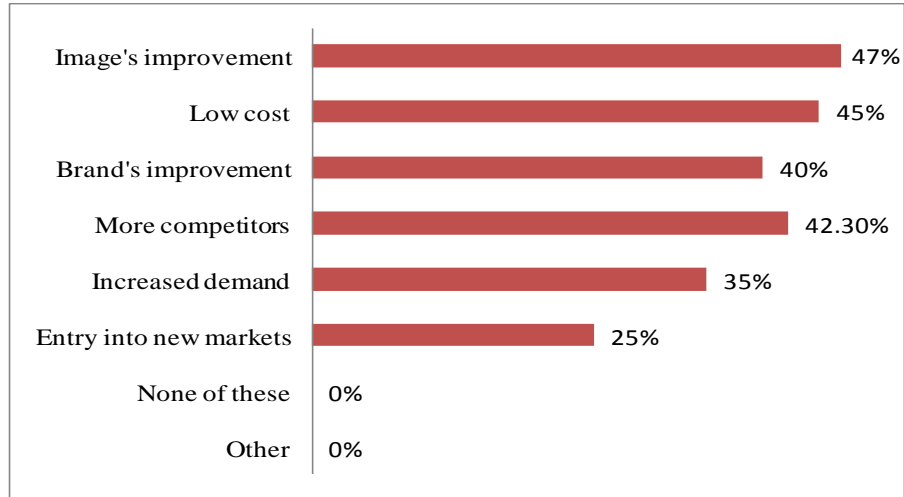
Graph.1. Businesses that have currently an initiative towards sustainability

➤ How much companies that recognize sustainable business concepts but have not implemented currently in their companies consider important in the future orientation towards sustainable business?



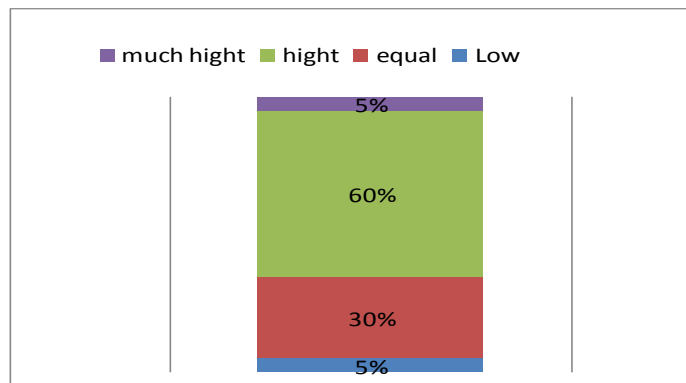
Graph. 2. Businesses that currently dont have any initiative towards sustainability

➤ What companies can benefit from the implementation of sustainable business?



Graph.3. Benefits that companies believe may have on the implementation of sustainability in business

➤ How were the benefits of sustainability compared with the expectations that had companies that have implemented?

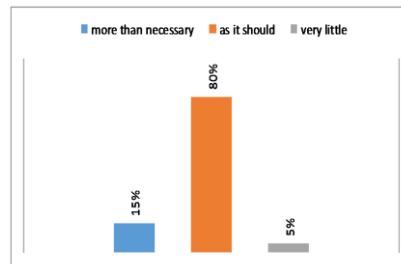


Graph. 4. Sustainability benefits compared with expectations

➤ Which of these statements is closer to your vision?

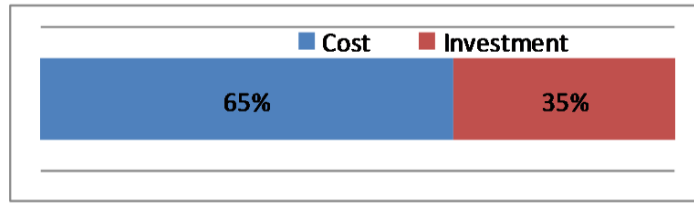
- Sustainability is a peripheral part of our business (34%)
- Sustainability is an integral part of our business (66%)

➤ What is the current level of sustainability in your company?



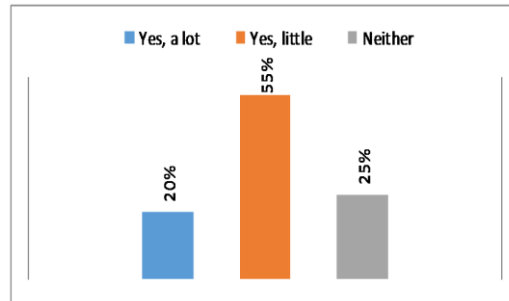
Graph. 5. The current level of investment for sustainability

➤ Do you consider the expenses for the implementation of sustainability as a cost or an investment?



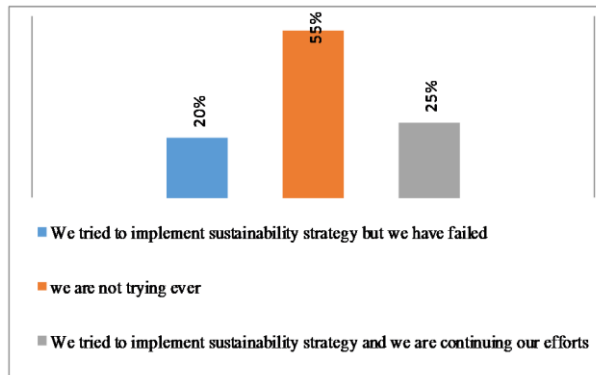
Graph. 6. The expenses for the implementation of sustainability a cost or an investment?

➤ Does your company currently undertake any initiative to sustainability?



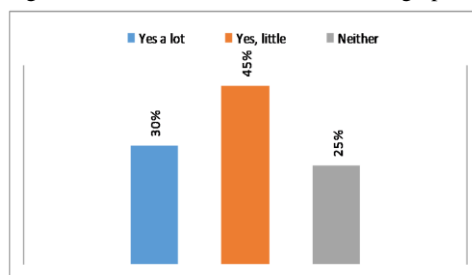
Graph.7. Initiative to sustainability

➤ If you did not take any initiative: which of the alternatives is the reason?



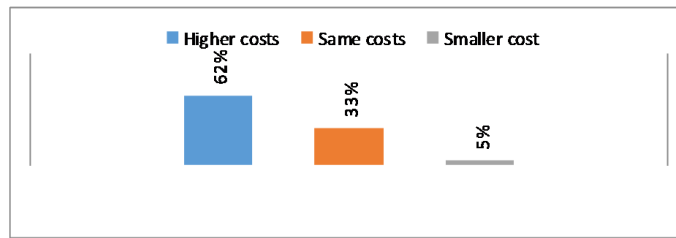
Graph. 8. The reasons for non-implementation.

➤ Do you think businesses are doing their utmost with the aim that working operations to be more stable?



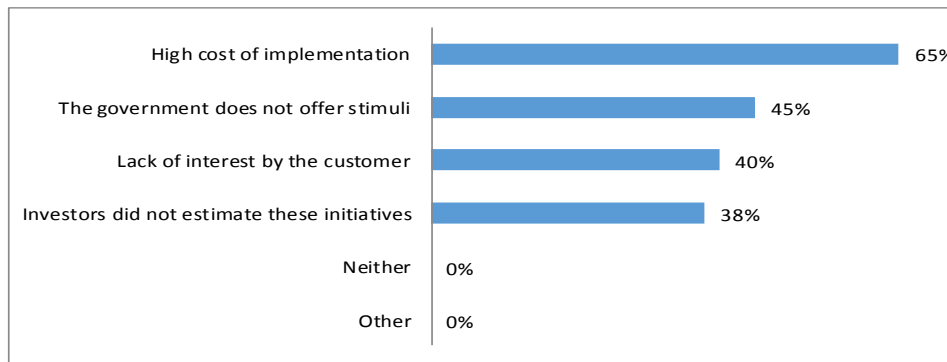
Graph. 9. Efforts of companies

- Having a green business or sustainable has more costs?



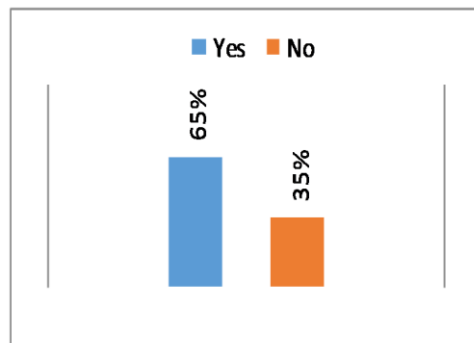
Graph. 10. Added costs for sustainable business

- What are the barriers for implementing sustainability strategy



Graph. 11. Barriers of business sustainability

- Do you think that business sustainability initiatives, in general, are on the right track?



Graph.12. Progress sustainability initiatives

Conclusions

- Among the companies that have already implementation of sustainability initiatives, 70% of them think that the implementation of sustainability is an important step for their business. While the businesses that have not yet taken an initiative about 2/3 of them do not consider important obtaining these initiatives.
- Most companies have higher expectations about the benefits that will arise from the implementation of sustainability initiatives, especially good brand image and reducing costs.
- 30% of businesses consider sustainability an integral part of the business vision, but about 70% of them consider it as peripheral part of vision that they have for the business.
- 30% of companies believe that initiatives towards sustainability are not just cost, but an investment in the business. Also still a third are less secure and consider it only cost to a business.

- A strong majority believe that their company has invested the proper amount on sustainability initiatives, so that next year they will invest a bit more but it is inconsistent with the real situation.
- Most of the companies think that the business sector has made a few steps to implement sustainability in their operations and 70% of them say that the implementation of the strategy of sustainability in business operations has highly cost. So it is costly for a business to reach to be a "sustainable business".
- Most companies have at least some sustainability initiatives. Even those businesses that have no initiative say that they are still trying for sustainable initiatives.
- High costs of implementation, the fact that the government does not offer stimuli, lack of interest by the client and investors are the biggest obstacles faced by businesses in the implementation of sustainability.
- Business is constantly making efforts towards sustainability initiatives and even noticed a growing trend. While the government should undertake supporting and promoting policies to companies that are focused on sustainable business initiatives.

3. Recommendations

The company that tries or wants to become a sustainable business should understand that the concept of sustainability should be implemented in each objective of each of its departments. In other words, sustainability requires thinking that everything is connected to something else and nothing exists isolated. Everything, every department, every business, every industry and every society are interrelated. So it is understandable that every part of the company contributes for creating a sustainable business. Starting from daily operations, research development, management information system, technology, human resources, finance and marketing department are related to sustainability in different ways. Sustainability should be the philosophy and vision of the whole company.

Albania is still in its early stages to the implementation of practices for a sustainable business. For this reason, due to the importance of implementation despite the difficulties towards implementation we recommend:

- Implementing sustainability sooner, especially in small businesses.
- Creating a legal draft where each business will be forced to implement at least the initial initiatives towards sustainability. For example: To use the idea of recycling.
- The government should provide grants to businesses that show interest for the implementation of sustainability.

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