

## **Strategic Options for Managing Sustainable Business**

**Carmen Valentina Rădulescu**

Bucharest University of Economic Studies, Faculty of Agrifood and Environmental Economics,  
Romania

*carmen-valentina.radulescu@eam.ase.ro*

**Florina Bran**

Bucharest University of Economic Studies, Faculty of Agrifood and Environmental Economics,  
Romania

*florina.bran@eam.ase.ro*

**Sorin Burlacu**

Bucharest University of Economic Studies, Faculty of Administration and Public Management,  
Romania

*sburlacu@amp.ase.ro*

*Abstract.* In the literature there is systematic information regarding the implications of sustainable development for business administration and it was demonstrated and exemplified the way in that sustainability, as a result of innovation, could become source of competitive advantage. For the research it was employed a holistic, result oriented approach using a multidimensional matrix that expresses the features of applied research.

Sustainable development recognizes the interdependency between economic processes and social and ecologic ones, meaning that its research supposes the confrontation of knowledge from more scientific domains, needing inter- and multidisciplinary approaches.

The strategic orientations could be derived from the societal challenges determined by irreducible situations in the economic, financial, food, ecologic, and energy fields and are reflecting the visions outlined on the basis of sustainable development principles and after the 2008 reconfiguration with focus on green economy. These pursue offsetting the impact of economic and financial crisis and preventing similar conditions to be met by the restructuring of economy in such a way that it allows the accomplishment of goals like increase of human wellbeing and social equity and significant reduction of environmental risks, including the diminishment of economic processes' carbon intensity.

The general and specific trends identified to be relevant for sustainability integration in businesses are deepening of income inequalities; decoupling of economic growth from the opportunity of income generation by job creation, jeopardizing primary distribution of wealth; intensification of geostrategic competition; pollution intensification in developing countries; impact of climate change by extreme weather events and water resource scarcity; intensification of climate change mitigation actions; growing contribution of companies in solving the general development problems; and increasing consumer exigencies regarding sustainability performance.

Synthesizing the results of the study made within in the present paper, it can be concluded that integrating sustainability into business depends on many factors, out of which innovation plays a decisive role. The Porter hypothesis shows that the virtuous cycle of sustainable innovation could be triggered by external forces, such as regulations, that lead to the expected impact with the help of competition. Sustainable innovation management facilitates this process and implies an enhancement of

the innovation base through the creation of open and collaborative systems, conceptualized as innovation ecosystems.

*Keywords:* management, sustainable development, business

## **Introduction**

The role that business has to meet in terms of sustainable development has recently become a topic of particular interest for socio-economic research. This concern is explained by issues such as: recognizing the limits of government institutions; enhancing globalization; the need to accelerate change and to increase the interest of the business environment for sustainable development.

Areas such as social protection, medical services, education, scientific research, culture, environmental protection, etc. were managed exclusively by government institutions until long ago. More and more countries, however, recognize the limits of these institutions, especially in terms of efficiency, so that various forms of entrepreneurial approach have emerged, meaning either the constitution of commercial companies or public-private partnerships, or the partial transfer of activities at the level of non-governmental organizations.

Privatization of public services is a trend that began in Germany after the Second World War, and has flourished under the governance of Thatcher in the UK and Reagan in the US, being motivated, among other things, by the fact that companies have been performing more efficiently in the conduct of economic processes, quickly disseminated good practices and adapted easily to changes in the economic environment. However, the empirical results are not very conclusive, allowing interpretations according to the interests pursued.

## **Current state of knowledge**

Today, some studies report significant performance improvements and cost reduction (Bennett & Johnson, 1980)(Sheshinski & López-Calva, 2003) in companies, while others claim that the entrepreneurial approach worsens the situation (Judy Layne, 2001) (Alexandru, 2001). At present, the process continues, so that hundreds of thousands of companies in more than 80 countries have taken over government agencies (Nikolic, 2014).

The entrepreneurial approach is also adopted through the work of non-governmental organizations (NGOs) that, although not oriented towards profit, have an equally effective way of action, and in relation to sustainable development, they are very relevant as they seek to create value but not economic, expressed through profit, but social or ecological, expressed through contributions to solving social or environmental problems. NGOs play an increasingly important role in the economy and society.

At European level, more than 5 million associations were identified, with more than 100 million members managing funds totalling €6.4 billion. Depending on the annual budget of the projects, the most important NGOs in Europe are Greenpeace (120 million Euro), Friends of the Earth (75 million Euro), Amnesty International (50 million Euro), World Wild Fund for Nature EUR million), Oxfam (EUR 10 million), etc. In addition, NGOs set up various forms of collaboration with the business environment, facilitating fundraising to fund projects that bring social and / or environmental benefits (Ionescu, 2002).

Globalization is a complex process that continues to intensify over the last decades (Burlacu, Gutu, & Matei, 2018). Although similar forms of economic, social and political interactions have been identified and described for different historical stages, the contemporary process is distinguished by the

importance of the economic dimension facilitated by modern information and communication technologies (Ioniță & Burlacu, n.d.) (Ioniță, Ursăcescu, & Burlacu, n.d.). In this context, the influence of multinational companies has increased significantly. Multinational companies participate in world trade with more than 60%, dominating the production, distribution and sale of many products, so that they have enough power to direct social changes globally and nationally (Rădulescu, Dobrea, & Burlacu, 2018).

Many environmental issues considered important - the threat of climate change, the depletion of mineral resources, the deforestation of forests, and so on. - have worsened in the last decades (F. Bran, Rădulescu, Bodislav, & Burlacu, 2019). These include the perpetuation and even deepening of global development gaps and poverty (Bran, Alpopi, & Burlacu, 2018). These trends have occurred in the context of increasingly consistent implementation of government-backed preventive and fighting measures, so that the urgency of change, the urgent need for direct involvement of the business environment, has become evident (Florina Bran, Manea, Ioan, & Radulescu, 2012).

### **Purpose and objective of research**

The aim of the research is to formulate research directions to highlight strategic options for managing a sustainable business, taking into account, on the one hand, their current state of affairs and, on the other, the state of knowledge. Therefore, the overall objective is to increase the accessibility of knowledge and information on business strategies that increase competitiveness by integrating sustainable innovation.

### **Research methodology**

The business environment, on the one hand, and sustainable development, on the other hand, are two areas of knowledge that both separately and collectively have enjoyed particular attention in recent years, so that a vast documentary material which reflects a wide variety of approaches and provides results with varying degrees of relevance to the purpose and objectives of the research.

In order to capitalize on it, the collection, selection and systematization phases were carried out in relation to the research objectives. Special attention has been paid to review articles, but various other studies such as conceptual notes, empirical research, official documents, as well as articles and reports describing methodologies and opinions of business consultancy have been retained. For strengthening arguments and highlighting certain relationships, quantitative data were collected and systematized, while case studies were used to demonstrate others.

The framework model used to organize, systemize and synthesize information is presented in Fig. no. 1 and has the following components: global determinants of change; Business Sustainability Strategies; management tools for sustainable business management; sustainable innovation; competitiveness; innovation management; governmental policies with an impact on innovation and competitiveness.

Global governance for sustainable development is a highly dynamic process, so that different aspects of the research is necessary to follow developments consistent at this level and identify implications of the new approach. To consolidate and develop arguments that support the integration of sustainability in business have reconsidered global problems of socio-economic development using the views of international organizations, as well as the latest scientific results. Based on these, evidenced questioning agreed vision on the role and place of the economy and competitive models of economic development. However, it was considered necessary and a review of the concepts of sustainable economy and the new challenges of global society.

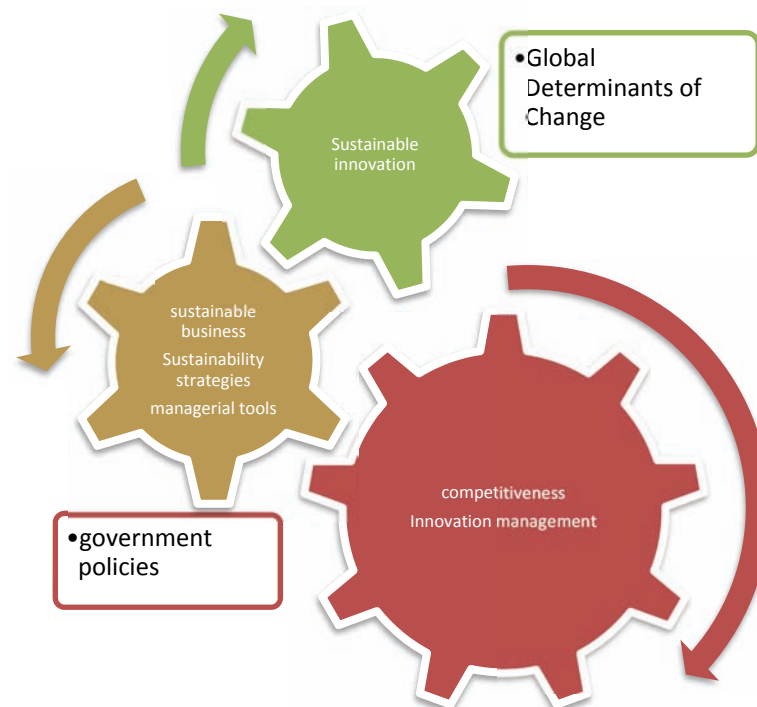


Figure 1 Research Framework Model  
*Source: the authors*

## Findings

### Concepts of sustainable economy in the context of the new challenges of the global society

Environmental protection has been and will always remain a delicate subject, due to the contradictory relationship with economic and social requirements. The application of the polluter pays principle (eg the Kyoto Protocol) has often been questioned, but global governance, dominated by the influence of multinational companies, does not necessarily impose this principle.

The Brundtland report (1987) defines sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." Public policies must promote sustainable development by ensuring a balance between environmental protection, economic development and social progress. From this concept, others were born, including the green economy and the circular economy.

In the context of sustainable development and poverty reduction, UNEP (2011) defines this term as follows: "Green economy is a concept in which vital links between the economy, society, and the environment are taken into account and where patterns of production and consumption contribute to the same time to reduce waste and pollution and revitalize and diversify economies, create jobs, promote sustainable trade, help reduce poverty, improve equity in revenue distribution. "

### Business sustainability strategies

The particular configuration of internal and external factors restricts each company's ability to integrate sustainability so that a decision is made about the most appropriate way of integrating sustainability, namely choosing the most appropriate sustainability strategy.

Linking the sustainability strategy with business strategy provides the simplest, and most commonly used, typology. Thus, the risk avoidance strategy is differentiated; efficiency strategy (cost reduction by increasing the efficiency of materials and energy use) and differentiation strategy. Each of these strategies involves innovation, but the importance of innovation for the success of the strategy is different. The first two categories pursue the same goal, minimizing costs, while the third uses sustainability as a means of differentiation.

The particular configuration of internal and external factors restricts each company to integrate sustainability so that it becomes necessary to decide on the best way to integrate sustainable development: choosing the right strategy for sustainability.

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The differentiation strategy is based on the company's need to differentiate itself from competitors. The most commonly used topics of sustainability are climate change, food security, transparency of decision-making processes, demographic aging, increasing digitization, depletion of natural resources, health in relation to nature, transport of fossil fuels, and so on. (Table 1).

Table 1 Top 10 topics addressed by 2014 sustainability activists

NO.	THEMES
1	Climate change
2	Transparency on demand
3	How to feed a planet with a growing population
4	Fracture - the fear of the unknown
5	Online privacy - who supervises the supervisor?
6	Arctic - the next battlefield
7	Water - the last drop
8	Trains, trucks, oil and pipelines - the disruptive transport of fossil fuels
9	SOS Health - reconnection with our food
10	Eyes on the forest - palm oil, deforestation and human rights

Source: Adaptation after Wohlgemuth, E., Klei, K. (2013). *Stakeholders activism 2014: The top 10 issues likely to drive global campaigns towards brands*. Sustainable Brands Webinar-Future500.

Differentiation strategy can also be seen as a strategy of continuously solving a problem whose coordinates are constantly changing. The possibility of adopting this strategy depends greatly on innovation and on the existing potential to create new products / services. This potential can be increased through collaboration with associations, user groups, NGOs, local authorities, etc. to design sustainable products / services.

Elements of this typology are also found in the classification of corporate social responsibility strategies. In this case, they delimited:

- *Defensive strategies*: enterprises reject any form of ethical responsibility that does not correspond to economic interests, except for those who have been able to integrate into legislation; such enterprises shall ensure compliance with the provisions of the legislation;
- *Reactive strategies*: Businesses recognize ethical accountability in relation to key stakeholders and react when they report inconsistent situations;

- *Proactive strategies*: Businesses recognize ethical accountability in relation to stakeholders and society and initiate action to minimize negative impacts.

Another typology of sustainability strategies takes into account what changes, how to change and the objectives of change, for each of these criteria, delimiting three levels of sustainability, as shown in Table 2.

Table 2. Typology of the sustainability strategy after the level of integration

<b>TYPES</b>	<b>PROBLEMS (WHAT?)</b>	<b>ORGANIZATIONAL PERSPECTIVE (HOW?)</b>	<b>VALUE CREATED (WHY?)</b>
<b>THE USUAL SCENARIO (BAU *)</b>	Economical problems	Interior and exterior	Share value
<b>SUSTAINABLE LEVEL 1 BUSINESS</b>	Two-dimensional problems	Interior and exterior	Share value
<b>SUSTAINABLE LEVEL 2 BUSINESS</b>	Three-dimensional problems	Interior and exterior	The triple referential (TBL **)
<b>SUSTAINABLE LEVEL 3 BUSINESS</b>	The challenges of sustainability	External-internal	Creating value for the common good
<b>KEY CHANGES</b>	Expansion of concerns	Changing the perspective	Diversify the value created

Source: Adaptation after Muff, K., Dyllick, T. L. (2015). An organizational roadmap of Business Sustainability. *Organization and environment*, February.

## Discussions

The wide variety of sustainable performance assessment systems has raised the need to unify them on the assumption that the plurality of standards hinders comparability and affects the quality of information used to substantiate decisions. However, in the case of corporate social responsibility reporting, empirical results show that a single standard will not lead to a significant improvement in reporting practices.

Recent years have witnessed the emergence and development of numerous standards, labels, and sustainability rankings for assessing processes, products / services, and business activity. Some of these are systematized in Table 3.



Table 3. Reports, indices, labels and rankings used to assess sustainable business

EVALUATION MODE		AREAS OF SUSTAINABILITY	CERTIFICATION
<b>REPORTING ON SUSTAINABILITY</b>			Global Reporting Initiative, United Nations Global Compact, Vigeo
<b>SUSTAINABILITY INDICES</b>	People, planet, profit		Dow Jones Sustainability Index, MSCI, ECPI, Axia, FTSE4Good, Aspi, CDP, ETHIBEL
<b>ECO-LABELS</b>	Organic farming		Ecolabel, USDA Organic, Rainforest Alliance Certified, Marine Stewardship Council, Organic Farmers and Growers Certification
	Sustainable products		Energy Star, Green Seal, EPEAT, EcoCert, Cradle-to-Cradle, Oeko-Tex Standard 1000, Ecoproof, EcoLogo, ECF, Lead Free
<b>RANKINGS</b>	People, planet, profit		Corporate Knights, Channel News Asia, Southeastern Corporate Sustainability Rankings, Newsweeks Green Rankings

Source: own synthesis

In Romania, companies also use a wide variety of indicators to highlight sustainable performance. For environmental performance, indicators such as waste, energy and water consumption at different stages, life cycle analysis, materials flow analysis, environmental footprint, carbon dioxide and other pollutants, material intensity, carbon footprint, eco-efficiency indicators, socially responsible investments, sustainable development indicators according to the requirements of GRI and others

## Conclusion

The literature on integrating business sustainability is particularly broad and diverse. Economic research amply reflects the importance of the business environment for sustainable development decades bringing unprecedented enrichment of knowledge in this area. The variety of approaches, the continuous increase in the volume and diversity of the empirical data processed, the multitude of analysis models that have been developed and implemented, the speed of integrating the results into the substantiation of global and governmental policies, and business plans are the main features that require this field.

The process of sustainable development, where resource exploitation, investment direction, technological development orientation and institutional change are in line with current and future needs, is inevitable. Since the concept of sustainable development has been proposed, it has been stressed that the process is not easy, making difficult decisions necessary. This restriction is confirmed more than two decades after the publication of the Brundtland Report, and it is found that, in the opinion of company directors, increasing environmental performance will lead to lower competitiveness due to additional costs that do not generate immediate financial benefits. Consequently, the integration of sustainability into business strategies is not being sufficiently achieved (Brundtland, G et al, 1987).

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