



SUSTAINABLE DEVELOPMENT IN BUSINESS ENVIRONMENT

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Abstract

The role of business is critical and central to sustainable development. For the business enterprise, sustainable development means adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future. The study discussed the key elements of the role of business in helping the global society to achieve sustainable development. The study concludes that sustainable development depends upon a positive interaction between social wellbeing, economic development, environmental protections and good governance to balance the interests of this and future generation. The study also concludes that sustainable development is the collective responsibility of government, business and individuals.

Keywords: *Sustainable Development, Global Society, Social Wellbeing, Economic Development, Environmental Protection, Good Governance.*

INTRODUCTION

Business environment may be defined as the total surroundings, which have a direct or indirect bearing on the functioning of business. It may also be defined as the set of external factors, such as economic factors, social factors, political and legal factors, demographic factors, and technical factors etc., which are uncontrollable in nature and affects the business decisions of a firm.

Sustainable development is defined as "The development that meets the needs of the present without compromising the ability of future generations to meet their own needs." But according to business enterprises, sustainable development means adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future.

The government is committed to sustainable development. This means making the necessary decisions now to realize our vision of stimulating economic growth and tackling the deficit, maximizing wellbeing and protecting our environment, without affecting the ability of future generations to do the same. The government takes account of sustainable development as a part of how it develops its policies, how it runs its buildings and how it buys its goods and services.

Global wealth has almost doubled since 1990, but nearly half the world's population subsists on less than US\$ 2 per day. Poverty remains a major challenge to sustainable development, environmental security, global stability and a truly global market. The key to poverty alleviation is economic growth that is inclusive and reaches the majority of people. Improving the performance and sustainability of local entrepreneurs and small and medium enterprises (SMEs), which represent the backbone of global economic activity, can help achieve this type of growth. This Issue Brief explains how governments can help alleviate poverty by focusing on SMEs and how larger corporations can help themselves by including SMEs in their value chains. It describes some of the comparative advantages of SMEs and the challenges they face in developing countries.

OBJECTIVES OF THE STUDY

1. To know the reasons why it is in a business' interest to be more environmentally sustainable.
2. To build an understanding of where and how business can best contribute to sustainable development in small and medium enterprises (SMEs)
3. To identify the different steps for managing an enterprise according to sustainable development principle.

THE FRAMEWORK FOR SUSTAINABLE DEVELOPMENT

The framework for sustainable development describes society's commitment to four interconnected objectives

1. **Social Wellbeing:** A social role supporting strong, vibrant and healthy communities, by providing the supply of housing required to meet the needs of present and future generations and by creating a high quality built environment, with accessible local services that reflect the community's needs and support its health, social and cultural wellbeing.



2. **Economic Development** (including the end of extreme poverty): An economic role contributing to build a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation and by identifying and coordinating development requirements, including the provision of infrastructure.
3. **Environmental Protection:** An environmental role contributing to protect and enhance our natural, built and historic environment and as a part of this, helping to improve biodiversity, use natural resources prudently, minimize waste and pollution and mitigate and adapt to climate change including moving to a low carbon economy.
4. **Good Governance** (including security): Good governance is required of all sectors of society: governments, businesses, and civil-society organizations. National and local governments need to build effective institutions and pursue sustainable development with transparency, accountability, clear metrics, and openness to the participation of all key stakeholders. They should uphold and promote the rule and of law as well as basic economic and social rights. Governments must design financing strategies, help mobilize the necessary resources, and provide the public goods needed for sustainable development.

Each of these four dimensions of sustainable development contributes to the other three, and all four are therefore necessary for individual and societal wellbeing. Sustainable development is sometimes described by the first three dimensions: social, economic, and environmental. We add good governance and personal security as a fourth dimension to highlight several enabling conditions for sustainable development, including transparency, effective institutions, the rule of law, participation and personal security, accountability, and adequate financing for public goods. These standards of good governance apply to the public sector, the private sector, and civil society.

REASONS WHY IT IS IN A BUSINESS' INTEREST TO BE MORE ENVIRONMENTALLY SUSTAINABLE

1. **Good Management Practice:** Sound environmental management has become synonymous with good business management. Preventing or reducing wastes, emissions and discharges, using less toxic chemicals, and improving energy efficiency is widely recognized as more cost effective and efficient than the "end-of-pipe" control and treatment measures of the 1970s and 1980s. Sound environmental management is increasingly becoming a business advantage in an increasingly competitive market, not only more efficient environmental practices but also through market recognition schemes such as ISO 14000 environmental Management Standards and eco-labeling schemes.
2. **Government Policy:** Regulation and economic incentives are undisputed key factors that stimulate companies to higher levels of performance and help establish a more "level playing field" of standards for all companies to meet. Companies have an incentive to establish a good record of behavior to limit the needs for regulators to inspect, to avoid future penalties, liabilities and legal costs, and to establish the trust and future sustainable development challenges.
3. **Public Opinion:** New information and communication technologies, combined with growing public concern about the environment, make it increasingly important for companies to be doing and to be seen doing "the right thing". A negative public image can affect a company's market share, regulator and community relations, investor confidence, and ability to attract future employees.
4. **Financial Drivers:** financial institutions are the important contributors to sustainable development, through their interaction with other economic sectors and consumers and through their own financing, investment and trading activities. It is an institutional commitment and an integral part of our pursuit of both good corporate citizenship and the fundamentals of sound business practices. The sustainable development agenda is becoming increasingly inter-linked with humanitarian and social issues as the global environment agenda broadens and as climate change brings greater developmental and security challenges. Sustainable development is best achieved by allowing markets to work within an appropriate framework of cost efficient regulations and economic instruments. Governments have a leadership role in establishing and enforcing long-term priorities and values.
5. **New Opportunities:** sustainable development generates new markets, new technologies and new partnerships. New business alliances or partnerships between governments, automobile companies, and energy producing companies are being formed to develop the emerging technologies, such as fuel cells and photovoltaic, to use cleaner energies.



Multinational corporations are working with small and medium sized suppliers to raise the environmental and social standards of their supply chain. Companies that fail to register such opportunities may soon find themselves overtaken by events and their more responsive competitors.

THE BUSINESS CONTRIBUTION

- 1. Building Supply Chain Capacity:** The many large corporations that source their supplies from developing countries require reliable suppliers. Large corporations can help SMEs become more viable business partners by providing training in basic skills such as management, bookkeeping, business planning, marketing, distribution, and quality control. They can assist through technology transfers, direct investment in infrastructure, and the sharing of knowledge. This makes SMEs more competitive and facilitates access to credit. All of this can benefit the large corporations by creating more effective and inclusive supply chains.
- 2. Rationalizing Procurement Procedures:** Many global companies use intermediaries to identify local suppliers. This can add an extra layer of cost to the operation, a financial outlay that rarely goes to the originator of the goods. It also adds time. By building relationships with SMEs, large corporations can cut out the middlemen. This helps drive down costs, hastens delivery and improves quality.
- 3. Strengthening Local Distribution Networks:** SMEs have local knowledge, understand domestic consumer demands, and have access to remote regions. By contracting local SMEs to sell and distribute their products in these markets, large corporations can help strengthen the sales capacity and income of local SMEs. At the same time, they can strengthen their own distribution networks and open up new markets for their products.
- 4. Improving Standards:** Global companies are increasingly asked about the operations of their suppliers, and thus can offer transparency along their supply chains. Large corporations can help their SME suppliers to comply with international standards such as ISO 14001. Such compliance can enable SMEs to compete in international markets while at the same time improving the overall quality of suppliers to large corporations.
- 5. Improving Environmental Performance:** Collectively SMEs have considerable environmental impact. However, given the various challenges with which they are confronted, and the perception that their individual impact is not significant, it is unlikely that environmental concerns will figure high on their business agendas. By engaging with SMEs, assisting them with capacity building, and aiding them with compliance, particularly with environmental standards, large corporations can help SMEs integrate sustainable development thinking into their production processes and operations.
- 6. Providing Access to Financial Services:** SMEs require greater access to financial services and investment capital. Large corporations have little difficulty securing sizeable bank loans and private investments. At the same time, microfinance, consisting of very small loans, tends to benefit individual entrepreneurs. Many financial institutions in the developed and the developing world are reluctant to fund SMEs because of perceived risk and high transaction costs.¹⁶ SMEs in the developing world are considered high-risk, as their managers are perceived as lacking managerial expertise, credit history, and/or tangible assets to secure loans. Thus loans to SMEs, when they are able to obtain them, tend to carry higher interest rates and shorter pay-back times.

Business is the most important engine of economic change. It brings employment, goods, revenues, knowledge and skills development. We must also recognize that the most important role is probably not that played by the multinationals, but by the small and medium enterprise sector, the SMEs. We as global companies can provide the catalyst to partner with SMEs to mutual benefit. We can access their local expertise and markets; they can access our technologies and business skills for local momentum.



STEPS FOR MANAGING AN ENTERPRISE ACCORDING TO SUSTAINABLE DEVELOPMENT



PRINCIPLE

- 1. Perform A Stakeholder Analysis:** A stakeholder analysis is required in order to identify all the parties that are directly or indirectly affected by the enterprise's operations. It sets out the issues, concerns and information needs of the stakeholders with respect to the organization's sustainable development activities. A company's existence is directly linked to the global environment as well as to the community in which it is based. In carrying out its activities, a company must maintain respect for human dignity, and strive towards a society where the global environment is protected. The stakeholder analysis begins by identifying the various groups affected by the business's activities. These include shareholders, creditors, regulators, employees, customers, suppliers, and the community in which the enterprise operates. It must also include people who are affected, or who consider themselves affected, by the enterprise's effect on the biosphere and on social capital.
- 2. Set Sustainable Development Policies and Objectives:** Senior management is responsible for formulating a sustainable development policy for its organization, and for establishing specific objectives. Sustainable development means more than just 'the environment'. It has social elements as well, such as the alleviation of poverty and distributional equity. Management should incorporate stakeholder expectations into a broad policy statement that sets out the organization's mission with respect to sustainable development. This policy statement would guide the planning process and put forward values towards which management, employees and other groups such as suppliers are expected to strive.
- 3. Design and Execute an Implementation Plan:** It is important to draw up a plan for the management system changes that are needed in order to achieve sustainable development objectives. Translating sustainable development policies into operational terms is a major undertaking that will affect the entire organization. It involves changing the corporate culture and employee attitudes, defining responsibilities and accountability, and establishing organizational structures, information reporting systems and operational practices. A successful implementation plan depends on 'rethinking the corporation' if it is to respond to the paradigm shift associated with sustainable development. It is important to address not only the positive forces for change but also barriers and sources of resistance.
- 4. Develop A Supportive Corporate Culture:** In order to ensure that the organization and its people give their backing to the sustainable development policies, an appropriate corporate culture is essential. In the process of implementing sustainable development or environmental management policies, many companies have experienced a kind of organizational renewal. The increased participation of employees not only generates practical ideas, but also



increases enthusiasm for the program me itself. Most customers and employees enjoy being part of an organization that is committed to operating in a socially responsible manner. Implementing sustainable development objectives will probably require managers to change their attitudes. This may be accomplished only after retraining.

5. **Develop Measures And Standards of Performance:** The implementation of sustainable development objectives, and the preparation of meaningful reports on performance, requires appropriate means of measuring performance. The measures used to assess and report on performance will be influenced by the company's sustainable development objectives and by standards that have been established by government and other public agencies.
6. **Prepare Reports:** Directors and senior executives use internal reports to measure performance, make decisions and monitor the implementation of their policies and strategies. Shareholders, creditors, employees and customers, as well as the public at large, use external corporate reports to evaluate the performance of a corporation, and to hold the directors and senior executives accountable for achieving financial, social and environmental objectives. Regulators and government officials add to the task by requiring an ever-expanding degree of disclosure, in order to ensure compliance with their regulations. Every business enterprise should publish, at least once a year, an external 'sustainable development report'. Ultimately, a universal format for such reports will be desirable. In the meantime, managers and boards of directors should decide on the organization and content of reports.
7. **Enhance Internal Monitoring Processes:** Monitoring can take many forms, such as: Reviewing reports submitted by middle managers; Touring operating sites and observing employees performing their duties; Holding regular meetings with subordinates to review reports and to seek input on how the procedures and reporting systems might be improved; Implementing an environmental auditing programme. Organizing internal environmental audits is a practical way to monitor the implementation of management policies.

CONCLUSION

1. The study concludes sustainable development depends upon a positive interaction between economic and social development and environmental protections to balance the interests of this and future generations.
2. It is also conclude that sustainable development is the collective responsibility of government, business and individuals.
3. Financial institutions should develop and publish a statement of their sustainability policy and periodically report on the steps they have taken to promote the integration of environmental and social considerations into their operations.

KEY MESSAGES TO BUSINESS

- Localizing value creation through engagement with SMEs is a key contribution that large corporations can make to economic development. This underpins their license to operate by creating a positive local impact, can reduce supplier costs and can be an important source of innovation to develop new products and reach new consumers.
- Building SME capacity through the localization of supply claims requires leadership from the top, both at the strategic and at the operational level. However, leadership cannot be over prescriptive; each initiative needs to adapt to local conditions and find its own way to maturation and success.
- Facilitating access to finance is critical: this requires business to look to what it can do on its own, as well as put pressure both on its peers in the business community and governments to enlarge.
- Consider partnering across segments and with other development actors to facilitate SME development and access to finance.
- Business planning skills, including training in financial management, are essential for successful SMEs.
- Large corporations can also build capacity and encourage environmental stewardship in the SME sector.

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