

A Sustainable Enterprise – a Real Possibility or a Marketing Device?

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Abstract. The concept of sustainable development has become for some time a very fashionable idea. The purpose of this article is to determine whether the concept of sustainable development is only a theory, or whether it applies to economic reality. The Author conduct the analysis using the theory investigation and method of in-depths interviews based on the questionnaire. The result of the author's investigations is the design of a sustainable business model and verification of the model in selected company. The author proves that in the global market can be companies that can be called sustainable businesses. The example of the sustainable company is Danfoss A/S. This firm is committed to achieving all four orders of sustainable development: social, spatial, economic and environmental. Discussion on issues of sustainable development is very important and should involve the possibility of implementing a sustainable model for all enterprises.

Keywords: Sustainable development, Model, Sustainable enterprise.

1. Introduction

The term “sustainable development” gained large popularity following the publication of the 1987 Report of the World Commission on Environment and Development entitled “Our Common Future”, where sustainable development was defined, inter alia, as development that “meets the needs of the present without compromising the ability of future generations to meet their own needs”. Since its inception, this concept of sustainable development (Brundtland 1987) there is a discussion on the very idea of this concept (Dresner 2002, Kates, Parris & Leserowitz 2005) and the possibility of its implementation to business practice (Shaharir 2012).

Sustainable development was pursued in the US economy and, subsequently, in the world economy, as indicated by the annual reports of the International Monetary Fund (IMF) and the reports on the status of the world economy (2008). Unfortunately, this situation was disturbed by the world crisis which began in 2008. Due to the popularisation of the idea of sustainable development and the increasingly conspicuous adverse effects of human activities, the awareness and social attitudes of the inhabitants of the majority of highly developed countries changed. Therefore, it was first in the highly industrialised countries that this idea became popular and it was in them, too, that the earliest attempts to implement it were taken (Zabłocki 2002). There is no doubt that development of international cooperation on the issues related to the use of the environment, economic activities, international security and human rights was a success of the period after World War Two and the contemporary times.

The purpose of this article is to determine whether the concept of sustainable development is only a theory, or whether it applies to economic reality. There were distinguished four basic elements of sustainable development (M. Mowforth & I. Munt 1998): environmental, social, cultural and economic orders, which were taken into account in designing the model of a sustainable enterprise. Author presents her individual concept of the model of a sustainable enterprises, taking into account the division into the four orders as well as the external and internal environments of the enterprise.

The article consists of two principal parts: the theoretical and empirical ones. The first step towards the attainment of the aim was the construction of a theoretical model of sustainable enterprise. In the empirical part, an attempt was made to verify the theoretical assumptions different parts of the model by examining the

source documents and by conducting in-depth interview with a representative of selected management company Danfoss A/S running on the global market. Particularly dynamic development activities of the company can be seen in China, which is treated by management of Danfoss as a “second domestic market”.

In this paper the method of analysis of literature and the source documents and in-depth interview method was used.

The result of theoretical investigations of the author is a sustainable business model, which may have practical application in the implementation of the concept of sustainable development in companies.

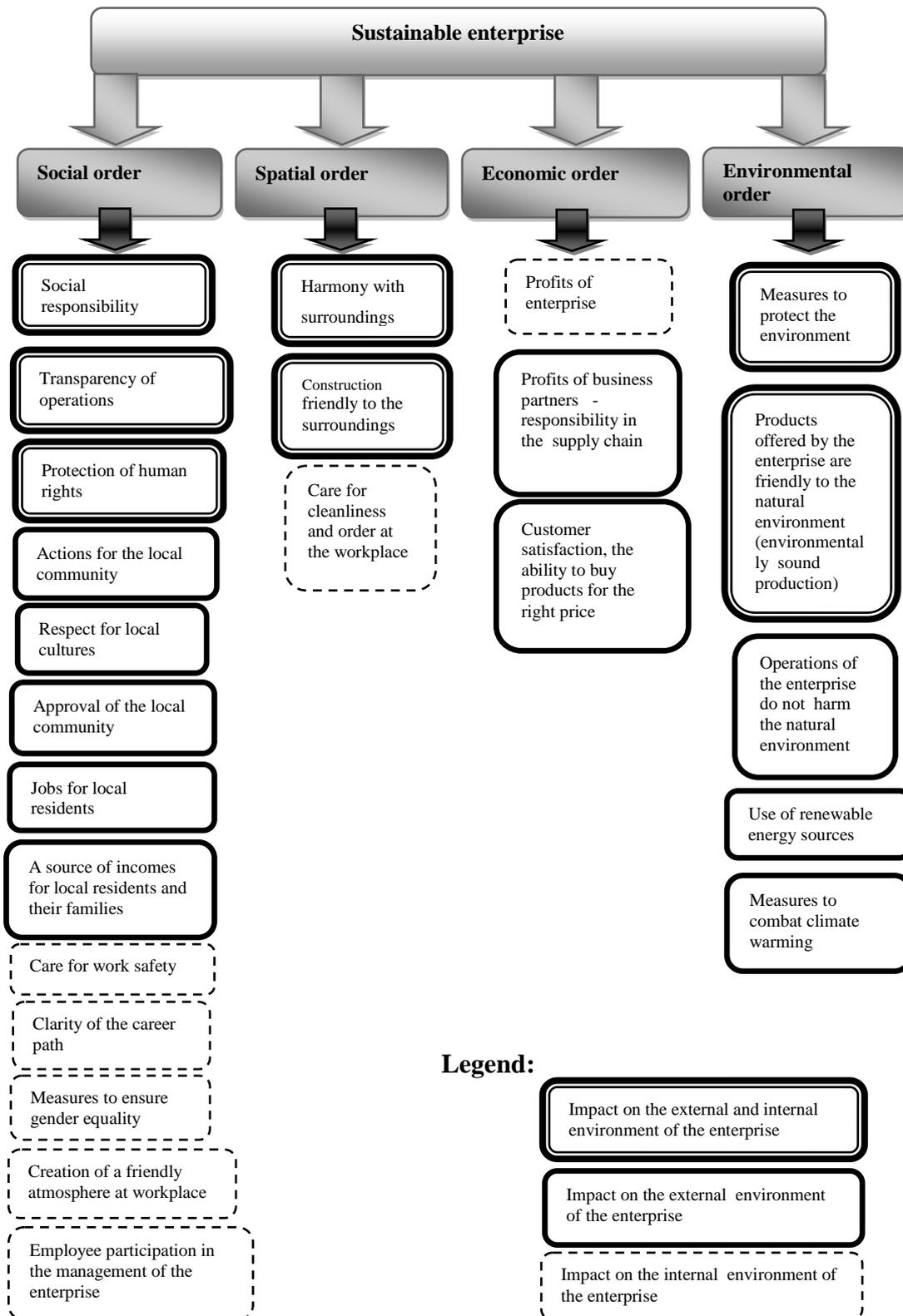


Fig. 1: Model of a sustainable enterprise Source: the Author’s own study.

2. The Model of Sustainable Enterprise

M. Mowforth and I. Munt (1998) distinguished four basic elements of sustainable development and defined them as the environmental, social, cultural and economic orders, which were taken into account in designing the model of a sustainable enterprise shown in Fig. 1. Below, the Author presents her individual concept of the model of a sustainable enterprises, taking into account the division into the four abovementioned orders as well as the external and internal environments of the enterprise.

The social order is the most extensive element of the proposed model. It consists of three groups of measures, i.e. those that affect both the external environment of the enterprise and its internal environment (mainly employees). This group also includes social responsibility and the protection of human rights. Another group of factors related to the external environment of the enterprise is based on respect for local cultures and mainly addresses the local community, aiming at ensuring its approval of the operations of the enterprise and constituting the main source of incomes for the local residents and their families. The most important group of factors consists of those addressing the internal environment and related to employment. The most significant ones include: care for work safety, a friendly atmosphere at the workplace, the identification of the career path and the measures to ensure gender equality in the enterprise.

The spatial order primarily relates to the construction that is friendly to the surroundings and the care for cleanliness and order at the workplace. From the point of view of the enterprise, the economic order is most important. It involves the generation of profits by the enterprises hence, the element "profits of enterprise" was situated in the first place. However, under the concept of sustainable development, it is also important to meet the customers' needs and to discharge the responsibility, as part of the supply chain, to create development opportunities for business partners. A sustainable enterprise must operate in accordance with the environmental order, based on the care for the natural environment in relation to both products and operations of the enterprise in its closer and farther external environment, as well as in its internal environment.

3. The Sustainable Development of An Enterprise – the Concept and the Practice

The Danfoss A/S Company was chosen for comparing the implementation of the proposed model. The following criteria were followed:

The global range of the enterprises and its operations on all the continents except the Antarctic,

The data on the operations of the enterprises are available on its websites,

It has operated without a break for more than 70 years, continuously trying to adapt to the needs of the market.

Danfoss A/S is the world leader in the production of refrigeration, ventilation, heating and air-conditioning equipment, as well as electrical drives and automatic industrial controls. The company employs about 30,000 persons and has its plants and offices in more than 100 countries in the world.

The table below compares the major (in the Author's opinion) features of a sustainable enterprise as contained in the particular orders according to the model proposed earlier with the measures taken by the enterprise Danfoss A/S. The sources of knowledge included the source documents of the enterprise available on its websites, in particular the most recent Annual Report 2010 and the periodical "Global Danfoss".

Table 1: The use of the model to assess the sustainability of an enterprise in the case of Danfoss A/S

Sustainable enterprise	Danfoss A/S
Social order	
Social responsibility	The establishment of a unit for social responsibility and compliance with regulations, <i>Corporate Citizenship & Compliance</i> Compliance with the principles of ethical conduct laid down in <i>Danfoss' Ethics Handbook</i>
Transparency of operations	Participation in the <i>Global Reporting Initiative</i> – a multilateral initiative

	<p>setting out the requirements for reliable reporting on sustainable development and environmental protection</p> <p>The adoption of a new <i>Core and Clear</i> action strategy for 2010-2015</p>
Clarity of the career path	The necessary factors enabling the achievement of Danfoss' objectives include ensuring motivation for gifted persons, taking care of them and identifying and developing their competences
Protection of human rights	An outcome of the cooperation between Danfoss and the Danish Institute for Human Rights
Actions for the local community	<p>The opening in 2005 of a modern education and entertainment centre <i>Danfoss Universe</i> on Als Island in Denmark, which has become a great attraction for Danish family tourism</p> <p>The provision in the Ethics Handbook that Danfoss is a global organisation with a local foundation and a respect for local cultures</p>
Creation of jobs for local residents	A source of incomes for local residents and their families, e.g. about 80% of the employees in the Danfoss factory in Grodzisk Mazowiecki in Poland are the residents of the town and its nearest areas
Care for work safety	Danfoss is committed to creating a safe work environment, where employees can work without accidents or diseases; all the employees are obliged to follow the regulations on health and safety at work
Creation of a friendly atmosphere at the workplace	Team-building through the organisation of different events, e.g. ceremonies held at the beginning of 2011 to celebrate good results in 2010: in the USA, a dinner for all employees and fun at a game centre; in China, celebrations took place in three cities where employees were invited to dinner, there were speeches, karaoke and a lucky draw lottery with prizes; in Indonesia, employees had dinner together and went to the cinema; in Denmark, a party was organised for 4,000 company employees, including shows by artistic ensembles
Employee participation in the management of the enterprise	The establishment of the <i>Employee Forum</i> in the individual business areas of Danfoss situated in different countries. The main purpose of the establishment of the Forum is to ensure a more efficient flow of information, to enhance access to it for all the employees and provide an opportunity for an open discussion with the Management Team on issues of interest to Danfoss employees, consultations on and conclusion of agreements on the matters governed by labour regulations in a given country
Spatial order	
Harmony with the surroundings, construction that is friendly to the surroundings	All the buildings and other sites of Danfoss are designed and erected in accordance with the principle of sustainable development
Economic order	
Customer satisfaction	<p>The adoption of a new <i>Core and Clear</i> action strategy for 2010-2015</p> <p>The establishment of the <i>Road Map</i>, which provides for a clear focus on customers and the need for products to always meet Danfoss specifications and relevant statutory requirements for labelling, use safety and recycling of products</p>
Profits of business partners	The responsibility in the supply chain and the requirements for partners in relation to social and environmental responsibility were formulated in the <i>Danfoss Code of Conduct for Suppliers</i>
Company profits from economic activities	Published annual reports and financial results presented for successive years are generally available on the website: www.danfoss.ipapercms.dk
Environmental order	
Prevention of degradation of the natural environment; measures to combat climate warming	<ul style="list-style-type: none"> - Measures to combat climate warming through participation in the UN Initiative "Caring for Climate" - Participation in the form of partnership in the Copenhagen Climate Conference COP15 in December 2009

	- Sponsoring of the Climate Consortium in 2008
Measures to protect the environment	- Participation in a public-private partnership for environmental protection called OPP - Conclusion of the 2011 agreement on cooperation in the introduction of novel environmental solutions with the city of Baoding in China, - Systematic reduction of carbon dioxide emissions into the atmosphere
Use of renewable energy sources	Systematic control and reduction of the use of traditional energy sources and enhanced use of renewable energy sources

Source: the Author's own study, based on "Global Danfoss" No 1/2011, No 2/2011 and No 3/2011 from 2011, available on the website: www.danfoss.com, accessed on 16.07.2011; *Danfoss Universe* www.visitdenmark.com, accessed on 16.07.2011; *Annual Report 2010 The Danfoss Group*, available on the website: www.danfoss.ipapercms.dk., accessed on 10.07.2011; in-depths interviews with the member of Danfoss's Management were provided on: 17.08.2011, 19.09.2011, 02.12.2011.

The above comparison indicates that the company in question takes many measures to implement the concept of sustainable development. Its particularly valuable actions include initiatives to develop the social order and to protect the natural environment. In the former area, an important initiative was the elaboration and implementation of the principles of Danfoss' Ethics Handbook. This means that Danfoss is committed to achieving positive financial results whilst at the same time creating a healthy, safe and attractive work environment. One of its main objectives is the manufacture of products in the proper social and environmental conditions and to engage in a dialogue with the company stakeholders (customers, suppliers) in order to understand their expectations. Danfoss takes measures to balance the financial, environmental, spatial and social effects.

4. Conclusions

The main conclusion of the paper is: the sustainable enterprise is a real possibility. The above comparative analysis indicates that sustainable development is of fundamental significance for a given enterprise, whose Board has recognised that the implementation of sustainable development within the scope of all the four orders (social, spatial, economic and environmental) ensures the greatest and most durable benefits to all the company stakeholders. Danfoss A/S sets out ambitious objectives for itself in all the four areas. For this reason, the concern for the environment, the mutual relations with the public and the attitude to people are integral elements of doing business. There is no doubt that the enterprise presented here can be called a sustainable enterprise. Using this example, it is possible to draw a general conclusion that, despite global competition and the risks posed by the global crisis, the economic activities of a global range can follow the noble principles of sustainable development. Discussion on issues of sustainable development is very important and should involve the possibility of implementing a sustainable model for all enterprises.

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