

Defination of sustainability phenomenon



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In today's world where populations are growing, where natural resources are stressed and where consumer's expectations are expanding, sustainability is absolutely critical issue for our planet. Sustainability is a significant term for many disciplines and one of the important key for living. Then, it has become an important part of organizations with the effect of today's rapidly changed competitive business environment and surely the effect of globalization.

Economic Sustainability

Environmental Sustainability Social Sustainability

Figure 1. Three dimensions of sustainability

Sustainability can be described as a permanent ability. Meaning in the science of ecology, diversity and productivity of the biological system is to ensure the continuity. Today is a very popular 'sustainability' concept, or fashion in the phrase 'sustainable growth', underground / aboveground resources, without jeopardizing their life opportunities of future generations to consume to sustain economic growth targets. In 1992, 'Sustainable Development' was the main theme of the Rio Conference, later all the other United Nations conferences had been deeply affected and the basic principles of the UN's approach turned into the world 'Sustainability'. According to the United Nations Environment and Development Commission definition in 1987, "Humanity, future generations need to answer capability without jeopardizing the daily needs by providing development to sustain the ability to have."

According to Nelson and Winter (1982, pg. 5) sustainability adverts to a accumulated and persistent way of growth, at economic level- the economic sustainability or at company level- the business sustainability; an included growth way that provides benefits to people at different types of levels of social position, both within countries and all over the world – the social sustainability; and a growth trajectory that recovers and protects the natural environment and is well balanced in terms of exploitation of natural resources- the environmental sustainability.

According to all of these senses, sustainability can be related with the accumulative and path dependent nature of the innovation process. (Nelson and Winter, 1982)

With regard to Tekeli (2001), sustainability is emerged in the environmental movement and has become widely accepted in the political process content and it is tried to be redefined as a moral principle. As determined in many academic studies, for humanity, the long-term prosperity and ease the situation related with the world's natural balance and protection of natural resources usage responsibly.

2. 2. HISTORY OF SUSTAINABILITY

The concept of sustainability used for the first time in 1713 in order to explain economic use of forests by Carl von Carlowitz was put forward by a woodsman, much later it have been translated into English. The first form of sustainability, without consuming the essence of the forest, which grew up just sprinkling the cut, was expected to benefit from that.

Today's 'sustainability' thinking' is also called 'three-legged model' (triple bottom line / 3BL). The short-form of definition is, 'Sustainable development of the existence of the people with economic, environmental and social dimensions to the future. Sustainability is a kind of ideology that involves social life to economy, environment and atmosphere; can see the right to intervene, the world, people and life. As the area of interest and interfere with thinking, sustainability has unprecedented coverage area in history ever. In today's world of science is accepted by everyone. Therefore the appreciation of science to sustainability issues are expected to accept from everyone.

2. 3. CORPORATE SUSTAINABILITY

In recent years, there has been significant discussion in the business, academic, and popular press about "corporate sustainability." This term is often use in some cases as a same meaning with other terms as especially with "sustainable development" and "corporate social responsibility." In this part of the research, corporate sustainability and the relationship with other terms will be analyze.

Sustainability has been defined as economic development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs (Brundtland, 1985). For businesses this includes issues of corporate social responsibility. In other words, corporate sustainability can be identified as meeting the needs of a firm's direct and indirect stakeholders like shareholders, clients, employees, pressure groups and committees, without compromising its ability to meet the needs of future stakeholders at the same time. To achieve these objectives,

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companies must have to take into account and expand their social, environmental and economical capital base while contributing sustainability in the global business area.

Recently, companies have become more sensitive to social issues and stakeholders interest to become better corporate citizens. Regarding this, the result for the companies that they should make significant changes for managing their social, environmental and economic impacts. World's largest, best-known organizations like Coca Cola, GE, Unilever, Procter & Gamble are leading the world economy the way with taking into consideration social and environmental issues.

The Corporate Sustainability Model describes the inputs, processes, outputs and outcomes to implement a successful sustainability strategy (Epstein, 2008).

For Wilson,

sustainable development

corporate social responsibility

stakeholder theory

accountability

are the four pillars of corporate sustainability (Wilson, 2003).

The contribution of sustainable development to corporate sustainability is two folds. First, it helps to identify the issues that firms must concentrate like social, environmental and economic performance. Second, it provides social objective for companies, governments to work for same aim, ecological,

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social and economic sustainability. Nevertheless, sustainable development does not provide the important evidence for the reason that firms action should look like (Wilson, 2003). The importance of sustainable development will be examine in detailed in the following heading of the research.

Figure 2: The Evolution of Corporate Sustainability

DISCIPLINE UNDERLYING CONCEPT CONTRIBUTION TO CORPORATE

SUSTAINABLE

DEVELOPMENT SUSTAINABILITY

Economics

Ecology

Boundaries of the

subject matter and

description of a common societal goal.

Social Justice

CORPORATE SOCIAL RESPONSIBILITY

Ethical arguments as

to why corporations

should work towards sustainability goals.

Moral Philosophy

CORPORATE

SUSTAINABILITY

Strategic Management

STAKE HOLDER THEORY

Business arguments as

to why corporations

should work towards sustainability goals

CORPORATE ACCOUNTABILITY THEORY

Ethical arguments

as to why companies

should report on sustainability performance.

Business Law

2. 3. SUSTAINABLE DEVELOPMENT

The conceptual idea of sustainable development has become a long-term place. This concept has been formed as a result of many international organizations especially The United Nations intensive works. Especially since 1970, a lot of scientific research and conferences were held both globally, national and local levels. Every new study has contributed to the idea of sustainable development become conceptual. Aforementioned studies should be sort chronologically in this format;

i. The World Conservation Strategy-WCS

The concept of sustainable development is first used at the World Conservation Strategy. This is the first formulation of sustainability and it is more ecological approach. According to this approach, development policies should have three priorities (Soussan, 1992: 21-24). Soussan, J. G. (1992), “Sustainable Development”, Environmental Issues in the 1990’s, A. M. Mannion and S. R. Bowlby (ed.), John Wiley & Sons, West Sussex, England, ss. 21-35.

Protection of ecological process.

Sustainable use of resources.

Preservation of genetic diversity.

The World Conservation Strategy (WCS) is more focused on the physical environment. This approach of WCS has been criticized by the anti-growth. (Soussan, 1992: 24)

ii. World Comission on Environment and Development Report- Our Common Future (1987)

Brundtland Report was formed in 1983 by the period of the United Nations Secretary General’s request and upon the proposal and headed by Norwegian Prime Minister Gro Harlem Brundtland and the participants from twenty different countries in The World Environment and Development Commission (WCED) and submitted to the United Nations General Assembly in 1987.

The most detailed used definition of sustainable development was expressed by WCED report, Our Common Future (1987), as “ development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

iii. United Nations Environment and Development Conference- Rio de Janeiro (1992)

United Nations Environment and Development Conference was organized between 3-14 June 1992 in Rio de Janeiro, Brazil with the participation of 178 states. Rio Conference was adopted that “ Sustainable human development is at the heart of the case, consistent with the nature of every human being, the right to a healthy and productive life”. With the Rio Conference, the scope of the sustainable development concept has greatly extended and has gained a place in the multi-disciplinary work area.

iv. European Union 5th Action Program (1992)

The most significant feature of this work is the first program that accepts local government as a coalition partner. (Hams, 1994: 44-46). Hams, Tony (1994), “ Local Environmental Policies and Strategies after Rio”, Local Environmental Policies and Strategies, Julian Agyeman and Bob Evans (ed.), Local Economic and Social Strategy Series, Longman Group Ltd, ss. 23-46.

v. The Commission on Sustainable Development (1993)

The purpose of the organization committee is implementing the principles which adopted in the conference, to strengthen the integration of environment and development issues for intergovernmental decision-making capacity.

vi. The United Nations Conference on Human Settlements-Habitat II (1996)

The concept of sustainable development followed in the historical course, The United Nations Conference on Human Settlements-HABITAT II had an important role. Istanbul Declaration and Habitat Agenda have both adopted in the Habitat II and the concept of sustainable development with a fairly close relationship between human settlements are discussed in detail.

Sustainable development process based for many years before, however, it has been in the world's agenda, widely after 1987 Brundtland Report and a lot of research, conferencing and meeting topics to be continue to be the subject. Sustainable development, the Brundtland Commission defined differently, although described in different ways by different authors during the 25 years. There is no doubt that, this identifies the most common and accepted definition as a partner in this field, has described the 1987 Brundtland Report.

With the words of Harlem Brundtland (1987) sustainable development refers a development that meets the needs of the present without compromising the ability of future generation. This comprehensive report is published by United Nations. After a long period of study, the commission headed by Harlem Brundtland published “ Our New Common Future: Report of the World Commission on Environment and Development (Brundtland, 1987). Coverage of the report was almost unique by its comprehensiveness; it covered numerous serious global issues like food security, population pressures and human resources, energy supply alternatives, species and ecosystem protection, industrial production and efficiency and peace &

security issues (WEC, 2001). According to the report, by over-exploiting resources societies may damage their capability to meet the needs of their future generations. The report noticed that, until recently, interventions of human society on environment were small in scale and their impact was limited. However, parallel to industrial and demographic trends observed in recent decades, these interventions have become more constitutional in scale and impact.

Sustainable development is a concept that includes society, environment and development and all matters related to complex relationships with each other. In other words, sustainable development is a way of upgrading economic growth and the level of welfare with protecting the environment and quality of life of all people on earth.

Increasing world population and its consumption rate, with rapid development in technology in the industry for increased production and environmental pollution hazards has led to the destruction of natural resources. In fact, until the middle of 20th century, the definition of sustainable development covers only environmentalism and nature preserve. The relationship between humans and the environment has always been throughout history, will continue to be. Especially 19 century industrial revolution which occurred in 19th century, these relationships have increased even more and human activities found more damaging for the nature. This fact has not escaped the attention of scientists and in this field has revealed the need for measures to be taken. Starting establishing in the late 19th century early 20th century of some associations and ongoing

community of human nature's the main objective was to prevent these losses.

2. 4. THE ROLE OF MULTINATIONAL COMPANIES IN SUSTAINABLE DEVELOPMENT

Become the most important actors in the globalized world, multinational companies can be defined as companies that have operations in several countries and provider of benefits from international manufacturing (Aribogan, 1996). The term “ multinational corporations” first occurred in 1960 Lilienthal used it to imply to “ such corporations...which have their home in one country but which operate and live under the laws and regulations of other countries at the same time.”(Kobrin, 2002)

When we look at the period 1970-2000, massive growth of multinational corporation activities can be seen. In 1970 only 7000 Multinational Enterprises were existed in worldwide. In 2000 this score picked up to with 63, 000 parent firms to totally 690, 000. (UNCTAD, 2000). Multinational enterprises have been expanding not only numerically also financially. Total sales of the largest 100 multinational enterprises increased from \$3, 2 trillion to almost \$8, 4 trillion (World Resources Institute, 2003). As a result, due to their power and capacity, multinational companies usually can affect the domestic policy of host developing countries.

Sustainable Development can not be ignored in studies about management science and theory. (Galdwin et al., 1995). Over the last few years, the number of articles and projects about global implications of sustainable development has significantly increased (Banerjee, 2002). Because of

increasing ratio's of academic researches, debates abound among the basic players in the economy is multinational companies. These enterprises operate worldwide and they are strictly committed to foreign direct investment (McIntyre, et al, 2009). Multinational companies play a significant role in the generation of sustainable development strategies. Multinational's inflict dynamic and complicated strategic processes that consolidate social phenomena in different ways like social, economic, cultural and legal aspects of these phenomena influence each other (McIntyre, et al, 2009).

Through to the incredible increase of knowledge related with sustainable development strategies and growing importance of multinational companies, it is necessary to review last few years research process. In a global context multinational enterprises had an slightly increasing importance till these years.

Many studies have examined the role and importance of Multinational Enterprises in sustainable development in developing and underdeveloped countries. These studies identified that a variety of economical, social, political and legal situations in the host country may pick up or slow down the progress of sustainable development process. For instances, researchers highlight that multinational enterprises have a crucial role at the beginning of this process because they are decision-makers in countries.

On the other hand, environmentalists are generally dejected the addition values of Multinational Enterprises especially about protecting the natural environment in host developing countries (Gafaru, 2006). Because of their exigent need for employment occasion, many low-income countries are

usually obliged to organize their regulations about environment flexible, to attract foreign investors. According to Gafaru, “ developing countries are likely to be a haven for pollution intensive industries of Multinational enterprises.”

Rasiah (1999) also pointed that, the reason of the inferior machinery transferring from multinational firms to Malaysia is the country’s incompetent and lower environmental standards and regulations. Likewise, Blackman and Wu (1998) obtained important reinforcement. They claimed that foreign investment in electricity formation in China increased energy performance and reduced perilous emissions.

Neoliberal researchers claim that multinational companies are the key issue to success sustainable development with transfer of new and innovative technologies. Technological development is a significant element for conserving the natural environment because development of technology may help in the manufacture of products which are environmentally-friendly to use. However, the current global trade and investment policies do not require from multinational firms to create new, modern and environmentally-friendly technologies in host countries (Gafaru, 2006)

2. 5. IMPORTANCE OF SUSTAINABILITY

There are four main reasons why sustainability has an urgent attention for these years;

Regulations

Community Relations

Cost and Revenue obligations

Societal and Moral imperatives

Government regulations and industry codes of conduct involve that firms must increasingly address sustainability.

On the other way, the general society and activist are becoming increasingly aware of sustainability and impacts to society and the environment. A good performance on sustainability has a positive effect on improving community relations and business performance. Sustainability can also create financial value for the corporation through developed incomes and lower expenses. In other words, managing sustainability is definitely a perfect business decision. Societal and moral imperatives have an impact on environment and for this reason companies have a responsibility to manage sustainability. An individual interest for social and environmental impacts and their social and moral imperatives has led companies to include sustainability in their strategies. (Epstein, 2008)

2. 6. SUSTAINABILITY REPORTING

Sustainability reporting is the implementation of being responsible to internal and external stakeholders as related to the corporate performance measurement explanations with the aim of sustainable development goals. “ Sustainability reporting ‘ is a broad term used synonym with “ Corporate Responsibility Reporting” that is also used to identify economic, environmental and social impact reporting . In a sustainability report, the reporting of sustainability performance assessment of institutions should be balanced with both positive and negative contributions.

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Sustainability Reports are generated by GRI (Global Reporting Initiative) Reporting framework and cover reporting period that have the institution's commitment, strategy and management approach that has emerged in the context of the implications. In other words, Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most commonly used sustainability reporting framework and is committed to its continuous improvement and application worldwide. (www.globalreporting.org). From the beginning of GRI in 1997, it has developed in over 70 countries. The main reason of this growth is admittedly a bounce of the coming age of sustainability reporting. In ten years over 1000 companies announce the use of the GRI Guidelines in their sustainability reports. According to King, sustainability reporting has become critical for companies. It is important for companies to build the trust and confidence of its stakeholders.

Basis and Guides

ve

Sector Effects

Framework of Report

Standard Explanations What to Report? How to report?

Problems

Figure 3: The Framework of GRI Reporting

Consequently, GRI reporting has a significant importance for the companies because it provides to evaluate the sustainability performance with laws, rules, regulations, performance standards and voluntary interventions. It is also important to show how the company affect the expectations about sustainable development and how effected. Multinationals use GRI for comparison the performance in the company and with different institutions