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Towards a green enterprise

Introduction

Since the 1980s we have been observing a change in the attitude to economic growth, including the growth of enterprises. This change involves recognizing that economic growth encompasses more than purely economic goals – it also embraces social and environmental goals. In macroeconomic terms, the sustainable development concept is accompanied by the idea of corporate social responsibility (CSR), which is defined as an enterprise’s voluntary choice to include social and environmental aspects in its business activity and stakeholder management. In this meaning, social responsibility becomes an element in an enterprise’s long-term development strategy as it reconciles business goals (growth, value maximization, long-term profitability) with purposeful activity aiming to comply with fundamental social and environmental principles.

It is no exaggeration that until recently ecological demands were perceived as a certain extravagance. Nowadays, the ideas of green economy or green enterprise are increasingly becoming part of the market economy. Ecologization is a process towards structural changes in the entire economy and transformations in its industries, aiming for lower energy, resource and water consumption, reduced production of pollutions and their burden to the environment and society. Ecologization affects all the sectors as well as underlying macro- and microeconomic phenomena.

The article aims to discuss the evolution of corporate attitudes towards environmental challenges and present two major business models of a modern enterprise, which recognizes ecological responsibility as one of priorities in business activity. It also contains the analysis and evaluation of the “Global Green Ranking 2016” leaders.

From traditional growth to sustainable development

The classic approach to developing an economy affirms free market principles, critiques government intervention, promotes the so-called invisible hand of the market, a weaker public sector, the necessity to increase the freedom of economic activity and reduce the role of trade unions, which often contribute to higher unemployment rates through their pay demands [Winiarski and Winiarska 2006, p. 133].¹ According to Friedman, only one form of social responsibility can be attributed to the business world – enterprises should use their resources and conduct their operations aiming to increase their profits to a degree that complies with the rules of the game. Accordingly, they should engage in open and free competition without deviation or deception [Friedman 1999, p. 260]. Neoliberalism proposes that a benefit for others emerges, first, as a result of the deliberate and purposeful activity by a firm's management, aiming to maximize shareholder value, second, as beneficial effect of a firm's operations, which assumes that a for-profit enterprise – in compliance with the invisible hand mechanism, in an unintentional way – contributes to proliferating material welfare in society [Sternberg 1998, pp. 60–61].

Neoliberal policies, accompanying globalization and expectations to raise universal social well-being, have not delivered expected results. The liberalization of global capital transformation processes led to weakened growth dynamics and subsequent socio-economic disparities, both internationally and on a domestic scale. The gap between rich and poor countries is not getting smaller, on the contrary, it is growing. The world is suffering from recurring financial crises, revealing new syndromes and unexpected consequences [Ładyka 2012, p. 21]. In addition, adverse effects on the environment are raising more and more concerns. Szyszkowska [2016] argues that there is no consideration for maintaining harmony in the natural world because decision makers place reason at the service of their desires. And the strongest desire is for material profit.

The critique of the neoliberal idea of growth led to the emergence of the concept of sustainable development, based on the lasting co-existence of three elements: economy, society and environment. The first document, published in 1987, that proposed a new, sustainable approach to the interplay between human activity and natural environment was "Our Common Future" [UN 1987]. This gave rise to a number of international initiatives aimed at sustainable development, such as Agenda 21 (1992), the UN Millennium Declaration (2000), the Earth Summit Rio +20 (2012), "Transforming our world: the 2030 Agenda for Sustainable Development (2015), the EU Strategy for sustainable development

¹Main representatives of economic neoliberalism are, i.a. Friedman, Knight, Stigler, and Hayek.

(2001), reviewed in 2006 [EU 2002], the Lisbon Strategy and the Europe 2020 Strategy [GUS 2015].

Sustainable development involves stimulating socio-economic growth in a such a way that does not encroach upon the future of the coming generations and accounts for the needs and rights of the natural world. Its underlying principle is the pursuit to reconcile ecological, economic and social issues and it embraces three fundamental priorities [Machowski 2003, p. 101; Skowroński 2006, p. 51]:

- ecological – preventing environmental degradation and eliminating the threats to the environment;
- economic – satisfying the basic material needs of people by using technologies that do not destroy the natural environment;
- social and humanitarian – ensuring the social minimum (elimination of hunger and poverty), health care, spiritual development (culture), safety and education.

The ecologization of the economy seems to offer an effective way to implement the principles of sustainable development. Ecologization, in its appropriate meaning, accounts not only for ecological aspects (the necessity to protect the natural world), but also all social aspects relating to man. Accordingly, the category of so-called ecological economy emerges – the system that optimizes the flow of goods and services to ensure the maximum use of resources and the minimum production of waste [Kožuch 2015, p. 14].

From CSR to the green enterprise

On a microeconomic scale, the three fundamental components of sustainable development are also relevant to enterprises and their operations. The sustainable growth of enterprises is defined here as a process of reconciling economic, ecological and social goals [Grudzewski et al. 2010, p. 300]. The concept of an enterprise's sustainable growth is related with, or in some authors' opinion – equivalent to, the concept of CSR. Corporate social responsibility emphasizes the need for a more comprehensive formulation of company goals, going beyond mere economic profitability, the incorporation of social and ecological aspects into business activity, and the dialogue with stakeholders [Lewicka-Strzałecka 2006]. The opinion that an enterprise will not achieve success if it is not socially responsible, which involves staying in business and pursuing a long-term development strategy, is becoming increasingly common [Rybak 2004]. This approach complies with the idea of 3E (efficiency, effectiveness and ethicality) postulated by business ethics as mutually dependent values providing the axiological context that cannot be eliminated [Gasparski 2007]. Sometimes it is argued that run-

ning a business in a socially responsible way is one of the fundamental sources – in addition to organization and technology – of the competitive advantage of an enterprise in the market, and social commitment is considered as “a new economic indicator” and “a long-term investment” [Windorpska and Wróbel 2007].

Enterprises are aware of the fact that in order to be successful under global competition, economic competitiveness is not sufficient and they need to be more active in the areas that until recently remained outside the interest of the majority of societies [Żak 2015, p. 172]. Companies take steps to present their activity in positive light, indicating that ecological and social initiatives are the integral part of their prime goals. On the other hand, these aspects have an increasing impact on the decisions made by customers to choose the products of a particular company. Many enterprises (e.g. Reebok, Shell, Timberland), recognizing the importance of the issues related to sustainable development, submit relevant reports and implement internal codes of good practice, which record initiatives undertaken in the area of environmental protection and community involvement and open up dialogue with society [Halizak et al. 2004, pp. 283–291].

Moreover, opinions that the present times need something more than sustainable development are beginning to emerge, for example in the UNEP (ang. United Nations Environment Programme) documents. What is needed is a new, green economy and a green enterprise, which will ensure the preservation of natural capital for future economic growth.

The definition developed by the UNEP [2011, p. 16] says that a green economy is one that leads to improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities. A green economy should be low carbon, resource efficient and socially inclusive, while growth in income and employment should be driven by public and private investments that reduce CO₂ emissions and other pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services.

Accordingly, major attributes of a green economy comprise: uncoupling economic growth from the exploitation of natural resources, renewable energy sources, energy efficiency, clean manufacturing, biodiversity protection, sustainable consumption, equity between generations and regions, social responsibility of enterprises and investors [Ryszawska 2013, p. 19].

In terms of the attitude towards challenges involved in ecological responsibility, enterprises adopt either of the two approaches: reactive, which entails only the compliance with the legislation on environmental protection, and proactive, which means that an enterprise takes a long-term view on its growth by recognizing the significance of the ecological aspect and reaches beyond the scope and timeframe of the current arrangements by anticipating which will become new

legal regulations in the foreseeable future. Proactive behavior is increasingly driven by building connection between enterprises and stakeholders.

Strong commitment of enterprises to environmental issues has yielded a term green enterprise. According to Kassaye, the greening of an enterprise is a multi-faceted process involving the so-called 4R, i.e.: reduction, reuse, recycling, recovery, whereas each R may comprise different solutions, e.g. reduction means both the reduced consumption of resources (such as energy), but also a reduction in waste generation [Kassaye 2001, p. 444 and further]. A green enterprise can be defined as an organization committed to the principles of ecological responsibility, relying on renewable resources, and minimizing its negative impact on the natural environment [Čekanavičius et al. 2014, p. 76].

Proecological orientation of a modern enterprise has a significant influence on its business model, i.e. a coordinated plan of action aiming to develop a strategy consistent with customer expectations through the optimal use of resources and relations. According to Oblój, a business model is the combination of a firm's strategic concept and the technology involved in its practical implementation, defined as the building of a value chain allowing for the effective use and recovery of resources and skills. A business model provides information on what an organization will do, what its basic resources and competences are and how they are configured in day-to-day operations. The effective business model tends to be imitated by other enterprises [Oblój 2002, p. 98].

Two general proactive business models embracing ecological responsibility can be distinguished (Fig. 1).

Both models are based on similar assumptions, which include [Chodyński 2011, p. 207]:

- Incorporating the tenets of sustainable development.
- Creating the organizational culture of a socially responsible enterprise (including ecological aspects), respecting relevant values.
- Pursuing the concept of stakeholders, with the natural environment as a “silent” stakeholder, and, in some cases, identifying the natural environment as a major stakeholder.
- Recognizing a wide range of social needs and the expectations of all stakeholders, pursuing CSR values and the concept of ecological responsibility.
- Acting in accordance with the idea of the triple bottom line, with a clear identification of ecological goals among other goals of an enterprise.
- Incorporating CSR ideas and ecological responsibility in the business architecture.
- Perceiving CSR and ecological responsibility as growth and value creation factors in an enterprise.

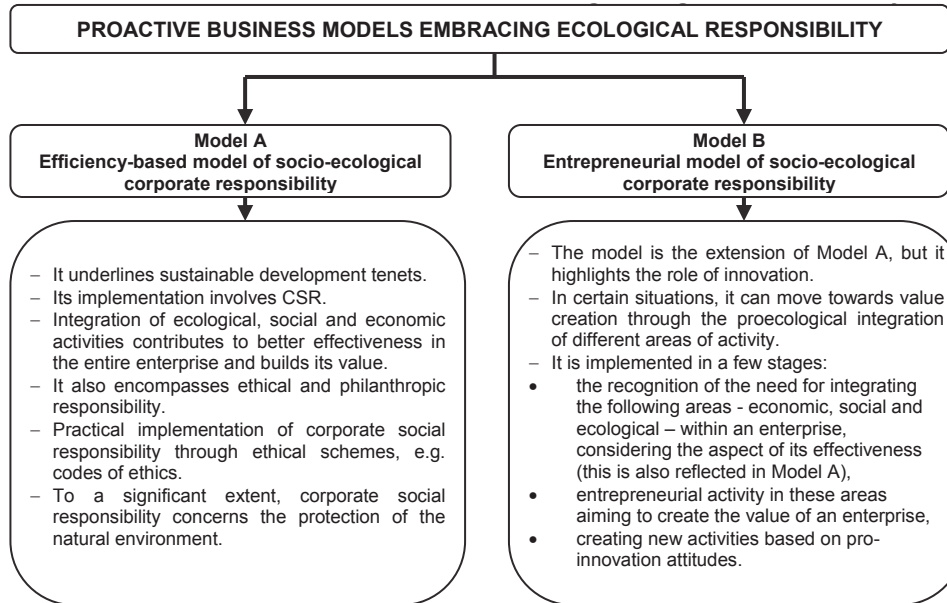


Figure 1

Proactive business models embracing ecological responsibility

Source: Own elaboration based on [Chodyński 2011].

The two business models – efficiency-based and entrepreneurial models of corporate socio-ecological responsibility – emphasize primarily ecological goals, but they also concern economic and social goals. It is noteworthy that it is of significant difficulty to differentiate between the two model in business practice.

Global leaders in the green revolution in an enterprise

The importance of the issues discussed in this article causes that it is worthwhile to present the enterprises, operating on a global scale, that report the greatest achievements in the area of proecological initiatives. The US editorial board of the *Newsweek* magazine, in cooperation with Corporate Knights and HIP Investor², published a global ranking of the greenest firms entitled “Global Green Ranking 2016”. They analyzed 500 listed companies³, which were assessed in

²Corporate Knights Inc. is a Canadian company operating in media and surveys focused on promoting corporate sustainable growth. HIP Investor is the world leader in the management of investments and investment portfolios yielding social, environmental and economic profits.

³The full version of the ranking comprises the total of 500 listed companies based outside of the USA and 500 largest US listed corporations. The article uses part of the “Full World Rankings” report.

terms of eight indicators of “green” effectiveness, namely: energy productivity (15%), carbon productivity (15%), water productivity (15%), waste productivity (15%), green revenue (20%), sustainability pay link (10%), themed committee (5%) and audit score (5%)⁴.

The comparison of the “Global Green Ranking” Top 10 in the years 2015 and 2016 reveals that five companies successfully maintained their position in this prestigious list and these were: Shire PLC, Reckitt Benckiser, BT Group PLC, Swisscom AG, and Unilever PLC. In 2016, they were joined by the following firms: Essilor International SA, Nike Inc. Sky PLC, Siemens AG, with Schneider Electric, a global specialist in energy management and automation, closing the top ten. The Top 10 global leaders in proecological policies in 2015 and 2016 are presented in Table 1.

Among the 500 green enterprises included in the ranking, the most discriminating criteria were: energy productivity, carbon productivity, water productivity, waste productivity, green revenue. The values of the remaining three criteria, i.e. sustainability pay link, themed committee, and audit score, stood at the similar levels.

The majority of green companies in the ranking were based in Northern America (45.6%) – 211 in the USA and 17 in Canada (Fig. 2).

As much as 25.6% green companies in the ranking represented Europe. Most of them were based in the UK (29), France (23), Germany (20), and Switzerland (15). The ranking also features enterprises from Sweden, Spain, Italy, the Netherlands, Ireland, Denmark, and Belgium. Another continent that had a considerable representation is Asia with 23.6% enterprises in the ranking. Most green companies there were based in China, Japan, and Hong Kong, but such countries as India, Singapore, South Korea, Indonesia, and Malaysia were also represented. Australia should be especially credited since, as a country-continent, it had 10 green companies in the ranking.

It is notable that the southern part of the world, often referred to as the poor South, was represented in the ranking by a small percentage of proecological firms (3.2%). In South America, two countries had green companies – Brazil and Columbia, while in Africa only one country – RSA – had three green companies in the ranking.

While analyzing the “Global Green Ranking 2016”, it is interesting to investigate the enterprises by sectors. Figure 3 shows that 27% operated in the financials sector, 12% represented the IT sector, while companies operating in the industrial and consumer discretionary sectors ranked third, with 11% representing each of the two sectors. The remaining green companies operated in such sectors as: health care, energy, consumer staples, telecommunication services, materials and utilities.

⁴Weights for particular indicators are given in brackets.

Table 1
World Top 10 green companies in 2015 and 2016

No	Company/sector	Country	Green score	Company/sector	Country	Green score
	2015			2016		
1	Biogen Inc./ health care	USA	89.20	Shire PLC/health care	Ireland	87.70
2	Shire PLC/ health care	Ireland	85.10	Reckitt Benckiser Group PLC/ consumer staples	UK	83.90
3	Allergan Inc./health care	USA	84.20	BT Group PLC/ telecommunication services	UK	83.20
4	Reckitt Benckiser Group PLC/ consumer staples	UK	84.10	Swisscom AG/ telecommunication services	Switzerland	82.90
5	Adobe Systems Incorporated/ information technology	USA	82.60	Esillor International SA/health care	France	82.00
6	Swisscom AG/ telecommunication services	Switzerland	81.60	NIKE Inc/consumer discretionary	USA	81.90
7	Unilever PLC/ consumer staples	UK	81.30	Unilever PLC/ consumer staples	UK	81.80
8	Broadcom Corporation/ information technology	USA	81.30	SkyPLC/ consumer discretionary	UK	81.80
9	Roche Holding AG/ health care	Switzerland	80.40	SIMENS AG/industrials	Germany	79.60
10	BT Group PLC/ telecommunication services	UK	80.40	Schneider Electric SE/industrials	France	78.80

Source: Compiled based on *Newsweek* rankings "Green 2015" and "Green 2016".

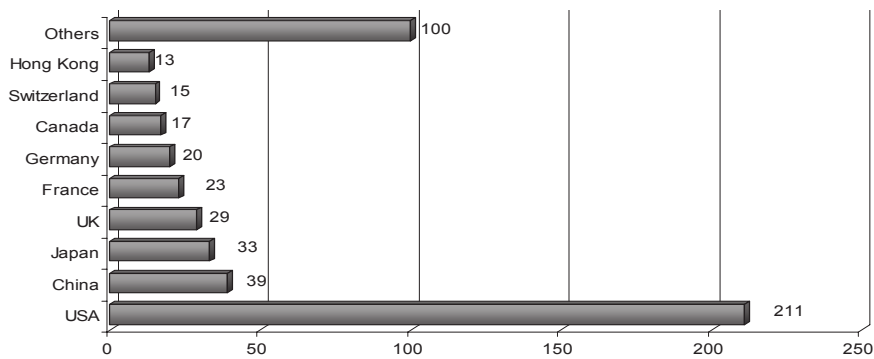


Figure 2
Five hundred greenest companies in the world by country of origin in 2016
Source: Own elaboration based on *Newsweek* ranking "Green 2016".

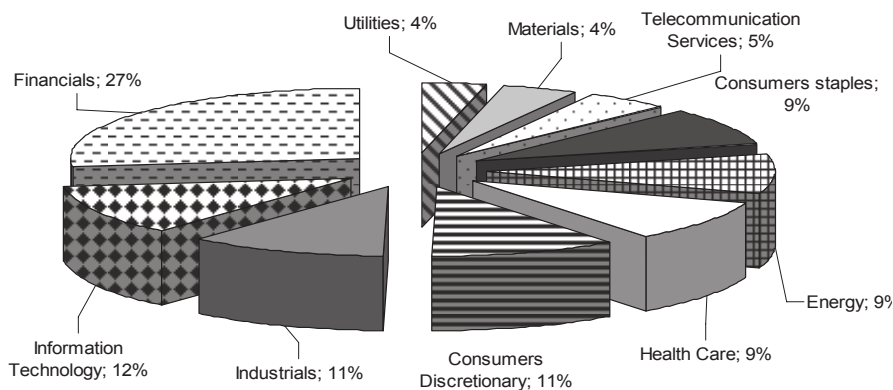


Figure 3

Five hundred greenest companies in the world by sector in 2016

Source: Own elaboration based on *Newsweek* ranking "Green 2016".

Conclusions

Fierce competition in the markets means that the planned process of building a business model for a modern enterprise must be based on the assumption that "green" orientation is a source of competitive advantage, a foundation of growth and a platform for developing an enterprise's development strategy, an opportunity to ensure social approval for an enterprise's growth path, an enterprise's distinguishing feature in the market (by building its positive image and reputation), a foundation of value creation, a basis of social dialogue, a comparative criterion in the process of evaluating an enterprise's competitiveness, and a point of equilibrium between shareholders and other stakeholders [Chodyński et al. 2008, pp. 63–71].

It should be taken into account, however, that many firms adopt a passive attitude towards the issues relating to ecology and environment. The reasons for this situation may be identified as [Bernaciak 2000, pp. 91–92]:

- Lack of commitment to environmental issues from the management, failure to recognise the relationship between an enterprise and the environment.
- Lack of the relationship between an enterprise's market position and its commitment to ecology.
- The actual, insignificant impact of an enterprise on the environment, stemming from, e.g.: the characteristics of the sector, technologies that the enterprise uses, the size of the plant. Incurring extra costs involved in environmental protection may seem irrational in terms of the enterprise's profitability.

- The financial standing of an enterprise, which allows for meeting only the basic requirements in terms of the environmental protection.
- Unprofitable investment in environmental protection initiatives, i.e. the costs incurred outweigh expected benefits.

The “Global Green Ranking 2016”, quoted in this article, identified the world leaders in terms of proecological practices. Based on such examples, the so-called ecological benchmarking can be applied, as it helps to modify company behavior to become more ecological. Despite being marked as reactive, ecological benchmarking, when applied effectively, can yield guidelines on how to achieve benchmark levels in organizations oriented towards a business model embracing ecological responsibility.

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Abstract

The article presents a brief outline of the evolution in pro-ecological attitudes both in macro- and microeconomic terms. As a result, two major business models of a modern enterprise that recognise ecological responsibility as a priority for business activity are identified. The discussion also contains the synthetic analysis of the “Global Green Ranking 2016” and the presentation of its leaders.

Key words: sustainable development, corporate social responsibility, green enterprise

W kierunku tworzenia zielonego przedsiębiorstwa

Abstrakt

W artykule przedstawiono krótki zarys ewolucji w postawach proekologicznych, zarówno w ujęciu makro-, jaki i mikroekonomicznym. Wskazano dwa główne modele biznesu współczesnego przedsiębiorstwa, które uznają odpowiedzialność ekologiczną za jeden z priorytetów działania na rynku. Uzupełnieniem tych rozważań jest syntetyczna analiza i ocena liderów „Global Green Ranking 2016”.

Słowa kluczowe: zrównoważony rozwój, społeczna odpowiedzialność biznesu, zielone przedsiębiorstwo