



TOWARD THE "NEW NORMAL" AFTER COVID-19 – A POST-TRANSITION ECONOMY PERSPECTIVE

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3. The impact of the crisis on the maintenance of sustainable development initiatives: A comparative analysis of local and international companies¹



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Abstract

Purpose: The aim of the chapter is to compare the declarations of local and international companies regarding the maintenance of sustainable development initiatives during a crisis.

Design/methodology/approach: The article presents the results of a survey conducted in September 2020 on a sample of 500 enterprises located in Poland. Respondents were asked to declare if they will maintain or abandon sustainable development initiatives in a crisis situation. The examples presented a pandemic similar to the one caused by Covid-19, an economic crisis, or a significant decrease in company revenues.

Findings: The research showed that the largest group of companies in a crisis situation will completely abandon their initiatives in the field of sustainable development. Another group will give up those initiatives that generate the highest cost. There are some small differences in responses of local and international companies. Companies with foreign entities in the ownership structure seems less likely to give up all initiatives in the field of sustainable development. International companies more often than local companies declare that they do not know which initiatives they will abandon and which will they keep.

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Research limitations/implications: Factors other than international involvement (e.g. company size, strategic approach to sustainable development) may have a decisive impact on decisions regarding the maintenance of sustainable development initiatives in a crisis.

Originality and value: The chapter illustrates the approach to sustainable development by companies classified into various categories: local and international.

Keywords: sustainable development, crisis.

3.1. Introduction

The concept of sustainable development is gained increasing popularity in the face of the challenges encountered by contemporary society. Its practical implementation is of particular interest to administrative bodies and various types of non-profit organizations (McDowall et al., 2017). In business circles, opinions on this subject seem divided; some companies have been implementing it successfully for years, while others claim that in the economic area, sustainable development generates more costs than benefits for companies (Carter & Rogers, 2008). In fact, each sustainable development activity generates both economic costs and benefits. The management of companies that understand the idea of sustainable development abandon initiatives for which costs exceed benefits. At the same time, when choosing alternative initiatives, they decide on those which offer the greatest net benefits. The management of companies that do not understand the idea of sustainable development perceive it in terms of social or environmental benefits, which for companies, however, are associated only with economic costs. This approach is considered short-sighted (Hoffman & Bazerman, 2007) as it may lead to the abandonment of important initiatives, especially in a crisis.

A crisis always requires companies to revise their operations. Adjustments should be made to handle the negative situation until a turning point allowing for further development is reached (Dubrovski, 2004). In practice, this may mean giving up some initiatives, in particular those least beneficial for the company (Valackienė & Virbickaitė, 2011).

The aim of this chapter is to compare the declarations of local and international companies regarding the maintenance of sustainable development initiatives in cases of crisis. Such a goal is aimed at verifying whether the management of any of the companies (local or international) understand the idea of sustainable development. The management of such companies should above all declare their willingness to maintain initiatives that bring the greatest benefits (or give up the ones which bring the least benefits).

3.2. Costs and benefits of sustainable development initiatives in companies

The most popular and frequently used definition of sustainable development was developed by the Brundtland Commission, according to which “sustainable development is the kind of development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland, Khalid, Agnelli, Al-Athel, & Chidzero, 1987). However, as Carter and Rogers (2008) point out, by adopting a macroeconomic perspective this definition gives little guidance to individual organizations on how to implement the principles of sustainable development in practice. It also gives no indication of the role that individual organizations should play in the broader macroeconomic perspective.

The triple bottom line concept – linked with sustainable development – provides much more guidance for companies. It indicates the need to simultaneously take into account economic, environmental, and social goals (Eklington, 1998). This concept assumes that in an area that combines economic, environmental, and social results, there are activities that an organization can engage in and that are not only beneficial from the environmental and social point of view but also bring long-term economic benefits and can improve company competitiveness. However, we should emphasize that economic goals have always been part of company operations. Perhaps for this reason, in practice, sustainable development is often mistakenly equated with environmental protection and philanthropic activity. Thus, it is considered in companies mainly (or exclusively) in terms of economic costs, disregarding economic benefits.

The triple bottom line concept is still widely applied to operationalise sustainable development at the company level (Masocha & Fatoki, 2018). However, the most contemporary operationalizations of sustainable development at a company level add one more dimension, which is the governance domain (Osmundsen et al., 2020). The governance domain includes sustainability-related regulations on a public level, as well as norm and practices implemented in companies.

As emphasized by Hoffman and Bazerman (2007), we should recognize that initiatives beneficial from an environmental and social perspective sometimes are – and sometimes are not – beneficial from an economic perspective. In their opinion, realizing this fact facilitates the implementation of pro-environmental and pro-social initiatives, especially those that also bring net economic benefits. Each initiative in the field of sustainable development carries some economic costs; just like any other initiative. The management of companies that understand the essence of sustainable development should engage in those activities

for which benefits (mainly economic) exceed costs. Activities generating environmental or social benefits that simultaneously bring no economic benefits should be assessed negatively. In the long run, they may lead to a weakening of the competitive position and, as a result, make companies give up the idea of sustainable development at all.

3.3. Research methods and design

The quantitative research was conducted in September 2020 with the use of CATI (Computer-Assisted Telephone Interview) technique and a standardized survey questionnaire. A total of 500 randomly selected companies located in Poland participated in this study. The number of microenterprises in the pool was deliberately limited to 20% due to their lower expected involvement in sustainable development activities. The respondents were representatives of the top management of the companies.

The respondents were asked to indicate how their companies approach to sustainable development initiatives may change in crises. Examples of crisis situations indicated in the survey included a pandemic similar to the one caused by the SARS-CoV-2 virus, an economic crisis, or a significant drop in company revenues. The respondents were asked to select one of the following statements regarding sustainable development initiatives:

- in case of a crisis, we will probably completely abandon our initiatives;
- in case of a crisis, we will probably abandon some of the initiatives that generate the highest costs;
- in case of a crisis, we will probably abandon some of the initiatives that bring the least benefits;
- in case of a crisis, we will probably abandon some initiatives, but it is difficult to determine in advance which ones;
- in case of a crisis, we will probably not abandon any initiatives.

The aim of the research was to compare the declarations of local and international companies in this respect. The international companies were distinguished by three criteria: (1) having units (superior or subordinate) in the organisational structure located abroad, (2) generating sales on foreign markets, or (3) the participation of foreign entities in the ownership structure.

3.4. Research results

Out of the 500 companies covered by the study, 355 declared their involvement in activities in the field of sustainable development. Only the information obtained from these companies has been analyzed. In the first stage, the number of companies declaring a specific approach to sustainable development in crisis was compared without division into local and international companies (see Table 1). Let me emphasize that the statements suggesting a specific approach to sustainable development are not marked on the ordinal scale. They only allow for assigning companies to specific groups.

Table 1. The number of companies declaring a specific approach to maintaining initiatives in the field of sustainable development in a crisis

Statement	Number of responses
we will probably completely abandon our initiatives	149 (41.97%)
we will probably abandon some of the initiatives that generate the highest costs	112 (31.55%)
we will probably abandon some initiatives, but it is difficult to determine in advance which ones	63 (17.75%)
we will probably abandon some of the initiatives that bring the least benefits	17 (4.79%)
we will probably not abandon any initiatives	14 (3.94%)
Sum	355

Source: Own elaboration.

The largest group of respondents (149) declares complete abandonment of initiatives in the field of sustainable development in the face of a crisis. This means that the management of these companies were either unable to generate benefits by engaging in sustainable development activities or do not understand the essence of such activities and the benefits they should bring to companies. This clearly indicates the need for further work related to the development of the concept of sustainable development at the level of companies and their popularization. The declarations of the next largest group of respondents (112) should be assessed similarly, as they indicate resignation from those activities that bring the greatest costs. These companies seem to view sustainability initiatives mainly through the prism of their costs rather than their potential benefits.

Only 17 companies declare that in crisis they will resign from activities that bring the smallest benefits. It is an approach that shows the understanding of the essence of the sustainability concept, according to which some actions are beneficial to companies and some are not. A crisis requires a review of undertaken actions and the abandonment of those that bring the smallest net benefits.

The smallest group is comprised of 14 companies that declare they will not resign from any initiatives in the field of sustainable development in a crisis. There may be two reasons for such an approach. The first reason is that they have engaged only in sustainability initiatives beneficial for the company from the economic point of view. In such cases, the company may be willing to maintain them all in any situation. The second reason is the consideration of sustainable development as a priority and the company's overarching goal.

In the second stage, I sought to achieve the research goal, which was to compare the declarations of local and international companies regarding the maintenance of sustainable development initiatives in the face of a crisis. This was done by listing the responses in a crosstab. The table was generated using IBM Statistical Package for Social Sciences (SPSS). The groups of companies recognized as local and international were distinguished based on three criteria: (1) having units (superior or subordinate) in the organisational structure located abroad, (2) generating sales on foreign markets, or (3) the participation of foreign entities in the ownership structure. Due to the small number of companies that could be considered international when taking into account all three criteria at the same time, I decided to carry out the analysis separately for each criterion. Based on the criterion of organizational structure, two groups of companies were distinguished (see Table 2): without foreign units (local companies) and with foreign units (international companies). Out of 20 companies with foreign units in the organizational structure, 18 were Polish companies with subsidiaries on foreign markets, and two were subsidiaries of foreign companies. Based on the sales criterion, three groups of companies were distinguished: those that sell only on the local market (local companies), those that generate most sales on the local market and a minority on foreign markets (international companies), and those that generate sales on various markets without a dominating market (international companies). The reason for distinguishing the two groups of international companies according to the sales criterion was the willingness to verify whether there are differences in the declarations of companies generating sales on foreign markets for which the home market is dominant and those for which foreign markets are of equal importance to the home market. Based on the ownership structure criterion, two groups of companies were distinguished: fully owned by Polish entities (local companies) and fully or partially owned by foreign entities (international companies). Out of the 45 international companies distinguished based on this criterion, 25 were

entirely owned completely by foreign entities, while the remaining 20 were partially owned by the Polish entities.

The data presented in Table 2 show some differences in the declarations of local and international companies. Data analysis allows to indicate two regularities. First, more often than international ones, local companies distinguished under all three criteria declare that in a crisis they will abandon those activities in the field of sustainable development that bring the highest costs. The reason for such an approach may be the lack of understanding of the idea of sustainable development and treating initiatives in this area as a philanthropic activity, which on the one hand legitimizes the company's activity on the local market but, on the other hand, is a financial burden in the event of serious difficulties.

Table 2. Declarations of local and international companies regarding the maintenance of sustainable development initiatives in case of crisis

Company group	we will probably completely abandon our initiatives	we will probably abandon some of the initiatives that generate the highest costs	we will probably abandon some initiatives, but it is difficult to determine in advance which ones	we will probably abandon some of the initiatives that bring the least benefits	we will probably not abandon any initiatives
Organizational structure					
no foreign units in the organizational structure (N=335)	41.19%	32.54%	17.31%	5.07%	3.88%
	n=138	n=109	n=58	n=17	n=13
foreign units in the organizational structure (N=20)	55.00%	15.00%	25.00%	0.00%	5.00%
	n=11	n=3	n=5	n=0	n=1
Sales					
sales only on the local market (N=250)	42.40%	38.00%	10.40%	5.60%	3.60%
	n=106	n=95	n=26	n=14	n=9
most of sales generated on the local market, a minority on foreign markets (N=74)	37.84%	18.92%	35.14%	2.70%	5.41%
	n=28	n=14	n=26	n=2	n=4
evenly generated global or international sales (N=31)	48.39%	9.68%	35.48%	3.23%	3.23%
	n=15	n=3	n=11	n=1	n=1

Table 2 cont.

Company group	we will probably completely abandon our initiatives	we will probably abandon some of the initiatives that generate the highest costs	we will probably abandon some initiatives, but it is difficult to determine in advance which ones	we will probably abandon some of the initiatives that bring the least benefits	we will probably not abandon any initiatives
Ownership structure					
only local entities in the ownership structure (N=310)	43.23%	31.94%	16.45%	4.52%	3.87%
	n=134	n=99	n=51	n=14	n=12
foreign entities in the ownership structure (N=45)	33.33%	28.89%	26.67%	6.67%	4.44%
	n=15	n=13	n=12	n=3	n=2

Notes: N – the number of companies in each group; n – the number of responses regarding the specific result.

Source: Own elaboration.

The second of the identified regularities is that – more often than local ones – international companies are unable to indicate which activities in the field of sustainable development they will give up and which ones will they maintain in a crisis. Interpreting this phenomenon is difficult without additional information. This may result from greater volatility of the international environment, greater diversity of stakeholders influencing the international companies' decisions, or greater difficulties in determining the benefits of undertaken initiatives.

3.5. Conclusions

The aim of the research was to compare the declarations of local and international companies regarding the maintenance of sustainable development initiatives in case of crisis. Examples of crisis situations indicated in the survey included a pandemic similar to the one caused by the SARS-CoV-2 virus, an economic crisis, or a significant drop in company revenues. The timing of the research (September 2020) allowed companies to gather information on the functioning and actions taken during the pandemic.

The analysis of the responses of all companies – without any breakdown into local and international ones – clearly shows the need for further efforts to educate companies about the importance and role of sustainable development. The essence

of this concept seems to be understood by only the last two groups of respondents, which together constitute less than 10% of all entities declaring involvement in activities in the field of sustainable development.

It is difficult to draw unequivocal conclusions by comparing the responses of local and international companies. As indicated in the previous sub-chapter, there are some differences in the declaration of local and international companies, but they may be accidental. More often than international ones, local companies declare resignation from those initiatives in the field of sustainable development that bring the greatest costs, which seems to indicate a misunderstanding of the idea of sustainable development. However, this may be also due to their prioritization of cost reduction in a crisis rather than a particular approach to (or the lack of understanding of) sustainable development. The qualitative research on a group of such companies may be decisive in this respect.

The fact that international companies more often than local companies indicate that they do not know which initiatives in the field of sustainable development they will give up in a crisis causes major difficulties in interpretation. This may result from the greater complexity of the environment and the forces operating within the organization, which make it difficult to predict the behavior in this area.

Based on the conducted analysis, a conclusion can be drawn that there is a need for further, in-depth research aimed at answering the questions:

- 1) Why do local companies more often than international companies declare that in a crisis they will give up those initiatives in the field of sustainable development that generate the highest costs?
- 2) Why are international companies more often than local companies unable to determine what kind of sustainable development initiatives they will give up in a crisis?

Let me emphasize that factors other than international involvement may have a decisive impact on decisions regarding the maintenance of sustainable development initiatives in a crisis (e.g. company size, reasons for implementing sustainable development activities, strategic approach to such activities in the company). The verification of their impact was not the aim of this chapter, but it will allow for a more complete understanding of the analyzed phenomenon.

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