

Challenges for the Bulgarian Companies in the Implementation of Sustainability Practices

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Abstract

The topic of sustainability, and in particular the sustainability practices of companies, is especially relevant nowadays. The introduction of such practices is very important for Eastern European countries, including Bulgaria. This study is part of a large-scale university project (UNWE, Sofia) that focuses precisely on sustainability practices in international business. The aim is to find out if Bulgarian companies are familiar with sustainable practices and whether they apply them correctly in their daily operations. This is achieved via analysis and synthesis of results from a survey. The summarized data of the aforementioned survey is part of the whole project and represents the policies for sustainable development in specially selected Bulgarian private companies. Each of the companies included in the survey is ISO 14000 certified (the international standards for environmental management) and this condition determines the scope of the study. The research could serve as a basis for better understanding of the integration process of sustainability practices in Bulgarian companies.

Keywords: sustainable development, Bulgarian companies, business practices for sustainability, international business

JEL Classifications : Q01, Q56, F23

Introduction

The topic of sustainable development is important nowadays due to a number of issues such as the climate change and the consumer behavior of the society. Therefore, it is becoming increasingly urgent for international businesses to observe certain criteria and practices in their day-to-day operations in order to be a sort of guarantor of the prosperity of future generations, or at least to help limit the harmful effects of the current political, economic and social difficulties.

Approaches to corporate social responsibility (CSR) vary. This is why, for example, some companies invest in CSR for their reputation or to maintain company competitiveness, while others invest in it out of a sense of moral duty to society

(Bansal & DesJardine, 2015). Their resources focus on CSR and sustainability practices, in particular primarily from a moral obligation perspective and offer insight into the ethical concepts associated with the three pillars of sustainability - economic sustainability, environmental sustainability and social justice. It is the resources and efforts that a company puts into these three areas that can be used to classify their policies in relation to compliance with sustainable development principles.

More than 12,000 companies and 3,000 non-governmental organizations in more than 170 countries (United Nations Global Compact, 2022) are currently complying with the 10 universal principles of the United Nations Global Compact. They are considered fundamental to any corporate strategy on sustainability and compliance with the Sustainable Development Principles. They are also directly linked to any organization's corporate social responsibility policy.

This report is part of a long-term university project (Dimitrov et al., 2022) from the department of International Economic Relations and Business in the University of National and World Economy, which focuses on international business and sustainable practices (on the example of Bulgarian companies operating on international markets). The final part of the project involved a survey among Bulgarian companies on their sustainability practices and it is exactly this survey that is the main focus of this paper.

Methodology

For the purposes of the research, the sustainability was viewed as a mean to prevent the depletion of natural or physical resources so that they remain available in the long term and at the disposal for further use of the upcoming generations. In business practice, this goal is realized by balancing the interests of the company owners, the interests of society and environmental protection efforts. The focus will be only on the practices for sustainability that directly concern companies and their respective business units.

Methods of research include the preparation of a survey, as well as the analysis and synthesis of information collected from primary sources of information. The questionnaire was specifically designed for the purposes of the project, which supports research on sustainable development, as well as the implementation of sustainable practices by Bulgarian companies involved in international business operations. The data collected was used towards a research project funded by the University of National and World Economy (UNWE). Based on the results of the study, the main objective is to support the promotion and future implementation of such practices in other companies, as well as to raise awareness of the general public about the actual business activities in this regard. Only few of the most important findings will be addressed in the current paper. The survey was completely anonymous.

Results

The questionnaire, specially designed for the purposes of the project, contains a total of twenty-five questions of different types, which were sent to two hundred companies from Bulgaria and Sofia region in particular. The responses came from thirty of the companies surveyed (or fifteen percent from the total number). Sofia is the capital of the country and the center of the most economically developed area in Bulgaria, which is why it was used as a geographical limitation of the survey. Another limitation is that all the selected companies are certified Bulgarian companies under ISO 14001 with currently valid certificates. Some of the questions are focused on the standards (ISO 9000 and ISO 14000) in order to address the issues of environmental management efforts and quality management systems.

The framework (ASQ, 2022) for ISO 14001 includes the following:

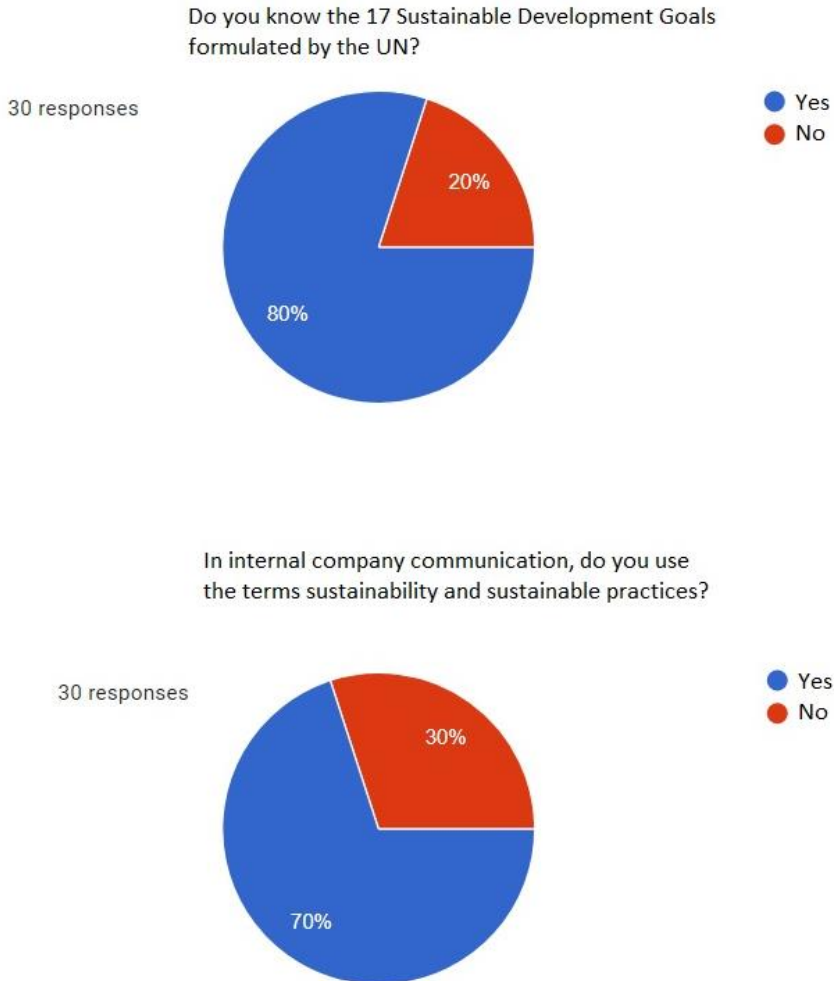
- Context of the organization;
- Leadership;
- Planning;
- Support;
- Operation;
- Performance evaluation;
- Improvement.

ISO 9001 (ISO, 2020) on the other hand has the purpose of improving the organization and processes in the company along with the products and services in order meet their expectations of the customers and the shareholders in general. Both standards are voluntary, but are mutually reinforcing in achieving the organizational goals set out in each one of them. So, they can be integrated simultaneously in the company.

We can begin the analysis of the more interesting questions. Initial questions gave us insight into whether employees were familiar with the seventeen Sustainable Development Goals formulated by the United Nations and whether they use the terms sustainability and sustainable practices in internal company communication.

The results show that eighty percent of respondents are familiar with the UN Sustainable Development Goals and only seventy percent of them use the specific terms in their daily work. These are low rates considering the fact that all companies are ISO 14001 certified. In other words, these are organizations that are committed to establish environmental performance requirements. Hence, there is room for improvement in staff awareness of sustainability practices in the enterprise. The answers of the two questions can be represented by the following figure:

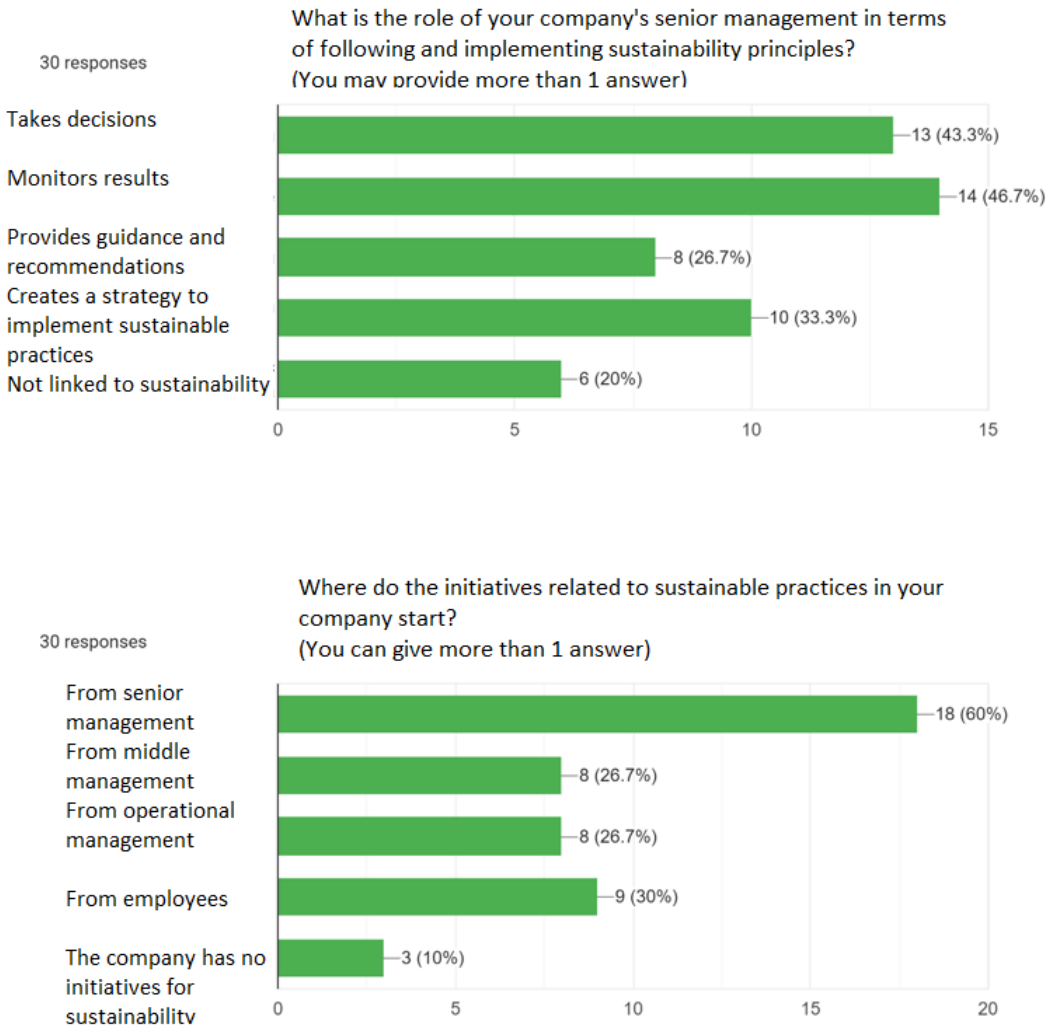
Fig. 1 Level of familiarity with UN goals and sustainability terms



Source: Data from the questionnaire

The next two questions address the role and initiatives of management regarding sustainability and sustainable development in general. Those questions have the option to have more than one answer. The information is summarized in the next graph as follows:

Fig. 2 The role of the management regarding sustainable practices in a company



Source: Data from the questionnaire

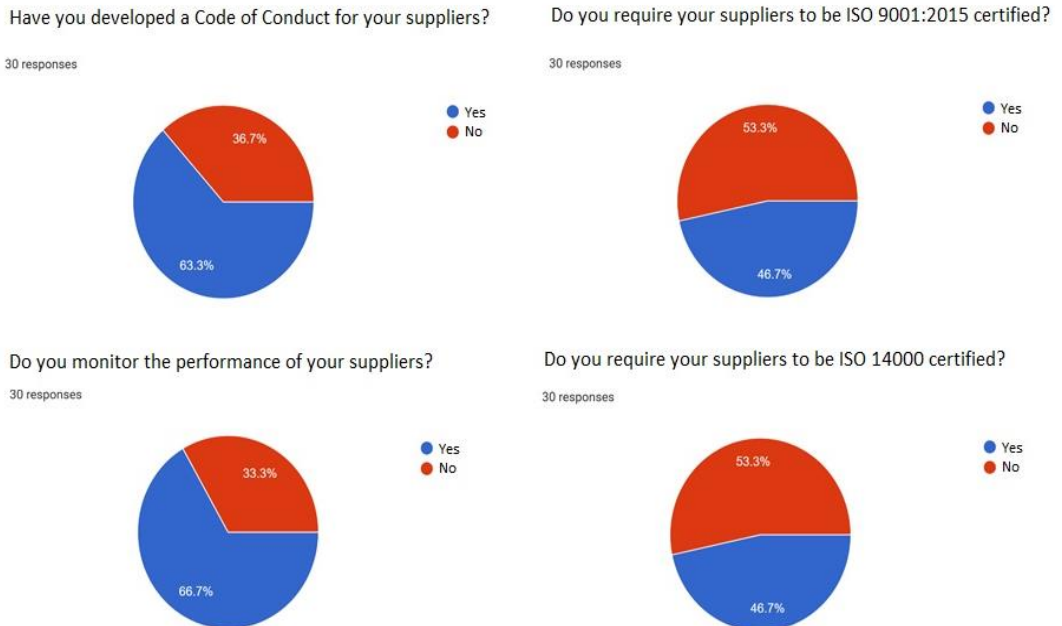
Respondents consider that management played the largest role in decision making (43,3%) and monitoring performance (46,7%) regarding the sustainability practices. Surprisingly, twenty percent of them believe that senior management has no attitude on the issue of sustainability. This means that, in some companies, sustainability measures have taken a back seat and this should be corrected. On the other hand, it is quite logical that most often senior management initiates sustainability activities. Sixty percent of the respondents claim this and it is normal that such measures come

directly from the chief managers. However, three of them claim their company has no sustainability policies. This can have different interpretations, but it should most easily be taken as a signal that the workers in those three companies are simply not familiar with sustainable practices in their working environment.

The next question gave us insights about which departments within the company are most directly involved in implementing sustainable practices. It turns out that these are the Human Resources department and the Marketing department. This is due to the policy of the companies that precisely these departments should implement the regulations of the managers regarding sustainable practices, but at the same time to train and support the staff in their implementation in the daily work of the organization.

The next series of questions directs the attention of the respondents to their suppliers in their role as stakeholders for the respective business. The idea is to study what are their requirements towards the suppliers, and to understand the attitude of the company in ensuring the quality of work and compliance with the principles of sustainability within their supply chain. Information from respondents can be summarized as follows:

Fig. 3 Requirements towards the company's suppliers



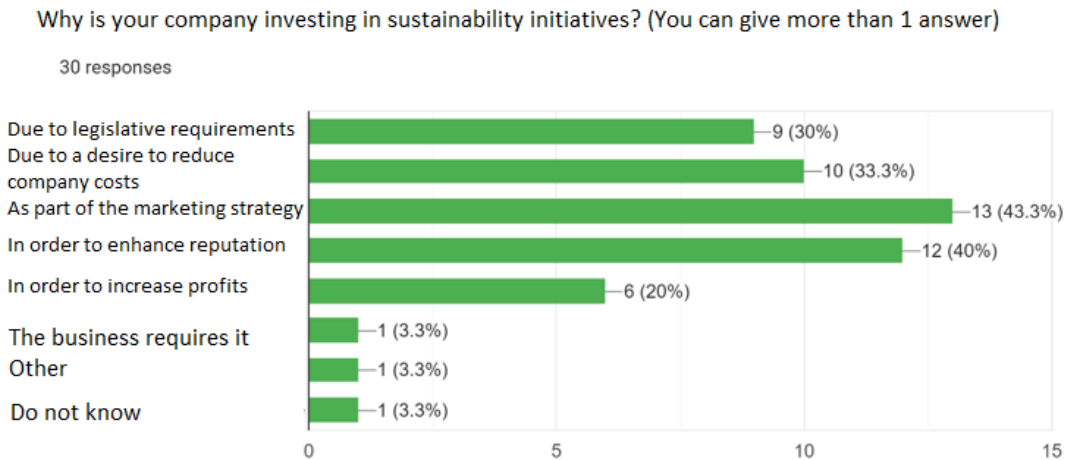
Source: Data from the questionnaire

The results show that nearly two-thirds of the companies that responded monitor the performance of their suppliers. In addition, approximately the same number have established a code of conduct for their suppliers, indicating the existence of selection criteria and quality of performance measures for their partners (suppliers in this case). This gives an optimistic outlook for the future development of sustainability policies and practices in Bulgarian enterprises.

Regarding the ISO 9001 quality and ISO 14001 environmental standards, local companies are not so strict about the availability of these in relation to their suppliers. On both questions, more than half (53.3%) of the respondents answered that they do not require their partners to have the aforementioned certificates. Therefore, there is room for improvement in this regard and clearly here business considerations dominate over considerations of sustainable practices and sustainability goals of companies. Concerning measures and initiatives to support providers' activities and improve their performance, most organizations indicated that they mostly assist them financially or through training.

The purpose of the next few questions was to assess whether the company is involved in initiatives related to supporting humanitarian efforts and aid, as well as investing in the further development of sustainable practices. Apparently, they are mainly involved with financial support in various charity events and through employee volunteering. The following reasons are given for participating in sustainability initiatives:

Fig. 4 Reasons to invest in sustainable practices



Source: Data from the questionnaire

The data collected prioritizes the following reasons for participating in sustainability initiatives:

- due to the company's marketing strategy (43,3%);
- to enhance corporate reputation (40%);
- as a measure to increase profits (33,3%).

This information also confirms the attitude of Bulgarian enterprises towards the implementation of sustainable practices in their operations. In their opinion, such activities should bring financial benefits, prestige, improved quality of products or services, increased competitiveness on national and international markets, and other benefits. For Bulgarian corporations, the focus is still shifted from the essence of sustainable development, namely providing a good living and working environment for future generations with a minimal environmental footprint. Therefore, corporate trainings in this direction could contribute to raising the awareness of workers and management about the benefits of applying sustainable practices in business practice.

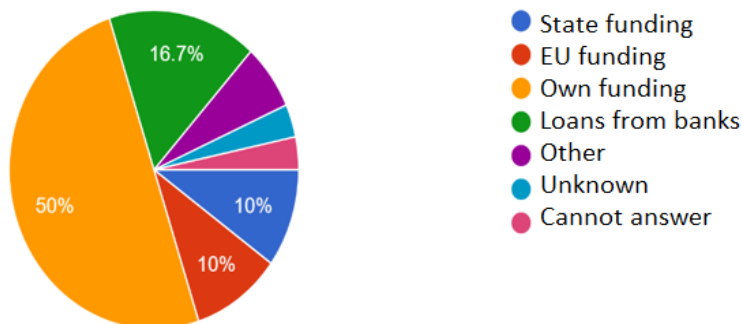
Another question relates to the difficulties and barriers faced by the enterprise in applying sustainability principles. According to the respondents, these challenges include the lack of experience (23,3%) and the lack of properly written rules for integrating sustainability principles into day-to-day operational work (30%), as well as errors in budgeting and the lack of additional funds allocated for this purpose (30%). All of this is linked to gaps on the part of management and emphasis should be placed on addressing these issues in order to improve the overall performance of the company in terms of meeting its sustainability objectives.

Next, an answer was needed about the origin of the finances that provide the means to develop sustainability practices. The results are shown in the following pie chart:

Fig. 5 Sources of financing the development of sustainable practices

What source of investment in implementing sustainable practices has your company used in the last 3 years? (You may indicate more than 1 answer)

30 responses



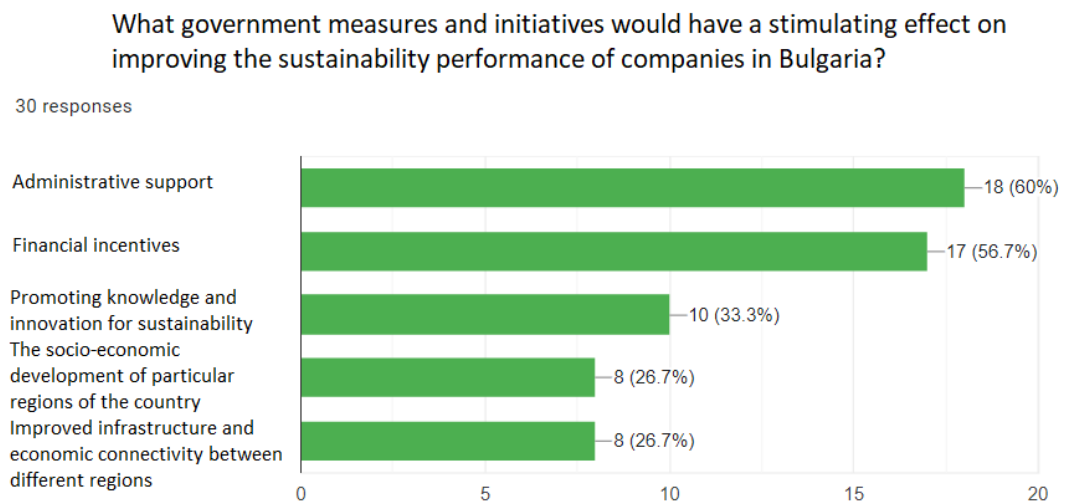
Source: Data from the questionnaire

The data is very clear that enterprises raise the main funds for the development of sustainable practices from their own budget (50%). Very few companies have been able to obtain funding from the state budget or a programme from the European Union, and some do not even have sufficient resources to finance such initiatives. There is a clear need for more opportunities to fund sustainability practices and to incentivize businesses to move towards “green” and ecofriendly goals.

Then, the views of business were sought on recommendations for the development and integration of sustainability practices. To the question: “In which business areas should sustainability measures and initiatives in Bulgaria be optimized?” The largest percentage of responses reported that this should be in electricity generation (56.7%). This can be explained by the fact that energy is among the leading sectors that have a direct effect on attempts to protect the environment and limit the effects of phenomena such as the Global Warming and the Greenhouse Effect.

The next question was “What government measures and initiatives would have a stimulating effect on improving the sustainability performance of companies in Bulgaria?” – the answers include different suggestions. But the greatest preference is towards measures that provide administrative support for companies developing sustainability policies (60%). The next place is given to measures for financial stimulation - through subsidies or tax breaks for companies with the best sustainability policies (57.6%). These hints reflect the need for more support from government institutions in the areas mentioned - administrative and financial. The collected data is shown in the following graph:

Fig. 6 Measures that can stimulate the development of sustainable practices in Bulgarian companies



Source: Data from the questionnaire

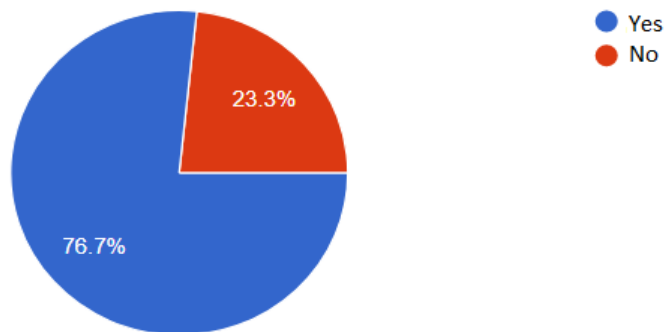
In terms of so-called "green jobs", respondents believe that tax breaks are needed for people and companies that help in accomplishing the "green transition" in the economy. Other measures should include active promotion of new green positions in the media, opportunities for prequalification, and the need for a new and improved curriculum in schools and higher education institutions.

In the current economic conditions, companies believe that it should become mandatory to implement corporate sustainability policies in all companies in Bulgaria. This was stated by 76.7% of respondents. The following figure confirms the desire for implementation of such practices in all companies in the country:

Fig. 7 Should the implementation of corporate sustainability policies become mandatory in all companies in Bulgaria?

In your opinion, in the current economic conditions, should it become mandatory to implement corporate sustainability policies in all companies in Bulgaria?

30 responses



Source: Data from the questionnaire

Thus, taking into account management's inclination towards progress and focus on sustainable development goals. Energy, agriculture, waste management, tourism and construction have been identified as sectors where this trend needs to accelerate.

As the survey was completely anonymous, questions of a statistical nature were included at the end of the questionnaire. These help to prepare a profile of the companies that participated in the survey while at the same time maintaining their anonymity. From them we can summarize the following:

The majority of the surveyed companies were established more than a decade ago;

Most of them are in the food industry (33.3%) and service sector (36.7%);

The number of their employees is mostly between 11 and 50 people (in 33.3% of cases) or more than 250 people (in 36.7% of cases);

Sustainability principles have been embedded in the management of the organization for more than five years (40%) or since its establishment (23.3%);

The company has been ISO 14000 certified for more than five years (40%) or since its foundation (23.3%).

The end of the survey provides an opportunity for a better understanding of the topic under investigation. Furthermore, the importance of the chosen topic and its relevance for future business development is brought to the attention of the readers.

Discussion

The theme of sustainability and sustainable practices has been discussed by a number of authors. Some of them such as Mollov (2017) address the topic of sustainability in the context of global supply chains - the author presents the essence of a sustainable supply chain strategy and traces the individual elements of this strategy in the context of strategic management of global supply chains: sustainable sourcing, sustainable manufacturing, sustainable distribution and reverse supply chain.

Exploring the current topic through the prism of international business (Cavusgil et al., 2020), it can be examined from a strictly theoretical perspective or it can be analyzed from a practical point of view (Zhivkova, 2022). The latter describes theoretical models about sustainability, but also reviews the practices of three large companies in different economic fields and namely Lush Cosmetics, Solvay Group and Hershey. The author confirms that all three organizations benefit from the introduction of sustainable practices in their daily activities. Furthermore, it is concluded that “social, environmental and economic aspects of life can be combined in working symbiosis” in order to boost the profit of a company.

Other studies on sustainability concentrate on a single industry such as agriculture (Muhie, 2022), textile (Okai-Mensah C. et al., 2022), retail trade (Oliveira L. et al., 2022) and etc. In most of the cases the authors focus not only on a specific industry, but also in a precise location. However, in this paper all of the respondents are from one country, but at the same time from different industries. As stated previously in the text, the majority of the Bulgarian companies, who participated in the questionnaire, are active in the food industry and the service sector. Therefore, it is a justification to claim that this article is very specific and expands the scientific understanding on this matter due to the usage of such a special approach. After a short overview of some theoretical aspects and practical results from the survey, conclusions should be drawn in connection to the sustainable practices of businesses in Bulgaria.

Conclusion

The study about sustainability, and in particular the sustainable practices of companies, is a key element in understanding the nature of the so-called "green transition" towards a cleaner and more sustainable economy. This process has been stimulated by a number of governments around the world and is expected to be the dominant trend for all economies in the future due to the underlying threats of climate change and unsustainable use of natural resources.

The project for sustainable practices (on the example of Bulgarian companies operating on international markets) was concluded with the current survey. The practical orientation of the questionnaire allows to draw conclusions about the attitudes of enterprises in Bulgaria towards sustainable practices in their daily activities. They could be summarized as follows:

The number of employees is not very important for implementation of the sustainability practices. This means that whether it is a small or medium enterprise (SME) or a large corporation with many employees - it is management that determines the presence of sustainability practices. Furthermore, it is also evident that even small and medium-sized enterprises can integrate sustainability practices into their daily operations, if there is a desire to do so;

Most companies are aware of the UN Sustainable Development Goals but have difficulty following them;

The management introduces sustainability policies and defines activities that comply with them;

Marketing and Human Resources departments are responsible for ensuring that all employees are aware of the company's sustainable practices;

The enterprises are not very strict about their requirements for suppliers to comply with sustainable practices and to have ISO 9000 or ISO 14000 certificates;

Businesses participate in sustainable practices events to enhance corporate reputation or for financial motives;

The main barriers and challenges for companies regarding sustainability are administrative (bureaucratic) and insufficient financial resources, because the main funding comes from the company's own budget;

Sectors such as energy, agriculture, waste management, construction and tourism should be among the first to mandatorily adopt and follow sustainability practices.

The findings of the study indicate that there is still room for awareness, development and implementation of sustainability practices in organizations in Sofia and Bulgaria as a whole. Hence, better assistance from the government should be taken into consideration in order to overcome some of the challenges, which the companies

encounter. It is also expected that more and more businesses will start implementing practices for sustainability in their day-to-day operations in the upcoming years. This is a measure in order to pursue the goals for sustainable development and of ensuring a better life for future generations, as well as preserving the Earth's natural resources.

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