

SUSTAINABILITY ISSUES IN GREEN BUSINESS FRAMEWORK

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Abstract

Entrepreneurship has traditionally been considered a way to create material goods, generate additional profit, and improve people's well-being. Entrepreneurs always pursue private interests when carrying out economic activity, on the one hand, gaining profit in the competitive market and aiming to increase their entrepreneurial capital, on the other hand, by creating material goods or organizing services, contributing to the growing socio-economic needs of people satisfaction. However, by using entrepreneurial services, the population is already making a public demand to preserve the planet Earth, to take care of the surrounding environment, which is often neglected in the course of the business, that appears in the race for profit formation and, unfortunately, does not enter into the enterprise. within the framework of the goals of the owners.

The article presents recommendations for improving green business management, as well as new approaches to assessing sustainable development outcomes.

GEL code: M2

Keywords: Green business, sustainability management, entrepreneurship, green partnership, responsible investments

Introduction

As a result, the business mercilessly "devours" on its way everything, that contributes to the formation of super profits, not sparing people's health, harming nature, recklessly wasting natural resources, and polluting water and air basins with harmful waste. Therefore, in the striving for super profit, new requirements arise, the purpose of which is the organization of an enterprise, which makes it possible to use socio-economic resources in such a way, that they are transferred to future generations and thus the business becomes continuous as well. in the foreseeable future, having a stable development course.

Today, economic activity is dramatically shifting to the sphere of sustainable business. People are trying to implement management tools, that promote sustainable entrepreneurship. The scope of socially responsible investments is being expanded, and the formats of reports published by organizations are being transformed to inform everyone how successful business activities are in terms of both private interests and public expectations. Both internal and external beneficiaries of the economic activity are already interested in the evaluations of the sustainable development of the organization, and if they are not

encouraging, then risks of losing business partners and weakening of competitive positions in the market arise in the organization (Magon, Renata Bianchini 2018).

Fidings

The problems of sustainable development were formed in the 70s of the last century when it became clear to the community of businessmen striving for profit that the relentless exploitation of the subsoil, and the pollution of the surrounding environment would cause catastrophic damage to the planet Earth, which will no longer be possible to intersect, or to re-establish even business. with the resulting super profits. It became obvious, that the activity contributing to the positive growth of people's socio-economic level at the same time contains negative environmental, social, and managerial risks, the mismanagement of which leads to irreversible damages and future instability. And the instability can be formed due to the merciless exploitation of natural resources, their absence, violations of environmental balances, as a result of the instability of the business society (Famiyeh, Samuel 2018).

The concept of sustainable development at the initial stage of its formation was presented as "the exploitation of natural resources at the present moment in such a way as to create an opportunity for future generations to use these resources." In other words, initially, sustainable development was built based on the principle of intergenerational solidarity, when humanity, satisfying its current demands for natural resources, enables future generations to also satisfy their demands for using natural resources.

In such a case, resource-saving technologies, substitutes, and efficient approaches to natural use are used. From the beginning, the source of inspiration for the implementation of these ideas was the process of using forest wood, when people were well aware that the damages of deforestation should be restored with new tree plantations, which will be a wood resource for the next generations.

In the simplest interpretation, in the case of sustainable development, we strive to transfer the Earth to future generations with the possibilities of natural use, that we once received from our ancestors. Naturally, in this case, stability is mainly related to ensuring a "stable level" of natural resources. Years later, the sustainable development of the business was practically considered by the international community in a broader context, which, in addition to effective land use, also included poverty reduction, access to education, "green energy" use, and climate recovery requirements.

"Sustainable development" in the most comprehensive context was introduced in 1987 at the World Conference on Environment and Development. Such questions became so intense that already twenty years later, in 2002, at the conference in Johannesburg, which was later renamed "Rio 10+", a concept of sustainable development partnership was developed. In the next decade, the "green economy" was also targeted in the concept of sustainable development in the "Rio 20+" summit, when alternative energy resources will be used, greenhouse gas emissions will be reduced, and efficient eco-infrastructure services will operate. Finally, in 2015, the United Nations developed 17 sustainable development goals, which were adopted by 193 countries.

Regulations for sustainable business development ultimately formed the ideology of the "green economy" (Adams, C. A., Larrinaga, C. 2019). And the green economy cannot function efficiently without "green entrepreneurship". Perhaps, until now, there is no universal definition of the term "green economy", but international structures, when presenting various interpretations in this direction, are guided not only by environmental but also by social, effective management, and reasonable resource use. approaches intending to secure the sustainable development of management (see Table 1.)

Table 1.

Definitions of "green economy" according to international authoritative structures

Organization	Definition
United Nations Environment Program (2011)	The "green economy" leads to improved human well-being and social equity by reducing environmental risks.
United Nations Conference on Trade and Development (2011)	"Green economy" is a component arising from the goals of sustainable development, which leads to the improvement of people's well-being and the reduction of inequalities, without transferring environmental risks and ecological scarcity problems to generations.
International Chamber of Commerce	In the "green economy", economic growth and environmental sustainability mutually cooperate, supporting progress and social development.
EEA (2013)	Environmental, economic and social policies and innovations in the "green economy" make it possible to effectively use resources, improving people's well-being, preserving natural systems.

In this sense, "Green Enterprise" basically focuses on investments, capital, infrastructure, employment level, and social and environmental positive results. It is defined as low-carbon, resource-efficient, and socially inclusive management, aimed at reducing environmental risks, handling limited resources, and sustainable development. It works with the structure of achieving employment and income growth, by attracting investments, through which the reduction of carbon emissions and pollution, the improvement of energy and resource use efficiency, and the preservation of biodiversity are realized (Liu, H., Yao, P., Latif, S., Aslam, S., & Iqbal, N. 2022).

Thus, "green entrepreneurship" cannot be aimed only at increasing profit through "green procedures". It should enable necessary structural changes in the composition of used resources, management methods, level and structure of consumption, export in the context of actions aimed at reducing emissions and losses, as well as climate change prevention.

Green entrepreneurship seeks to create more value year after year by introducing innovations in business while preserving natural systems and mitigating environmental damage with a special toolkit (see Figure 1.). In

addition, the green entrepreneurship process can be applied in whole or partly, depending on the scale of the business.

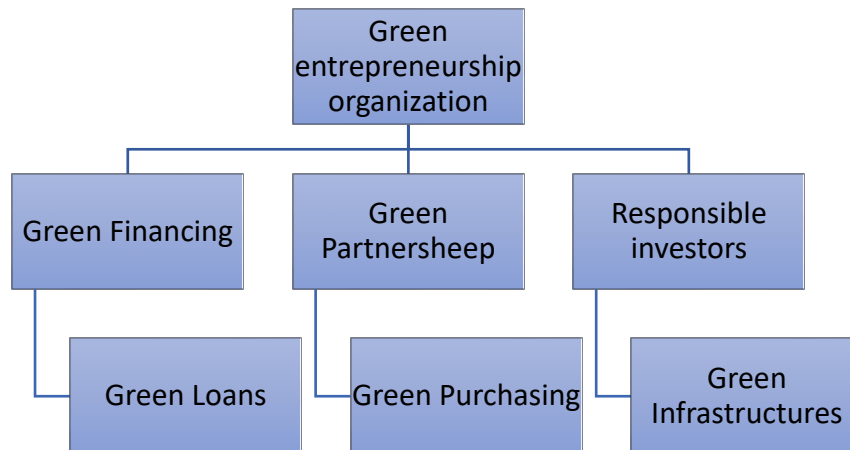


Figure 1. Green entrepreneurship toolkit¹

Case study

George started his entrepreneurial activity by running a food stall and paying attention to environmental activities as well. In particular, he installed a mini solar panel on the roof of the booth and, along with the traditional one, also used alternative energy for lighting purposes. In addition, he regularly collected the paper cups thrown into the trash from the coffee drink vending machine and sent them for recycling as waste paper. Years later, George expanded his business, becoming a middle-class food store owner. His inclinations of a "green entrepreneur" deepened and he also organized promotions for the sale of juices in plastic bottles, using circular business approaches. When customers returned 20 empty used plastic bottles to the store, they received one bottle of juice in return. When buyers preferred paper bags instead of cheap polyethylene packages, certain discounts were applied for food purchases. As a result, George can get "green loans" from banks for business expansion, presenting the consequences of his environmental activities.

Eventually, George manages to issue "green securities", to form the necessary capital to start a supermarket and the most widely applicable green entrepreneurship tools. In particular, the system of green purchases is put into operation, when additional payments are made to the suppliers when delivering the goods to the supermarket with trucks, powered by electric motors. Customers are offered sales discounts if they present receipts for charging their electronic vehicles in the supermarket parking lot.

Continuing to expand his business, George also carried out "green securitization" by issuing bonds and providing financing for responsible investments, improving the area around the supermarket, and establishing an

¹ Developed by authors.

entertainment center, which was to be 90% green covering and have a social service orientation to vulnerable populations. In this context, along with the expansion of the business, the Georges supermarket entrepreneurship included a whole set of green financing, partnership, and responsible investment implementation tools (see Figure 1.).

Therefore, "Green Entrepreneurship" is a model focused on the harmonious coexistence of people and nature, with the main principles of its operations.

1. Principle of sustainability, based on which policies for environmental, social, and economic development are developed.

2. A principle of justice, that promotes equality in the distribution of natural resources between generations and between generations.

3. Principle of dignity. which respects the rights of employees and actively supports the development of new, "green jobs and careers". It contributes to the self-development of employees.

4. The principle of a healthy planet, by which entrepreneurship preserves the integrity of the environment, the wise use of natural resources is ensured.

5. Principle of inclusiveness, which ensures participatory decision-making in green entrepreneurship for all stakeholders.

6. The principle of effective management and accountability, when not only the sustainable progress of environmental, social, and economic measures is recorded, but also the beneficiaries are presented with a report on the fulfillment of obligations undertaken in the field of "green development".

7. Principle of flexibility, which promotes the harmonious and interconnected activities of different models of green entrepreneurship development, aimed at cultural, social, and environmental issues.

9. Principle of generations, by which investments in the "green economy" are made to ensure the well-being of current and future generations.

Case study

In practice and among theoreticians, green entrepreneurship is traditionally perceived as environmental protection, social justice, and resource efficiency, bypassing the financial aspect of this activity. However, in addition to ensuring sustainable development, green entrepreneurship can also be targeted at increasing the profit of organizations (Li, Dayuan, 2018).

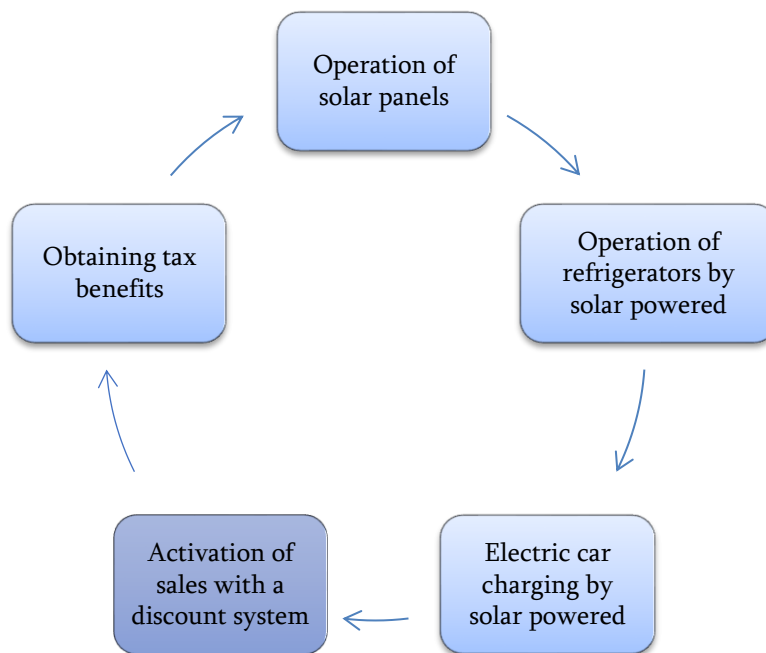


Figure .2 Demonstrations of business value formation around solar energy by a supermarket²

In this way, the shareholders of the "Miraculous" supermarket make a decision, in addition to traditional commercial activities, to organize a green enterprise, and not only to ensure a good reputation of the business among the public, but also to get additional profit from green activities. The motivation of this idea is the use of alternative energy, for which solar panels will be installed on the roof of the supermarket, around which a number of consequences of the internal value of the business will be formed (see diagram 1.3.2).

- solar energy will be used in the refrigerator of the supermarket, reducing the commercial costs of the business,
- With electric charging points installed in the supermarket parking lot, solar energy will be sold to shoppers shopping in the supermarket who have come shopping with their own electric cars.
- In order to install solar panels, the supermarket will take advantage of green lending privileges.
- the supermarket will also benefit from property tax privileges for buildings using solar panels,
- the supermarket will also take advantage of the profit tax privileges provided by the state to organizations working with alternative energy.
- in order to promote the consumption of alternative energy among buyers, they will be given a certain discount in the case of purchases from the supermarket, if they present a receipt for recharging an electric car in the parking lot of the same area.

² Developed by authors.

The owners of the supermarket claim to pay back the investment costs of the solar panels within a maximum of 4 years. Therefore, a decision will be made regarding the feasibility of installing solar panels on the roof of the supermarket building and the business feasibility of the green initiative, making calculations based on the information provided below.

1. For the installation of solar panels, the supermarket will receive a 5-year green loan for 150 million drams. The annual preferential interest rate of the loan is 9%, and it will be repaid in one go at the end of the 5th year.

2. The annual net profit of the supermarket, 200 million drams, will increase by 5% as a result of reducing the operating costs of refrigerators using solar energy.

3. The revenue from the annual charging services of electric mobiles in the parking lot of the supermarket is planned to be 12 million drams.

4. When shoppers charge their electric vehicles in the supermarket parking lot, they will receive a 7% discount by showing the charging receipt at checkout.

5. In the case of launching the discount system, the supermarket will have an additional sales turnover of 80 million per year, with an 11% sales profit.

6. The property tax of the supermarket building is 0.8% per year for the building's value of 400 million drams, which will decrease to 0.2% in the case of installing electronic panels on the roof.

Calculations of the economic feasibility of green entrepreneurship.

- annual additional benefits from green business;

a/ annual increase in net profit as a result of reducing the operating costs of refrigerators using solar energy = $200 \times 0.05 = 10$ million drams

b/ the annual additional profit of the supermarket from sales promotion with discounts = $80 \times 0.11 = 8.8$ million drams

c/ annual revenue from electric car charging services in the parking lot = 12 million drams

d/ annual saving of building property tax = $400 \times (0.08 - 0.02) = 24$ million drams

- annual supplementary expenses from green enterprise.

e/ loan interest = $150 \times 0.09 = 13.5$ million drams

f/ Purchase discounts provided to owners of electric cars = $80 \times 0.07 = 5.6$ million drams

- annual net benefit from green business = $10 + 8.8 + 12 + 24 - 13.5 - 5.6 = 35.7$

- the years of the investment component of green entrepreneurship.

= $150 : 35.7 = 4.2$ years

Since the 4.2 years of the investment term exceeds the 4-year requirement of the investment term presented by the supermarket owners, no decision will be made regarding the installation of solar panels under such conditions. Therefore, the purchase rebate system is being revised to ensure a 4-year investment payback period for green businesses.

Review of Green Entrepreneurship Organazing.

In calculating the payback period of investment costs, by designating the discount rate provided to buyers with the unknown Y , let's make an equation with one unknown, as follows:

Investment cost/annual net return on investment = 4 years

$$150 / (10 + 8.8 + 12 + 24 - 13.5 - 80 \cdot y) = 4$$

from where

$$Y = 0.04$$

In a bid to promote green entrepreneurship, the supermarket will offer electric vehicle owners a 4% discount on charging coupons instead of 7% to meet the owners' maximum 4-year payback requirement for the solar panel investment.

Thus, the 200 million annual profit of the supermarket with the structure of the traditional enterprise will increase the green enterprise by 38.1 million drams.

$$10 + 8.8 + 12 + 24 - 13.5 - 80 \cdot 0.03 = 38.1$$

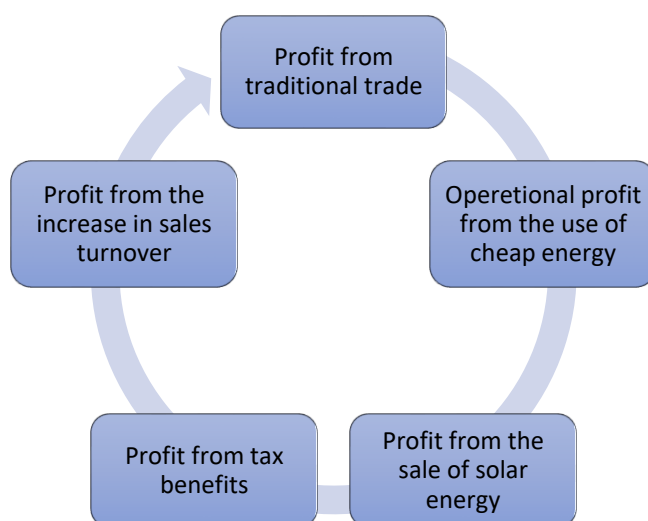


Figure 3 Cycle of additional profit generation from supermarket green entrepreneurship³

Conclusion

"Green entrepreneurship" implies long-term business planning, when resources used to create any value do not disturb the simple and natural rules of "coexistence" between man and nature. Therefore, the business organized according to such principles is able, while preserving nature, to be as human-centered as possible, to ensure well-being (higher quality health care and education, safe work, social equality), to promote the process aimed at reducing negative impacts on the environment, as well as curbing ecological risks. "Green entrepreneurship" provides an opportunity to create sustainable livelihoods by creating "green jobs", thereby increasing the availability of sustainable infrastructure and services

Green entrepreneurship has three main characteristics:

³ Developed by authors.

1. Low level of negative impact of business on the environment. wise use of natural resources, growth with low emissions implies the development and application of such strategies that will contribute to the sustainable economic growth of the enterprise.

2. Resource efficiency, which contributes to increasing the efficiency of resource use, thereby extending their life and reducing the environmental impact associated with their entire life cycle.

3. Social inclusion, when creating opportunities for the vulnerable classes of society to participate in the development processes of the green economy and to have an impact on them.

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ՇՐՋԱՆԱԿՈՒՄ

Մարկո Սավաստանո

Հռոմի Սապիենսիայի համալսարան

Սոֆի Ճուդուրյան

Հայաստանի Ամերիկյան համալսարան

Ճեռնարկատիրությունն ավանդաբար համարվում է նյութական բարիքներ ստեղծելու, լրացուցիչ շահույթ ստանալու և մարդկանց բարեկեցությունը բարելավելու միջոց: Տնտեսական գործունեությունն իրականացնելիս ձեռնարկատերերը միշտ հետապնդում են մասնավոր շահեր, մի կողմից՝ շահույթ ստանալով մրցակցային շուկայում և նպատակ ունենալով մեծացնել իրենց ձեռնարկատիրական կապիտալը, մյուս կողմից՝ ստեղծելով նյութական բարիքներ, կամ կազմակերպելով ծառայություններ՝ նպաստելով մարդկանց աճող սոցիալ-տնտեսական կարիքների բավարարմանը: Սակայն ձեռնարկատիրական ծառայություններից օգտվելով՝ բնակչությունն արդեն հանրային պահանջ է ներկայացնում՝ պահպանել Երկիր մոլորակը, ինամել շրջակա միջավայրը, որը հաճախ անտեսվում է բիզնեսի ընթացքում, քանի որ այն գտնվում է շահույթի ձևավորման մրցավազքում և հաճախ անտեսվում է ձեռնարկություն: սեփականատերերի նպատակների շրջանակներում:

Հոդվածում ներկայացված են կանաչ բիզնեսի կառավարման բարելավման վերաբերյալ առաջարկություններ, ինչպես նաև կայուն զարգացման արդյունքների գնահատման նոր մոտեցումներ:

Հիմնաբառեր - կանաչ գործարարություն, կայունության կառավարում, ձեռներեցություն, կանաչ գործընկերություն, պատասխանատու ներդրումներ