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# THE ROLE OF SUSTAINABLE DEVELOPMENT IN RECONCEPTUALIZING ORGANIZATIONAL PERFORMANCE

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**Abstract.** In recent decades, the intensification of social, economic and environmental challenges has led to a reassessment of how organizational performance is understood and measured. The traditional model, based almost exclusively on financial indicators, such as profit, profitability, or economic and financial growth, is increasingly criticized because it does not capture the long-term impact of the organization's activities and ignores the social and environmental dimensions of sustainable development. *The aim* of this study is to capture the main aspects of company performance reporting in the current sustainability context. Non-participatory observation was used as *the research method* and the entire approach focused on a descriptive analysis based on information gathered from various sources, such as competent bodies, the media and specialized literature. *The originality* of this article lies in the fact that the data is the most recent available and as *future research directions*, we consider presenting the impact of future sustainable development requirements on the company's future evolution.

**Keywords:** *sustainable development, corporate governance, sustainability, performance, company, environment.*

**JEL code:** *F63, M14, M41.*

## Introduction

The current context is one of uncertainty [1], in which the rapid development of digital technology is accompanied by a series of new challenges for humanity, which amplify existing ones and require increased attention in order to avoid a real catastrophe, as highlighted in other studies [2-7].

The ecological, social and economic-financial crises that define the current global context have made the need for sustainability imperative. As early as 1987, the World Commission on Environment and Development (WCED), led by Gro Harlem Brundtland, produced a report entitled "Our Common Future," which marked the modern beginning of the global discussion on sustainability and formed the basis for subsequent conferences on the environment and development. In this report, sustainable development is defined as follows: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs." [8] The definition emphasizes the balance between humanity's current needs and responsibility towards future generations, but also highlights the moral and ecological dimensions of development. Today, the concept of sustainability has not only become much more complex, but is also applied in the sense that, whereas in the past it was seen as an ethical principle, it is now considered a strategic framework that integrates economic, social, ecological and technological dimensions. All of this facilitates the transition to a green and circular economy that promotes social equity and uses innovation and digitalization to optimize resources. Therefore, sustainability is now an operational reality supported by public policies, ESG indicators, and global partnerships that aim to achieve sustainable development goals.

In this context, the sustainable development of a company represents its ability to create economic, social and environmental value simultaneously, which ensures its long-term success in an ever-changing world. Thus, the three pillars of corporate sustainable development are: Profit – People – Planet, respectively the "Triple Bottom Line" model, formulated by John Elkington. [9]

Currently, in order to withstand new market demands and continue to grow, companies have had to adopt a series of new measures, such as:

- Reporting on their environmental, social, and governance performance, not just their financial performance (ESG - Environmental, Social, Governance);
- Increasingly adopting carbon neutrality targets;
- Minimising waste by implementing circular economy policies;
- Practising transparency and ethical policies by clearly communicating the impact of their activities on the environment and society;
- Increasingly using green technologies and digitalisation to optimise consumption etc.

Therefore, in the dynamic context of the 21st century, a company's performance is a multidimensional concept and refers to its ability to create long-term sustainable value through the coherent integration of economic efficiency, social responsibility, environmental protection and corporate governance based on ethical principles and transparent decision-making.

**Literature review**

Due to the importance of performance for the company, but also due to the transformation of this concept, along with the global challenges generated by climate change, social inequalities and the pressure of sustainability reporting regulations, the specialized literature includes an increasing number of studies addressing topics such as sustainable development, corporate sustainability, the ESG–performance link etc.

While most of the studies analyzed focus on economic and financial performance [10-12], with the recent economic developments, there are an increasing number of empirical studies that have analyzed the link between ESG performance and the financial performance of companies and the results are not uniform. Thus, Friede et al. synthesized over 2,000 studies and show that in approximately 90% of cases the relationship is positive or neutral and only a small percentage indicate a negative correlation [13]. Other authors also confirm the existence of a positive link between ESG performance and company profitability, especially in industries with high exposure to environmental risks [14] and some highlight the fact that companies with high ESG scores tend to show greater resilience in times of crisis, such as that caused by the COVID-19 pandemic. [15] In addition, recent literature emphasizes the importance of corporate governance in ensuring sustainable performance [16-17]. There are also studies that conduct a systematic review of corporate sustainability strategies and future directions [18], while others explore the link between sustainable development and corporate social responsibility [19-21].

**Materials and methods**

*The aim of this study* is to capture the main aspects of company performance reporting in the current socio-economic conditions. Non-participatory observation was used as a *research method*, and the entire approach focused on empirical and descriptive analysis. *The data source* was information gathered from various sources, such as competent bodies, the media and specialized literature. *The originality* of this article lies in the fact that the data is the most recent and as *future research directions*, we plan to capture the impact of the new requirements imposed by sustainable development on the company's evolution.

**Results and discussions**

If in 1987 sustainability was a moral and political ideal, a call to responsibility, today it is an integrated operational framework involving a set of policies, standards and technologies that guide the global economy. Furthermore, while the initial approach to sustainability was normative (what needs to be done), it is now practical and strategic (how it can be done, with concrete tools and policies). If we were to compare the dimensions involved in this sustainability process in the two periods, namely 1987 and the present, the data would be as shown in Table 1.

**Table 1. Dimensions involved in the sustainability process**

| Dimension involved | Year 1987 | Present |
|---|---|---|
| *Economic* | Economic growth compatible with environmental protection. | Green, circular and digital economy; evaluation through ESG indicators, not just GDP. |
| *Social* | Focus on meeting basic needs. | Social inclusion, equity, education for sustainability. |
| *Environmental* | Protecting natural resources and limiting environmental degradation. | Development of the circular economy, restoration of ecosystems, biodiversity. |
| *Technological / governance* | Absent or implicit. | Essential. Implemented through digitalization, green innovation, AI, data for sustainable decisions, transparent governance. |

From the data presented in the table, we can see a dramatic evolution in the sustainability process, which is the result of continuous changes in the socio-economic context. Furthermore, in Table 2, we have attempted to highlight the main characteristics of sustainability during this period.

**Table 2. The evolution of the sustainability process from 1987 to the present**

| Period | Main features |
|---|---|
| *1987 - 2015* | Theoretical foundations, emergence of the term "sustainable development," implementation of international policies (e.g., Millennium Development Goals, then UN SDGs). |
| *2015 - present* | European Green Deal, climate pacts, sustainable digitization, practical implementation through ESG indicators etc. |

Currently, increasing pressure regarding corporate responsibility, the transition to a green economy and compliance with regional or international regulations have made sustainability a determining factor in long-term performance and competitiveness and sustainable business development is a fundamental strategic element of modern management. Therefore, the company's performance focuses on profit, i.e., economic and financial performance, but also on the ability to achieve economic objectives while maintaining social and ecological balance, in the context of a sustainable economy in which digital technology is developing rapidly. The sustainable development of the company is no longer perceived as a voluntary option or a modern trend, but as a complex strategic necessity that is absolutely essential for survival and success in the globalized market and which brings long-term economic, social and environmental benefits.

The benefits of sustainable development for a company can be classified as follows:

- Economic benefits, which include the following aspects:
  - Reducing operational costs and the possibility of increasing profitability by implementing energy-efficient processes, optimisation and intelligent resource management [22];
  - Increasing economic and financial performance as a result of a positive reputation and increased trust from business partners [23];
  - Easier access to green financing and investments through transparent reporting of ESG performance [16];
  - Stimulating innovation and opening up to new market segments by adopting green technologies and products [24].
- Social benefits, which include:
  - Attracting, retaining and motivating employees as a result of implementing sustainability principles, which involves ensuring a fair working environment, respect for human rights, social responsibility, ethical values etc. [25];
  - Strengthening relationships with the community through social involvement and corporate responsibility projects;
  - Increasing stakeholder confidence through transparency and ethical governance.
- Environmental benefits, such as:

- Reducing carbon emissions and consumption of natural resources by adopting sustainability policies;
- Eliminating legal and reputational risks by complying with environmental legislation.

Sustainable development also plays a very important role in strengthening organizational culture. By requiring strategic flexibility and innovation, it also contributes to increased resilience to crises.

Implementing sustainable development at company level involves numerous challenges of an:

- Economic and financial nature (initial implementation costs are high. These involve investments in new and non-polluting technologies, as well as in ESG reporting systems);
- Organizational and cultural (sustainable development requires rethinking the organizational culture based on collaboration, transparency, and responsibility and if this is perceived as an imposed requirement rather than an internal value, it can generate resistance to change [26], amplified by a lack of skills in the field of sustainability);
- Technological and innovation (the accelerated pace of innovation can lead to adaptation problems [24], as the transition to a green economy requires advanced technologies, process digitization and the integration of the circular economy, all of which require resources).

Thus, integrating economic, social and environmental principles into management strategy requires, first and foremost, considerable financial resources, but also profound cultural, technological and innovation changes, as well as continuous adaptation to increasingly diverse and complex international regulations. In addition, in the context of growing interest in sustainability, some companies resort to "greenwashing" practices, i.e., promoting a false or exaggerated ecological image, which affects the overall credibility of sustainability reporting and can lead to a loss of trust among stakeholders [27], while others face tension between profit and sustainability objectives, making the transition to a sustainable model gradual and complex [28].

Starting from the idea that corporate sustainability has become an essential criterion for competitive differentiation, in the sense that companies that integrate sustainable development principles into their strategies not only reduce their environmental impact but also strengthen their reputation, customer loyalty and long-term financial stability, we analyzed two companies with different visions of sustainable development: Patagonia, an American company that manufactures outdoor clothing and equipment, a leader in sustainability and Shein, a global online fast fashion retailer from China that sells a wide range of products, from clothing and accessories to home and beauty items, with a traditional business model focused exclusively on cost and volume.

*Patagonia* was valued at over $3 billion in 2022. Its value has grown steadily. This company enjoys high customer loyalty and reinvests its profits in environmental and innovation projects, adhering to sustainable development policies [29]. Social responsibility is manifested through fair working conditions and fair wages. Furthermore, employees are involved in environmental causes, and 1% of revenues are redirected to environmental organizations. In its production activities, it uses recycled materials, follows circular economy practices and takes measures to reduce $CO_2$ emissions. It implements waste reduction measures. In other words, its entire activity is geared towards sustainable development [30].

*Shein* is at the opposite end of the spectrum compared to Patagonia. Although it recorded revenues of over $30 billion in 2023, this company focuses on high sales volume at low cost, without concern for long-term impact. Following media revelations, it provides poor working conditions in its supply chain. It is also characterized by a lack of transparency regarding employee rights. It does not pay much attention to sustainability policies and generates a large amount of waste [31].

By comparing the two companies, we wanted to highlight the particularly important role that sustainability plays in the activity of any company, emphasizing the fact that without sustainable development, no organization can remain competitive and develop in the medium and long term. While Patagonia has a long-term strategic vision and shows that adopting sustainable development principles strengthens competitiveness, reputation and organizational resilience, Shein takes a short-

term approach that focuses on immediate profit and its lack of social and environmental responsibility has caused it a bunch of reputation and legal problems.

**Conclusions**

Whereas in the past we talked about sustainability as a concept, a concern for the future, today it involves an integrated operational framework supported by digital technology. Corporate sustainability has become indispensable and, at the same time, an essential criterion for competitive differentiation. We cannot talk about organizational performance unless we consider, in addition to financial indicators (profit, profitability, etc.), the social and ecological framework in which the company operates.

Therefore, companies that integrate sustainability into their organizational culture are more likely to cope with economic changes, strict regulations and society's expectations, both in the short term and, especially, in the medium and long term.

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