

## SUSTAINABLE BUSINESS COMPETITIVENESS: TRANSLATING CONCEPT INTO PRACTICE

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### ABSTRACT

*Globalization has proven to spur economic growth for many countries in the world. It has, however, also negative impacts in terms of widening income gap, environmental degradation etc. such that many are worried that the growth will not be sustainable. Triple bottom line was introduced to make the economic growth and company competitiveness more sustainable. Although to define the concept is easy, to make it implemented, especially by developing countries, is another matter. Education and research track by universities is suggested to be one best way to accelerate the implementation of the concept. A case of Graduate Program of Management and Business (MB-IPB) is used to illustrate the attempt.*

*Keywords: Sustainable Business Competitiveness, Triple Bottom Line, MB-IPB, 3Ps*

### ABSTRAK

*Globalisasi telah terbukti memacu pertumbuhan ekonomi pada berbagai belahan dunia, tetapi juga mempunyai banyak dampak negatif yang dirasakan dalam bentuk melebarinya kesenjangan pendapatan, kerusakan lingkungan dll. Akibatnya banyak khawatir bahwa pertumbuhan ekonomi yang terjadi tidak akan berkelanjutan. Konsep Triple Bottom Line diperkenalkan untuk membuat pertumbuhan ekonomi dan daya saing perusahaan lebih berkelanjutan. Walaupun konsep ini relatif mudah untuk dijelaskan, menerapkannya ternyata tidak mudah, terutama di negara berkembang. Jalur pendidikan dan penelitian merupakan salah satu cara terbaik yang dapat dilakukan universitas untuk mempercepat penerapan konsep. Kasus Program Pascasarjana Manajemen dan Bisnis (MB-IPB) digunakan untuk mengilustrasikan upaya tersebut.*

*Kata Kunci: Daya saing Bisnis Berkelanjutan, Triple Bottom Line, MB-IPB, 3P*

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## INTRODUCTION

Globalization is a phenomenon that even a big country like China cannot get away. It integrates every national economy into international markets such that a dichotomy between domestic and world market is becoming increasingly irrelevant. The process is expected to go on and the speed will accelerate as information technology advances.

A globalized world would lead to a higher level of competition among countries or companies and competitiveness is the only language that every country or company understands to interact. Therefore, increasing competitiveness is becoming a popular obsession of every country or company to take globalization process into their maximum advantage.

After globalization is adopted by the world for sometimes, however, the world is faced by some gloomy facts such as poverty and malnutrition (MDGs), widening income gap, climate change, credit crunch, geo-political conflicts, water scarcity, loss biodiversity and deforestation, pollution (mining and mobility), and genetically modified organisms. *“The question is how much more unequal world income distribution can become before the resulting political instabilities and flows of migrants reach the point of directly harming the well-being of the citizens of the rich world and the stability of their states.”* (Robert Wade).

Those facts might not be solely caused by globalization, but many experts view that at least globalization has a major share in the worsening issues. This awareness drives concerned experts to think about the alternative to globalization and the concept of competitiveness.

This paper will focus on the evolution of competitiveness concept from productivity based to a more sustainable one and how to translate the more sustainable concept into practice. To achieve the objective, the concept of sustainable competitiveness will be first described. Then, how the concept is introduced through education and research will be explored. The case of MB-IPB is used to illustrate the process.

## COMPETITIVENESS : FROM PRODUCTIVITY TO TRIPLE BOTTOM LINE

World Economic Forum (WEF) defines competitiveness as the set of institutions, policies, and factors that

determine the level of productivity of a country. The set is disaggregated into 12 pillars of competitiveness which are categorized into three groups. First, basic requirements which consist of: Institutions, Infrastructure, Macroeconomic stability, and Health and primary education. Second, efficiency enhancers with factors: Higher education and training, Goods market efficiency, Labor market efficiency, Financial market sophistication, Technological readiness, Market size. And third, Innovation and sophistication factors reflected by two factors: Business sophistication and Innovation.

WEF definition of competitiveness is convinced would ensure a high level of competitiveness but cannot guarantee its sustainability. This definition of competitiveness can bring the world into racing to the bottom. Moreover, many incidents in the world start to show how the most competitive product can be boycotted by consumers when child laborers were involved in the production processes. The same thing can happen when a producer is accused to be damaging the environments. It is to overcome these kind of incidents, a more sustainable concept of competitiveness is needed. The use of triple bottom line concept which was first suggested by Freer Spreckley (1981) and then later adopted by United Nations for social audit is one of such attempt. The triple bottom line consists of social, economic and environmental factors which later popularized by John Elkington (1998) as Triple P (People, Profit and Planet). Those three P's should be balanced for any country or company to be competitive in a sustainable way. Competitiveness would be unsustainable if for Profit, a company is developing a culture of bonus-driven strategies results in short term horizons and inadequate individual firm solutions (exp. ENRON, LEHMAN Brothers and recent Financial Global Crisis); ignores poverty and poor labour conditions which result in ethical dilemmas, low productivity, or protest (or worse), and resistance from surrounding communities (People); and uncared of natural systems result in polluted areas, loss biodiversity, and global climate change (Planet).

Despite its appeal, however, sustainable competitiveness concept is easier conceptualized than put into action. Slaper and Hall (2011) said that there is no problem in defining the concept but there are many in measuring it. Therefore, after the definition is clear, at least two more steps are needed before sustainable competitiveness is adopted by a country or company, especially in developing countries. First, convincing a company that sustainable competitiveness is for their best interest to

compete in the future. Second, how to use the concept in the real world. Two tracks strategy, education and research in sustainable business competitiveness, is one best way to accelerate the last two steps of implementing sustainable business development.

## **FIERST TRACK : EDUCATION IN SUSTAINABLE BUSINESS DEVELOPMENT**

Sustainable development for many developing countries, including Indonesia, has not been a priority until recently. Their development programs are still focused on alleviating poverty and exploitation of natural resource is usually the best way they know on how to generate income. When the term of sustainable development is introduced by international donors and NGOs, therefore, many people view it as an agenda of rich countries to protect their own interests. The view is formed partly caused by the way international donors and NGOs introduce the concept. International donors tend to dictate the concept through terms and conditions of their aids or loans and NGO's tend to use an extreme approach such that people look at NGO as putting environment more important than people. As a result, although the concept is sometime written beautifully on the paper, it has not been very successful at the implementation stage due to a lack of support from people, businesses and even government.

A better way to introduce sustainable development concept is by education process such that people accept the concept voluntarily and consciously. This process, however, can only be made possible if the education institutions have already understood and believed in the concept. By understanding and believe in the sustainable development concept, they can be expected to incorporate it in the curriculum and teaching. The question is how to make sustainability concept become a message that will always be conveyed to students through the process of education? This part is trying to explore and formulate some feasible strategies to make sustainability concept is spreading faster to major stakeholders of development (society, business and government). Graduate Program of Management and Business, Bogor Agricultural University (MB-IPB) is used as a case because they recently introduce "Sustainable Business Development" specialization in their MBA curriculum.

## **SBD Specialization at MB-IPB**

Since 2010 MB-IPB introduce Sustainable Business Development (SBD) as a new specialization for an MBA student. This new specialization is firstly created as part of Round Table Indonesia (RTI) Project. However, MB-IPB has an intention to keep the specialization offered even when the project is finished.

MB-IPB as one of the leading institution in management education in Indonesia can play an important role in spreading the awareness on sustainable development. It has a strategic position because the students are coming from different backgrounds ranging from business executives, government officials, NGOs and attracts some best fresh graduates who are potentially to be the future leaders in every sectors. So far, not many of these executives, government officials or even NGO's have the correct understanding of sustainability concept. Business people tend to focus on profit making and see the care for the environment only as a hindrance to achieving their goal. Government is concentrating on generating revenues for development and exploiting natural resources is one of the easiest way for them. NGOs always fight to protect the environment as such people see them putting environment as more important than people. All of these actors need to understand that sustainability must consider the triple bottom line (profit, people and planet) at the same time with a proportional balance.

By offering the SBD specialization, it is expected students who take the specialization will have the same understanding about the sustainability concept and later apply it in their decision and policy making process.

## **Sustainability of SBD Specialization**

Regardless of the importance of SBD specialization, there are some problems that threat the sustainability and effectiveness of this specialization at MB-IPB. First of all, it is only on option for specialization for a student to choose among nine specializations being offered. Because there is a minimum requirement of student number for a specialization to run, this could mean SBD might not be offered if there is not enough students who choose this specialization. Secondly, the RTI project will be finished in the year 2011 such that there is a question whether there will be enough resources (facilities, fund and competent faculties, etc.) to run the specialization well by then.

Fortunately, there are some opportunities that can support the sustainability of SBD specialization in the future.

1. MB-IPB in the near future will be elevated into a new status as IPB Business School. At the moment, MB-IPB is only a program under Graduate School such that it has a limited ability to quickly respond the market dynamics by adjusting the curriculum. As a business school, MB-IPB will have more autonomy to respond at the change in market environment and to establish cooperation with other institutions, locally or overseas. This new status, therefore, can be exercised for quickly adjusting the curriculum to accommodate sustainability concept not just a specialization but as a separate program altogether or the message of sustainability can be delivered as part of every related courses.
2. As a Business School, MB-IPB will be given a mandate to offer undergraduate program in Business. This creates an opportunity to boost an interest in sustainable development even earlier than graduate level by designing from the beginning sustainability as part of the core curriculum.
3. The sustainability issue is becoming more and more important in Indonesia. It can be expected that in the future interest of the students to learn more about the sustainability will keep increasing from time to time.

#### Strategy to Make SBD Sustainable

For the first batch, SBD specialization has already shown a good sign. There are 15 students who took the specialization. The number is increasing for the second batch (23 students) such it becomes the most popular concentration ever at MB-IPB. It is not clear, however, whether this is going to be sustainable or not. If the high interest because there is an international flavor in it for the first and second batches, then there will be a problem when the RTI project is finished. If the interest is genuine, however, there is a high probability that this specialization is promising. Therefore, some strategies need to be formulated to anticipate the future dynamics of SBD interest. Among those strategies are as follows.

1. MB-IPB and MSM must work hard to give a good impression for the students who take the specialization. This will become an effective mouth to mouth promotion for the next batch. This impression may come from the actual class performance i.e. lecturing, examination, and grading, and or the performance of students in finishing their research and study.

2. Training as many faculties as possible to spread the awareness about sustainability concept. This socialization is intended for the lecturer to convey the message of sustainability in every course they give where it is relevant. At the same time, more faculties will have competencies in teaching the subject.
3. Try to make the sustainability concept as part of one or more compulsory subjects to be taken by the students. This way, it does not really matter whether the specialization is offered or not, the message on sustainability is still conveyed to the students.
4. Special promotion for the SBD specialization every time the students is starting to choose their specialization need to done as not many students have a clear understanding what is this new specialization all about. Special leaflet for the specialization would be very useful.
5. The promotion about this new specialization is needed even to attract new students. This way, potential students is made aware that MB-IPB will offer this kind of specialization.
6. At the mean time, MB-IPB and MSM is preparing a double degree MBA program. This collaboration will ease some of the problem with competent resources and the reputation as international program.
7. SBD specialization can also be designed as tailor made training programs which can be offered either to students or external parties such as business executives, NGOs and government officials.

#### **SECOND TRACK : REASEARCH IN SUSTAINABLE BUSINESS DEVELOPMENT**

As part of SBD specialization, every student must undertake research with a topic relevant to sustainable business development. This is the second track of two track strategy to increase the awareness about the concept and to accelerate the level of adoption. Research track will tackle the challenge of translating the concept of sustainable competitiveness into practice. Here where universities and research center is expected to take role.

Although many researches around the topic have been undertaken in many part of the world, many more researches are still needed as local specific issues are common. From SBD concentration at MB-IPB not less than 35 studies were done on five group of commodities. They are palm oil, agro/eco tourism, horticulture (mangosteen), shrimp, and livestock. The studies are varied from the implementation of good agricultural

practices in the production side to customer satisfaction at the other tip of the value chain. Eight from those studies are presented in this special issue of Journal of Management and Agribusiness.

In general, value chain analysis is a popular framework used by the students to look at the complex and inter-related problems faced by Indonesian agribusiness. By mapping and analyzing the value chain, the student can usually identify the source of competitiveness problem and formulate upgrading strategy to overcome the problem. Various tools of analysis from mere descriptive and qualitative method to quantitative method were used to analyze the data. Regardless of the method, an in-depth interviews with important stakeholders and field observations are usually conducted to get a valid conclusion.

To make sure applied research on this topic is going to be sustainable, a research center named Center for Sustainable Business Competitiveness was established under MB-IPB. Among the objective of the center is to study the sustainable competitiveness of Indonesian produced commodities and to facilitate stakeholders of every commodity to sit together in solving their competitiveness problem.

## CLOSING NOTES

There is no dispute that sustainability in development and doing business is very important for human life either for developed countries or developing countries. The problem is how can we make the good concept in to reality. The challenges for developing countries is specially huge. They are still faced with basic chronic problems such as poverty, illiteracy, unemployment etc. This paper proposed that building the awareness through education process is more strategic. This paper also tried to formulate some strategies to make the newly created specialization entitled "Sustainable Business Development" can be sustainable. These strategies can become a reference for any other university which is trying to do the same.

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