CORPORATE PARTICIPATION IN REGIONAL SUSTAINABILITY INITIATIVES

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Abstract

Regional Sustainability Initiatives (RSIs) may play a significant role in promoting the cooperation of different stakeholders of society towards a more sustainable future. RSIs can often deal with a number of environmental and social problems more effectively and efficiently than international, national or local activities. RSIs are getting more and more frequent in many countries and are also promoted by the European Union. An on-going research project conducted at the Corvinus University of Budapest, supported by the EEA and the Norwegian Financial Mechanism, aims at the characterization of such Regional Sustainability Initiatives from the point of view of corporate participation. The research examines the underlying principles of RSIs and their implementation in practice; the motivational factors of different stakeholders. The paper introduces six theories which can explain corporate participation in RSIs, the barriers to participation and the success factors. The first results of an interview based empirical survey are presented and short recommendations for policymakers are provided.

Keywords

regional development, regional sustainability initiatives, stakeholder participation, corporate sustainability, corporate involvement is SD
1. Introduction: research problem and objectives

According to E. O. Wilson, “The central problem of the new century…is how to raise the poor to a decent standard of living worldwide while preserving as much of the rest of life as possible” (Wilson, 2003, p. 189.).

Wilson, together with an ever increasing number of authors from the different fields of natural and social sciences (see e.g. Brown, 2006) provide ample evidence of the rapid degradation of our natural environment, which justifies worries relating to the quality of life of humans in the future, even if we take an optimistic approach relating to new technological solutions.

The activities of the corporate sector have been in the centre of environmental and social debates since the early days of the conservationism movement and the first alarming reports on pollutants found toxic to humans and other living creatures in the 1960’s. Rachel Carson’s pioneering work (Carson, 1962) has been followed by an increasing number of similar observations in the second half of the last century and ever since (see e.g. Brown, 1984-2006).

The corporate sector has reacted accordingly. National and international surveys provide ample evidence of a shift in corporate strategies, which can be characterized by a much broader set of objectives (i.e. including environmental and social aspects) when compared to traditional, shareholder value based approaches (see e.g. a comprehensive study carried out by an international team of experts and coordinated by OECD (Kerekes et al., 2005; Darnall et al., 2005) or a survey of U.S. companies conducted by the Center for Corporate Citizenship at the Boston College and the U.S. Chamber of Commerce, 2005). To achieve their strategic objectives, companies utilise a number of management tools designed to deal with environmental and social issues.

The fact that environmental and social issues cannot be ignored or played down any more by the corporate sector is also reflected by scientific evidence showing that companies, which improve their environmental and social performance, also outperform companies with a lower performance in these domains (for an empirical survey see e.g. Judge et al., 1998). But even a less rigorous examination of corporate practices (e.g. an overview of corporate publications, such as social and environmental reports, brochures, advertisements etc.) can provide enough evidence of the new tools available and used by corporations to address environmental and social issues.
Meanwhile, there is a continuously increasing effort both at the international and national levels to mitigate the impact of human activities on the environment and to solve social and economic problems all around the world. National and regional sustainability strategies have sprouted based on international treaties and other initiatives to address a wide array of issues relating to Sustainable Development (see e.g. the Sustainability Strategy of the European Union, 2006 and 2009).

One important aspect raised by these initiatives refers to the geographical scale of their design and implementation. It seems evident that both problems and their potential solutions differ at the global, national, regional and local levels; that problems should be dealt with at the most appropriate level and that solutions at a certain level may have positive or negative impacts on sustainability issues at other levels.

This implies that a holistic approach is needed, as also reflected by a number of international conventions and agreements and their resulting documents, such as the Agenda 21 (UNCED, 1992) emphasizing the importance of the local and regional levels of Sustainable Development. Parallel to these advancements, the European Union has accepted the principle of subsidiarity, urging action at the lowest suitable level (European Union, 2002).

While claims regarding the benefits provided by a local or regional approach to Sustainable Development and the participation of different stakeholders in the process towards sustainability have been generally accepted and used by both policy makers and other participants, empirical evidence provided by scientific research is scarce and filled with contradictions. Research activities undertaken at the Corvinus University of Budapest supported by the EEA and the Norwegian Financial Mechanism aim at mitigating these deficiencies of the literature by taking a closer look at the characteristics of corporate participation in Regional Sustainable Development Initiatives.

During our analysis we aim to uncover the motives of different stakeholders participating in or staying away from RSIs and the different factors determining the success of RSIs with regard to the participation of corporate entities. We focus our efforts on corporate participation and seek answers to questions relating to the expectations of corporate stakeholders when participating in RSIs; to the barriers, which hinder successful corporate participation; and the most important prerequisites of corporate participation. Using our
results we also aim at providing some insights on how regional and national governments can foster corporate activities in RSIs.

In the next section we introduce the role of regional activities towards Sustainable Development to be followed by a review of the literature relating to the participation of the corporate sector in such initiatives. Here we look at the most important theories explaining corporate engagement in different societal activities; some recent developments in regional policy relating to Sustainable Development; and a couple of good examples of corporate participation.

Based on this review of the literature we finalise our research model and introduce the methodology of our empirical undertakings. Finally we introduce the results of our analysis and provide a discussion of our most important findings.

2. The role of regions in fostering Sustainable Development

For the purposes of this research, we define Regional Sustainability Initiatives as activities, which can be characterized by the following criteria (based on Zilahy and Huisingh, 2009):

1. They pursue activities towards a more environmentally, socially and economically sustainable future through the participation of different societal groups based on objectives accepted/agreed upon by these participants;
2. Their geographical scope falls between the country/state level and the local level of cities, towns and other local communities. Thus regional sustainability initiatives are usually carried out with the participation of several counties and/or towns, or, typically in the U.S., in a number of counties surrounding a city, leading the initiative;
3. Participation is open to any organization/individual interested and as a result, more than two different types of organizations (including the general public) participate in the initiative. Usually RSIs involve governmental organizations, non-profit organizations, special interest groups, representatives from the public and business organizations. Activities carried out with the participation of only one or two types of these organizations will not be considered as an RSI for the purposes of this research;
4. The participation of all organizations and individuals is voluntary.
Regional Sustainability Initiatives (RSIs) may play a significant role in promoting the cooperation of different stakeholders of society towards a more sustainable future. RSIs can often deal with a number of environmental and social problems more effectively and efficiently than international, national or local activities. RSIs are getting more and more frequent in many countries and are also promoted by the European Union (Zilahy and Huisingh, 2009).

Alike the definition of sustainable development, the concept of sustainable regions is also suggested to be “an idea of scope rather than a precise definition” (Thomas and Rhisiart, 2004, p.16).

As environmental, social and economic problems multiply rapidly, Sustainable Development should be integrated into regional policies. Regions can successfully combine a wider ‘systems’ perspective with the benefits of the sub-national scale. However, this process does not have a long history: the first commitments to sustainability in regional legislative documents appear only in the end of the last century (e.g. Wales Act, 1998, referred to by Thomas and Rhisiart, 2004, p.11).

3. Corporate participation in regional initiatives

3.1 Theoretical underpinnings

The main theoretical considerations behind the proposed research are provided by the literature focusing on the inter-organizational relationships characterizing business organizations.

As we have defined them, RSIs may be understood as a special form of inter-organizational relationships, in which business organizations engage in a relationship with other businesses and/or other types of organizations and which aim at a number of specific objectives set up as a result of consensus among the participants.

Barringer and Harrison (2000) examine six different theoretical paradigms that explain the formation of inter-organizational relationships, namely transaction cost economics, resource dependency, strategic choice, stakeholder theory, organizational learning and institutional theory. These theoretical approaches provide insights relating to the reasons for the engagement of business organizations in different types of relationships with each other and
other types of organizations and try to explain why some of these activities fail, while others benefit their participants.

One of the most important findings of Barringer and Harrisons is that while all of the theories they analyzed provide some justification for the formation of inter-organizational relationships, “none of the six theories are holistic; they each explain relationship formation from a narrow point of view” (Barringer et al., 2000, p. 395).

In their article Selsky and Parker (2005) reviews the literature on cross-sector partnerships, which they define as “projects formed explicitly to address social issues and causes that actively engage the partners on an ongoing basis” (p. 850). They divide existing management and organization research relating to such partnerships into resource dependency and social issues approaches and introduce a new platform, which they call societal platform and is based on the literature outside of organization studies.

While the analysis of Barringer and Harrison embraces cross-sectoral partnerships (especially when they address the stakeholder theory of the firm), they also investigate relationships formed solely by business organizations. These latter formations, however, even if conducted at the regional level, form only one part of the current research. We look at these theories now focusing on their implications for corporate participation in RSIs.

*Transaction costs economics (TCE)* emphasizes the importance of the production and transaction costs associated with the activities of business organizations when deciding about whether to undertake an activity within or outside of the borders of the organization (see e.g. Williamson, 1991; Madhok and Tallman, 1998). While the typical question raised by the theory relates to the ‘make or buy’ dilemma, from an inter-organizational point of view TCE argues that companies engage in different types of relationships with each other when they can thus reduce the total of their production and transaction costs within the scope of their co-operation. While TCE can explain a number of organizational decisions, such as the behaviour of business organizations when entering new markets, the rationale behind the formation of joint ventures or the benefits of networking between specialized organizations, some argue that transaction costs may not even be an important determining factor of managerial decisions (see Faulkner, 1995). Since the focus of TCE usually remains within the domain of the relationships among business organizations, its implications for our research are limited.
Resource dependence theory is based on the notion that organizations do not possess all of the resources required for their successful operation and thus have to obtain these from their environment through different types of engagements with other organizations (Pfeffer and Salancik, 1978; Das and Teng, 1998). Resource dependence theory focuses on the dependency of business organizations on outside units, such as suppliers, competitors, creditors and governmental agencies and other relevant organizations in the firm’s environment and emphasizes that “organizations must (1) acquire control over critical resources in an effort to decrease dependence on other organizations, and (2) acquire control over resources that increase the dependence of other organizations on them” (Barringer et al., 2000, p.372.). Benefits from inter-organizational relationships thus may arise from acquiring important skills and resources (e.g. from direct co-operation between organizations or from membership in industrial and other associations, chambers of commerce, etc.) and increasing market power.

The strategic choice perspective provides a wide range of reasons why companies choose to engage in inter-organizational relationships. These may include the increase of efficiency and market power, the hindering of competitors on the market or any other move, which provides a strategic advantage to the organization. According to Powell “firms pursue cooperative agreement in order to gain fast access to new technologies or new markets, to benefit from economies of scale in joint research and/or production, to tap into sources of know-how located outside the boundaries of the firm, and to share the risks of activities that are beyond the scope of the capabilities of a single organization” (Powell, 1990, p. 315). Barringer and Harrison note, that while the strategic choice perspective is very broad, it is possible “to divide strategic reasons into four groups: (1) relationships that increase market power through the erection of entry barriers or the creation of monopoly-type influence, (2) relationships that increase political power, or the ability to influence governing bodies domestically or internationally, (3) relationships that increase efficiency in research, production, marketing or other functions, and (4) relationships that provide product or service differentiation (Barringer et al., 2000).

The early investigation of a stakeholder view of the firm date back to the 1960’s and as early as in 1971, when foreseeing the diminishing importance of stockholders, Taylor noted that “In practice it is clear that in the 1970s business will be run for the benefit of other stakeholders, too” (Taylor, 1971).
According to Freeman's seminal piece describing a stakeholder approach to strategic management, a more turbulent business environment characteristic of the second half of the 20th century requires a new approach to the management of business organizations (Freeman, 1984). This new type of strategic management, contrary to previous practices, should take internal and external stakeholders into account. Defining stakeholders as “any group or individual who can affect, or is affected by, the achievement of a corporation’s purpose” (Freeman, 1984, p. vi) Freeman asserts that both a shift in the traditional relationships of organizations as well as the emergence of new organizations influencing businesses necessitate the development of a new conceptual approach (Freeman, 1984).

A stakeholder view of the firm emphasizes the instability of the business environment and suggests that the appropriate management of stakeholders helps companies reduce environmental uncertainty (Kraatz, 1998).

Another powerful theoretical consideration relating to inter-organizational relationships is the approach of organization learning. This line of thinking is based on the observation according to which knowledge accumulated by business organizations plays an increasing role in their competitiveness and that organizations can acquire knowledge through learning from each other and other organizations. According to Powell, Koput and Smith-Doerr (1996, p.118.): “Knowledge creation occurs in the context of a community, one that is fluid and evolving rather than rightly bound or static. The canonical formal organization with its bureaucratic rigidities is a poor vehicle for learning. Sources of innovation do not reside exclusively inside firms; instead they are commonly found in the interstices between firms, universities, research laboratories, suppliers and customers.”

March (1991), when exploring the relationship between exploration and exploitation in organizational learning suggests that the appropriate balance between these two types of learning are vital for the success of organizations. Exploration can be understood as an innovation process, while exploitation refers to the refinement of already available techniques. Organizational learning in both of these fields can be facilitated by the collaboration of different types of organizations in an RSI setting.

Inter-organizational relationships can finally be described within the framework of the institutional theory of the firm. Based on the literature on institutional theory, Barringer and Harrison state that “institutional pressures presumably motivate firms to pursue activities that will increase their legitimacy and cause them to appear to be in agreement with the prevailing rules, requirements, and norms of their business environments. One way that
firms can do this is through participation in inter-organizational relationships” (Barringer et al., 2000, p. 380). From the institutional point of view, inter-organizational relationships can help the market performance of organizations through an increase in visibility, reputation, image and prestige as a result of participation in Regional Sustainability Initiatives. Barringer and Harrison’s survey of the theoretical foundations of inter-organizational relationships also points at an important deficiency of the literature: while the benefits of such relationships are often discussed, little attention is paid to potential disadvantages (Barringer et al., 2000). For example, in the context of Regional Sustainability Initiatives the increased transparency of company activities resulted by RSI involvement can lead to higher stakeholders demands.

3.2. Regulatory background

3.2.1 Regional sustainability policy in Europe

Over the last few decades significant changes have been made in the European Union delegating increasing political power to the regional and local levels. This has led to the strengthening of regional and local autonomy and democracy, which makes the implementation of regional development policies more likely (REGIONET, 2003).

The prime ministers and heads of state of European countries launched the Lisbon Strategy in 2000, a comprehensive reform program for the period of 2000-2010. The Lisbon strategy aimed at the transformation of the European Union into the most dynamically developing knowledge-based economy in the world which can achieve sustainable development, full employment and social cohesion. The main tool of the Lisbon strategy was to significantly increase the financial resources available to the social and environmental pillars of sustainability. The internalization of externalities received high priority, even at the expense of economic development. However, this desirable approach was not long-lasting, as the implementation of the Strategy became too bureaucratic over time and as economic priorities started to dominate all other objectives. The 28 main goals and 120 targets were monitored by 117 different indicators and resulted in 300 reports which made strategic thinking impossible. The Barroso-Committee revised the Strategy in 2005, stressing growth and jobs as first priority, with a stronger support of infrastructure, social and economic cohesion, as well as research and development. The renewed Lisbon Strategy (2005)
retained the goal of environmental and social sustainability as a horizontal objective in a softer form (sustainable development should be enforced in every measure and action).

In 2006, the European Council accepted the renewed Sustainable Development Strategy of the European Union (EUcSDS) which is based on the principles and goals of the renewed Lisbon Strategy stating that the Lisbon Strategy provides a proper basis to achieve the comprehensive goals of sustainable development via its efforts towards strengthening competitiveness, achieving economic growth and increasing the employment rate (referred to by the National Sustainable Development Strategy (NSDS) of Hungary, 2007).

A recent study discussing the effectiveness of regional development policy of the EU and the convergence process of the new member states argues that regional disparities confirm the so-called ‘trade-off’ theory (Csite and Németh, 2010, p. 10). According to this, a centre-periphery-structure characterizes the EU-15 and newly accessed countries with regard to their economic structure, productivity differences and income disparities. The authors see some convergence as the growth rate of Central and Eastern European (CEE) countries was higher between 1995 and 2003 than in the more developed member states, which resulted in a convergence of regional economic structures. However, this convergence process is very slow and it is primarily influenced by country-specific features, instead of regional features (Csite and Németh, 2010). Furthermore, these country-specific convergence processes resulted in growing regional divergence within the countries: while some regions, usually including capital cities have been growing at a rate higher than national averages, other regions lack behind. For this reason the priorities of development policies in CEE countries shifted towards the convergence of regions lagging behind. A Lithuanian analysis came to the conclusion that the support provided by the Cohesion Fund of the EU resulted in an increase of regional differences within the country (Mays, 2007, cited by Csite and Németh, 2010).

Some other issues at the EU level also add to the problem and slow down the development of sustainable regions in the member states. These include a lack of coordination between different financial funds, the high level of bureaucracy and the long lead time of projects and decisions. In the case of already existing regional and local sustainable development targets, the main challenge is to translate the policy into good practice.
At the European level one of the main principles of regional Sustainable Development is *subsidiarity*. Subsidiarity is “generally understood to mean the devolution of power to the lowest level which can effectively deploy it, a means of keeping power and decision-making as close to the citizen as possible” (Flynn and Morgan, 2004, p. 21).

While Sustainable Development policies are usually designed at the national level, they are often realised at the regional and local levels (Flynn and Morgan, 2004). The implementation of the subsidiarity principle, however, is often restricted by both the top level of policy-making (not giving enough power to the lower levels) and by the bottom level (rather talking about it than practicing it) (Morgan, 2002).

### 3.2.2. Regional sustainability and development policy in Hungary

The regions of Hungary have been set up as statistical units rather than as a result of a long, genuine development process. Thus, regions form a relatively transparent system from the point of view of policy makers but this does not necessarily make them the best basis for regional sustainability programs. The Regional Operative Programs (ROP) which aim to develop the regions are based on these statistically constructed regions and their effectiveness is therefore often ambiguous and questionable.

In Hungary, regional development strategies are based on documents such as the National Sustainable Development Strategy (NSDS), the Development Policy Concept, the Regional Development Concept and the New Hungary Development Program. This reflects a top-down approach, which may not be appropriate for regional development.

The National Sustainable Development Strategy (NSDS) went through a broad discussion process taking 2.5-3 years and it could be a proper basis for regional sustainability efforts. However, the last phase of planning was strongly influenced by the convergence program in 2007 and short term liquidity objectives overwrote the most important sustainability objectives.

One of the most important documents relating to regional development in Hungary are the Regional Operative Programs (ROPs) which were created under the pressure of country-level documents. Since sustainability is a horizontal objective in project planning and implementation, it is often considered as a ‘must’.
Among the Operative Programs only one – the Environment and Health Operative Program – contains a call for tenders aiming at regional sustainability (titled 'Complex sustainable micro-regional development'), but sources available to this end form only a fragment of the total budget of ROPs.

At a lower level, the so-called Integrated Urban Development Strategies (IUDSs) integrate the economic, environmental and social objectives. The IUDSs are based on the Bristol Accord (2006), emphasizing the importance of a sustainable built environment and the partnership of different stakeholders including NGOs.

According to the National Sustainable Development Strategy of Hungary, “Local governments have major duties and responsibilities in tackling problems relating to the lack of sustainability in society, ranging from education through health and social services to exercising powers of authorities and monitoring environmental damage. However, as a consequence of the above mentioned structural problems, many of Hungary’s local governments do not have adequate capacities and resources for carrying out and exercising, in an adequate way, an increasing range of tasks and competences assigned to them.” (NSDS, 2007, p. 30).

The strategy also stresses the problem arising from a fragmented local governmental structure and suggests the forming and operating of micro-regional associations: “one advantage of micro-regional organisations is that they can manage local sustainability problems at the lowest possible level and in an integrated way, from water and sewerage services through social problems to economic development” (NSDS, 2007, p. 30).

3.3 Some practical experiences

The research puts a special emphasis on those themes within RSIs (e.g. green purchasing/public procurement, industrial eco-systems etc.), which may bring significant benefits towards a more sustainable future only when corporations commit their resources to cooperate with other stakeholders at the regional level.

Decision-making for a more sustainable society should take a more co-operative and consultative style in politics. Such a shift has been done in Wales in 2002, when the National
Assembly for Wales established Section 121 of the Government of Wales Act, to promote sustainable development (Flynn and Morgan, 2004). The Welsh system was a pioneer in Europe. The second step was to build the Sustainable Development Charter Group, consisting of over 25 environmental NGOs, key government agencies and the Environmental Planning Research Unit at Cardiff University. The main task of this body was “to debate the environmental policy implications of the devolution process and co-ordinate attempts to lobby” in the Parliament for sustainability objectives (Flynn and Morgan, 2004, p. 26). Regarding the involvement of business agents into formulating the Sustainable Development Scheme called ‘A Sustainable Wales – Learning to Live Differently’, attempts of the group was not really successful, as the representatives of business community were focusing on the National Economic Development Strategy instead, not very surprisingly. Local governments are supported by the Assembly via negotiating the sustainability targets together and getting associated funding to meet these targets.

As public procurement means a huge demand for goods and services, green public procurement may become a key opportunity for companies to co-operate in regional and local sustainability achievements. Morgan and Morley (2004) bring the example of using sustainable food chains in public sector catering (like providing school food for example) which generates several benefits like reducing health problems, creating new local markets for local farmers, or generating environmental benefits stemming from localization. However, the benefits seem to have been heavily outweighed by negative phenomena like underestimation of the economic importance of public sector catering in the food service sector, cost pressure on service providers pushing quality and healthiness of food into the background, predominance of the ‘small is beautiful – big is efficient’ problem, prevalence of processed food, popularity of capital intensive techniques instead of labor involvement, seasonality and price fluctuation, consumption habits etc. The cost primacy does not only manifest in company size and production procedure differences but also in the organization and implementation of public procurement itself. The problem of transaction costs also results in a preference for large food providers against their smaller counterparts as fewer suppliers mean lower transaction costs on the system level.

The construction industry can provide another example where the public sector may function as an important driver of sustainability (Cohen and Ryder, 2004). Through green procurement, the public sector can play a key role in resource productivity and waste minimization (Office of Government Commerce, 2003).
• In economic terms: building a more productive and profitable industry, addressing the fragmentation of the construction industry, developing and strengthening supply chains and partnering, building more locally based industry to counter the volatility of the economy, identifying business opportunities and innovative schemes to address forthcoming EU legislations, create the demand for recycled materials;
• In social terms: design and tailoring buildings according to the users’ needs, H&S, equal opportunities;
• In environmental terms: via energy resources and efficiency, construction and demolition materials, soil use, waste creation etc. (Cohen and Ryder, 2004).

Waste management is another area where cooperation with industry and other market players is crucial. Reducing the dominance of the linear take-make-waste logic in our societies is inevitable for Sustainable Development to succeed. Redesigning waste management is a task which should be coordinated both at local and regional levels. In some regions of the world regional sustainability is not conceptualized in an integrated manner but there are partnership initiatives which promote sustainability in the region, mainly based on individual contribution of the members to the issue. The San Diego Regional Sustainability Partnership program invites business, government, academic and community organisations to promote the sustainability of San Diego regions\(^1\). The basic principle of the Partnership is that all members should be “committed to produce tangible results within their organisations that are consistent with the vision” (http://sustainsd.wordpress.com). These individual actions are expected to collectively contribute to a sustainable region. The vision is formulated in a generic way and no specific goals are set. The San Diego Regional Sustainability Partnership is a volunteer-based consortium which is based on support and assistance of its members in the forms of volunteering, sponsoring partnership events or just by keeping up-to-date (http://sustainsd.wordpress.com).

Such sustainability initiatives may act as a good first step but they seem to be rather random in terms of the participants, sustainability efforts and final outcomes. In these instances the regions did not use the opportunity to prepare clear and specific objectives and goals towards Sustainable Development and to promote cooperation between participants of the

\(^1\) [www.sustainsd.wordpress.com](http://www.sustainsd.wordpress.com)
system. For these reasons such initiatives often remain a bundle of separated actions with no set requirements and no measurement of efficiency, effectiveness and contribution to sustainability.

4. Research model and methodology

Based on our preliminary practical experiences and the literature introduced above, the model of the research can be drawn up according to the following figure (Fig. 1).

According to the model, corporate participation in Regional Sustainable Initiatives influences the overall performance of organizations either through their environmental and social performance or directly. This happens through a number of different mediating factors, which have been identified through the review of the theoretical literature provided above as well.
as the review of policy and practice oriented literature relating to RSIs and corporate management practices\textsuperscript{2}.

While important from a corporate point of view, the relationship between the environmental and social performance of business organizations and their overall market performance does not fall into the scope of this research, as indicated in the model. (For an example of this line of thought see Judge et al. (1998) and the literature relating to corporate environmental strategy in general.)

This model defines our most important research question, namely: \textit{which of the abovementioned mediating factors has/have the most important influence on the successful participation of corporations in Regional Sustainability Initiatives.}

The nature of the research requires the \textit{empirical analysis} of selected regional initiatives with a special focus on business organizations participating in them. For this purpose, regions with active sustainability initiatives have been chosen for analysis and interviews have been conducted with the most important stakeholders. This paper provides the results gained from one such region, the Jászberény micro-region, while results from other regions will be published at a later stage of the research.

5. Results

5.1. Characteristics of the selected region

Joining the European Union in 2004, Hungary has been divided into 7 regions (so called NUTS-2 regions - Nomenclature of Territorial Units for Statistics). These include the Central Hungary region with the capital city, Budapest and its surroundings as well as six other regions each of which consists of three counties. Counties have been the traditional basis of local governance and are considered NUTS-3 regions in the European regional system. Each county has a population of 200 000-700 000 inhabitants with the exception of the

Sources studied include the resolutions of international conferences and conventions (e.g. Agenda 21, 1992); national policies relating to sustainable development (e.g. the SD strategy of the European Union, 2006); a number of case studies describing the importance, motivation, implementation and outcomes of different RSIs; development reports of regions; the environmental and sustainability reports of companies, etc.
centrally located Pest county with more than one million inhabitants and the capital with its 1.7 million people. Counties are further divided into Local Administrative Units (LAU, so called 'micro regions' in Hungary) often including 30-40 smaller or bigger settlements. While the new NUTS-2 regions are important from a European Union perspective, the county system has been operating since the foundation of the Hungarian state, more than a thousand years ago and thus has much deeper roots.

The present research has been conducted in Jászfényszaru and its environs, a small town with around 5800 inhabitants in the Jászberényi Micro Region (LAU). This Eastern part of the country is a traditional agricultural region, which lags behind the more developed Western regions of the country and the capital city. The main social problems of the region are segregation of ethnic groups and lack of equal opportunities. Unemployment hits the region unevenly with different levels in the different micro-regions and settlements.

The main environmental issues include water-related problems like floods, rainwater run-off, inland inundation, lack or low quality of communal waste water treatment, waste deposition and landfill re-cultivation, pollution from agricultural activities and air pollution from industrial production.

The economic situation in the region is influenced by its agricultural character and its proximity to the capital city.

Since many settlements have prepared their individual Integrated Urban Development Strategies, one of the prerequisites of securing resources for development purposes, the most activities to promote Sustainable Development in Hungary are designed and implemented at the local level. Still, there are initiatives which take a more regional approach, or which have a regional influence. Such is the construction of the sewage water system in the selected region which resulted in an increased capacity of sewage treatment and a potential source of energy for the future if the utilisation of produced sludge is solved.

In order to uncover more such sustainability initiatives in the region and to learn about the motives and actual activities of the most important players, we conducted several interviews with the management of the town and the representatives of the nearby Industrial Park (IP) and a big multinational corporation operating within the confines of the IP.
In Jászfényszaru and its environs, development programs – including sustainability programs – are usually initiated by the local government, often by the mayor of the city who has been working enthusiastically for her home town for two decades.

Both the Integrated Urban Development Strategy and the Urban Development Plan of the town requires the compliance with a number of sustainability aspects. The local government integrates the principles of green procurement into their tender calls (e.g. in the case of the reconstruction of roads, public buildings and the school, etc.). Energy efficiency and the use of renewable resources has a priority during the town's development projects in order to secure the long term sustainability of the town. The reduction of operating costs is another important aspect taken into account by the town both to their own benefit and to the benefit of the companies located in the region.

Financially, while most local governments in Hungary face significant problems, Jászfényszaru enjoys a relatively favourable, autonomous position as a result of local taxes paid by a multinational company in its vicinity. However, this is a double-edged situation since large international organizations expect favourable tax rates from the local governments in order to invest in a region and are ready to move further if they do not receive a special treatment. Jászfényszaru thus has to strike a sensitive balance between corporate and local/regional interests, which it did successfully in the recent years, but which necessity makes the situation of the settlement rather fragile.

An Industrial Park is operating nearby (containing the MNC as well) which is developing very fast as well and the companies of which basically employ local inhabitants. One of the ongoing projects of the town is to develop the industrial park to become a ‘Green industrial park’. As part of the project, companies operating in the industrial park are motivated to make efforts to save energy and to implement other environmental measures in order to improve their (green) image.
According to the mayor of the town, the involvement of stakeholders in sustainability initiatives is crucial. The town promotes this in several ways:
- by its public tender calls and the implementation of projects involving local participants;
- through entrepreneurial forums with local and regional participants;
- through the involvement of the public in local and regional programmes, e.g. the town rehabilitation programme;
- through civic forums for civil organizations and the public.

The local government implemented a range of activities including awareness raising of local values; the organization of selective waste collection; the protection of natural resources and the construction of a recreational park. All of these activities are supported by environmental committee of the local government, which is open to new, innovative solutions regarding Sustainable Development.

According to the mayor, one of the most important objectives is to become self-sustaining. In this regard, the town seeks ways to substitute traditional energy sources by alternative ones. Apart from the utilization of sewage sludge mentioned earlier, the town wants to rely on solar and geothermal energy in the future. The town would also support railway developments, which would benefit the whole region and further.

The local government has won a number of awards for its environmental activities and has ambitious objectives for the future. One of these is to turn the current Industrial Park into an eco-industrial park to which the management of the current IP seems to be a good partner.

According to the technical manager of the Industrial Park, one of their most important objectives is the use of renewable energy sources in the future. This shift in energy provision should be done hand in hand with the town/regional managers and the businesses operating within the IP. With such an energy system the companies hosted by the IP would benefit from lower energy costs while the town gains more independence from the national energy system.

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3 Dr. Mártí Győriné Czeglédi, Mayor, Jászfényszaru
4 Sándor Zsámboki, Technical Manager of Jászfényszaru Industrial Park
The representative of the IP sees the Integrated Urban Development Strategy as a framework for the energy modernization of both local governmental institutions and corporate facilities. It will also provide a basis for proposal development within the region to secure funding for the necessary investments.

The technical manager described the multinational organization as one having significant impacts on the town and its region and said that the company behaves like a small settlement itself, while small and medium sized enterprises behave similarly to the members of the general public. Regarding the supply of environmentally sound solutions – with the exception of building insulation – there is a lack of expertise in the region.

The two biggest companies situated in the Industrial Park tend to follow their own pathways, although in some instances – e.g. in energy related issues – they show a willingness to cooperate. The other, smaller organizations ‘go with the flow’ regarding environmental and sustainability issues.

The management of the Industrial Park provides help for project development activities, although no separate project development office exists yet (it is being implemented at the moment). It usually manages about 20-30 projects at a time taking over the project management tasks from project partners. However, the IP representative also pointed at the lack of a complex strategy building behind many proposals.

5.2 The role of companies in RSIs

The major player in the economy of the region is the abovementioned multinational company producing electronic equipment, mainly entertainment electronics. It is the major taxpayer and employer of the region and the Industrial Park and its activities have a wider impact on society than its profit making potential. The company management is ready to cooperate with both the Industrial Park and the town on the basis of mutual benefits as direct economic and/or image advantages are the main drivers for the company.

The company operates a specific organizational unit to deal with innovations, project proposals and different studies.
The company representative\textsuperscript{5} stressed that the company is a major employer in the region and that it puts an emphasis on its CSR activities to improve the life of its employees and their families. The company also regularly negotiates with the local government, recently being involved in the setting up of the Long Term Energy Policy Strategy of the town and the region. They are also actively seeking for available regional funds to improve their energy efficiency.

The ‘greening’ of the company is one of its strategic objectives, which mainly relies on eco-efficiency projects. In the case of projects requiring major investments, fast return on investment is crucial (usually 1-1.5 years) while in the case of smaller projects (e.g. the installation of energy efficient bulbs, the use of motion sensors, etc.) this is not so important and are supported by the company management for their own merits. External funds can help reduce the payback period of even bigger projects, which then are supported by the top management as well.

One of the limitations of cooperation in the energy and environmental field is a certain short-term thinking characterizing the company, which prevents it from engaging in projects requiring long term commitment. While the company does not plan to move from its current location, economic and other factors may change this situation thus limiting its deeper involvement in regional activities. One factor acting to the opposite is the reputation of the company established all around the world, which would suffer from a sudden move.

6. Discussion

6.1. Obstacles to RSIs

Some of the characteristics of current regional development practices in Hungary may make compliance with the principles of Sustainable Development difficult. As seen in the chosen region, the majority of initiatives have financial motivation while Sustainable Development rarely acts as a sole motive. Nevertheless, interviewees could name a number of implemented/potential efforts, which can bring double dividends for both the region and its corporate entities.

\textsuperscript{5} Sándor Ványi, head of unit, Building maintenance, Samsung Ltd.
Another issue relates to the requirements of many supporting mechanisms, which prescribe that projects should be sustained for a minimum of 5 years. This period of time may be too short from an environmental and social point of view even though it may seem long for participating companies.

The most important limitation of corporate participation seems to be the short term thinking of regional players and the resulting hesitation when complex, long term projects are considered by regional managers. Environmental and sustainability measures often stay at the ‘no-regret’ level, bringing fast return to the organizations, while other options with broad impacts but less financial gain are declined.

Involving environmental criteria in procurement processes – as used by the analysed local government – is a promising tool, but faces some problems, such as the lack of knowledgeable professionals and companies with appropriate certifications. This is characteristic especially to the construction industry where most of the companies still stick to the old ‘tricks of the trade’ which do not support innovative solutions.

According to the expert of the Industrial Park, a change in the way of thinking can already be sensed, but the potential technological solutions do not have a long tradition and are very expensive. For this reason, companies lack confidence in new solutions and that is made even worse by offerings which differ in quality to a significant degree.

From a corporate point of view, bureaucracy often slows down the development processes and a lack of competitive thinking of local and regional managers makes it harder to come to an agreement. For example companies would expect a faster and less difficult, as well as cheaper permitting process when setting up new investment projects.

One of our interviewees, a former expert of the Hungarian National Development Agency stated that a major problem with the European Union and Hungarian support systems – relating to regional sustainable development – is the lack of human resources in project development, especially in the peripheral areas of the country. This kind of expertise is

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6 Dr. Ferenc Molnár, Sustainable Development expert, coordinator of the National Sustainable Development Strategy in Hungary
concentrated in the capital city of Budapest and its surroundings, which deepens the gap between the more developed central regions and the countryside. Although Jászfényszaru is relatively close to Budapest, this phenomenon had to be overcome in the first years after the transition to a market economy.

The same expert mentions the following other obstacles to regional development in Hungary:

- cooperation is not deeply rooted in the Hungarian society;
- self-reliance is lacking in regions and settlements;
- bureaucracy is of high level;
- the evaluation process of proposals is slow;
- the support system does not have clear foci, more ‘good practices’ are needed;
- sustainable development appears as a horizontal goal and is often given low priority;
- contra selection is prevailing: projects/institutions supported are often those which do not need support, while those which would need can not acquire it; NGOs are either too radical or too week, often both;
- there is no regional sustainability coordination body to organize efforts;
- discount rate is high (currently at around 8%);
- the current system does not allow for integrated projects (e.g. separate proposals have to be developed for agricultural development, energy utilization and employment even if these could be integrated e.g. in a single biomass project).

These problems definitely do not help foster the establishing process of RSIs in Hungary. Interviewees from different areas (SD expert, mayor, IP manager, company representative), agreed on several barriers like high level of bureaucracy, missing sustainability focus in projects and a lack of systems thinking etc. In our opinion, the above mentioned critical factors can serve as an initial basis for our ongoing research and deeper analysis of the deterring factors in different regions of Hungary.
6.2. Success factors

According to the mayor of Jászfényszaru, the region’s success is based on the following factors:

• the ‘extra source of income’ the town has from taxes paid by the electronics producer. Such incomes usually are not available to other regions of the countryside, but ‘only the rich can save money’;
• the willingness and cooperation of town management;
• appropriate local knowledge, experience;
• the analysis of risks and a good feasibility analysis;
• resources to hire the best experts.

In the opinion of the regional sustainability expert, the gap between developed and less developed regions could be mitigated by a ‘mentoring system’ in which independent mentors financed from government sources would be allocated to the regions and micro-regions lagging behind in order to build up the necessary capacities for successful project design. He also mentions that the deeper cooperation of NGOs and other organizations and more integrated support mechanisms can enhance the success of regions towards SD.

In the opinion of the corporate representative, a special team to coordinate regional efforts, possibly hosted by the local authority and employing experienced experts would promote regional SD initiatives successfully.
7. Conclusions

Our results show that both the corporate and the governmental institutions in the selected region primarily concentrate on acquiring the necessary resources for their operations. Resource efficiency, eco-efficiency and energy savings have been mentioned more often during our interviews than any other factor suggesting that the resource dependency theory has a strong explanatory power in the case of corporate participation in Regional Sustainability Initiatives. Energy security seemed to motivate the local government and the Industrial Park more than the companies operating in the region – this is also shown by their reluctance to join a programme aiming at the utilization of renewable energy sources.

We found little evidence at the multinational company of learning from other organizations, which may be a result of its prevailing organizational culture.

Finally, companies in the region did not seem to seek social acceptance through participation in regional activities, but relied on their individual CSR programmes to achieve this objective.

These results show the importance of appropriate resource prices which reflect the external costs of corporate resource use, since factors directly influencing efficiency and thus profitability have a high priority. At the same time the promotion of mutual learning and innovation could benefit the regions because this field has not been utilized by the organizations yet.

While our results are interesting, their validity is limited to the selected region. For this reason more regions will be included in our research activities in the future.
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