Contextual nature of sustainable development in the activity of an enterprise, on the example of a municipal enterprise

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Abstract: Nowadays, in order to ensure high quality of municipal services, and thus a high quality of life for the local community, the authorities of both the basic local government unit and managers of municipal enterprises must strive to maintain high standards of sustainable development. The level of quality of life and services provided can be determined by various dimensions, such as: ecological environment, housing conditions, ecological production in the field of consumer goods, balance between built-up areas and green areas, care for agricultural areas, limiting the deepening social stratification, rational economy water or rational waste management. Therefore, the paper presents a theoretical analysis of the main directions of sustainable development in the activities of municipal enterprises.

Keywords: activity of an enterprise, local government, municipal enterprise, sustainable development

INTRODUCTION

Undoubtedly, from the cognitive point of view, the main area of considerations will be the tasks that the local government administration performs in the field of broadly understood communal services for the local community, i.e. all inhabitants of the commune, in relation to sustainable development. They are defined in detail in Art. 7 sec. 1 of the Act of March 8, 1990 on municipal self-government [Obwieszczenie … 2021], in which the legislator presents the entity that is the addressee of these tasks, i.e. the community. Depending on the size of the community, municipalities may be rural or urban. However, the legislator does not specify what features should distinguish a rural commune from an urban commune. The only formal element is the provision that a commune or town was granted the status of a town (Art. 4a).

In the cognitive context, an important element concerning the functioning of each commune is the participation of citizens in management (including co-deciding on the development of the commune, effective management of entrusted public property) having its significant source in the decentralised structure of this type of organisation. This approach is the result of the growing number of tasks that local government administration units must perform for the local community, and above all, the need to increase efficiency in the implementation of these tasks [PASZEK 2020].

CHALLENGES TO BE FULFILLED BY MODERN MUNICIPALITIES

The post-Fordist economic system after the World War II contributed to the rapid development of various types of municipalities: urban, urban-rural and rural, both in terms of spatial and structural differentiation [PARTYSEK 2008]. The phenomenon of urban sprawl on rural areas seems to be the most urgent at present in terms of finding and implementing measures to minimise its effects. The process of spatial expansion of the city – suburbanisation, which in the case of Polish cities occurs with a delay of about 20 years in relation to Western European cities, entails a chain of unfavourable phenomena.
contributing to the deterioration of the quality of life of an average citizen [LITWINSKA 2008].

In Poland, in the case of communes, the pace of development of built-up areas is much faster than the pace of development of local infrastructure. Therefore, the contemporary uncontrolled development of communes may contribute to the loss of their natural, social or agricultural importance for the inhabitants and potential investors [BARTKOWIAK, KOSZEL 2013]. Therefore, certain models and directions of sustainable development in the spatial form of a commune should be adopted (ecocity, compact city, green city, redesigning a city, externally dependent city, fair shares city, multi-functional and intensive land use, new urbanism and finally smart growth) and quality of life (self-reliant, community garden, just city and XXQ city), which have developed over 40 years and covered various aspects of the functioning of these units [MIECZERKIEWSKA 2015].

ELEMENTS OF THE PRO-ENVIRONMENTAL POLICY OF ENTERPRISES OPERATING FOR THE BENEFIT OF THE LOCAL COMMUNITY

Managing an enterprise that performs tasks for the benefit of the inhabitants of each commune (public utility company) has a specific character. They are forced by the type of the commune itself and the role it plays in the structure of local government administration. Decisions made in this type of entities can be considered on two levels. On the one hand, the commune, as a community of residents, is to pursue social goals, and on the other hand, the commune, running a business in the form of a commercial company, as a legal entity, should act for the benefit of this company. About enterprises providing specific services to the community, it can be said that [FAMELEC et al. 2019]:

- meet the basic needs of residents;
- are often durable and technically indivisible;
- are capital-intensive with a high share of fixed costs;
- prices of their services do not include market prices;
- generate positive or negative externalities for the recipients.

Decisions made by municipal bodies and authorities are a derivative of, in most cases, the implementation of the macroeconomic policy of the state and the government. Currently, it can be implemented on the basis of five principles of sustainable development proposed by Prakash and Kollman [CHUDYSKI 2007]:

- command and control;
- market, e.g. sale of emission rights;
- mandatory information disclosures;
- partnerships between the government and business in the area of pro-ecological activities (business – government – partnership);
- voluntary internal regulations.

However, they are not obligatory among this type of enterprises. While their implementation depends on legal regulations – the first four principles, in the case of the last principle, the financial capabilities of individual units have a significant impact. Until recently, the world pursued a policy based on the end-of-pipe philosophy, i.e. limiting the discharged pollutants by installing costly cleaning devices. At present, the company’s strategy should aim to eliminate pollution, but at the source. Over the years, there has been a gradual evolution in thinking and action strategies in the field of environmental protection. Based on the literature on the subject, it is possible to indicate several stages of evolution in this area, from the stage of inspiration, through the stage of maturation, fascination, implementation and integration, and ending with the stage of doubt, which concerns the feasibility of applying the adopted assumptions in economic practice [BAK, CHERA 2020].

Therefore, macroeconomic policy often determines the functioning of a municipal enterprise through:
- making one’s own goals dependent on political decisions;
- frequent change of strategic goals and priorities resulting from the lack of program continuity of central and local authorities;
- making the activity dependent on financial policy instruments [DOBROWOLSKI, HETKO 2004].

However, an important feature of each public entity is its purposefulness of operation, which in the economy 4.0 in terms of public utility entities should be focused on:

- people as the main beneficiary of public services;
- transparency of management processes;
- long-term development strategy;
- cooperation of various environments from the commune in which the entity operates;
- use of modern technologies in the areas of the entity’s operations [JONK-KOWALSKA (ed.) 2021].

EFFICIENCY CRITERIA OF GOALS OF A COMMUNAL ENTERPRISE

As the enterprise develops the range of services provided or the production process, its purpose should be updated. Due to the complexity of the main goal, which includes individual goals, there may be difficulties in defining and quantifying it. Constructing goals is related to the expected satisfaction of the needs in the future. In the literature on the subject, there is a belief that profit and its maximisation is the economic category that determines the goal function of the enterprise to the greatest extent. The neoclassical model of an economic entity that considers profit maximisation ignores the impact and relationships of income distribution over time, cash flow and risk [BARTKOWIAK 2009]. However, the neoclassical approach has a certain disadvantage, because due to the large diversity of enterprises, their diversity of forms (production, service and municipal enterprises) and the way of capital management and property liability of owners are not noticed. Therefore, closer to municipal enterprises is the behavioral approach in which the entity is treated as a multi-element structure, each of which has its own sphere of activity resulting from the assigned competences. The effect of this activity, apart from possible profit, could be:

- poverty reduction;
- socially sustainable growth;
- social inclusion;
- employment opportunities and decent work;
- improving the welfare of the local community [SZYJA 2020].

The goals in the activity of a municipal enterprise can also be formulated as a need which is an objective reflection of the situation that determines the duration and development, and as an action which is a state of desire for things which the enterprise pursues at a given time [FABIANSKA, ROKITA 1986]. Of course, this
“need” and “action” as goals constitute the basis for determining the agility criteria of goals classified according to [Kuc 2008]:
- purposefulness of action – primary and secondary goals;
- spontaneity of the choice of goals – own and set;
- hierarchy – end goals and intermediate goals;
- scope – individual, particular and institutional goals;
- compliance – coordinate, competitive and alternative goals.

According to P.F. Drucker, formal goals and their scope can be assigned [Bieniek, Rokita 1980]:
- profitability – analysis in terms of the expenses incurred;
- market position – share in turnover, prices, distribution network, company image;
- productivity – improving the relation between the obtained results and the expenditure incurred;
- financial resources – the scope of determining the demand and raising funds for the activity;
- innovations – technical, technological, organisational and economic;
- effectiveness and the possibility of development of the management staff – managerial contracts, payroll system;
- increase in employee productivity – improvement of working conditions, health and safety, various ways of motivation;
- scope of public responsibility – tasks towards the environment, environmental protection, sustainable development.

The last of these goals is public accountability. This responsibility includes, inter alia, environmental protection and sustainable development. Therefore, environmental protection is one of the goals of a modern enterprise. These goals are divided into formal and substantive. The formal goal is one that appears officially along with others in the structure of the overall goals of the enterprise, and the material goal is related to the production or its organisation, which is pro-environmental in nature. Understanding the environmental goal and including it in the provision of services, which in the municipal economy are the primary goal of the enterprise’s activity, apart from providing the service, the implementation of safe and clean technologies, processes and products can be observed in type D enterprises. In this group, the priority objective of the activity, apart from providing the service, is environmental protection. This is done by formally defining environmental goals that are part of the action strategy [Adamczyk, Nitkiewicz 2007].

In the case of companies included in groups A and B, due to the passive nature of the environmental protection policy, it should be stated that all related activities are dictated by external requirements resulting from legal provisions. Therefore, in the field indicated for type A enterprises, environmental protection, as an exogenous material objective, is enforced by regulations, norms and standards, and type B entities formulate environmental protection in the form of material objectives, as an object of public relations [Adamczyk 2001].

In each of these groups, in order to introduce appropriate technical and technological solutions and obtain the intended benefits, the managerial staff may adopt four mechanisms of implementing innovative solutions in the field of basic activities of entities:
- slight modifications;
- significant redesign;
- alternative solutions;
- completely new: processes; methods or services [Pichlar 2020].

The pro-environmental orientation of municipal enterprises’ goals is becoming more and more visible. This is facilitated by direct interaction instruments (CAC), which are prescriptive, controlling and prohibitive. In the activities of these enterprises, this leads to the designation of regulations governing the quantitative limitation of pollutant emissions, spatial management, as well as the possibility of using and using environmental resources.

Consequently, with decreasing ecological capacity, the risk of:
- ecological crisis, which reflects the level of tolerance of ecosystem loads, the level of nuisance unfavourable to the ecosystem or the level of threats and damage to the ecosystem;

In fields C and D there are enterprises in which environmental protection has been included as a goal and object of the enterprise’s policy. In a detailed provision, the type C enterprise is characterised by environmental protection as an endogenous material objective, and type D entities by environmental protection as an endogenous formal objective and an additional normative postulate. Therefore, environmental protection in type C entities is an internal goal of the company and an element of the product-market strategy. It manifests itself in voluntary undertaking of various undertakings influencing the saving of natural resources, as well as in the use of environmentally friendly technologies in the technological process. Even stronger impact and prevention of environmental threats through the implementation of safe and clean technologies, processes and products can be observed in type D enterprises. In this group, the priority objective of the activity, apart from providing the service, is environmental protection. This is done by formally defining environmental goals that are part of the action strategy [Adamczyk, Nitkiewicz 2007].

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Consequently, with decreasing ecological capacity, the risk of:
- ecological crisis, which reflects the level of tolerance of ecosystem loads, the level of nuisance unfavourable to the ecosystem or the level of threats and damage to the ecosystem;
– ecological catastrophe, i.e. irreversible level of ecosystem damage or system decay [Brodka 2021].

The necessity of sustainable development of a municipal sector enterprise in the category of possible strategic goals should be considered as the resultant of the weights of three options:
– profit in relation to safety and growth;
– growth in terms of safety and profit;
– security with respect to profit and growth [Banaszyk 1998].

The choice of each of these options allows for the implementation of strategic requirements in a different way, but they cannot, especially in the case of this type of entities, be deprived of a strong relationship with the environment. Therefore, a municipal enterprise should carry out systematic analyses of various factors in order to correctly implement the principles of sustainable development. According to the United Nations, these factors include [Clark II, Cooke 2016]:
– demographics;
– urban forms and building density;
– the wealth of the local community;
– the volume of consumption of products and services by residents;
– environmental and legal policy (depending on the type of services provided);
– competitiveness of other service providers.

### SUMMARY

In terms of the activities of enterprises performing tasks for the local community, it becomes important to determine at what level of the commune environmental, social and economic elements should be taken into account in order to be able to talk about sustainable development. It is therefore necessary to define the scope of these activities, which individually (due to the services provided) will be adjusted to: the specificity, structure of the activity and development possibilities of the entity, the structure and wealth of the inhabitants of the commune, and finally the natural environment in which the entity is located [Jones 2021].

An area where community action is necessary to ensure sustainable development. This area includes the local community, with its cultural heritage, the use of the natural environment, and in particular the functioning and productivity of basic ecosystems and opportunities for economic development. The second element with a significant impact on sustainable development is expenditure on investment and non-investment forms of development. The last element of this triad is the long-term development of the basic unit of local self-government [Giorlando 2005].

The functioning of a municipal enterprise should be included in the sustainable development of a commune understood in this way. Therefore, for the effective and efficient performance of all its functions, standards regarding economic, social and environmental standards in the scope of the company’s activity must be specified (Tab. 1).

For this purpose, intelligent solutions can be implemented, in the construction of which will be used: mechanisms for the provision of real-time services, knowledge engineering with aggregation and analysis of all data, as well as trouble-free and quick access (for authorised persons) to information from various levels of enterprise and commune management [Obaidat, 2001].

### Table 1. Standards, goals and benefits for the company resulting from sustainable development

<table>
<thead>
<tr>
<th>Type of standard</th>
<th>Primary purpose</th>
<th>Benefit</th>
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<tbody>
<tr>
<td><strong>Economic</strong></td>
<td>– performance increase</td>
<td>– balance in the environment reputation increase</td>
</tr>
<tr>
<td></td>
<td>– achieving the security of interests</td>
<td>– increase in consumer welfare</td>
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<tr>
<td></td>
<td>– safety for recipients</td>
<td></td>
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<tr>
<td><strong>Social</strong></td>
<td>– customer satisfaction</td>
<td>– increased demand for products certainty of service delivery</td>
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<td></td>
<td>– competitiveness with other service providers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>– brand strengthening</td>
<td></td>
</tr>
<tr>
<td><strong>Ecological</strong></td>
<td>– reduction of pollutant emissions</td>
<td>– lower environmental penalties</td>
</tr>
<tr>
<td></td>
<td>– compliance with the granted ecological limits</td>
<td>– the possibility of increasing profit</td>
</tr>
<tr>
<td></td>
<td>– environmentally and inhabitants-friendly production</td>
<td>– increase in the company’s value and reputation</td>
</tr>
</tbody>
</table>

Source: own study based on Bøgelund [2007].

### REFERENCES

