

# SUSTAINABILITY IN BUSINESS

## Abstract

Sustainability means efforts made to satiate our own needs simultaneously endure the ability of upcoming generations' agility to satisfy their needs undeterred. An increasing number of organizations are making sustainability as an integral part of their business strategy-realizing the potential benefits of doing well. Sustainable enterprises always tend to reflect on plethora of socio-economic, environmental variables while drafting strategic business plans. Economy, society and three pillars of sustainability in business.

Sustainability in business can be defined as the choice of management to coordinate its efforts for the betterment of environmental, social and commercial needs with accountable, ethical and long-term accomplishment of goals whereas sustainability plan is an outline of how the entity plans to achieve goals that create social, ecological and economic stability and sustainability. Sustainability ought to be profitable and a top priority from an executive management perspective. State Policy changes, upholding aboriginal rights, evaluating sustainability efforts can prove to be major challenges.

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Sustainability can be defined as the ability to retain in a relatively perpetual manner in effecting several aspects of life/business /society etc.

## **I. SUSTAINABILITY DEFINED**

Sustainability means efforts made to satiate our own needs simultaneously endure the ability of upcoming generations' ability to satisfy their needs undeterred. The UCLA charter sustainability committee has defined sustainability as: "the integration of environmental, health, social equity and economic vitality in order to create thriving, healthy, diverse and resilient communities for this generation and generations to come. The practice of sustainability recognizes how issues are interconnected and a systems approach and an acknowledgement of complexity".

Sustainability refers to the attempt made to strike a balance between the environment, equity and economy. Sustainability presumes that resources are limited and a judicious and conservative approach towards their utilization combined with long-run priorities. In simple words, Sustainability is our concern towards our children and their children, more about the kind of world we will leave for them.

We hardly find a commonly accepted definition of 'Sustainability'. In fact, sustainability can be defined from various perspectives and there are several schools of thoughts propounding ways of achieving it.

In broader sense, sustainability has often been referred as "conscious effort towards characterized betterment of natural endowments, industrial process optimization, the linear consumption of products, the direction of investments, citizen lifestyle, consumer purchasing behavior, technological developments or business and general changes." Irrespective of the magnitude of actions taken, if it causes little or less or in best case, no harm to the natural ecosystem and render not to decrease the quality of life of today's society; the actions are to be inferred as sustainable.

## **II. SUSTAINABILITY AND BUSINESS**

An increasing number of organizations are making sustainability as an integral part of their business strategy- realizing the potential benefits of doing well.

### **What sustainability mean in business...?**

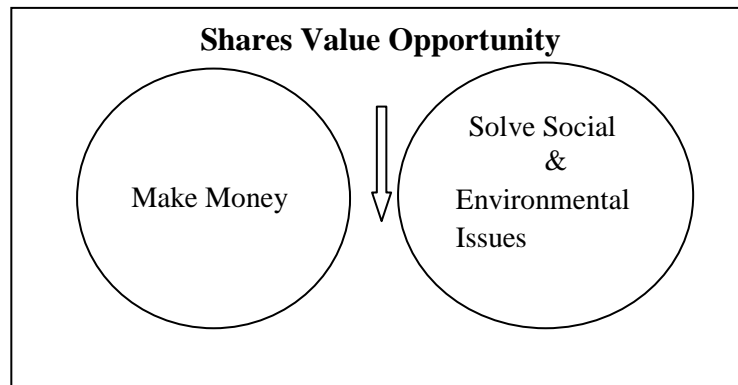
From exclusively business perspective, sustainability is nothing but doing business vigilantly in order to refrain from the negative impact on natural systems, communities and people. Sustainability in business generally reflects two specific aspects –

1. The business impact on the ecosystem.
2. The business impact on the society.

Sustainable enterprises always tend to reflect on plethora of socio-economic, environmental variables while drafting strategic business plans. Such organizations are vigilant about the impact of their operations both in short and long term. There are several

ways of making businesses sustainable viz., using quality and sustainable inputs in production processes, optimizing logistics and supply chain to reduce greenhouse gas emissions, depending and exploring renewable sources to power facilities and sponsoring education projects for backward/local community youth.

### III. CONCEPT OF SHARED VALUE OPPORTUNITY



The common area between the economic gain of the business and the social and environmental progress is referred as shared value opportunity. In other words, performing financially well should always come along with doing well to the society but not at all at the cost of the future generations and their planet.

### IV. SIGNIFICANCE OF SUSTAINABILITY IN BUSINESS

1. Sustainability has been increasingly important for companies across various sectors. There are several studies which reflect that majority of the top executives consider sustainability strategy inevitable for competitive advantage in the market; while another 22% opine that in future it would become inevitable.
2. Sustainability aims at creating long term value with due consideration for operational aspects impacting economic, social and ecological environment.

### V. BIG-PLAYERS WITH SUSTAINABILITY STRATEGIES

1. **Nike** : Focus on waste and carbon footprint minimization
  - a. **Adidas**: Developed an eco-friendly supply chain
2. **UNILEVER**: Organic Palm Oil plantations and working towards total waste management
  - a. **Nestle**: Focused on quality product, climate impact, Water Conservation.
3. **Walmart**: Sustainable Retailing, Less Waste across supply chains.
  - a. **Ikea**: Increase resource productivity and optimize material usage.

- 4. Biopharma and Biogen:** Both worked towards energy efficiency and waste reduction
- 5. Anz & Westpac:** Both these financial service providers have been into advancing local communities with sustainable practices.

## VI. CRITICAL GAPS TO BE BRIDGED

- 1. The knowing – doing gap:** The BCG/MIT study unfolds that majority of executives opined that sustainability is critical but only half of them were determined to foster sustainability as integral part of their strategies and only one in four of them was willing to incorporate it into business prototype.
- 2. The gap – compliance and its advantages:** All the corporate entities are expected to remain complaint, as compliance is mandatory. The primary focus of the company should become compliant of the regulatory framework. However, sustainability would serve as a competitive advantage in the long run; a study reveals only 24% of organizations consider it so.

## VII. THREE PILLARS OF SUSTAINABILITY AND BUSINESS

According to United Nations World Population Prospects, by 2055, planet earth would have 11 billion people living on it. Global life expectancy has also substantially increased but earth's capacity and resource are finite.

The first document introducing sustainable development concept; the brundland report emphasizes that businesses are said to have a vital role in managing effect of population in ecosystems, resources, food security and sustainable economics while decreasing the pressure society exerts on the environment.

Sustainability can have a different comprehension for different entities. It can be divided into three main mainstays: economic, environmental and social. In simple terms, being careful about humans, earth and incomes.

- 1. The ecology and the planet:** Every business has several activities to perform and in due course has many decisions to take. These decisions and operations of the business impact the environment either directly or indirectly. Quite often now companies are giving impetus to the environmental pillar. Environmental sustainability is defined by procedures, operations and efforts that mitigate the ecological impact of an organization's systems, processes and products/services.

Companies are consciously making explicit efforts in reducing their carbon footprint, by packaging waste, waste and water recycling. For instance, Walmart focused on its strategy to go zero-waste, pushing for less packaging through their supply chain and also introducing the idea of sourcing recycled materials as packaging material.

For the business with obvious impact on the environment, the total cost of wastes, polluted water, CO<sub>2</sub> emission, land reclamation in general is a challenging task, because most of the times waste management and affluent treatment is not on profit list of the

companies. In this context, benchmarking can be useful tool to quantify these externalities. Benchmarking enables tracking the progress of reducing the externalities and reporting the same.

- 2. The social pillar:** The social pillar of sustainability relates to the human capital concern alongside other stakeholders of the company. For a socially concerned business, people care should always be a top priority. The company should have an emotional connect with its employees and work beyond a business relationship.

Companies should chart-out plans working towards providing security, holistic development and well-being of its workforce. Rightly identifying the motivating factors contributing towards employee productivity while nurturing and aligning the employee goals with organizational objectives with not only create a loyal workforce but also fetch results for the company. Safe work environment, fair pay structures etc., should definitely build reputation of the company as an employer and client base eventually.

- 3. The economic pillar:** The economic pillar addresses the prime line of the business which is profit. It is imperative for companies to remain profitable, however profitability can never supersede the other two pillars. The crux of the economic pillar lies in the fact that, at what cost are the profits accruing to the business.

Economic pillar also includes compliance, good governance and risk management of the business. It is the inclusion of economic pillar that makes it possible for business to contemplate sustainability strategies. In fact, the economic pillar counterweighs the extreme measures that companies are pushed to adopt.

Sustainability encompasses the entire supply chain of business demanding accountability at all levels. The success of sustainability as a strategy largely depends on how seriously organizations embrace it and whether it is indeed a true directional change or just a chance.

## VIII. SUSTAINABILITY GOALS

Sustainability in business can be defined as the choice of management to coordinate its efforts for the betterment of environmental, social and commercial needs with accountable, ethical and long-term accomplishment of goals. Conventional business goals have always been long-term profitability and often social and environmental concerns were perceived as contradicting financial goals.

Businesses must embrace the fact that the three bottom line aspects are not mutually exclusive and companies can strike a trade –off to attain sustainability. A sustainability plan can be very useful in this process.

- 1. Sustainability plan:** A sustainability plan is an outline of how the entity plans to achieve goals that create social, ecological and economic stability and sustainability.

Corporate world doesn't operate in isolation. It co-exists within the society along with various communities. So companies taking actions in the best interests of the

stakeholders and visualizing sustainability bigger than their organization would never have to worry about survival issues.

2. **Its significance:** A sustainability plan serves a road map for any business in its conscious effort to become better than itself. One needs to thoroughly comprehend ones sustainability goals, metrics to evaluate their accomplishment and set mileposts that indicate the progress and success. Smaller organizations and start-ups can wait for some time but any business can start anytime.
3. **Creating a sustainability plan:** Pre-requisites to sustainability plan – Before a sustainability plan is developed for a business, the following are to be pondered and reiterated.
  - Mission of the business
  - Business Goals
  - Accomplishments
  - Are efforts leading to results and gaining publicity
  - Are you well equipped with staff
  - Financial resources available
  - Hurdles mostly to be encountered
4. **Sustainability planning process:** Identify the elements to be sustained in terms of
  - **Outcome:** The outcomes that are to be sustained in the long-run.
  - **Strategies:** The strategic moves required to sustain and achieve targets.
  - **Resources:** The aspects of business which demand external resources to remain sustainable.
5. Identifying the resources required viz., finances, talent, training, technology and infrastructure etc.,
6. Create case statements enables the business to stay focused on the criticality for the entity. The case statements can be like-
  - Communicate your values, purpose and mission
  - Show the impact of the business on community
  - Portray how new programs and processes will benefit everyone.

The case statements should inculcate interest, create a sense of urgency and prompt a call to action

7. **Determining financial strategies:** Sustainability plan requires funding for its effective implementation. Organization needs to chart out the target profits in order to plan for loans, credit lines, prospective investors, Government grants etc.,
8. **Identifying potential partners:** This can actually ease out the process of attaining sustainability. Exploring a large number of partnering/collaborating opportunities can

augment the success probability. Vendors, Consultants, Strategic Alliance Partners, Technology Partners, Research Collaborations, Donors and Government can all be considered.

**9. Create an action plan:** This phase includes several tasks as listed below

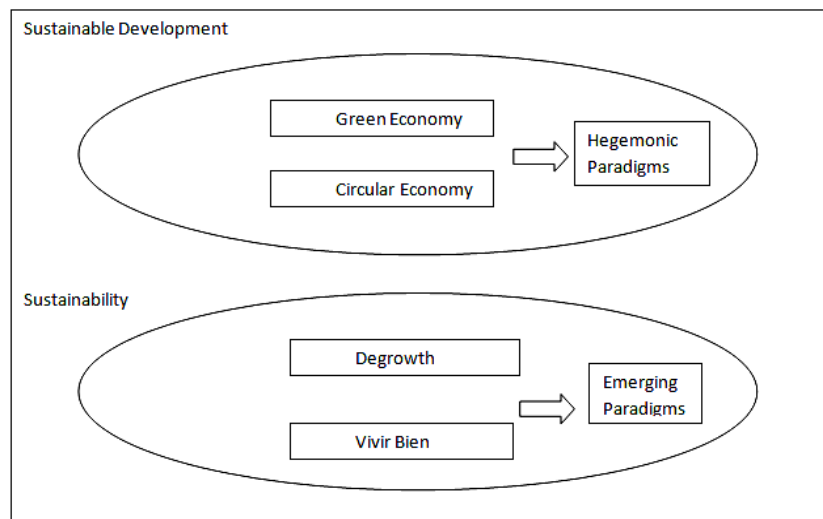
- Describing each task, who will do it and how best can it be done.
- Describing the communication strategy.
- Determining the extent of publicity need and how it can be done.

## **IX. SUSTAINABILITY Vs SUSTAINABLE DEVELOPMENT IN BUSINESS**

Sustainability and sustainable development are often used interchangeably, as both the concepts are related to ill-effects of consuming the resources rapidly than they can be replenished. *“Sustainable development is the pathway to sustainability”*

Differences between sustainability and sustainable development

1. Sustainability is an approach to inculcate the perpetual and holistic success in business. The world has been resonating with sustainability for quite some time now viz., sustainable products, sustainable alternatives and the like.
2. Sustainable development on the other hand refers to a standard growth and development pattern that falls in line with the needs of the present without encumbering the capability of the future generations.
3. Sustainability refers to the ability to survive on while sustainable development is a strategic plan drafted to accomplish organizational goals but never at the cost of rights and obligations of generations ahead.
4. Sustainability approaches environment, society and people with primary and supreme focus while sustainable development is about betterment in infrastructure, ecosystem and lead to growth.
5. It can be observed that the needs of humans are unanimously defined, differentiating sustainability and sustainable development is quite challenging.
6. Sustainability is the capacity to retain and achieve the desired outcomes whereas sustainable development is a top-notch strategic move to mitigate the carbon emissions along with the ill-effects, offer a greener and cleaner planet for our generations to come.



## X. Can Sustainability be Profitable?

Sustainability ought to be profitable and a top priority from an executive management perspective for the following reasons –

1. **Increased demand for sustainability:** The increasing demand for improved sustainability from people and society to design and manufacturing sustainable products in sustainable process. If the businesses fail to respond to this need, then there is apparent risk of products and plans being ignored.
2. **Competition from sustainable companies:** There are growing number of business responding to the sustainable product requirements of the society. If the business do not fight out the competition pro-actively then they are most often planning to fall behind.
3. **Sustainability investments can reduce costs:** Sustainable solutions might seem to be costly affairs in the beginning but over the long-run they are cost effective. For instance, decreasing waste might increase the waste management costs initially but eventually the disposal cost would decrease contributing towards good will of the company.
4. **Sustainability investment can increase revenue:** Owing to the growing demand for sustainability and the opportunity to take a leading position there is an excellent possibility of expanding markets and emerging as a sustainability company.

## XI. THREE FACTORS DRIVING COMPANIES TOWARDS SUSTAINABILITY

Reputation, Risk and opportunity are the primary drivers of sustainability.

1. Reputation is significant for companies, it accrues as business are subjected to continuous scrutiny from stakeholders. The Government and society expect sustainable solutions and efforts from companies as a proof of concern.
2. Risk stems from environmental issues that could impact logistics and other critical areas of business reflecting loss of revenues and lesser productivity.
3. Opportunities come in the form of uncovering dormant efficiency and cost savings.



4. Several corporates don't appreciate the merits of implementing sustainability. Their myopic vision limits them to look beyond damage in short-run resulting in scarcity of resources, eventually recovery from setbacks becomes challenging.

## **XII. BUSINESS SUSTAINABILITY CHALLENGES**

Corporates need to seriously think about progressing with sustainability solutions. It is high time that we bring in sustainability in implementation, transition it from thoughts to actions. In this process, the following challenges and their understanding can make business better equipped towards sustainability.

- 1. State policy about climate change:** Climate changes are a threatening alternations for current and future generations. It affects all aspects of planet equally. The firms must contribute in de-carbonizing and build pliability to climate impacts, more so when the national policy on climate change and environmental conservation is stringent and mandatory.
- 2. Coordinating for sustainability:** Addressing sustainability issues demands organized change management and often these changes require collaborative stakeholder relationships. Businesses need to voice their opinions in tandem with market competitors and also those affected stakeholders to confront sustainability sprints.
- 3. Upholding aboriginal rights:** The aboriginal communities need a protective approach for managing natural resources that impact their lands and habitat. Businesses and Governments are expected to make collaborative efforts to safe-guard the interests of these communities.
- 4. Evaluating sustainability efforts:** Sustainability reporting standards, sustainability rankings have gained impetus in a big way. Businesses are expected to strictly adhere to systems to stream line the reporting procedures while retaining efficiency, reducing discrepancies and hence generating a constructive effect.
- 5. Sustaining sustainability programs:** Owing to lack of standard comprehension of sustainability there has been inadequate understanding of the subject. However, the business finds it most challenging to remain sustainable as it is ill-defined and comprehended. There should be a consistent effort to stay sustainable in the efforts ensuring persistent outcomes.
- 6. Enriching consumer knowledge:** Merely developing and selling sustainable products/services that are accepted in the society doesn't guarantee that those efforts would be regarded as sustainability measures. Companies should ensure gaining experience in measuring, classifying and marketing sustainable products.