

Sustainability in Business: A Strategic Perspective

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Abstract

Sustainability is gaining strategic importance in this new era of business where competitive advantage is fast getting eroded due to unexpected disruptions, sudden change in regulatory framework, pressure from various stakeholders, customers' increasing sensitivity to social issues and erratic issues coming up like climatic wrath which were earlier not seen. Whether we call it triple bottom line, corporate social responsibility or going green, the fact is that sustainability has become an imperative in various business functions at strategic level. This paper makes an endeavor to understand that how various businesses have used sustainability strategy to stay competitive in the long run and how sustainability has got ubiquitous strategic appeal at various functional levels of a business. The paper throws light on various contemporary sustainability related business function trends which are creating buzz in the industry like: sustainability leader, sustainable marketing etc. The reality is that businesses are expected to find solutions to the issues which are bothering society, planet and people.

Key Words: *Sustainability, Strategic, Triple Bottom Line, Competitive Advantage*

Introduction

In the last fifty years the necessity to “sustain” this world has gathered momentum and this topic of “sustainability” has been researched and discussed about by governments, environmentalists, corporate and academicians with lots of passion (Edwards, 2005). But the questions which arise here are: what needs to be sustained, how and by whom. In one of the reports presented to United Nation General Assembly, the role of corporate and global economic system as custodians of sustainability was emphasized (Bruntland, 1987). Further, some pioneers in the field of sustainability like: Senge(2006) and Hawken (1999) advocated the engagement of business to bring sustainable growth and the need of the hour being evolution of business from corporate capitalism to sustainable / natural capitalism. Elkington(1999) coined the term “triple bottom line” which meant economic, social and environmental considerations of business to be sustainable. In the book “*Cannibals with Forks*”, Elkington(1999) asserted that sustainable growth would become a strategic and competitive issue for commerce and industry. In the book “*Natural Capitalism*”, Hawken et al. (1999) emphasized that a successful business in today's time is one which derives profit from being environmentally and socially responsible. Another remarkable book “*Hot, Flat and Crowded*” by Friedman (2008), in the “new world”, the companies which take the lead to become solution to environmental and social issues would have competitive advantage. In the book the author proposed the business to take lead in finding solution to the problems causing environmental threats by introducing such business practices which replace inefficient, wasteful energy activities with a strategy for energy efficiency and conservation and clean energy approaches. Economic opportunities are shifting towards

renewable environmental technologies. The corporations which ignore needs of future generations and are not adopting sustainable practices at a strategic level cannot survive for long (Senge et al., 2008). To give a practical shape to the abstract concept of sustainability, a sustainable business is one which creates wealth for its shareholders along with taking care of environment and creating a positive impact on the lives all those who interact with it. There are diverse opinions on this issue; there are those who feel this concept of sustainable business does not integrate with a capitalist view and then we have others who fully endorse the concept of corporate sustainability and find it investable. In 1999, the first global index based on sustainability, “Dow Jones Sustainability Index (DSJI)” was launched to track the economic performance of sustainability driven businesses across the globe (www.sustainabilityindex.com). In fact the companies listed FTSE4 Good and Dow Jones Sustainability Index have shown superior share price performance as compared to the companies listed on other indices (Savitz & Weber, 2006) and in a survey only less than four percent of the business leaders surveyed considered being environmentally and socially responsible as a '*waste of money and time*'. Therefore, the importance of sustainability at a strategic level in business practices as a driver of long term business and social success is getting recognition both by academicians as well as industry (Galpin et al., 2015).

Purpose of Paper

The purpose of this paper is to appraise that how businesses are using sustainability as a strategy at various functional levels to achieve better and sustainable growth.

Approach

This is a conceptual paper and it reviews and gathers necessary information mainly with the help of secondary data source. The study indicates that organizations and individuals can really benefit from sustainable business practices and at the same time protect the society and environment to achieve sustainable business development.

Sustainability Marketing

The traditional school of marketing is not capable enough to handle the social, ecological and commercial realities of which confront present times. The strategic vision to build an integrated approach towards sustainability marketing is the need of the hour. The main aim of marketing is to identify customer needs and fulfilling them to deliver business profits, but there is a huge disconnect between present marketing practices being followed by businesses and current social and ecological realities of marketing environment (Badot et al., 2007 and Peattie & Belz, 2010). In fact many scholars have rightly said that mainstream marketing as a discipline is suffering from mid-life crises as it fails to fulfill the ecological and social demands of its markets (Wilson and Gilligan, 1997 and Grönroos's 2007). So the need of the hour is to move marketing from short term transaction focus to long term focus of relationship and sustainability marketing.

To bring strategic shift in marketing towards sustainability requires work on four dimensions (Belz & Peattie, 2009). These four areas are:

1. Considering socio-ecological issues as an initiating point of marketing strategy instead of treating them as constraints.
2. Holistically understanding behavior of the target customer.
3. Reconfiguring the four Ps of marketing or marketing mix.

4. Utilizing and appreciating the potential of sustainable marketing practices.

The purpose is to innovate the thinking and approach of strategic marketing towards sustainability. The elements of marketing mix need to be reconfigured in the light of sustainability. Product from sustainability perspective should address customer problems as well as socio-ecological issues. A 'sustainable product' is one which one takes care of all the material and energy resources embedded in the product, takes responsibility for the environmental and social behavior of all the entities participating in its supply chain and also how the product is purchased and how it is disposed off (Peattie & Belz, 2010). The sustainability of a product also depends upon the sustainability level of the society where it is consumed and produced. So sustainable products or service can be defined as one which satisfies customer needs and also brings significant improvements in environmental and social performance throughout the product life cycle vis-a-vis competing offers (Peattie, 1995). Many times well intentioned products can also cause damage in long term to future generations, whether those are diesel guzzling SUVs or obesity epidemic causing salt laden fatty food of McDonalds, the business can't simply shirk away its responsibility towards ecology and society. But now McDonald is being forced to adopt a sustainable strategy by coming up with low fat products, salads, low fat milk etc. In fact McDonald is sourcing sustainable and wholesome food grains from Canadian suppliers. Not only companies like Mc Donald are sourcing sustainably they are even promoting healthy eating and active life style with their campaigns. If we look at 'price' from sustainability perspective then it becomes 'total cost to customer' which includes even non-financial aspects like impact on customer's environment, health etc. Regarding 'place' variable which ultimately aims to provide convenience to its customers, from sustainability perspective many times a tradeoff has to be made between providing convenience to the customers and its environmental impact. The fourth 'P' i.e. place for sustainability marketing takes the form of 'communication' with the customers in such a way that they get convinced about the sustainability solutions which the company is aiming to provide with its offerings. If the communication is not effective, the business would never be able to integrate its sustainability efforts with its customer's expectations and life styles. Poor communication would make even genuine sustainability solutions of the marketer sound like 'greenwashing' and the only approach to avoid such criticism of the company is to have dialogue and open communication with company's stakeholders instead of only relying on spreading the selective 'good news' (Peattie, 1995). There are many companies which have used marketing as a solution to various ecological and social challenges of our planet.

AIR MILES for Social Change: It's an innovative loyalty program initiated in Canada and has now spread across the world. In fact now two-third of Canadian households has AIR MILES account. The idea floated by company's CEO Andreas Souvaliotis encourages consumers to make socially conscious choices through its reward program. Business leaders like Souvaliotis, also known as 'Prophet CEOs' believe that businesses can be '*doing well by doing good*' and thus promote the sustainability based '*caring capitalism*' (Kotler & Lee, 2005). Under AIR MILES, 'green' reward program customers are offered choices from 140 eco friendly options to purchase. For example, one of the tie ups of the company is with LCBO which sells beverages which have lesser carbon footprint because these are packed in lighter containers and are shipped from

nearer locations.

(<https://www.loyalty.com/loyalty-programs/air-miles/incentives-for-social-change.html>)

Supply chain management at Ford: The passenger car company has recognized requirements for its main suppliers to endorse its social and environmental needs across the supply chain and it also coordinates with suppliers to ensure GHG emission cutback and energy efficiency goals (Kotler & Lee, 2005).

Sustainability Leader

Sustainability leader is an individual who deliver profitability goals along with protecting interests of various stakeholders, environment and thus leaving a positive impact on all those who are getting impacted by his leadership. Ferdig (2007) defined sustainability leader as one who leads business in such a way that it leaves positive footprints on society, earth and health of economy. There can be different ways to achieve sustainability leadership by giving different weightage to the three main pillars of sustainability i.e. people, profit and planet. But what are competencies required in a sustainability leader and are the supposed to have unique skills which are missing in other leadership styles. A sustainability study conducted by Boston Consultancy Group (BCG) emphasized that the fundamental business strategy practices would see transformation due to sustainability pressures. In the same study BCG tried to find out that which business stakeholder party majorly led to adoption of sustainability practices for a business and the results revealed “senior leadership” as the biggest stakeholder impacting business's inclination towards sustainability issues , followed by consumer groups, employees of the organization and then government regulators (Berns et al., 2009). Therefore, the biggest responsibility of steering businesses towards sustainability rests on the shoulder of business leaders. Further, the impact of educators in creating future leaders who can imbibe the culture of sustainability in the business is found to be maximum (Timpson et al., 2006). Redekop (2010) emphasized on the leadership dimension of sustainability. In a study done by Schwalb (2011), the grounded theory approach has been used to find the antecedents of sustainability leadership and the author has proposed the following model to explain the relation of sustainability leadership with other prominent variables. Business leaders like Souvliotis of AIR MILES green loyalty reward program company of Canada, are also known as 'Prophet CEOs' as they believe that businesses can be '*doing well by doing good*' and thus promote the sustainability based '*caring capitalism*'. The multi-level sustainability leadership model (Figure 2) establishes a framework for understanding the complex relationship between variables of competencies for sustainability leader. Psychological constructs and thinking set the stage, also the role which the individual plays impacts directly strategies and competencies. Examination of the role which the leader plays can be: advocate, outcome-driven or process-responsible. Then there are generalized traits like, knowledge, style, skills, mission-criticality and method.

Sustainability and Organizational Structure

Sustainability has become a significant strategic imperative of the today's business. But how can business leaders lead their companies' strategy towards sustainability? The answer to this question lies in fostering a 'sustainability culture' in the organizations which can motivate firms to come up with the innovative solutions for sustainability (Galpin et al., 2015). Various researches have proved that changing a organizational culture is a humongous task and that

business leaders need to apply multiple tools to transform the decision-making frame within which management and employees derive solutions concerning the challenges the company is facing (dENNING, 2011). Although changing culture is a complex and time consuming process, but organizational cultures can be changed by putting in sincere efforts by the company's leadership team (Schein, 2010). As like any other successful cultural change, bringing a culture of sustainability needs a multi-level strategy. Culture changing begins with the senior management, but it should be complemented by practices at operational level which seep into the whole of organization (Atkinson, 2012). For instance, a company's vision, mission, goals, values and strategy should send signals to external and internal stakeholders regarding the direction and focus of the firm. Likewise, the criteria for hiring employees and promoting should also be conveyed to all. Moreover, the modes and content of communications, performance management system and workforce training should support the strategic vision of building a culture of sustainability. Galpin et al. (2015) proposed the following multi-level model to bring strategic change in organization's culture for steering the business towards sustainability:

To foster the culture of sustainability in an organization, Galpin et al. (2015) supported the need of embedding the sustainability into the company's strategic management process which further helps in giving clear direction to the business about the changing environment. The first component of this model of bringing sustainability business culture is mission statement.

Sustainability in Mission Statements: A mission statement explains that how a business defines itself and sets the tone for organizational priorities (Jacopin & Fontrodona, 2009). The motive of a mission statement which aims to create a culture of sustainability in the organization should be to maintain a balance between social and financial performance of the firm (Galpin et al., 2015). There are few examples of the companies which embedded in their mission statement the sustainability agenda:

1. Chevron: *“Our company's foundation is built on our values, which distinguish us and guide our actions. We conduct our business in a socially responsible and ethical manner. We respect the law, support universal human rights, protect the environment and benefit the communities where we work.”*
2. Adidas: *“We are a global organization that is socially and environmentally responsible, that embraces creativity and diversity and is financially rewarding for our employees and shareholders”.*

Conclusion

The stories of various companies which have made sustainability as an integral part of their businesses reveal the following take away points:

Be Vocal and Clear: Sustainability should become an integral part of doing the business in the right way. It is not a corporate social responsibility obligation rather an opportunity to innovate and grow business through new services and products which can beat sustainability challenges.

Sustainability is not a Burden: It should become part of business's every day operations of what it does and how it's being done. Sustainability should be embedded into the rhythm of the firm's business and owned by each unit of the business instead of a project owned by a corporate group. Sustainability is not a trade-off: This should be a key component of the business strategy, where consumer convenience, sustainable operations, environment care and social responsibility

everything goes hand in hand. The businesses should look for ways to cater to the financial as well as the social and environmental sides of sustainability. In the present economic decline, this makes more sense.

Clarity on Sustainability Strategy: The idea is to find the right strategic fit for your business in sustainability efforts. To clearly define the areas where the firm can really make a difference on social, environmental and economic front without compromising on the customer's convenience should be the objective of sustainability strategy of any business.

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