

Lecture notes

B. Com Hons Sem III, Sub Code – 3.1

Topic – Sustainability of Corporate – Part 2

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Learning outcome after Part 1 & 2

1. Meaning of sustainability
2. Concept of Sustainable Development
3. Pillars of sustainability
4. Benefits of sustainability to a business
5. Example of sustainable business leaders.

Benefits of sustainability to a business

Over the past two decades, sustainability has become just a buzz word. Research shows that sustainability has real business benefits when conscientiously integrated into business operations. Six major advantages for practicing sustainability are:

1. Improved brand image and competitive advantage.

A significant number of consumers consider a company's impact on the environment in considering where to purchase goods and services and are more likely to purchase from companies that practice sustainable habits. The Cause Marketing Forum reports that consumers also favor companies that actively support their communities: businesses do well by doing good.

The improvement of brand awareness through “doing good” is becoming one of the pillars of advertising campaigns looking at Colgate's public awareness ads during Super Bowl promoting water conservation. We can live without

electricity or paper—people did just that for millennia—but humanity cannot exist without water, especially potable water.

Encouragement and *practice* to conserve resources not only improves brand awareness, but also penetrates at a deeper level to employees, their families, and beyond. The opportunity to enhance brand image is lost if the company doesn't do as it preaches.

2. Increase productivity and reduce costs.

Development of sustainable business practices lends itself to efficient operation that streamlines effort and conserves resources, which enhances employee productivity and reduces cost. Reducing cost also encompasses energy conservation strategies that can be as simple as turning off unnecessary lights and insulating walls to more sophisticated efforts such as installation of geothermal heating and cooling systems. Those efforts having greater overall impact will likely be more expensive to implement, but the long-term results justify the investment.

3. Increase business ability to comply with regulation.

With all the discussion regarding climate change, dwindling energy resources, and environmental impact, it's no surprise that state and government agencies are enacting regulations to protect the environment. Integrating sustainability into your business will position it to meet changing regulations in a timely manner.

4. Attract employees and investors.

People like to be associated with the positive, especially younger generations raised on a steady diet of environmental protection messages. They do not want to be linked to companies implicated in ecological disasters and social welfare scandals. Show your company as respectful of the environment and of its employees and it will attract the calibre of people whom you want to employ and the funds your business needs to expand.

5. Reduce waste.

This is likely the simplest and most obvious way to engage in sustainable practices. Beginning in the 1990s with offices collecting empty cans for recycling, the effort has grown to encompass waste mitigation in paper

(conserving trees and forest habitats), value engineering of products (reworking or developing new processes that use less raw materials, waste less material in production of goods), to changing out incandescent lights for LED lights (greater efficiency combined with fewer bulbs used).

6. Make shareholders happy.

Not only can sustainability be used to lower costs, but it can result in increasing profit. In a report “Profits with Purpose: How Organizing for Sustainability Can Benefit the Bottom Line,” McKinsey researched 40 companies to understand sustainability challenges and seek practical recommendations “to capture value from sustainability.”

They report that a study by Deutsche Bank revealed that companies with high ratings in environmental, social, and governance factors outperformed the market in medium and long range terms. McKinsey reported similar results for studies conducted by the Carbon Disclosure Project.

However, if a business can do it, morale and productivity will improve even as sales increase and costs decrease. It’s the ultimate win-win achievement for the shareholders, the consumers, and the employees.

In simple words, sustainability is a business approach to creating long-term value by taking into consideration how a given organization operates in the ecological, social and economic environment. Sustainability is built on the assumption that developing such strategies foster company longevity.

As the expectations on corporate responsibility increase, and as transparency becomes more prevalent, companies are recognizing the need to act on sustainability. Professional communications and good intentions are no longer enough.

The following industry leaders illustrate what sustainability initiatives look like:

- Nike and Adidas have both stepped up seriously. Nike has focused on reducing waste and minimizing its footprint, whereas Adidas has created a greener supply chain and targeted specific issues like dyeing and eliminating plastic bags.

- Unilever and Nestlé have both taken on major commitments; Unilever notably on organic palm oil and its overall waste and resource footprint, and Nestlé in areas such as product life cycle, climate, water efficiency and waste.
- Walmart, IKEA and have moved toward more sustainable retailing, largely by leading collaboration across their supply chains to reduce waste, increase resource productivity and optimize material usage. It also has taken steps to address local labour conditions with suppliers from emerging markets.
- Pepsi and Coca-Cola have both developed ambitious agendas, such as increasing focus on water stewardship and setting targets on water replenishment.

These firms have all made strong commitments to sustainability, in large part through transparency and addressing material issues.

The concept of sustainable development, although had appeared in 1970, was widely disseminated in early 1980s by the World Conservation Strategy, which called for the maintenance of essential ecological processes, the preservation of biodiversity, and sustainable use of species and ecosystem.

Sustainable development encourages us to conserve and enhance our resource base, by gradually changing the ways in which we develop and use technologies. Countries must be allowed to meet their basic needs of employment, food, energy, water and sanitation. Everybody has the right to a healthy, clean and safe environment.