

# The Business Case For Sustainability

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The further we get into the 21st Century, the more apparent it becomes that we're reaching a crucial turning point. The need for a better and more conscientious focus on sustainability is a global issue, and many businesses can do their part to help protect the environment.

For understandable reasons, there has been significant pushback to this in the business world. Many business owners speculate that the rewards of introducing more sustainable methods to their business would not be worth the overall cost.

And while this is an understandable position, it might not be accurate. There is a strong business case for sustainability based on various factors. Consider first this definition from Stefan Schaltegger's *Encyclopedia of Corporate Social Responsibility*:

*The company has to realize a voluntary, or mainly voluntary, activity with the intention to contribute to the solution of societal or environmental problems. These are intended activities for the society or the natural environment which are not just a reaction to legal enforcement or regulations.*

If there's no legal imperative to embed sustainable practices, large-scale sustainability is a nonmandatory decision for companies. However, there are other incentives in addition to statutory obligations. Let's take a closer look at some of the main facets of the business case for sustainability.

A significant consideration that businesses need to make is that the priorities of their potential employees are changing. Millennials and Generation Z have grown up with more access to information than ever, so knowledge of environmental issues and their urgency is no secret to them.

Because of this, employees from those generations will put far more trust in a company with a proven sustainability commitment. Adi Gaskell wrote on this topic for Forbes, in a piece that analysed the results of numerous different studies. She noted this conclusion from a Cardiff University study:

*Around a quarter of respondents thought that climate change was the biggest issue facing Britain in the next 20 years, with only Brexit reported as a more pressing concern. This is a radical leap from 2016, when the same survey placed climate change in a lowly 13th spot, with just 2% of respondents believing it to be crucial.*

The shift is happening rapidly, and businesses need to be aware of it for the future. These are the generations that will make up their workforce in the coming years, and many will only choose businesses whose practices align with their ideals.

Such employees will also be much more eager to engage with the internal culture of their workplace when a topic of great importance to them is taken seriously. So attracting and engaging employees is not just about business practices but also the workplace atmosphere.

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Another thing that businesses must be aware of is that the ever-changing environment may actually impact their production somewhere down the line. It's not just about adhering to social expectations but also about recognising the environmental risks that your business is likely to face.

Tensie Whelan and Carly Fink discussed the necessity of curbing environmental risks in a study for HBR. They had this to say:

*Unlike traditional forms of business risk, social and environmental risks manifest themselves over a longer term, often affect the business on many dimensions, and are largely outside the organization's control. Managing risks therefore requires making investment decisions today for longer-term capacity building and developing adaptive strategies.*

The study goes on to point to a variety of relevant examples. One such is the agriculture sector. Climate change is going to alter growing conditions and seasons, which could lead to significant consequences on production and increased capital costs for agribusinesses.

It is also noted that Coca-Cola was forced to shut down one of its plants in India due to climate-induced water shortages. Since then, Coca-Cola has recognised the need for sustainable practices and invested over \$2 billion to reduce water use and improve water quality in areas they wish to produce.

This is the type of action that businesses should consider taking. Of course, Coca-Cola is one of the most profitable companies in the world and can afford such an

investment, but smaller companies can make smaller investments in sustainability that will still make a difference.

Similarly, they can take more internal actions, which aren't a monetary investment. In fact, introducing some practices could reduce costs and environmental risks. Remote work became more prominent during the recent COVID-19 pandemic, and the positive results in terms of carbon emissions were well documented.

A full-scale remote transformation, or even a hybrid approach, will only be possible for some companies, and it is not a guaranteed solution for environmental risks. For companies where it is possible, they can cut costs by reducing the size of their office or by not having to provide the same amenities to employees working in-house every day.

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Esteban Pages of the Globalization Partners blog offered some other ideas for sustainable practices, such as this one:

*Home energy assessments have been shown to make homes up to 30% more efficient. A case in point is the biotechnology company Biogen and financial giant Goldman Sachs, which partnered with alternative energy firm Arcadia to help employees switch their homes to wind or solar power. This cut their environmental footprint through a supportive scheme for remote workers.*

Effectively, this practice would ensure a remote-working model contributes to sustainability in more ways than just reducing energy consumption in the office and transportation. It would also encourage and provide funds for leading organisations in sustainable technology.

This leads to another interesting point in the business case for sustainability, and that's the fact that it will foster innovation. Innovation is necessary if you want to introduce practices that will make a legitimate environmental difference, and the positive result is that it will encourage innovation in other areas of your business.

In a blog post for Deloitte, Peter Capozucca explained it like this:

*Sustainability can drive innovation by introducing new design constraints that shape how key resources—energy, carbon, water, materials, and waste—are used in products and processes. It can also suggest areas where innovation can pay off especially well...How a company attempts to overcome these new design constraints, delivering similar levels of performance and cost at lower levels of resource usage, may be key to its prospects.*

For example, a cleaning company might try to reduce the number of harmful components used in their materials, forcing them to rethink their approach and find new ways to clean that are just as effective but a less significant threat to the

environment. This will, in turn, foster the kind of innovative thinking that you can then apply to other areas of business, not necessarily linked to sustainability.

And perhaps the most significant incentive for more sustainable practices is customer retention. Much like how we discussed earlier how you are more likely to attract and maintain employees if you can demonstrate a commitment to sustainability, customers will be more inclined to trust you, too.

Once again, the more awareness people have of the threats posed to our environment, the more they will be on the lookout for businesses that don't share that awareness and feel a sense of responsibility to take action. If you can afford potential customers the option to purchase from an environmentally-conscious service, you will be a step ahead of a significant portion of your competition.

To sum up what we've discussed here, the business case for sustainability relies on the knowledge that your organisation's efforts will be voluntary. It's a tricky subject because while adopting sustainable practices may seem morally appropriate, a business must also consider the financial consequences.

The case for it encompasses a business's likelihood of attracting employees and retaining customers that prioritise sustainability themselves, the reduction of environmental risks, the potential for a reduction of costs, and the increased level of innovative thinking.

You can now think about how to incorporate some of this knowledge into your business. Understand the positive impact this will have on your workplace culture and customer base, and think about what innovative approaches to resource usage would apply to your industry.

Thanks for listening.