

Towards a Sustainable Business in a Changing World

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Abstract

Fundamental aim of any business is to become successful every year and year after year. We call it Sustainable Business Success or Sustainable Business. Sustainability is dependent on three Ps – People and Planet besides Profit. Business today face an increasing set of challenges like declining market demand, unprecedented competition leading to pressure on both top and bottom line, use of technologies and their negative impact on the society and environment.

Beyond the major focus on profitability, business now conducts community-related activities under the aegis of “Corporate Social Responsibility” (CSR). While such activities help society and create a feel-good factor and a name for the company, in the process, it contributes to business sustainability.

In this context, this paper takes a deep dive at how businesses can sustain for a long time. It defines business sustainability and explore as how it goes beyond what is legislated under Corporate Social Responsibility.

Finally, it identifies a set of critical levers that businesses need to undertake and act upon to ensure their sustainability in a scenario, where change is the “new normal.”

Key Words: Business Sustainability, Business Disruption, Agility, Triple Bottom Line

Introduction

Significant disruption has already impacted the way we do business and disruptions are still going on. Aspirations of the people, economic disparity, scarcity of water/food/energy, climate change, digitalization and unprecedented competition are some of the forces that are reshaping the organizations and hence, their journey towards business sustainability.

The Companies Act, 2013 mandatorily requires corporates to do something extra besides doing business and the same is known as the Corporate Social Responsibility (CSR). While business sustainability encompasses many other aspects of business, CSR or philanthropy contributes positively towards it.

Savitz (2006) explained sustainability as the common ground shared by the business and the public where the profit and common good complement each other. The best-run companies around the world are developing ways of doing business in order to achieve the same¹.

In simple words, Business Sustainability means business being able to continue indefinitely by minimizing negative environmental and social impacts while ensuring its financial stability. World Council for Economic Development (WCED), 2015, defined sustainable development as something that meets the present needs without compromising the need of the future generations. It addresses issues like economic efficiency, social and environmental accountability².

A sustainable business model is considered as an enduring source of competitive advantage. Examples of media hyped, heavily funded Indian e-commerce organizations closing their shutters or downsizing operations in the recent past owing to the absence of a sustainable business model, are reminiscent of the dotcom bust at the beginning of the 21st century, for the same reason. Equally important is the need to adapt business models to changing times. A positive example in this regard is Netflix which commenced operations in the late 1990s with DVD rentals by mail, in keeping with the needs of an increasingly digital age; they transformed their business model to streaming of their products over the internet, which has led to their being a dominant player in the segment.

Literature Review

Eccles (2012) said sustainable companies follow a two-stage process: first, by reframing company's identity through leadership commitment and external engagement which are closely linked; and second, by building internal support for the new identity through employee engagement and mechanisms for execution³. Eccles et al (2014) studied 180 US companies, over an 18-year period, and found that the low sustainability firms followed the traditional model of profit maximization. On the other hand, high sustainability firms are characterized by distinct governance mechanism where the board is directly

involved in sustainability issues. Such firms have a deeper stakeholder engagement, greater non-financial measures regarding employees, greater external environment and social standards, high level of transparency⁴. FICCI-KPMG Report (2014) on “Corporate Sustainability: Drivers and Enablers, India Sustainability Conclave 2014,” said that good companies define, implement, measure and communicate their sustainability strategy that makes good business sense⁵.

KPMG International, Corporate Sustainability-A Progress Report (2011), mentioned that sustainability goes beyond Corporate Social Responsibility (CSR) and it gives opportunities for innovation, competitive advantage and improved bottom-line⁶.

More and more, greater thrust will be required on serving customers better by building long term customer value and sustainable relationships. This would need better network, more openness and more adaptable organization with a focus on fulfilling needs of the customers. This shift would be mainly driven by a high degree of trust that will add to the bottom line.

Bower et al (1995) said that an organization’s sustainability journey starts with managing internal issues like reducing input costs to managing external impacts on business processes as well as risks. As disruptive innovations are impacting the current business models, businesses must engage pro-actively with its external environmental to create new business structures⁷.

Research carried out by PWC (2014) indicates 5 key themes that are very similar to the basic features of future business. These are: (i) serving informed and empowered customers, (ii) creating flexible and adaptive operating models, (iii) drawing on non-traditional resources and partnerships, (iv) adopting a growth & innovating mindset and (v) focusing on accountability, integrity and sustainability⁸. Fauzi et al (2010) proposed the concept of Triple Bottom Line (TBL) postulated by Elkington (1994) as Sustainable Corporate Performance (SCP) covering financial, social and environmental parameters^{9,10}. Frederick et al (1992) enumerated two categories of stakeholders - primary stakeholders e.g. investors, suppliers, customers and employees and secondary stakeholders e.g. local communities, business groups, media, social activist group, government bodies¹¹.

A useful paradigm to consider while ensuring relevance of business models could be the recently conceptualized “Three Box Solution”, by Govindarajan (2016). In essence, out of these three boxes, Box 1 involves managing the existing business to ensure targeted

profitability through efficient operations. Box 2 involves selective abandonment of existing practices that could inhibit innovation and consequently be a threat to future growth. Finally, Box 3 involves converting breakthrough ideas into new practices and businesses, which is a sound recipe for sustained profitable growth. It is important to note that Boxes 2 and 3 are about the future growth that is both unknown and unknowable, and hence requires planning of a different kind to the one existent for today's successful business. In the context of the Power Sector, Box 3 could refer to the need to create sophisticated power storage solutions, especially on the renewables side, and the need to create solutions for optimal resource utilization, particularly with the growing concerns about water scarcity¹².

Lowitt (2011) of the Guardian studied a multitude of 2010 Global Fortune 500 Companies on how each one of them are addressing the future issue¹³. Likewise, Newman (2013), Senior Strategist, Enterprise Solution Group, through his conversations with some 20 leaders of Fortune 500 Companies, tried to understand the strategies to achieve sustainability¹⁴.

Methodology

Literature review and experience of the researchers have been used to carry out this study.

Critical Levers for Realizing Sustainability

One important thing clearly emerges that we need first and foremost to change our mindsets. Sustainability is much beyond Corporate Social Responsibility (CSR) and reduction of cost. Sustainable market leaders view sustainability as an opportunity. Companies need to seek collaboration from the stakeholders.

Taking Bull by the Horns

When the environment is getting more challenging day by day, it is prudent to change before we have to and control our destiny rather than have someone else do the same. In other words, we cannot avoid this truth and thus we must take the bull by the horns.

Change Agility

A popular oft-quoted adage is that the only constant in life is "change." This holds true for organizations too, more so in a world that is described by the now popular acronym VUCA (Volatile, Uncertain, Complex, Ambiguous). NTPC, India's largest power generating

company with a 16% share in the country's generating capacity predominantly in the thermal power sector is in the process of revisiting its 2032 business plan and is planning to reach installed capacity of 128 GW with an 11% share contributed through renewables, primarily solar and allocating appropriate capital expenditure to align itself to the environment ministry's mandated new emission and water consumption norms.

a) Leadership

Organization culture plays a significant role in leaders to realize the desired results. Bringing in leaders from outside may, however, be necessary in specific situations, particularly when there is a need to bring about radical change and to that extent, a need to look at the problems with a fresh lens and with different perspective. Leadership development is a critical activity for all organizations.

b) New Technology Adoption

Technology, at times, can bring in sustainability in business and nullify monopolistic market condition. Prior to 2007, Sub-Critical Thermal Power equipment manufacturing was a monopoly of a Central Government PSU and there was no competition. Once Government selected supercritical technology for inducing higher efficiency and allowed Indian companies to bring in supercritical technology through foreign collaborators, the monopolistic situation come to an end and Thermal Power market became a level playing field since the PSU had also to bring in new technology for supercritical equipment. Since the new technology brought all the companies at par it became a bit easier for others to secure business as well. The technology up gradation journey is continuing.

c) Digitalization

While Information Technology is omnipresent for quite some time, Digitalization is coming in a big way in every field and it has immense possibilities. Sensors, Artificial Intelligence, Robotics, Virtual Reality, 3D Printing, Drones, Big Data, Analytics, etc. are few of digital applications, which are making waves. GE developed digital into a business exceeding USD 6 billion in turnover. Robotics has been implemented in manufacturing operations. Analytics can contribute in taking complex decisions, optimizing BOQ, Cost Estimation, Customer Profiling and many other areas. 3D printing in manufacturing segments, as well as

software modeling in 3D, 4D, 5D in the engineering business as well as in the construction space.

d) Learning Culture/Agility

The conventional model of organizational learning was the enduring image of executives seated in learning centers and undergoing executive development programs to give them a broad perspective of general management functions, often through case studies of organizations across the globe. While that model has not gone out of relevance, it has been refined – primarily with the aid of technological tools, knowledge management systems as well as through interventions like job rotations, overseas depositions, stretch assignments – to ensure that the learning is more of a blended nature and executives are periodically made to step out of their comfort zones to handle work of different natures and therefore have the onus to continuously learn and stay relevant. It is also important to note that with the growing cognizance of the need for constantly innovating, organizations will need to experiment and take risks at greater frequencies and therefore, make allowances for failures. Hence, it is important to create a culture of learning from failures. Further, every interaction – whether formal business reviews, performance conversations or meetings with customers, suppliers, government officials or special interest groups – needs to be seen as opportunity to add to one's learning in order to cement that learning culture. Finally, it is important to leverage diversity (an important thrust area in many organizations) of employee backgrounds, ideas, perspectives, experiences and competencies in order to enrich learning and gather newer insights.

e) Organizational Design

In fast changing economic scenarios owing to factors pertaining to the macroeconomic and political realms, organizations are required to revisit their business strategies at greater frequencies as compared to yesteryears. As a key building block of organization strategy, with the increase in environmental complexities, organizations must aim to be agile, nimble and quick footed. If right sizing/downsizing is the need of the day, it shall be embraced since it will ensure better conditions for a large number of people for a long time.

f) Ethics, Corporate Governance, CSR

It is important to have an unshakeable core in the form of a value system. It is essential to remain true to a multi-pronged value of caring, customer focus, corporate social responsibility (CSR), integrity, ethics, corporate governance and operational excellence. These factors help to develop a deep-rooted connect with all stakeholders including customers, employees, society, government bodies and others. It is vital for organizations to develop a robust framework for corporate governance. In this regard, while norms (E.g. Companies Act, 2013 in the Indian context) have been framed to make boards more diverse, whether in the form of greater proportion of independent directors or mandatory inclusion of women directors, their adherence remains a concern.

Conclusion

Business today is confronted with an increasing set of challenges, in an LPG (Liberalization, Privatization, and Globalization) era as compared to previous decades. Thus, business-as-usual approach will be inadequate to meet the present situation. These challenges, if not dealt with properly, would be a threat to the sustainability of any organization, irrespective of their present level of stability and maturity.

As a starting point to confront these challenges, an organization must target to achieve “Triple Bottom Line,” in letter and spirit. This concept encompasses business profitability as well as the relatively newer concerns related to society and environment. Critical levers, as enumerated earlier in the study, can help business to realize sustainability. Support from top leadership is a must to achieve this goal. Sustainability needs to be embedded in the core business strategy. It needs to be cascaded down to operating level.

Future business must have the ability to see a changing external environment as a source of opportunity rather than risk. It will make the business more resilient in adapting to the changes.

The emerging themes on the sustainable business are integration of sustainability into core business functions, increased business transparency, networking, climate change, seamlessly integrated functions, focused planning processes, prioritizing value over volumes, superior risk management and providing platforms for innovation.

Finally, companies would need to develop innovative business models to drive rapid growth and make everyone accountable for growth with core values of integrity, sustainability and social impact.

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