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OPINION

Incorporating sustainability into business models

by Zainab Dere On Apr 2, 2019



Back in the years, sustainability was a concept that seemed to only bother on environmental management and protection. On the contrary, it is a broad discipline which has over the years progressed beyond an environmental concern to a serious consideration for a wide variety of fields. The World Commission on Environment and Development proposed the concept of sustainability in 1987. It is defined as “development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs”.

Business models in all fields must seriously consider sustainability; an organisation’s sustainability strategy poses significant risks and opportunities to its future existence and profitability. A business model plays a vital role in the success of any company, it explains how an organization creates,

delivers, and captures value. The value the business provides, at what cost it will be delivered and how the business makes money now and on the long term. Hence, sustainability issues can impact most elements of a business strategy, such as the price and availability of capital, competitive relativities, operating costs, risk management, process improvement, innovation, consumer preferences, supply chain management and regulatory compliance.

According to a 2016 UN Global Compact, Accenture CEO Study, sustainability initiatives are stirred by compliance pressures or even by moral obligation. These initiatives may not be considered mandatory at the beginning of the business venture. Today, as organisations become more concerned about their societal purpose, sustainability becomes a non-negotiable part of an organisation's DNA. Sustainability is built on the assumption that developing such strategies fosters company longevity. Scholars have noted that research on sustainable businesses have shown that companies move through the stages of sustainable development, and eventually it becomes a culture of value creation for the not just company but for the world in general.

The size and scale of an organization makes no difference in making plans for sustainability. The biggest of the world corporations such as Toyota, GE, Nike and others are implementing sustainability initiatives which will be the driving force of future businesses. How businesses choose to respond to and integrate sustainability with core business strategy will underpin their success in achieving a long-term competitive advantage. This strategy is expected to identify and respond to both potential limitations to growth and business opportunities, such as access to new products or new markets, and apply across the entire organisation. Incorporating sustainability into core business strategy has been acknowledged as a critical component of good governance, risk management and a source of competitive advantage.

A number of ways have been identified to incorporate sustainability into business strategy, this includes, understanding industry externalities and stakeholders' expectations. Every industry is faced with its unique environmental and social challenges which will affect the business model, technological innovation and business outlook. Understanding these expectations will involve taking steps to capture and assess the unique sustainability-related factors impacting an organisation's industry and how each of these factors (stakeholder expectations, changing societal tastes and needs, and demographic shifts) may impact the business strategies. Besides understanding the industry challenges, it is also pertinent to understand challenges in interconnecting industries which could disrupt activities in one's industry. It is important that the strategy is formulated to capture various risks and opportunities, with particular attention to physical, environmental, technological, social, regulatory and economic factors that will impact the operating environment of the organization.

Imperatively, the success of these sustainability initiatives rests critically on the leadership of the organization. This can be achieved by ensuring the value of sustainability is clearly communicated to employees and concerned stakeholders. This requires employees to be aware of the 'big picture' of what the organization has set out to achieve, as well as what is expected of them towards its successful implementation. As with most organisational changes, lasting progress on sustainability is unlikely without strong and focused leadership, employees welcome sustainability initiatives and are ready to apply them once they see strong leadership on the initiatives.

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