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CORPORATE SUSTAINABILITY: A NEW MILLENNIUM SOLUTION

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ABSTRACT

Corporate Sustainability builds up long-term shareholder confidence and value by embodying opportunities and managing risks giving due consideration to the three aforementioned goals of sustainability i.e. economic, environmental and social developments. This paper attempts to unravel both the traditional notions as well as modern notions of Corporate Social Responsibility. Further, the paper explores and suggests the strategies on how to incorporate the concept of corporate sustainability into the overall business strategy.

KEYWORDS: Sustainability, Corporate Sustainability, Strategy.

INTRODUCTION :

Sustainability is how a particular system remains diverse and productive. It thrives to make the system long lived and healthy. The underlying principle is to enhance the endurance of the existing processes so as to make proper space for the future requirements. The 2005 World Summit on Social Development identified sustainable development goals, such as economic development, social development and environmental protection.[1]

Sustainability means managing business diligently and ardently, and ensuring that the social, economic and environmental factors are considered in the decisions to fortify long-term business success.

Corporate Sustainability builds up long-term shareholder confidence and value by embodying opportunities and managing risks giving due consideration to the three aforementioned goals of sustainability i.e. economic, environmental and social developments.

The notions of traditional phrases describing ethical corporate practices such as Corporate Social Responsibility, Corporate Citizenship, Governance, etc. are being evolved continuously and have been repudiated by the broader term "Corporate Sustainability". This term, not only incorporates the traditional phrases, that lay their focus on the "add-on" policies but it tends to describe the very nature of the business



practices ensuring the existence and the continuation of the organization. These policies should be built around social, environmental and economic considerations.

DEFINING CORPORATE SUSTAINABILITY

Corporate sustainability is a business perspective that creates long-term consumer and employee value by creating a "green" strategy aimed towards a better and sustainable environment and taking into consideration every dimension of how a business operates in the dynamics of social, cultural, and economic environment. It also formulates strategies to build a company that fosters longevity through transparency and employee development.

The phrase "Corporate Sustainability" is derived from two keys sources:

The Brundtland Commission's Report titled Our Common Future, described sustainable development as, "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".[2] This desire to grow without damaging future generations' prospects is becoming more and more pivotal to the business philosophies.

Elkington (1997) developed the concept of the Triple Bottom Line which proposed that business goals were inseparable from the societies and environments within which they operate. [3] The short-term economic gain i.e. to be profitable, has always been pursued, a failure to consider social and environmental impacts would make those business practices unsustainable. This proposition highlights the consideration of the three aspect of the business environment, namely:

People i.e. the Social Aspect

Profit i.e. the Economic Aspect

Planet i.e. the Environmental Aspect

The focus on corporate sustainability is based on two guiding principles:

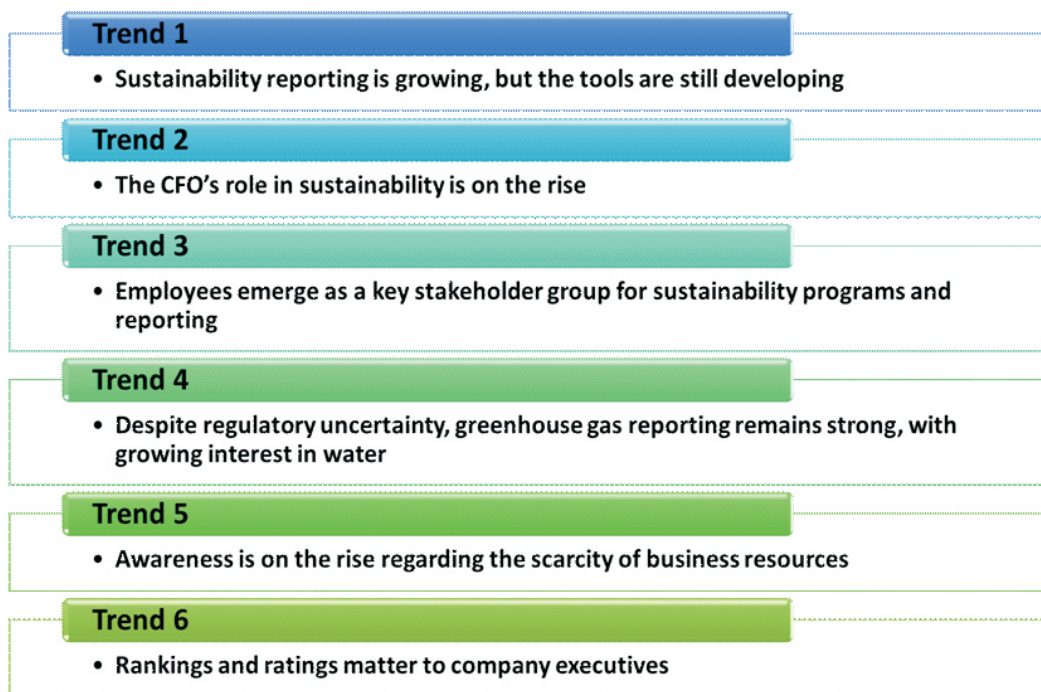
Sustainable business practices are critical to the creation of long-term shareholder value in an increasingly resource-constrained world Sustainability factors represent opportunities and risks that competitive companies must address.

In 2011, a survey was conducted by E & Y, in cooperation with Green Biz Group. The survey consisted of executives and thinkers in corporate environmental strategy and performance and exploring the developments in corporate sustainability programs. The report shows that:

- 76 percent of survey respondents anticipate natural resource shortages will affect their core business objectives over the next 3-5 years.
- 65 percent of respondents stated their CFO has become involved in sustainability.

These trends suggest that sustainability efforts are now well-integrated into the corporate fabric of a growing number of large and midsized companies.

There are additional statistics that illuminate six key trends that have been highlighted by this compendious survey. These are:



Source: www.ey.com/Publication/.../CCaSS%206%20Trends%20GSA.pdf

Sustainability related megatrends are giving a new dimension to our worlds and these issues have made their presence on the companies' strategy and on their very existence, from top to bottom.

The business environments have been redefined by the changing societal, economic and environmental expectations owing to the long term challenges such as resource scarcity, future considerations, public policies, domestic & international regulatory frameworks, etc.

The companies must address the new opportunities and the risks that are posed by such challenges today to remain competitive tomorrow. Companies that prophesize and manage current as well as future economic, environmental and social opportunities and risks by focusing on innovation, quality and productivity will emerge as global leaders and would create a competitive advantage and long-term stakeholder value. It should be obligation of every business organization towards their customers, investors and employees to foster an ethical, responsible and sustainable corporate philosophy.

INCORPORATING SUSTAINABILITY INTO STRATEGY

The main challenge in this embryonic arena is to gauge the impact of sustainability on the business. To list a few, it can reduce energy expenses, increase revenue, reduce waste expenses, water expenses and reduce materials and increase employee efficiency, reduce hiring and attrition expenses, and reduce strategic and operational risks, attract talent and generate tax breaks as well.

Clearly, sustainability is promptly becoming prerogative issue for businesses. Throughout the world, there are encouraging examples of pioneering companies that have recognized the imperative of sustainability and created strategies and solutions to effectively acknowledge the issue.

It has become the strategic mirror in which they view their businesses' image. There's a lot of empirical evidence to prove that sustainability leads to a competitive advantage to the business organization. Sustainability offers an indubitable juncture to these organizations. Sustainability serves three main purposes to these organization, namely:

- Gaining Competitiveness
- Steering Innovation into the business operations
- Conjuring the real Bottom-line results

The sustainability goals must be blended with the operational strategy and measured in the same way as other investments. The key for an organization to beat its competitor is to recognize the vitality of the sustainability goals.

“Sustainability should be treated as an investment rather than a cost”

This would adjust the business models to drive long-term change and make them more competitive in the market. In spite of the presence of a complex muster of obstacles, the major players in the market have already started their drive towards sustainability and have become the trendsetter in this new arena by which their peers will soon be held accountable. We don't have to go too far to search for the examples. The global brands such as Procter & Gamble, TCS, Tata Motors, HSBC, etc. have already started pacing up.

At the same time, companies are struggling with understanding how to build an appropriate business case for sustainability programs as they tussle with sporadic, inconsistent and often unreliable data.

Building an appropriate case for sustainability involves an array of measures that need to be taken throughout the organization. These measures include:

Making the concept of Transparency pervasive for the organization

Transparency implies openness, communication and accountability. Recent research suggests there are three primary aspects of transparency relevant to management practice: information disclosure, clarity, and accuracy.[4] To increase transparency, managers actively infuse greater disclosure, clarity, and accuracy into their communications with stakeholders. What transparency is about is hard to capture in just one sentence. It is about creating an open culture wherein everyone is encouraged to share all the information. Transparency deals with the idea that by having an engaging and unbolted environment- both internally & externally, in the company will enhance the performance and enlarge the profit pool. It is about engaging employee in the innovation and creative processes. Companies are introspecting and realizing changes that are required to fulfill environmental needs. One way for companies to accomplish this is through open communications with stakeholders characterized by high levels of information disclosure, clarity, and accuracy.[5]

Engaging Stakeholders

The business organizations are required to introspect i.e. to look both inward and outward to understand the relevant impact of the lack of sustainability and the various adjacent issues on the environment- both environmental and social.

To understand the impact and concerns of being sustainable, it is erstwhile for the business organization to engage its stakeholders. The organization need inculcate the concept of sustainability into its culture by edifying the same to its employees and other stakeholders. Employee engagement can be a powerful motivator by having a Philanthropy Cell or a Green Team. The external stakeholders (customers, suppliers, community, and non-government organizations) should also be involved in the process.

Being Futuristic

Companies have acculturated by executing new inventivepropositions related to sustainability, such as upgrading the technology to reduce wastage. Such innovative solutions tend to not only improve the waste management systems but also reduce costs and increase the profits. Companies have dedicated departments for devising such methods and technologies to satisfy the dual objective of increasing profits and being eco-friendly at the same time. For example, for the Indian market, Wipro has launched a new range of desktops and laptops called Wipro Greenware. These products are RoHS (Restriction of Hazardous Substances) compliant thus reducing e-waste in the environment.

Another example is of McD. McDonald's restaurant's napkins, bags are made of recycled paper. Yet another example is Tata Motors ltd. It has developed its showroom using green items and elements in its design. It shows eco-friendly atmosphere that attracts people towards itself. Coca-Cola has envisioned three

environmental goals on which it would focus its efforts: water stewardship, sustainable packaging, and climate & energy protection.

A new addition to the Executive Line

As the consciousness level is on the rise, so are the companies' effort to accommodate the dire need for sustainability. Companies focused on sustainability are appointing chief sustainability officers (CSO's) heading a department with an objective to proactively develop and implement a corporate sustainability strategy. Today, there are chief sustainability officers (CSOs), whose role is to provide strategic direction to company policies. Their role is to ensure that the Triple Bottom Line "3 P's" is being adhered to by the organization and to have least or even zero negative impact on the environment. With stricter compliances and the influential role being played by the media and NGO's, the companies have taken the issue more seriously and the CSO's are in huge demands. Globally, companies hire chief sustainability officers as C-level or high-ranking executives, and Indian companies are doing the same. To name a few, DrYogendraSaxena is the CSO of Tata Power, Anurag Behar is the CSO of Wipro Limited.

Measuring and Reporting Sustainability

Sustainability programs must be duly assessed in order to determine the long term returns and outline the bottom line benefits and as such must include both financial and non-financial measures. This would help the legitimate integration of sustainability into the operational strategy of the organization. Reliable metrics, the required tools and systems must be developed for the evaluation. Such information must be subjected to the same regulations as the company's financial system to ensure accuracy and reliability. There is growing demand for the design of systems, processes, controls frameworks that can properly measure and analyze sustainability efforts. As such, corporate sustainability reporting has emerged as a new trend. Sustainability reports are being provided by the companies to provide a fair view into the progress and achievements of the company.

The Global Reporting Initiative activities and the International Integrated Reporting Committee's work in this area have tremendously helped to benchmark the expectations and standards. On a related front, new auditing standards are also under process. Due procedure for the auditing of activities aimed at green environment must also be laid out. The International Auditing and Assurance Standards Board released a proposed new standard for Assurance Engagements on Greenhouse Gas Statements.

A number of companies are reporting their sustainability performance as all the stakeholders have discovered the value of transparency. It assists in enhancing the stakeholder confidence. Sustainability reporting is gaining impetus globally. There are a multitude of Indian companies coming out with corporate sustainable reports. Most of the Indian reporters use Global Reporting Initiative (GRI) guidelines to prepare the sustainability report while referring to other international standards and charters like UNGC guidelines, IFC standards on sustainable development. Tata Power has adopted guidelines laid down by the Global Reporting Initiative (GRI) for its Sustainability Reporting. The GRI guidelines encompass the TBL approach which focus on financial, social and environmental performance. Using these guidelines the company can report its performance on 79 parameters in these three core areas. Tata Power prepared its first Corporate Sustainability Report in 2003 according to the GRI 2002 guidelines for the period of 1st April 2002- 31st March 2003. The company has declared its intent to report on its sustainability performance at a frequency of every two years.

CONCLUSION

Corporate sustainability is a business approach that constructs lasting consumer and employee value by building a "green" strategy intended toward the natural environment and taking into consideration every aspect of how a business operates in the social, cultural, and economic environment. It also articulates strategies to build a company that nurtures endurance through transparency. Corporate sustainability is a development on more traditional phrases describing ethical corporate practice. Phrases such as corporate social responsibility (CSR) or corporate citizenship continue to be used but are increasingly superseded by the broader term corporate sustainability. It is imperative to have the policy of corporate sustainability embedded in the overall

business strategy in order to ensure longevity and sustainable growth and development.

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