The business of sustainability

by Steve Watts, President SAP Asia Pacific Japan

Sustainability is simple - only use resources at a rate at which they can be replenished naturally. The business drivers of sustainability are urgent and the stakes are increasing. To be successful, companies must transform themselves end-to-end, so all their business processes are sustainable. The complex business process changes needed to address sustainability must be measurable and controllable. Sustainability is more than a question of corporate responsibility, it is a strategic business option that can result in new opportunities and profits.

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Sustainability has attracted increasing interest in recent years. In principle, the basic idea is as simple as it is compelling: resources may only be used at a rate at which they can be replenished naturally. It is obvious that the way the industrialized world operates today is not sustainable in the long term and that change is imperative.

The fundamental business drivers - tougher regulation, greater cost pressures, and higher consumer expectations - remain urgent and the stakes for businesses of all types are increasing. To stay competitive, we need to hone operational efficiencies and prepare for the impact of regulation - while at the same time paying attention to our brand positioning and market reputation.

To be successful, however, sustainability initiatives cannot stand alone - they must transform the enterprise as a whole. Putting the economy on a better footing in terms of sustainability will take effort from many segments - smart regulation utilizing market-based instruments, for example, and consumer pressure, often create new business opportunities.

Yet, as simple as that sounds, the actual implementation of this idea poses considerable challenges. On the one hand, there is the human side. Businesses need senior management to define and approve a core set of sustainability performance indicators, raise internal awareness for sustainability across the company, identify the right stakeholders and role models - all this while coping with changing global standards and the globalization of workers. Conversely, businesses need the ability to analyze the sustainability of their end-to-end business processes today, develop a strategy and identify specific objectives; they must implement these changes over time, starting with those that have the biggest immediate positive financial impact.

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Sustainability is very relevant, not only at times of growth, but specifically during times of economic challenge, simply because the main drivers of sustainability don't change. Regulation will continue to increase. This is specifically the case for industries involved in managing water, carbon emissions, waste and recycling, but is likely to incorporate many other environmental and social domains in the future. Energy prices will continue to fluctuate and, with economic recovery, are likely to increase and build cost pressures. Consumer awareness will continue to intensify and force transparency and optimization across entire business networks and supply chains.

Much has been discussed about the different models that define the relationships between business and society. I see sustainability as moving beyond the 'corporate responsibility' domain into 'strategic business development', - potentially resulting in new opportunities. Going 'green' is not just a social obligation; it's a potential path to profitability, competitive advantage and highly favourable positioning in the war for talent.

So what is causing this need for a change in focus? Historically speaking, trade liberalization allowed the proliferation of the enterprise - organizations encountered widely different regulatory regimes at national, local and regional levels with varying degrees of regulation, especially on social and environmental issues. The philanthropic model of taking care of those in the community outside the factory gates in home markets was quickly identified as tokenistic - global enterprises could enjoy the benefits of lower costs in regulatory regimes where employee rights and benefits were less protected - so a better solution was needed.

Businesses in the 1990s attempted to bridge this perception gap by trying to find ways to 'do well by doing good'- harnessing the force of the market to create better social outcomes. This ideology rejects the notion that profit and people were in direct conflict - although at times this may be true, at other times there may be great synergies. Businesses began to think less about the social benefits of cash donations and, instead, began to think about mobilizing the market to address real social needs.

Clearly business has a legitimate social responsibility here - particularly if it can be done in a way that is transparent to all stakeholders (including shareholders) and creates genuinely mutual value.

The road ahead

The road to sustainability is still under construction and there is not yet one organization which knows all the answers. Whether you are starting to implement a new sustainability plan or are adjusting a plan which is already in place, the following suggestions may help you get the most out of your efforts.

- Assess your organization and plan - Get a basic understanding of what the business case for sustainability for your company should include. Remember that such a case should combine social, environmental and economic considerations. With that basic understanding, you can see where opportunities exist to improve and be most effective;

- Measure your business activities - Set a baseline of data for current activities so you know when and where you are improving. Include your network of partners and suppliers in the measurement process to increase the footprint of your efforts. Some businesses even include their customers and their usage and disposal of products;

- Take action - Execute on your plan and measure every step of the way. This includes the involvement of employees in engagement programmes that make them part of the effort; and

- Monitor and adjust - Learn from your experience and look for additional means of achieving sustainability throughout your organization and wider business ecosystem.

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