

Chapter 4 Getting started on sustainability

Businesses may be aware of the potential opportunities in sustainability action, but may be reluctant to move forward because the subject seems to be beyond their experience and expertise. In fact, the evidence reported in the previous chapters demonstrates that companies can seize certain opportunities without necessarily being or ever becoming 'sustainability experts'. This chapter outlines how owners and managers can identify their own specific opportunities, possibilities and priorities.

This is a generic approach rather than a universal prescription which can simply be implemented by any business. As we have shown in previous chapters, there is no single business case for sustainability action. There are many business cases, but each company has to develop its own rationale, and the case will change over time.

Business sustainability must be rooted in practicality and flexibility in the same way all other aspects of management are. The business case is as dynamic as the business world. So sustainability plans have to be flexible, fitting in with the changing needs of the business as well as the changing expectations and needs of society.

It is not necessary to develop a full-blown sustainability strategy before taking action. Many businesses find that small, discrete actions can yield benefits. But ultimately integrating sustainability in core business strategies will provide longer-term benefits, maximizing the alignment of business, social and environmental objectives. Again, this is consistent with other aspects of management.

In the words of María Emilia Correa, vice-president for social and environmental responsibility at **Nueva Group** in Costa Rica, the fundamental business case question is how can sustainability help the company win market share? 'Saving money is an engineer's mentality – get your head out of it and think like a CEO. Environmental management is like any other line of business. Be strategic!'



Construction site, Thailand

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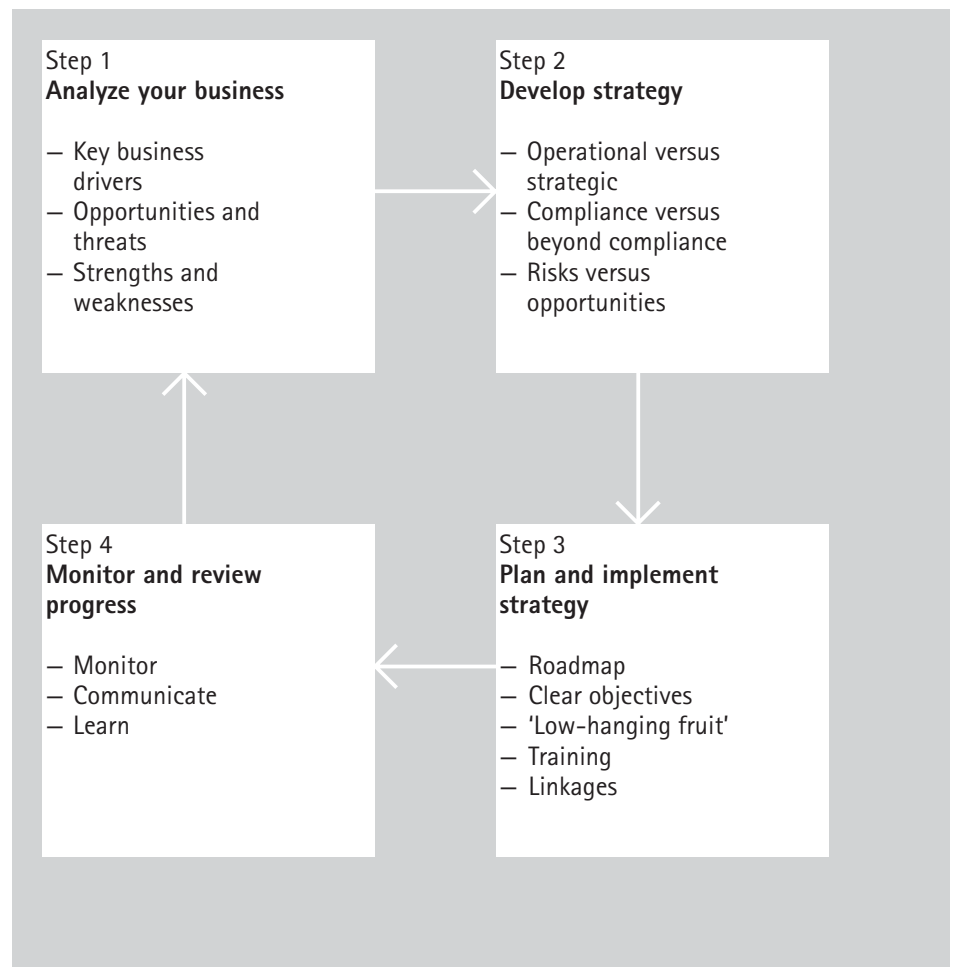


Figure 11 Four steps to monitor and review progress

Four steps to add value to your business

This report has helped to uncover areas of business potential in sustainable development. The challenge for managers is to apply these findings to improve understanding of the links between sustainability performance and business success in their own organizations. Below, we offer a basic four-step approach to help companies begin that process.

**Step 1
Analyze your business**

The first step – as for any other business process – is to analyze the business situation and priorities. Our business case matrix in Chapter 2 might provide a useful reference point to identify and prioritize sustainability issues relevant to your business, and their links to business performance. Consideration of the company's strengths and weaknesses, opportunities and threats – a SWOT analysis – will help create a better understanding of how business success is affected by sustainability.

- **Key business drivers**
What are the key business drivers? For example, is a good reputation with customers paramount? Would improving productivity, for example through reduced downtime and absenteeism, give you a real competitive edge? Would reducing insurance premiums by reducing risk be a serious cost-saver?
- **Opportunities**
Are there untapped opportunities for action on environmental, social and/or governance issues? As we demonstrated in Chapter 2, these could include increased productivity and reduced staff turnover from better human resource management, reduced costs from environmental process improvements, access to new markets or premium product pricing, or a lower cost of capital.
- **Threats**
What are the threats to the business from the emerging sustainability agenda? These could be coming from issues such as conditions in the supply chain, low worker productivity, reputational risks to you or your customers, or increasing informal barriers to trade (e.g. product standards imposed from elsewhere).

- **Strengths and weaknesses**
What are the business strengths and weaknesses which will determine your ability to respond to sustainability challenges, opportunities and threats? Do you have the skills and expertise to manage this emerging set of issues, or understand how to gain this expertise?

This is just sound business planning applied to sustainability. The process needs to consider short, medium and long-term perspectives and to draw on the insights and experience of many people from within and outside the company. Good internal communications are important. They help to gain clarity on a company's strengths and weaknesses as well as to provide a good opportunity to learn from earlier successes and failures. An inclusive process also helps people to become confident about their capacity to undertake specific actions, as well as to build commitment and motivation.

Early engagement with external stakeholders will add important insights into their concerns and priorities, which will help in understanding the trajectory and relevance of sustainability issues. Engagement with stakeholders such as the government, local communities and NGOs helps managers understand their expectations and concerns around the company and to make an early assessment of opportunities and threats. Such engagement could be in the form of small informal conversations or more formal structures like facilitated dialogues. It could address short-term, specific issues or help with the development of a long-term vision.

While there are many advantages of engagement the risks should not be underestimated. External dialogue brings a company into the public eye. This greater scrutiny will make it critical that the company ensures stakeholder expectations do not exceed its ability to deliver.

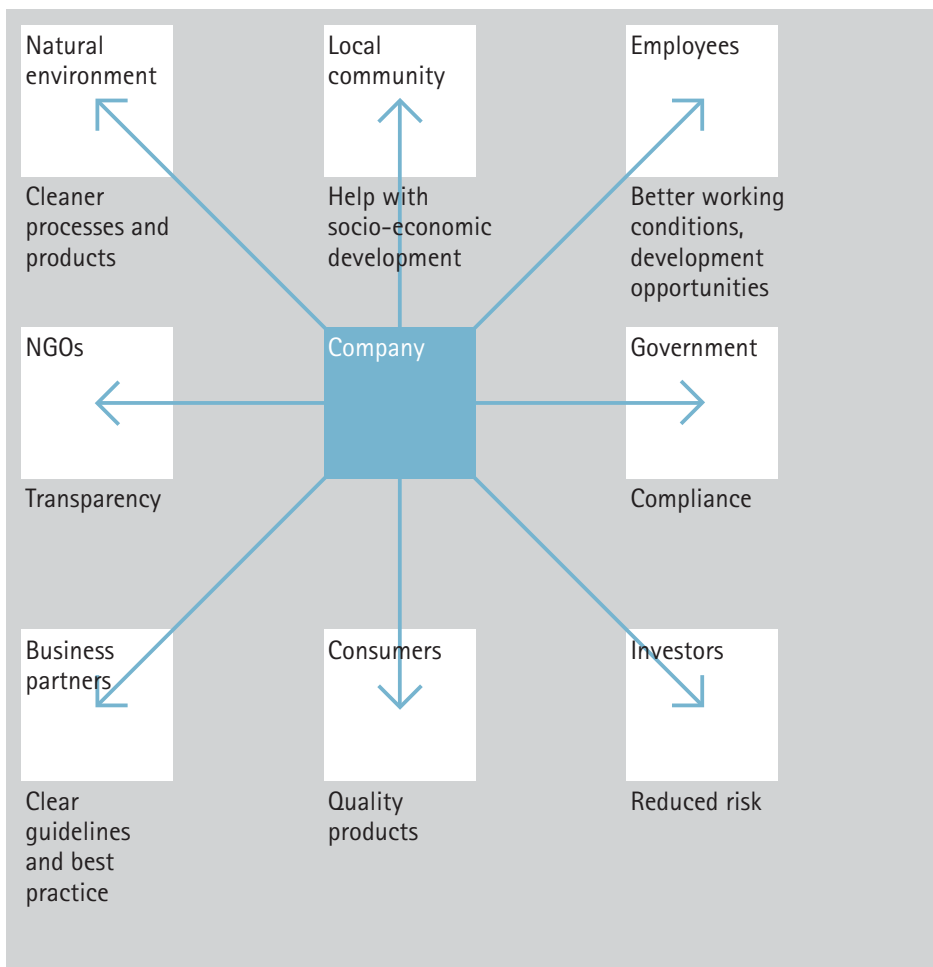


Figure 12 What stakeholders might expect companies to provide

Step 2

Develop strategy

The analysis in Step 1 should produce a better understanding of the sustainability issues facing the business as well as the company's ability to deal with them. The response to these issues needs to be right for your business – the business case for sustainability is not a one-size-fits-all proposition. The strategy needs to build on the issues identified in Step 1 and reflect the following key considerations:

Distinguish operational from strategic actions

The action taken could be at a basic operational level, e.g. changing the production system to reduce the environmental emissions from a plant, or at the strategic level, putting in place overall governance and management systems. For instance, **Bank of Shanghai** in China put in place better governance structures that had an impact throughout the company (see page 9).

Distinguish compliance measures from projects which go beyond compliance

The strategy could be merely to ensure that the company is in compliance with regulatory requirements. Or sustainability factors could be used as one of the market differentiating factors to gain competitive advantage and leadership in the field. For instance, **Natura** in Brazil has based its entire strategy on the provision of products that are environmentally and socially superior (see page 29).

Distinguish between risk and opportunities

The issues identified in Step 1 may represent risks or opportunities, or both. For example:

- Risk of future regulation could trigger advanced environmental requirements in one of your key markets. The potential opportunity could be access to a wider market and first mover advantage among local competitors through investment in higher standards. A good example is **Cembrit** in the Czech Republic which removed asbestos prior to regulation and could expand its market into Western Europe as a result (see page 21).
- Risk of a major customer adopting new environmental or social standards in their supply chain could require substantial investment. It could also bring an opportunity for greater technical and capacity-building support from the customer and possibly guaranteed contracts.

That could open up access to new customers that require similar standards and the opportunity to improve overall management systems. For instance, **Century Textiles**, India, was able to gain new customers once it was awarded the Eco-Text certification which was required by its German customer.

- Risk of political unrest near a key production facility due to ethnic tension could cause workforce problems and reduced productivity. The potential opportunity would be to engage openly with the community, provide support to marginalized groups and give equal opportunities for employment. This would strengthen the company's license to operate while also improving retention and motivation among employees. For instance, **Anglo American's** Zimele project helps develop the community through financing and developing small business. This helps in black empowerment in South Africa, builds local economies as well as helps Anglo American gain in employee motivation, reputation and local license to operate (see page 20).

Step 3

Plan and implement strategy

Planning and implementing sustainability strategies requires the same disciplines as any business process:

Roadmap

Prepare a roadmap which clarifies the key stages, success factors and indicators.

Clear objectives

Set clear objectives for each stage, and the desirable outcomes.

'Low-hanging fruit'

Start with the easy successes which build confidence and enthusiasm among the workforce, and yield the simplest financial paybacks.

Training

If necessary, provide training and develop internal incentives for delivery, as with any organizational or business change.

Linkages

In implementation, consider linking up with others. Connectivity is an important aspect of sustainability. Stand-alone action is always possible and can yield dividends, but linkages inside and outside the business can have a multiplier effect.

Links can be made to:

- **Other company plans and goals**
Sustainability plans should match business priorities and available resources and mesh with the company's overall approach to risk management.
- **NGOs**
They possess enormous expertise which can often be tapped to help understand issues, identify solutions, plan and implement appropriate action.
- **Business/industry sector associations**
There can be synergies from working together on common issues across a sector or value chain, especially where solutions require cross-sectoral support and individual companies can have only a limited impact.
- **Other initiatives**
Government departments or organizations such as the World Business Council for Sustainable Development (WBCSD)⁵⁴ or the United Nations Global Compact,⁵⁵ might be looking at similar issues. Joining such initiatives can save time, energy and possibly money.

Step 4

Monitor and review progress

This is a rapidly changing and evolving agenda so it is important to review the strategy periodically as well as to check progress against the targets which have been established. This will allow the strategy to evolve in line with business needs and keep key personnel focused:

Monitor

Monitor performance and measure progress to keep on track.

Communicate

Be transparent and communicate performance against targets, internally and externally wherever possible.

Learn

Learn from successes and failures, as well as changes in the business and sustainability environment, and feed the learning back into the process so that plans can be adapted.

Sustainability is a journey – keep going

The trajectory of sustainable development became steeper throughout the 1990s and shows every sign of continuing in the same vein. This means that the pressures on companies are likely to continue growing, increasing both risks and opportunities. Doing nothing, or taking very limited action, is in itself risky. Companies are likely to find that risks can be minimized and opportunities maximized by seeing sustainability as a journey, with each step building on the previous ones.

This fits with the management philosophy of continuous improvement, in which companies constantly seek to achieve higher standards in all areas of the business. As we have mentioned, small sustainability steps are valuable and bring benefits. But if these are built into a long-term vision or strategy, they have the potential to create longer-term competitive advantage.

Like every aspect of the business environment, but perhaps more volatile than most, the sustainability agenda is dynamic and evolving. New issues will emerge, presenting new opportunities and risks. Assuming the upward trajectory of sustainability continues, demands on companies will increase. But this should be seen as an opportunity: well-managed companies which are aware and can anticipate the direction and nature of changes can capitalize on them. With appropriate systems and processes in place, companies can be well placed to address the sustainability challenge and use the opportunities it presents to their advantage.



Drying sarees, India

Further help

Some specific tools that can be used for the process steps outlined in this chapter are available on the report website at www.sustainability.com/developing-value and also at www.ifc.org/sustainability. These include environmental and social indicators, stakeholder engagement processes, best practice codes for corporate governance, as well as references to other sources of information. The site also offers corporate case studies from around the world in a searchable database.

The three sponsors of this report – IFC, SustainAbility and Ethos – can each provide assistance based on their own specific expertise (see back cover) while key sources of further information and advice are listed in the Centers of Excellence on pages 54–55.