

Introduction to Business Administration Lesson 5

5. Sustainability and Business

Sustainability:

Involves the interaction of business with society

Sustainability is about meeting the needs of the present without compromising the ability of future generations to meet their own needs.

Sustainability:

Thinking about the future by focusing on today.

Is close to corporate social responsibility.

A sustainable business has a balance between:

- Society
- Environment
- Economics

5.1 The Sustainable Company

A sustainable company is a growing emphasis on businesses today.

People invest money in sustainable companies

If you are not a sustainable company, people due notice and take action such as in the case of BP or British Petroleum.

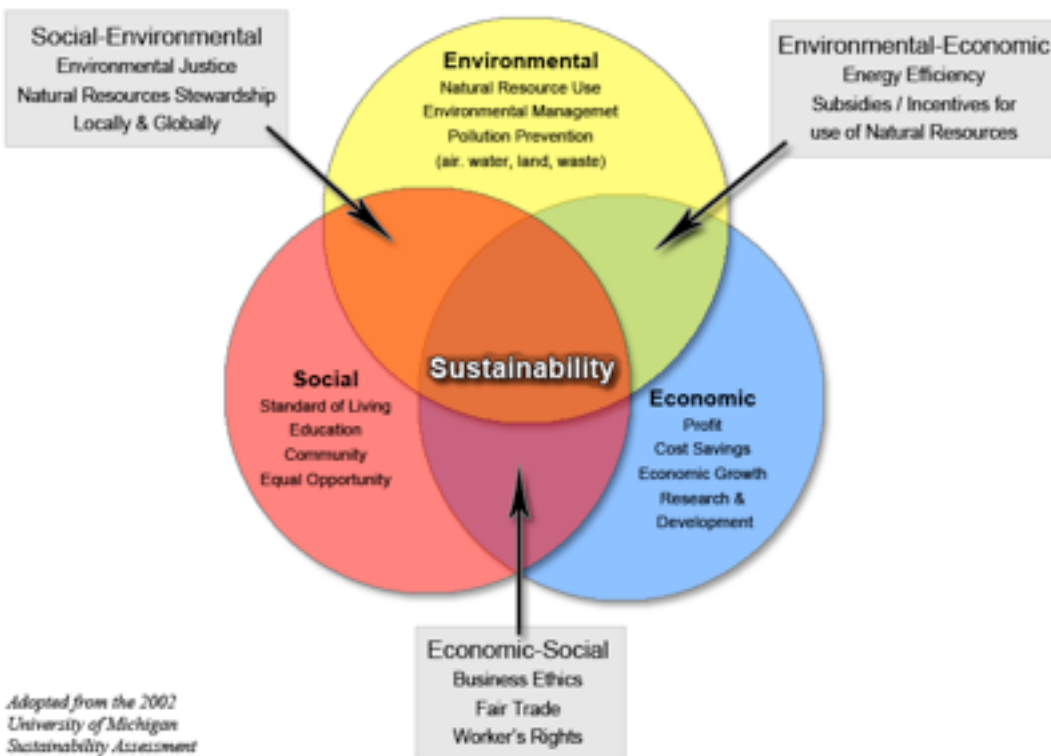
5.1.2 Business Sustainability Process

For a company to be sustainable they must be

1. Profitable
 - a. Profitability reflects that society values the goods and services that a business provides.

- b. For a business to sustain itself over time, it must provide value to society.
2. Be efficient with inputs the business uses
 - a. Reduce its environmental impact
3. Work to ensure the health and well being of its stakeholders
 - a. Employees
 - b. Communities in which it resides

The Three Spheres of Sustainability



5.2 The Triple Bottom Line

- Business are dependent on natural and physical resources
- Business cannot succeed without energy resources
 - Clean air, Water, Healthy Workers

The triple bottom line is that at the root of it all businesses need 3 things to sustain itself

Economic Resources (Profit)

Human Resources (People)

Environmental Resources (Planet)

5.3 Sustainability Benefits

The Main Benefits of sustainability can be summed up as

- Reactive
- Proactive
- Entrepreneurial Opportunity

Reactive – Business are under increasing public scrutiny, laws, and regulations to minimize their environment impact.

Sustainable actions help prevent:

- Negative publicity
- Reduce the chance of additional new laws and regulations

Proactive – Business that are proactive in reducing their environment and societal impact have a competitive advantage over those companies that wait to address their environmental impacts until a situation occurs.

Entrepreneurial Opportunity – Environmental concerns are providing for an increasing demand for sustainable products and services.

Example: Tesla Motors

5.4 Sustainability Risks

Potential Loss of Profitability

- If you focus too much on sustainability you focus on incurring costs instead of profit, firms may have lower competitive position.

If corporations focus too much on CSR and Sustainability they will not make profits.

If they do not make profits they will do even less for CSR and Sustainability than if they had taken a more balanced approach.

The perfect balance is in a term called shared value.

Shared Value – Policies and operating practices that enhances the competitiveness and profitability of a company while simultaneously advancing the

- Economic conditions
- Environmental conditions
- Social conditions

in the communities in which it operates

Negative Image – When not done well and inappropriately motivated or insincere sustainability can backfire on a corporation.

- Public Relations can be harmed
- Corporate Image tainted
- Brand Reputation ruined

Referred to as **Green Washing**

Wal-Mart has been accused of Green Washing and asked the question is it real?

Lack of Skills – Sustainability is not easy to achieve or do.

Some companies don't have the knowledge, skills, or resources to do it and suffers the consequences.

5.5 Sustainability and the relation to CSR

Sustainability and CSR are similar in that they both shift focus from financial performance to environmental and societal performance.

Sustainability and CSR differ in that:

Sustainability takes a more holistic view of business and its place in society and is concerned with future generations

CSR focuses on:

- Volunteerism
- Philanthropy
- Human rights
- Environment