



## **Sustainability: A Strategic and Tactical Approach to Succeed in the Interdependent World**

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## 1 Introduction

*"The science is beyond dispute... Delay is no longer an option. Denial is no longer an acceptable response."* President Obama

Over 60% of companies rate Green in their Top 5 priorities in a recent survey by MicroAgility.

The awareness of "Green" or "Sustainability" issues has led to a fundamental shift in addressing environmental and social issues. Businesses are responding to this shift not only for environmental and social reasons but also for a very good economic reason: customers are demanding the shift. According to a "Big 4" consulting company, a survey shows that Green is becoming a "tiebreaker" in shopping decisions.

At the surface level, Green means environmentally friendly, i.e. placing less burden on our declining natural resources. It is often a "less bad" activity, whereby fewer toxins are released, less energy is consumed, and/or waste is reduced. Certainly, Green is good for increasing sales, attracting investors, and placating regulators. However, many Green activities are low-hanging fruit, easily copied by competitors and commoditized by the market.

The thrust to become Green may overlook social issues that can smear brands and cut earnings. Imagine opening the newspaper one day and learning that your organic cotton clothing was stitched together by a 12-year-old girl in a sweatshop in a remote village of Sri Lanka.

Therefore, Sustainability is far more encompassing than Green. Green initiatives are a subset of a Sustainability program.

This paper includes a definition of Sustainability and its benefits, followed by what it means for business strategy and a very holistic approach to achieve Sustainability.

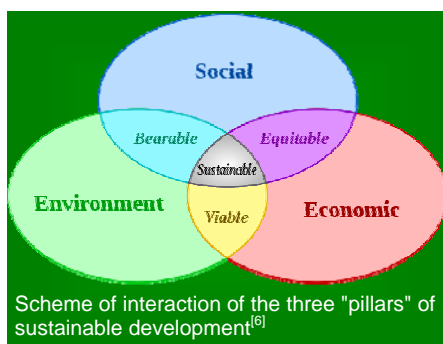
## 2 What is Sustainability?

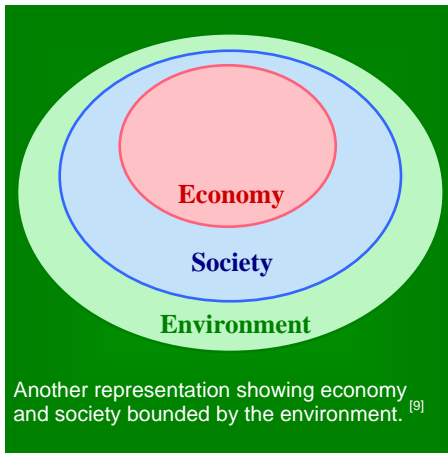
Sustainability, in general terms, is the ability to maintain balance of a certain process or state in any system. It is now most frequently used in connection with biological and human systems. For humans to live sustainably, the Earth's resources must be used at a rate at which they can be replenished. However, there is now clear scientific evidence that humanity is living unsustainably, and that an unprecedented collective effort is needed to return human use of natural resources to within sustainable limits.<sup>[1][2]</sup>

Over the last two decades, the idea of human sustainability has become increasingly associated with the integration of economic, social and environmental spheres. In 1989, the World Commission on Environment and Development (Brundtland Commission) articulated what later became a widely accepted definition of sustainability: "the needs of the present without compromising the ability of future generations to meet their own needs."<sup>[3]</sup>

The dimensions of sustainability are often taken to be: **environmental**, **social** and **economic**, known as the "three pillars."<sup>[4]</sup> These can be depicted as three overlapping circles (or ellipses), to show that they are

*Sustainability means using resources to support the current mission without compromising the ability to accomplish future missions.*





not mutually exclusive and can be mutually reinforcing.<sup>[5]</sup> While this model initially improved the standing of environmental concerns,<sup>[7]</sup> it has since been criticized for not adequately showing that societies and economies are fundamentally reliant on the natural world. According to English environmentalist and author Jonathon Porritt, “The economy is, in the first instance, a subsystem of human society ... which is itself, in the second instance, a subsystem of the totality of life on Earth (the biosphere). And no subsystem can expand beyond the capacity of the total system of which it is a part.”<sup>[8]</sup>

For this reason a second diagram shows economy as a component of society, both bounded by, and dependent upon, the environment.

The Earth Charter goes beyond defining what sustainability is, and seeks to establish the values and direction needed to achieve it: “We must join together to bring forth a sustainable global society founded on respect for nature, universal human rights, economic justice, and a culture of peace. Towards this end, it is imperative that we, the people of Earth, declare our responsibility to one another, to the greater community of life, and to future generations.”<sup>[10]</sup>

### 3 Why is Sustainability Important?

Many businesses have launched Green initiatives and some have launched Sustainability initiatives too; however, few businesses have truly mastered the art of implementing a Sustainability program and therefore have been unable to reap the benefits of Sustainability. Here are some of the benefits to implementing a Sustainability program.

➤ **Leads to Innovation**

An effective Sustainability program should lead to innovation resulting not only in operational efficiencies but also in new products and services that delight customers.

➤ **Purchase, Loyalty, and Influence**

Stakeholders have high expectations with regard to corporate sustainability, according to the Natural Marketing Institute’s 2007 LOHAS Consumer Trends Database. Nearly 80% of America agrees that “it is important for companies not just to be profitable, but to be mindful of their impact on the environment and society.” This equates to 168 million adults who expect more than just profitability from companies, according to the Natural Marketing Institute. Knowing that a company is wary of that impact translates into a variety of consumer behaviors, and makes the benefits of Sustainability tangible.<sup>[11]</sup>

Knowing a company is mindful of its impact on the environment and society makes me...	
... more likely to buy their products or services	58%
... more loyal to the company	55%
... more likely to talk with my friends and family about the company	47%
... more likely to buy their stock	36%
... less concerned with the price of their products	28%

Source: Natural Marketing Institute’s 2007 LOHAS Consumer Trends Database™  
© Natural Marketing Institute (NMI), 2007

➤ **Creates Barriers to Entries**

By implementing a Sustainability program, an organization can have first-mover advantages and can create obstacles in the path of other firms that may want to enter into a given market.

➤ **Simply Good For the Business**

Sustainability addresses not only social and environmental issues but also economic issues that lie at the core of any company when everything is interconnected in today's global economy. Perhaps it's the only viable strategic and tactical option to succeed while addressing the complexity, volatility and ever-broadening spectrum of risk when operating within global markets, relying on global energy supplies, and depending on global supply chains.

## 4 What Does it Mean for Business Strategy?

A Green business strategy alone may not hold up as a long-term sustainable business strategy. A sustainable business strategy requires a level of systems thinking and should include a very wide range of Green activities.

It will incorporate innovative business models that open new markets and generate new revenue. And it will actively seek out innovative technologies, products and services that not only lower costs, liability and regulatory pressure, but that also shift business models and alter the competitive landscape.

Businesses also need to integrate sustainability and risk management fully into their strategy – not only to minimize potential losses but also to exploit new business opportunities arising from the sustainability agenda.

Despite these many benefits of Sustainability, few businesses have been agile enough to reap them. To successfully implement a Sustainability program and reap its benefits, business must adopt a holistic approach.

## 5 Holistic Approach to Achieving Sustainability

To help you succeed, we have prepared this comprehensive approach using the following eight principles.

### 5.1 Emphasize Customer Needs



Businesses often write mission statements promising to “meet or exceed customer expectations and requirements,” yet they fail to understand their customers’ expectations or even their requirements.

A Sustainable or Green product alone is not the solution. To successfully implement a Sustainability program, a business must understand its customers’ needs, meet those needs, and exceed customer expectations. Measuring performance begins with the customer, and improvements are defined by the impact on customer

### Implementation Approach

- Customer Needs
- Management Commitment
- Fact-Based Decisions
- Process is the Engine
- Collaboration
- Manage Risks
- Agility
- Innovation

delight and by eventually increasing the stakeholders' value. For example, by simply providing Green products to customers, a business might be reacting to customers' environmental or social concerns. However, if the Green products also cost less or provide additional features, the customers will be delighted. So, it's critical that when designing Green products, businesses need to translate Green into features that offer customers value and delight them.

### **5.2 Seek Senior Management Commitment**



Businesses rely on senior management. No program can be implemented without their support, and Sustainability implementation can be particularly messy, frustrating, and difficult. It can raise concerns due to a lack of short-term gains, cross-functional cooperation, and clear objectives. Therefore, senior management must establish a unity of purpose, believe in the benefits of Sustainability, set the direction for its successful implementation, and create an environment that encourages people to achieve this objective.

### **5.3 Make Decisions Based on Facts**



While many business decisions are based on intuition and assumptions, businesses perform better when their decisions are based on facts. Therefore, businesses should start the Sustainability initiative after carefully conducting a Market and Competitive Analysis and defining the Sustainability program based on facts specific to their businesses.

### **5.4 Process is the Engine of Success**



Process can be the engine of success in designing new products and services, measuring performance, improving efficiency and customer satisfaction, or even operating the business with the new Sustainability program. Mastering processes is not just essential but are also a way to build competitive advantage.

Businesses should also analyze and design the process to integrate Sustainability into other processes including Market Research, R&D Customer Service, Supply Chain, and so on.

### **5.5 Strive for Collaboration**



Before a Sustainability program can be successfully implemented and provide measurable results for customers and other stakeholders, businesses must strive to collaborate internally across functions and externally with their partners, vendors, and other stakeholders for successful implementation.

People are more willing to collaborate once they learn how their roles fit into the "big picture" and can recognize and measure the interdependence of activities in all parts of a process. To encourage this behavior, people should also be recognized and rewarded not only

for the success of their roles and activities but also for how well they understand the big picture and collaborate with others for the overall success of the organization.

### 5.6 Manage Risks



Businesses need to understand any risks in implementing a Sustainability program and must use a structured approach in managing uncertainty through risk assessment, developing strategies to manage it, and mitigation of risk using managerial resources.

The objective of risk management should be to reduce different risks related to a Sustainability program to the level accepted by the organization. It should include numerous types of threats caused by environment, technology, humans, businesses, and politics.

The risk associated with the introduction of a new Sustainability program can be reduced by the inclusion of external views at an earlier point in the development process.

### 5.7 Strive for Agility



Businesses must strive to adopt agility and consider lightweight business models. To me, an agile organization is nimble enough to adapt to changing conditions to improve itself: it can do anything it wants whenever it wants. Often efforts fail not because the Sustainability strategy

is flawed, but because of lack of focus on agility.

As a result of improved agility, businesses not only have enormous potential to allow more rapid and much less expensive implementation of Sustainability, but also the consequent ability to get the solutions with the *right features* in the *right place* at the *right time*.

### 5.8 Strive for Innovation



Peter Drucker is right when he says, “*Managers must convert society’s needs into opportunities for profitable business. That too is a definition of innovation.*” Sustainability offers enormous opportunities for innovation and creativity.

Integrating Sustainability thinking into R&D will help educate those developing new products to incorporate Sustainability and will force them to think “outside the box” for innovative designs and solutions that are not only economical but also environmentally friendly.

This approach drives partnerships across organizational groups in order to set and achieve common business objectives. As a result, your organization will shift to a new paradigm to achieve Sustainability and delight your customers.



## 6 Conclusion

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A Sustainability program improves the environment, enhances society, and is good for the economy and the well-being of business in the long run. Businesses that master the art of Sustainability will successfully delight their clients and increase the value for their stakeholders.

The implementation approach we have suggested should help you to add simplicity, sense, and speed to the process, allowing you to exploit the first-mover advantages momentarily available.

Together, we will make a difference.

### **About MicroAgility:**

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MicroAgility, Inc. is an award winning boutique management consultancy. To learn more about MicroAgility, please visit us at [www.microagility.com](http://www.microagility.com). Based on the principles discussed above, we have also developed a framework for the implementation of Sustainability programs. The framework includes easy-to-follow steps, templates, and checklists.



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