

## Business Sustainability Issues and Challenges

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### Abstract

Beginning with, a sustainability report is a measure of and communication on an organization's performance on issues that impact its profitability. In recent decades, organizations increasingly find that their profit and loss statements are influenced by parameters that do not feature on the balance sheet. Pressures from various stakeholders are impelling businesses to take proactive steps to ensure sustainability in their operations... Time and again, research has woken up the corporate to the possibility that consumers are drawn to CRM programmes. Corporate are finding the same undercurrent of customer expectations in many regions and that is making them think and act on the CSR grounds more than ever. The major objective of the study is to bring together the benefits and incentives that corporations would reap once they adopt this practice. To accomplish the task of completing the paper, secondary source of data from internet and books have been used. With the new and revised Companies Act 2013, India has become one of the first countries to prescribe expenditure for (qualifying) companies towards CSR. It further requires that companies adopt a CSR policy, constitute a board-level CSR committee for oversight and implementation, and disclose their activities. Other than the increases observed in reporting of sustainability data among Indian companies, there has been notable international recognition for the sustainability efforts that some of these Indian companies have been pursuing. Pioneering Indian businesses in various industries are using sustainable operations to optimize their processes, with a view to taking advantage of the increase in revenues, reduction in costs and avoidance of regulatory risks. **KEYWORDS:** CSR, CRM, GRI.

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### INTRODUCTION:

Somewhere in Egypt, many years ago, existed an interesting and peculiar prejudice. It is believed that actors or theatre artists were not allowed to appear in courts as witnesses or for such purposes since they were considered naturally skilled and capable of lying. Somewhere in the recesses of our minds, many years fast forward, we too, have similar notions when it comes to the corporate sector doing anything that is not about spinning money.

The roots of such bias can be dug deeper into many recurring mishaps and errant behaviours as well as in the quintessential philosophies of capitalism or mercenary DNAs.

Yet, it does not harm to take a look around and wonder whether it's time to put the anti-capitalist pride and prejudice to test again.

Beginning with, a sustainability report is a measure of and communication on an organization's performance on issues that impact its profitability. Sustainable business is a business that focuses on improving its bottom line results and at the same time does not harm the society or the environment in which it operates. Indian businesses are taking active steps to ensure sustainability at a company and country level.

In recent decades, organizations increasingly find that their profit and loss statements are influenced by parameters that do not feature on the balance sheet. These external parameters are “sustainability” issues that could be economic, environmental or social in nature.

Sustainability reporting gives organizations a framework to identify these sustainability issues, and to understand their impacts on its businesses. It helps an organization recognize the interdisciplinary aspects of the triple bottom line (economic, social and environmental) performance.

In defining sustainability reporting as “a process that assists organizations in setting goals, measuring performance and managing change towards a sustainable global economy” and “is the key platform for communicating the organization’s economic, environmental, social and governance performance, reflecting positive and negative impacts,” the Global Reporting Initiative alludes to the dual purpose of a sustainability report – setting internal controls of sustainability in order within an organization and meeting the demands of the stakeholders through a balanced disclosure on performance.

Business and Industry are closely linked with environment and resource utilization. Production process and strategy for eco-friendly technologies throughout the product life cycle and minimization of waste play major role in protection the environment and conservation of resources. Business, Industry and multinational corporations have to recognize environmental management as the priority area and a key determinant to sustainable development. Sound management of wastes is among the major environmental issues for maintaining the quality of Earth’s environment and achieving sustainable development.

#### **OBJECTIVE:**

Economic progress and environmental protection is not a conflicting proposition. If companies redesign product and adopt latest technologies available; they can achieve the goals of reduction in wastage and resources depletion. This requires a new thinking and strategies in respect of environment-business relationship. A change is needed at all levels starting from organisational structure, finance, manufacturing, marketing, operations, accounting and other related disciplines. Environmental considerations have become a part of corporate strategy, which means incorporating environmental issues in the process of developing a product, in new investments and in the organisational set up. A good environmental practice improves corporate performance.

Business must therefore make environmental ethic an integral part of their corporate goal, taking care that their practices, processes and products conserve energy and resources and have a minimum impact on ecosystems.

There are many factors driving organizations to report on sustainability. In order to understand if sustainability reporting is a business case or a branding exercise, the drivers for reporting must be identified.

Pressures from various stakeholders are impelling businesses to take proactive steps to ensure sustainability in their operations. These pressures / incentives can be from the external environment or from within the business enterprise.

The key external environmental influencers are customers and social activist groups who are increasingly becoming anxious about the impact of businesses on the environment. To add to

that, the government has also introduced several regulatory guidelines and policies which the businesses are obligated to follow.

Time and again, research has woken up the corporate to the possibility that the consumers are drawn to Cause-Related marketing (CRM) programmes. For instance, in one study in 2011, 37 percent of all people said that they purchased a product associated with a cause and 75 percent said that they purchased a brand because they supported a cause. In fact 61 percent will try a new brand if it is associated with a cause – especially one they care about.

Consumers and customers drive the sustainability performance of an organization through their preferences and purchasing patterns. As supply chains become increasingly global, business-to-business consumers are concerned about the reputation of those with whom they do business. For business-to-consumer companies, the focus in India has been on promoting responsible usage of products to limit the life cycle impact of the product. For example, Unilever's detergent Surf was designed to require less water, taking into account India-specific detergent usage practices.

Organizations are expected to promote and be accountable for their suppliers' sustainability practices. The GRI G4 Guidelines now require disclosure of an organization's supply chain, applicability of material aspects to supply chain, environmental responsibility across the supply chain and social accountability across the supply chain.

If an organization does not respond to the stakeholders' concerns, it risks being non-compliant, loss of reputation and forms of social boycott, all of which have a direct impact on its business. On the other hand, if adopted in line with the business strategy, an organization can be compliant, communicate its green product portfolio and can differentiate itself from its competitors.

Improved brand reputation is cited as one of the greatest benefits derived from addressing sustainability, according to a 2011 survey, amongst others including increased competitive advantage and better innovation of products and service offerings.

So, even though there is a push for disclosure, in an emerging economy such as India, the maturity of the application of this information in decisions is debatable. The focus for big corporations remains philanthropy. The need to establish a social license to operate is not a novel discovery. The paradigm of aligning philanthropy and the benefits of engagement with stakeholders to business objectives is new. And, as organizations expand into international markets and as international players set shop in India, the exchange of ideas and information has been rapid. Organizations are positioning themselves for a particular cause, and consolidating their philanthropic work into specific focus areas, all in relation to their core business.

The primary objective of a sustainability report, therefore, remains "to communicate" with stakeholders. Internalizing sustainability and enabling successful communication with stakeholders is crucial to reap long term business benefits. Branding of a sustainability report is incidental. If the steps are laid with branding as a focus, there could be other significant backlash in terms of green washing or superficial communication. The message or positioning of an organization can be biased as a result of its sustainability objectives, and it seldom works the other way around.

#### **KEY FINDINGS:**

With the new and revised Companies Act 2013, India has become one of the first countries to prescribe expenditure for (qualifying) companies towards CSR. It further requires that companies adopt a CSR policy, constitute a board-level CSR committee for oversight and implementation, and disclose their activities.

Corporate are finding the same undercurrent of customer expectations in many regions and that is making them think and act on the CSR grounds more than ever.

The pressure on organizations to respond to and communicate their response to sustainability concerns is increasing through legislative levers and regulatory mechanisms. With SEBI's mandate of August 2012 on Business Responsibility Reporting (BRR) for the largest listed entities in India, there is a definite shift from voluntary to mandatory sustainability reporting. One hundred and one companies were mandated to bring out a BRR in 2013, with about half of them reporting such information for the first time publicly.

Other than the increases observed in reporting of sustainability data among Indian companies, there has been notable international recognition for the sustainability efforts that some of these Indian companies have been pursuing. Thirteen Indian companies were ranked among the 'greenest' companies in the world, in 2012 by Newsweek, which is an increase of three companies from the previous year. In fact, this year three Indian companies fell within the top 20 Newsweek green rankings.

Pioneering Indian businesses in various industries are using sustainable operations to optimize their processes, with a view to taking advantage of the increase in revenues, reduction in costs and avoidance of regulatory risks.

Some specific examples of savings from sustainability initiatives implemented by Indian companies are mentioned below:

1. The Chennai based truck manufacturer Ashok Leyland saves about 35-40% on power consumption in their corporate office which is a LEED green certified building.
2. Shoppers Stop deployed energy savings systems that reduced the energy consumption in their stores which resulted in a savings of INR 440 lakhs in the first year.
3. Infosys has gained a 23% reduction in per capita energy consumption on all Indian campuses since 2008, using building energy management solutions.

In order to gain the benefits from the sustainability initiatives, there needs to be an effective and integrated plan that the businesses need to follow. Business sustainability should become a part of the corporate culture.

The table below provides some of the major initiatives undertaken in India by sustainable businesses in selected industries.

**TABLE 1**

INDUSTRIES	MAJOR SUSTAINABLE INITIATIVES
<b>Automotive</b>	Efficient Supply Chain Management Development of innovative fuel efficient vehicles Green Infrastructure – for offices and factories Conservation of water and energy usage in the processes Optimization of material process Provision of employees buses to reduce carbon foot print Utilization of alternative sources of energy

<b>ICT</b>	Smarter Buildings Green IT – virtualization of servers, desktops using Cloud tree planting at IT campuses Reduction of travel using innovative communication technologies Focus on reduction of paper in the offices
<b>Banking</b>	Internet and Mobile banking and the introduction of IVR facility has reduced the usage of paper Innovative product offerings – provision of preferential loan rates for the purchase of hybrid vehicles and construction of LEED design buildings Green awareness campaign among employees Solar powered ATMs
<b>Retail</b>	Eco friendly products and packaging Eco friendly sourcing Recycling initiatives Green Buildings Alternative Energy sources Energy, water and waste management

Table: Sustainability initiatives by selected industries

Causes are so many and so are possibilities. If KFC’s ‘Buckets For The cure’ campaign raised millions for breast cancer research in 2010, then there is Adobe that chose to work on a youth initiative. Adobe Youth Voices apparently engaged over 27,000 youth and 15,000 educators in schools and out-of-school programmes. More than that, it claimed it increased participants’ feelings of engagement and self-worth, with many from the participating youth believing their work could make a difference, and many more from the participating youth believing their work could make a difference, and many more saying their opinions matter.

Then there is P & G ‘Make A Wish’ initiative where Make A Wish Foundation has been giving once-in-a-lifetime experiences to children fighting life threatening illnesses. Also, P & G beauty brands have been reportedly donating a certain fixed sum to the Make A Wish Foundation for every person who shows his or her support.

SustaiNuance, Greening India Inc, India’s first Corporate Sustainability Magazine conducted several online poll and the results that came were very impressive. Some of the polls are as below:

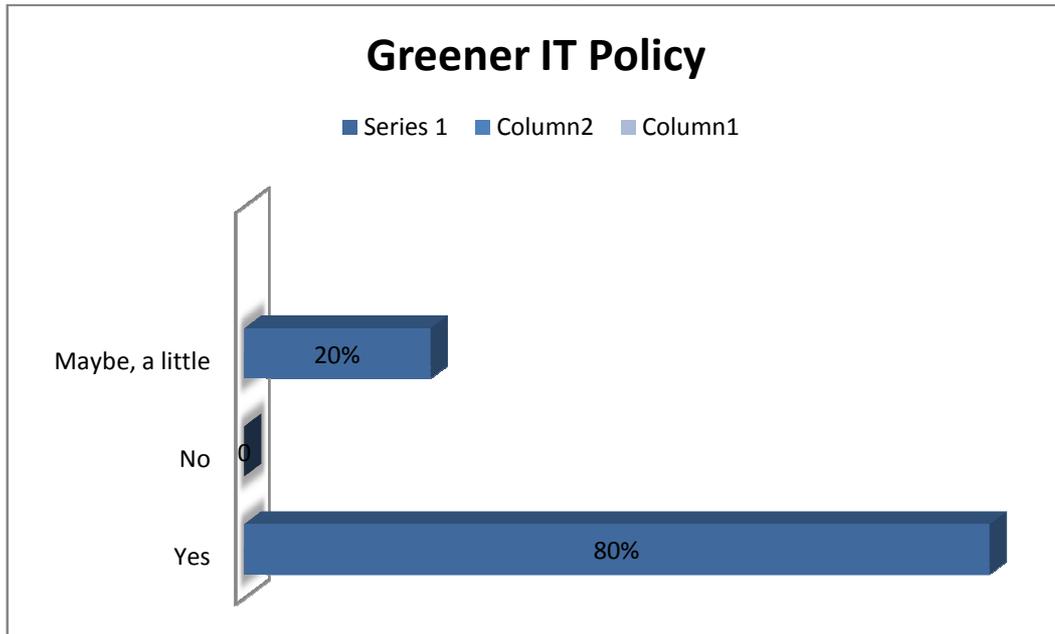
- Which of the following environment- facing issues should be top of Indian corporate’s CSR agenda?

FIGURE 1



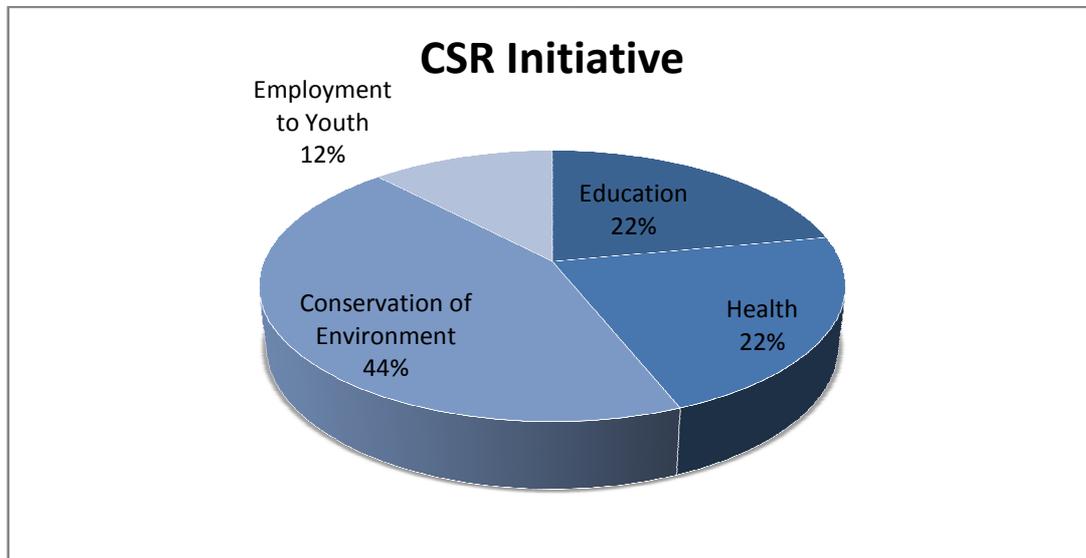
➤ Do you think having a greener IT policy/system makes difference to a company?

FIGURE 2



➤ What CSR initiative would you like your company to take up?

FIGURE 3



**CONCLUSION:**

Few companies in India are engaged in the initiatives mentioned in the Table. There is still a very large mass of businesses in India that could employ sustainability methodologies in their operations. The main reasons for the low acceptance of business sustainability in India are two-fold, one there has been the lack of widespread know-how on how to collect, collate and report the data. Although Indian businesses have been including CSR initiatives in their annual

reports, where the focus was more on social responsibility, the environmental data gathering was not given too much of importance. The second main reason is the limitation of the existing internal systems to effectively measure track and assimilate the sustainability impacts into corporate strategy and operational objectives.

The challenges of adopting sustainability initiatives will be addressed through the sustainability solutions providers, that help assess, define and deliver a comprehensive sustainable strategy. As the momentum and awareness, picks up there will be a high demand for sustainability services.

### **Fostering adoption of Business Sustainability**

Several initiatives can facilitate the adoption of business sustainability initiatives, namely

1. Recognition of sustainable businesses through award functions by industry bodies enhances their public image. The CII-ITC Sustainability award and Parivartan Sustainability Leadership award are two of the awards provided by different industrial organizations.
2. Thought leadership papers published and sustainability reporting workshops organized by industry bodies like CII and TERI plays a role in reducing the ignorance about the subject and encourage more participation. There are also industry conferences that provide a platform for partnership or innovative thoughts.
3. Analytics combined with IT solutions facilitate easy measurement and monitoring of sustainability initiatives, making it easier for management to track and realize the benefits.
4. Sustainability guidelines and policies published by the government coax companies into compliance.
5. Initiatives to inform businesses on the advantages of earning additional revenue from carbon credit trading will help increase the number of businesses running sustainable operations.

### **6. Breaking The Pattern**

Habits matter and on the other side, breaking the pattern of boring and bland. GVK, Mahindra observed the novel area of Emergency Response Services. The statistic of more than four million deaths per year in India occurring in emergency situations caught its attention. It got into action and the 108 Emergency Response Service by GVK EMRI (Emergency Management & Research Institute) and Mahindra Satyam was conceived to address the issues of accessibility, availability and affordability.

It is a not-for-profit service delivery model that was set up to integrate emergency response for any type of emergency—medical, police, or fire—through a toll-free number; for as cheap as one rupee per citizen per month.

At one point, 108 handled nine emergencies every eight seconds, and saved one life every eight minutes. A new habit formed well in time for a big hinterland in India that has probably never heard of the 911 culture available to its foreign friends.

If one corporate chose bringing emergency services on the doorsteps as its CSR calling, then there is doorstep banking by Yes Bank, too. It got perturbed by the state of many Indians lacking access to saving account or ATMs or farming households lacking access to institutional credit.

All this despite formidable physical outreach and rural footprint of banks. So Frugal Innovations For Financial Inclusion (FI4FI) for enabling doorstep banking services, multi-

channel and multi-platform banking through partners, and appraisal of micro loans happened. Yes Bank's FI4FI initiative, as reported, provided the financially excluded, convenient access to financial services delivered through saving and loan repayment collections at doorstep and anytime, anywhere domestic remittance service available at the neighbourhood shop.

## 7. Channelling CSR Forces

Like rightly observed in a report by Mamta Wadhwa, Senior Director, Chemicals, Materials and Foods Practice, Frost & Sullivan, South Asia, Middle East & North Africa, "CSR is measured in three basic models: that of a shareholder, stakeholder and alliance. Various business operate on different levels of CSR based on interactions with their suppliers, customers or employees. However, the trend of integrated CSR practices is a burgeoning one and is practised by few manufacturers. The industry aims to introduce a standard of CSR compliance across the value chain that will enable not only the organization, but its employees, shareholders, and residents around its plant facilities to benefit from these measures."

As we might have very well observed by now, many of these corporate initiatives illustrated earlier echo or align well to their line of work. Could it be a marketing-branding shadow or could it be because of proven expertise in the given area of work?

Projects and causes abound if corporate want choices and avenues to channelize their CSR forces ahead especially when they can complement NGOs by providing not only resources, but also professional expertise. It has been observed that NGOs can cover a lot of ground by plugging such gaps.

The Indian industry has just woken up to the concept of business sustainability and its advantages. There are currently only a handful of businesses that are reporting sustainability information. However, the initiatives adopted by the industry organizations and the government are bound to provide an impetus to the trend of adopting business sustainability as a competitive advantage. It is quite evident, from the recent rapid growth in sustainability reporting, that this trend will continue to grow.

In this day and age, when almost everything is interconnected, instrumented and intelligent, it is not inconceivable to attain solutions available for businesses to conduct sustainable operations. As more businesses become informed, and experience the increase in shareholder value, the market adoption of sustainability solutions will grow tremendously. This trend will take the adoption of business sustainability in India much higher.

That said corporate have proven that they can err as well as earn hearts depending on how they approach a cause or a responsibility. All they need to accelerate on is the plethora of issues and problems that still crouch inside the underbellies of our society and corporate corridors. Also the fact that 'money helps, but only so much' needs to be absorbed with sincerity. It is often joked that if Bill Gates drops a hundred dollar note, it is better for him to keep walking and doing what he does rather than wasting his precious time on stooping to pick the note. There can be some hard truth that can be spotted here—the fact that a corporate's time is more valuable than the money it can shell out. If only companies humour this thought well as most of them still stay occupied in running a marketing theatre.

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