

# The concept of sustainable development strategy business essay



The concept of sustainable development has received growing recognition, but it is a new era for many business executives. For most, the concept remains abstract and theoretical.

Protecting an organization's capital base is a well-accepted business principle. Yet

organizations do not generally recognize the possibility of extending this notion to the

world's natural and human resources.

If sustainable development is to achieve its potential, it must be integrated into the

planning and measurement systems of business enterprises. And for that to happen, the

concept must be articulated in terms that are familiar to business leaders.

The following definition is suggested:

For the business enterprise, sustainable development means adopting business strategies

and activities that meet the needs of the enterprise and its stakeholders today while

protecting, sustaining and enhancing the human and natural resources that will be needed

in the future.

This definition captures the spirit of the concept as originally proposed by the World

Commission on Environment and Development, and recognizes that economic

development must meet the needs of a business enterprise and its stakeholders. The latter

include shareholders, lenders, customers, employees, suppliers and communities who are

affected by the organization's activities.

It also highlights business's dependence on human and natural resources, in addition to

physical and financial capital. It emphasizes that economic activity must not irreparably

degrade or destroy these natural and human resources.

This definition is intended to help business directors apply the concept of sustainable

development to their own organizations. However, it is important to emphasize that

sustainable development cannot be achieved by a single enterprise (or, for that matter, by

the entire business community) in isolation. Sustainable development is a pervasive

philosophy to which every participant in the global economy (including consumers and

government) must subscribe, if we are to meet today's needs without compromising the

ability of future generations to meet their own.

## **Implications for business**

It has become a cliché that environmental problems are substantial, and that economic

growth contributes to them. A common response is stricter environmental regulation,

which often inhibits growth. The result can be a trade-off between a healthy environment

on the one hand and healthy growth on the other. As a consequence, opportunities for

business may be constrained.

However, there are some forms of development that are both environmentally and

socially sustainable. They lead not to a trade-off but to an improved environment,

together with development that does not draw down our environmental capital. This is

what sustainable development is all about - a revolutionary change in the way we

approach these issues.

Businesses and societies can find approaches that will move towards all three goals -

environmental protection, social wellbeing and economic development - at the same time.

Sustainable development is good business in itself. It creates opportunities for suppliers

of 'green consumers', developers of environmentally safer materials and processes, firms

that invest in eco-efficiency, and those that engage themselves in social well-being. These

enterprises will generally have a competitive advantage. They will earn their local

community's goodwill and see their efforts reflected in the bottom line.

## **Practical considerations**

While business traditionally seeks precision and practicality as the basis for its planning

efforts, sustainable development is a concept that is not amenable to simple and universal

definition. It is fluid, and changes over time in response to increased information and

society's evolving priorities.

The role of business in contributing to sustainable development remains indefinite. While

all business enterprises can make a contribution towards its attainment, the ability to

make a difference varies by sector and organization size.

Some executives consider the principal objective of business to be making money. Others

recognize a broader social role. There is no consensus among business leaders as to the

best balance between narrow self-interest and actions taken for the good of society.

Companies continually face the need to trade off what they would 'like' to do and what

they 'must' do in pursuit of financial survival.

Businesses also face trade-offs when dealing with the transition to sustainable practices.

For example, a chemical company whose plant has excessive effluent discharges might

decide to replace it with a more effective treatment facility. But should the company

close the existing plant during the two or three-year construction period and risk losing

market share? Or should it continue to operate the polluting plant despite the cost of fines

and adverse public relations? Which is the better course of action in terms of economy,

social wellbeing and the environment?

Moreover, many areas of sustainable development remain technically ambiguous, making

it difficult to plan an effective course of action. For example, the forestry industry has

had difficulty defining what constitutes sustainable forest management.

Some critics

believe that simply replacing trees is not enough, because harvesting destroys the

biodiversity of the forest. Clearly, more research will be needed to resolve such technical

issues.

From a broader perspective, however, it is clearly in the interest of business to operate

within a healthy environment and economy. It is equally plain that, on a global basis,

growing and sustainable economies in the developing countries will provide the best

opportunities for expanding markets.

To some, sustainable development and environmental stewardship are synonymous. In

the short term, sound environmental performance is probably a reasonable objective for



most businesses, with sustainable development as a longer term goal.

However, this can

lead to confusion. In the developed world, the focus is on environmental management,

while in developing countries, rapid and sustainable development is paramount.

The global economy is coming under growing pressure to pay for the restoration of

damaged environments. But this economic engine is being asked to help solve other

pressing problems at the same time. The challenge is to solve all of these problems in a

sustainable manner, so as to generate continuing development.

Despite ambiguities about definitions, there is now widespread support for sustainable

development principles within the business community. However, for that support to

grow, it will be important to recognize and reward initiatives that are being taken to turn

the concept into reality.

## **Positive signs of change**

William Mulligan, environmental affairs manager at Chevron Corporation, reflects the

view of many in the business community who believe that the environment is now a

major issue – one which presents both challenges and opportunities.

‘ Over the last decade, we have seen many polls confirming the importance of the

environment to Americans,’ he says. ‘ Only an irresponsible company would dismiss this

trend as a passing fad or fail to recognize the need to integrate environmental

considerations into every aspect of its business. Environmental excellence has to become

part of strategic thinking. It is in our best economic interests to do so. In fact, whenever

we are forced to change, we often find opportunities.’

This positive change in attitudes and practices is echoed by the Organization for

Economic Cooperation and Development, which says: ' There is now a realistic prospect

of harmonizing environmental and economic considerations, and thus of gradually

incorporating these objectives in policy.'

Many executives have demonstrated that pursuing sustainable development strategies

makes good business sense. For example, a 3M manufacturing plant scaled down a

wastewater treatment operation by half, simply by running cooling water through its

factories repeatedly instead of discharging it after a single use. Meanwhile

Dow's ' Waste

Reduction Always Pays' programme, which began in 1986, has fostered more than 700

projects, and saved millions of dollars a year. And in a Westinghouse metal finishing

factory in Puerto Rico, the company reduced ' dragout' – the contamination accidentally

carried from one tank to another - by 75% simply by shaking the tank to remove solids

before releasing the chemical to the next tank.

Pacific Gas and Electric decided that energy conservation was a more profitable

investment than nuclear power, and McDonald's made its well-publicized move from

plastics to paper the cornerstone of a much broader, but less visible, waste reduction

strategy.

The managers of these businesses clearly believe that environmentalism has something to

offer business.

In an interview with Tomorrow magazine, John Elkington of environmental consultancy

SustainAbility says: ' We are seeing the birth of corporate environmentalism.

In fact the

main impetus for sustainable development in the future will probably come from

business.'

There are other significant developments too, Elkington points out. Many consumers are

now prepared to pay more for environmentally responsible products. And the emergence

of ethical investment funds has thrown the spotlight onto corporate environmental

performance.

Also significant, says Elkington, is that companies are changing from within, rather than

simply responding to external pressure from consumers and environmentalists.

### **Enhancing management systems**

The concept of sustainable development needs to be incorporated into the policies and

processes of a business if it is to follow sustainable development principles.

This does not

mean that new management methods need to be invented. Rather, it requires a new

cultural orientation and extensive refinements to systems, practices and procedures.

The two main areas of the management system that must be changed are those concerned

with:

- € A greater accountability to non-traditional stakeholders;
- € Continuous improvement of reporting practices.

Developing an effective management framework for sustainable development requires

addressing both decision-making and governance. The concept of sustainable

development must be integrated both into business planning and into management

information and control systems. Senior management must provide reports that measure

performance against these strategies.

Governance is increasingly important because of the growing accountability of the

corporation and its senior management. Information and reporting systems must support

this need. Decision-making at all levels must become more responsive to the issues

arising from sustainable development.

Seven steps are required for managing an enterprise according to sustainable

development principles. These are set out below.