



**Sustainability:
Strategy or spin**
Jason Gerrard

Will sustainability just be a fad? How important is it to industry? And what should businesses be doing about it? Sustainability is the new business buzzword, but companies need to do more than pay lip service to it.

Critics of sustainability argue that it is an ill-defined concept that is not useful to business. "Ignore it" they say, "it will pass". This seems a spurious argument. Robust technical definitions of sustainability do exist, and generally revolve around profitably improving environmental and social outcomes.

Nor does the lack of a universal definition necessarily reduce a concept's importance. In fact, fundamental societal issues such as equity and justice are often hard to define. What is equitable? What is just? The answer is obvious; concepts such as equity and justice are only meaningful when they are applied to specific situations. Sustainability is no different.

Definitions aside, most people tend to know when what they are doing isn't sustainable.

So what are the business benefits?

There is now a lot of evidence that organisations that embrace sustainability do as well as, or better, than the rest of the market (e.g. the Dow Jones Sustainability World Index has outperformed the market over the past five years). And why wouldn't they? Let's not forget that businesses exist to meet the needs of society. These needs change, but include food, health and shelter as well as additional needs satisfied through employment, such as fulfilment, social interaction and meaning. Sustainable companies will meet these societal needs more effectively.

Sustainability is essential to any organisation's long-term prosperity. Here are a few of the benefits: greater resource productivity, brand value, reduced risk profile and lower waste management costs. There are also human resource benefits such as improved staff retention and easier recruitment. More and more, employees are requiring that the values of the organisations in which they work align with their own values. A regular pay cheque just isn't enough. Just ask Gen Y.

Organisations that don't heed the call should be prepared to face increasing regulatory pressure, decreased societal support, poor staff engagement and difficulty in branding their products as premium goods. Token efforts will not pay off. If sustainability initiatives are implemented poorly or are viewed as an add-on or branding exercise, they can, and probably will, hurt your business; resulting in increased costs and few rewards.

Sustainability is about opportunity not just risk mitigation and cost reduction. New legislation in Australia and overseas (such as carbon trading, pollution taxes and extended responsibility legislation) and new technologies (e.g. renewable energy, biodegradable plastics) are altering markets. Consumers are increasingly searching for sustainable products and services and are willing to pay extra for them.

CEOs need to think big! Don't just focus on the small quick-wins. Truly sustainable solutions must be systemic. Sustainability is fundamentally about what goods and services a company produces and how it does so.

A company needs to assess opportunities across its value chain. Sustainable solutions require products to be designed differently, produced differently, delivered differently and collected so that they can be re-used, remanufactured or recycled. Organisations like packaging company Visy have reaped huge rewards from capturing opportunities such as recycling.

The key is to take sustainability seriously. This means having a vision of the future and ensuring that initiatives are driven by a coherent sustainability strategy that is aligned with the corporate strategy. The board, the CEO, staff and customers must buy-in to the organisation's values, goals and plans.

Companies are becoming increasingly aware that sustainability can be a defensible competitive advantage. Proprietary sustainability solutions supported by science, rigorous analysis, ongoing learning, knowledge management, excellent execution and focus can keep a company ahead of the pack.

Don't do it because it's trendy. Do it because you believe it and because it's good business. Organisations that embrace sustainability as the way forward will be the great companies of the not-too-distant future.

those who don't

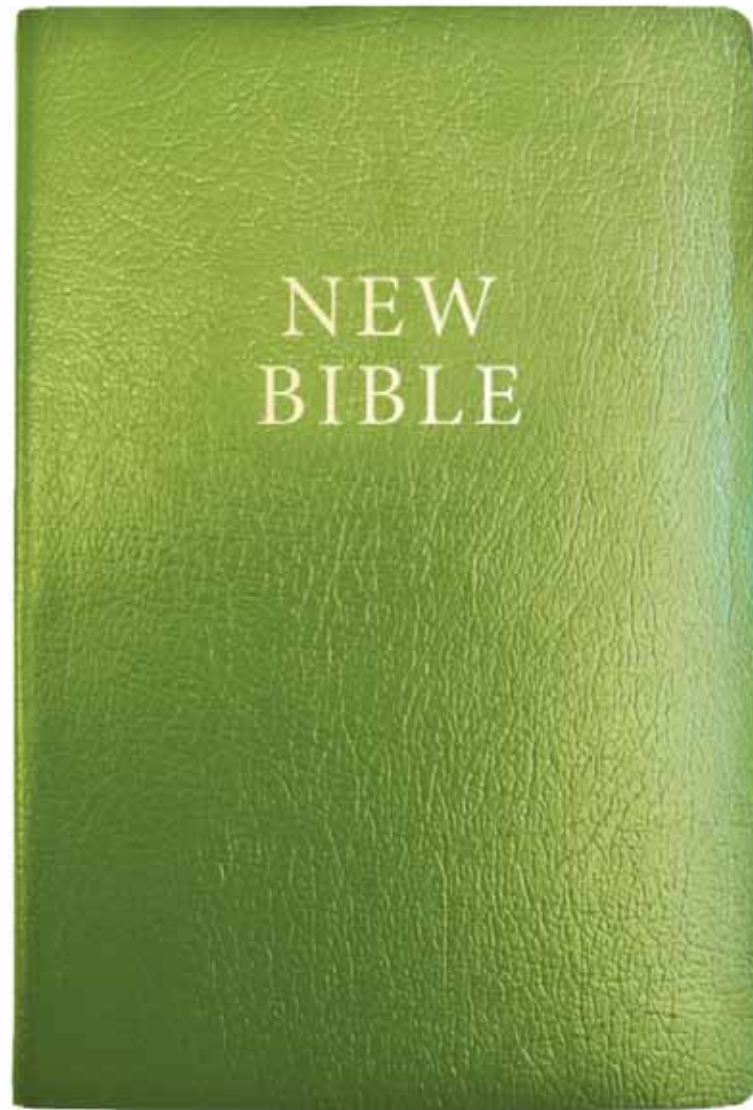
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References

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