

## Strategic Approaches to Business Sustainability

Dr. Padma Misra  
Associate Professor  
Faculty of Management & Commerce  
Swami Vivekanand Subharti University  
Meerut, UP, India

### Abstract

Achieving a Business Sustainability is a step beyond CSR. It requires a strategic approach to planning rather than an incremental approach to deliver long term benefits. With current social, environmental, technological and political challenges facing business it is imperative we change. This paper explores the value of Strategic Approach to business sustainability, and discusses the role of different approaches in strategic sustainability for companies.

**Key Words: Strategic Approaches, Sustainability, Business Sustainability, Sustainable Development, Sustainability, Strategic Sustainability, Green Giants, Triple Bottom Line, CSR.**

### Introduction

In the 1970s Milton Friedman, Nobel Prize for Economics stated that “the exclusive purpose of business is to increase its returns to stakeholders”. He argued that companies adopting CSR would become less competitive as they will be faced with more legal requirements than companies that did not. He concluded that the only business of business is to earn profits.

Sustainability issues were not considered important back in the 1970s and neither was CSR. Climate change was not something that was considered threat to future generations and hence, Friedman’s theory was one of the core business models at the time.

Costanza et al. (2014) estimated that if we had to pay for ecosystem services such as pollination, soil formation and many other such services that nature provides for free, the value of these services would exceed the global GDP by a significant margin. This seminal work has been the basis on which many experts view sustainability nature’s resources (water, soil and air) are finite and need to be protected and in some case replenished eg watershed projects.

## **Literature Review**

The definition of sustainability was given in the Brundtland Commission's 1987 report, 'meeting the needs of the present without compromising the ability of future generations to meet their own needs.'

A sustainable enterprise genuinely contributes to sustainability by delivering economic, social and environmental benefits simultaneously, i.e., achieving the **triple bottom line** (Dyllick & Hockerts, 2002; Elkington, 1998). Triangulating with the state and civil society, organizations have been developing new strategies, policies and arrangements and redefining their respective roles, action domains and interdependency (Marrewijk, 2003).

### ***Sustainability & CSR***

As Sustainability and CSR converge and encompass similar dimensions they are increasingly being used as synonymous or comparable terms (Emerson, 2003; Mazon, 2004). Both concepts involve multiple levels of analysis (individual, group, firm, community, etc.) and multiple stakeholders (employees, shareholders, clients, suppliers, partners, community members, etc.). CSR and sustainability deal with issues related to three areas i.e. social, environmental and economic, that sometimes overlap. The economic area has elements (e.g. firm's reputation, relationships, etc) that contribute long-term financial success and is not limited to short-term performance indicators such as return on investment [ROI]. Managing sustainability and CSR implies seeking a balance between short- and long-term considerations and among them interests of a larger group of stakeholders than those addressed by **traditional** management (Raynard & Forstater, 2002). It is here that the strategic planning approach is more suited for achieving sustainable business environment.

### ***Sustainable Development***

The concept of sustainable development has received growing recognition, but it is a new idea for many business executives and hence remains abstract and theoretical. Sustainable development can be defined as

“the 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.”

The concept of sustainable development as originally proposed by the World Commission on Environment and Development is captured by this definition recognizing that economic development must meet the needs of business organization and its stakeholders. Stakeholders here are identified to include shareholders, lenders, customers, employees, suppliers and communities who are affected by the organization's activities. The definition also focuses on business's dependence on human and natural resources, in addition to physical and financial capital. According to it, economic activity must not irreparably degrade or destroy these natural and human resources. This definition was meant for helping business directors apply concept of sustainable development to their own organizations. However, it should be emphasized that sustainable development cannot be achieved by a single enterprise (or, for that matter, by the entire business community) in isolation. Sustainable development requires a concerted effort of all participants of global economy to not only meet today's needs but also not to compromise on the ability of the future generations to meet their own.

### **Integrating Sustainability into Business Practices.**

Organizations are increasingly pressurized to integrate society's expectations into their business strategies to respond to consumers, employees and other stakeholders while explore opportunities for creating competitive advantage (Bielak, Bonini, & Oppenheim, 2007; Bonini, Mendonça, & Oppenheim, 2006). Researchers are seeking to identify a set of factors with the potential for facilitating effective integration of sustainability into organizational practices.

### **The Strategic Approaches**

'Most strategies are built on specific beliefs about the future. Unfortunately, the future is deeply unpredictable'.

Research shows that above 50% of the time organisations have failed at some point could be identified with an erroneous strategy as the reason, rather than poor economic situation. Strategy formulation is time consuming and expensive. Organizations sometimes may formulate strategies without allocating resources. Over the years many approaches have been suggested to resolve strategy failures. Sustainability requires formal strategic planning to ensure greater chances of success for future generations. A formal strategy provides an organisation with chances to reduce risk and improve possibility of security about its future. Planning which has its origins in military sphere is the root of a strategy. Sun Tzu's 'The Art

ofWar' written 2,500 years ago considered as the first guidelines to strategy. In this legendary book the author, a Commander of the Chinese army explains the rules for the carrying out of military operations. M. Porter, D.P. Norton and S. Kaplan, H. Mintzberg and others have also contributed to the understanding of strategic organisational planning.

The understanding of different schools of thought on strategy is critical, which is otherwise a abstract term. There is no common concept and strategy could mean different in different areas. A study of different schools of strategy is important as different metaphors can show how there are different views on same idea. Business however does not look at strategy differently. They define, form and explain the strategy in the same way.

The following schools of strategy exist:

1. Design school: process of conception.

Achieving balance between the organization's internal strengths, weaknesses and external opportunities and threats.

2. Planning school: formal process.

The formal process has specific steps and is supplemented by control tables. It is supported by various techniques (especially what refers to different objectives, budgets, schemes, operational plans)

3. Positioning school: analytical process.

It includes concepts like strategic groups, value chains, etc and the designer of plans becomes the analyst. It always has some analytical specifics.

4. Entrepreneurial school: process of the vision for future.

The top manager is the key person. The concept key development is that it transformed the strategy focus from an accurate design, plan or position into an uncertain vision and a broad perspective.

5. Cognitive school: an intellectual process, where it deals mainly with the research of the strategy concept. This school also has its trends, interpretations or a constructive view on a strategy. It is used to construct strategies rather than deal simply with reality charts.

6. Learning school: a process occurring unpredictably.

This school focuses on learning as you go or strategies are created unpredictably. They can be found all across the organisation. The link between formulation and implementation exists,

#### 7. Power school: negotiating process.

Power school is further divided into two sub-groups, the micro power group and the major power group. Micro power concept sees the strategy development as an internal policy – process which includes negotiations, putting pressure upon and confrontation between the power players. Macro power concept stresses that an organisation is a person that exercises power over others and between its partners within the alliance, joint ventures, and other types of networking. It exists with the purpose of agreement on ‘collective’ strategies in the interest of the organisation.

#### 8. Culture school: a social process.

The strategic concept focuses is on collective interests and integration. It is emphasized that formulation of a strategy is a social process rooted in the culture of an organisation.

#### 9. Environment school: a reactive process.

The concept includes ‘probability theory’ which examines what reactions could be expected from an organisation in the respect to its environmental circumstances. The ‘population ecology’ is seen as imposing severe limits to strategic choices. ‘Institutional theory’ describes the institutional pressure that organisations face. This concept of strategy is a hybrid of the power and cognition school.

#### 10. Configuration school: a process of transformation.

Organisations are not considered as separate entities but as configurations ie. clusters of common behaviours and characteristics. If ‘status’ can be used to describe organization, then the changes can be referred to as dynamic process of transformation where the organization due to the change moves from one status to another.

This classification of strategy schools is not the only one. Elfring and Volberda (2001) also have classified the strategic management approaches into three strategic schools:

1. Limitation school – Deals with the issue where to draw the boundaries of an organisation and how to manage the process across the division line.

2. Dynamic capabilities school – The strategic management is collective learning process and the purpose is to develop special organisational capabilities which are difficult to copy.

3. Configuration school – It perceives strategy as the rising and declining process of an organisational configuration, strategic techniques, archetypes and stages of development.

These classification of approaches to strategic management is not various theories or creation of new theories, they are main trends in the area of strategic management. The different schools of thought deliberate on the priorities assigned by organisations in the process of strategy creation to its different parts, although most include areas as defined by Peter Drucker for development of strategic objectives.

### **Discussion:**

Every company operates differently having a unique organizational structure, supply chain, employee base and geographic footprint, therefore sustainability strategies must be catered to each company in its own unique way as no two companies are the same. This clearly demonstrates that no one strategic approach may be sufficient. References can be taken of other companies in the industry or region, but what might work for one organization may not work for the other. In such case an positioning school approach may be helpful since it involves analytics. Whereas planning school approach may help to identify and prioritise material issues to focus resources. Companies with successful sustainability strategies connect their sustainability efforts with issues and activities that are material to the business and so the entrepreneurial, cognitive and cultural approaches may be more suited to develop innovative ideas to solve sustainability issues.

Developing a sustainability strategy that will create long value for the company and communicate that to shareholders is a major hurdle for businesses worldwide. Challenge for many companies is crafting an approach that improves the environmental and social impacts of their operations while simultaneously contributing to bottom lines. Demonstrating that the strategy can create value from a business perspective is the key to getting support from shareholders. Hence, strategy becomes the bridge that links sustainability to profit instead of cost.

Cultural approach will help engage and consult with middle management. The under representation of middle management in sustainability strategy development can be improved

when sustainability becomes a organizational culture nurtured with a cultural approach to strategic planning. This will increase employee engagement and self worth and there will be less resistance to change. A cultural approach to strategic planning will result in better Communication, patience and persistence is essential to get middle management onboard.

Positioning and Power schools approach will help establish KPIs tied to important tangible goals with clear assignment of responsibilities. Managing and monitoring sustainability progress is important, without it, efforts will flounder. Positioning approach will help plan resources and their allocation which essential to performance check. Consideration should be given for establishing a separate function in the company to conduct this task.

Learning approach could help organizations improve on the company wide sustainability activities. The transformation strategy could help incorporate new mission and vision for company helping them to identify what their status is and where are the headed

## **Conclusion**

More than 40 years have passed since Milton Friedman gave is famous observation and the world today is seeing a new generation of billion dollar “Green Giants” emerging into the market. Green Giants are businesses with a billion U.S. dollar or more in annual revenue directly as a result of a product, service or line of business with sustainability or social good at its core. Chipotle (valued at US\$4.1 billion), Unilever (valued at US\$ 52.27 billion), Whole Foods Market (valued at US\$14.19 billion), Natura (valued at US\$2.65 billion) and Tesla (valued at US\$3.2 billion) are some of the examples Green Giants. Their success proves sustainability does not contradict with profits and is the driving force of their business that generates value socially, environmentally and economically.

The difference these companies have from other firms is that sustainability isn't just a department within their organization which looks for energy saving solutions and paper-less offices. Their sustainability is build into the system. The entire corporation has been build around sustainability and the common feature in all of them is that they have a workable and profitable sustainability strategy. Many companies claim to establish sustainable strategy but it is only a short-term approach or a incremental approach, where compliance to legal and regulatory authorities is a priority. Some companies who do have a sustainability strategy, it

is linked to their overall business strategy, including supply chain and customers. In case of companies like the Green Giants, their sustainability strategy is their business strategy.

The success of these companies is a clear indication there is a general rising trend and demand for businesses to incorporate aspects of sustainability into their business model. It is time for companies to understand that having a sustainability strategy is necessary in order for them to be competitive and corporate sustainability is no longer a marginal or money-losing set of activities.

Hence, there is no one fixed strategy to resolve complex issues related to sustainability. Sustainability requires a good mix of different approaches which complement one another in achieving a business sustainability.

### References:

1. The Social Responsibility of Business is to Increase its Profits by Milton Friedman (<http://www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.html>)
2. Green Giant – How Smart Companies Turn Sustainability into Billion-dollar Businesses by E. Freya Williams
3. Corporate Sustainability at a Crossroads – Progress Towards Our Common Future in Uncertain Times ([http://sloanreview.mit.edu/projects/corporate-sustainability-at-a-crossroads/?utm\\_medium=email&utm\\_source=enews&utm\\_campaign=susrpt17](http://sloanreview.mit.edu/projects/corporate-sustainability-at-a-crossroads/?utm_medium=email&utm_source=enews&utm_campaign=susrpt17))
4. Bonini, S. M., Mendonca, L. T., & Oppenheim, J. M. (2006). When social issues become strategic. *McKinsey Quarterly*, 2, 20.
5. Dyllick, T., & Hockerts, K. (2002). Beyond the business case for corporate sustainability. *Business strategy and the environment*, 11(2), 130-141.
6. Ecoservices downloaded from [http://www.robertcostanza.com/wp-content/uploads/2017/02/2017\\_J\\_Costanza-et-al.-20yrs.-EcoServices.pdf](http://www.robertcostanza.com/wp-content/uploads/2017/02/2017_J_Costanza-et-al.-20yrs.-EcoServices.pdf)
7. Elfring, T., & Volberda, H. W. (2001). Schools of thought in strategic management: Fragmentation, integration or synthesis.
8. Elkington, J. (1998). Accounting for the triple bottom line. *Measuring Business Excellence*, 2(3), 18-22.

9. Elkington, J. (1998). Partnerships from cannibals with forks: The triple bottom line of 21st-century business. *Environmental Quality Management*, 8(1), 37-51.
10. <https://community-wealth.org/sites/clone.community-wealth.org/files/downloads/article-costanza-et-al.pdf>
11. Raynard, P., & Forstater, M. (2002). Corporate social responsibility: Implications for small and medium enterprises in developing countries.
12. Strategic Planning downloaded from [https://www.bcci.bg/projects/latvia/pdf/9\\_Strategiska\\_planosana\\_GALA\\_GB\\_EN.pdf](https://www.bcci.bg/projects/latvia/pdf/9_Strategiska_planosana_GALA_GB_EN.pdf)
13. Van Marrewijk, M. (2003). Concepts and definitions of CSR and corporate sustainability: Between agency and communion. *Journal of business ethics*, 44(2-3), 95-105.
14. Volberda, H. W., & Elfring, T. (Eds.). (2001). *Rethinking strategy*. Sage.