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WHAT DOES "SUSTAINABILITY" MEAN IN BUSINESS?

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 Business Essentials, Business in Society, Strategy, Sustainable Business Strategy

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A growing number of organizations are [integrating sustainability into their business strategy](#)—realizing they can do well by doing good. In a [recent McKinsey survey](#), 70 percent of respondents said their companies have a formal governance of sustainability in place. But what exactly does it mean to be “sustainable” in business?

WHAT DOES "SUSTAINABILITY" MEAN IN BUSINESS?

In business, **sustainability** refers to doing business without negatively impacting the environment, community, or society as a whole.

Sustainability in business generally addresses two main categories:

- The effect business has on the environment
- The effect business has on society

The goal of a sustainable business strategy is to make a positive impact on at least one of those areas. When companies fail to assume responsibility, the opposite can happen, leading to issues like environmental degradation, inequality, and social injustice.

Sustainable businesses consider a wide array of environmental, economic, and social factors when making business decisions. These organizations monitor the impact of their operations to ensure that short-term profits don't turn into long-term liabilities.

Examples of Sustainability in Business

Many successful organizations participate in sustainable business practices, however, no two strategies are exactly the same.

Sustainable business strategies are unique to each organization as they tie into larger business goals and organizational values. For instance, sustainability in business can mean:

- Using sustainable materials in the manufacturing process
- Optimizing supply chains to reduce greenhouse gas emissions
- Relying on renewable energy sources to power facilities
- Sponsoring education funds for youth in the local community

WHY IS SUSTAINABILITY IMPORTANT?

Beyond helping curb global challenges, [sustainability can drive business success](#). Several investors today use **environmental, social, and governance (ESG)** metrics to analyze an organization's ethical impact and sustainability

practices. Investors examine factors such as a company's carbon footprint, water usage, community development efforts, and board diversity.

Research shows that companies with high ESG ratings have a lower cost of debt and equity, and that sustainability initiatives can help improve financial performance while fostering public support. According to McKinsey, the strongest motivating factors to adopting a sustainable mindset in 2017 were to align with a company's goals, missions, or values; build, maintain, or improve reputation; meet customer's expectations; and develop new growth opportunities.



The overlap between social and environmental progress and financial gain is called the **shared value opportunity**. In other words, “doing good” can have a direct impact on your company’s ability to “do well.” Due to this opportunity, it’s clear why many businesses have adopted these practices. Find out how to make your business more sustainable by following these four steps to align your strategy and mission to create shared value.

HOW TO CREATE A MORE SUSTAINABLE BUSINESS STRATEGY

There are several ways you can go about transforming your organization’s purpose into performance. Here are a few steps to follow to [create a more sustainable business strategy](#).

1. Assess the Problem and Define Objectives

The first step to driving change is assessing what sustainability means to your team, company, industry, and client. Consider the big problems each of these groups thinks is a priority.

To guide this process, consider asking questions, such as:

- How much waste is the organization creating?
- Is our company culture struggling?
- Are our hiring practices attracting diverse job candidates?
- Is our product targeted to help a certain audience?
- What impact does our company have on the local community?

Answering these types of questions will help you establish your company’s sustainability objectives.

- **Quick Tip:** Need help defining your sustainability objectives? Take the SMART goals approach as you move through these steps. Making sure

your goals are “SMART”—specific, measurable, achievable, relevant, and time-bound—in this early stage can save you time in the future.

2. Establish Your Mission

Once you’ve agreed on concrete objectives, you’re ready to define your company’s mission. A distinct mission statement is an important part of becoming a more sustainable business.

An effective mission statement outlines your company’s focus on “doing.” It should capture your organization’s values and purpose and serve as a guiding light of why you do what you do. In other words, your mission statement should define your company’s five Ws: who, what, when, where, and why.

Here are two examples of companies with effective mission statements:

- Eyewear brand **Warby Parker**’s mission is “to offer designer eyewear at a revolutionary price, while leading the way for socially conscious businesses.”
- Outdoor clothing brand **Patagonia**’s mission can be broken down into four objectives:
 - Build the best product
 - Cause no unnecessary harm
 - Use business to protect nature
 - Do not be bound by convention

In each, it’s clear what the company’s values are and how they’re executing against them.

- **Quick Tip:** Consider how your mission statement will grow as your company scales. A mission statement should help a **business evolve with the market**, not hinder internal capabilities to innovate and disrupt. For this reason, make sure your objectives can be extrapolated from your mission statement.

3. Craft Your Strategy

Once you've created a strong mission statement, you're ready to realign your organization with a [sustainable business strategy](#).

In crafting a sustainable business strategy, it's important to ensure your company remains profitable. You can't help your cause if you can't stay in business. As proven, your sustainability efforts may help you become more profitable.

Consider the [triple bottom line](#), which refers to how a company's actions impact **profit**, **people**, and the **planet**. With this framework in mind, you can develop a sustainable business strategy that's also profitable.

Small changes can be the starting point for large-scale impact. For instance, does your company typically leave the electricity and heat on overnight, even when there are no employees on site? Imagine how much savings could be realized, in both cost and energy resources, if the last person in the office shut them off, or if you used a timer or motion sensor to automatically turn them off after the last person left.

What about the consumers [willing to pay](#) more for a sustainably produced product? A [Unilever study](#) found that 33 percent of consumers want to buy from brands "doing social or environmental good," creating an opportunity in the market for sustainable goods.

Explore industry-specific strategies that can increase your operational efficiency while driving social and internal value. Putting in the work to build a robust sustainability strategy can help both your company and the environment in the long term.

- **Quick Tip:** Need a starting point for crafting your strategy? Consider internal and external opportunities to create value around your mission. Ask your team questions like, "Will our customers pay more for our

product if we produce it more sustainably?” or “Can an enhanced business process decrease our emissions?” If the answer to either of those questions is “yes,” you may have the beginnings of your strategy, while simultaneously increasing your productivity and profit.

4. Implement Strategy and Assess Results

It’s one thing to talk about a newfound motivation to do well and do good, but it’s another to take a public stance, pledge quantifiable results, and actually achieve them. With your mission and strategy solidified, you’re ready to make strides toward reaching your objectives.

As you’re [implementing your strategy](#), remember to revisit your process periodically to assure your objectives, mission, and progress remain aligned.

- **Quick Tip:** Unsure of where to start? Ask yourself if there are any areas where your mission can quickly have a great impact. Consider partnering with an organization that has a similar mission to yours. Aligning your missions can help drive progress fast. Partnering with an established player can also enhance your credibility.



SUSTAINABLE BUSINESS FOR A GREATER IMPACT

You're now equipped with four simple steps—from purpose to performance—that can help you create a more sustainable business.

When objectives become a purpose, a powerful story is established. That story will drive your mission and allow you to create an actionable plan. Don't worry if results don't come immediately; the road to 100 percent sustainability is long and may require testing a few different approaches for you to make the greatest impact.

Are you interested in learning more about how to turn purpose into profit and create business models that drive change? Explore our online course [Sustainable Business Strategy](#).

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About the Author

Alexandra is a former member of the Harvard Business School Online Course Delivery Team who worked on the Sustainable Business Strategy, Economics for Managers, Disruptive Strategy, and Negotiation Mastery courses.

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