

Sustainability – why it's an issue no business can ignore

A Guest Article by Harold Forbes
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Developing sustainable business models

You would need to have been living in a bubble for the last few years not to have heard of global warming. Governments have been talking for nearly 20 years – without much success – about what the world should do about reducing carbon emissions to avoid global warming and the resultant climate change.

In recent years, though, the business community has started to look at the issue in a big way – not just on the basis of avoiding carbon emissions, but on how to develop business models that are “sustainable”.

Sustainability has many interpretations, but the one we favour is the one where business activity meets the needs of the present without compromising the needs of future generations to meet their own needs.

Clearly, businesses that are involved in the exploitation of a finite, non-renewable resource are unsustainable, and their business models will fall to the process of creative destruction at which capitalism excels.

While these industries are currently important in enabling other business activity to take place, anyone who thinks they are irreplaceable is falling into the same trap that Theodore Levitt warned of way back in 1960 when he wrote his article “Marketing Myopia”.

Various pressures

Today there are a number of pressures that mean that no business can ignore the issue of sustainability.

Firstly, there is legislative pressure. The UK was the first country in the world to pass legislation to reduce greenhouse gas emissions, with the obligation set at an 80% reduction over 1990 levels. This legislation is already having an impact, for example with the introduction of the CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment), which affects companies with electricity bills of around £500,000 or more.

The emergence of China, India and Brazil as major economic powers is also putting pressure on commodity markets, forcing all businesses to take a hard look at their cost base and resource-use efficiency.

Then there is supply chain pressure. The world’s biggest retailer, Wal-Mart, has made a public commitment to create zero waste and to sell products that sustain people and the environment. This will clearly have an enormous knock-on effect on its suppliers and aspiring suppliers.

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And, of course, there is growing consumer pressure. In 2010, Nestlé seemed to be taking a step forward when it switched to Fairtrade chocolate for its Kit Kat bars, only to fall foul of a consumer boycott because the palm oil used to make the biscuit is causing deforestation in Indonesia and threatening the habitat of orang-utans.

Engaging with change

Those who enjoy business success seem to have an enormous capacity to engage with and profit from changing situations. The next few years are likely to see changes to the regulatory, supply and consumer forces at a level unprecedented in the past 50 years. As always, the quick, the brave and the innovative will be the ones who survive.

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This information was correct to the best of our knowledge and belief at the time it was submitted. It is, however, written as a general guide, and is not intended to apply to specific circumstances. The content should not, therefore, be regarded as constituting legal advice and should not be relied on as such. Accordingly, we recommend that specific professional advice be sought before any action is taken.

If you would like more information on any of the points covered in this Guest Article, please contact **TCii** on **020 7099 2621**.