

SUSTAINABILITY SIMPLIFIED



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WHY SUSTAINABILITY IS GOOD BUSINESS



The world is changing at an unprecedented pace.

Businesses find themselves under a microscope, their impact on the environment and society scrutinized as never before. Customers and employees are making decisions guided by their values and are looking for businesses that align with those values.



AGAINST THIS BACKDROP, sustainability has moved from a nice to have to a need to have – a force that has the potential to either propel a business forward or the power to sink it. Sustainability in business means meeting the needs of the business today, without compromising on the needs of the business in the future.

In other words, money is getting smarter. It is attuned to the risks that unsustainable business operations present, and to the real business opportunities created by sustainable business operations.

EXAMPLES OF SUSTAINABLE AND UNSUSTAINABLE BUSINESS PRACTICES

Consider the risk posed to a technology company dependent on water for cooling its data centres. As global temperatures continue to rise due to climate change, the company finds itself in a precarious position. The company requires progressively more water cooling to meet rising temperatures, and this escalating demand runs the risk of depleting local water resources. The result? Increased operational costs from having to source water from further afield as well as potential reputational damage stemming from its unsustainable consumption patterns. This example illustrates how an essential business operational element can transform into a significant sustainability-related risk for the business.

Now let's imagine the same company, but instead of thinking in the short-term, they looked to the long-term and invested in advanced, water-efficient cooling technologies and renewable energy sources to cool its data centres. Not only does this initiative reduce the company's environmental footprint, but it also shields the company from rising water and energy costs, thus creating long-term value for the company.

While the oversight or delay in adopting sustainable business practices can introduce unforeseen vulnerabilities and risk, proactive sustainability initiatives can serve as strategic differentiators in an increasingly competitive and resource-constrained world.

THE IMPORTANCE OF SUSTAINABLE VALUES

It's not just a company's actions (or inaction) that create risk and opportunity. Customers and employees have come to expect that the companies they do business with reflect their values – including the importance of sustainable business practice. Consider a scenario where a consumer goods company continues to use single-use plastics in its packaging despite growing public concern about plastic waste. Customer dissatisfaction leads to a boycott campaign, affecting top-line revenue and eroding brand loyalty. As a result, the company experiences higher turnover rates among its younger employees, who prefer working for organizations with strong environmental values.

Now picture a retail company that transitions to eco-friendly materials for its products and prioritizes ethical sourcing. Not only does it win customer accolades, but it also becomes an employer of choice, attracting top-tier talent committed to sustainability.

In this case, aligning with sustainable values becomes a mechanism for customer retention, employee engagement and growth, thereby producing a competitive advantage. The bottom line is that ignoring sustainable values that both customers and employees hold dear can be detrimental, while embracing these values can fortify brand equity and human capital.

SUSTAINABILITY AS A CENTRAL BUSINESS ELEMENT

Sustainability has gone from a page in the annual report to front and centre in the board room, influencing a range of stakeholders from investors to employees to customers. Companies that neglect sustainability expose themselves to serious operational, financial and reputational risks while those that embrace it have the potential to unlock significant opportunities for growth and innovation.

As society moves closer to a tipping point in its demand for more sustainable and responsible corporate behaviour, now is the time for CPAs to take the lead in building a better, more prosperous, more sustainable future.