



How to Become a Sustainable Company?

Few companies are born with a broad-based commitment to sustainability. To develop one, companies need leadership commitment, an ability to engage with multiple stakeholders along the value chain, widespread employee engagement and disciplined mechanisms for execution.

Corporate sustainability has captured the attention of much of the world over the last few years. People want corporations to consider broad human needs. “High sustainability” companies significantly outperformed their counterparts over an 18-year period in terms of both stock market and accounting criteria, such as return on assets and return on equity.² In terms of stock market returns, the “high sustainability” companies had an abnormal stock market performance that was 4.8% higher than the “low sustainability” companies on a value-weighted basis. They also exhibited lower performance volatility. It

is not surprising, then, that more and more companies are exploring how environmental, social and governance performance can contribute to financial performance. For most companies, however, becoming sustainable involves a conscious and continuing effort to build long-term value for shareholders by contributing to a sustainable society. To illuminate how the transformation occurs and how a sustainable strategy can be formulated and executed, we studied the organizational models of companies that we refer to as “sustainable” by comparing them with companies that we call “traditional.”

What is Business Sustainability?

Business sustainability refers to business models and managerial decisions grounded in financial, environmental and social concerns. Sustainable companies:

- Create long-term financial value.
- Know how their actions affect the environment and actively work to reduce their impacts.
- Care about their employees, customers and communities and work to make positive social change.
- Understand these three elements are intimately connected to each other.

Compared to companies that focus on short-term profits and make decisions based solely on the bottom line, sustainable companies think long-term. They forge strong relationships with employees and members of the community. They find ways to reduce the amount of natural resources they consume and the amount of waste and pollution they produce. As a result, sustainable companies thrive, surviving shocks like global recessions, worker strikes, executive scandals and boycotts by environmental activists.

Past discussions have focused on the issues classically associated with sustainable business. These include engaging employees in sustainability while boosting morale, and innovating green products that reduce environmental impacts while growing the top line. This year's discussion, however, focused on activities that extend beyond the firm. For these leaders, the future of sustainable business lies in long-term collaborations that redefine companies' relationships with competitors, environmental activists, citizens and suppliers.

Ways to become sustainable

Most businesses don't possess a deeper understanding about sustainability. From a broader perspective, a sustainable company is one whose purpose and actions are equally grounded in financial, environmental and social concerns. But unfortunately, the road to sustainability for most businesses is not easy. Hence, below listed six ways will enable business leaders shape a more sustainable future for the company as well as their community.

1. Building your business on belief

One can change everything about your business other than your core beliefs. Building business on your beliefs is about value creation. Your business might be depending on what your beliefs are. If your beliefs are little specific, localize your business or if they are more time bound, then you must go back and revisit the business mission. But it has to be consistent with what you as a company are going to do to drive value.

2. Standing still and embracing change

When you change and act fast, you can be the biggest, boldest and brightest unicorn, but if you remain still and don't change and adapt to the situation, then you are as close to extinction as you can.

For instance – In the 80s, IBM got as close to extinction. In fact, we were featured on the Forbes and Fortune cover along with Dinosaurs. So the idea is there's no standing still every day. I may have a great idea which works, but it doesn't matter how big is the idea until you actually find ways to take it to the market quickly.

3. Focus on creating value proposition

It's not that great people don't exist; it's not that the technology built was not the greatest technology, but it's about figuring your go-to-market strategy that drives value, in terms of what the client is looking for to his/her problems. So if you don't get the timing right and if you lose touch with the value proposition, then you can get completely lost.

Don't ever lose sight of the fact that in the end of the day the business purpose is to drive value for your customers. Focus on creating high value, high capabilities useful for people. This doesn't mean that you need to be an expert at everything; it's about creating value on the top end with the existing resources.

4. Growth and comfort don't co-exist

We are no longer in 50s, 60s, and 70s era. Things are changing in the blink of an eye. IBM had gone through very uncomfortable times, and frankly speaking, it still continues to be uncomfortable. It's no secret that our industry is going through the biggest shift ever. But it's not just the technology industry, the shift in the technology industry are creating subsequent shifts in every industry.

For Instance – If you are a banker, your new competitors are completely different. If you are in retail, now everybody is a retailer. Similarly, if you have been in the mobile business, then you can see that it's no longer an industry; it's a platform, it's a capability. So, IBM is completely changing the Payments, Retail, Banking, and Mobile industry since they all are becoming capabilities on cloud for everyone to leverage. Businesses should also focus on

delivering value in innovative ways for their customers.

5. Focus on excelling in an area

It's no longer about one company delivering value to every client at every place; it's about being a part of an ecosystem. If you are not part of the ecosystem, then you are limiting yourself. You might have a successful start, but eventually it starts becoming difficult. Further in the bigger ecosystem, you are going to become a part of many ecosystems. In some, you might be a significant player and in others, you might be a small player. But in the end, it's all about the contributions you are making in each of those ecosystems. So don't try to be a big player in every ecosystem, rather look at how things work to drive the incremental value.

6. Focus on constant reinvention

When you are part of a company/single entity, then it's all about constantly re-inventing what you do, it's about reimagining how you do it and at the same time retaining a core belief system because you want your employees, your clients, and your partners to work with you and for you.