Integrating Environmental And Social Sustainability In Business Design

Need for Paradigm Shift

Economic paradigm of consumption growth driven economics (CGDE) has outlived its time already for the western economies. Moreover the emerging economies will do more harm than good to the population at large if they decide to continue on the same economic paradigm. It is clear that the CGDE paradigm is insufficient to be able to create the level of consumption (if it were a parameter of wellness) in new economies like India and China – simply due to lack of resources to achieve a level of traditional wellness parameter of consumption! Most existing businesses have adopted the “continuous growth” approach so far – in direct relation with the CGDE paradigm. With our material economy transgressing the natural limits, we as a human race and the entire biosphere is suffering from dysfunction. Destruction of “continually working” ecosystems, which have been working for providing soil and keeping the air and water clean for the biosphere including us humans – is causing enormous stress on their collective function. Unless we look at ecosystems as enabler of basic inputs for life – namely soil, water and air, we will fail to understand their importance. There is a need to align our policy to this need of ecological restoration and conservation. The CGDE paradigm is also responsible for gross inequitable distribution of resources available for countries and their peoples. Apparent markers are inequitable incomes and purchasing power across all over the world, more starkly so in the emerging world. It seems quite evident that this indeed stems from the CGDE paradigm.
Shifting the Economic Paradigm

It looks like there is an urgent need to operationalize a new economic paradigm which will create a much better and sustainable situation for people, businesses, natural ecosystems and the biosphere at large. This paradigm could be named Wellbeing Growth Driven Economics (WGDE). It is established that Humans depend on nature for not only resources consumed by the businesses and therefore people but also for basic ecological services – which come free if we are interested in keeping the natural ecosystems working! If we consider this as a very basic tenet and integrate that as part of how the business should look like, we will hugely help as much our own future as of this planet and therefore of future generations.

We have two challenges that we will need to address.

First : How do we transform the existing businesses running on existing CGDE paradigm and

Second : How a new business today must look like to cross the boundaries of traditional business and be a sustainable business?

We may have to look at the strengths and weaknesses of today’s business design and explore how we can keep the strengths and overcome the weaknesses to make way for a new business design, which may retain some key strengths but will do away with possible weaknesses.

Let us look at this Strength and Weakness analysis for typical existing business

1. Primary objectives of a business today are increased revenue and margins
2. Cost base increases year after year in both labor and materials
3. Businesses dish out products and want to sell more widgets to push the resource limits even further.

Like economic policy (such as CGDE) influences how the businesses behave, the business behavior also impacts and will impact the economic policy. We need to create new business and transform existing businesses for the new paradigm of Wellbeing Growth Driven Economics (WGDE) by replacing the CGDE paradigm by sustainability paradigm such as WGDE.

Existing businesses have learned optimization at large, which
is wonderful, however, what they are optimizing today are the historically important parameters of Revenues and Margins. It looks like we will continue the capability and skills associated with how to optimize; we may have to change what we optimize. As elucidated above, what we indeed want to maximize is wellbeing and minimize the cost associated with such maximization (Let us call Cost of Wellbeing like we used the term Cost of Revenue). Today’s businesses need to further apply their knowledge to minimizing resource use and select those resources to use, which can be replenished and renewed. Not just that but actually factor in the replenishment of these resources, not just in cost of replenishment per say but through actual action of replenishment.

Clear weakness of today’s business is its obsession for growth in revenues and margins, irrespective of the natural capital constraints. While we are good at constrained optimization, we have to understand today’s constraints better than going by yesterday’s constraints.

Let us understand the reality very well. We need to reduce our “energy” dependence substantially. Fossil fuels must be used extremely conservatively if these must be used at all. Our aim should be understand what services does energy deliver, whether these services are really necessary, if they indeed are, are there any other ways of provisioning them without the use of non-renewable energy sources?

**What can Businesses Do?**

What gets measured gets managed goes the saying. If the end results of our current economic paradigm – a la CGDE are not what we thought we should get, there is ample room to ask ourselves a question! Are we measuring right things? On some investigation, I have come to believe, we are probably measuring the wrong things and if the measurement parameter is right the direction is probably exactly opposite of what this should be. As an example, we measure GDP growth – which is a direct measure of added load on resources. However, we know today that we are striving to reduce load on resources and not increase this. Something is certainly going wrong. We are treating urbanization as inevitable outcome of current model even while we realize, it is causing more problems than solutions. It is pushing us further
down the road to unsustainability. We still believe creating better “infrastructure” in cities will help solve some of these problems. However, this is leading to the “unsustainable pull” to the cities.

As a business, we measure revenues and margins as indicators of Business wellbeing – without really worrying about whether the business is bringing in a positive impact on ALL the stakeholders of the business, namely – owners, employees, customers, society and environment. If ALL these stakeholders benefit from such a business, we can possibly say that the measure of revenue and margin to judge the business is appropriate and could lead to sustainability of the business ecosystem and associated natural ecosystem. Today the “SIZE” of business is considered an important parameter for success. Bigger is better per our current paradigm. More “growth” and bigger business is a clear indication of accelerated need for natural resources under the current paradigm.

Here are Some Questions that we must Ask Ourselves

Can we conceive of a business which “grows” by reducing the load on natural resources?
Can we completely eradicate the need for “centralized power” in large businesses?
Can we redefine vision of the business to start looking at ALL the stakeholders?
Can we redefine the success of a business by moving away from conventional parameters of success?
Can we create completely different measures for success of businesses?
Can we therefore influence the user of goods and services to behave responsibly and at the same time create improved wellbeing for her and others?
Can we overhaul development measures from those like increased energy use, increase in GDP, increase in water supply -to-more service oriented measures?
Changing increased use of energy to say improved illumination?
Moving from increased number of cars or trucks to improved mobility and transport?
Moving from selling more air conditioners to improved comfort?
Moving from increased food supply to improved health for all?

Moving from consumption growth to wellbeing growth?

As we start thinking deeper, we realize that all this is a distinct possibility. The book “Natural capitalism” provides an excellent basis for many of these thoughts. If we add the important aspect of ecological wellbeing we should be on our way to a good business design. Once businesses start looking at correct measure in assessing their business, they will naturally focus on the right things that the business does – business and wellbeing will then be aligned and not be at odds.

Economics of the Future

Economics has, over a period of time stood alone and has drifted away from being a “Social (and environmental) Science”. The new economic paradigm will have to move away from being hard science and get integrated with other sciences, social sciences and become a science of “well being” from being a science of “growth”.

Connecting Business Decisions with Foot Resources

Many a time today’s typical business drifts so far away from physical reality that it starts believing that the business is about services and has no relation with resources and does not impact the natural world in anyway. This is very far away from truth. It is like saying that Lion’s do not impact the natural ecosystems because they do not need trees and vegetation to survive on! Sometimes, businesses up the pecking order are more likely to impact the ecological systems in an adverse way than those closer to the direct use of natural resources.

If we develop a way to trace a decision to direct (and hopefully indirect) impact on ecosystems and natural environment as much as impact on all other stakeholders, we should be able to make some prudent decisions on how we use the available resources. In fact – once design of your business policy is based on such sound principles, you will automatically have the individual decisions made in line with the policy.

What should such parameters be, which must be looked at to make sure the underlying objective of maximizing wellbeing is met? If the base resource availability is depleting rapidly, it is a
clear indication of deteriorated ecosystems health. Increase in waste generation is a direct marker of wrong measurements which are leading to incorrect decisions and therefore dis-proportionate waste generation. It is not about how well we dispose of waste, it is all about the need that our waste generation is within the ecological boundaries of recycling. Any more than this – and we are eating into the available ecological space further. Eliminating overflow waste must be one of the overarching objectives of a sustainable business. If we understand today’s businesses better – there is a very large part of business, which could just be done away with and the remaining could well be restructured. This means that these parameters at the ground level must be aligned with preservation and restoration of “natural capital” and not depleting this at a rapid pace, as we are doing today.

Let us also look at the social angle a bit further. If we study needs and aspirations clearly, we can easily see that an average person is happy if she has access to all the basic set of services she needs. These could be basic food, place to live, ease of mobility, vibrant community life, strong connection with the native place, availability of clean air, good clean water in enough quantity and good places for cultural recreation. The person needs to live healthy life, should have access to good affordable healthcare and good entertainment.

One of the drivers of aspiration for most human beings comes through “bench marking” with successful individuals. This definition of “success” needs to change – which certainly can - through appropriate policy shift. The symbols of success today are largely associated with material wealth rather than well-being and happiness. If we are able to change the benchmarks against which success is measured, it will not be too difficult to change the perceived needs by most people.

One of the arguments that current day economists continue to play on is we provide what people want. The truth is businesses no more serve needs; they create wants and drive them through the pounding advertisement culture to change the perception of people as to what is good for them. This being the case, media has a yeomen responsibility to help businesses make this change - if not naturally, then because media starts influencing the people positively and move them towards the right behavior.

In conclusion, the author believes that it is certainly possible
to create businesses which will align themselves with ecological and social wellbeing. Businesses which truly align with such wellbeing will be successful businesses. One has to examine nature of such businesses and what of modern day businesses actually can align at all with the wellbeing parameters. Such businesses which do not align with the principles of social and ecological wellbeing, will then have no particular reason to exist.

Ajay Phatak
B. Tech. in Chemical engineering from IIT Bombay,
  Master’s degree in Computer science /
  Symphony Services-Pune Center Head and
  VP Embedded and Telecom