

THE CURRENT CHALLENGES AND ISSUES OF SUSTAINABLE BUSINESSES

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ABSTRACT

At this point in history we can safely say that the case has been made for Sustainable Business practices. There are a plethora of books and articles that have outlined this. Examples include Ray Anderson's "A Call for Systemic Change" Plenary Lecture at the 3rd National Conference on Science, Policy and the Environment" [1], Bob Willard's *The Sustainability Advantage: Seven Case Benefits of a Triple Bottom Line*. [15], *The Harvard Business Review on Business and the Environment* [6], and *The Triple Bottom Line, Does It All Add Up?: Assessing the Sustainability of Business and CSR* by Adrian Henriques and Julie Richardson [10].

While many articles and books have been published extolling the benefits of sustainable business, there is less in the literature regarding the specific challenges and constraints that these businesses face. The purpose of this research is to look at the most challenging aspects of sustainable business. In this proposal I will first briefly define sustainable business and provide a few examples, a short background will be provided as a rationale for the research. Descriptions of the proposed research procedure and the sample will follow. Then I will summarize the issues that need to be explored in the research. In the report and presentation at the SEInFORMS conference in October 2008, I intend to present some of the preliminary findings from the research.

DEFINITION OF SUSTAINABLE BUSINESS

As I have stated in my previous SEInFORMS presentation [14], sustainable development was originally defined in 1987 by the World Commission on Economics and Development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs [24]. This has become the most commonly used definition. A definition of sustainable business is defined as one that supports the triple bottom line [10]. It is one which produces economic, social and environmental benefits. This is in contrast to the traditional model of business we've all adhered to whose primary goal is profitability with social and environmental concerns relegated to CSR activities which may or may not be emphasized. Many examples of sustainable businesses include many large and small businesses. Some are more well known than others. Robert Shapiro of Monsanto and Allan Kupcis of Ontario Hydr explain the importance of shifting priorities: [19]:

Businesses grounded in the old model will become obsolete and die. At Monsanto, we're trying to invent some new businesses around the concept of sustainability. We may not yet know exactly what those businesses will look like, but we're willing to place some bets because the world cannot avoid needing sustainability in the long run (Shapiro)

Increasingly, business will be required to demonstrate management of environmental and social issues along with traditional financial performance to secure the social license to operate.
(Kupcis)

The terminology is evolving and becoming less clear. I use the term "sustainable" to refer to the businesses that strive to maximize the aforementioned triple bottom line. Now the term "green" is also being used to describe businesses that are not only concerned about the environmental but also societal and financial goals. Previously the term "green" was primarily used to refer only to environmentally responsible businesses.

BACKGROUND

For decades many of us have been concerned about the environment. Beginning in the 1960s our awareness grew as authors such as Rachel Carson [3] publishing books that sounded the warning. With the 1973 oil crisis and the establishment of OPEC, we realized that oil was a nonrenewable resource and a few small businesses began to explore alternative energies.

Early experimentation began with solar energy projects [18]. Many responded to publications such as the *Mother Earth News* and began to live more simply and naturally. However, big business did not become involved due to the high start up and transition costs of switching to more sustainable operational and business practices.

In the 1990s there was renewal of interest in the movement. Earth Day 1990 was highly publicized. More authors were making the case for more environmentally friendly and sustainable lifestyles and business practices [1][6][7][8]. Very little research was published in the academic business literature. In 2000, enough cases and articles had been published for Harvard to release a compilation of an assortment of them in the *Harvard Business Review on Business and the Environment* [6]. At the same time more and more businesses were beginning to offer products that were specifically targeted to consumers who were concerned and motivated to take action. For example, the first Toyota Prius came onto the market in the US in 2000 with its 2001 model.

Nowadays the signs of the shift to sustainable or green business are ubiquitous. It is clearly time to bring it into academic research.

RESEARCH PURPOSE

The purpose of this research is to begin to identify those issues that plague these businesses. Are they limited to those challenges and issues faced by small businesses? How intensely are these issues affecting sustainable businesses? What are the effects of the degree of sustainability, the size of the businesses and the nature of the businesses and the products they market? What are businesses doing to address these issues?

METHODOLOGY

To begin this work I have conducted some in depth interviews with entrepreneurs at the Green Business Conference in Chicago in May 2008. I intend to collect survey and qualitative data from the attendees who are currently marketing products and services. The attendees of the Green Business Conference that took place in May of 2008 consisted of mostly business owners. These include businesses that have been in place for 25-30 years as well as recent startups. This sample is hungry for all the support they can find and promise to be a solid and fertile source of information for this work.

Some preliminary interviews conducted at the conference raised some of the issues I will explore with the survey. Many of them seemed similar to those that small businesses currently face. Some of these issues include many marketing related concepts such as pricing, packaging and promotions. Others than were cited included problems associated with greenwashing which occurs when business make vague or deceptive claims about their products which produces skeptical customers and a general distrust of green marketers in general and consumer awareness due to a lack of well know certification systems. Finally I will state the issues commonly cited as problematic in small business such as staffing, leadership, sales, training, financing, technology, regulations and change management as those that will also be explored in the proposed study.

CHALLENGES TO BE EXPLORED IN THE RESEARCH

Greenwashing occurs when unsubstantiated claims are made by businesses regarding the environmental friendliness of their products. This misleads consumers and eventually creates consumers who mistrust all marketers who make such claims.

Lack of well known certification is another issue. There are various certification systems which vary depending on the nature of the product. For example, LEED certification is used for buildings, FSC certification is used on lumber products that are sustainably produced, Green Seal certification “provides a business advantage, for it identifies a product as environmentally preferable, provides third-party corroboration of environmental claims, and distinguishes a product from competitors that can't support their environmental assertions. The Green Seal may be used on packaging, in promotional material, in catalogs, and in advertising for products that have been certified to meet the applicable standard.”(17). Consumers are not well aware of these and other certification systems.

Marketing variables are also a challenge to these entrepreneurs. Initial interviews indicated **promotion** is an issue. It was stated that these businesses are struggling to get their company and product information out to the general public. Furthermore, **packaging** and **pricing** were often cited as problematic. While the product might be sustainable, it can be difficult to package it in a sustainable way. The nature of sustainable business practice often does increase costs which are then reflected in the price of the products. Consumers have responded that they'd prefer a green or sustainable alternative as long as it doesn't cost them more money. It has also been found that 42% of all Americans are willing to spend more for products branded as organic, environmentally friendly, or fair trade [4].

Branding is also an issue. In a study conducted by The Bentley Center for Marketing Technology [13], it was made clear that perceptions of brands are not closely tied to reality. Respondents would assume a brand was “green” if a specific product or activity was associated with it, even if as a whole it isn't any more sustainable than others. The Bentley study revealed that the consumers surveyed perceived British Petroleum (BP) to be “greener” than Nike. However, further investigation reveals that BP's green initiatives are only 1-5% of their total business and Nike has emerged as a true leader in green business practices.

Issues associated with Small Businesses include staffing, leadership, sales, training, change management, regulations, technology and financing. These issues were not raised by respondents in the initial interviews. However, I will include them in the preliminary study to assess their relevance.

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