



SDG 13: Climate Action - The Business Case for Sustainability

Topic Overview

Sustainability has been traditionally viewed as a trade off between profit and planet, with the only benefit of it being the “right thing to do.” The intention of this lecture is to teach students that doing business with sustainability is not only the right thing to do, but it is a strategic business move. Sustainability can lead to greater profits in the long term, access to new markets, and is a key to sustainable, long-term success.

Learning Objectives

- Describe the business case for sustainability and creating shared value.
- Summarize the difference between creating shared value (CSV) and corporate social responsibility (CSR)
- Evaluate a situation to determine the business case for sustainability

Resource Summary

Kramer, M. R. & Porter, M. P. (2011) *Creating Shared Value*. Harvard Business Review. January – February 2011 Issue. <https://hbr.org/2011/01/the-big-idea-creating-shared-value>

Summary: The article provides a strong argument for replacing capitalism with creating shared value (CSV). They argue that shared value is not a trade-off of profits for society, but a mechanism to increase profits and create societal benefits, rather than diminish them. Shared value is the congruence between societal progress and productivity. They discuss the difference between CSR and CSV, and provide in depth examples of corporations who successfully utilize CSV.

Carly, F. & Whelan, T. (2016, October 21). *The Comprehensive Business Case for Sustainability*. Harvard Business Review. <https://hbr.org/2016/10/the-comprehensive-business-case-for-sustainability>

Summary: The article provides a comprehensive case for business sustainability. Sustainability can have a positive influence on the following for businesses: competitive advantage, improving risk management, fostering innovation, improving financial performance, building customer loyalty, and attracting and engaging employees.

Choi, A. (2015, November). *How to Make a Profit While Making a Difference* [Video]. TED Institute. <https://bit.ly/2NMKxWS>

Summary: Audrey Choi makes an argument for capital markets being the catalyst for social change. Individuals own half of all global capital, which gives them the power to make a difference by investing in sustainable and socially responsible companies.



Discussion and Exam Questions

True/False

Firms that adopt sustainable practice will attract new business revenue. (T)

Multiple Choice

Firms that adopt sustainable practices will gain advantages in the following areas:

- a) Human resources, waste management, energy management, revenue projections
- b) Human resources, waste management, reduced water expenses, revenue projections
- c) Human resources, reduced materials expenses, new revenue from green products, reduced transportation costs
- d) Human resources, reduced materials expenses, new revenue from green products, reduced access to credit

Related Business Topics

- Strategy
- Competitive advantage / differentiation
- Corporate social responsibility (CSR)
- Risk management
- Innovation
- Employee attraction and engagement
- Customer Loyalty

Related Sustainable Development Goal Targets

[SDG 13: Take urgent action to combat climate change and its impacts](#)

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

13.2 Integrate climate change measures into national policies, strategies and planning

13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

Suggested In-Class Activities

Activity 1: The Hybrid Truck Decision

Use the [Erie Thames Powerlines: The Hybrid Truck Decision](#) case to determine the financial business case and the non-financial business case for buying hybrid trucks. Run a discussion about the trade-offs and the value to the company.

Activity 2: Business Case for Sustainability – SunReady

Seven Sustainability Benefits

1. Increased revenue and market share
 - More business to business and business to consumer revenue (new markets who want your new products, more loyalty from consumers who like how you do business)



- New revenue from new green products (e.g. organic produce and meat)
- New revenue from services and leasing

- 2. Reduced energy expenses
 - Office and plant energy savings
 - Reduced transportation costs

- 3. Reduced waste expenses
 - Less waste in materials reduces the cost of materials (do more with less)
 - Reduced shipping to landfills
 - Sales of waste products (e.g. frying oil turned into biofuel)

- 4. Reduced materials and water expenses
 - Substitution of more environmentally friendly materials in production
 - Re-using or recycling onsite waste
 - Product take-back to generate future materials (closed loop system)
 - Adopting low flow fixtures to reduce water usage
 - Re-using grey water for gardens or in production

- 5. Increased employee productivity and innovation
 - Alignment of employee values with company goals increases motivation, engagement and absenteeism
 - Engaged employees are more likely to come up with innovative ideas for the company
 - Engaged customers develop relationships with customer and increase customer loyalty

- 6. Reduced employee hiring and attrition expenses
 - Sustainable businesses are talent magnets
 - Studies link a company's CSR reputation to staff loyalty
 - Turnover costs include the cost of a position sitting empty, advertising for the position, time spent shortlisting, making the offer, and training the new employee.

- 7. Reduced risks
 - Regulation and compliance
 - Access to credit
 - Competition

Break the class into seven groups and assign each group a sustainability benefit. Give them seven minutes to develop the business case for the following firm to adopt that benefit.

A beverage company called SunReady is considering building sustainability into its firm. The company produces ready-to-drink beverages in single service and family sizes. They also produce fruit based snacks. Determine how SunReady can use the seven advantages as a guide to building sustainability into the firm. Have each group debrief and share their ideas with the class.