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CORPORATE SUSTAINABILITY

and Social Responsibility

ABSTRACT
Corporate sustainability is viewed as a new and progressive corporate business management paradigm requiring corporations to pursue societal goals related to environmental protection, social justice, and governance.

Donald J. Olson
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Corporate Sustainability and Social Responsibility

During the 20th Century, most business and corporate mantra was to generate profits and maximize shareholder wealth. However, this stratagem often entailed worker exploitation and disregard for consequences to society. Business performance necessitated that the end justifies the means.

Over the last few years, interest in sustainable investment – over and above pure financial returns – has grown. This change has not been immediate and required careful, systematic, and nuanced changes to the corporate landscape.

Now the business case for a strong **environmental, social, and governance** (ESG) proposition becomes more compelling. Getting your proposition right creates higher value creation. Corporate sustainability is an approach aiming to create long-term stakeholder value through the implementation of a business strategy that focuses on the ethical, social, environmental, cultural, and economic dimensions.

Corporate sustainability in investment can fall under the terms ESG or the acronym SRI which stands for socially responsible investment. The magnitude of investment flow suggests that ESG is much more than a passing fad or a feel-good exercise.

Corporate sustainability can be viewed as a new and evolving corporate management paradigm. The term 'paradigm' is used deliberately, in that corporate sustainability is an alternative to the traditional growth and profit-maximization model.

While corporate sustainability recognizes that corporate growth and profitability are important, it also requires the corporation to pursue societal goals, specifically those relating to sustainable development, environmental protection, social justice and equity, and economic development.

Organizations could invest in and conduct business for the benefit of the wider community, while at the same time ensuring that those initiatives did not have an unintended negative effect.

The 3 Pillars of Corporate Sustainability

Sustainability is most often defined as meeting the needs of the present without compromising the ability of future generations to meet theirs. It has three main pillars: economic, environmental, and social. These three pillars are informally referred to as people, planet, and profits.

[People] Social Pillar:

Every company operates within a broader, diverse society which includes labor relations and diversity and inclusion. Social criteria address the relationships your company has and the reputation it fosters with people and institutions in the communities where you do business.

[Planet] Environmental Pillar:

Every company uses energy and resources; every company affects, and is affected by, the environment. Environmental criteria include the energy your company takes in and the waste it discharges, the resources it needs, and the consequences for living beings as a result.

[Profits] Governance Pillar:

Every company, which is itself a legal creation, requires governance. Governance criteria is the internal system of practices, controls, and procedures your company adopts to govern itself, make effective decisions, comply with the law, and meet the needs of external stakeholders.

A strong ESG proposition can help companies attract and retain quality employees, enhance employee motivation by instilling a sense of purpose, and increase productivity overall. Employee satisfaction is positively correlated with shareholder returns.

It is critical to build a narrative around ESG efforts to reveal the full story of a company's values, what programs it has in place and what efforts it has made that links specifically to the corporate purpose, aligns the leadership team, and inspires the workforce.

The Human Resources Management function is critical to telling the story and developing the strategy for a more diverse, equitable, and inclusive workplace.

A disclosure without information on where your company has been, where it is now and where it aspires to be will not accomplish the objective of greater transparency: holding your leaders accountable for progress on your commitments to greater diversity, equity, and inclusivity, both within your corporate purview and externally as a social value.

Corporate Sustainability

Thinking and acting on ESG in a proactive way is affirming business's commitment to a broad range of stakeholders, including customers, employees, suppliers, communities, and, of course, shareholders. Actually, a stakeholder is any group or individual who can affect or is affected by the achievement of the organization's objectives.

To get everyone on board, leaders must make the case that your company's ESG priorities directly link to value, ideally with hard metrics that feed into the business model. Value creation should be the leader's core message. Businesses need to find ways of reflecting that change in their culture and the behavior of employees.

ESG metrics include disclosure around human capital management and is an important issue for investors and governance teams that evaluate workforce diversity in terms of gender, race, and ethnicity. Additionally, disclosures are pay equity, workforce stability, number and type of employees, turnover rates, and workforce health and safety.

Organizations that are successful in this initiative will be better able to communicate their commitment and progress, increase employee engagement, manage associated risk, and ensure their efforts are achieving their goals — while also improving their reputation and performance, as well as gaining greater interest from investment capital.

The acceleration has been driven by heightened social, governmental, and consumer attention on the broader impact of corporations, as well as by the investors who realize that **a strong ESG proposition can safeguard a company's long-term success**.

Leadership, regulation, and remuneration policies will all play their part in advancing the ESG agenda. However, ultimately success will depend on there being an economic benefit in pursuing that agenda. Including investment incentives tied to compliance.

The fact that suppliers, customers, and investors now consider diversity issues when making decisions about who gets their business has helped to make those issues a commercial priority. Sustainability provides a larger purpose and some new deliverables for companies to strive for and helps them renew their commitments to basic goals like efficiency, sustainable growth, and shareholder value.

Of course, that scenario depends on how strongly corporations embrace sustainability and whether it is a true change of direction or just lip service. Program authenticity and long-term commitment are key to corporate sustainability.