Leadership blueprint in fostering sustainable business growth

In today's evolving business environment, organizations are under increasing pressure to balance profitability with long-term sustainability. Growing awareness of ethical, social, and environmental responsibility has led businesses to commit to long-term strategies that ensure sustainable growth while contributing to society and the planet. However, leaders are facing significant challenges, ranging from complex global markets to the alignment of stakeholder expectations with sustainable goals.

This article explores the current business landscape and the need for sustainable growth. It examines the key leadership challenges leaders face and presents a blueprint designed to guide them toward long-term success. By embracing the driving forces behind transformational leadership strategies, businesses can help build a more sustainable world.

Current business context

Geopolitical power imbalances, such as the Russia-Ukraine conflict, US-China competitive policies, the Gaza-Israel conflict, and ongoing tensions in the Middle East, have bought shocks to long-term business growth prospects and created a turbulent business economic environment. Social unrest has further impacted business security and cast a negative outlook on today's business growth.

The Global Risks Report highlights extreme weather events, biodiversity loss and ecosystem collapse, and critical change to Earth systems as the top three global concerns anticipated over the next 10 years.[1] These key concerns will lead to the increase in supply chain risks, consumer risks, and credit risks.

Persistently elevated inflation in many countries and high interest rates are still weighing heavily on economic growth. Visible economic downturn with a risk of new economic shocks would be an unmanageable tipping point of sustainability. These factors have created a dilemma for business leaders as they search for sustainable business growth prospects.

Sustainable business growth

"Our common future," also known as the Brundtland Report, published by the United Nations in 1987, emphasized sustainability as development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs.[2] In other words, "you can have your share of wellbeing, but you should leave enough for others as well."

Sustainability should create a blend and balance between economic, social, and environmental goals. It should comprise of financial sustainability (profit), social sustainability (people), and environmental sustainability (planet) which together form the "triple bottom line" (TBL).[3]

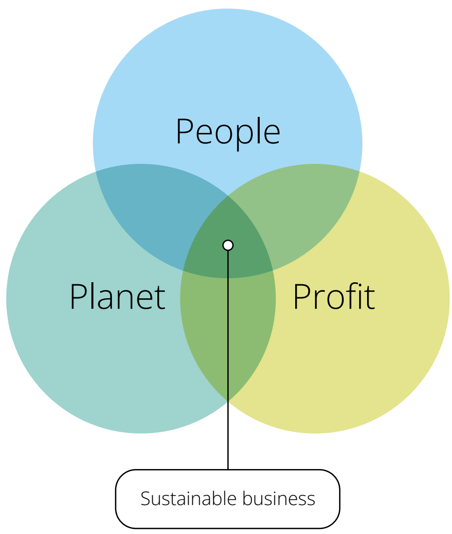

Figure 1: Sustainable business model

Source: Triple bottom line (Virakul, 2015)

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Sustainable business growth emphasizes the process of expanding a business with economic, social, and environmental considerations over the long-term. All aspects - social, economic, and environmental - are equally important in sustainable development. However, in practice, these aspects have been operationalized in an isolated manner from one another over the past few decades. A business should balance profitability with positive impacts on society and the environment. It should focus on developing environmental and social dimensions in addition to traditional measures of profits.

Leadership challenges

Stakeholders' short-term expectations

Today's market competitiveness has encouraged companies to focus on short-term profit maximization considering the concept of economic profit. Stakeholders place greater emphasis on the bottom-line economic profit of the business. As a result, the core business is often aligned with profit maximization objectives rather than sustainable business growth.

The current economic environment has also created additional limitations for management in respect of implementing sustainable concepts. Most companies have misapplied TBL's concept, treating it as corporate social responsibility (CSR) and focusing only on economic benefits. Leaders are facing challenges to match these short-term profit objectives along with long-term sustainability standards.

Resistant mindset to change

Traditional and legacy organizational structures have created significant pressure on leadership to make changes in the process.[4] These structures have established ways of doing things that may not align with today's needs for innovation, technological advancements, and organizational agility. As a result, businesses risk losing their competitive advantage in the long run.

Business sustainability efforts are continuous and evolutionary, requiring companies to remain open-minded and adaptable to change. Strategic, tactical, and long-term operational decisions must address the needs of today without negatively impacting the future.

Resource allocation challenge

Business resource allocation is a critical aspect that involves distributing money, time, personnel, and material resources across various projects to achieve business goals effectively. The cost-of-living crisis, disrupted supply chains for food and energy, and cyberattacks have all disrupted resource allocation decisions over sustainable practices.[5]

These factors have created a dilemma for business leaders when making resource allocation decisions. The focus on adequate resource allocation for sustainable initiatives - such as innovative technologies, employee trainings, social and environment projects - may be overlooked due to these conflicting scenarios.

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Less focus from regulatory and compliance authorities

The United Nations Sustainable Development Goals (UNSDGs), the Paris Agreement (an international treaty on climate change signed in 2016), ESG regulations, and various governmental and non-governmental organizations have introduced regulations and frameworks to implement sustainable standards and goals. However, authorities have given less priority or made few major initiatives toward the real implementation of sustainability practices. This has also resulted in the failure to fully integrate economic and strategic benefits with social and environmental values, often due to political agendas. As a result, business leaders find themselves in a conundrum when interpreting and applying these requirements.

Measuring and reporting challenges

Measuring and reporting sustainability performance is a real challenge, especially when it comes to social and environmental reporting. While profits are measured in dollars, the question remains: how do we measure social and environmental capital? Currently, companies are using various measurement indexes and regulations, such as the Dow Jones Sustainability Index, the Bloomberg SRI Index, and the Morgan Stanley Capital International Index.

However, due to voluntary disclosure requirements, the importance and value of the reported information can be diluted. Further, AI-generated misinformation and disinformation (falsified information) are damaging the accuracy of sustainability measurement and reporting information.

Leadership blueprint

Leaders should focus on creating a balanced approach where economic success is achieved alongside positive social and environmental impacts, ensuring that the business contributes to a sustainable future. Building a robust solution by focusing on the following factors will help achieve sustainable growth for the business.

Figure 2: Blueprint model for sustainable business growth

Alignment of company vision and mission with sustainable goals

Positive vision and mission statements should emphasize on the management's commitments to achieving long-term organizational success. Leaders should focus on embedding social and environmental factors along with the economic benefits when establishing these statements.

For example, Patagonia, through its near and long term Science Based Target initiatives (SBTi), has demonstrated leadership in sustainability and a strong commitment to achieving net zero greenhouse emissions by 2040. These goals align with the 2015 Paris Agreement's commitment to limit global warming to 1.5°C.[6]

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SMART goals and strategies focusing on sustainable growth

"All our dreams can come true, if we have the courage to pursue them" is a famous quote from Walt Disney (n.d.). Specific, measurable, achievable, realistic, and time-bound (SMART) goals and strategies are essential in turning a company's vision and mission into reality. Management should move beyond legacy systems and develop a business model that aligns with SMART objectives.

The management strategies of a company, such as operational, sales and marketing, human resources, and financial management, should focus on developing sustainable business concepts. Top management's commitment to sustainability and the involvement of stakeholders should be central when developing these business strategies. These strategies will guide management in focusing on the sustainable future of the business.

Leadership, culture, training, and technology

Top management commitment, governance structure, strong ethical policies, measurement and rewarding structures, and stakeholder involvement create the foundation for the success of sustainable business growth. Leadership integrity is one of the critical factors in business development. Leaders should be honest, truthful, and straightforward in both their personal and professional lives, as these qualities pave the way to business success.

Today we are operating in multicultural environments, and various cultural factors should be embedded within the organizational structure. Core values aligned with cultural dimensions, such as employee recognition, customer satisfaction, customer relationships, and social responsibility, will help increase shareholder wealth and boost business growth.

Training and development are crucial for integrating these factors into the organizational structure. Positive attitudes relating to the business's future, as well as the behaviors and characteristics of leadership, can be developed through various education and training programs.

Companies must implement innovative sustainable models to survive in future markets. Sustainable business practices, such as Nvidia's AI technologies, BYD's technological innovations, and Tesla's inventions, have led to significant improvements in organizational performance over a short period of time, making these companies some of the fastest-growing brands in the world. Customer demand and recognition of these products have been increasing in recent years, emphasizing the value creation that comes from sustainable business practices.

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Resource, risk, and financial management and reporting

Top management should develop a responsible and accountable organizational structure, along with system controls, to ensure efficient and effective resource management. Human resources, financial resources, materials, and time are most critical to manage for optimal output. Resource management models, software, and AI-generated tools can assist in planning, organizing, monitoring, and controlling these resources. Implementing sustainable resource management strategies offers benefits such as increased profitability, enhanced brand reputation, improved customer loyalty, and better risk management.

Risk management is important to minimize resource wastage, compliance issues, and reputational damage. The processes of risk identification, analysis, evaluation, consultation, and monitoring processes help businesses to be prepared for potential challenges. Tools such as simulation analysis, scenario analysis, heat maps, root cause analysis, matrix, and templates can be used to integrate the risk management process. Businesses that understand the connections are seizing the opportunity to develop capabilities and pilot new operating models that align with a net-zero, nature-positive future.

The effective collection and reporting of sustainability data across all three aspects of the TBL can provide companies with an immense competitive advantage. IFRS S1 Disclosure requirements of sustainability-related financial information has provided a comprehensive framework for disclosing information about significant sustainability-related risks and opportunities faced by a company. Additionally, the IFRS S2 climate-related disclosures provide a reporting and specific guideline for disclosing information about climate-related risks and opportunities. These will ensure that stakeholders have access to high-quality, transparent, and comparable sustainability-related financial information for decision-making purposes.

Collaborating with external parties

Business sustainability efforts are continuous and evolutionary, requiring companies to remain open-minded and adaptable to change. Strategic, tactical, and long-term operational decisions must address the needs of today without compromising the future. Businesses can drive significant and impactful sustainability outcomes through strategic partnerships, resource sharing, and joint projects with shared goals.

Investment in renewable energy sources, recycling of waste, reforestation programs, energy conservation, employee well-being programs, and various community impact and social benefit programs demonstrate corporate commitment to sustainability. However, businesses alone cannot resolve the sustainability challenges facing the world, and therefore, it is essential for social partners and stakeholders to be involved at a global level to achieve long-term sustainability for society as a whole.

> “In today's evolving business environment, leaders must navigate the intricate balance between profitability and sustainability. Embracing transformational leadership strategies is essential for fostering long-term success and contributing to a more sustainable world.”
>
> \- Daniel Gribbin, Sustainability Growth Lead, Deloitte Middle East

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Forward looking

Encouraging rewards for innovation can lead to a competitive advantage and success in the corporate journey toward sustainability. Recent innovations and differentiations, such as renewable energy technologies, circular economy practices, smart grids, energy management systems, and green buildings, have created significant prospects for sustainable growth in the future.

Sustainability has become the paradigm for organizational success, balancing economic, social, and environmental aspects. Multinational companies (MNCs) play a vital role in this effort, while small and medium enterprises (SMEs) also demonstrate commitment, transparency, accountability, and responsibility toward these tasks. Companies like Amazon, Apple, Microsoft, Google, and PepsiCo have significantly increased their sustainable activities and reporting in recent decades compared to other multinationals. International credit rating agencies also place significant weight on social and environmental factors when making their rating decisions. This can be seen as a turning point for leaders to implement sustainability frameworks. The future growth of businesses will significantly depend on business leaders' commitment to evolving practices and their innovative response to sustainability.

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Endnotes

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