

# Is it Completely Sustainable?

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## What we mean by sustainable business

In an age where words like sustainability are bandied about freely, it is no bad thing to consider what it means in the context of business. After all this can be interpreted in many different ways.

The first of those, in the context of a Compleat Biz, is the most important. No good having the most wonderful thing in the world if it isn't going to last. So we need to examine what this means. Only then can we try and understand what that will mean for us.

So just what is a sustainable business? Surely it is one that has longevity in its proposition - what it sets out to do. This is coupled with a market niche that it can service over a long period. For instance, a bookshop may be argued to have a long-term proposition if we believe that books will continue to be bought. The market niche is where it is and the types of customers it seeks to supply. Get that right and there is a sustainable business.

However if the market is fundamentally changing towards electronic media then it is possible that books aren't such a good proposition any more. Or perhaps people no longer want to browse the shelves but would rather shop via the internet. Both these attributes could undermine the sustainability. No surprises there but are there other things that make a business sustainable?

One of the key components must be the availability of the right sort of employees. Couple this with an owning stakeholder who understands the business and things are going to be stable. If we can't continue to find the right people then the business will fail due to lack of capacity. Owners who dictate behaviours without understanding what the business is about will cause chaos. That can also disrupt processes to the point where they cannot support the routine business. Both these elements need understanding of the people from both sides to ensure they know what is expected.

If there are materials being used the business will also need to know where they are coming from and have a dependable supply. I'm not talking about natural resources so much as other upstream activity. The bookshop needs a supplier of books. A dry-cleaning business will need suppliers of machinery and maintenance, as well as solvents or hangers and wrapping material. So a sustainable business is one where these things are readily available.

But what if the business is in a very dynamic area? Perhaps it is an innovator, constantly producing new products or services. Then the question of sustainability must reflect on how much it can rely on the need for the types of innovation to continue. A pharmaceutical laboratory may have continual R&D into a line of drugs. They may all deal with a family of related diseases and disorders. But what happens if another treatment is devised that obviates the whole product line? Manufacturers of drugs to treat smallpox have seen the disease eradicated - so reliance on those products isn't much use is it? It is the ability to take existing processes and re-use them in other fields that will endure.

So sustainability is affected by major shifts in the environment but it is not impossible to predict them. Scenario planning can help people to understand the possible effects of such change. Therefore a sustainable business is one that can react in time and has the other elements in place.

Now this isn't some great new insight - merely a restatement of what I am sure you already know. However we need to think about sustainability and its impacts just as much as any other component of our plans.

Let's take a real example. Some years ago I was called in to mentor a group of employees in a software house. They were reliant on the substantial income from some legacy software that was nearing the end of its licences. Within a couple of years there would not be enough to pay the wages and overheads of the team of around 8 staff. So they had to come up with an alternative. What they proposed was selling a new product which had a niche market. Even at the most optimistic projections this was not going to achieve more than 50 sales. Yet the team seemed to believe that outright sales with a price tag of around £5,000 were enough. When asked what they would live off in the following year there was a bemused silence. Then someone suggested they would devise a new product in the intervening period.

Sadly this was not a bunch with a track record of innovation. The current new product had taken over two years to develop and there was nothing else in the pipeline. It is interesting to note another component of this failure. This was the inability to find new staff capable of delivering. The chief software engineer wasn't prepared to take advice from anyone. The account manager had no idea about business development. Finally the owners did not understand the problems and assumed that because the existing people were all they had, they would suffice. Now in Open Space terms that would be OK. Sadly, what was missing was the communication to help this group actually deliver what was needed.

Overall it was one of the least inspiring pieces of business that I have ever come across. This was most definitely **not** a sustainable operation. Needless to say some radical rethinking had to happen. I subsequently met one of the team some 10 years later and she reflected that they had been a complete mess at the time. What is it they say about age and wisdom? But that is part of the challenge of the Compleat Biz - to deliver the wisdom into the present.

## **Sustainability in a global context**

Moving onto a wider stage there is the global sustainability issue. This deals with carbon footprint, use of finite natural resources and the like. There are many other ideas coming to the fore in the area of global sustainability. In Bangladesh we have seen the rise of the Grameen Bank which, together with its founder Muhammad Yunus, won the Nobel Peace Prize in 2006. They are developing a social model of capitalism using the concept of micro credit. The aim is to deliver growth to support the world's poor without chasing growth at all costs according to traditional capitalist philosophy.

Society is still getting to grips with what all these things are actually going to mean but there are a number of items that you may wish to consider as part of your Compleat Biz plans.

- Just how much energy is the business model going to use? Is this reducible whilst still maintaining a sustainable business as above?
- Is the model of growth we are using one which can be sustained? If not, how can we adapt it?

- How much are the products and services themselves reducing the impact on the environment? Will what is going on or proposed be cut short due to lack of resources?

Without entering into a major discussion of global warming or resource usage there is a serious point here. To think about a Compleat Biz **without** considering global sustainability is foolish. It flies in the face of common sense. You need to think about scenarios as described earlier. And what bigger scenarios are there than the whole issue of sustainability?

The notion that mankind can expand as it has and continue to do so without huge impacts is nonsense. In my lifetime I have seen the world population grow from around 3.5 billion to over 6 billion and it shows no signs of stopping. That causes pressure on infrastructure. It creates demands for water supply and power. And it causes economic shifts in favour of low cost production.

This overflows into areas such as process outsourcing or offshoring. It also changes the sites of physical production of everything from foodstuffs to electronics. All of these changes are only sustainable if they can ultimately be delivered with minimal environmental impact or footprints. That is a huge ask. Yet it is also something that we should recognise as imperative if our Compleat Biz is to be a positive contributor to mankind. Of course if you decide that your philosophy is to be less philanthropic that's OK. However you will have to work out just how sustainable that makes your business.

In the longer term, by which I mean beyond the next 50-100 years, things are going to change radically. On one day in October 1997 I was reminded of just how far we have come since the beginning of the 20<sup>th</sup> Century. I spent the morning in the Virginian Air & Space Center in Hampton (the NASA Langley Visitor Center). There they had the space capsule from Apollo 12, which had been around the moon. Later on the same day I was out at Kill Devil Hills, Kitty Hawk, North Carolina at the site of the first powered flight by the Wright brothers in 1903. The gap between this event and the Apollo 12 mission was a mere 66 years!

So, if nothing else, this tells me that we can expect some pretty dramatic changes in the next few decades. Precisely where that will take humankind is debatable. On the other hand it may prove totally unsustainable and lead to cataclysmic disaster or global peace and tranquillity. The point we need to remind ourselves of is that whatever **we** do is going to contribute in some way to that failure or success. Of course the results will probably fall between the extremes. However there are going to be demands placed on the Compleat Biz to deliver in some respects. They cannot simply be ignored as, over time, that will be an unsustainable response.

## **Sustaining the ideals**

We have factored **all** of this sustainable thinking into our model. There it sits, alongside the views of our stakeholders and strategies. It is our version of the Compleat Biz. That has values and attributes that we have decided we want and therefore presumably want to keep alive. Of course since nothing stands still in this world, things are going to come along and change all that.

One of the most potent forces in nature is genetics. We may not fully understand it but we can see that living things have evolved into successful creatures or plants over long periods of time. As I mentioned earlier, the work of Richard Dawkins also proposes the idea of memetics. Where ideas replace genetic material.

That for me is the strongest case I can think of for the Compleat Biz. A good idea will spread faster than just about anything I can imagine. It doesn't require resources. Nor is it only applicable to a strict set of circumstances. Humans being what they are will adopt and adapt to make it better.

So, in order to make our ideals sustainable, we must make sure that our ideas are compelling. "*Oh right*" I hear you say; "*just how are we supposed to do that?*" I can imagine the mutterings in the ranks.

No question, this is a serious challenge. You have to think about what your Compleat Biz is going to look like to all the outside stakeholders. Why will they want to deal with that rather than the current status quo? It is the external influences that tend to push or pull organisations to places they need to be. So a bit of engineering to make our preferred solution more attractive is going to pay dividends. In fact it is usually something that is nice to deal with that gets the plaudits.

Consider some instances of changes that have had huge market impacts and have become irreversible.

- Apple invented the Macintosh computer which had a graphic user interface that was so intuitive everyone who used it was really happy. Microsoft had to come up with an answer and Windows™ was born. Can you imagine going back to a simple text interface for everyday computing?
- Following in the footsteps of Southwest Airlines in the USA, Ryanair, Easyjet and others set about challenging the traditional airlines to provide cheap air travel throughout Europe. No frills and incredibly cheap flights on some routes. The customers loved it and others simply had to follow. Full cost airlines have never fully recovered.
- And what of the internet businesses that decided to allow the user to define the content under Web 2.0? No matter how much others may wish it, the consumer is not going to hand back control. That makes it much more difficult for other stakeholders to change the model of operations.

All of these examples reflect on shifts that were inclusive rather than exclusive of the stakeholder. In particular this applies to customer relationships. So that tells us something about what can make the idea compelling.

So the challenge is to make sure that your inclusion strategies are attractive. That way people won't want to revert to the alternatives. We will look at this a little more under the Chapter on Private Equity where we will explore the implications of Mergers and Acquisitions for the Compleat Biz model.