





Sustainability, a growing business imperative

Governments, consumers, and employees are rapidly realizing the importance of sustainability. As such, companies need to take notice and realize that sustainability is not merely a fad but rather, a business imperative. Businesses in the Middle East have multiple windows of opportunity to become more sustainable. Those wishing to survive in the new global economic era need to recognize that embracing sustainability is a strategic decision that will require a major transformation in the mindset and the practices of an organization.

Following a downturn in sustainability initiatives from many organizations due to the economic downturn, the issue of climate change is fashionable once again, especially following the United Nations Framework Convention on Climate Change (UNFCCC) held in Copenhagen.

New climate policy will have a direct impact on businesses. But despite the challenges imposed by such policies, including raising the cost of energy, imposing new production process requirements and changing competitive dynamics, companies can also benefit from the increasing global focus on sustainability issues such as carbon (greenhouse gas emissions), energy efficient technology, and water use.

Many leading companies have begun seeing improved value by broadening the definition of the 'sustainable enterprise' and by executing 'green' practices to deliver positive returns. They have embarked on an enterprise-wide transformation in an effort to improve financial, environmental, and social performance. And in many cases they have succeeded, improving financial performance, enhancing brand and increasing shareholder value.

Many organizations in the Middle East have taken steps towards sustainability but these steps remain fragmented and lack sustained focus.

General Electric Company

General Electric (GE), for example, has proved that commitment to sustainability can directly promote profits and innovation. Sustainability is a full-time commitment to GE, integral to their business strategy and with the same goals, strategies and accountabilities that drive any other part of their business.

Despite the financial downturn, GE has continued to invest in technology and innovation in the areas of clean energy, healthcare, and infrastructure across the world, particularly in emerging markets. For instance, of the \$6 billion that the company invests in research and development each year, \$4 billion is allocated to solving

the problems of affordable healthcare and clean energy. Through the resulting products and innovations, along with GE's leadership in education reform, they are able to play a crucial role in helping to solve global problems.⁶⁾

Beyond Numbers

In recent years, the definition of business success has expanded from how much money an enterprise makes to how it makes its money. Companies today face a wide range of expectations from a variety of stakeholders. These include employees, consumers, regulators and the public, all of whom demand to be heard and/or involved in company activities and decisions. Stakeholders expect businesses not only to generate revenue, but to have a positive effect on society and minimize adverse effects stemming from their operations. First and foremost, they want to be able to trust the company and ensure that its operations are reliable.

Whilst great effort goes into ensuring compliance with rules, standards, and codes of conduct, many companies increasingly see the benefits of also managing social, environmental, and economic impacts in a structured manner. This helps them to manage risk more efficiently, strengthen corporate reputation and brand, and build trust among stakeholders. A company's ability to successfully manage social, environmental and economic issues today is indicative of its ability to thrive in the future.

Coca-Cola

Coca-Cola is a good example of how a 21st century business is increasingly working with stakeholders to understand their views and incorporate them into strategic decision-making processes. Coca-Cola's stakeholder research has helped to refine their future strategy on social and environmental issues. Coca-Cola's customers respond to growing consumer interest in sustainability issues, and the company is working collaboratively with them on environmental issues, including energy efficient/HFC-free refrigeration equipment, sustainable packaging and recycling, and efficient transportation.⁶⁾

Sustainability in the Middle East

Although the Middle East region faces the same climate change challenges as the rest of the world, its energy and waste-intensive lifestyle due to increasing urbanization and the rapid growth of its cities is not sustainable and will not support, in the longer term, the creation of sustainable economies in the region. Many organizations in the Middle East have taken steps



towards sustainability but these steps remain fragmented and lack sustained focus. It is not until sustainability becomes an integral part of an organization – reflected in its mission, vision and values, with a demonstrated commitment to implementation – that true sustainable results will start to materialize.

Masdar

Abu Dhabi has taken the lead by setting the example for the UAE, the Middle East and the rest of the world with the creation of the Abu Dhabi Future Energy Company (Masdar). Masdar has embarked on this journey with Masdar City – a self-sustaining, zero carbon city being built in the middle of the desert – and is also making worldwide investments in clean technology and energy solutions. Additionally, Masdar has established the Masdar Institute of Science and Technology, a higher education and research institute and incubator for a Sustainability Center of Excellence. Initiatives such as Masdar emphasize that some governments at least, are taking sustainability seriously and that it is here to stay.

One small step for firms...

Becoming a fully sustainable enterprise is a long-term endeavor. Companies are not expected to transform overnight and drastically change their modes of operation, but efforts can start on a small scale. Implementing greening initiatives to motivate and educate employees to become more ecologically responsible, and communication about future sustainability efforts to company stakeholders can be a great start and do not require large investment. Case studies have shown that sustainability, approached the right way, can be a significant driver of enterprise and economic value. Starting early will give the company a head start and a competitive advantage. Companies trailing behind will find themselves playing catch-up, losing competitive advantage, and fighting against eroding brand value.

By **Fadi Sidani**, Partner in Charge, Enterprise Risk Services, Deloitte Middle East

⁽ⁱ⁾ GE 2008 Global Citizenship Report

⁽ⁱⁱ⁾ Coca-Cola Enterprises 2008 Corporate Responsibility and Sustainability Report

