

Michael Townsend



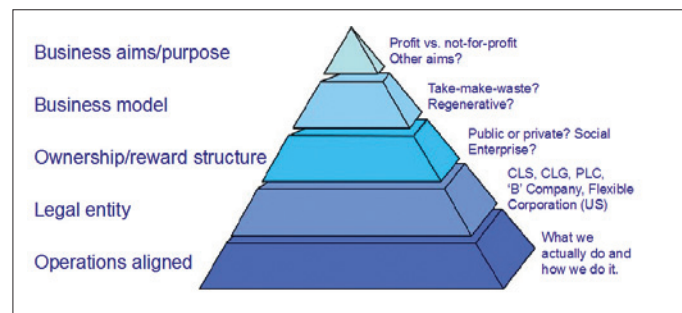
There is plenty of talk about sustainability being embedded in the core of business. Just run a web search and you get almost half a million results. Taken at face value, these claims can sound impressive, but the rhetoric can appear superficial, that is, until we actually dissect the DNA of the business and get to the thing that makes it tick, the business model. Our research and work in the field shows this can be challenging, but that companies can adopt a five-tiered approach to reviewing and re-configuring their business models.

The starting point is with the purpose, or ideally higher purpose of the firm and its range of goals. If we are a 'for-profit' business, what additional goals should we incorporate? If we make visible the key sustainability risks and opportunities we face, this can lead to an interesting board-level debate, the outcome of which provides an anchor point for the business model.

Then comes the business model itself: is it truly sustainable and is it efficacious in meeting our business and sustainability objectives? This is the crux of the exercise. The business model is all about how we make and sustain making our money. Conventionally, we may look at nine or ten building blocks, with issues to explore in each aspect. When integrating sustainability, we need to challenge things we perhaps previously held dear to our business sensibilities. We need to be open to the adverse impacts our business may generate and deal with these in new and creative ways.

We call this approach Sustainable Business Model Engineering: a more scientific, holistic, rigorous, yet practical approach to developing a sustainable and profitable enterprise. There are many challenges

A five-tiered approach to help you re-configure your business model



Pyramid plan: the starting point is the purpose of the business

to consider here, a few examples might include:

- Our revenue streams - how legitimate are our sources of revenue and profit? Are we operating a take-make-waste model, or can we reconfigure our approach to have more regenerative impacts?
- Is our proposition inherently sustainable and does it align with the demands of a sustainable economy? Could we achieve a greater level of congruence?
- How dependent are we on scarce and expensive resources? Could we develop renewable alternatives or more abundant substitutes?
- For how long can our customers afford our goods and services? How exposed are their business models to sustainability challenges, including resource scarcity?
- Have we accounted for the true cost of doing business, taking

responsibility for all our impacts? ■ To what extent is our model ethical? Do we rely on 'enabling' or 'facilitation payments' in some territories?

We then need to ensure we have an appropriate ownership structure and legal entity to support, rather than constrain our business models. Is the PLC format adequate, with its expectations on short-term profit only? I'm not so sure. The social enterprise model offers an alternative, but may not be sufficiently business-focused. Does the Company Limited by Guarantee or by Shares provide enough scope?

We have seen some interesting developments, particularly in the US, with the emergence of the Flexible Purposes Corporation in California and also the 'B'

Corporation in Maryland. Both of these models allow greater flexibility and enable businesses to incorporate a range of goals in addition to the profit motive.

In Europe Triodos Bank provides a leading example, with its focus on lending to organisations that benefit people and the environment only. Its approach also incorporates challenges to the role of banking in society.

InterfaceFLOR is another company moving towards a more sustainable business model, based on closed-loop principles. In each case, we can observe different and more sustainable ways of making money, aligned with both business and sustainability goals.

Challenging our business model assumptions can be difficult. And while eco-efficiency measures are still a good thing to do, it is also time to start looking after the long-term money too; becoming more aware of the full impact of our business models, our ability to sustain profitability, as well maintain the integrity of any claims at having sustainability in the DNA of our organisations.

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