

View Point



Sustainable Tomorrow

Introduction

Sustainability is the ability to endure and ensure that we do so without endangering resources for future generations. It is crucial to maintain the sustainability of the environment and in turn, economies without depleting natural resources. Businesses are at the heart of economies and will be sustainable in the future only if economies sustain. Economies need stable and peaceful societies to sustain; and the sustainability of societies is dependent upon the preservation of our ecosystems and sustainability of our environment. So businesses have to be environmentally 'responsible' in order to be sustainable themselves. However, sustainability is not only a need but also a source of tremendous opportunity to businesses: Opportunity to differentiate, innovate and to earn trust.

These expectations have existed earlier so what is different now? In a survey among US CEOs conducted in 2009 by the Business Council in collaboration with Conference Board, almost two thirds of the respondents indicated that sustainability has reached the point where it has become a mainstream concern for businesses. 81%¹ of the respondents agreed that business leadership will increasingly be judged by the ability to create enterprises that are economically, socially and environmentally viable¹.



Rising significance of Sustainability for organizations

There are several trends and factors that are making it more evident that sustainability will have to be a primary focus area for organizations. These include

- **The rise of social activism, fueled by online social media** - In a highly connected and increasingly conscientious world, rising social activism and the ability of activists to mobilize public opinion can take businesses by surprise.
- **Sustainability performance of businesses being under greater scrutiny** - Growing awareness and concern around sustainability is putting businesses under greater scrutiny of the public eye than ever before. This is happening from all angles - social, environmental and economic. Also businesses are being assessed and judged not just by their own sustainability performance, but also by that of their partners and suppliers
- **Changing ethics and societal expectations - expanding stakeholders for businesses** - There is greater importance of public as stakeholder – companies are now required, even if not by law, by social convention, to maintain a relationship based on trust
- **Stakeholders demand action and concern** - Direct stakeholders of businesses - customers, investors and employees are also demanding demonstration of social and environmental concern and action from businesses.
- **Dependence on depleting non-renewable resources can impact long-term economic sustainability of businesses** - Dependence on non-renewable resources such as fossil fuels is a huge concern for many industry sectors such as energy and transportation that rely on these for their core business, with many of them already focusing on exploring and developing alternate energy or fuel technologies
- **Climate change** - Increasing awareness of the threat of climate change is fueling the move globally towards a low-carbon economy and reduction of carbon footprint
- **Government action through policy and regulation** - Governments across the world are moving towards greater regulation on social, economic and environmental fronts. Compliance with newer regulations and in all countries or regions of operation is becoming mandatory for businesses

Key ideas for sustainability

Social contracts, Resource intensity and Green innovation



We believe sustainability in businesses can be driven through three key ideas- Social contracts, reducing Resource intensity and Green innovation.

Social Contracts

Traditionally, businesses have been driven by economic interests and those of their key stakeholders such as investors and customers. Today, however, businesses have an extended set of stakeholders – the environment, local communities, activist organizations and the larger society - that have the ability to influence the future of the business. There is hence an implicit ‘social contract’ with society, an expectation to factor in social and environmental aspects as important dimensions of businesses. Honoring this implicit contract is fundamental to building the trust with the society and for continuity of the business in the future.

There are two kinds of social contracts that have the potential to impact the sustainability or viability of a business. The first is where an organization directly or indirectly impacts the social fabric and/or the environment. In this case, there is a direct connection that is established in the minds of people about cause and effect, and direct blame attributed to the organization in case of lack of corrective action.

The second type is of issues that are apparently not connected to or caused by the business in any way, but are a source of significant concern in the region or country where the business operates. Society expects organizations that do business in that area to also show concern and take action on such issues.

Businesses that have adopted sustainable measures and demonstrated commitment to the environment and society have reaped the benefits of their actions. Rio Tinto² for instance, sought to minimize the potential negative impact of its operations on local environment and population by adopting best practices in sustainability and engaging proactively with local communities and stakeholders. This helped it in earning a ‘social license’ – unwritten acceptance of the company’s operations by the local community, governments and society overall.

Resource Intensity

‘Resource intensity’ is about doing more with far less resources – energy, water or material. It is about harnessing less-intensive alternatives or finding transformational ways to de-intensify and achieve the same or better outcome using far lesser resources.

Resource intensity can be reduced through sharing resources or through resource pooling. Several innovations are now demonstrating that these concepts are not just sustainable but profitable as well. Take for instance Zipcar³ which offers organized car sharing designed to fulfill a just-in-time need for personal access to passenger cars. Car rental service is sold in hourly increments and includes gas and insurance making it useful in urban areas with lot of people travelling relatively short distances. This helped in significant reduction in car ownership among members, reduced congestion on roads, lowering of overall vehicle miles traveled and reduced number of parking spaces needed while also saving costs and being more convenient for users.

There are several ways in which we can reduce resource intensity such as digitization of assets which immediately brings down the need for physical resources. Businesses should also look at localization

through sourcing materials locally in order to reduce their carbon footprint. Ultimately, reducing resource intensity not only helps reduce the burden on the environment but also potentially save costs, lowering risk due to resource dependencies and gaining other business benefits.

Green Innovation

Green Innovation is about seeing the opportunity for business leadership through innovation for sustainability. It involves leveraging sustainability related initiatives or action as a differentiator from competition. Green innovation is driven by sustainability that has the potential to change industry dynamics and set new standards for others to follow. It aims at enabling long term business sustainability through prompt and proactive action that turns sustainability from risk to opportunity. Green innovation in the organization needs to be fostered by creating the right environment and feeding in the right information. Often, significant impact is created through a chain of small incremental innovations.

It is important for organizations to look for green innovation opportunities in every sphere - operations, products, supply chain, processes, service models, stakeholder engagement and branding. Consider Patagonia, the clothing and sporting gear company which set themselves apart from competition by focusing their efforts on green innovation. When they commissioned an environmental impact assessment of four major fibers by independent research company, they learnt that cotton, the 'natural' fiber used in most of their sportswear had the worst effect on the environment. What followed was a series of innovations. On the supply chain, they went directly to the farmers instead of brokers and encouraged and motivated farmers to cultivate and supply organic cotton. They experimented with environment friendly materials using hemp in some products. They found a way to recycle polyester from discarded material and make use of the fabric in some of their best selling products. They are now in the process of making the clothes themselves recyclable.

They also opened up their operations to public scrutiny by launching the 'Footprint Chronicles'⁴, an interactive mini-site that allows consumers to track the impact of specific Patagonia products from design through delivery, trace the development – and environmental impact – of products from design through fiber creation to construction to shipment to their warehouse. They used the opportunity not only to improve Patagonia's own operations by opening them up to the public, but also to enable a more nuanced public discourse and set an industry trend that will encourage greater concern for environment issues and greater transparency among other global corporations.

Conclusion

Sustainability is not a choice any longer. We believe it is a business imperative. But while organizations traditionally looked at sustainability from the perspective of risk, viewing sustainability as opportunity and embracing it into the organizational DNA can positively impact the financial bottom-line while also gaining respect as a responsible business. Businesses should look at sustainability as means to differentiate themselves, create new business opportunities, engage with and earn the trust of extended stakeholders and as a catalyst for innovation.

Information technology can play a significant role as enabler in the organization's sustainability journey. Technology can be used effectively in measurement, monitoring and reporting usage of energy and resources, accounting of carbon emissions, integration with building and production control systems and in rich analytics and business intelligence that helps in identifying opportunities for optimization and change. Technology can even be used to create platforms for collaboration and engagement with employees, consumers and partners, as well as platforms for idea gathering and innovation management. Information technology can also be used to enable smart solutions in multiple areas such as smart grids, green logistics, mobility, process optimization and green IT, becoming a key player in the organization's journey towards sustainability.

We at Infosys are focused on helping our clients in their sustainability journey by co-creating innovative and personalized products and solutions. To speed up these innovation efforts, Infosys has created a wide range of innovation accelerators. These include solutions such as the iSustain Emissions Management Solution which enables clients manage their emissions data and reports in a single repository thus streamlining efforts to meet corporate sustainability voluntary and regulatory requirements. Another example is our InGreen Energy Management which evaluates energy consumption patterns to identify opportunities for energy optimization. Infosys has also successfully ventured into green innovation with solutions such as Infosys iSmart. iSmart a sensor-based power strip and this solution detects energy wastage and prompts users to eliminate it. The iSmart was selected as an innovative solution in the 'Grand Challenges Project' of Technology Review (India), the innovation magazine of the Massachusetts Institute of Technology.

References

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