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Why companies should integrate sustainability as one of their decision parameters.

A business perspective

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<p>The environmental, social, and economic issues in the world are so massive and far-reaching that they can touch and affect the life of the world's populations in many aspects. The current study investigated the complex interaction and interplay between business performance and sustainability. It attempted to explore how sustainability can generate new business opportunities that in addition to improving social and environmental well-being, will trigger profit maximization, a major and key driver guiding companies business behavior.</p> <p>The theoretical framework of the study focused on identifying the major cause of environmental degradation, and the role of business in overcoming this challenge as a way forward to profit maximization. The empirical part of the study was conducted by using a combination of both primary and secondary data acquired from literature review. Basically, three methods constituted the methodology of the data collection for this study such as I) questionnaire, which was a quantitative survey with some space for qualitative statements. II) interview, and III) an open format discussion.</p> <p>The findings of this research concluded that given the volatile business world and the challenges firms face, companies can address and convert the challenges into new business opportunities through more sustainable mindset and strategy.</p> <p>Finally, it was concluded that to address the challenges that threaten the environmental and social wellbeing, embracing sustainability is a key solution that will help consumers and companies to live in the limit of the plant's carrying capacity</p>	
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## 1. Introduction and background

There are numerous known environmental and social challenges such as scarcity of natural resources, increases in population growth, poverty around half of the globe and global warming that threaten the well-being of living species (Wibeck 2009:1; (Høgevold & Svensson 2012:143;Fisk 2010: 3;Sanne 2002:274;World Economic Forum 2010;& Friends of the Earth, Europe2009).

Tukker, Emmert,and Charter **et al.**(2008:1219) argue that increased consumption levels and unsustainable consumption behaviors are largely to blame for their impacts on the environment. Furthermore, It is argued that the main driver of climate change is unsustainable consumption and the significant amount of green gas emission generated by human activities in such a rapid pace that the planet is not capable to handle (Walker and King, 2009:24-58;Rees 2002:255;O'Hara 1998:180;Tukker , Emmert,Charter,**et al.** 2008:1219).

Furthermore, Hart (1997:66) endorsed a similar idea described above which attributes unsustainable consumption for its negative impact on the environment. The author argues that human consumption of the world's resources in this age has become unsustainable, and it has led to various problems such as greenhouse effect, depletion of resources, loss of biodiversity and air pollution.

In order to minimize the pressure on the environment, environmental laws introduced measures and asked companies and organizations to limit activities that lead to generating significant pollution and waste in order to improve environmental wellbeing. Nevertheless, the true cause that threatens environmental and social wellbeing is unsustainable consumption, which is overlooked (Salzman 1997:1243). Therefore, many business leaders are now incorporating sustainability to their corporate strategy (Boudreau; Chen & Huber 2008:2). Ideally, they companies need to be aware that they are largely responsible for solving the sustainability problems that the world is facing. This is because corporations have a dominant role in the global economy, and in the production of goods that the citizens of the world consume. Corporate leaders need to shift to more sustainable business practices to promote sustainability, by providing greener products and services to the market as expected by their customers.

However, it has become an issue why sustainable business practices and consumer behavior still do not meet.

In order to address the challenges generated by unsustainable consumption and production, the themes of sustainability and sustainable development have become popular topics that attract a significant amount of consideration (Schaltegger and Wagner 2006:2; Verbeke, Vanhonacker, Sioen, et al. 2007:580; Kelly, Caputo & Jamieson 2005: 306; Vermeir & Verbeke 2006:169).

To use consumption as a tool to improve environmental degradation, businesses are capable of achieving the desired result through sustainable production processes and offering environmentally friendly products. Firms can shift and direct demands towards products and services that have little environmental impact on social and environmental conditions (Tukker, Emmert, & Charter et al., 2008:1220; Desimone & Popoff 1997:161).

To make the required changes happen in the process of extraction, production and consumption while improving environment and human wellbeing, businesses tend to be strong players in leading the change process in an effective manner. The current business models are broken and outdated. The volatile business environment coupled with unforeseen changes in the market generates challenges and opportunities in such a complex form that it threatens businesses and society. In order to enjoy growth while preserving the environment, it is vital to balance the priorities, ambition, and behaviors with a new mindset. To achieve these objectives, businesses can play important roles by reshaping their current system of business; organizations can be more successful than governments in addressing social and environmental challenges through customers and brands (Fisk, 2011: 2).

Given the level of human dependency on the environment, the concern over environmental degradation and climate change has begun to get a significant share of attention from the public, business practitioners, and academia recently (Ginsberg & Bloom 2004) cited in (Elham & Nabsiah 2011:73).

Alcott (2005:17) argues that there has been a fourfold raise in population growth since the nineteenth century while the increase in consumption of coal has been sixteen fold.

The pressure on the ecosystem and environment are largely driven by economic activities (UNEP 2010). Moreover, the earth is finite and is not capable of generating and supplying resources to satisfy the unsustainable wants of consumers; neither does it have the capability to absorb the significant amounts of pollution generated by human activities (UNEP 2010). It is also argued that beside consumers' unsustainable behaviors, unsustainable production processes are key attributive factors to the environmental degradation (Surjono & Adrianto 2011:176 & Sanne 2002:274).

Issues that risk jeopardizing human health and wellbeing are economic crises, resource degradation, species extinction, deforestation, and the loss of groundwater in much of the world. It is argued that the main driver of climate change is unsustainable consumption and the significant amount of green gas emission generated by human activities in at such a pace that the planet is not capable of absorbing it (Walker & King 2009:24-58; Rees 2002:255; O'Hara 1998:180) and (Tukker, Emmert, Charter, et al. 2008:1219).

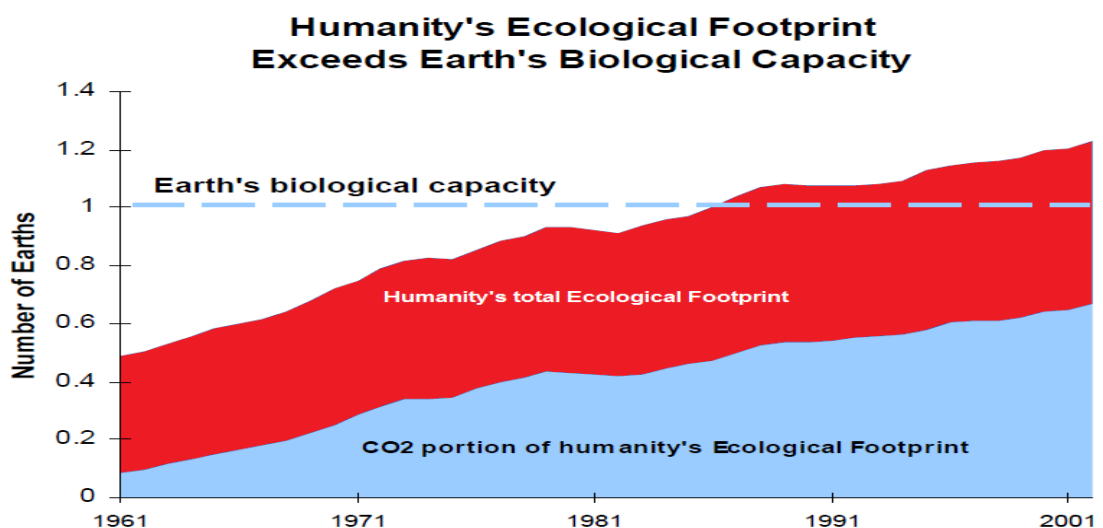


Figure 1. Global Footprint Network, 2012

Figure 1 shows that from 1991 to 2001, human consumption of ecological resources surpassed the planet's estimated carrying capacity. If demands for ecological resources

continue at the current pace, it will take one year and three months for the planet to regenerate the resources we consume in one year. Furthermore, human population will need 1.5 planets in order to satisfy their needs and absorb the waste being generated by human activities. Moderate UN scenarios further argue that human and non-human populations will need the equivalent of two planets by 2030 if changes are not employed in the current population and consumption patterns.

The significant amount of emissions in the atmosphere, the release of pollution during production processes, and disposal and waste generated by unsustainable consumption threaten the environment and wellbeing of human and non-human living species (Surjono & Adrianto 2011:178; Spangenberg & Lorek 2002: 127; Sheth, Sethia & Sriniva 2011:24; Schrader & Thøgersen 2011:3& Schramme 2011:4).

If changes in production and consumption are not employed, the environment will not be able to provide basic resources upon which the human species is dependent. It is evident that the pollution already has surpassed the planet's carrying capacity; therefore, the environment will not be able to support life in the long term.

Furthermore, eliminating their dependence on non-renewable resources and switching to environmentally friendly materials help companies strengthen their reputation and image while contributing to the environmental quality (Businessgreen, 2011). Companies that limit extraction of non-renewable resources and source their products from green suppliers are more favored by the stakeholders (3blmedia 2013).

## **1.1 Research Problem**

Given the growing human pressure on the environment and the extraction of natural resources at a more rapid pace than the planet's ability to regenerate has prompted significant challenges that treat the wellbeing of present and future generations to meet their needs (Galli, Wiedmann, Ercin, et al., 2011:5; Wilk 2002:5; Peattie & Peattie 2009: 260-261). This research papers will identify suggestions on how companies can contribute to environmental and social well-being while converting the environmental and social challenges into opportunities to improve their financial performance. Furthermore, sustainability has become a source of innovation and competitiveness



that help companies generate new business opportunities and markets. Therefore, the research question is as follows:

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Issues such as the emerging green consumption models, improved financial performance, and generating positive social and environmental changes for a better future for both business and the society where companies operate are vital topics that build solid business logic for companies to integrate sustainability in their decision parameters. This study will address the research problem through combining the knowledge acquired from case studies, a literature review, and the findings of the survey. However, Sheth, Sethia, & Sriniva( 2011:25) argue that from a business standpoint, the issue of unsustainable consumption has received attention focusing particularly on environmental sustainability and companies argue that the cause of environmental degradation is associated with the patterns of consumption rather than level of consumption. Therefore, businesses consider green and environmentally friendly products to be a solution to address challenges triggered by overconsumption.

Evidence points to the fact that economic development beyond the limit of the planet's carrying capacity will challenge the environment and human wellbeing in the longer run. Tukker & Jansen(2006:160) argue that unsustainable consumption by individuals and governments are the attributive factors threatening environmental wellbeing. Products and services being consumed generate serious challenges during and after their lifecycle that risk jeopardizing the planet's capacity to sustain life. Increased production and consumption levels require significant inputs of material and energy to satisfy the wants of consumers.

Fuchs and Lorek (2004:3) argue that promoting sustainable consumption through fundamental changes in consumption patterns and reduction in the level of consumption, particularly in the industrialized world, is needed. Pelsmacker, Drisen, and Rayp (2005:363) argued that there are discrepancies between what consumers say and what they do while making purchasing decisions. Consumers are not concerned about the impact of their consumption on the environment (Schubert & Chai, 2012:4).

Furthermore, it is argued that continued global economic growth is one of the attributive factors driving unsustainable consumption. Consumers and producers tend to show resistance to adopt more sustainable consumption and production patterns despite the efforts of various institutions and organizations (Prothero, Dobscha, Freund, et al., 2011:31). Sustainable consumption and production are important aspects to achieve sustainable development and the economic growth needs to be enjoyed with a balance of environmental and social constraints (OECD 2008;(Svensson & Wagner2011:335).

## **1.2 Research Design**

This section presents the research design used in this study.

To understand the complex interplay between sustainability both from the perspectives of consumption and production along with marketing strategy, significant amount of literatures were reviewed, and additionally interview and survey was carried out.

The extensive amount of data and information acquired from the literatures and some other sources suggested that unsustainable consumption is the source of the environmental problem, and therefore solving environmental and social challenges need practice of sustainable consumption. The literature reviews further argued that embedding sustainability in business strategies help companies to access innovative ideas and new business practices while contributing to environmental wellbeing. Given the role and importance of certain elements as described in figure 2 constitute the research design of this study.

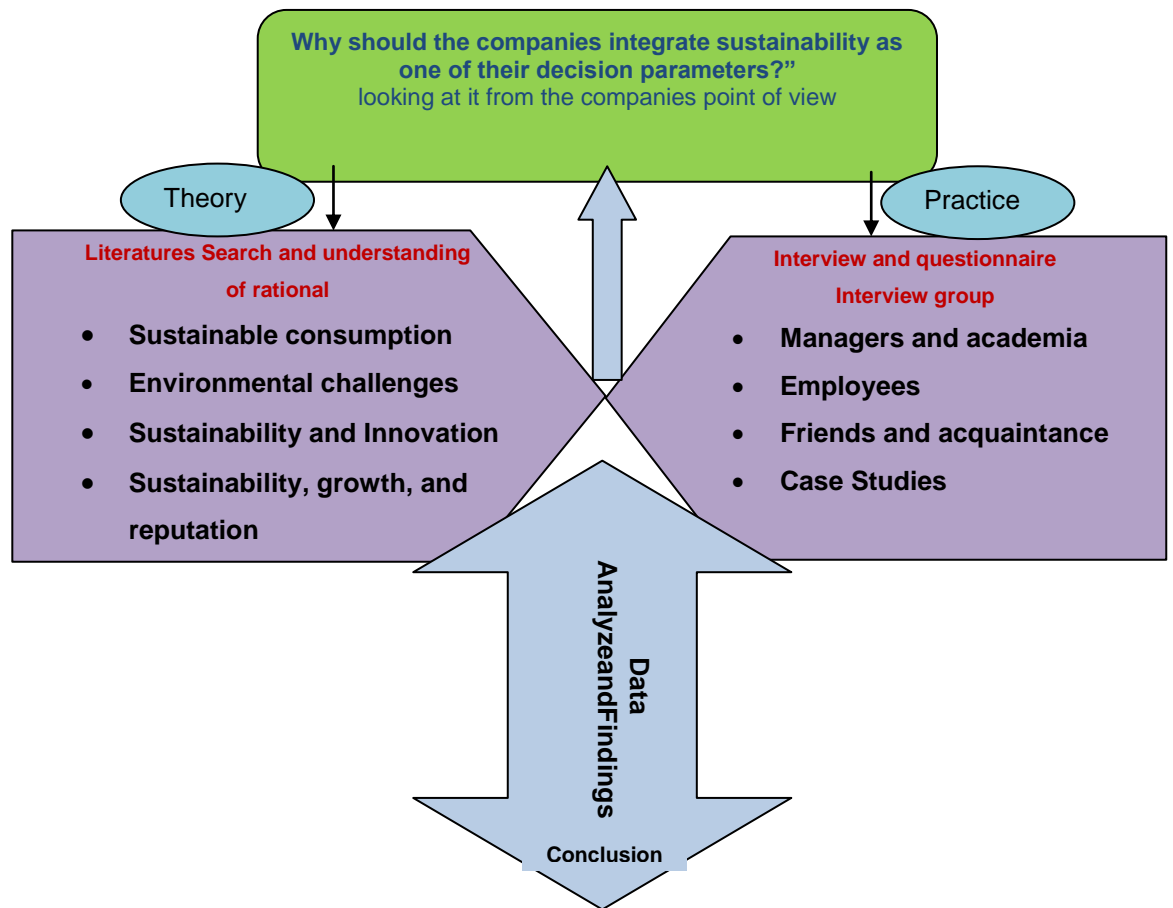


Figure 2. Research Design

In order to answer the research question, articles that deemed to be significantly contributing to the research question of this study were studied, analyzed, and interpreted. The cause of environmental degradation and the role of sustainable consumption and production were rational and relevant in addressing the research problem. The case studies further contributed to increasing the insight and reliability of this study that how embracing sustainability could be a way forward towards achieving long-term growth and competitive advantages.

The aim of this research is to develop a recommendation for business companies to embrace sustainability not only as a means towards contributing social and environmental wellbeing, but also as a source of new ideas and competitive advantages. Findings of the survey acquired from the interview, questionnaire, and open discussion were of a paramount importance that can be employed by managers to improve their financial performance and increase shareholder return in the long term. Irrespective of the type of business, the result can be applied to any size of

organization. However, considering the financial capacity and investment in sophisticated and environmentally friendly technology, large and medium-sized companies can respectively be in far better positions to embed sustainability into their business strategies and activities than are small companies.

### **1.3 Research Objective**

This research paper aims to recommend that embracing sustainability can help companies' financial performance while contributing to environmental and social wellbeing through their business activities and operations. Through eliminating dependency on non-renewable resources and using less material and energy, companies will be able to save a significant amount and strengthen their image and reputation as green firms. Additionally, through embracing sustainability, companies will generate new business opportunities and tap into new markets. Ultimately, this thesis will generate rational business logic to increase companies' insight into why sustainability is a crucial success factor for companies in the long term to ensure their financial survival live in the volatile business environment.

### **2. Conceptual Frameworks**

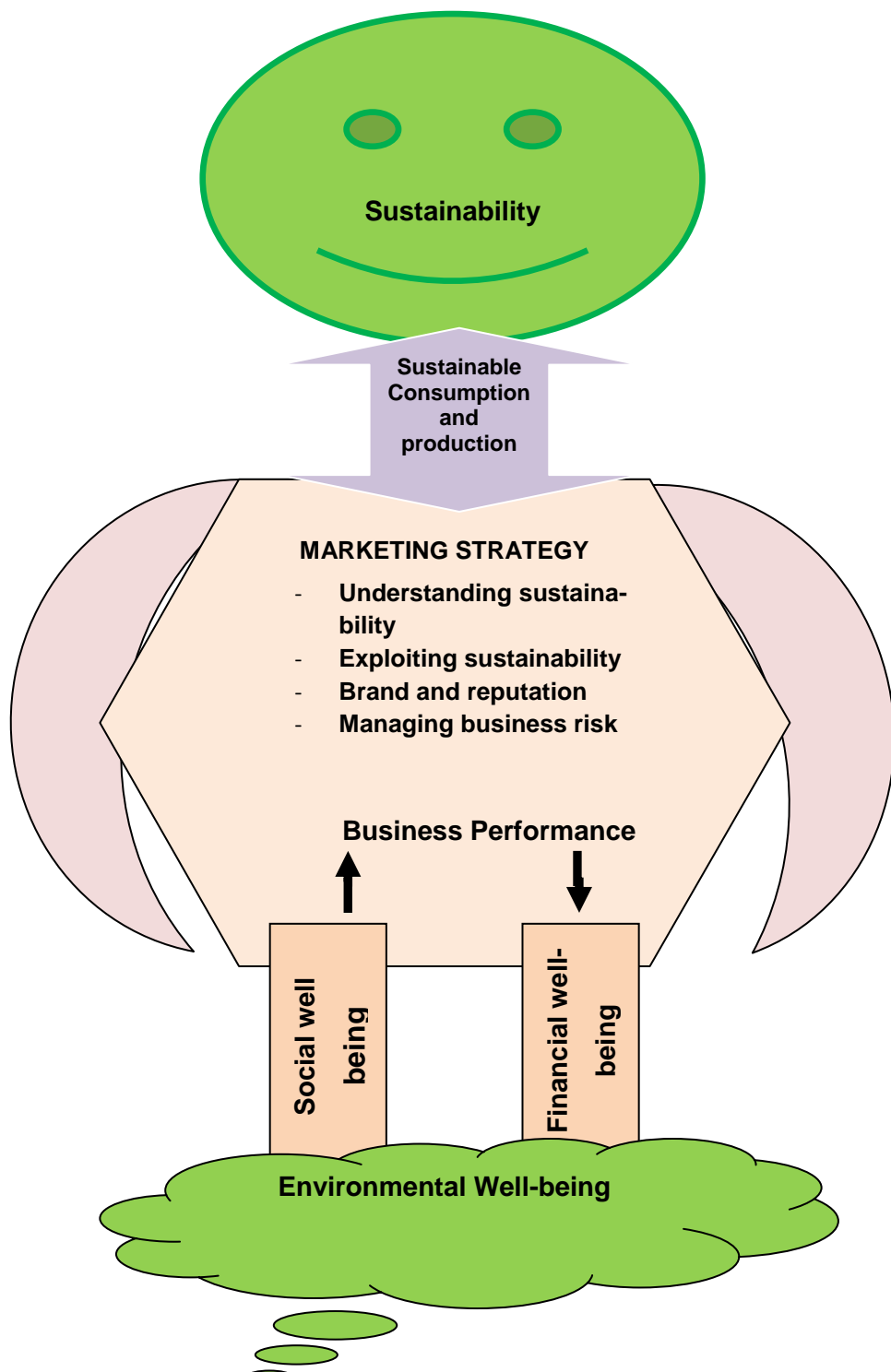
This section presents the conceptual framework used for the study.

To identify the major cause of environmental degradation, it was vital to ascertain the root cause of the problem. Therefore, unsustainable consumption and production are believed to be the major causes of the environmental degradations and challenges to social wellbeing. It was also of a paramount importance to analyze and pinpoint the role of business that how companies can benefit to improve their financial performance and growth while improving the socioeconomic and environmental conditions.

To address the challenges that threaten the environmental and social wellbeing, it is believed that embracing sustainability is a key solution that will help consumers and companies live in the limit of the planet's carrying capacity. Additionally, sustainability for companies can generate new business opportunities and for consumers and societies it will maintain a cleaner and safer environment. The themes such as sustainability, sustainable production and consumption and business marketing strategies are all inter-linked whereas absence or weak status of any of these themes can affect the rest.

Therefore, this framework has been established in order to facilitate the understanding and detailing the complex interplay between sustainability, sustainable consumption and production and business marketing strategy.

The position given to the themes in the conceptual framework of this study is based on the significance that these subject matters play in respect to promoting sustainability and the triple bottom line. Therefore, the themes shown in figure 3 are shaping the conceptual framework of this research study.



### Figure 3. Conceptual Framework

Figure 3 displays three processes that will enable businesses to contribute to environmental well-being while increasing shareholder return through more sustainable business methods. Given the growing number of green consumers, there are new demands and markets for sustainable products and services. In order to satisfy the green demands of the growing number of consumers, businesses need to look for new business models, processes, and production methods. This aim can be achieved through embracing a sustainable mindset. By embracing and putting sustainability in the center of business activities, companies will gain competitive advantages, improve their financial performance, and enjoy business growth in the longer run.

The extensive amount of data and information acquired from the literatures and other sources suggested unsustainable consumption and production are the source of the environmental problem and therefore solving environmental and social challenges need unfeigned practice of sustainable consumption and production. Moreover, to do so, companies need to alter their business strategy and design more sustainable products. Tischner and Charter (2001, 120) argue that product design and development phases constitute almost 80 % of the product impact on social and environmental conditions, including manufacturing phase, product life cycle and disposal. Therefore, significant share of attention needs to be invested in product design phase.

The literature reviews further argued that embedding sustainability in the core of business strategies can enable firms to strengthen their financial status through innovative ideas. To assess the impact/barriers and focus on the relations between unsustainable production and environmental degradation, the factors with significant impact were identified, and represented the conceptual framework. Likewise, the unsustainable production can act as independent variable that will guide consumer's attitude towards consuming unfriendly goods and service.

The challenges generated by unsustainable consumption and production from one hand threaten environmental wellbeing; however, from the other hand offer significant potential of new business opportunities.

## 2.1 Sustainability

The term sustainability and sustainable development does not have a long scientific pedigree, and different people have interpreted the term sustainability differently, yet there is a certain consensus on what a general definition of sustainability is.

It was argued by some economist at early years that the planet has an ever-lasting capacity to fulfill human needs, and has the ability to absorb wastes and emissions independent of the level and patterns of consumption and production. The belief of the natural world's self-sufficiency was however, challenged by the industrialization of the 19<sup>th</sup> century. It became obvious that the planet does not have the capacity to accommodate the amount of waste being generated, neither has the planet the capacity to fulfill our needs in the long run unless the business rethink their strategies, production, and processes while persuading consumers to change their consumption patterns(Barber 2007:1-2).

Well-documented evidences support the fact that unsustainable consumption and production are the main drivers of environmental degradation. The significant amount of emission to the atmosphere coupled with release of bulk of pollution during production process and disposal and waste generated by unsustainable consumption threaten the environment and wellbeing of human and non-human living species (Surjono & Adrianto 2011:178;Spangenberg & Lorek 2002: 127; Sheth **et al.**, 2011:24; Schrader & Thøgersen 2011:3; & Schramme 2011:4).

Given the challenges posed by unsustainable consumption and production due to human activities, the term sustainability was brought forward in an attempt to encourage economic growth and social welfare within the limits of the planet's carrying capacity. The terms sustainability and sustainable development, however, have many definitions and there is no single and clear definition to convey a cohesive meaning to all (O'Hara 1998:175).

Sustainability is a disputed concept that means different things to different people and the concept of sustainability and sustainable development is subject to many divergent interpretations (Barber2007:3;Arrow, Dasgupta, Goulder et al., 2004:150;Frankel 1998:21;Hopkins 2009 :35;Susarla & Nazareth 2007:8;Pezzey & Toman 2002:2; Sheth,

et al., 2011:21;Keiner 2004:379;Post & Mikkola 2012:747;Mueller, Klandt, McDonald et al., 2007:228; Menzel & Green 2013:7;Collins 2003: 237; Schaefer & Crane 2005:77).

After focusing on the multitude of definitions of sustainability, the most reigning definitions was introduced by the World Commission on Environment and Development in 1987 which suggest that:

"A sustainable society is one that "meets the needs of the present without compromising the ability of future generations to meet their own needs".

Albeit the most recited definition of sustainability, this term still prompt to different interpretations. Manderson (2006:87) argues that the word sustainability has more than three hundred meanings, and as a result this somehow negatively impacts the usage of the term in the context of research or academic endeavor.

The term sustainability emphasizes that natural resources need to be exploited in the limits of the planet's carrying capacity and to avoid harm to the environment through resource degradation and pollution. Production activities, which requires significant amount of non-renewable resources tend to produce bulks of pollution that will harm the environment and human wellbeing in the longer term. In order to promote sustainability, businesses need to increase stakeholder insight and make them aware of the challenges being generated by unsustainable business actions and behaviors (Mueller, Klandt, McDonald, et al., 2007:228).

Post and Mikkola, (2012:747), Gao and Bansal (2013:242),Sheth et al(2011:21), and Keiner (2004:380) suggest that sustainability is comprised of three pillars—economic, environmental, and social.

1. People (Social Equality)
2. Planet (Environment Protection)
3. Profits (Economic Growth)

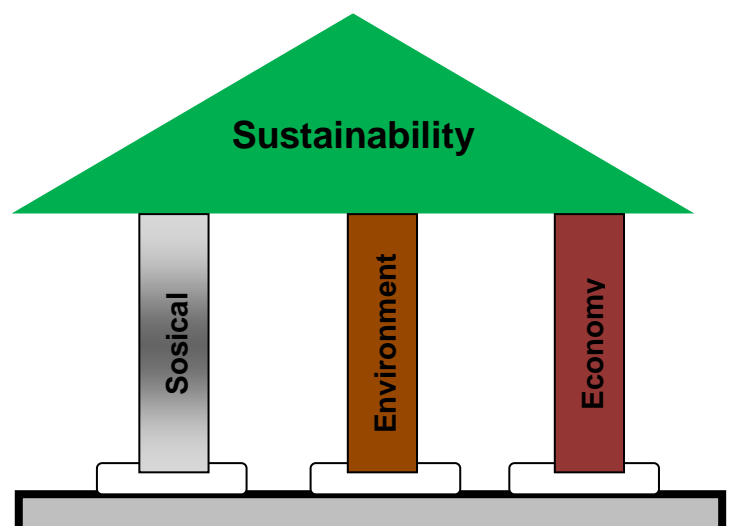




Figure 4. Pillars of Sustainability. <http://www.sustainability-ed.org.uk/pages/what3-1.htm>

Figure 4 illustrates that the three pillars of sustainability are interrelated; thus, overlooking one pillar will affect the other pillars and sustainability at large. Therefore, paying equal attention to keep the relation between the pillars balanced is a vital issue in order to achieve sustainability (Munasinghe2010:5). Furthermore, companies are under pressure by environmentalists, consumers, and stakeholders to incorporate reporting the impact of their activities on the environment besides focusing on the profit maximization in order to strengthen its reputations and build relations with its stakeholders (Wiedmann, Lenzen, & Barrett, 2009: 362).

The first pillar refers to people; in other words, it means social equality, welfare creation, and global solidarity. This pillar emphasizes the importance of people while creating value in equal opportunity, social justice, and freedom for all.

The second pillar refers to the planet and its partnership with living creatures; it emphasizes the balance between human activities and the planet's carrying capacity. The third pillar refers to profit or economic growth. This tends to be a more favorable pillar through which human needs and wants can be satisfied favorably. However, using natural resources, production, and consumption needs to be in the constraints of the ecosystem while generating value and prosperity to current and future generation.

Gayer (2003:1240) argues that economic growth, which has been fueled by globalization, is the major cause of ecological problems that distracted companies from embedding and integrating sustainability in the center of their strategies.

Nonetheless, using natural resources, production, and consumption needs to be in the satisfaction of the ecosystem while generating values and prosperity to current and future generation (Desimon & Popoff, 1998:233).

Furthermore, Susarla and Nazareth (2007:10) argues that sustainable growth tends not be possible to achieve given the gap between resources depletion and the planet's carrying capacity to regenerate.

Blaming human behaviors and consumption patterns paired with their dependency over the ecosystem, meeting consumer demands and achieving sustainability simultaneously tends to be a challenging task. Consumer sovereignty and sustainability are two substances that are contradictory (Menzel & Green, 2013:6). Furthermore, a number of companies argue that the term sustainability is a buzzword that has attracted a significant share of attention from theoretical perspective while in practice, sustainability has not been put in the center of business activities (Mueller, Klandt, McDonald, et al., 2007:228).

However, research shows that there has been growing demand for green products and services that generated new business opportunities. The shift in business model, strategy, combined by the green behavior and patterns of consumers will be a significant progression towards achieving sustainability. Furthermore, there has been great number of companies who enjoyed growth and improved financial performance while minimizing the negative impact of their activities on social and environmental dimensions all spontaneously.

The fundamental basis for sustainable development is the environment while the economy is the tool to manage and enjoy sustainable development. Furthermore, the social dimension or in other words, prosperity for all is the goal of sustainable development (The EEA Financial Mechanism and The Norwegian Financial Mechanism, 2006).

Among the three pillars of sustainability, economic growth is a much-desired pillar for most of the countries through which they build their economies (Geyer 2003:1237). The emissions and unsustainable business practices coupled by unsustainable consumption have already started to threaten the wellbeing of the present generation while jeopardizing the future availability of raw material for generation to follow (Prinet, 2011:3; Sitarz 1994 Agenda 21 & Galli, Wiedmann, Ercin et al., 2011:6). The significant disproportions between society and the environment need to be addressed through change in consumption patterns, production and distribution, and disposal of products and services (Susarla & Nazareth 2007:10). To promote sustainability, economic growth needs to be triggered in the limit of the planning carrying capacity (Svensson & Wagner 2011:335; O'Hara 1998:176). The author further argues that

technological advancement will help companies to increase resource efficiency and reduce resource consumption. Investing in sophisticated technology will lead to replacements for unsustainable materials and production processes(O'Hara,1998: 178).

If changes in production and consumption are not employed, the environment will not be able to provide basic resources upon which the lives of living populations are dependent. It is evident that the pollution already has surpluses the planet's carrying capacity; therefore, the environment will not be able to support life in the long term.

Companies can benefit from embracing sustainability in different ways.

Firstly, environmentally friendly firms can enjoy employees engagement and loyalty. Based on an online survey carried out by Bain in 2013, 750 employees in different markets around the world was asked about sustainability. The survey suggests a growing number of employees and consumers who favor sustainable companies over traditional companies that put emphasis on increasing shareholders.

Embedding a sustainable mindset by companies will feel their employee value their work because of the business contribution and positive changes towards social and environmental conditions they make. Sustainability is an agent of motivation that will encourage employees to generate new and unique business ideas to be different than competitors (Larson, Teisberg, and Johnson, 2000:10).

Embracing sustainability fuels workers engagement and makes employees value their work because of the contributions their companies make towards environment and societal issues (Fisk,2011:53). Employees support green initiatives and looking for new ways and business models to increase shareholder return while minimizing the impact of the business activities on the environment. When Intel tried to strengthen its competitive position and embed a more sustainable business approach in 2011, the employees developed a new business model through which the amount of waste was reduced by 900,000 gallons. This reduction translated to a savings of \$45 million in a year. Furthermore, formulating a new plan by another team of Intel enabled the company to reuse and make the most effective use of the situations and resources of their networking systems throughout Intel offices. This development resulted in cutting its energy costs by \$22 million (Bain and Company, 2013).

The studies suggest that employees' engagement has a direct link with company's revenue and shareholder returns. Companies that can influence their employees' engagement through embedding sustainability will enjoy over two times more revenue than those that suffer from low worker engagement (Bain and Company, 2013). According to the findings of the survey carried out by Strandberg consulting (2009), it was suggested that 71 out of 100 employees were willing to work for sustainable and environmentally friendly companies. Seventy out of 100 employees in Canada were willing to change jobs and join companies that embed sustainability in the center of their business strategies and activities.

Secondly, companies will be rewarded by consumers as they will pay premium price for green products.

Price tends to be one of the major factors influencing consumer purchasing decisions and when this is so, the purchasing process is less favorable for consumers who seek information on the impact of the products on the environment during their lifecycle (Salzmann, Fecht, and Steger et al., 2006:4). However, consumer awareness and concern towards environment is rising and there is growing number of consumers who tend to change their consumption pattern and switch to using more sustainable good and services (Accenture, 2012), (Wackernagel, 2001:3) and (IISD, 2013), (BSR, 2010:8), (Shen, 2012, 88).

Furthermore, consumers are willing to pay a premium for goods and services that will benefit environment and society (Pelozo **et al.**, 2012:74; Focus Media Group 2013; The Pitch Clinic 2013; Accenture 2012; PRNewswire 2013; Sustainable brand 2013; Seafoodsource 2013 & Nielsen 2013).

PRNewswire (2013) argues that in the course of one year, there has been an increase of 69% in the number of consumers who are in favor of sustainable products and services in the US. The findings suggest that 78 percent consumers say they are willing to consume sustainable products and service. Furthermore, Nielsen (2013), through its survey of over 29,000 Internet respondents in 58 countries, found that fifty percent of global consumers support sustainable goods and services and they will pay a premium for green goods and services.

Additionally, Accenture(2012) argues that that majority of firms believe they can offset the high cost of sustainable goods and services by charging consumers a premium. *The Wall Street Journal* (Trudel and Cotte2008) goes on to argue that consumers are in favor of green products and services and consumers tend to pay premium price for sustainable goods and services.

To determine the reaction of consumers between price and sustainable goods, *the Wall Street Journal* conducted an experiment. The consumers were split into three groups and they were shown the same products of coffee and T-shirts. The first group was told that the product has been made by company that sustainability was not an important part of business strategy, and the second group was briefed that the product was made by a company where sustainability and ethical practices were the center of its business strategy. The third group, which was referred to as a control group, was given no information on how the product was produced. The result of the experiment supported the fact that consumers were in favor of sustainable goods and were ready to pay a premium.

The experiments also indicated that to what extent consumers were willing to pay premium for sustainable and environmentally friendly products. For 1 pound of coffee, the consumers were willing to pay the following:

Ethical standards \$9.71

Unethical standards \$5.89

Control (no information) \$8.31

## **2.2 Sustainable Consumption**

Wolff and Schönherr (2011: 45) state that the term sustainable consumption remains distinct and it tends to be interpreted differently as far as its scope is concerned. However, the major focus of sustainable consumption points to the fact that consumption needs to be practiced in the limits of ecological and social contexts while reducing impact on the environment and human well-being during products life cycles and disposal.

Prinet (2011:3); Adriano (2011:176); Barber (2008:3), and the UN environment program, (Ottawa, Ontario 2011) define sustainable consumption as an effective method through which human basic needs are satisfied in a manner to improve social and economic dimensions while preserving the ecosystems.

albeit the well-documented alarms on unsustainable consumption patterns and production as the key attributive factors threatening environment wellbeing, the world's rich economies do not adopt more sustainable consumption patterns. It is claimed that the growing share of waste and emissions are largely fueled by the increased consumption level in the developed world (Panayotou 2003: 60).

Production and consumption are two sides of the same coin. A balance to keep both consumption and production at optimal levels is needed. The progress on production side to enjoy sustainability through reducing materials per unit of production by the help of sophisticated technology will be compromised by unsustainable consumption patterns that will result in the bulk of waste and pollution (Panayotou, 2003:61).

However, it has been claimed that a big share of the responsibility towards sustainability needs to be borne by consumers rather than suppliers, as consumers decide what goods and services should be produced (Svensson & Wagner 2011:344). It is because of this phenomenon that the responsibility of increasing sustainable practices is not anymore the lone burden of economies that are rich (Robins 1999:22 & Longhurst 2006:133). This means that it is now the duty of every party comprising the industry, government institutions, and the public itself serving as the main consumers. Schor (2005:309) further argues that the current conditions and way of living are unsustainable. The challenges generated by unsustainable consumption and production can affect us unless everybody becomes part of the solution (Frankel 1998:1).

Despite the willingness of consumers to consume more sustainable goods, and companies' sustainable business activities to offer environmentally friendly products, the desired result has not been achieved by any of the side because of a gap that exists between consumer behavior and companies' sustainable approaches. The gap is seen in how consumers express their concern about the environmental implications of business practices, yet their purchasing behaviors show otherwise (Young, Hwang,

McDonald, **et al.**, 2010:22). They have actually reported finding it difficult to translate this concern into green purchases. For example, even though more consumers are in favor of organic food, actual purchase attitude reflects only four to 10 percent of a variety of products (Hughner, McDonagh, Prothero, Shultz et al, 2007:10). Additionally, ethical foods have only had five percent of total food sales throughout a timeframe of three years (Co-operative Bank, 2007).

There have already been studies and discussions about promoting sustainability with a strong emphasis on the supply chain side. However, many companies recognized that it is crucial to balance the equation (supply and demand) in order to enjoy a significant long-term economy growth while preserving environment and social pillars (Sabapathy 2007: 3).

In order to balance the equation, it is equally important to look at the other side of the equation, which is consumption. Businesses need to promote sustainability by looking at both sustainable production and creating demands for sustainable consumption.

The supply side of the equation deals with the sustainable production within which environmental performance such as agriculture; energy, tourism, and transportation are the main components. Moreover, the sustainable consumption focuses on the demand side. The primary focus is on how the products and services should be delivered and consumed in an attempt to improve social and economy dimensions for us and generation to follow while safeguarding the earth's carrying capacity (IIED 1997 & Frankel 1998:135).

### **2.2.1 Promoting Sustainable Consumption**

Sustainable development can be achieved through promoting sustainable consumption and production. It will facilitate long-term social and economic growth while reducing the negative impacts of human activities on the environment (OECD 2008).

Given the increase in the level of production and consumption, the current trends of consumption are unsustainable (Krause, 2009:285). Companies produce too much and people consume unsustainably, which leads to a bulk of waste and pollution while releasing significant amount of emissions into the air. In order to generate new

demands while improving environmental and societal well-being, companies need to reduce material use and offer durable products with more value and benefits to consumers (Neumayer 1998:3 & Fisk, 2011: 53).

Given the complexity of changes in consumption patterns, establishing a diversified network of actors will play a vital role in shaping the production and consumption system.

Unsustainable consumption in this study refers to both under-consumption and over consumption. Both types of consumption challenge societal development and environmental safety (Sheth, Sethia & Sriniva 2011:25).

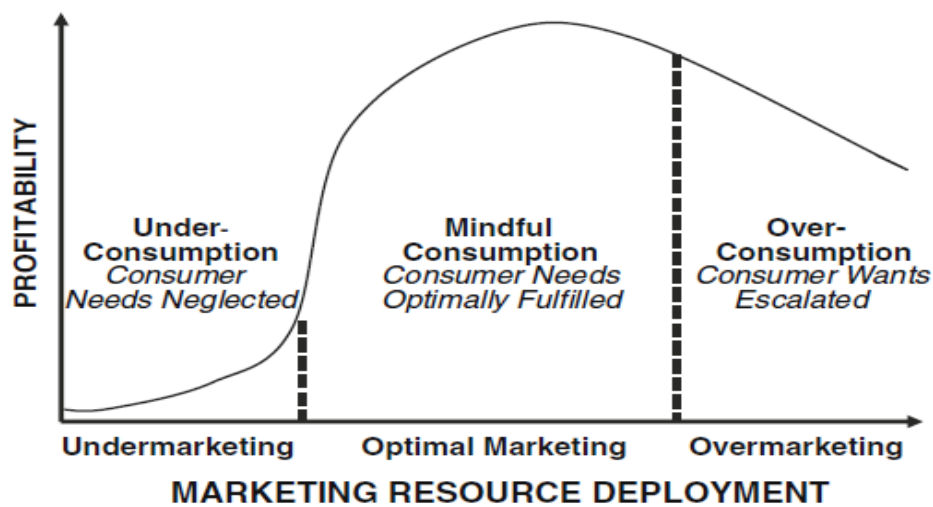


Figure 5. Level of Consumption(Sheth, Sethia and Sriniva 2011:31)

As can be seen in figure 5 there are different types of consumption levels that are being practiced by different nations in the world. The low-income consumers in the world fall under the first type of consumption level, (Under Consumption) where their needs are not fully met largely because of the price. The second level of consumption, (Mindful consumption) is the type of consumption being practiced in the industrialized world where consumer needs are fulfilled in a more desirable way. This optimal level of consumption tends to be the core of sustainability where both the developed and developing world enjoy a similar share of the natural resources and bear equal responsibility to maintain a healthy environment for present and future generations (Sheth, Sethia, & Sriniva, 2011:31; Menzel & Green 2013:9). In the third type of consumption, products and services are being consumed in a more unsustainable way and it is called overconsumption. Consumers' wants and needs are being escalated and



the impact of their activities due to overconsumption is one of the main causes of environmental degradation. High income makes it easier for the consumers, particularly in the developed world, to enjoy consuming a bulk of products and services at a more rapid pace than the planet can regenerate those resources and absorb waste and emissions generated by such consumption (Sheth et al., 2011:31).

However, reducing consumption levels in the developed world is a challenging and complex issue because of the lifestyle and behaviors of consumers in such societies (Peattie & Peattie 2009:262-266; Schaefer & Crane 2005:78).

To address the challenges of unsustainable consumption and production, a collaboration between businesses, stakeholders, and the public is vital to the success of sustainability development, because no single actor is able to make the required change happen without the support of others (Prinet 2011:7; Sabapathy 2007:15). Therefore, networking and cooperation between multiple actors and companies are needed to improve consumer acumen in sustainable consumption (Salzmann, Ficht, Steger et al., 2006:6). Given their direct contact with the consumers, businesses can promote sustainable consumption through adding values and improving product design and resource efficiency and educating consumers to enjoy more sustainable use of the products during their lifecycle (Salzmann, Ficht, & Steger et al., 2006:7).

It is suggested that consumers do not thoroughly understand their responsibility and the cause of pollution and degradation (Keiner 2004:385).

Companies need to establish relationships with consumers through which they can understand factors that can motivate consumers to practice more sustainable choices while making purchasing decisions. Understanding factors such as social influence, personal attitude, and behavior will make it possible for firms to identify factors that can persuade consumers to adopt more sustainable consumption patterns (Sheth & Parvatiyar 2005: 255). The authors further argue that companies can influence consumers through their marketing strategy to change their consumption patterns and adopt more sustainable choices. Increased consumer awareness, advertising, and pricing are likely to motivate consumers to become loyal customers and pick up the most sustainable choices from the basket with a wide range of selection (Sheth & Parvatiyar 2005:262).

Alcott (2008:774) argues that efficiency achieved through modern and sophisticated technology will help companies save on energy and resources per unit of production to lower cost and price incentives will generate a rebound effect due to increase in the level of consumption. People will increase consumption when price is lower, which will lead to significant amount of waste and pollution.

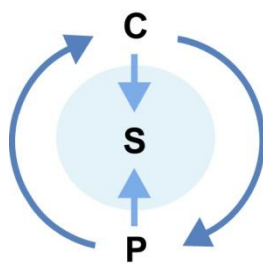
However, Jyoti and Painuly (1994:434) argue that a change in consumption patterns is needed, because the type of materials used in productions the major cause of environmental stress. Therefore, a change in the consumption patterns are needed in order to achieve the desired result and improve environmental well-being (UN DESA, 2007). Increase in the number of goods and services cannot improve consumers' utility (Brown & Cameron 2000:34). Substantial production inefficiency leads to more pollution while employing and using environmentally conscious technology will minimize waste and pollution dramatically to improve environmental and human wellbeing (Huang & Rust, 2011: 41).

Furthermore, promoting sustainable consumption requires firms to look for new ways of doing business with a primary focus on changing the current consumption patterns. Given the current consumption patterns and the fact that the planet is not capable of providing resources required for running business in the long term, it is a must to reshape the business activities and promote change in consumption patterns (Sabapathy, 2007: 3).

Companies can promote and persuade consumers to practice a new life-style, with new sustainable production and sustainable consumption patterns. Given the high amount of interaction and communication with consumers, businesses can direct the attention of people towards sustainable choices in terms of both the content and the way it is consumed. The shift in consumers' lifestyles will generate new business opportunities (Groezinger & Tunçer 2010:3). However, it is suggested that attitude is the center of shaping human behavior; therefore, changing attitude tends to be easier than changing behavior (Power & Mont 2010:2574).

To change consumption patterns, behaviors, and lifestyles towards a greener side, it is essential that business, governments, and society support the cause altogether. Considering the role and impacts that every player can have on the change process, businesses tend to play a more crucial role in the triangle of change. Businesses are in

close contact with the consumers through many activities; as such, they can support the shift towards sustainable lifestyles and sustainable consumption. Consequently, they can balance the equation by promoting sustainable production (Groezinger & Tunçer 2010:6). The new shift requires businesses to place sustainability at the heart and forefront of business strategy and embed sustainability in all activities and actions of business (Frannkel 1998:16). Treating sustainability as an add-on to business or as a separate unit under the corporate affairs department is no longer an educated idea (Fiski 2011:4; Schaltegger & Wagner 2006:3 & The chartered institute of marketing 2006). Businesses can promote sustainability if they reshape their current way of doing business and rethink their approach. Employing sustainable investment to produce sustainable goods and services while motivating consumers to go green are the attributive factor that can support the process of change. Having a sustainability strategy as an appendix to their business plans and sustainability report for the sake of compliance and promoting reputation will not produce the desired result, neither for business nor for its stakeholders (Fisk, 2011:4).



However, different business practitioners, environmentalists, and policy makers have different views about moving production and consumption patterns towards sustainability. Some argue that the consumption side should be given consideration over the traditional production side.

Figure 6. Sustainability versus consumption and production (Barber 2007:8)

Others claim that production and consumption must be viewed as two sides of the same coin (Barber 2007:8). Figure 6 emphasize that both consumption and production are equally important to achieving sustainability. Therefore, businesses need to work on both production and consumption and create demands for sustainable products and services through engagement and involvement with consumers and other stakeholders as a way forward to improving social and environmental wellbeing and advancing profit maximization.

Businesses can assign retailers to promote sustainable goods and services and create demand for green products given the direct contacts between consumers and retailers (Jones, Comfort & Hillier 2009:816).

Moreover, investors are now more informed about the impact of environment and climate change on their businesses; therefore, they like to invest in environmentally friendly companies (Peloza, Loock, Cerruti, et al., 2012:74; Closs, Speier, & Meacham 2011:102).

However, Aragón-Correa and Sharma (2003:71) argue that companies that invested in employing more advanced technologies to reduce greenhouse gas emissions and generate less pollution in the first place rather than investing to send the waste to landfills later will result in business growth.

Companies' performance and an environmentally friendly manner will motivate customer loyalty. By employing eco-efficient and sophisticated technology paired with environmentally friendly production processes, companies can reduce waste in the first place; waste from one process can feed the next and provide nourishment for other processes.

Consumers are in favor of green and environmentally conscious products and services; therefore, they will pay a premium for products and services produced by green firms (Peloza, Loock, Cerruti, et al., 2012:74).

In an effort to strengthen its economic performance and maintain its reputation as a sustainable company, it is vital that businesses need to satisfy the needs of consumers through more value added and sustainable products and services. Furthermore, socially and environmentally friendly investments encourage companies to reduce the amount of waste and emissions through the whole process of supply chain from extraction to distribution (Prinet 2011:16).

Companies need to identify the factors that can make consumers go green. There are several factors influencing consumers' purchasing decisions. The more powerful factors tend to be product design and price. Price tends to be one of the effective tools to balance the demand and sustainable consumption (Barber, 2007:8) and (Jagdish, Sheth, Nirmal **et al** Srinivas, 2010:13 & Luchs, Naylor, Irwin, **et al.**, 2010:18).

By contrast, the environmental impact and performance of the product in consideration during its lifecycle can influence the purchasing decisions of the buyer only if the information is provided by the producer and easy to understand.

Ensuring consumers about the functionality and sound performance of the product in consideration is very important. Albeit facilitating the required information, the benefits of the better performing product will not be always evident to consumers (Groezinger & Tunçer 2010:18).

In spite of the emphasis on sustainable consumption and production as the only way to live in harmony with the planet's carrying capacity, the progress on changing production and consumption patterns have been very slow and only few countries adhered to their promises to bring positive changes (Prinet 2011:8). Therefore, employing marketing systems and policies to promote sustainability in a way that companies and consumers produce and consume in the limit of planet's carrying capacity are the only way forward to enjoying sustainability (Prothero, Dobscha, Freund, et al., 2011:36).

The impact of human activities and overconsumption on the planet is evident (Sheth, Sethia, & Sriniva 2011:24 & Schor 2005:309).The unsustainable consumption of resources not only threatens the ecosystem upon which all human and non-human species depend, it also considerably affects climate change (Svensson & Wagner 2011:337). Furthermore, the ecological economics strongly suggest that current levels and consumption patterns are unsustainable(Schubert and Chai, 2012:4).Switching to effective production processes to minimize resource consumption while maximizing value creation tends to be a significant step towards sustainability.

However, Sheth, Sethia, & Sriniva(2011:25) argue that from a business standpoint, the issue of unsustainable consumption has received attention focusing particularly on the environmental sustainability and companies argue that the cause of environmental degradation is associated with the patterns of consumption rather than levels of consumption. Therefore, businesses should consider green and environmentally friendly products the solution to address challenges triggered by overconsumption.

To reduce stress on the ecological system and environment, sustainable consumption tends to be one of the key solutions (Jackson, 2005:19). Ultimately, the challenges posed by unsustainable consumption can offer significant new business opportunities. Innovation in products and services and the amount of energy and material use will significantly contribute to addressing the challenges of unsustainable consumption and meanwhile help companies to penetrate the market through more sustainable products and services (BSR 2010:4).

## **2. 3 Marketing Strategy**

Consumers' sustainable consumption behavior affects companies marketing strategy.

The emerging rise in consumption patterns towards environmentally green products and services can generate new business opportunities. In order to tap green markets, companies need to employ significant changes in their marketing strategy in order to seize the new markets and ensure their competitiveness. Business strategy needs to be dynamic open to changes and be based on understanding sustainability and also identify methods how to exploit sustainability to enhance their financial performance while simultaneously contribute to environmental well being.

### **2.3.1 Understanding sustainability**

Sustainability means different things to different people. This claim is further supported by Hume (2010:387) when she said that:

The lack of a fundamental clear definition of sustainability impedes strategies that change attitudes and behaviors and develop sustainable policy and practice. This inadequate understanding and clarity of "what is sustainability" obstructs and impedes the communication of sustainability to internal and external stakeholders.

In addition to understanding sustainability, factors such as high price and complex nature of sustainability are playing vital role in making sustainability a knotty concept, and therefore sustainability is not being practiced and embedded in the center of firms' business strategy. The blames for not practicing sustainability mostly go to companies rather than consumers, because companies have not given significant attention to the

notion of sustainability to make the most use out of it as a source of innovation and competitiveness.

Companies are not conducting adequate research to recognize the positive and direct relationship between the quality of life and economic and environmental sustainability (Placet, Anderson and Fowler, 2005:37; Marrewijk and Were, 2003:112; Kilbourne, McDonagh and Prothero, 1997:15).

Most companies do not adequately understand consumers want, and firms that know consumers wants and needs are not so successful to offer right standards and design, therefore, there has been a gap emerged between consumer's expectation and perceptions. In an attempt to exploit sustainability as a source of new business opportunities and innovative agent, companies need to recognize and close the gaps that hamper implementation of sustainability.

Innovation strategy is center to the success of an organization to allow and encourage generating new ideas and turning ideas into reality quickly and effectively before others do. Having said that organization's success rests on its ability that how effectively it will design the innovative strategy and how quickly and wisely it will use the acquired knowledge in support of innovation. The innovative strategy is concerned about creating values through satisfying the needs and wants of potential customers more effectively than before.

An innovation strategy should be capable of coping with an external environment that is complex, volatile and ever changing. Future is unpredicted and there is the likelihood of changes every now and then. The source of changes can be customers, competitors, legal, social or economical factors. Therefore, Flexibility and ability of strategy to embrace changes is a vital factor of success.

The critical point in innovation strategy is the ability of firms to effectively link and leverage their resources on developing such products or services that can generate great values to the customers and have an interesting return to firms after investment.

(Tidd & Bessant 2009, 164).

There is a positive correlation between corporate social performance and corporate financial performance. Investments in corporate social responsibility activities have positive returns on the firm's financial performance (Ghelli 2013:78).

Given the divergent opinions about advantages of sustainability in relation to firms' financial performance, it is vital to understand how embedding sustainability in their decision parameters helped some companies improve their financial performance while others fail. Companies who managed to exploit sustainability as a source of innovation and competitiveness place sustainability at the center of their business strategy, however, there are companies that consider sustainability a complex and challenging concept that will result in compromise companies profit maximization. The differences in opinions among companies in relation to sustainability have been triggered by the gaps in understanding the concept of sustainability, companies' strategy and the operative environment. Therefore, a gap analysis will help firms identify their weaknesses and maintain them into strengths by closing and bridging those gaps. This is why a gap analysis deemed necessary to be part of this research project.

### **Gap Analysis**

Albeit the number of consumers concerned with regards to sustainability has been increased in recent years, there are still an overwhelming number of people who are not concerned with the impact of their consumption patterns on the environment (Vermeir and Verbeke, 2006:171). Literally, there is a gap between attitude and behavior simply because the behavioral patterns are not consistent with consumers' attitudes, and there is thin number of consumers who consider sustainability attributes during their purchasing decision (Prothero, Dobscha, Freund et al 2011:31; Menzel &Green 2013:11).

Majority of current scholarly articles aim to alleviate the impacts of the process of changing matter and energy to salable goods in the natural environment (Cohen and Winn, 2007:42). On the contrary, only few studies are devoted to promoting and improving sustainability and business (Hart and Milstein, 2003:4; Hart, 1997:11). Because of this reality, Cohen and Winn (2007:42) argued that albeit the advancement and development brought about by the substantial application of corporate greening by many firms, the transformations attained are only considerably small, however are important, but not adequate to achieve the desired economic and environmental sustainability. This achievement are not ready solutions to market imperfections, and are not representative of the most innovative and profitable opportunities to achieve sustainability.



Many companies are now incorporating sustainability to their corporate strategy (Boudreau, Chen, and Huber, 2008:2). However, despite the growing demands for green goods and company' willingness to produce green products, there is a gap that challenges consumers consumption behavior and companies sustainable businesses practices to meet. In order to bridge the gap between companies and consumers, certain gaps need to be addressed.

### **The Strategy Gap**

Apart from the complex social and psychological factors that influence consumers and create a gap between consumer behavior and companies' sustainable practices, inadequacies in proper strategy in sustainability management on the part of the firms are also responsible for this gap (Figge, Hahn, Schaltegger, and Wagner, 2002:269). The 21st century presents many challenges to companies, and they must quickly adapt to these pressures, including pressures brought about by climate change, population growth, and the declining natural resources (Horlings, 2009:4). These challenges now demand firms to find more sustainable ways of doing business. Sustainability and business strategy are now two things which cannot be separated. However, although companies have done much to improve the social and environmental impacts of their processes, these efforts have not reached their full potential. This is because firms and society are naturally connected; thus, if one decides to sponge off the other, it is like killing themselves (Porter and Kramer, 2006:78), and in the case of companies' endeavors to achieve corporate social responsibility, their approaches but pit the two interdependent things—business and society—against each other(Horlings, 2009:4). The effect is that pressure is placed on firms to develop generic socially responsible solutions rather than ones that are specifically relevant to each company's strategy.

The problem is that the current approaches to corporate social responsibility are very much disjointed from business strategies(Porter and Kramer, 2006:79). The environmental and social management systems that firms have implemented over the past decades have rarely been integrated with the general business systems of firms (Figge, Hahn, Schaltegger, and Wagner, 2002:270). This deters and hold back big opportunities for firms to benefit society.A business primarily has interests only in earning profits(Friedman, 2007:178). Thus, its decisions, actions and use of resources

will only be most efficient and effective when moving towards this goal. Therefore, if corporations were to design their efforts for social responsibility using the same frameworks that guide their central business decisions, they can see corporate social responsibility beyond a mere cost or constraint, but a potential opportunity for social progress and competitive advantage (Porter and Kramer, 2006:79).

### **The Awareness Gap**

Another reason for the attitude-behavioral intention gap that exists between consumers and companies, is the awareness gap (Horlings, 2009:6; & Salzmänn **et al.** 2006:3). It is argued that consumer's reluctance towards green products is largely because of the inadequate information by marketers to build trust and change the perception of consumers in persuade of green goods (Sheth, Sethia, and Sriniva, 2011:25) While companies are realizing the need for more sustainable business practices and are exerting efforts to achieve them, favorable consumer response is slow to advance (Vermeir and Verbeke, 2006:170). Although consumers consider green alternatives and sustainable products important, they do not act accordingly (Horlings, 2009:6). A review of various literature cited associations of sustainable behavior with behavioral costs such as money, time, effort and inconvenience as the reasons for this phenomenon (Cornelissen, Pandelaere, Warlop, and Dewitte, 2008:4). A different study found that some of the factors that influence this phenomenon include a person's involvement with sustainability, level of assurance, and perceived consumer effectiveness (Vermeir and Verbeke, 2006:190). These suggest that people's attitudes towards ecological behaviors influence their purchasing decisions more than their actual care for the environment. Because companies have not yet capitalized on the potential of social marketing tools to promote pro-environmental behavior, a gap exists in the awareness area among consumers.

Some business managers predict that sustainability will be the most important challenge that companies will face in the coming years (Bielak, Bonini, and Oppenheim, 2007:7), and consumers are expected to play a key role behind that change. Awareness and choice among consumers need to be increased so that the sales of green products will likewise rise (Horlings, 2009:6). Consumers need to be aware and assured of the green products or service's availability, effectiveness, and quality.

Companies can bridge this awareness gap through social marketing. However, Cornelissen et al. (2008:4) suggested that in order for social marketing tools to be effective, they should be grounded on an understanding of how people construct attitudes towards ecological behaviors. By working on that premise, firms can design sustainable marketing approaches that can enhance the awareness of consumers and influence them to engage in a more pro-environmental behavior.

### **The Credibility Gap**

Brands help consumers decide because they carry within them the reputation of a firm, product or service, and the qualities attributed to them (Horlings, 2009:6). This is why successful strategic brand management has equated to business success, and product or service competitive advantage (Choi, Ok, and Hyun, 2011:1). Brand relationship theory posits that consumers and suppliers connect through brands (Chang and Chieng, 2006:928), and brands are an influential factor in consumer decision because they function as guides towards a specific product or service (Smith and Brynjolfsson, 2001:542). Therefore, the brand is a critical marketing tool that enables one firm to differentiate itself through its products and services from its competitors. Brands have the power to promote change (Horlings, 2009:6).

However, customer brand preference changes throughout time, and some brands tend to lose their relevance by the time a particular context occurs (Horlings, 2009:6). Yet brands which are more resilient and sustainable become more trusted by consumers. More specifically, when a trusted brand promotes sustainability, consumers are more likely to consider the former as more honest and sincere, and the consumers are more likely to initiate a positive response such as patronizing the cause. However, when a fly-by-night or unknown brand promotes the same green cause, consumers are less likely to respond the same way (Horlings, 2009:6). This suggests that the credibility gap is to some extent brand-reliant, and established brands are more likely to become successful at bridging the gap between consumers and companies' efforts at sustainability.

### **2.4. Exploiting sustainability**

However, some firms found it rather difficult to embed sustainability in the center of their business strategy and operation, yet there are companies that managed to turn sustainability from theory to reality, and improve their business performance and profit maximization.

#### **2.4.1 From theory to reality**

Since businesses are by nature profit-oriented (Friedman, 2007:178), company managers are compelled not to pursue more morally preferable actions if those actions will conflict with the maximization of profit (Alexander, 2007:155). Businesses function in a complex context in which decisions are made in favor of options that will generate more profit, even at the expense of more morally desirable alternatives. Sustainable efforts for example are judged as they relate to and affect the value of maximizing profit. Oftentimes, morally preferable options fail because they are overpowered by the force that drives businesses, which is the need to profit.

Firms often associate a move towards sustainability with higher costs (Vijfvinkel, Bouman, and Hessels, 2012:4). This is because from a financial perspective, environmental sustainability is generally not beneficial to profit maximization. Others even perceive it as a threat that forces them to engage in sustainable activities. It has even been concluded that there exists no relationship between voluntary social and environmental management, and economic success (Schaltegger and Lüdeke-Freund, 2012:3). Vijfvinkel et al. (2012:4) explains that the relationship between a sustainability and company performance does not have to be linear. More specifically, if sustainable practices provide opportunities for firms to be more profitable, this does not necessarily mean that firms have to be as sustainable as possible since at some point, over-sustainability may instead hamper profitability. What firms need to determine is the extent it is desirable to engage in efforts for sustainable development. However, companies do not always have access to this information.

One solution is to make profit maximization subordinate to ideal environmental sustainability. However, this may seem very ideal as it may only work in practice if changes are made relative to the laws and regulations that define the market. A business case for sustainability or often referred to by business scholars as "enlightened self-interest", presents a similar model in which economic success is

improved while performing well in socially and environmentally responsible endeavors (Schaltegger and Lüdeke-Freund, 2012:3). This idea has gained much criticism. One perspective questions the sufficiency of such a business case to attain corporate sustainability and contribute to sustainable development (Carroll and Shabana, 2010:88). Another perspective elaborates on the possibility that social and environmental responsibility and good corporate performance are merely side effects of pure economic rationality (Schaltegger, Lüdeke-Freund, and Hansen, 2012:98).

A meta-analysis of 52 studies about the relationship between corporate social performance and corporate financial performance conducted by Orlitzky, Schmidt, and Rynes (2003:423) revealed positive correlations between corporate social performance and corporate financial performance across industries and study contexts. Their study provided corporate strategy suggestions based on the results. One was since companies that are high in social performance do not get penalized by the market; and managers can actively pursue corporate social responsibility, especially if they believe that the market will reward them for it. A benefit that companies that are high in corporate social performance can have is that they can be publicly endorsed by federal agencies in the field of environmental protection or health care, such as the Environmental Protection Agency or Occupational Safety and Health Administration. Reputation gains from corporate social performance may help in the firm's marketing and branding performance, which can indirectly translate to an increase in corporate financial performance (Roberts and Dowling, 2002:1090). More specifically, a firm's reputation has been found to consistently have a strong impact on profit persistence. An enhancement in reputation strengthens a firm's brand, which makes it easier for the company to sustain or achieve better performance in the long run.

Another research by Ghelli (2013:78) supported the results of the Orlitzky et al.'s (2003) meta-analysis. She reviewed various literature on the topic and used the Kinder, Lydenberg, Domini (KLD) to measure corporate financial performance. The analysis she performed was aimed at identifying if a relationship exists between corporate social performance and corporate financial performance, and at demonstrating the existence of an industry effect that confounds the relationship. The result was that there was a positive correlation between corporate social performance and corporate financial performance, which showed that one actually impacts the

other, and vice versa. She found out that investments in corporate social responsibility activities have positive returns on the firm's financial performance. While the findings also reveal that CSR brings benefits to companies along with costs, CSR was found to be an opportunity for companies to do good and do well, no matter where they begin. Contrary to Orlitzky et al.'s (2003) findings however, her study considered the different sectors and industries as influential to varying industry-based outcomes regarding the relationship between corporate social performance and corporate financial performance.

In order to establish a relationship between sustainability and financial performance and also identify the potential impact of embedding sustainability on the triple bottom line, different business cases were analyzed. The findings suggest that sustainability is the source of innovation and differentiation through which companies can achieve competitive advantages and increase shareholder return.

Additionally, through embedding sustainability in their business strategies and operations, companies can significantly contribute to social and environmental conditions while generating new business opportunities to maximize their profit. For example, companies that produce solar cooking equipment can improve economic, environmental, and social conditions in sun-rich regions around the globe. In some parts of the world, people are largely dependent on natural resources such as wood, charcoal, natural gas, or other biomass. They use these resources and fuel-wood for heating, cooking, or electricity generation, which has a negative impact on the environmental and human wellbeing in addition to the economic hardship for consumers, especially in the developing world. Taking advantage of the solar cooking facilities will help consumers eliminate and significantly minimize their dependency on the natural resources while improving their financial capabilities through saving on purchasing natural resources for their daily cooking (Haigh and Hoffman, 2012:127).

Having discussed the advantages of embracing sustainability, the following case studies tend to further support the idea that how companies can maximize their profit while improving social and environmental conditions.

### **Cemex, Mexican cement manufacturer**

Unlocking opportunities through embracing a sustainable mindset resulted in generating new markets. When Cemex, the Mexican cement manufacturer, embraced sustainability, the company started to think differently and create new business opportunities.

In order to generate new business opportunities and tap the homebuilding market of low-income consumers, Cemex embedded a sustainable approach in its business strategy and operation. Using its technology, financial capacity, and know-how paired with its distribution network, the company loaned construction material to poor and low-income consumers to satisfy their needs, allowing them to repay Cemex in installments. Through employing efficiency, Cemex managed to lower the cost of its products and materials, which led to a 30% reduction in cost and the construction time shortened on an average basis from 4 to 6 years to 1.5 years. The program proved to be very sustainable because it contributed to all three dimensions of sustainability. As far as the social dimension was concerned, the poor people who were not able to meet their needs and have their own house managed to build their own homes. Environmentally, the business model was designed to have a low impact on the environment, through less energy use and materials. Economically, Cemex generated business opportunities and revenue that would not exist otherwise.

### **Taylor Wimpey**

Taylor Wimpey is determined to enjoy an estimated savings of £29 million by 2020.

Taylor Wimpey, one of the well-known residential developers in the UK argues that sustainability has helped the company enhance its financial performance and growth. Embarking on sustainability, Taylor Wimpey encouraged an innovative corporate culture and identified areas to save on costs while reducing the impact of its activities on the environment. Adapting a more sustainable consumption of energy, the company reduced its operating costs. The company stated that there will be a savings of £9 million by 2020 as an attribution of saving on energy use while a reduction of 20% in its carbon footprint will be achieved during the same course of years; however, the cumulative savings is estimated to be about £29 million by 2020.

Furthermore, when global warming was a new topic, British Petroleum started looking at new ways how to reduce greenhouse gas emission and carbon dioxide. By embracing sustainability in its strategy and decision-making structure, the company seized new business opportunities. Nevertheless, seizing the new opportunity cost over £ 20 million, while the company enjoyed a return of £650 million (Esty and Winston, 2008:2). Therefore, embarking on sustainability will lead companies to think, act, and operate differently in order to improve growth while reducing the cost of operation and minimizing the impact of activities on environmental and social dimensions (Esty and Winston, 2008:3).

### **Walmart**

To boost its business growth and further strengthen its image and reputation as a more sustainable company, Walmart, the largest retailer in the world, has dedicated itself to reducing its impact on the environment and social dimensions. Switching from non-renewable resources such as fossil fuels to renewable sources such as solar, wind energy, and biodiesel generators, the company could save on energy use while contributing to a cleaner environment. Furthermore, savings on energy created new opportunities for Wal-Mart to lower the cost of its products and increase its sales volume.

By assisting its supply chain, Wal-Mart improved its business activities and employed sustainable consumption of energy and material, which lead to rescuing 80% of store waste from disposing through reusing and recycling in 2011. This 80% prevention of waste from going to landfills translated into revenue; otherwise, the company would have spent more on waste hauling and disposing (Walmart, 2013).

The company expects to further improve its sustainable business approach and achieve the following goals:

- To consume 100% renewable energy during its operation and business activities;
- To maintain a zero waste supply chain;
- To produce and sell goods that help consumers and environment.

### **E.X. Procter and Gamble**



E.X. Procter and Gamble conducted life-cycle assessments of its products in order to review the amount of energy needed for households to operate the company's products. The company additionally explored new alternative solutions to enable consumers to save on energy. The company concluded that the households in the US would have to spend 3% of their annual electricity budget for their laundries, mostly because of heating the water.

To further sustain consumption of its energy and water, the company produced a cold-water washing machine paired with developing cold-water detergents. The new products attributed to the reduction of 80 billion kilowatt-hours of energy and 34 million tons of emissions. Given the lost costs of the products and their environmental performance, the number of households using the new washing machine and detergents in the UK rose to 21% in 2008 from 2% in 2002, while the number rose to 52% in Holland from only 5% in 2002 (Nidumolu, Prahalad, Rangaswami, 2009, 62).

### **Innocent**

After the Innocent drink company managed to reduce its emissions and production waste, mostly in the supply chain, its business improved and production costs fell. The reduction in the volume of waste and its carbon footprint by 16 percent strengthened the company's image and reputation as a green and environmentally conscious company. Furthermore, customer loyalty and employee commitment helped the company increase its sales volume and boost productivity (The Carbon Trust, 2012).

### **Benchmark Software**

Recognition of companies by pro-environment and pro-sustainable organization tends to be of paramount importance to shaping a company's reputation, credibility, and brand.

When Benchmark Software Ltd in the UK, one of the first businesses in the software industry, achieved the green certificate from Carbon Trust Standard, the company saw an increase in its growth and customer loyalty while creating new business opportunities (The Carbon Trust, 2012).

Furthermore, from the help of innovative technology and using materials that had little impact on the environment, DuPont, the American chemical company, saved almost \$6 billion as attribution of reduction in its energy from 1990 to 2010; this saving resulted in 40 percent growth in business. The company reduced 2.4 percent use of its non-renewable energy. The company further acquired \$1.9 billion in revenue through using materials and products that generated less greenhouse gas emissions (DuPont, 2012).

Businessgreen (Nichols,2011) argues that in order to further strengthen its image and brand as an environmentally conscious company, PepsiCo has reduced its consumption of water and sending waste to landfills. Embedding sustainability in its strategy and operation helped PepsiCo save on energy and water use; on the other hand, it maintained and improved the company's reputation. The company aims to advance its competitive position in the industry by embracing zero waste policy and eliminating its dependence on landfills in the coming decade. The company intends to become a fossil-fuel free operation by 2023. The company managed to reduce its total energy consumption by 7.3 percent, disposing of waste by 88 percent and water consumption by 14.6 percent since 2008. PepsiCo enjoyed a 15 percent growth in its business in the past two years. Moreover, PepsiCo states that it is the responsibility of firms to talk and motivate their suppliers to reduce the carbon and green gas emissions generated by their activities. The company is working with its suppliers, particularly with the farmers on how to reduce the carbon and water consumption without compromising the output of their corps. PepsiCo believes that embracing sustainability will lead to reduced costs and managing risk while promoting stakeholder's loyalty and generating new business opportunities.

### **Facelift Access Hire**

Facelift Access Hire, the leading independent supplier of powered access equipment and a provider of equipment sales and training in the UK, reduced its carbon footprint by 403 tons through changes in its business processes and operation structure. Switching from heavy- to low-carbon vehicles, LED lighting, a wood-oriented boiler, and paperless communication helped the company save significant amount of energy while considerably lowering its emissions.

Given the high-fueled consumption vehicles of the company, Facelift Access Hire upgraded its transportation to a more fuel-efficient transport fleet. Switching to more environmentally friendly vehicles, the company managed to save 4550 liters of diesel every month with extra savings of 960 liters per month by using lighter-weight transit vans. To further strengthen its competitive position and economic performance, Facelift Access Hire assessed its consumption of resources. After identifying the sources in need of changes, the firm eliminated its dependence on non-renewable resources to a renewable source of raw materials. The company started consuming sustainable sources of energy and switched from using fossil oil to wood-fueled boilers. The change and improvement in its business approach led to saving 22,000 liters of oil in one year.

Facelift also took advantage of investing in low carbon technology to save on energy consumption and helped its customers save on energy and carbon emissions. Introduction of waterless urinals resulted in a saving of 200,000 liters of water in a year. Furthermore, a saving of 16000 kilos of paper per year has been attributed to the installation of paper-free communications.

The company generated cash from the sustainable consumption of its energy and reducing in its carbon footprint that the company could invest in new business opportunities to further increase its market share (Guardian Professional, 2013).

### **SC Johnson**

Lynn Beavis of *the Guardian* (2013) claims that SC Johnson, the manufacturer of household cleaning supplies and consumers chemicals, changed its energy consumption from non-renewable to renewable sources to supply power to 40 percent of its operation. By investing and employing new technology to achieve its goal, the company produced its energy for its plant in Indonesia from palm oil waste, which resulted in reducing the consumption of fuel by 80 percent and greenhouse gas emissions by 15 percent. Generating its electricity for its facility in Bay City in 2008, the company produced 46 percent of its energy from wind energy and expelled the purchase of coal-generated electricity. Additionally, the company managed to reduce

its greenhouse gas emissions by 26% in 2011 through embarking on more sustainable consumption patterns.

### **Toyota Motor Corporation**

Toyota Motor Corporation announced that cumulative global sales of its hybrid vehicles topped the 5 million unit mark as of March 31, 2013 by reaching 5.125 million units.

To reduce the impact of its operation on the environment and promote sustainable consumption, Toyota Motor Corporation introduced hybrid, eco-friendly cars to the market in 1997. The number of sustainable consumers using eco-friendly hybrid cars rose to five million units in 15 years. Given the interest and support of consumers of environmentally friendly vehicles, Toyota Motor Corporation sold 20 different models of hybrid cars in over 80 countries in the world. Because of the growing demand of consumers for environmentally friendly cars, the company plans to launch eighteen new models of hybrid cars until 2015 and will penetrate consumers in number of countries in the world. Additionally, the company intends to further increase its operation-reach and enter new markets worldwide.

#### **2.4. 2 Brand and Reputation**

Currently, the long standing belief that any development in ecological sustainability demands an innate tradeoff in economic profitability is little by little changing and paving the way for a very transformative way of thinking (O'Shaugnessy & O'Shaugnessy 2002:527). It is with this observation to argue that embracing sustainability will improve companies' relations with their stakeholders while improving their financial performance and business growth (Prosenak , Mulej, & Snoj, 2008:1517).

BT and Cisco(2008) argue that companies rate their success mostly based on value creation and improving shareholder return. However, because of the growing awareness of consumers and their willingness to consume more sustainable products, focusing largely in support of shareholder returns is not favorable. In order to remain competitive and increase shareholder return by satisfying the needs of green

consumers, companies need to embed a sustainable approach in the center of their business strategy and contribute to social and environmental wellbeing simultaneously. Sustainability defines survival and competitiveness of a company because consumers and investors support and favor companies that operate in a more social, economic, and environmentally responsible manner. Furthermore, sustainability helps companies remain competitive, build and improve its relations with stakeholders and achieve efficiency and gains cost advantages over their counterparts. Sustainable companies will be able to attract talented and brightest workforce and employees.

The MIT Sloan Management Review(2011), based on a survey of 3000 executives which conducted with collaboration with Boston Consulting Group, argued that there are two types of companies, one in favor of embracing sustainability—called embracers—and the second type that do not embed sustainability in the center of their business strategy and operations—called non-embracers. The survey further suggests that seventy percent of embracers claimed that their companies did better than their counterparts and outclassed their competitors. However, both types of companies had a common agreement to embrace a business approach that will minimize the negative impact of their operations on social and environmental dimensions while strengthening the company's brand. However, the HP Chief Marketing Officer, Michael Mendenhall(2009) argues that given the growing support for sustainability, companies technically cannot speak for themselves anymore to define their brands. Nevertheless, consumers' perception and firm's environmental consciousness will be one of the most significant factors shaping and defining companies brand and reputation *cited in*(BSR, 2010:9).

Establishing a strong brand through embracing sustainability helps companies influence customers' loyalty and further strengthen their image and brand. Customers will stay loyal to brands that they believe the firms treat economic, social, and environmental dimensions simultaneously and paying greater attention to triple bottom line as one side of the coin. Moreover, consumers tend to pay a premium price for products that are not even better than those of competitors, provided the counterparts do not practice a more sustainable business approach (The Pitch Clinic, 2013).

Managers in traditional companies pay limited attention to the environmental concern and they assume that embracing sustainability is a burden on companies' financial performance, which will not generate profits to satisfy company's expectations. Therefore, traditional firms do not embed sustainability in the center of their business strategies and business activities. By contrast, managers in sustainable firms treat sustainability as an agent of change and believe that there is a good chemistry between environmentally conscious approach and innovation which can lead to improved financial performance and profit maximization in the long run (Larson, Teisberg, and Johnson, 2000:3).

Companies that take a proactive approach and voluntarily incorporate social and environmental sustainability in their business strategies and operations are competing based on the long-term growth while trying to minimizing the negative impact of their activities on social and environmental issues. By contrast, the other types of firms that do not put sustainability in the center of their business strategy are companies that put emphasis on short-term profit, expecting the result of their financial performance quickly (Brochet et al., 2011) *cited in* (Eccles, Ioannou and Serafeim, 2011:2). These companies also treat environmental protection as a redundant cost that will harm companies' financial performance (IISD, 2013).

Hunt (2011:14) claims that embracing both the reactive and proactive approaches of sustainability will result in economic growth and improved financial performance for companies. The author further argues that either of the approaches will improve firms' financial performance because these approaches tend to work as a push switch that can drive companies to access new resources and markets while investing in new and sophisticated green technology to boost growth.

To assess the impact of corporate sustainability on business growth and profit, 180 firms, out of which 90 embedded sustainability in the center of their business strategy were considered "High Sustainability," and 90 as "Low Sustainability" that integrated no major strategy in their activities were examined. The findings confirmed that there has been a distinct difference between the two types of firms in terms of growth and financial performance. In 18 years, the high sustainability firms managed to significantly outperform their counterparts (Eccles, Ioannou, and G. Serafeim, 2011:3).

Furthermore, Kiron, Kruschwits, Reeves, et al. (2013), on their publication of research feature, state that majority of companies said that embracing sustainability pushed their organizations to embrace changes in their business model and they tend to support the fact that sustainable business approach translated into profits.

Additionally, MITSloan (2012) concluded that there is growing number of companies that support the idea that embedding sustainability in their strategies is a attributive factor to compete in the market. It was further suggested that companies that embed sustainability in their strategy and business structure managed to outclass their competitors. The survey further concluded that embracing sustainability will persuade employees to value their work and will contribute to innovative and new ways of doing business to minimize the social and environmental impact of their operation while maximizing productivity and profit.

A sustainable business approach helps companies to enjoy sound relations with its stakeholders. Reputation and credibility is extensively accepted by firms as the most critical and expensive asset through which company can differentiate its products and services from those of competitors (Peloza, Loock, Cerruti, and Muyot, 2012:74). Focus Media Group, (2013) and The Carbon Trust, (2012) further argue that reputation is a crucial element ensuring firms success and survival. Good relations with society and community are fundamental to building trust. The author further argues that sustainably helps businesses improve their financial capability by reducing its energy use to save on cost. Furthermore, investors favor investing in companies that have established their images in the market as environmentally friendly businesses, and employees will like to join credible and green companies.

Focus Media Group, (2013) and The Carbon Trust, (2012)claim that through reputations, organizations can differentiate themselves. Company that enjoys good reputations will be able to persuade its consumers to become loyal to the company in question and furthermore, consumers will favor its products and services even if competitors offer similar products and services in a lower price.

### **2.4.3 Managing Business Risk**

Sustainability tends to make sense for companies to minimize their business risk while improving triple bottom line.

Firstly, Kiewiet and Vos (2007) argue that sustainability mitigates exposure to business risks and generates new market opportunities, cited in (Victoria, Crittenden, Ferrell, **et al.**, 2010:72).

Given the substantial pressure from society, rigorous environmental regulations, resource scarcity, and considering sustainability as a source of innovation push companies to incorporate social and environmental dimensions in their strategy in addition to profit maximization. A sustainable business approach will strengthen a company's ability to manage environmental risk and design sustainable development strategies to achieve long-term growth (Ambec and Lanoie, 2008; Bowers, 2010; Kolk and Pinske, 2005; Marcus and Fremeth, 2009; Melville, 2010; Nash, 2010; Pratt, 2009; Ross, 2010) **cited in** (Mabry, 2011:119). Additionally, companies that can effectively integrate environmental stewardship in their strategy will achieve competitive advantages over their counterparts (Marcus and Fremeth, 2009; Melville, 2010; Pfeffer, 2010; Rose, 2008) **cited in** (Mabry, 2011, 120).

There is well-documented evidence supporting the fact that there is a positive relationship between sustainability and business growth. Embracing sustainability in the strategy and their activities assist companies to improve their financial performance and strengthen their competitive position in the long run.

In order to remain competitive and satisfy the growing demand of green consumers, companies need to take the societal and environmental accounts and reduce the negative impacts of their business activities (Prosenak , Mulej, and Snoj, 2008:1517).

To use sustainability as a source of innovation and minimize business risk, there are certain steps at companies' disposal to go through. Starting from flow of material and energy through the chain of extraction, production and consumption, they all require careful and intelligent stewardship of the land. Companies need to change their current approach in an effort to differentiate and save on production and marketing cost.



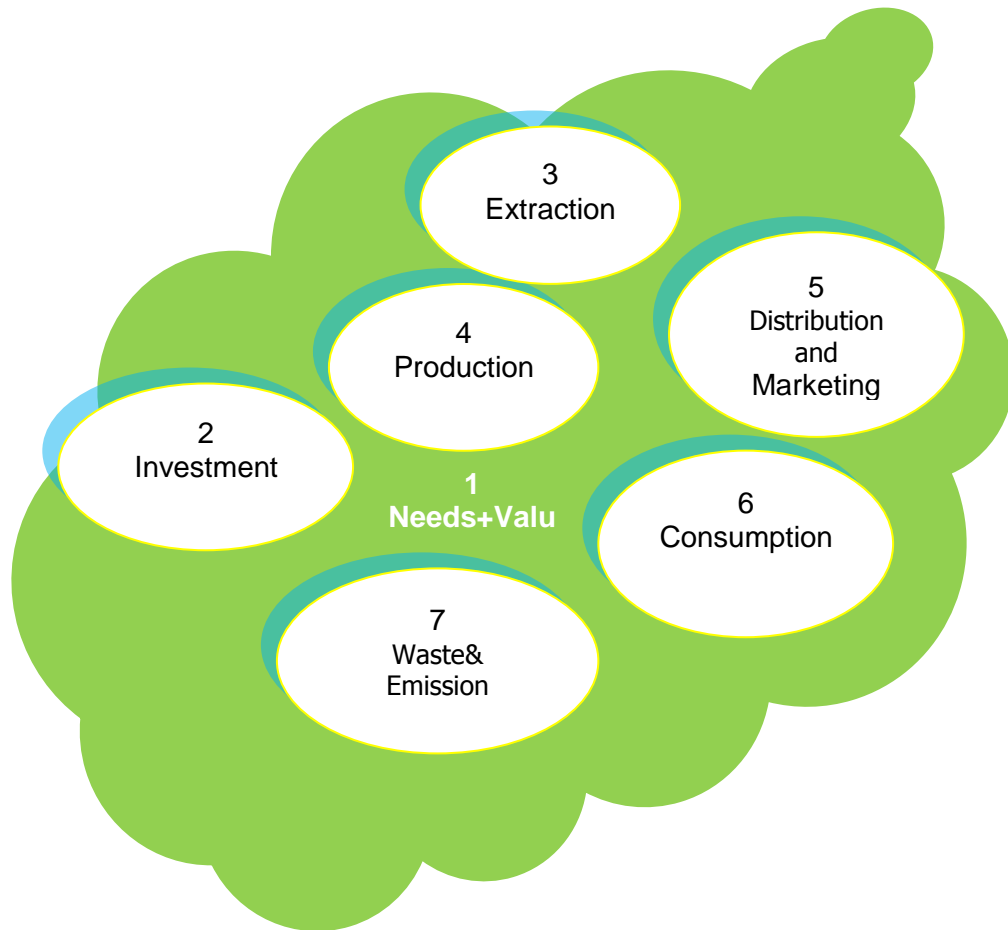


Figure 7. Production and consumption Cycle, (Prinet 2011:15)

Figure 7 shows that production-consumption cycle comprises of certain steps before the process is completed. The first step in the cycles is human needs, which requires investment to extract resources and covert raw materials to products while marketing and distribute the goods to satisfy and fulfill consumer needs. Companies can seize the opportunities of sustainability to offer green products and meet the needs of consumers through more environmentally friendly products-- easy to recycle and reuse and gain competitive advantages over rival.

Furthermore, eliminating their dependence on non-renewable resources and switching to source environmentally friendly materials help companies strengthen their reputation and image while contributing to the environmental quality (Businessgreen, 2011).

Companies that limiting extraction of non-renewable resources and source their products from green supplier are more favorable by stakeholder (3blmedia, 2013).

In an effort to strengthen its economic performance and maintain its reputation as a sustainable company, it is vital that businesses need to satisfy the needs of consumers

through more value added and sustainable products and services. Furthermore, socially and environmentally friendly investments encourage companies to reduce the amount of waste and emissions through the whole process of supply chain from extraction to distribution (Prinet 2011:16).

It can be concluded that firms not only need to comprehend that their business activities and actions are economically profitable and correct they are also required to distinguish that their businesses will not harm environment and social conditions and minimizing the impact of their activities and operations. Operating in more environmentally and socially friendly manners will help companies strengthen their brands and reputation while increase their market share.

As far as integrating sustainability in business strategy and operation is concerned, some firms take a reactive approach to meet regulatory demands. However, other companies take a proactive approach and embed sustainability in their business strategy and operation, because they perceive sustainability as a source of innovation that can assist companies achieve competitive advantages to save on cost and boost productivity (Wagner and Blom, 2011:418). Companies will not be able embrace and effectively implement a sustainable strategy in the center of their business operation and activities unless the leadership support the cause and extend their contributions and commitment (Fisk, 2011:54). Therefore, embracing sustainability is not challenge free, as it possesses both risks and opportunities for companies and the success rate is directly dependent on the firm's commitment and ability to understand and manage the impacts of environmental issues on their business growth and financial performance(Wagner and Blom, 2011:428).

Albeit the challenges of embracing sustainability, it is widely believed that embedding sustainability injects significant potential for innovating and encourages new business opportunities. (Hansen, Grosse-Dunker, and Reichwald, 2009:684). Moreover, sustainability can enhance growth and companies' competitive positions (Strandberg consulting, 2009).

Sustainability is not a risk; it is an opportunity through which companies can reduce costs to improve its financial performance and revenues. Based on a survey of 250 firms around the world, Accenture suggests that eighty-three percent of respondents

viewed spending on sustainability as an investment rather than a cost (Accenture, 2012). Moreover, embedding a sustainable approach helps innovation, a critical element to business success given today's competitive business world. (Hawley, 2010:12). Tidd and Bessant( 2009: 5) argue that innovative firms can achieve higher growth and are more competitive than those who are not innovative.

One of the reasons why many companies—despite the growing awareness regarding sustainability by consumers, environmentalists, community, and business practitioners—do not embed a more sustainable business approach tends to be that lack of clarity of the concept of sustainability. (Adams, Thornton, and Sepehri, 2010:2)

Companies overlook the concept of sustainability as a change agent through which firms will be able to offer environmentally friendly products and services in a less expensive price (Haanaes, Michael, Jürgens, et al.,2013:111). The idea that companies will need to select between sustainability and profitability for the reason that sustainability will compromise company's financial performance tends to be untrue. Sustainability leads to excellence and generates competitive advantages through which firms will outperform their counterparts (Larson, Teisberg, and Johnson, 2000:1).

Furthermore, investing on modern and sophisticated technology will help companies employ efficiency and strengthen their financial performance in the long run. Furthermore, embracing a sustainable approach by companies will lead to significant savings that can be reinvested by companies to penetrate consumers in new and untapped markets. Pro-sustainability companies and businesses suggest that sustainability triggers innovation and can lower energy use while persuading employees to value their work, increase productivity, and reduce waste (Sustainabilityskills, 2013). Government, NGOs, consumers, and environmental activists will endorse eco-friendly brands by word of mouth and will channel their learning on company's performance and contribution in social media to reach to a wider range of audience. Such a support by the said groups will significantly improve company's image and credibility through which firms will enjoy public recognition and financial returns (Wooster, 2013:36).

Townend, Khayat, Balagopal et al. (2009:19-23) argue that the concept of sustainability tends to be overlooked by executives because of their understandings that embracing sustainability will affect their bottom line and will not produce immediate financial results. However, this perception is not true, because embedding sustainability can generate new business opportunities and companies can engender innovative ideas to cut costs save on energy and material use while strengthening its brand and reputation.

Secondly, the market for sustainable products and services is growing.

Consumers and investors recognized the importance of green consumption and environmentally friendly business as a way forward to strengthen environmental and social stewardships. Therefore, they support sustainable companies (Closs, Speier, and Meacham, 2011:102). Consumers seek information about the impact of the product in question on the environment, while investors endorse companies that operate in a social and environmental manner in addition to profit maximization.

According to Keeble (2011), there has been a growing tendency among consumers in favor of green products and services. The finding argue that over 60% of consumers were surveyed in developing world such as Brazil, China, India, Indonesia, South Africa and Turkey. The number of consumers who were in favor of environmentally friendly products and services outperformed the number of consumers endorsing green in the industrialized world such as Germany, Japan, the UK, and the USA. Given the market size in the developing world and consumers support for green products are the major factor to convince companies to come up with new products, processes, and business models to tap those markets and exploited the tremendous opportunities fueling growth and increase in shareholder returns.

However, challenges in promoting sustainable products and services are mainly poor quality performance combined with higher price and limited access to green marketing. It is argued that consumer's reluctance towards green products is largely because of the inadequate information by marketers to build trust and change the perception of consumers in persuade of green goods (Sheth, Sethia, and Sriniva, 2011:25). Consumers can use their demand as a powerful tool to persuade companies to produce environmentally friendly goods and services.

To increase consumers' awareness about sustainability and the consequences of unsustainable consumption on the environment and human wellbeing, companies need to increase their focus on environmental advertisements. Educating consumers and furthering their insight on sustainability will lead to shaping consumer behaviors in support of environmentally friendly goods and services (Elham and Nabsiah, 2011:76), and (Kate, 2008:35).

One of the key drivers of persuading companies to produce more green and eco-friendly products is the growing demand of consumers. Demand for eco-friendly personal care products has increased two-fold worldwide and generated new business opportunities. Companies can tap and penetrate consumers by offering green and sustainable products to penetrate and satisfy the expectations of consumers through producing green and sustainable products (Kate, 2008:35).

In order to strengthen its reputation and save on energy and material use, businesses need to reduce their use of non-renewable resource and limit use of materials that will have a major impact during and after their lifecycles on the environment (Svensson and Wagner, 2011:335). Sophisticated and modern technology will make it easier for companies to enjoy efficiency to produce goods and services through reducing the amount of resources to produce goods and services. Offering substitutes for resources that are being depleted, technology can be a fix to replace non-renewable and depleted resources through substitutes, according to Church and Lorek (2007:231) and O'Hara (1998:178).

According to Strandberg consulting (2009), 77% of consumers in Canada say they seek information and assess a company's reputation and contributions towards social and environmental dimensions in their purchasing decisions. Information regarding the product and service in question significantly influences consumers' purchasing decisions. Given the growing number of environmentally conscious consumers, embedding sustainability in business operations and supply chains can generate new business opportunities and demands in the market (Groezinger and Tunçer, 2010:3) and (PricewaterhouseCoopers, 2010).

Consequently, Businessgreen (2010) further argues that demand for sustainable products and services in the US will increase more than two fold in the coming four years. The market value of sustainable goods and services will increase to \$60 billion by 2014 from only \$28 billion in 2010. The study and analysis of over 1800 companies point to the fact that there is an increase of 11 percent on spending on sustainable businesses despite the slow economy in 2010. Furthermore, it is estimated that by 2020, the size of the green market will reach a worldwide value of \$2.7 trillion per year (Sustainabilityskills, 2013). Additionally, Businessgreen (2013) states that the market for low carbon and ecologically aware and energy efficient technologies tends to increase three folds and will reach an estimated amount of 2.2 trillion by 2020 worldwide, while the global demand for sustainable and organic food and beverages will increase from \$62.9 billion in 2011 to \$105 billion by 2015.

However, John Friedman, the co-founder of the Sustainable Business Network of Washington claims that the total assets invested in sustainable and socially responsible business exceeded \$3.07 trillion in 2009. This eco-efficiency investment support the fact that market for sustainable business is growing and consumers are in favor of sustainable products and services (3BLMEDIA, 2013).

The Carbon Trust UK (2012) argues that more than 65 percent of consumers favor green business and believe that it is important to consume eco-friendly goods and services. Therefore, firms that established their image as environmentally responsible businesses will increase sales and garner consumers' loyalty. Adapting environmentally friendly approaches makes it possible for companies to lower costs through more with less, using less material and saving on energy, water and other renewable and non-renewable resources (Nidumolu, Prahalad, and Rangaswami, 2009:58).

BusinessGreen (2013) claims that due to poor waste management, the grocery sector loses almost £7 billion every year. This amount constitutes 8.6 percent of the grocery sector's gross value added. Embedding sustainability helps companies identify opportunities to improve its supply chain to reduce and effectively manage their waste while furthering their growth and reducing the impact of their activities on the environment.

Thirdly and finally, embarking on sustainability generate new business opportunities. Sustainability is a driver of change through which companies can increase shareholder return and increase their market share while strengthening their competitive positions (Hansen, Grosse-Dunker, and Reichwald, 2009:684). Knowing the importance of a healthy environment as the key driver of sustainable growth, companies support social and environmental aspects in addition to maximizing their profit and growth (Hewlett-Packard and CSER, 2005). Emerald Group(2010) argues that companies that embraced a proactive approach towards sustainability managed to effectively improve their financial performance while also contributing to the social and environmental well-being.

Blaming the high cost and effort required for going green, companies, particularly in the United States and Europe, are reluctant to embrace sustainability. Some companies hold the view that embracing sustainability will lead to compromising organizations financial strength and competitive ability against companies that operate independent of the pressure of becoming green(Nidumolu, Prahalad, and Rangaswami, 2009:57).

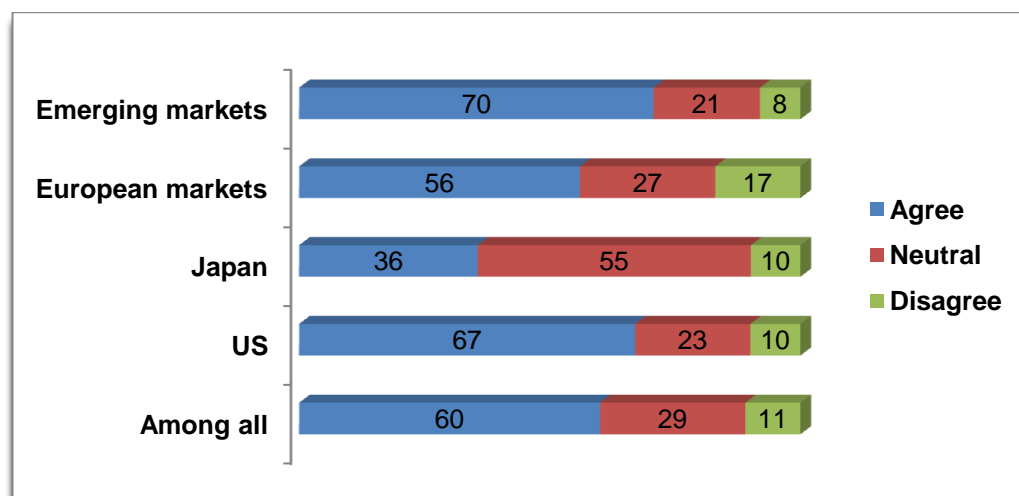


Figure 8. Sustainable products and price (Accenture, 2012).

Figure 8 shows that majority of companies believe they can charge consumers a premium price for sustainable goods and services. Japan is the only country where companies presume consumers will not pay premium. However, the emerging market where the common belief was that consumers will not pay extra for environmentally friendly goods proved otherwise and consumers show willingness and support in favor of sustainable goods. Sheth and Atul Parvativar (2011:22) argue that businesses do not put sustainability in the center of their strategic decisions despite the

acknowledged importance of this phenomenon that how sustainability business approaches will help firms to seize new business opportunities while strengthening their brand and reputations.

Furthermore, some firms argue that becoming green is expensive, and companies will face a tradeoff between sustainability and company's financial performance. Michal, Carrington, Neville, & Gregory (2010:139) argue that there is no well-documented evidence to endorse the fact that consumers' behaviors are in favor of sustainable goods and services while making purchasing decisions.

However, research shows that the concern of executives opposing sustainability and fearing that there is a tradeoff between sustainability and financial growth, is simply not true (Nidumolu, Prahalad, and Rangaswami 2009:57). The authors further argue that companies that master embedding sustainability in their business strategy and actions will enjoy low production costs while sustaining their competitive position in the market through innovation and differentiations (Knut, David, Jeremy, and Subramanian, 2013: 111) and (Nidumolu, Prahalad, and Rangaswami 2009:58). Additionally, companies that embrace sustainability will be able to identify innovative ways to focus not only to reduce cost but also on improving the whole system in order to increase efficiency and using sustainable raw materials to minimize the impact of their activities on the environment (Knut, David, Jeremy, and Subramanian, 2013: 111).

In order to generate new business opportunities and improve their business growth, companies need to raise awareness of their workforce and maintain a working culture to allow and motivate employees to explore and introduce innovative approaches in pursuit of a healthy environment (Govindarajulu and Daily, 2004:366).

Meanwhile, leadership plays a significant role in exploiting sustainability as an opportunity to maximize long-term profit and strengthen companies' reputation and image. Companies that integrate environmental and social accounts in their business strategies are because of the direct contribution of their board of directors. Fifty-three percent of high sustainable companies assign sustainability-related responsibilities to their board of directors in comparison of 22% of low sustainable firms. Therefore, leadership and management of top-level executives are key to incorporating a more



sustainable approach in their business strategy in order to enjoy long term growth and minimize operating risk in the volatile business environment (Eccles, Ioannou, & Serafeim, 2011:7).

Therefore, it can be concluded that embracing sustainability is not a burden that will compromise companies' financial capacity; it is a key driver of innovation and value creation (Poll of jam participants IBM 2010).

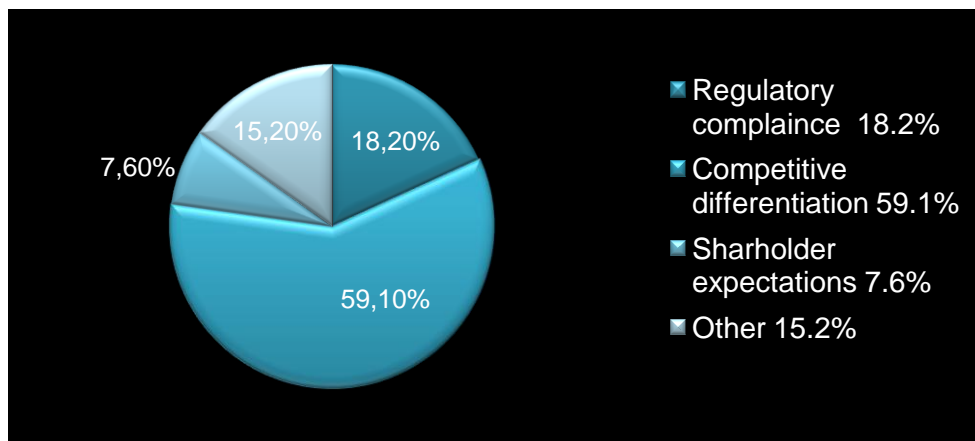


Figure 9. Impact of sustainability on innovation (Poll of jam participants IBM 2010).

Figure 9 shows the benefits of eco-efficiency rated by participants of 2010 IBM Jam. From the pool of 1600 attendants, the majority of the participants 59.1% ranked competitive differentiations as the key benefits through which companies can capture values and increase its market share.

In order to tap the growing market for sustainable products and capture new business values, companies need to change consumption patterns by switching from nonrenewable resources such as coal, petroleum and natural gas to renewable resources. Businesses will need to explore and work with suppliers to develop environmentally friendly and sustainable raw materials so that they can reduce waste, strengthen their image and reputation as environmental and social conscious companies. Furthermore, getting track of energy consumption and carbon footprint as well as product life cycle assessment help companies to detect major source of waste in supply chains and implement solutions for improvement. Embedding such activities in business on one hand will help companies save money on energy and water

consumption and reduced waste, and on the other hand it will fortify the firm's image and reputation (Nidumolu, Prahalad, and Rangaswami, 2009:58).

### 3. Methodology and Data Collection

This section describes the research method and sources of data collection used in this study.

The findings presented in this thesis are a combination of both primary data and secondary information acquired from literature review.

Basically, three methods constitute the methodology of data collection for this study such as I) a survey using questionnaire, II) interview, and III) an open format discussion.

The three methods of the data collection and number of respondents in each method is shown in figure 10.

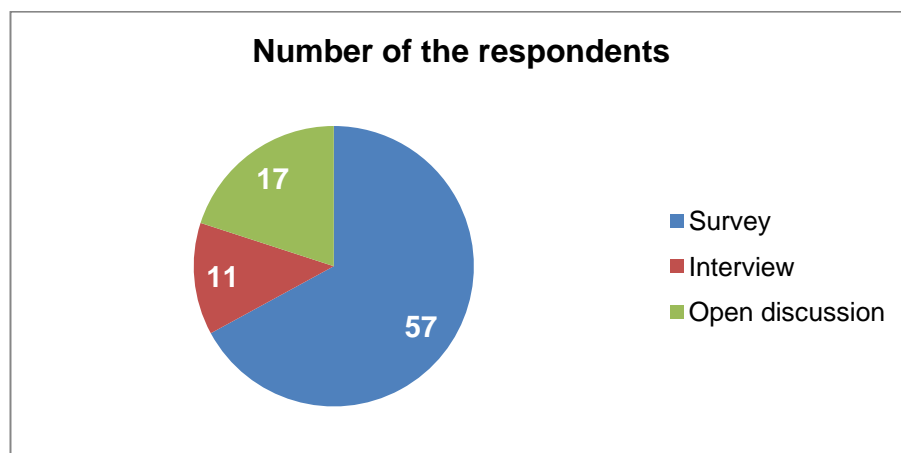


Figure 10. Method of the data collection

Figure 10 shows the methods utilized in this study to acquire the data to answer the research question of this thesis.

The methods employed in this research comprise qualitative approach assessing which factors can significantly influence consumers' purchasing decisions while considering the interplay between price and product's environmental and social performance.

Subsequently, in quantitative space, the emphasis was on statistics to figure out the number of the respondents willing to pay a premium price for green products.

The below table shows the overview of the data collected for this study.

S/N	Type	Method	Number of participants
	Survey	Questionnaire	57
	Interview	Unstructured	11
	Discussion	Open format	17

Table 1. Overview of data collection

As can be seen in Table 1, the questionnaire was sent out to 84 respondents (appendix 1), of which, 57 people responded only. The respondents were sent a link enabling them to access and work on the questionnaire through an online platform called E-lomake. The interview was projected to take place with 16 people, however, it was conducted with 11 because of work and timing conflict. Furthermore, an open format discussion was held with 17 people.

### 3.1 Questionnaires

The questionnaire employed in this research was a quantitative survey with some space for qualitative statements. The respondents were provided the opportunity to provide additional information based on their experience and knowledge.

The questionnaire started with 20 questions asking the respondents to identify the key issues affecting their purchasing decisions. The questionnaire was available only in English and was accessible through a link sent to 81 people. Most of the respondents were people working outside of Finland for international companies and relief organizations.

### 3.2 Interviews

In order to ensure aggregating the data and transparency of the process, a structured interview was put to use, and 11 people were interviewed over the telephone. Most of the people selected for interview were based on their experience and understanding of sustainability, out of which few people were working for major companies in Finland.

The objective of the interviews was to identify what factors influence and motivate consumers' purchasing decisions, and how many people hold similar opinions towards certain matters in relation to sustainability.

### **3.3 Open-Format Discussion**

An open discussion was held with 17 people, out of which 7 people were working and 10 others were students. The selection of these people was based on their general knowledge and understanding of sustainability.

The main theme of the discussion was to find consumers' reactions towards the impact of companies' activities on social conditions, and to explore what factors can mostly drive and shape their consumption patterns and purchasing decisions.

## **4. Findings and Result**

This part of the study presents the findings and result of the thesis paper.

This research is aimed to assess and communicate the role of sustainability in profit maximization while improving social and environmental well-being.

The findings of this research suggest that sustainability is not a burden but an opportunity that enables firms to exploit sustainability to reduce operation costs and improve revenue while simultaneously contribute to environmental and social wellbeing through more sustainable business activities and operations.

These findings are based on the review of secondary data (literatures) and primary information acquired from a quantitative research with some space for qualitative data collected through a survey consists of a questionnaire, interviews and open format discussion. With a response rate of over 65%, 57 respondents contributed and participated in the questionnaires. The questionnaire asked the respondents to express their overall understandings and experiences in relation to sustainability, companies' social and environmental performance, and the most important elements of products and services they will consider in their purchasing decisions.

Most of the questions were in the form of likert scales summing the values of each selected option and subsequently similar items were summed up so that they become a tool to measure particular attributes and behavior.

Items measured on a Likert scale, asking the respondents to rank their agreement on scale of 1-5.

1 = Disagree strongly

2 = Disagree

3 = Neither agree nor disagree

4 = Agree

5 = Agree strongly

The level of agreement in this study represents the value that lies in the Likert's scale in between 1 and 5. When the numerical value of the average median number is higher, the reading represents higher level of agreement, by contract while the numerical value of the median declines the level of agreement represents low level of agreement.

Given the values in the likert's scale of this study, 1 and 2 represents low level of agreement, while 4 and 5 represents high level of agreement respectively.

The open discussion further revealed that the relationship between two variables, price and environmental performance tends not to be very strong. Environmental performance as an independent or predictor variable will not significantly affect the depended variable, which is consumers' tendency to pay premium for green products. However, social performance can be a significant predictor variable of growth and profit maximization. Nevertheless, both social and environmental performance can affect businesses, yet social performance can play more critical role than environmental performance.

Respondents showed a significant degree of concern towards environmental and social well-being. The majority of respondents expressed their willingness to buy from companies that established themselves as sustainable and environmentally friendly firms with a sound reputation with their stakeholders. About 53% of the respondents said they would pay a premium price for sustainable goods and services, while 47% said they would not pay premium for environmentally friendly products if they could find traditional products with similar performance at a lower price. However, as far as

social performance of companies and the impact of their business activities on society were concerned, there was a significant consistency among respondents. From the pool of respondents, 86% expressed their willingness that they will pay premium price for products and services of green companies. Whereas only 14 % said, they would buy from traditional companies in order to save on buying inexpensive products and services while there is no significant performance difference between sustainable and traditional product.

Many participants noted that there is no sufficient information on the environmental impact of the products and services. Additionally significant difference in price between green and tradition products can influence consumers purchasing decision to go for traditional choice, especially if there is no adequate information communicated with consumers. The discussions found that many people do not in fact read labels as far as environmental impact of the products and services are concerned. They suggested that improving level of communication between producers, customers, and consumers could be a way forward to promoting sustainable consumption patterns while creating new demand for green products. The majority of people interviewed endorsed the idea that consumers will pay a premium price provided they obtain adequate information about the products and services in question. Furthermore, communication and consumer levels of awareness can bridge the gap between consumers willingness towards green products and their real consumption patterns. Companies need to communicate and educate consumers on the impact of green products on the environment and particularly on human wellbeing. Information and communication about the impact of products and services in question can significantly help change consumers behavior.

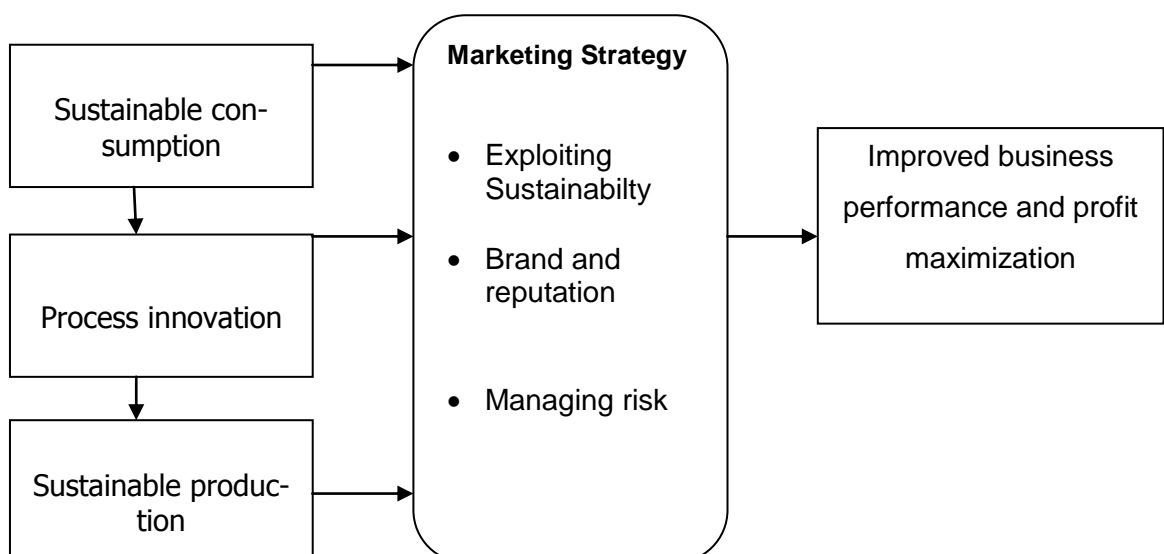


Figure 11. Impact of sustainability on triple bottom line

Figure 11 shows that sustainable consumption drives companies to reshape their production process and embrace innovation in their supply chain and production process as a way to move forward and compete in the market. Companies' commitment towards promoting sustainability and their ability to exploit sustainability as a source of new opportunities can create new business opportunities and markets. To ensure their financial survival, firms need to place sustainability in the center of their marketing strategy. Additionally, sustainability can improve company's ability to manage business risk and strengthen their brand and reputation through which they can compete effectively.

Depending on the commitment of management and their view and understanding of environmental and social sustainability and the impact that these dimensions can have on firm's financial performance will define the future and financial survival of their businesses. A sustainable business will lead companies to enjoy profit maximization and ensure their competitiveness and growth in the long run.

#### **4.1 Survey Result**

The agree- disagree approach has been put to use in an effort to measure behaviors and attitudes.

The level of agreements in view of mode, median and mean of each question was calculated as a supporting evidence to claim the effectiveness or inefficiency of certain factors that can affect businesses. Mode represents the numerical value that occurs with the greatest frequency, while the median is the middlemost score or number that is intermediate in the set.

Information through the surveys showed that the impact of a business's activities on social conditions is one of the most influencing factors shaping consumers sense of loyalty and purchasing. Price, which was believed to be one of the most prominent elements in shaping consumer purchasing behavior does not play a significant role, provided the product and service in question harms social conditions. Thus, social

performance can significantly build and strengthen a company's reputation and image. Reputation and image are the most distinctive attributes that can drive and trigger consumers' sense of loyalty more than price and quality of products.

The findings of the survey support the argument that consumers' support for environmentally friendly products and services is growing. Companies that are reluctant to operate in a more sustainable way and blaming higher costs of sustainability need to change their business strategy and mindset; because operating in a sustainable way is of a paramount importance for financial survival of firms in the longer run. Consumers' demand eco-friendly goods is growing and people are willing to pay a premium price for green products and services. Nonetheless, when the impact of the product and service in question relates to environmental and social conditions, consumers are more willing to pay premium price.

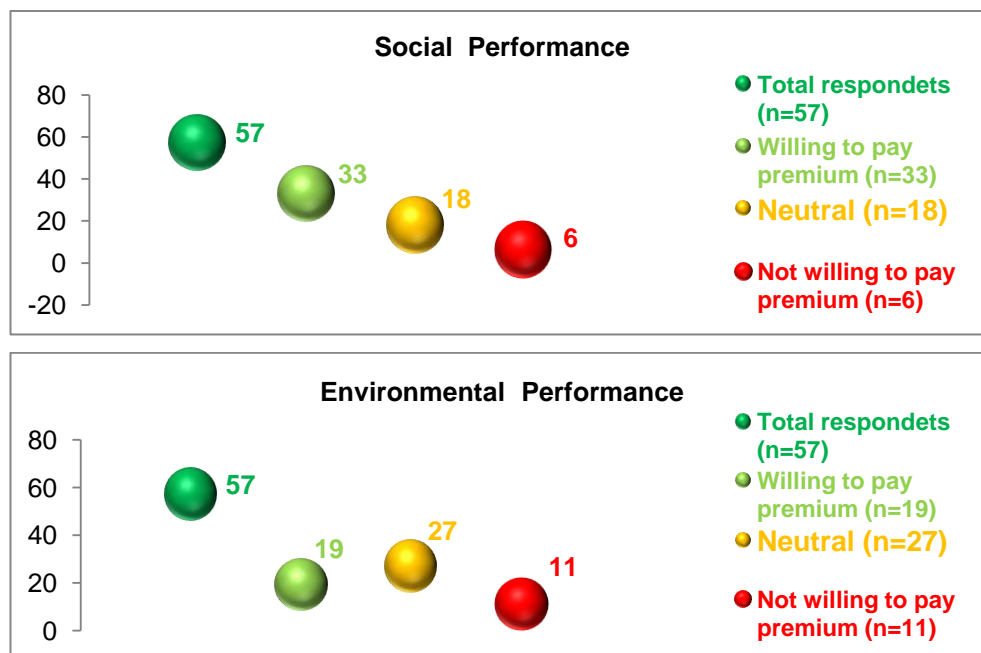


Figure 12. Social wellbeing versus environmental wellbeing

As can be seen in figure 12, the figures point to the fact that consumers are more concerned in relation to the social impact of business operations and activities than the environmental wellbeing. Out of the total, 33 respondents were willing to pay extra and purchase the products and services of the companies that can improve social conditions through their business activities. However, 18 respondents remained neutral



while 6 disagreed to pay premium for sustainable products irrespective of the positive social changes the companies in question will generate and lead. In contrast to the number of respondents supporting social changes, the figure of respondents willing to pay premium dropped down when it comes to the environmental impact of business activities. Out of the total, 19 respondents expressed their willingness that they will pay extra for sustainable products so that they can do their bit and contribute to the environmental wellbeing. While 27 respondents continued to stay neutral and 11 disagreed.

It can be expected that companies contribution towards social wellbeing is more important for their profit maximization than solely discussion environmental wellbeing. Therefore, companies need to guide positive social changes through which they can significantly strengthen their reputations and image and increase their market-share.

There is verity of ways that company can engage in promoting social changes. For example, employing handicap people and placing them in the packing unit or other facilities where appropriate can be proved tremendously profitable.

Ultimately, to measure the consistency between respondents' attitudes and behaviors in real purchasing situations, a question was put forward to finding if there was any gap between consumers' intention and action.

Out of the total, 16 people agreed that their behavior and decision will be changed during real purchasing situations. However, 22 people responded that they will pay extra and buy environmentally sustainable products and services, while 19 people remained neutral. One of the interesting things that emerged was the wide number of neutral respondents. A total of 19 respondents were unsure how they will react during real purchasing situations. The outcome of responses for this question produced (mode=3), (median=3) and (mean =2,947).

It can be concluded that apart from price and product environmental and social performance, there will be other factors such as psychological, cultural and informational barriers that can influence consumers purchasing decision in the time of purchase - and it is beyond the scope of this paper to talk about those issue. However, some well-known reasons are price of products and the information through which consumers can compromise with their budget and go for green products

There are good chances that these consumers will act in pro-environmental and pro-social fashion if consumers receive enough information and companies increase consumers level of awareness and inform them on the impact of their consumption patterns on social and environmental wellbeing. Consumers will overlook paying extra to a certain level to buy green goods provided they are given adequate information.

Lack of information and communication with consumers is one of the reasons that there are big number of people undecided or remained neutral, and meanwhile the number of people disagreed to pay extra will decline if they can recognize the impact of their consumption patterns on social and environmental system.

#### **4.2 Interview result**

The interview was conducted mostly face-to-face, however few people attended the interview over the telephone. Totally, there were eleven people, out of which three were experts in the business field and working mainly in the marketing and corporate social responsibility sections of their companies. Eight were academic people teaching in the universities inside and outside of Finland. Interviewees were asked how important it is to embed sustainability in business strategies and actions; most responded that sustainability is key to building a positive image and competitive advantages. The interviewees were asked to share their experience and thoughts on the advantages and disadvantages of embracing sustainability for businesses. The people attended the interview had similar opinions and pointed to the fact that issues such as climate change, water scarcity, emission of harmful gasses paired with unsustainable extraction of resources and unsustainable consumption are issues of concern that will threaten wellbeing of all living populations if being left unattended.

Eight out of eleven people said sustainability is essential for businesses to improve their financial performance in verity of ways. Companies can save on energy and resource use while simultaneously can strengthen their reputation and image as environmentally friendly firms. Five out of eight people from academia argued that companies which operate in a traditional business manner will not only harm their brands and reputations, but will also have to pay in order to comply with regulatory measures, and satisfying compliance mostly results in bearing unexpected costs that will jeopardize a company's financial performance and profitability.

Moreover, the findings of the interviews (see appendix 2) suggested that quality and price were important drivers to persuade consumer-purchasing decisions. The only significant driver to tackle lower price and guide consumers' purchasing decision towards sustainable consumption was social wellbeing. Social performance was the most effective factors shaping consumer-purchasing decisions.

Consumers are willing to purchase traditional products in lower cost if the product or service in question does not possess major environmental threats. However, they believe that price will not be an important factor in influencing consumers purchasing decision provided the product and service in question affect social conditions. Because of this, consumers are more concerned about the negative impact of products and services on social wellbeing than the impact on environmental conditions.

In order to save on raw material and labor cost, some companies outsource and contract out some of their business activities and processes. Parent's company's image and reputation will be affected should the sub contracting company operates in unsustainable way affecting environmental and social conditions through its activities.

Interview findings suggest that consumers' tendency towards public wellbeing and environment is growing and they are willing to change their consumption patterns.

Companies that operate in unsustainable fashion and offer inappropriate working conditions for their workforce will gradually lose their competitiveness and market share. Reaction of the interviewee produced (Mode= 4), (Maiden=4) and (Mean= 3.526) for the following questions.

*The parent company to be held accountable for the negative impact of its business activities on social conditions; even if the parent company is not directly involved in the operation and the activities are sub-contracted and outsourced.*

The parent company cannot dispense with its responsibility to hold sub-contractors accountable for any unethical business practices and negative impact of its business activities on social and environmental conditions. If the sub-contractor's business activities are driven solely by profit maximization to the extent that they use abhorrent cost cutting practices, such as child labor, this will directly affect the image of the parent company and consumers are very likely to boycott products and services of the

company in question. For a business to boom while making with the ever-changing social, economic and environmental landscapes that possess opportunities and threats, firms need to ensure through its business operations and activities that the community where function and the stakeholders it serves remain unaffected by the negative impact of the business activities.

Given the results of the survey interview and discussion, it can be concluded that an overwhelming majority of people supported the fact that sustainability plays significantly importance for companies and too consumers. It generates new business opportunities and markets while adapting sustainable consumption patterns help and improve environmental and social conditions.

During the interview, it was discussed that companies can make sustainability as a major source of new business opportunities if they manage to establish valid Links and relations that how green consumption can impact human wellbeing.

One of the major and powerful elements that can significantly influence and guide consumers behavior and patterns of consumption is health and wellbeing. Consumers, for example, are generally willing to pay premium prices for brands they deem to be more effective than others are. Different brands of Paracetamol or Panadol are priced differently, and most consumers regardless of their income level pay extra and purchase the brand they think will treat a particular illness effectively and promises it will have minimal side effects. Furthermore, to improve social wellbeing and strengthen their brands in pursuit of attracting more consumers while overcoming fixed costs, some hospital in India charge wealthy and rich patients more than poor ones, and therefore people with low income can also access quality health care services that they would otherwise not be able to afford.

### **4.3 Open discussion result**

The findings derived from the open discussions point to the fact that consumers are in favor of green companies. Candidates attending the open format discussion were provided with some background information on social impact that companies can cause. Social impact in the context of this study refers to child labor, inhuman treatment of workforce, harassment, abusive treatment of employees and lower wage.

Seventeen people were invited to open discussions and attended the sessions randomly as well as in-group of two to three participants. The discussion group strongly supported the idea that generating negative social impact by companies will result in a boycotting a company's products and services. A company's reputation and image were the most effective drivers in shaping consumer sense of loyalty. The scores received to the issue of social performance was (mode=4), (median=4) and (mean=4,294).

However, price is considered one of the convincing and influential factors that can shape consumer purchasing decision and consumption behavior. If there is neither significant difference in performance between sustainable products and traditional one, nor adequate communication to raise awareness, consumers' tendency towards environmental wellbeing will be tremendously compromised by price.

A major price differences can play an important role in shaping consumers' purchasing decisions when the products and services in question do not affect social conditions and the effects are solely on the environment. Environmental impact in this context refers to the impact of products and services on global warming, loss of certain non-renewable resources, and generating significant amount of waste and pollutions. When the nature of the problem became a global phenomenon, majority of participants were not willing to pay extra for green products. However, paying 12% more for a green product was not a barrier to influence consumer decision not to pick up the sustainable preference from basket of options. Paying over 12 % extra for environmentally friendly products and services will greatly guide consumers purchasing decision in fever of tradition products. Out of the total 17 participants, two responded neutrally, while nine people agreed and six disagreed to pay 12 % more for green goods. The mode was (4), the median (4) and the mean (3,176). However, paying more than 12 % produced the following result. The mode was (2), the median (2) and the mean was (2,294).

Some people in the group discussion argued that traditional products might degrade the environmental system in the long run, yet if they pay extra for the environment-friendly product this will adversely affect their financial standing.

The participants argued that paying premium for environment-friendly products to environmentally sustainable companies could only work in developed countries where the majority of the public is far above the poverty line. Companies with environmental friendly strategies will not be able to attract enough loyal customers unless they appeal to a customer's emotions and immediate circumstances.

However, the discussion concluded that a price discrimination strategy can help companies attain profit maximization in markets where consumers are not much concerned about green goods or not willing to pay premium price. Businesses will thereby lower the price of eco-friendly goods and services by eliminating consumer surplus and charge individual markets the price consumers are willing to pay; charge a higher price in markets with a more price inelastic demand and a lower price in markets with a more elastic demand.

To employ a price discrimination strategy, the market needs to be segmented and consumers with different elasticity of demand would need to be identified and penetrated differently. The separation between these markets needs to be significant in order to avoid customers who are offered a lower price from reselling to consumers in the markets with high elasticity of demand.

Companies need to have a consistent and long-term awareness campaign for environment-friendly products. Consumers are more educated than they were in the past; therefore, they seek information about a company's business strategy and the impacts it can have on the environment and social conditions. Stakeholders and the public in addition to non-government organizations and governmental bodies pay significant amount of attention to know how a company's activities contribute to or harm social conditions.

The discussion results revealed that majority of people in the group expressed their willingness to switch employers and work with sustainable companies.

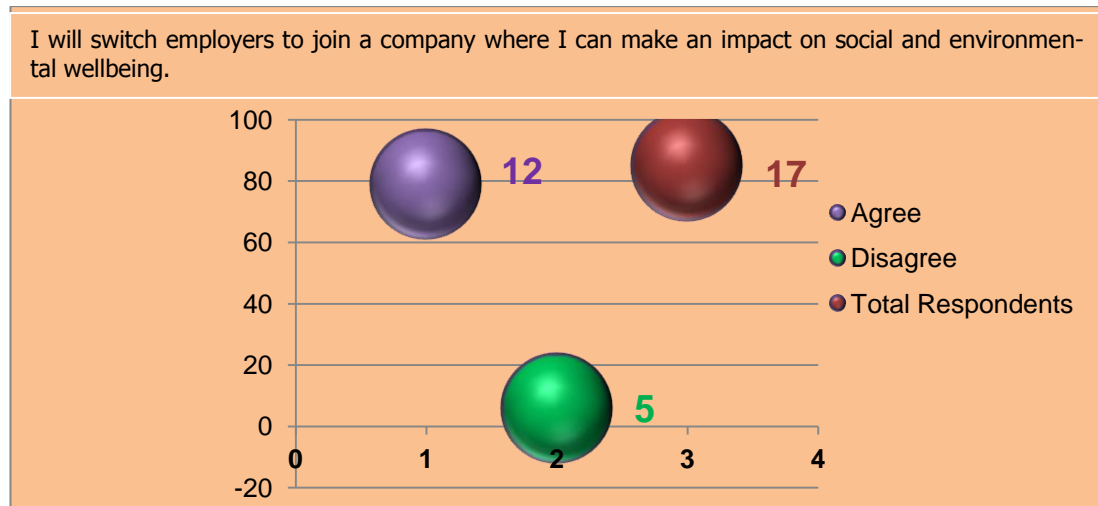


Figure 13. Impact of sustainable business on Employees

Figure 13 shows that employees value their work when they can have a positive effect on the environment and society. Eight people out of eleven expressed their willingness to switch employers and work with companies where they can contribute towards making a better environment and society (Median=4), (Mode=4) and (Mean=4.272).

The findings of the discussion suggest that in spite of the very positive role of communication and awareness, the level of influence and impact on behavior change will vary from market. One of the reasons for low engagement of consumers to adopt more environmentally behavior is the gap between their attitude and purchasing behavior. Among others, one of the major elements that significantly can influence consumers is price that create the gap between consumer intentions and behaviors during purchasing process. However, this gap can be bridged to an extent by increasing consumers awareness and proper communication channels.

#### 4.4 Summary of the result and findings

Companies are profit-oriented entities and their main objective and existence is to serve their economic interests as well as that of their stakeholders'. Meanwhile, consumers have the right to consume products and services that can best meet their needs and wants. Nonetheless, the current consumption patterns and the extraction and production of goods to fulfill consumer needs are not sustainable. Because of unsustainable production and consumption, the ecological and carrying capacity of the planet will be compromised to regenerate resources to satisfy human's basic needs. It

is with this reason that the industry is now shifting towards sustainability in an effort to meet the needs of growing green consumers and meanwhile attain the present needs without compromising the ability of future generations to satisfy their own.

Giving the pressure on ecological system, consumption and production need to be within the limits of the planet's carrying capacity. That is why consumers, governments and the public carefully monitor the social and environmental performance of businesses, and firms are urged to adopt more environmentally friendly operations as a way forward to improve environmental wellbeing while getting access to new green markets to enhance profit maximization. Companies that embed sustainability as a major part of their business strategy, managed to improve their business performance and profit maximization (refer to case studies section. 2.4.1).

The assumption that low-income consumers' response to green products will be slow mainly because of high price, and consumers are not concerned about the impact of their consumption on the environment is challenged by the findings of this research paper, which proved otherwise. It has been discussed that consumers in developing and emerging markets tend to be less concern in relation to the impact of their consumption on environment than those consumers in rich and industrialized nations. Nonetheless, this notion is incorrect because there has been growing number of green consumers who are willing to contribute towards environmental and social well being through adopting more sustainable consumption patterns. Because of this, demand for green goods and services is raising and there are new business opportunities and markets for companies to tap. Additionally, through embedding sustainable business strategy and operation, firms can strengthen their brand and reputation in addition to profit maximization. In respect to risk being triggered by the volatility in the business environment, sustainability can help companies minimize business risk and enjoy the support of the shareholders and stakeholders at large by operating in a more sustainable way. Sustainable businesses are more trustworthy than less sustainable companies are because shareholders and investors are willing to deal with companies that operate in a more socially and environmentally responsible manner.



The findings of this research papers suggest many reasons that how companies can benefit from embedding sustainability in their strategy, and to name a few, the bellow are some examples.

First, through resource efficiency and less material and energy use companies can save significantly, which in turn this saving can be translated into lower production cost through which companies can reduce price differences between environmentally friendly and traditional products. Companies, through more effective use of resources, can lower their production cost so can minimize generating waste at the first place rather than spending to send wastes to landfills. This approach will improve company's financial performance in addition to the positive contribution it makes towards environmental and social wellbeing.

Second, emerging markets represent higher portion of green consumers and people in those markets are more concerned about the impact of their consumption patterns on the environment, and they are willing to pay premium price than those in developed world. Therefore, the hypothesis, which suggested that people in developing word are less concerned about the environment wellbeing, is not practical assumption.

The number of green consumers in emerging markets is consistently increasing and already outclassed consumers in the industrialized world. Therefore, there is significant business opportunities fueled by high demand for environmentally conscious products and services.

Third, given the economic growth and increase in income level and size of consumer markets in emerging and willingness of consumers towards green goods are promising factors that will drive companies to change their business strategy and operate in a more sustainable way in order to seize new business opportunities and ensure their financial survival. Furthermore, consumes in emerging and developing world have been already affected by social, environmental and air pollutions in one way or in other; therefore, they are more concerned and are in favor of sustainability than those in rich economies to embrace changes in their consumption behavior.

Therefore, the green consumers can act as change agent to push companies to embed sustainability at the heart of their business strategy, because consumers have the potential to challenges companies and change a firm's stance on sustainability. When this is so, sustainability will become a necessity, and companies that can meet the demands of green consumers will become the major players in the market.

The findings of this research paper further suggest that the relationship between two variables, price and environmental performance tends not to be very strong. Environmental performance as an independent or predictor variable will not significantly affect the depended variable, which is consumers' tendency to pay premium for green products. However, social performance can be a significant predictor variable of companies brand and profit maximization. Nevertheless, both social and environmental performance can affect businesses, yet social performance can play more critical role than environmental performance.

Neglecting the importance of embedding sustainability in business strategies and activities will lead companies to lose competitive advantages to sustainable businesses and will be out of market in the long term, because sustainability will become businesses necessity not choice , therefore, companies need to embrace sustainability in order to ensure their financial survival.

Ultimately, the literature review largely supported the idea that sustainability is advantageous for business growth, and too similar findings derived from the survey, interview and open discussions suggesting sustainability as a vital business factors. However, the discussion argued that the extent at which sustainability to be put to use and placed in company's marketing strategy must be based on the degree of market's acceptability and consumers' reaction. In markets where consumers are not concerned about the impact of their consumption patterns on the environmental and social systems, companies need to educate and increase the level of awareness in order to create green markets. It can be concluded as the bottom line that sustainability is in rise, green consumers are growing, resources and raw materials availability is becoming a business challenge, and therefore sustainability will become the only tool through which companies can ensure their financial survival.

## 5. Discussion and Conclusion

This study was aimed to explore the issue of sustainability from business standpoint, encompassing issues such as sustainable consumption and production as a way forward to achieve sustainability not only for the sake of environment, but also for the wellbeing of business performance and profit maximization.

Due to unsustainable consumption and significant amount of green gas emissions generated by human activities, the planet's ecological wellbeing is under immense pressure (Walker and King, 2009:24-58; Rees 2002:255; O'Hara 1998:180; Tukker, Emmert, Charter, **et al.** 2008:1219). The growing and unsustainable demand for food, water, energy and resources to meet basic human needs have generated serious challenges that compromise environmental stability (Hart 1997:66).

Issues such as climate change, resource scarcity, public and stakeholder pressure, and growing demand for green products from one hand pose significant business challenges that push companies to minimize the impact of their activities on the environment, and from the other, these challenges can be turned into strength and companies can generate new business opportunities. The majority of people consider the social dimension as one of the most important elements that can persuade a consumer's decision in favor or against patronizing a company's goods or services.

Being concerned about the negative impact of business activities on social and environmental conditions, governments, environmentalists and growing number of savvy consumers are asking companies to adapt more sustainable marketing behaviors and minimize the negative impact of their operations on environmental and social dimensions (Wiedmann, Lenzen, & Barrett, 2009: 362). To meet consumers demand for green goods, many firms started to embrace more sustainable approach and minimize the impact of their business activities through more sustainable business behavior (Eccles, Ioannou and Serafeim, 2011:2). As discussed in section (4.2.1) of this paper, embracing sustainability has led to improved financial performance and many firms have managed to seize new business opportunities and outperform their counterparts.

Different markets are bound by different consumption patterns and behaviors, and therefore a number of markets will require companies to offer environmental friendly

products whereas others will push companies to take a reactive approach and offer traditional products and satisfy demands of the consumers who are not in favor of consuming green goods. Therefore, companies are required to modify their business strategies in view of the consumption patterns in the markets concerned. In addition to offering traditional products for consumers in markets where green will not be advantageous in terms of profit maximization; companies can increase consumer awareness on the impact of traditional products on the environment and social conditions in order to create demand for green goods. However, the consequence of unsustainable goods on consumer health and wellbeing tends to be the most influential element shaping consumer purchasing decisions and behavior changes. Environment-friendly companies could appeal to their customer's health issues because of widely used traditional products. A marketing strategy, such as researching statistics and predicting the number of health care problems that could decrease amongst the public if customers start consuming environment-friendly products, would lure in many loyal customers as it appeals to their immediate circumstances.

Ultimately, sustainability has several advantages for companies in order to strengthen their brand and reputation while enabling firms to explore and acquire innovative business opportunities (Wiedmann, Lenzen, & Barrett, 2009: 362; Businessgreen, 2011, & 3blmedia 2013). The high cost and the tradeoffs between sustainability and profitability is not anymore a valid concept (Nidumolu, Prahalad, and Rangaswami 2009:57). Because consumers value green companies and reward eco-friendly firms with premium price for their goods and services. society (Peloza **et al.**, 2012:74; Focus Media Group 2013; The Pitch Clinic 2013; Accenture 2012; PRNewswire 2013; Sustainable brand 2013; Seafoodsource 2013 & Nielsen 2013).

Additionally, considering today's volatile business world, companies can create new business opportunity and minimize the risk posed by the environment and address the concerns of government, society and environmentalists through more sustainable marketing behavior (Firstly, Kiewiet and Vos 2007) *cited in* (Victoria, Crittenden, Ferrell, **et al.**, 2010:72). Given the fact that sustainability is a dynamic process, it requires firms to analyze progress of their sustainably approach on a routine basis and alter adjustments in an effort to keep its effort responsive to market needs and variability. Moreover, a common strategy and tool appropriate for promoting sustainable consumption throughout the world is neither possible nor applicable,

because of the differences in consumer behavior and attitude towards environment. Therefore, companies need to design and develop different strategies tailored for different markets.

The level of consumer awareness and support in regards to the impact of their consumption habits and patterns on the environment has been significantly increased and therefore demand for sustainable products and services is growing (Wackernagel, 2001:3 & Shen, 2012, 88). Furthermore, consumers are willing to pay premium for goods and services that will improve wellbeing not to adversely affect the environment (Pelozo **et al.**, 2012:74; & Accenture 2012). Therefore, because of change in consumption patterns and consumers behavior, companies need to embrace changes in their business and marketing strategy in an attempt to meet the needs and demands of consumers through offering more eco-friendly products. It is with this observation that sustainability tends to become business requisite and requirement rather than choice.

Eccles, Ioannou and Serafeim, (2011:2) argue that companies operate either in a reactive or proactive manner. A number of companies operate in a more reactive manner to abide by the regulations, and not fully embedding sustainability in the center of their decision-making and business strategy. These types of companies blame high cost of sustainability and argue that consumers do not reward companies by paying premium price for environmentally friendly goods. Reactive-oriented businesses mainly focus on the short-term growth. Nevertheless, the latter kinds of firms adopt a proactive approach and voluntarily incorporate social and environmental sustainability in their business strategies. These firms are mainly competing based on the long-term growth. The proactive-oriented companies argue that innovation in sustainability helps companies strengthen their brand and reputation. In addition, sustainable companies claim that embedding sustainability in the center of business strategy and activities generates new business opportunities.

There is growing evidences point to the fact that many companies support environmental advancement through more environmentally responsible approaches. However, much more is needed in order to enjoy a fundamental shift towards sustainable development. Companies in addition to increasing awareness and educating their employees in relations to sustainability also need to boost consumers'

awareness on the role of sustainability in safeguarding social and environmental well-being as a pre-requisite for all living population. Educating consumers and improving their awareness can guide consumers' preferences towards more environmentally goods and services (Sheth & Parvativar 2005:262).

Companies that operate and take more reactive-oriented approach will be operating in such markets where consumers are not willing to pay premium price for green products, and meanwhile consumers will not have enough information about the impact of their consumption patterns on the environment and their own wellbeing. Educating the consumers and raising their awareness about the importance of sustainability and a healthy environment will help consumers change their consumption patterns while generating new business opportunities and demand for green goods. Company's failure to acknowledge sustainability as one of the most effective business tools will result in losing market share and talented workforce in addition to damaging brand and reputation. Without embedding sustainability in the center of the business strategy, companies will be gradually ebbed out by more sustainable companies

However, given the efforts and resources needed for going green, most small and medium size companies will not be in the position to become fully green and establish their brands widely recognized and stand beside the most environmentally conscious firms. Therefore, they need to design a strategy and plan that what they want to achieve over a few years, and how they will get to the future desired state. Firms need to discuss their plans, strategy and commitment towards sustainability with stakeholders and communities in which they operate in an attempt to encourage investments required to employ sophisticated technology. Therefore, involvement of the potential investors and other key stakeholders are vital elements helping companies go green and satisfy the demand of environmentally conscious consumers in the market in question.

Setting small and realistic goals at the start of business are vital first step to achieve the desired result and go green. Practicing sustainable business processes and switching from nonrenewable to renewable source of raw materials while reducing material use and waste through sophisticated technology will enable companies to

enjoy savings. The savings can assist companies to strengthen their financial condition and feedback the savings to advance their sustainability initiative.

Despite the growing awareness and willingness of consumers to consume more sustainable products and the enthusiasm of companies for sustainable production, any sides (Vermeir & Verbeke, 2006:171) have not achieved the desired result. Basically, one of the major reasons that makes sustainability a challenging issue for consumers and companies is the gap between attitude and behavior of consumers, and there are little number of people who consider environmental and social impacts of products and services in their purchasing decision (Prothero, Dobscha, Freund et al 2011:31; Menzel & Green 2013:11).

The gap in the consumer side is mainly because of lack of environmental information (Horlings, 2009:6; & Salzmänn **et al.** 2006:3). The gap on the business side is mainly because of the ineffective strategy in sustainability management (Figge, Hahn, Schaltegger, and Wagner, 2002:269). There are overwhelming numbers of consumers that support consuming eco-friendly products and services, but their willingness for green goods do not translate into actual sales (Young, Hwang, McDonald, **et al.**, 2010:22). The gap between consumer action and consumption behavior can be bridged by educating and sharing products information with consumers so that they understand the impact of their unsustainable consumption on the wellbeing of living population (Sheth, Sethia, and Sriniva, 2011:25).

In order to increase consumer awareness about the impact of products on environment and wellbeing, companies have introduced green labels. Labels help consumers differentiate between green and traditional products; however, labels are not very effective in providing comprehensive information about the impact of products and services on the environment and social conditions.

Additionally, according to the data of the survey used in this study, the price difference still can play an important role in shaping purchasing decisions when the product and service does not affect social conditions and the effects are solely on the environment. If the consumers consumption patterns and behavior can negatively affect the social conditions in the given society or market, consumers are more willing to change their

consumption patterns and behavior. Therefore, it is concluded that a company's impact on social conditions is one of the most influential factors that can build up and harm a company's image, brand and reputation.

Furthermore, the findings of the survey of this study point to the fact that consumers are in favor of sustainable companies and are willing to reward environmentally friendly companies by paying premium price for green products and services. The results also argue that sustainability will strengthen a company's reputation and its environmentally friendly image and reputation (Peloza, Loock, Cerruti, and Muyot, 2012:74).

The result of the survey also suggest that socially and environmentally responsible businesses will also do better than less sustainable companies to attract pool of talents. Most of the employees showed their interest to change their jobs in order to join sustainable companies because of the fact that they want to have a positive impact on environmental and social well-being.

Ultimately, the implication of this paper suggests that sustainability is arguably the most effective driver of change and innovation through which companies can outperform their counterparts (Eccles, Ioannou, and G. Serafeim, 2011:3). Giving growing demands for environmentally friendly goods and services, there are tremendous business opportunities for companies to satisfy the expectations of the consumers through environmentally and socially friendly products and services.

Therefore, companies with a sustainable brand and products will be the major players in the market to maximize their profit and strengthen their reputations. Companies need to embrace a proactive sustainable approach and place sustainability in the center of their business strategies and activities or they will be pushed out of the market in the long run.

### **Credibility**

This researcher paper is directly dependent on the ability of companies to design and execute sustainable strategies and to what extent the managers and leaders are committed to long-term growth. Furthermore, the credibility of this paper is improved through references to popular journals in the subject matters, and was endorsed and further strengthened by findings of the questionnaire, interviews, and open



discussions. Furthermore, the case studies provided further insight on how sustainable organizations benefited and improved their financial performance through more sustainable business strategy and marketing.

### **Reliability and Validity**

To strengthen the validity of this research result, multiple well-known sources were used. Furthermore, the rational information was acquired from case studies, surveys and interviews in order to establish a chain of evidence. Furthermore, the data in the result section of this research was derived from the measures and figures generated by the findings of the survey and questionnaire combined with open discussion, and it was truly assessed to establish and convey the findings as transparent and true as possible.

However, the perception and motivation of the respondents while answering the questionnaire might have influenced their state of response and pushed them to fill in the required information hastily and quickly. Therefore, they might act differently while making the purchasing decisions. Should there is a gap between consumer willingness and actions in real purchasing situations, a different result will be achieved.

Nevertheless, as far as the societal impact of the business activities on social conditions was concerned, the respondents produced a similar response.

In regards to the reliability of the results obtained from the surveys and interviews, the interviewee and respondents provided their insight and willingness that they support and favor green consumption, while they also expressed their immense interest that they are willing to work with sustainable companies because they value the impact they will make through green business.

### **Limitation**

The theoretical parts of this research clearly indicated that consumers are in favor of green products and are willing to pay a premium price for environmentally friendly products and services. However, there can be a different result achieved had there is a gap between consumer willingness and actions. Examining the psychological, social and cultural factors that could influence consumers purchasing decisions in actual

buying situations are out of the scope of this thesis paper, therefore, further research to explore and identify the psychological and other major factors that influence and guide consumers purchasing and consumption patterns is needed.

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Appendix 1

**Appendix 1. Questionnaire used for the data collection**

**Questionnaire to Test the Company Compliance with the Sustainability Regulations and Promoting Sustainable consumption as way towards profit maximization[copy]**

Dear respondents,

This questionnaire is part of a master thesis in Business Informatics and is aimed to explore the challenges of unsustainable consumption. Additionally, it will assess that how businesses can address and turn these challenges into new business opportunities. In order to live in the limit of the planet's estimated carrying capacity and maintain a sustainable environment for the present and future generation, changes in the consumption patterns are essential. This paper will discuss suggestions on how businesses can promote sustainable consumption as a way forward to improving environmental and social wellbeing along with maximizing their profits.

The information you are going to provide in this questionnaire is going to be handled with utmost confidentiality and nobody will be victimized for taking part in the research process. The participation in the filling is voluntary. Therefore, nobody should be compelled into participating. It is also optional to write your name. You may choose to remain anonymous if you wish so.

**Sustainability refers to the coexistence in harmony between human beings and the nature around them.**

**Research questions**

The Country of Residence of Respondent (\*Required\*)

Finland    Afghanistan    India    Other    Name  
 (Optional)

Please select your country of residence, it is required

1. Have you ever heard of the word sustainability mentioned or addressed in your company?

Yes    No

Please select

If your answer is yes, Please explain how?

2. Producers should be held responsible rather than consumers for human impact on the environment- because companies produce and offer goods and services that their use and consumption affects the environment.

Agree Strongly    Agree    No    Disagree    Disagree

Agree,  
nor  
Disagree

Strongly

Please select

3. I will campaign to persuade public interest in favor of those companies that drive positive social changes while avoiding child labor, unfair wages, unsafe and unhealthy working environment and mistreating their workforce.

Agree Strongly    Agree    Neither agree nor disagree    Disagree    Disagree strongly

Please select

4. Considering the following definition, to what extent do you agree or disagree that your company's activities have promoted sustainability.

*"For business enterprise, sustainable development means adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future".*

Please answer using the scale 5=totally agree...1=totally disagree.

5    4    3    2    1

Please select

5. My company is solely assessing its business results on the basis of economic performance while paying less attention to environmental and social impacts of its activities

Agree Strongly    Agree    Neither agree nor disagree    Disagree    Disagree strongly

Please select

6. Please rate using the scale 5=very important ...1=not important the followings based on their importance while making the purchasing decision.

	5	4	3	2	1
The impact of the product on the environment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The price of the product	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The quality of the product	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The brand name of the product	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

7. Has your company's business actions measured holistically in terms of environmental, personal and economic well-being of the consumers?

Yes No Disagree  
strongly

Please select

If your answer to Q. 7 is yes, please explain how?

8. Does your company supply eco-friendly products and services that replace the demand for non-green products and services?

Yes, No,  
How? Why  
Not?

Please select

Please explain

9. In order to live in harmony with the planet's carrying capacity, generate less waste and pollution, companies need to offer only sustainable products and services, no matter how expensive it will be for consumers

Agree Strongly Agree Neither Disagree Disagree  
Strongly agree nor disagree strongly

Please select

10. Companies need to encourage sustainable consumption through educating consumers to change their consumption patterns while focusing on sustainable production not for the sake of protecting the environmental and social systems but because of profit maximization. Economic growth is achievable with ecological limits.

Agree Strongly Agree Neither Disagree Disagree  
Strongly agree nor disagree strongly

Please select

11. My company believes that business growth and development in ecological sustainability requires an innate tradeoff in profit maximization.

Agree Strongly Agree Neither Disagree Disagree  
Strongly agree nor disagree strongly

Please select

12. The price and quality are respectively the attributive factors influencing my purchasing decision, not the product's impact on the environment.

Agree Strongly    Agree    Neither agree nor disagree    Disagree    Disagree strongly

Please select

13. While purchasing, the eco-labeling plays no important role in shaping my decision, because, I don't read labels as far as environmental impact of the product is concerned.

Agree Strongly    Agree    Neither agree nor disagree    Disagree    Disagree strongly

Please select

I say that I will pay premium price for sustainable product and service, however in real purchasing situations, most of the time, I will act otherwise so that I can save on buying traditional products in lower price.

Agree Strongly    Agree    Neither agree nor disagree    Disagree    Disagree strongly

Please select

15. The current approach of businesses towards promoting sustainable consumption and increasing consumers' awareness is.

Fully effective    Effective    Partially effective    Not effective    Disagree strongly

Please select

16. I will switch employers to join a company where I can make a positive impact

Agree Strongly    Agree    Neither agree nor disagree    Disagree    Disagree strongly

Please Select

17. Please write your opinion that how a business should communicate the potential advantages of a sustainable product in order to influence consumer behaviors for sustainable consumption.

18. Irrespective of price and quality of the product and service in question, I will not become loyal customer of a company if it has negative effects on social and environmental conditions.



Agree Strongly    Agree    Neither agree nor disagree    Disagree    Disagree strongly

Please select                   

19. Companies will produce and offer unsustainable goods and services as far as there is demand for such goods/services in the market.

Agree Strongly    Agree    Neither agree nor disagree    Disagree    Disagree strongly

Please select                   

20. Sustainable businesses can help companies to be more efficient and competitive, increase their financial return and reduce risk for shareholders, attract and retain employees, improve customer sales and loyalty and strengthen its brand, reputation and community relations while contributing to environmental wellbeing.

Agree Strongly    Agree    Neither agree nor disagree    Disagree    Disagree strongly

Please select                   

**Proceed**

**Enjoy the questionnaire and thank you for your contribution and input.**

Järjestelmänä Eduix E-lomake 3.1, [www.e-lomake.fi](http://www.e-lomake.fi)

**Appendix 2. Result table of the survey**

Frequency of the different level of agreements on a likert's scale from 1-5 to the survey view questions.

S/N	Questions	Frequency					Mode	Median	Mean
		1	2	3	4	5			
1	Overall knowledge about sustainability	5	7	10	30	5	4	4	3,403
2	Companies to be held responsible for manufacturing unsustainable goods not consumers.	10	28	7	7	5	2	2	2,456
3	I will become loyal customer and support sustainable companies that can drive positive social changes in the community where they operate.	1	11	15	25	10	4	4	3,473
4	Companies' only concern is profit maximization not safeguarding the environment and society, yet they will gain competitive advantages and enjoy stakeholders support over their counterparts should they embed social and environmental concerns in their decision-making and business strategy.	1	3	17	26	10	4	4	3,719
5	Primary factors shaping my purchasing decisions in order of ranks are, price, quality and product environmental performance	2	30	12	9	4	2	2	2,524
6	Companies are assisting the impact of their operations on the environmental and social system regularly, and also introduce measures to minimize the impact of their activities on social and environmental dimensions.	8	15	14	11	9	2	3	2,964
7	Company can charge premium for sustainable goods.	1	8	2	27	19	4	4	3,557
8	Product Label is effective method in pursuit of consumers support to environmental wellbeing.	14	15	13	13	2	2	2	2,232

<b>9</b>	I am willing to pay premium for sustainable product, however in the time of purchasing; I am very likely to act otherwise so that I can save on buying cheaper traditional products.	8	14	19	11	5	2	2	2,789
<b>10</b>	Businesses are doing enough to educate consumers on social and environmental sustainability	22	24	0	7	4	2	2	2,07
<b>11</b>	I prefer to work for green companies and switch employers	3	5	17	27	5	4	4	3,456
<b>12</b>	Business contribution towards promoting social condition can be a competitive advantage to attain loyal customers	2	5	15	27	8	4	4	3,596
<b>13</b>	There is tradeoff between profitability and sustainability	11	26	2	11	7	2	2	2,596
<b>14</b>	Sustainable businesses generate verity of safer business opportunity; strengthen relations with community, reducing wastes, saving on material use, retaining employees and improving customer's loyalty to name a few	2	5	9	32	9	4	4	3,719
<b>15</b>	I will change my consumption patterns if get to know the negative impact of my consumption on the environment and the society.	1	3	9	25	19	4	4	4,01

### Appendix 3. Result table of interview

Frequency of the different level of agreements on a likert's scale from 1-5 to the interview questions.

S/N	Questions	Frequency					Mode	Median	Mean
		1	2	3	4	5			
1	Sustainability can generate significant new business markets should the companies possess a basic understanding of the interconnections and interdependency among ecological, economic and social dimensions.	1	3	2	4	1	4	2	3,09
2	The roots of environmental degradation and social conditions are largely because of the human activities in terms of consumption and production, and such activities are considered injustice. People are now more educated and they stand against injustice to change consumption patterns and production. Companies will lose their market-share and be held accountable for not modeling environmentally sustainable practices.	0	1	1	8	1	4	4	3,818
3	Company in which I am working, or have worked, views and treats its employees fairly well in decision making, their status and benefits related issues.	3	3	2	2	1	3	3	2,545
4	Firms committed to sustainability grant employees with exclusive opportunities and settings, to name a few, refer to the below: * Employees environmental Center * Orientation program on sustainability for employees and staff	3	5	1	1	1	5	5	2,272
5	To a full extent our company provides significant employee development opportunities to enhance understanding, practicing and exploiting sustainability.	2	6	1	2	0	2	2	2,272
6	For a business to thrive while growing with the ever changing social, economic and environmental landscapes is to ensure through its business operations and activities that the community(s) where it operates and the stakeholders it serves remain unaffected by the negative impact of the business activities.	0	0	0	2	9	5	5	4,818

7	Businesses are profit-oriented and commercial entities and their primary concern is profit maximization. However, it must be taken into account that the strength of the economy relies profoundly and largely on the condition of the environmental and social systems. Therefore, companies need to consider the impact their business activities can have on the environment and people in order to enjoy public support to ensure their financial survival in the long-run.	0	0	2	6	3	4	4	4,09
8	The essential values and basic assumptions that shape consumer's purchasing decision and behavior is price and quality of products independent of the social and environmental performance of the product in question.	2	4	3	1	1	2	2	2,545
9	I am committed to green purchasing from environmentally and socially responsible companies. I pay premium for sustainable products over the tradition products to improve social and environmental well-being.	1	1	4	4	1	4	4	3,272
10	To an adequate extent, our company's sustainable business practices are integrated into the center of the firm's business strategy.	1	2	5	3	0	3	5	2,909