3 Strategy in a world of sustainability: a developmental framework

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INTRODUCTION

The role of business in society is being called into question in an unprecedented manner as corporations are increasingly confronted with managing and responding to expectations of a society alerted to the environmental and social risks associated with economic development (Davis and Stephenson, 2006). Society is demanding that business firms move beyond narrow, money-making self-interest by focusing significant attention and resources on the social consequences of their economic activities (Porter and Kramer, 2006). The term widely used to describe this phenomenon is sustainability (Bansal, 2005; Clarke, 2007).

Sustainability is a business approach that seeks to create long-term value by embracing the opportunities and managing the risks associated with economic, environmental and social developments. Some scholars (for example, Bacon, 2007; Stranislav, 2007) suggest that the ability to integrate the sustainability agenda into the business mission and into relationships with consumers will determine which firms will succeed in the 21st century and which will fall. Evidence demonstrates that consumers place strong demands on business to address sustainability (Bacon, 2007). Consumers, however, are not the only interested party in sustainability.

Governments such as those in Australia and the United States, once staunch sceptics, have demonstrated acceptance of the environmental issue of climate change and have moved towards new policies to address the problem. The Stern Report, produced for the government of the United Kingdom by the economist Sir Nicholas Stern, suggests that climate change is not only an environmental issue, but also an economic and social one. For example, Stern (2007) argues that climate change will affect access to water and food production, and will inflict increasing health problems on society. Economically, the Stern Report estimates that the overall costs and risks of not addressing climate change will be the equivalent of losing at least 5 per cent of global GDP each year on a best-case basis, and 20 per cent GDP each year on a worst-case basis, for the foreseeable future. Similarly, Research Australia, a leading national