

Sustainability

A Fad or Serious Strategic Initiative for Indian Companies?

- Pankaj Jain
Sr. VP (Sales & Marketing),
Kalyani Steels Ltd.

A new trend is emerging. On one hand, it is seen that a large number of customers are asking suppliers about sustainability initiatives/practices; and on the other hand in many of the corporate presentations meant for customers/investors, companies have started showing “Sustainability” as one of the major focus area.

Is “sustainability” one of the “Latest Buzzwords” OR its actually one of most important strategic initiatives one can take in business ?

But before we dwell more, it’s important to understand “Sustainability”. Very simply defined, “it is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

For example – the current “**Water**” issue, even in a country like India. We see “Save Water Posters” at many places. Few of the world leaders have even quoted that

“The next world war will be on Water”. But are we knowledgeable and sensitive about the issue? Do our actions exhibit our sensitivity?

I will share few numbers published by CSE’s (Centre for Science & Environment) Green Rating Project (GRP) which might be India’s only comprehensive environmental audit system.

The Indian Steel Industry collectively consumes roughly **3.5 m3 of water to produce one ton of crude steel. The global best is 1 m3/Ton.** Some large steel plants are at a level of 5m3/Ton. If we include the power plants and townships attached to it, the global best is 5 m3 /Ton; but I feel pained to mention that there are steel plants in India where the **cumulative consumption level is more than 30 m3/Ton.** One of the most reputed plants of India with a capacity of 10 Mi T uses 57 Million m3 / Year just for their steel production. This much water is enough to

meet the daily requirements of each individual in a city like Navi Mumbai for an year which has an estimated population of 1.3Million.

Today itself, we are having water scarcity in many places during summertime. God knows when we actually start making 300 Million T by 2030 (as targeted in Steel Policy 2017), which is more than 3 times current production level, whether we will have sufficient water just to run the steel plants.

But what is interesting that if we design our processes the way the best steel plants are designed, the consumption can be as **low as 20%.**

The above mentioned is just one issue. On other burning fronts like Carbon emission, Air Pollution, Solid Waste Management, Water Pollution the report cards of Indian Steel mills are equally disturbing.

Coming from a business family

background, I know for sure that in most of the businesses – whether they are small or big, any initiative is taken only when there is a business sense. In my view, taking sustainability initiatives and creating a culture to practice the same is a must to “Be in Business”. If one does not, the existence of such companies is just a matter of time.

The major **business benefits** when any company develops a culture of sustainability are:

(1) Improved Branding of the company which will translate into competitive advantage. Even in a product like steel where branding is not the top marketing agenda, my experience gives me reason to believe that most of the large buyers whether from automotive, bearing, oil & gas, mining etc buyers consider company’s impact on the environment before making a purchase decision.

Importance is given to companies that practice sustainable habits and few companies have started doing a serious evaluation of track records in personal, social and environmental values of the supplier.

As per one study, nearly two thirds of consumers across six international markets believe they “have a responsibility to purchase products that are good for the environment and society” — 82% in emerging markets and 42% in developed markets. It is also important to that the **opportunity to enhance brand image is lost and works negatively if the company doesn’t do what it preaches.**

(2) Cost reduction and productivity improvement. The old thought that money spent towards sustainability – whether environment, social, safety etc eats into corporate profit is in fact just the reverse. Research has shown that development of sustainable business practices plays a major role to improve operational efficiency and reducing cost. For example, since 1994, Dow, the chemical company has invested nearly \$2 billion in improving resource efficiency and has saved \$9.8 billion from reduced energy and wastewater consumption in manufacturing.

(3) Attract employees and investors:

Tomorrow’s prospective employees and their families are also likely to decide about joining a company based on the above values. They would not like to link themselves to companies involved in ecological disasters and whose track record are low on compliances, ethics, safety etc. One study found that morale was 55% better in companies with strong sustainability programs, compared to those with poor ones, and employee loyalty was 38% better. Firms that adopted environmental standards have seen a 16% increase in productivity over firms that did not adopt sustainability practices. It may not be out of place to mention that “Talent”



available in the companies will be one of the biggest differentiators in the times to come.

(4) Compliance to regulations. Till recent past, compliance to regulation was not given the seriousness it deserves. **With all the discussion regarding climate change, dwindling energy resources and environmental impact it will not be a surprise that government agencies will enact regulations to protect the environment even if it leads to closure of the plant.** Last month, (April 2017) Vietnam’s prime minister halted work at a \$10.6 billion steel plant Steel maker (Hoa

Sen Group) on concern over its environmental impact. This plant was supposed to be manufacturing 16 Mi T/Year. Recently, China declared that 173 steel firms violate environmental rules and the government is going to take strict action against them. Steel is a capital intensive business and any failure on compliance front leading to stoppage/closure can have huge financial losses.

(5) Make shareholders Happy : A study by Deutsche Bank revealed that companies with high ratings in environmental, social, and governance factors outperformed the market in medium and long range terms. McKinsey reported similar results for studies conducted by the Carbon Disclosure Project. Those assertions are supported by calculations related to share price: “an investment of \$1 at the beginning of 1993 in a value-weighted portfolio of high-sustainability companies would have grown to \$22.60 by the end of 2010, compared to \$15.40 for the portfolio of low-sustainability companies.” That is the reason why more than 81% of S&P 500 companies publish sustainability reports now. (Up from 20% in 2010)

During the World Economic Forum held in Davos in the year 2016, Mr. Anand Mahindra, CMD, M&M made a wonderful remark – ***“The opportunity to raise the quality of life is the biggest opportunity going”.***

We cannot raise the quality of life simply by lip service or good presentations. **Action is foundational key to success.** Real sustainability culture can only be created when we create enough awareness of all the misdoings we do which leads to huge damages either in short term or long term.

All of us try to save enough for our children, but just saving money may not be sufficient. If you really think money is more important than the environment, try holding your breath while you count your money. We are the only species – gifted by God – who have the power to destroy and also to protect our earth. **Think and make your choice.**