

## What is Sustainability and why is it important?

Sustainability is a term that is often used in the social enterprise sector. However, the concept of sustainability can be confusing. It is sometimes misunderstood as a purely environmental issue, or other times as a financial one, depending on who is using the term. For example, businesses have traditionally been concerned with their financial sustainability above everything else because without long-term profitability and strong positive cash flow, it is difficult to fund growth through investment in people.

For many modern enterprises, sustainability is driven by their organisational values and ethos, such as a desire to be environmentally friendly or transparent with staff and stakeholders.

However, what is often missing is that enterprises do not consider sustainability as an integral part of the process of running an organisation efficiently, or as part of a forward thinking survival strategy for the long-term. In a nutshell, sustainability primarily concerns our attitude and our ability to plan for the future. It is crucial that social enterprises build the three aspects of sustainability into their business strategy.

Implementing a sustainability strategy is not just about values - it also makes business sense. Generally speaking there are three aspects to sustainability when considered in its broadest sense:

- Financial
- Organisational
- Environmental

Ideally, each of these three aspects should be given equal value because each has an impact upon the other. They should also be tightly built into every other aspect of running your social enterprise, from human resources to marketing, operations and financial management.

## How does sustainability work in practice?

Planning for long-term sustainability is not a complicated process. In fact, it can be approached using the same processes, tools and frameworks that are used in normal business planning, such as business plans and strategic reviews. Essentially the mechanisms are the same. The difference is in the long-term aspiration of your own organisation.

### Financial sustainability

The financial aspects of sustainability include standard and well-understood ways in which you can keep track and measure how well you are doing financially, such as your cash flow, profitability and a strong balance sheet.

Social enterprises and other third sector organisations often need to be aware of particular issues that may affect their cash flow and profitability. One of these is the risk of over-dependence on specific revenue sources such as grants. It is important therefore for these organisations to develop financial risk strategies.

General points to be aware of include:

- **Attracting different forms of income** other than grants through the development and use of a diversified funding strategy. This can help to ensure that the organisation knows how to generate income beyond grants or develop new products and services to create a varied customer base.
- **Recruitment of suitably qualified and experienced financial staff.** Paying for a high level of knowledge is an investment that can save money in the longer term.
- **The use of financial control systems** such as financial forecasts. This is very important, for example when it comes to costing and pricing your products and services. It is hard to change

prices once they have been presented to customers but if they have been set too low, it will be difficult to fully recover your costs and generate profit.

- **The review of all financial information** by senior management staff as part of their standard duties to ensure that those people running the business know where the money is.

Make sure you look out for cash flow. More businesses go bust because of poor cash flow rather than poor profitability!

## Organisational sustainability

This aspect of sustainability is mostly concerned with the operational side of your business. In order to be a truly sustainable organisation, your social enterprise must have sufficient infrastructure in place (i.e. systems and processes), as well as adequate human resources (i.e. staff, volunteers, etc) and stakeholder engagement (i.e. knowing, understanding and involving your stakeholders).

It is inevitable that as a business develops, there will be changes to staff, procedures, products and services. These changes can be managed smoothly as long as good organisational planning is in place. This is important to help you react to external change or any crisis and ensure your products or services are not impacted negatively.

The things to look out for with organisational sustainability are as follows:

- **The development of strong IT systems.** What happens if the server is down just as you need to submit an application for funding? Is there adequate back-up in place and who in your organisation will have the knowledge and capacity to respond quickly to resolve the problem?
- **Documentation of your vision, business plan and marketing strategy.** Does everyone in the organisation understand what the business hopes to achieve? Do they all feel they have an important part to play in that?
- **HR policies.** How do you manage staffing issues and staff development? Do you consider your future development as an organisation during your recruitment process? How do you intend to resolve skills shortage or sudden increased capacity?

If you leave questions such as these until the day they arise, you may find yourself dealing with fallout from bad planning for much longer than is comfortable and may ultimately damage the success of your business.

## Environmental sustainability

Environmental sustainability is a large topic, in that it is multi-faceted. For example, it applies to everything from the direct impact of your operations on the environment through to the impact you can have on your customers' behaviour. This is why it is important for your organisation to develop systems that enable you to consider where and how environmental sustainability is an issue for your particular business.

Once systems are built into your daily procedures, the management of environmental sustainability becomes simpler and much more effective.

Decreases in environmental impact may also bring increases in financial performance by reducing your costs or creating efficiency savings. For instance, printing less often and using paper on both sides will have a direct financial impact on your bottom line. See our leaflet on Greening your business for more information on how to implement environmental sustainability in your social enterprise.

General points to be aware of with environmental sustainability include:

- **Re-using and re-cycling.** Make it easy for staff to recycle and review all of the ways in which you can re-use old materials.
- **Sourcing from environmentally conscious suppliers.** The impact of your own efforts to re-use and re-cycle will be much more powerful if you source from suppliers who do the same. Ask suppliers to tell you about how they source their own materials.
- **Investigate novel ways to save energy** such as using teleconferencing and online technologies instead of travelling to meetings.
- **Consider integrating your efforts into your marketing materials.** For example, by displaying the fact that you use paper from sustainable sources on your literature.

- **Help your staff to use more environmentally friendly means of transport to work.** For example, you can subsidise bicycles or public transport for them.

Capturing these processes in your environmental policies is a great thing. However, real progress is only made when you embed a respect for the environment into your organisation's culture.

## Further information

Read our guide to **Setting your aims and objectives:**

[www.blondon.com/SocialEnterprise/SettingUp/Settingobjectives/Settingaimsandobjectives.aspx](http://www.blondon.com/SocialEnterprise/SettingUp/Settingobjectives/Settingaimsandobjectives.aspx)

Read our guide to **Costing and pricing your products and services:**

[www.blondon.com/SocialEnterprise/Marketing/Salesandmarketing/costing-pricing.aspx](http://www.blondon.com/SocialEnterprise/Marketing/Salesandmarketing/costing-pricing.aspx)

Read our guide to **Greening your business:**

[www.blondon.com/SocialEnterprise/Operations/Compliance/Greeningyourbusiness.aspx](http://www.blondon.com/SocialEnterprise/Operations/Compliance/Greeningyourbusiness.aspx)

Read our guide to **Developing a diversified funding strategy:**

[www.blondon.com/SocialEnterprise/Fundingandfinance/Sourcingfinance/Developingadiversifiedfundingstrategy.aspx](http://www.blondon.com/SocialEnterprise/Fundingandfinance/Sourcingfinance/Developingadiversifiedfundingstrategy.aspx)

Read our guide to **Developing HR policies:**

[www.blondon.com/SocialEnterprise/Operations/HumanResources/DevelopingHRpolicies.aspx](http://www.blondon.com/SocialEnterprise/Operations/HumanResources/DevelopingHRpolicies.aspx)

Read our guide to **Defining success and the triple bottom line:**

[www.blondon.com/SocialEnterprise/Monitoringandevaluation/Definingsuccessandthetriplebottomline.aspx](http://www.blondon.com/SocialEnterprise/Monitoringandevaluation/Definingsuccessandthetriplebottomline.aspx)

Read our guides to **Funding and Finance:**

[www.blondon.com/SocialEnterprise/Fundingandfinance/SEFundingandFinance.aspx](http://www.blondon.com/SocialEnterprise/Fundingandfinance/SEFundingandFinance.aspx)