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LEAD PAPER: INDUSTRY

LEADING SUSTAINABLE BUSINESS ADVISORY

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ABSTRACT

Sustainability is the lifeline of any organization which begins with its people. The pillars of sustainability be it economic, social and environmental, have been linked to improved business performance when entrenched into long term strategies of a business. It is therefore imperative to develop solutions that will not compromise future needs yet meeting the needs of the present. A clear understanding of the trends of business environment (internal and external) and forces that shape competition; safe work initiatives; continuous learning; recycling recovery and re-use are strategies businesses can adopt to reduce environmental waste, social and economic issues which ultimately impede sustainability. For this purpose, this paper explores global sustainable business practices with the need to proffer leading sustainable business advisory to business managers and policy makers in Nigeria. The study therefore recommends that Government must provide confidence, building strategies, reorient all security apparatus and take positive steps to reposition businesses in Nigeria with supportive and effective regulations. Government should also create friendly and enabling environment that would be conducive for both business organizations and investors to thrive in order to ensure sustainability and growth of the economy.

Keywords: Sustainability, Business Advisory, Sustainable Business

INTRODUCTION

The world economies are battling with unprecedented economic challenges of various dimensions which has affected established businesses. The year 2020 witnessed a legacy of environmental and social challenges including climate emergency, covid-19, Black Lives Matter riots and so many other events which fundamentally emphasized sustainability as the biggest economic opportunity of our time. It is noted that, the goal of every business is to achieve sustainability and ensure that businesses don't run out of the resources needed to thrive (AL-Rahimy & Mugableh, 2019). Businesses are not just expected to make profit, but also to operate in such a way that resources are put into use judiciously in order to maximize returns on investment. The sole aim of every business is to continue to make profit in perpetuity while meeting the expectations of all stakeholders. Sustainability has been referred to as a development approach that meets the needs of the present without compromising the ability of future (Bista, 2019). Companies around the world are faced with the critical challenge of complex tax system, frequent regulatory changes and demand for transparency from stakeholders. All these problems cannot be addressed by the current approach of valuing corporate success which does not recognise 2 properly the total ability of the company to create value from the economic, social and environmental perspectives (Tahtinen, 2018; Sustainable Development Knowledge Platform, 2015). For a business in times of economic crisis, it must be innovative, modern, and designed in such a way that offers something new, different, and better. For a business enterprise to succeed it is very sacrosanct for it to have a deep understanding of the factors that can lead to its sustainability. Business sustainability can be defined as a process of analysis and decision making across business functions, obtained through a committed and clear understanding of transitions that may occur in the present or the future. As sustainability is not easy to achieve, every company needs to adopt strategies to preserve resources for future generations and at the same time create value for the current generation (Klarin, 2018). It is common to see that companies these days exaggerate their sustainability efforts to catch the attention of their target customers. This could also be the new beginning where companies are valuing environment sustainability. During the past few decades, an increasing number of companies have started publishing reports on sustainability-related activities. These reports mainly consist of sustainability, sustainable development, corporate social responsibility (CSR), environmental, social and governance (ESG) reports. Some reports also focus on social and corporate governance issues. The demand from the stakeholders for sustainability reports, is not only a regulatory requirement but has become a business culture to recon with (James, 2014).

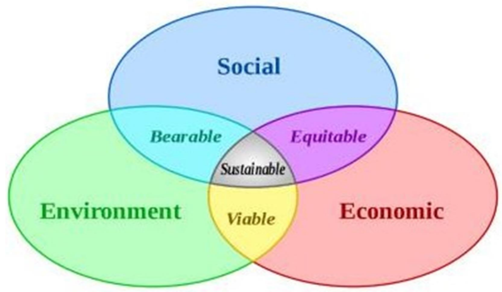
Business historians have highlighted how businesses have driven economic growth since the Industrial Revolution. They have shown how large manufacturing companies, contributed to commercialization of new products and processes which embodied innovative technologies that critically impacted the world economy from the nineteenth century (Kammer & Christopherson, 2018; Medel-González, García-Ávila, & Hernández, 2019) Nigeria is the largest economy in Africa, home to thousands of businesses and investments from around the globe. The Nigerian businesses are a subset of the international space with the economy being driven by agriculture, manufacturing and service sectors. They need to fully awaken to the requirement for incorporation of sustainability ethics to business approach and processes which are gradually taking center stage in the itinerary of policy makers, market regulators, companies and stakeholders, the world over. Nigerian business environment is engulfed with many challenges which ranges from pollution and poor waste management, epileptic power supply, multiple taxation, infrastructural deficiency, inadequate foreign exchange allocation and 3 host of others. Despite these challenges, businesses in Nigeria need to co-create with other stakeholders and integrate economic, social, environmental and governance considerations in their annual strategic plans.

LITERATURE REVIEW

Sustainability

Sustainability is a broad concept that includes various economic, environmental and social dimensions. It has appeared as an important tool to evaluate consumer products (Pelenc, Ballet, & Dedeurwaerdere, 2015).The concept of sustainability was first used in the field of forestry, where it means, never cutting trees more than actual time that required for the tree to grow. Sustainability is meeting the needs of the present without compromising the ability of future generations to meet their own needs. It is an approach to creating true and real value to systems (Iheanachor, 2021). The term sustainability literally means a capacity to maintain some entity, outcome, or process over time and carrying out activities that do not exhaust the resources on which that capacity depends (Anthony, 2018; Sustainability in the Nigerian business environment (2020). Globally, organizations are under pressure to follow the path of sustainable development as a result of the need to meet today's needs without compromising the future needs. In response to this, stakeholders in the business and investment communities are expected to include sustainability report in their annual reports to enhance the quality of decision making by the users. The reporting of financial information without sustainability reporting of the organization is not sufficient (Delmas & Bubano, 2011). Sustainability reporting has started gaining attraction from public and private companies. There are several standard-setting bodies, various reporting, and verification initiatives. It summarizes the current status of sustainability standards, how companies reflect those standards on their sustainability report and the challenges. Five staged process of sustainability has been pinned out as compliance, sustainable value chain, design of sustainable goods and services, development of new business model and creation of next-practice platforms (Nidumolu, Pralahad & Rangaswami, 2009). Sustainability is the ability of a system to maintain a well-defined level of performance over time and if required, to enhance output without damaging the essential ecological integrity of the system (Pelenc, Ballet, & Dedeurwaerdere, 2015). In the same vein, sustainability means development efforts, aimed at protecting the health of a construct in a manner that that will not frustrate the ability of future generations to meet their needs (Kammer & Christopherson, 2018). 4 The business historian Geoffrey Jones has recently shown, that sustainability should be understood as a concept that has been socially and politically constructed, also by business, and has reflected the interests and values of those entrepreneurs, social groups and organizations being involved. Taking this further, sustainability can be said to have diverse taxonomies which highlights the meaning of development and describes it as structural transformation to sustainable productivity. It is also identified as a process of targeted change, which includes goals and resources to achieve these goals (Anthony, 2018). Harvard Business School lists two categories of effects of sustainable business practices: the effect a business has on the environment, and the effect a business has on society, with the goal of sustainable practice being to have a positive impact on at least one of those areas. One critical issue emerged about how to measure sustainability, how to evaluate and claim that a business practice or a product is 'green' and what criteria that should be used to weigh such claims (United Nations Development

Programme, 2015). Sustainability focuses on the long term, a concern for the future generations, leaving our people, business and planet better than it is today. The mission is crucial, but the task at hand is challenging given the complexity. Sustainability cannot happen in isolation and requires a coordinated approach from business owners, investors and government. Sustainability encompasses a triple bottom line which includes economic, social and environmental considerations.



Sources: Scientific Research on the Magazine Green

The three pillars of sustainability were first introduced by John Elkington, the founder of sustainability strategy consultancy and a writer of different significant books on the corporate environment. His concept on three pillars of sustainability is to give ideas on how the business does not have just one single objective which is maximizing profit but also, should have an extended goal set of adding to environment and social values. (Crane & Matten, 2010). The three pillars of sustainability consist of Social, Environmental, and Economic Factors. Citizens, big companies and governments are responsible for sustaining these three factors in such a way that future generations will have the ability to utilize resources.

Sustainable Business Practices in Nigeria

Countries have experienced rapid shift in urban growth globally, increased economic and technological development in the years past; increasing industrial development coupled with various forms of contamination of the physical and biological components of the earth. Nigeria accounts for more than 150,000 metric tons of plastic bottles annually, half of it from the megacity of Lagos (The Monitor, 2019). In Nigeria, many industrialized cities still have inadequate waste management; poorly controlled open dumps and illegal roadside dumping remain a problem. These are environmental issues that destroy scenic resources, pollute soil and hydro resources and habitation. Nigeria generates more than 32 million tons of solid waste annually, out of which only 20–30% is collected (Nnadiukwu, 2019). Businesses have adopted sustainable practices for effective waste management. Sustainable practices and techniques embraced are total quality management, recycling, bio treatment, incinerations, neutralization and secure sanitary landfill (Price, 208). Total quality management like continuous improvement and the zero-defect call are apt solutions and guides to effective waste management. This method guarantees waste eradication, high quality products and increased profitability hence is a sustainable practice for companies. Bottling companies, for example use technological facilities with high efficiencies that are automated to reduce and process waste generation. Lagos, as Nigeria's industrial and densely populated city has numerous dumpsites. With a long value chain that is highly valuable ranging from the scavenger to the middlemen who sell or are representatives of companies, recycling is a sustainable method of managing waste and reducing its impact on the environment. Waste recycling saves raw materials, costs less, generates cash, creates jobs, and sustainable living. Ogundipe, (2018) revealed that landfilling as the most common method of waste disposal, which is closely trailed by reuse as backfill and recycling. Landfilling is a sustainable practice. Large corporations adopt incineration, burying, and flaring, while small companies adopt reuse as backfill, 6 landfilling, open dumping, and recycling. An industry leader in carbonated drinks industry adopts 3Rs –reduce, recovery, reuse, increasing the use of recycled content and implementing light-weighting techniques.

Business advisory

In both challenging and favourable economic conditions, businesses need to strive to be smart, nimble, creative and forward thinking. It is important to provide deep technical knowledge and extensive industry experience to assist clients in addressing business issues that goes beyond providing traditional audit services. Advisory services should be obtained in order to bring more focus to value proposition and competencies in the areas of finance function resourcing and outsourcing, accounting advisory services, liaison service, regulatory compliance and advisory and risk management and controls capability and many more. Business advisory involves reporting on performance as well as advising on strategic plans, risk assessment and succession plans. It involves a wide range of services provided by accounting and professional services network firms for small, mid-sized and large businesses which can range from start-ups, SMEs and family-owned businesses to large private and public organizations. Taking a sustainable approach to business means that your business has no negative impact on the environment or society, while remaining financially sound. It encourages us to focus on long term goals and strategy, and offers a wide range of benefits. Some key advantages of engaging a sustainable business advisory are; cost savings, improved reputation, increase employee retention and recruitment and management of environmental impacts among others.

THEORETICAL REVIEW

Stakeholder Theory

Stakeholder Theory is a theory of management that concerns itself with matters related to morals and ethics in running a business. Stakeholder theory suggests that a business must seek to maximize value for its stakeholders. It emphasizes the interconnections between business and all those who have a stake in it, namely customers, employees, suppliers, investors, people and the communities. Business is to serve the needs of the stakeholders, and not just the shareholders. Stakeholder theory is a theory of organizational management and 7 business ethics that addresses morals and values in managing an organization. It was originally detailed by R. Edward Freeman in the book Strategic Management: Stakeholder theory argues that there are other parties involved, including employees, customers, suppliers, financiers, communities, governmental bodies, political groups, trade associations, and trade unions. Even competitors are sometimes counted as stakeholders - their status being derived from their capacity to affect the firm and its stakeholders. The nature of what is a stakeholder is highly contested, with hundreds of definitions existing in the academic literature. The stakeholder view of strategy integrates both a resource-based view and a market-based view, and adding a socio-political level (United Nations Development Programme, 2015). It is very important for firms to recognize that there are diverse stakeholders with different needs and reporting, and are expected to take into account the economic, social and environmental perspectives to sustainability reporting. Reporting on sustainability reduces the societal pressure, regulatory problem, internal and external agitation for financial and non-financial benefits (Sustainable Development Knowledge Platform, 2015). The shareholders' expectation is about profit, the people expect firms to conduct operations with minimal discomfort and environmental preservation which is also required to ensure business continuity. Sustainability reporting is expected to address the needs of the shareholders by delivering profit, the comfort of the people living around the location of the organization and minimizing the negative impact of its operations. There is also the need to preserve and maintain the environment, so as to be a regulators and people friendly business.

METHODOLOGY

The methodology includes a literature review focusing on sustainability business advisory in the area of assurance services and sustainable business practices in Nigerian. The paper reviewed the design research literature to understand the relationship between business advisory vis-à-vis business sustainability in the area of Assurance services.

BUSINESS ADVISORY IN THE AREA OF ASSURANCE SERVICES

Objectivity, integrity, strong analytical skills, experience in measuring various subject matters against criteria, processes for testing the reliability of data, and clarity in reporting the results are critical elements in delivering assurance services. Assurance service has been identified as an independent service which is typically provided by the professional accountants, with the goal of improving information or the context of information so that decision makers can make more informed and presumably better decisions. Assurance services provide independent and professional opinions that reduce information risk (risk from incorrect information). According to Irivgbogbe (2021), the key considerations for sustainable business advisory include the followings: Governance: In reporting and disclosure on economic, social and governance (ESG), governance plays the biggest role and it is the responsibility of those saddled with governance to set out the ESG plan and strategy. A good governance structure is required to implement and oversee the effectiveness of the overall ESG strategy in the business.

Internal Controls: For efficient and sustainability of a business, internal controls also plays a major role in an organization when reporting on ESG. This reporting can contain a wide variety of metrics and as such, organizations must establish rules, regulations, policies, processes or procedures and controls that generate reliable information for decision-making and ensure the quality of data being produced are reported accurately with facts.

The Role of Internal Audit: Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal audit is an independent and objective assurance and as such, its involvement in the ESG reporting process is a critical element that gives a reliable third-party assurance on the effectiveness of the ESG strategy. Internal Audit can help achieve a better sustainability report through performing the following functions:

Assurance: One of the major functions of the internal audit unit is to give an assurance on the effectiveness of the ESG reporting. Internal audit can review reporting metrics for relevance, accuracy, timeliness and consistency and ensure they are in line with the set out ESG strategy. It also gives a huge confidence to stakeholders that ESG information being reported are being reviewed by a competent third party. *Advisory:* Internal Audit function can help management build a proper ESG reporting environment. They can recommend sustainability frameworks for management to manage ESG risks and can also recommend reporting metrics on what to report. Internal audit can also add value by assessing the feasibility and credibility of the company's ESG strategy and objectives and evaluating the quality of the ESG policies, procedures and controls. *Compliance:* With sustainability reporting, regulations are being formed by different bodies. There is already the EU sustainable finance disclosure regulation (SFDR) and there are talks of the IFRS Foundation considering creating a board to establish standards for global sustainability reporting. In Nigeria for example, Part E of the code of corporate governance (2018) developed by the Financial Reporting Council of Nigeria (FRCN) talks on sustainability reporting. Internal audit function can help monitor compliance to new regulations. Therefore, professional in business advisory should improve their competencies and expertise to help organizations prevent and detect violation of regulations thereby avoiding negative ESG which may result in fines, negative or bad reputation and even lawsuits.

CONCLUSION AND RECOMMENDATIONS

Every company needs to adopt sustainability policies and procedures to preserve resources for future generations and at the same time create value for the current generation. To ensure sustainable business practices in Nigeria, business leaders need to develop processes and structures while, focusing on achieving the strategic goals of the business. Sustainability reporting is becoming a growing area which helps to maintain transparency about the risks and opportunities faced as business, alleviating negative ecological, social and governance impacts, thereby improving the reputation of the organization. Governments and regulators are also having increased interests in sustainability reporting and there could be emergence of new unified regulations very soon. The company is also expected to be proactive in adopting recycling methods and other eco – friendly practices in their day-to-day production. It is therefore recommended that experts and professional in the business field should build up competencies and strength in the area of sustainability principles and practices, and help global businesses grow and prosper in a sustainable manner. Government must provide confidence, building strategies, reorient all security apparatus and take positive steps to reposition businesses in Nigeria with supportive and effective regulations. Government should create friendly and enabling environment that would be conducive for both business organizations and investors to thrive in order to ensure sustainability and growth of the economy.

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