Chapter 19
The Economics of Sustainability: Driving Profitability and Resilience in Business Models

Pawan Pant
https://orcid.org/0000-0003-1774-5650
Chandigarh University, India

Diksha Gandhi
https://orcid.org/0009-0006-1171-123X
Chandigarh University, India

ABSTRACT

This chapter analyzes how businesses can incorporate sustainability into their economic strategy in order to increase profitability and create long-term resilience. It analyses the financial logic behind sustainable business models that can achieve cost efficiency, revenue growth through green innovations, and operational and regulatory risk mitigation. Using this chapter, firms can get tools for setting sustainability-based financial metrics such as carbon ROI and environmental profit and loss accounts. Some of the essential strategies are optimized resource utilization, reduction in waste via principles of the circular economy, and effective use of digital technologies in increasing the efficiency of sustainability measures. It also talks about the regulatory landscape, discussing the economic benefits of proactive compliance and alignment with global standards. New funding sources such as green bonds and impact investing are also explored.

1. INTRODUCTION: THE ECONOMIC CASE FOR SUSTAINABILITY

Artificially driven integration in SDG strategies promises transformative solutions to key environmental, social, and economic challenges across the globe. AI-based solutions will now allow better resource allocation due to such environmental and social good-driven opportunities for the company. With more and more businesses realizing that environmental and economic sustainability and profitability and resilience are positively correlated, there is growing economic justification to pursue a sustainability strategy. Not only will this help save costs, but as the efficient use of resources and minimization of waste can be made, new revenue streams will be generated due to more and more eco-friendly consumers being

DOI: 10.4018/979-8-3373-0608-7.ch019

attracted (Porter & Kramer, 2006). For example, circular economy principles will allow companies to reduce reliance on finite resources and minimize waste, leading to an efficient operational model with minimal costs (Geissdoerfer et al., 2017). In addition, businesses that consider sustainability will help prevent risks due to changes in regulations, lack of resources, and loss of reputation (Bansal & DesJardine, 2014). Increasingly, investors seek businesses that have ESG profiles because those businesses are viewed as not vulnerable to economic and environmental shocks (Friede, Busch, & Bassen, 2015). Thus, through an integration of sustainability into core economic strategies, firms will not only realize immediate cost savings but also long-term resilience in an increasingly volatile global market.

A sufficient critical mass has been built for the economic case on sustainability for companies that are well-positioned to thrive within an economy that is rapidly changing at a global level. Given the escalating challenges to the environment and the evolving nature of regulatory scenarios, there are new areas of growth, efficiency, and risk management for companies focused on sustainability. Often, enhancing operational efficiencies with the aid of sustainable business operations reduces energy consumption, saves costs, and minimises waste while increasing resources, thereby leading to long-term reductions (Hart, 1995). For instance, there would be investment in solar and wind power in order to recover the energy costs. Since markets are becoming environmentally sensitive, they remain highly competitive in other fields. For instance, comparing this field with others makes it much cheaper in the market because environmental sensitivity is still considered (Delmas & Toffel, 2008).

Sustainable business models also provide companies with opportunities to generate new revenue streams, especially when they develop eco-friendly products and services that respond to the increased demand for sustainability among consumers (Nidumolu, Prahalad, & Rangaswami, 2009). Increasing public awareness about environmental issues makes consumers increasingly willing to support brands whose values resonate with theirs, thus providing a market opportunity for businesses to differentiate themselves through sustainability (Peattie & Crane, 2005). In parallel, the alignment of business strategies with sustainability goals improves corporate reputation by enhancing relationships among stakeholders, investors, and customers (Eccles, Ioannou, & Serafeim, 2014).

Furthermore, sustainable practices mitigate risks related to volatile resource availability, environmental regulations, and possible reputational damage (Bansal & DesJardine, 2014). With growing climate-related risks, proactively adopting sustainable business practices equips companies well to tackle supply chain disruption or changing consumer behavior patterns that will eventually ensure the long-term profitability of the firms (Gunningham et al. 2004). The economic case for sustainability is not about compliance and cost-cutting measures; it is about embracing the long-term strategies that can lead to resilience, innovation, and continued market relevance in a world that increasingly values sustainability, equitable access to education and healthcare, efficient agricultural practices, and climate action through the monitoring of emissions and integration of renewable energy.

2. CORE ECONOMIC DRIVERS OF SUSTAINABLE BUSINESS MODELS

Sustainable business models are underpinned by several core economic drivers that not only enhance profitability but also improve long-term resilience. By strategically adopting these drivers, businesses can realize both financial and environmental benefits, making sustainability a key factor in long-term success. Below are the primary economic drivers that support the transition to and success of sustainable business models:

Related Content

The Internet of Things in the Corporate Environment: Cross-Industry Perspectives and Implementation Issues
Kiran M. B.and Martin George Wynn (2022). *Handbook of Research on Digital Transformation, Industry Use Cases, and the Impact of Disruptive Technologies (pp. 132-148).*
www.irma-international.org/chapter/the-internet-of-things-in-the-corporate-environment/288646

Demystifying Mobile Banking App Security Through Gender, Education, Privacy, and Trust Intervention
Oluwafemi Samson Balogunand Sunday Adewale Olaleye (2022). *International Journal of E-Adoption (pp. 1-18).*
www.irma-international.org/article/demystifying-mobile-banking-app-security-through-gender-education-privacy-and-trust-intervention/294859

"Digital Natives" Redemption Intention of M-Coupons: A PLS-SEM Approach – Evidence From China
Wenyan Huangand Leong-Mow Gooi (2022). *International Journal of Innovation in the Digital Economy (pp. 1-18).*
www.irma-international.org/article/digital-natives-redemption-intention-of-m-coupons/292493

An Exploratory Study on Policy Transfer for SIM Card Registration in Malawi
Frank Makoza (2015). *International Journal of Technology Diffusion (pp. 33-45).*
www.irma-international.org/article/an-exploratory-study-on-policy-transfer-for-sim-card-registration-in-malawi/125593

Blockchain and Its Role in Leadership
Nivodhini M. K., Vadivel S., Vasuki P.and Banupriya S. (2024). *Impact of New Technology on Next-Generation Leadership (pp. 179-205).*
www.irma-international.org/chapter/blockchain-and-its-role-in-leadership/348755