


# Chapter 3

## The Role of Sustainability in Business Growth

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### **ABSTRACT**

*This chapter provides a foundational understanding of sustainable business and its application in strategic growth. It begins by introducing the historical adoption of sustainability into business practice, offering insights into its evolution from a cultural movement outside of mainstream business to a core set of business practices. Centered on managing and reporting social and environmental results, sustainability is shown to elevate overall business performance. Drawing attention to real-world examples, the chapter explores how the adoption of sustainability can create a comparative advantage for business. It further analyzes key sustainability competencies that drive business growth in three areas: increased brand value; lower cost of customer acquisition; and higher profits. Finally, the chapter offers three case studies for building a strategic sustainable business.*

### **INTRODUCTION**

Milton Friedman, winner of the 1976 Nobel Prize in Economics, famously argued that business has a singular purpose: to create profits for its shareholders (Friedman, 1970). However, a compelling alternative, called the sustainable business model,

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has emerged within nearly every sector of the global economy. This approach enhances the purpose of a business to include positive impacts on the well-being of people and the planet, as well as profitability. Today, in most sectors, businesses are required to be accountable for the impact their operations have on communities and the environment. What began as a niche model has become an integral part of the mainstream economy, changing the public's perception of the role corporations play in society. As the relationship between business and society evolves, it has become essential for management to develop practices that support sustainable business principles and the Triple Bottom Line (TBL). Introduced by John Elkington in 1994, TBL measures the social and environmental results of a business, as well as its financial performance. The concept of the Circular Economy has eventually emerged. Indeed, market forces now seek to reward companies that best serve the interests of society and the environment from the very beginning steps. Today, corporate sustainability includes the integration of best practices and performance in management systems. This chapter advances the scholarship on sustainable business by showing how sustainability drives innovation, resilience, and long-term growth. It bridges theory and practice, positioning sustainability as a core business strategy rather than a peripheral concern and supports the view that purpose-driven models are essential to future competitiveness.

## **BACKGROUND AND LITERATURE REVIEW**

Between 1600 and 1900, capitalism grew into a dominant global economic system. For most of this period, the forces of supply and demand that defined market-based capitalism were only marginally affected by efforts to conserve the environment or protect human rights. The Industrial Revolution drove rapid expansion of business throughout the 18<sup>th</sup> and 19<sup>th</sup> centuries, but it also brought significant impacts to the environment and workers. Carbon emissions increased by a factor of four hundred, and child labor reached levels of epidemic abuse. In response, governments began modernizing labor laws to protect workers, starting with the United Kingdom's Health and Morals of Apprentices Act in 1802 (Innes, 2008). Environmental regulations came later, beginning in the United States with the Rivers and Harbors Act of 1899 (Franz, 2010).

By the 20<sup>th</sup> century, a host of social and environmental laws placed new limitations on business operations, including labor and civil rights, wildlife protections, and pollution control. Despite advancements in social and environmental regulations, the rapid expansion of global industries and the growth of corporations have outpaced the ability of governments to effectively limit the negative impacts of business on the environment and vulnerable populations. After 1945, the global economy

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