

Project Group: 07 Regeneration First - In Search of a New Paradigm for Business Sustainability

## Comment

**Authors of the Comment:** Paulina Bernhardt, Konrad Kindermann, Lukáš Mikulec, Felicia Hezinger, Moritz Pfeiffer, Robert Glenz

Comment:

### High economical costs and a lack of collective motivation hinders quick transition to business sustainability

Regeneration of the world's environment has been an important topic of discussion for the last three decades. Scientists warn that we will not be able to keep global warming below 1.5 degrees Celsius, which is required to avoid the most detrimental effects of climate change. While recent efforts have seen governments and businesses make changes to their business approaches, there are challenges which hinder a quick transition to business sustainability. One identified challenge is the high economical costs and a lack of collective motivation involved for individuals, SMEs/start ups and large enterprises to be sustainable.

Individuals bear high economical costs and lack collective motivation to be environmentally positive. Research shows that sustainable products are 75-85% more expensive than conventional products (Kearney, 2022), implying that households would be required to spend more money on everyday products to shop sustainably. Additionally, there is no consistent understanding of sustainability by all individuals, due to different motivations, perspectives and interests. This further undermines the probability of individuals acting sustainably (Neckel, 2017). Hence, members of society are unlikely to be sustainable due to high economical costs and lack of a consistent understanding of sustainability.

Additional stakeholders who are confronted with these challenges are small and medium enterprises (SMEs) and startups. According to Open Business Council (2022), 37% of SMEs state that lack of funding is their biggest barrier to becoming sustainable, while costs of implementation concern 34% of them. Although there is a growing trend of companies to incorporate green practices into their business model, wrongly allocated government subsidies and unfair competitive advantages given to other sectors have hindered a green transition (Investopedia, 2021). This means that a significant amount of SMEs and startups lack the capital to cover costs of green change, and the monetary resources to drive this change are not distributed properly.

Larger companies possess bigger budgets than SMEs and have the potential to make drastic changes; however, they lack the collective motivation to undertake green change. Only a minority of shareholders are ready to take the risk of decreasing profit in the short-term to increase long-term revenue. Harvard Business Review (1994) argues that "environmental

costs are skyrocketing at most companies, with little chance of economic payback in sight”. This explains why most managers lack the collective action for more sustainable business practices. Smaller changes that do not impact the core business of big corporations are more feasible and can have an instant “impact on business and the environment” (Sodexo, 2016). They are, however, not able to make up for the big changes needed. Therefore, although big companies could bear the costs of sustainable change, most do not go the extra mile to change more than is seemingly necessary on a small scale.

To conclude, living sustainably is more expensive for individuals, and making it an unattractive lifestyle choice. The lack of a shared definition of sustainability is furthering the difficulty of embracing this change on an individual level. SMEs and startups that do not have green practices in their core strategies may not have the funds or government support to facilitate green change. Large corporations are unlikely to undertake significant changes due to high costs associated with change. Due to high costs and a lack of collective motivation on an individual, SME and large corporation level, the current actions taken to transition to business sustainability is not enough to combat climate change.

### Bibliography

1. Clarke, R., et al., 1994. *The Challenge of Going Green*. [online] Harvard Business Review. Available at: <<https://hbr.org/1994/07/the-challenge-of-going-green>> [Accessed 13 October 2022].
2. Investopedia. 2021. *Government Subsidies for Business*. [online] Available at: <<https://www.investopedia.com/articles/basics/11/introduction-to-government-subsidies.asp>> [Accessed 13 October 2022].
3. Kearney. 2022. *Why today's pricing is sabotaging sustainability*. [online] Available at: <<https://www.nl.kenney.com/consumer-retail/article/-/insights/why-todays-pricing-is-sabotaging-sustainability>> [Accessed 13 October 2022].
4. Neckel, S., 2017. The Sustainability Society: A Sociological Perspective. *Culture, Practice & Europeanization*, 2(2), pp.46-52.
5. Openbusinesscouncil.org. 2022. *22% SMEs See Environment And Sustainability As Biggest Concern For Business This Year*. [online] Available at: <<https://www.openbusinesscouncil.org/22-smes-see-environment-and-sustainability-as-biggest-concern-for-business-this-year>> [Accessed 13 October 2022].
6. Sodexo, I., 2016. *When Big Companies Make Small Changes to Benefit the World*. [online] 3blmedia.com. Available at: <<https://www.3blmedia.com/news/when-big-companies-make-small-changes-benefit-world>> [Accessed 13 October 2022].