



ADOPTING SUSTAINABLE BUSINESS MODEL FOR SMALL SCALE BUSINESSES IN NIGERIA: A REVIEW WITH IMPLICATION FOR FURTHER RESEARCH

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Abstract

This paper attempts to investigate sustainable business models for small scale businesses in Nigeria. Studies of sustainable business models are becoming more and more popular in recent times, however, businesses in Nigeria seldom include sustainability elements or the triple bottom line (TBL) concept in their business model design. The paper draws attention to the fact that, the contribution of this model in resolving TBL issue is not only to sustain business performances but also in order not to compromise the future generation's ability to meet their own needs. The work also examined major diagnostic tools for sustainable assessments such as, life cycle analysis, full-cost pricing, key performance indicators (KPI), stakeholder mapping and TWOS analysis from the TBL Perspective. The work further revealed that, the business as usual model needs to be continuously challenged among small scale business owners, with the understanding that the revolutionized sustainable business model will stimulate business growth and development.

Keywords: Sustainable business model, triple bottom line, performances, diagnostic tools.

Introduction

Sustainable business model is comparatively a novel development in the contemporary business world. This is demonstrated by a study piloted by PricewaterhouseCoopers, which has established that amongst nine hundred global companies, eighty percent of chief executive officers said that they have confidence in sustainability which is necessary for the viability of their corporations, and seventy one percent believed that they could deliberately relinquish temporary profit in order to prepare their corporations for sustainability (Savitz & Weber, 2006). Sustainability can be defined as the capability of companies to be responsible socially, ecologically and economically (Trends Active, 2012). This is a novel tendency that has considerably impacted on the individual's lives and other sustainable activities that are required by the clients, which inspires more businesses to kick-start more social, economic and ecological companies that will be highly competitive.

Literature Review

Sustainable Business Development

Sustainable development can be defined as “growth and development that can meet the need of the current situation without jeopardizing the upcoming generations to meet their own needs” (WCED, 1987). The World Commission on Environment and Development (WCED) has advanced sustainability as an approach to change rather than being a stable state of harmony. WCED has also clarified that the mistreatment of resources, businesses directions, positioning of technological progress and organizational transformations are made in line with the future as well as the current needs (WCED, 1987). In addition, sustainable business model can also be defined as focusing on the incorporation of social, economic, ecological achievements that have some minimum impacts globally and locally (Cooney, 2009); these 3 components have brought us to the concept of Triple Bottom Line.

J. Elkington, the initiator of a British consultancy services called SustainAbility, first presented this idea in the year 1994. He contended that business ought to work on three different bottom- lines; – The first one measures profit, through gauging their financial performance. The second bottom-line measures the people account - Companies ought to have a sense of what impact that they have on their society where they operate. The third bottom-line measures the planet account, which deals with business environmental responsibilities. All business that have a significant Triple Bottom Line ought to have a considerable impact on the 3Ps which should indicate some increase on the corporations values, that is social, ecological and shareholders' benefits that are derived from the business' operations (Savitz & Weber, 2006).

Table 1. Typical measures for Triple Bottom Line

Economic	Environmental	Social
Return on investment, sales and profit	Water quality	Labour practices
Taxes paid	Energy usage	Community impacts
Jobs created	Waste produced	Human rights
Monetary flows	Air quality	Product responsibility
TOTAL	TOTAL	TOTAL

Source: Savitz, A. (2013). Triple Bottom Line: How Today's Best-Run Companies Are Achieving Economic, Social and Environmental Success

In the Africa's business literature, the concept of triple bottom line is relatively new to most businesses. This insufficient awareness of the need for sustainable business model is the major cause of environmental degradation, even though some African countries have witnessed a tremendous economic growth.

Diagnostic Tools for Sustainable Assessment

In order to ascertain sustainable business model, some yardsticks have been used to plan, organize, direct and control corporations' sustainable performance (Savitz & Weber, 2006),

Life cycle analysis

Life cycle analysis is one of the tools that weigh the ecological effect of a product throughout its life history, and some corporations also utilize it to quantify their social and economic impacts in the society.

Full-cost pricing

Full-cost pricing is also one of the tools that are utilized to integrate all the external charges of goods and services into the prices paid. Savitz & Weber (2006) elucidated that if all and sundry settles for full-cost pricing, then all the damage caused by the environment toxic waste would be paid off by charging a higher price.

Key performance indicators (KPI)

Key performance indicators (KPI) is also one of the tools that could help businesses quantify the growth and achievement of their goals. Savitz & Weber (2006) were of the view that using KPI principal indicators and lagging indicators could influence corporations to make modifications to their rule and regulations so as to attain their set goals.

Stakeholder mapping

Stakeholder mapping is used as a tool for detecting and ordering the ranks of interested parties and this is a very influential analytical tool (Savitz & Weber, 2006). This tool can be initiated by allotting all stakeholders into only three categories, that is, the corporation - those that you do businesses with, and those external to the corporations. Ordering and highlighting each of these groups is known as target analysis.

TWOS Analysis from the TBL Perspective

TWOS(Threats, Weaknesses, Opportunities and Strengths) analysis can be said as one of the most shared business tool for companies to understand where they are among their peers in the contemporary business environment, in order to evaluate their strong points and flaws and to help businesses seize opportunities and rule out possible threats. A sustainable business model for the innovative entrepreneurs could still be designed to enhance the understanding of their threats, weaknesses, opportunities and strength (TWOS).

Small Businesses TBL Threats

Threats from the position of firm's practices can be defined as the components in the operational environment which can easily cause serious concern for the firm's operation. The same rule of external perspective with opportunities as earlier discussed above can also be applied to this threat analysis.

From the economical perspective, small businesses threats usually come in form of low survival rate as earlier been discussed. With lower levels of sale and revenues, the average life span of small businesses is usually 5-8 years. The major consumers of small business products are usually across the borders that they can easily change their off-shore sourcing partners to other developing countries. These customers churn is due to the growing cost of sourcing in their home countries.

Small Businesses TBL Weakness

Weakness from the standpoint of business practices is often defined as a feature that places the corporations at a disadvantage when compared to others. The same comparisons with strength analysis will be applied when it comes to weakness analysis.

From the perspective of economic sustainability, small businesses have comparatively lower deals and revenue margins, this is as a result of lesser scale of production that can be of greater disadvantages especially when they are competing against bigger corporations. The small scale businesses to some extent, have a lot of limitations in their capacity to invest because even commercial institutions are sometimes unwilling to approve loan requests for the small businesses. Small businesses sometimes do not have the capability to update their facilities unlike bigger businesses and so they end up using outdated equipment, which usually cause even more industrial pollution and environmental degradation.

Small Business TBL Opportunities

Opportunities from the outlook of corporation's practices are said to be the components which can take advantage of any available chance to succeed. These opportunities for small businesses can then be analyzed by comparing external opportunities that come from other countries such as United States.

Economically, the sustainable business models normally acclimatize to the dynamic business environments so as to make available the opportunities.

Environmentally, small businesses have healthier opportunities to minimize pollution and environmental degradation in order to reduce their material footprint by pursuing partnerships with bigger companies that have a very good environmental management.

Small business TBL Strengths

From the economic standpoint, there are three major strengths. First, entrepreneurs contribute a large proportion of taxes to the economy. Second, entrepreneurial undertakings boost the job creation owing to the fact that a huge portion of corporations engage more than 50% of urban workers. Third, a major impact on the gross domestic product is from entrepreneurial undertakings which contribute positively to the inflow.

Socially, a large number of businesses do hire students and graduates to some extent, this could provide community security by lowering the unemployment rate which significantly contributes to lowering the crime rate.

Rising Level of Insecurity and the Increasing Cost

Labor cost has been increasing at a rate of about 12.5% every year, since several reports show how difficult the current situation is for workers.

Socially, small businesses are facing the threat that international clients investing interests might deteriorate because of some perceived social liabilities. The growing social media may order circumstances in which very simple missteps can turn into a disaster resulting to a reputational damage (Schiavone, 2013). Small businesses can no longer live in denial, thereby disregarding the social risk and imagining that such denial would no longer affect them due to their small scale of production.

Conclusion

This paper proposes that sustainable business model should be grounded on the contingency approach, which is dependent on the businesses' current circumstances. TWOS analysis and sustainability credit score in order to specially make their distinct sustainable business model. This very practical sustainable business model can have a better chance for acceptance among innovative entrepreneurs which can boost small businesses productivity.

Innovative entrepreneurs can therefore relentlessly revolutionize their business models in order to reposition and adapt the contemporary business environment to be relatively more competitive than other organizations that practice a business as usual style of designs. It is pertinent to note that small businesses can represent the future of a huge part of the global economy (Kang, 2014). Therefore the key to survival in the current business world is sustainable business models which would catapult businesses to growth and development for higher productivity.

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