

SME

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> FUTURE SNAPSHOTS < *with Anne Lise Kjaer*

RETHINKING THE BUSINESS CASE FOR SUSTAINABILITY

The Intergovernmental Panel on Climate Change (IPCC) met in Stockholm in September to present its latest report on climate change. This revealed that scientists are now 95% certain global warming is caused by humanity's actions. This is an urgent wake up call – but at the same time it's our chance to create sustainable future business models that will benefit both SMEs and our environment.

RISKS BRING OPPORTUNITIES

The IPCC report provides further pressing evidence of the need for new economic models. In the developed countries, we consume 26 times more than we did 150 years ago and our planet already seems set for a future in which rising sea levels, increased temperatures and more extreme weather events may disrupt countries and communities. Managing current risks presents a challenge across all industry sectors, but alongside risk-management, there are also a wealth of opportunities to deliver both meaning and profits through sustainability. A 2012 report by the World Economic Forum and Accenture found that 78% of people don't know what terms such as 'sustainable', 'green' and 'responsible' actually mean, and less than half (44%) trust green claims from big brands. This creates a key challenge for most business leaders – developing and communicating engaging sustainability narratives that resonate with people's values.

NEW PERFORMANCE PARAMETERS

Customers and stakeholders aren't seeking Utopia, but they do want something better

than the current unsustainable trajectory in which we only consider the future in terms of unceasing economic growth. Recent Havas Worldwide research undertaken with over 130,000 people across 23 countries found that only one in five brands are perceived as making any meaningful difference to people's lives. This is a clear sign that businesses need to move towards a 'conscious capitalism' model by delivering value to shareholders as well as their wider brand community. Forward-looking brands, such as GE and Patagonia in the US, have seen the value of developing collaborative R&D solutions that respond to environmental issues and set foundations for future success. In doing so, they have signalled they care and led the move from a 20th century mindset, in which business feeds off its surroundings, into the 21st century model of business working to enrich our environment.

SUSTAINABILITY FOR PROFIT

Challenges are also opportunities, and in this case there is strong evidence that profit and sustainability can go hand in hand when we think smarter. A report by MIT Sloan Management Review and Boston Consulting Group has found that the number of companies profiting from sustainability initiatives climbed from 23% to 37% in 2012. Even moderate changes can reap significant financial rewards for business, but in our digital economy of transparency and accountability, there is no doubt that building a truly ethical brand from the ground up is a necessity for any organisation that wants to succeed in the long-term. Positive early markers for what might be achieved when we collaborate include Denmark's ambitious energy initiative to be 100% renewable by 2050. By that time, Asia will be hyper-

urbanised – but its current leaders are showing visionary leadership by imagining and building Green Mega Cities that will become the world's future powerhouses.

FULL CIRCLE SOLUTIONS

Big Data is already solving some of our more pressing problems, tackling local issues such as disaster planning and city monitoring. But with 50 billion devices connected to the Internet of Things by 2020, this offers rich opportunities on a global level. The sharing economy is developing fast in Seoul and, with 60% of Koreans owning a smartphone, connectivity is being used as an opportunity to drive 'collaborative culture' and resource share transport, public buildings and homes. Working together empowers communities, as well as driving productivity, creativity, innovation and competitive advantage. The Circular Economy – in which we create a virtuous circle of sharing, reusing and reclaiming manufacturing materials and products – is one of the most exciting fields of innovation. Research by the Ellen MacArthur Foundation explored just a subset of European manufacturing industries to see how this concept might deliver tangible benefits. Their results suggested potential savings for EU business of up to \$380bn annually if such measures were implemented on a larger scale. The competitive advantage the circular model might deliver for business – alongside benefits to environment and society – would bring us much closer to sustainable future we all want to live in.



*Anne Lise Kjaer is a futurist and Copenhagen Goodwill Ambassador and the founder of London-based Trends Management agency that helps corporations plan their future strategies. Anne Lise is also a visiting lecturer at Hertfordshire Business School. She is currently writing a book, 'Trends Management Toolkit', for publication in 2014. **SME***