

SUSTAINABILITY: MAKING IT WORK

[IMPACT x REVENUE]
[PUSH x PULL]

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A. Introduction

Sustainability has become an integral part of the policies of governments, organizations, and companies in the business world. With the continuous expansion of the global sustainability agenda and the introduction of stricter regulations and initiatives such as EU Effort Sharing Mechanism (in short ETS) and Carbon Disclosure Mechanism (EC Taxation and Customs Union, n.d.), companies are compelled to optimize their processes to achieve sustainable growth targets and remain competitive, particularly in the European market.

With this white paper, our aim is to provide insights into the struggles faced by companies in emerging markets in coping up with sustainability regulations and competition on a global scale. Furthermore, we wanted to shed a light over how local market conditions impact companies' sustainability transitions and global performance.

Finally, we wrap it up with the **[Sustainability Model of ADBA[®]]**, which offers a benchmark for companies to understand their current sustainability profile in relation to competitors and chart their unique path towards a greener future while making this transformative journey commercially viable.

B. Global Sustainability Initiatives and Market Expectation

The European Commission has approved legislative proposals with the goal of making the EU climate neutral by 2050 (EC Climate Action, n.d.). These initiatives include cutting greenhouse gas emissions by at least 55% by 2030 and amending various EU climate policies. The European Green Deal is continuously expanding, and stricter sanctions are expected with the transition from the EU Emissions Trading System (ETS) to the Carbon Disclosure Mechanism. The scope of the Green Deal is broadened, and the share of global emissions covered by carbon taxes and emissions trading systems has grown significantly in the last decade. It is crucial for companies to stay informed about these developments and prepare for the upcoming regulations and market expectations.

C. Challenges Faced by Local Companies in Emerging Markets

Corporates from emerging markets face several challenges when expanding their operations globally. Multinational companies have a competitive advantage due to their head-start in sustainability practices, advanced technologies, and digitized processes. The consolidated power of these multinational corporations creates an inequality of opportunity, making it difficult for companies in emerging markets to catch up.

Moreover, local companies may struggle to meet the sustainability standards and regulatory requirements imposed by the European Commission. The demand conditions in their home market often prioritize factors like price and quality over sustainability, trapping companies in a cycle of undersupply and poor investment in green solutions.

However, it is essential for companies to understand that sustainability is increasingly prioritized by consumers, and by adopting solid initiatives, they can gain a competitive advantage both locally and globally.

D. The Need for a Sustainable Expansion Strategy

Non-EU corporates need a clear transformation strategy for sustainability in order to keep up their commercial foot-print in the EU, allowing them to proactively and robustly transform their value chain. Rather than seeking short-term solutions and technology that merely close the gap with multinational companies, corporates need to focus on a long-term vision that anticipates market dynamics and gets aligned with sustainability regulations. A strategic orientation towards a sustainable business operation is necessary for companies to meet the European Commission's sustainability regulations, thus allowing them to become suppliers to multinational corporations in the European Union and break free from the cycle of undersupply in the local market.

E. ADBA Sustainability Model as a Future-Proof Solution

Since 1986, we as ADBA have been helping organizations and brands to develop strategies for a purposeful growth and transformation. Undoubtedly, sustainability has gained a greater gravity in the growth & transformation agenda of companies.

We have observed and also experienced that the companies which achieved in their [sustainability] initiatives do always back it up with [digitization] and [innovation] measures, thus radically improving their competitiveness.

On the other hand, there are generally two main drivers that trigger businesses to start their sustainable transformation journey. First one is; Due to the effort to stay compliant with governmental policies that impose sustainability regulations on the private sector. The second one is; Thanks to the goodwill of the companies revolving around generating positive environmental impact for the globe they are in.

However, investing in green products and services without subsidization takes qualitative and quantitative business efforts (such as time, human resources, and budget).

As a result, those businesses end up with a higher “willingness to sell (W2S)” to increase their margins which will, in turn, compensate for the initial investments. Yet, the “willingness to pay (W2P)” of the different layers of the B2B2C market does not increase in a directly proportional manner. Thus, the green investments’ marginal contribution on the balance sheet is subject to erosion.

Bearing in mind that businesses are supposed to grow their bottom-line as well as their top-line, this paradigm poses a threat in the business world.

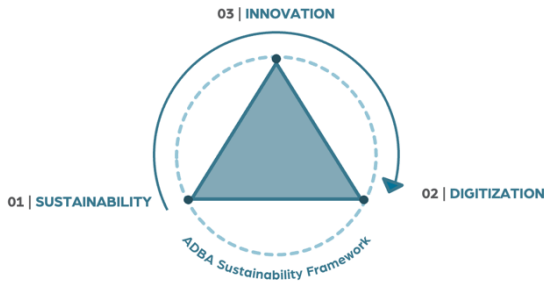
As long as the bottom-line is subject to erosion in the context of unparallel progress between W2S x W2P, investing in sustainable business ironically becomes an “unsustainable” business effort. Although businesses could have started their sustainability transformation journey with good intentions, market dynamics push them into two possible “dead-ends”.

One of them is that, companies might be pushed to diverge in their sustainability efforts since their commercial viability becomes questionable, and hence the operating profit is not there. Therefore, the altitude of the sustainability initiatives will be diminished and instead, turn into a so-called “goodwill initiative” financed from the Corporate Social Responsibility (CSR) budget. In this context, the initiative will become detached from its ultimate goal, and the sustainable products/services offerings will be at risk.

The other dead-end might be pulling the efforts and commitment behind sustainability and keeping it only in words – meaning not living it. This trap will derail the companies’ sustainable transformation journey, even ending up with “greenwashing”.

As advisors, we at ADBA always believe in focusing on the root cause and trying to bring solutions – rather than just judging the result. To help companies avoid these pitfalls, we cracked down on the problem and developed a model to secure the sustainable transformation of businesses.

Our initial inquiry to dissect the issue was to discover the influential mindset shift to make sustainability a success for businesses. Based on our observation, businesses that fortify their [sustainability] efforts with [digitization] and [innovation] are succeeding.



In order to bridge [sustainability] with the market and to make sustainability sell, companies need to turn it into relevant products/services through utilizing the power of [innovation].

Thereafter, they should accelerate the go-to-market of these innovated products/services through [digitization] efforts to introduce them to

their B2B2C clients. With digitized processes, innovation-fueled offerings will be meeting up with the right audience in ideal contexts.

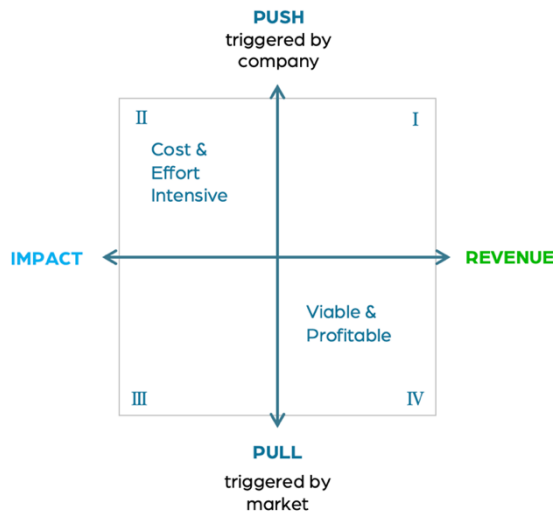
The second inquisition focuses on the [viability] aspect of a sustainable business. This is about checking how companies with green solutions can combat the possible fragility in their bottom line due to the growing delta between [W2S x W2P]. To elaborate on the business case, we have developed a sustainability model that builds its theory onto “two hypotheses”.

First takeaway: Develop a basis to be “pulled” rather than “pushing” it. We cannot expect brands to keep pushing their sustainable product mix to the market for a long time. It is quite a costly and exhausting process. Sustainable product/service offerings of the brands should eventually be pulled by their customers to prevail in the market.

Second takeaway: Blend the “Models of Impact” with the “Models of Revenue”. Businesses solely focusing on their sustainability initiatives' environmental and social impact must generate more revenue to survive in the market for a long time. That is why backing up the “impact model” with the “revenue model” is essential and should progress hand-in-hand.

Therefore, the [Sustainability Model of ADBA®] serves as a refined tool for the evolution of businesses from “push” to “pull”, while taking into account the “models of revenue” and “models of impact” to create a resilient strategy with solid commercial benefits.

By creating the “pull” effect, businesses can propel W2P of customer segments in their B2B2C markets. This allows them to charge for the marginal gap created by delivering sustainable products/services. Ultimately the main focus is on triggering demand in different tiers levels – to the channel and through the channel.



The [Sustainability Model of ADBA®] has two axes to explain the two hypothesis and the four building notions:

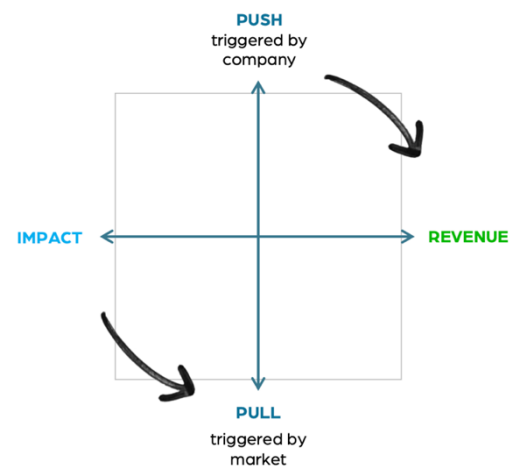
[Push-Pull] x [Revenue-Impact]

The x-axis represents the company's gravity in developing and marketing its sustainable offering mix wrt. "Models of Impact" and "Models of Revenue". While the y-axis represents the way it markets them with "Push" at the top, and the "Pull" at the bottom.

In fact, many companies focus on developing green products with the idea of "models of impact" and then offer them to their target market by "pushing" thru the value chain. This is why many companies that started their sustainability journey find themselves in quadrant II.

However, as stated before, the natural move of corporate sustainability initiatives should be from quadrant II towards quadrant IV to make sustainability a growing and promising business for the companies.

According to our insights and experience, we know that the shortest path is not necessarily the fastest. To ensure a smooth transition, there is more than one path. Some might first change their pull-push dynamics and then start to back-up models of impact with models of revenue, or vice versa. In this sense, companies require a strategic orientation that is tailored to their installed capabilities and also the capabilities required by the market they operate in.



With our model and strategic orientation, we secure the competitiveness of firms from emerging markets in their sustainability journey and help them to keep their pace of growth in their homeland and beyond by putting [sustainability] in their core business, enabled by green [innovation] and [digitization].

F. In a Nutshell

Corporates in emerging markets must proactively address sustainability challenges and regulations to compete in the global market successfully. A clear strategy and commitment to sustainable transformation are crucial for long-term success. We offer a framework for companies to understand their current sustainability profile, to identify areas for improvement, and to draft a roadmap towards sustainable growth. By aligning sustainability, digitization, and innovation, corporates can develop a robust expansion strategy, helping them to position them as sustainability leaders in their market.

Feel free to give us a ping to talk about how ADBA can help your company succeed in its sustainable transformation journey by using its proprietary methods and subject matter experts.

About ADBA | Marketing | Consulting | Innovation |

ADBA consulting and marketing services help companies and brands who want to grow, accelerate and transform by breaking old thinking patterns in strategy, marketing and innovation.

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