

Why sustainability should be a priority for startups and scaleups

Sustainability has become an increasingly important global issue in recent years. According to the European Commission, almost 60% of Europeans believe that it is one of the most pressing issues facing the world today.

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For modern businesses, sustainability affects all aspects of growing and running the firm, including the very pressing issue of energy costs, as well as how customers, employees and investors see and value the organisation. By integrating sustainability into their operations, leaders can set their business up for long-term success and create opportunities for innovation and growth, whilst also addressing important social and environmental issues.

Many startups have seized this opportunity already. According to the *Global Entrepreneurship Monitor (GEM) in 2020*, over 60% of startups in the United States and Europe consider sustainability to be an important factor in their business operations.

Establish a sustainability strategy from the start

As a startup, juggling commercial, operational, marketing and financial pressures can be challenging enough, without having to consider sustainability from the get-go. However, it is important, because factors such as your carbon footprint, brand values and implementing sustainable

supply chains can all have a significant impact on both your company's long-term financial viability and its reputation. Many large, highly successful organisations – such as Hitachi – established their sustainability strategies as early as the 1960s to simultaneously look after the planet and avoid rising energy costs.

Adopting a formal sustainability strategy – also known as Environmental, Social, and Corporate Governance (ESG) – is the best way to ensure success. Shân Millie, Data & Tech-Enabled Value Generation expert at Bright Blue Hare, believes a startup business plan must incorporate ESG readiness from the beginning. She says:

“It is no longer possible to separate financial success from either the societal context in which the firm operates, or the societal impacts of what it does, sells, makes or invests in. Startups need to understand, anticipate and meet the expectations of the established firms they need as partners, investors, clients – those who build as ‘ESG ready’ will have significant advantages over those playing catch-up”.

So, what are the reasons for spending time on formalising your sustainability strategy?

4 good reasons to adopt a sustainability strategy

Cost Saving. Sustainability and cost savings are closely connected, as efforts to be more sustainable often involve reducing waste and increasing efficiency, which can result in cost savings. For example, implementing energy-efficient practices or using sustainable materials can lead to lower energy bills and reduced waste, saving your company money in the long run.

Credentials. Both consumers and talent are keen to find companies that

prioritise sustainability. In addition, *TotalJobs* recently found that 60% of UK job hunters research a potential employer's sustainability commitments before accepting a position, so incorporating sustainable practices can help to improve your company's reputation and attract customers, new talent and funding.

ESG Requirements. Although startups (of a certain size and turnover) might not be required to report their environmental practices to regulatory agencies, their investors might require or request this information. In the long term, it is expected that non-financial reporting will be a necessary part of winning new business for suppliers to larger companies. Therefore, it will become increasingly important for these suppliers to effectively manage their relationships with their larger customers, who are required to report on non-financial information. Differences in ESG reporting frameworks remain between US, UK and EU, but the regulation landscape is changing quickly. You need to be ready to be *compliant and ESG-ready* for any markets that are important to you.

Investors. As we have already mentioned, companies with green credentials are increasingly attractive to investors, with climate impact often among the criteria investors use to assess suitability. *CNBC* recently reported that global sustainable funds reached record highs in 2020, with over \$51B in new investments - more than double the previous record set in 2019.

Simple steps to get started

There are several ways for startups to make positive changes for the environment - and cut costs too. These may include switching to a paperless system, providing bike vouchers to commuting employees, recycling and properly disposing of waste, and turning off unused devices and lights in the office. These actions can not only help to protect the environment, but also reduce costs for the organisation.

Think about establishing clear and achievable objectives to improve sustainability. This can include anything from eliminating single-use plastic, setting a minimum number of hours for team members to volunteer for environmental causes, or setting aside a certain percentage of revenue for sustainable initiatives. It's important to set goals that are realistic and achievable, as this can help to ensure that progress is made towards improving sustainability in a meaningful way.

Selecting the right suppliers is an effective way for businesses, including technology companies, to improve their sustainability. Even if a tech company does not manufacture or sell physical products, there are still opportunities to make positive changes in the supply chain. It's important to consider the environmental impact of all products and services offered, including financial services, recruitment, equipment, and refreshments. Tech businesses can demonstrate their commitment to sustainability by partnering with suppliers that align with their values and are taking steps to become more environmentally friendly. This can help to reduce the overall environmental impact of the business and send a clear message about the company's priorities.

Many startups will be using cloud systems as a flexible, cost-effective way of hosting applications, but teams can often worry about the sustainability implications of using resources from large, power-hungry datacentres. The cloud does have the potential to significantly reduce the energy and resources needed for computing, but it is also important to choose a provider that uses renewable energy, has a commitment to sustainability and discloses its environmental data. Not only is this good for the world, but it can also help to reduce costs and improve the resilience of your business. By choosing a sustainable cloud, you can reduce your carbon footprint and play a role in combating climate change.

The last word

In summary, sustainability should be a priority for startups. Incorporating sustainable practices can help to reduce costs, improve efficiency, and contribute to a positive social and environmental impact. By considering sustainability early in the journey, startups can set themselves up for long-term success and a more sustainable future.

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