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LEADING SUSTAINABLE BUSINESS ADVISORY IN NIGERIA

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Abstract

Any organization's lifeline that starts with its people is practicing the concept of sustainability. The integration of sustainability principles, namely economic, social, and environmental, into a company's long-term strategies has been associated with enhanced corporate performance. Therefore, it is important to create solutions that will meet present demands without compromising those of the future. Businesses can adopt strategies to reduce environmental waste, social and economic issues, and ultimately impede sustainability. For this purpose, this paper adopts literature review methodology and thus, explores global sustainable business practices with the need to proffer leading sustainable business advisory to business leaders, managers and policy makers in Nigeria. Therefore, the study suggests that the government should instill confidence, develop plans, realign all security apparatus, and take proactive measures to help businesses in Nigeria reposition themselves with regulations that are both supportive and effective. To maintain the economy's sustainability and growth, the government of Nigeria should also foster an atmosphere that is welcoming and supportive to investors and entrepreneurs alike.

Keywords: Sustainability, Business Advisory, Sustainable Business, Assurance, Economic and Social issues, Environmental Issues, Global economies

INTRODUCTION

Existing businesses have been hurt by the incredible economic challenges that the global economies are facing. The year 2020 was characterized by several environmental, economic, and social issues, including the COVID-19 pandemic, the Black Lives Matter movement, the climate emergency, and numerous more incidents that underscored sustainability as the greatest economic opportunity of our time. It is stated that every company wants to be sustainable and make sure they never run out of the resources that require to grow (AL-Rahimy & Mugableh, 2019). Apart from making a profit, businesses need to handle their operations to optimize returns on investment by using resources efficiently. Every organization's sole objective is to satisfy the needs of all stakeholders while generating profits for all time.

According to Bista (2019), sustainability has been referred to as a developmental approach that meets the needs of the present without compromising the ability of future. In other words, business sustainability can be defined as a process of analysis and decision making across business functions, obtained through a committed and clear understanding of transitions that may occur in the present or the future. Global businesses encounter significant obstacles such as intricate tax legislation, periodic changes to regulations, and stakeholder expectations for transparency.

For a business in times of economic crisis, it must be innovative, modern, and designed in such a way that offers something new, different, and better. For a business enterprise to succeed it is very important to have a deep understanding of the factors that can lead to its sustainability. Organizational leaders need to adopt policies and corporate strategies that promote the realization of the going concern goal. This is because organizations and businesses strive to be an integral component of the universal space. As sustainability is not easy to achieve, every company needs to adopt strategies to preserve resources for future generations and at the same time create value for the current generation (Klarin, 2018).

During the past few decades, an increasing number of large companies in the banking, manufacturing, breweries, constructions, telecommunications, oil and gas, hospitality sectors, e-commerce, and host of others in Nigeria have started publishing reports on sustainability-related activities. These reports mainly consist of sustainability, sustainable development, corporate social responsibility (CSR), environmental, social and governance (ESG) reports. Some reports also focus on social and corporate governance issues. It has also been observed over the years that, the demand from the stakeholders for sustainability reports, is not only a regulatory requirement but has become a business culture to recon with. Business historians have highlighted how businesses have driven economic growth since the industrial revolution. They have shown how large manufacturing companies, contributed to commercialization of new products and processes which embodied innovative technologies that critically impacted the world economy from the nineteenth century (Kammer & Christopherson, 2018; Medel-González, García-Ávila, & Hernández, 2019)

Nigeria is the largest economy in Africa, home to thousands of businesses and investments from around the globe, has projected its real GDP growth rate to increase to 3.50%

in 2024 from 2.54% in 2023 (Daily Trust, 2024). The Nigerian businesses are a subset of the international space with the economy being driven by agriculture, manufacturing and service sectors. The business leaders need to fully awaken to the requirement for incorporation of sustainability ethics to business approach and processes which are gradually taking center stage in the policy making, market regulators, companies, stakeholders and the world over. Nigerian business environment is engulfed with many challenges which ranges from pollution and poor waste management, epileptic power supply, multiple taxation, infrastructural deficiency, inadequate foreign exchange allocation and host of others. Despite these challenges, businesses in Nigeria need to co-create with other stakeholders and integrate economic, social, environmental and governance considerations in their annual strategic plans. Sequel to foregoing, the purpose of conducting this study is to examine the relationship between business advisory vis-à-vis business sustainability in the area of assurance services.

LITERATURE REVIEW

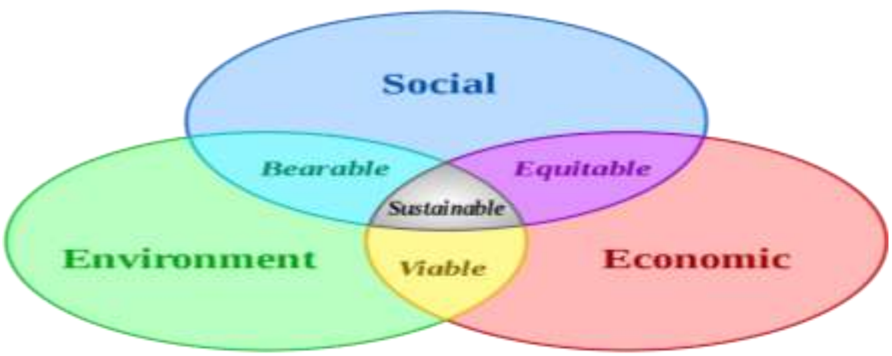
Sustainability

This is a broad concept with many social, environmental, and economic facets. It seems to be an efficient tool for assessing consumer goods (Pelenc, Ballet, & Dedeurwaerdere, 2015). The term sustainability was first applied in the field of forestry, where it implied that trees should never be cut down for longer than is needed for them to grow and flourish. The goal of sustainability is to satisfy current needs without sacrificing the capacity of future generations to meet their own. It's a strategy for giving systems the actual, real value (Iheanachor, 2021). The ability to sustain a particular entity, result, or process throughout time and engage in activities that preserve the resources necessary to support that capability are the precise definitions of sustainability (Anthony, 2018).

Worldwide, organizations are under pressure to follow the path of sustainable development as a result of the need to meet today's needs without compromising the future needs. In response to this, stakeholders in the business and investment communities are expected to include sustainability report in their annual reports to enhance the quality of decision making by the users. The reporting of financial information without sustainability reporting of the organization is not sufficient (Delmas & Bubano, 2011). Sustainability reporting has started gaining attraction from public and private companies. There are several standard-setting bodies, various reporting, and verification initiatives. It summarizes the current status of sustainability standards, how companies reflect those standards on their sustainability report and the challenges. Five staged process of sustainability has been pinned out as compliance, sustainable value chain, design of sustainable goods and services, development of new business model and creation of next-practice platforms (Nidumolu, Pralahad & Rangaswami, 2009). Sustainability is the ability of a system to maintain a well-defined level of performance over time and if required, to enhance output without damaging the essential ecological integrity of the system (Pelenc, Ballet, & Dedeurwaerdere, 2015). In the same vein, sustainability means development efforts, aimed at protecting the health of a construct in a manner that that will not frustrate the ability of future generations to meet their needs (Kammer & Christopherson, 2018).

The business historian Geoffrey Jones has recently shown, that sustainability should be understood as a concept that has been socially and politically constructed, also by business, and has reflected the interests and values of those entrepreneurs, social groups and organizations being involved. Harvard Business School lists two categories of effects of sustainable business practices: the effect a business has on the environment, and the effect a business has on society, with the goal of sustainable practice being to have a positive impact on at least one of those areas. Sustainability focuses on the long term, a concern for the future generations, leaving our people, business and planet better than it is today. The mission is crucial, but the task at hand is challenging given the complexity. Sustainability cannot happen in isolation and requires a coordinated approach from business owners, investors and government. Sustainability encompasses a triple bottom line which includes economic, social and environmental considerations.

Figure 1. Pillars of sustainability



Source: (John Elkington, 1994 in Goel, 2010)

In the work of John Elkington as cited by Goel (2010), the creator of a sustainability strategy consultant and author of several important works on the business environment, presented the three pillars of sustainability. His theory of the three pillars of sustainability offers suggestions on how a company should have a broader goal set that includes improving the environment and social values in addition to its primary purpose of generating profit. Also, Crane and Matten (2010), emphasized that sustainability is built around three pillars: social, environmental, and economic factors. It is the duty of governments, large corporations, and citizens to maintain these three elements so that resources can be used by future generations.

Sustainable Business Practices in Nigerian

Rapid changes in urbanization have occurred around the world in recent years, along with advances in economics and technology, industrialization, and pollution of the earth's biological and physical components. No doubt that Nigeria accounts for over 150,000 metric tons of plastic bottles are imported into country each year, while Lagos alone provides half of this supply (The Monitor, 2019). Poor waste management still plagues many industrialized cities in Nigeria; unregulated open dumps and illicit roadside dumping are persistent issues. These are environmental problems that devastate natural resources, contaminate land and water supplies, and affect human settlement. Businesses have adopted sustainable practices for effective waste management. Sustainable practices and techniques embraced to ensure total quality management, recycling, bio treatment, neutralization and secure sanitary landfill. Total quality management like continuous improvement is solution and guide to effective waste management. This method guarantees waste eradication, high quality products and increased profitability, hence it is a sustainable practice for companies. With a long value chain that is highly valuable ranging from the scavenger to the middlemen who sell or are representatives of companies, recycling is a sustainable method of managing waste and reducing its impact on the environment. Waste recycling saves raw materials, costs less, generates cash, creates jobs, and sustainable living. Ogundipe, (2018) explain that landfilling is the most common method of waste disposal, which is closely trailed by reuse as backfill and recycling. Landfilling is a sustainable practice. Large corporations adopt incineration, burying, and flaring, while small companies adopt reuse as backfill, landfilling, open dumping, and recycling. An industry leader in carbonated drinks industry adopts 3Rs –reduce, recovery, reuse, increasing the use of recycled content and implementing light-weighting techniques.

Business Advisory

In economically beneficial as well as challenging times, businesses must always aim to be smart, innovative, and forward-thinking. Beyond typical audit services, it is of the utmost importance to provide clients with comprehensive industry experience and in-depth technical understanding when it comes to business issues. To enhance value proposition and competencies in the areas of the finance function, resourcing and outsourcing, accounting advisory services, liaison service, regulatory compliance and advisory, risk management, and controls capability, and many other areas, it is recommended to procure advisory services. Business advisory involves reporting on performance as well as advising on strategic plans, risk assessment and succession plans. It involves a wide range of services provided by accounting and professional firms for small, medium sized, and large businesses which include family owned businesses, private large enterprises, and public quoted companies.

When you approach business with a sustainable mindset, your company will remain financially stable and have no adverse effects on the environment or society. There are many advantages, and it motivates us to concentrate on long-term objectives and strategies. Hiring a sustainable business advisor has several benefits, including reduced expenses, enhanced goodwill, increased hiring and employee retention, and effective management of environmental effects.

Theoretical Review

Stakeholder Theory

Stakeholder Theory is a theory of management that concerns itself with matters related to morals and ethics in running a business. Stakeholder theory suggests that a business must seek to maximize value for its stakeholders. It emphasizes the interconnections between business and all those who have a stake in it, namely customers, employees, suppliers, investors, people and the communities. Business is to serve the needs of the stakeholders, and not just the shareholders. Stakeholder theory is a theory of organizational management and business ethics that addresses morals and values in managing an organization. In the work of Edward Freeman who first described it in full in the book Strategic Management. According to stakeholder theory, additional parties are involved, such as workers, clients, suppliers, financiers, communities, political parties, governmental entities, trade associations, and unions. Sometimes, competitors are included in the list of stakeholders because of their potential to have an impact on the company and its stakeholders. The stakeholder theory integrates both a resource-based view and a market-based view, while adding a socio-political factor (United Nations Development Programme, 2015).

It is very important for firms to recognize that there are diverse stakeholders with different needs and reporting, and are expected to take into account the economic, social and environmental perspectives to sustainability reporting. Reporting on sustainability reduces the societal pressure, regulatory problem, internal and external agitation for financial and non-financial benefits (Sustainable Development Knowledge Platform, 2015). The shareholders' expectation is about profit, the people expect firms to conduct operations with minimal discomfort and environmental preservation which is also required to ensure business continuity.

Sustainability reporting is expected to address the needs of the shareholders by delivering profit, the comfort of the people living around the location of the organization and minimizing the negative impact of its operations. There is also the need to preserve and maintain the environment, so as to be a regulators and people friendly business.

METHODOLOGY

The methodology includes a literature review focusing on sustainability business advisory in the area of assurance services and sustainable business practices in Nigerian. The author reviewed many literature to understand the relationship between business advisory vis-à-vis business sustainability in the area of assurance services.

Business Advisory in the area of Assurance Services

Objectivity, integrity, strong analytical skills, experience in measuring various subject matters against criteria, processes for testing the reliability of data, and clarity in reporting the results are critical elements in delivering assurance services. Assurance service has been identified as an independent service which is typically provided by the professional accountants, with the goal of improving information or the context of information so that decision makers can make more informed and presumably better decisions. Assurance services provide independent and professional opinions that reduce information risk (risk from incorrect information). According to Irivgbogbe (2021), the key considerations for sustainable business advisory include the followings:

Governance: In reporting and disclosure on economic, social and governance (ESG), governance plays the biggest role and it is the responsibility of leaders saddled with corporate governance responsibility to set out the ESG plan and strategy. A good governance structure is required to implement and oversee the effectiveness of the overall ESG strategy in the business.

Internal Controls and the role of Internal Audit: For efficient and sustainability of a business, internal controls also plays a major role in an organization when reporting on ESG. This reporting can contain a wide variety of metrics and as such, organizations must establish rules, regulations, policies, processes or procedures and controls that generate reliable information for decision-making and ensure the quality of data being produced are reported accurately with facts. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. By providing an organized, systematic strategy to assess and enhance the efficacy of risk management, control, and governance procedures, it aids a business in achieving its goals. Since internal auditing is an impartial and independent source of assurance, its participation in the ESG reporting process is essential to providing a trustworthy third-party opinion on the effectiveness of the ESG strategy. Internal Audit can conduct the following tasks to assist in producing a better sustainability report:

Assurance: Assuring the effectiveness of ESG reporting is one of the internal audit unit's primary responsibilities. Internal audits can check reporting metrics to make sure they are in line with the established ESG strategy and to make sure they are relevant, accurate, timely, and consistent. Additionally, it instills great confidence in stakeholders knowing that a qualified third party has examined the ESG data being disclosed.

Advisory: Management may create a suitable ESG reporting environment with the aid of the internal audit function. In addition to offering reporting metrics recommendations for what should be reported, they can suggest sustainable frameworks for management to control ESG risks. By analyzing the viability and legitimacy of the business's ESG strategy and goals as well as the standard of the ESG policies, procedures, and controls, internal audit may also add value.

Compliance: Various bodies are developing regulations for sustainability reporting. The European Union has already implemented the Sustainable Finance Disclosure Regulation (SFDR), and there are discussions regarding the IFRS Foundation setting up a board to develop worldwide sustainability reporting standards. For instance, sustainability reporting is covered under Part E of the Financial Reporting Council of Nigeria's (FRCN) 2018 code of corporate governance in Nigeria. Monitoring compliance to new regulations can be facilitated by internal audit functions. Thus, professionals in the field of business consulting should enhance their skill set and knowledge to assist firms in preventing and identifying regulatory violations to avoid negative environmental consequences, which could lead to sanctions, a damaged reputation, or even legal action.

CONCLUSION AND RECOMMENDATIONS

Every company needs to adopt sustainability policies and procedures to preserve resources for future generations and at the same time create value for the current generation. To ensure sustainable business practices in Nigeria, business leaders need to develop processes and structures while, focusing on achieving the strategic goals of the business. Sustainability reporting is becoming a growing area which helps to maintain transparency about the risks and opportunities faced as business, alleviating negative ecological, social and governance impacts, thereby improving the reputation of the organization. Governments and regulators are also having increased interests in sustainability reporting and there could be emergence of new unified regulations very soon. The company is also expected to be proactive in adopting recycling methods and other eco – friendly practices in their day-to-day production.

As a result, it is advised that professionals and experts in the business field should strengthen their knowledge of sustainability concepts and practices to support the growth and success of global businesses in a sustainable way. The Nigerian government needs to instill trust, develop strategies, realign all security apparatus, and take proactive measures to help businesses in Nigeria reposition themselves with laws that are both helpful and practical. To guarantee the sustainability and expansion of the economy, the government of Nigeria should establish a welcoming and supportive atmosphere that would be favourable for investors and commercial organizations to prosper.

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