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# Sustainable Business Practices by Nigerian Organizations

*Nkemdilim Iheanachor*

## Abstract

Sustainability is the lifeline of any organization and it begins with its people. This paper investigates the sustainable business practices of Nigerian organizations. The pillars of sustainability, economic, social and environmental, have been linked to improve business performance when entrenched into long term strategies of a business. To address the challenges of power supply, multiple taxation, pollution and waste management faced in the business environment, it is imperative to develop solutions that will not compromise future needs yet meeting the needs of the present. Recycling, recovery and reuse, safe work initiatives, continuous learning are strategies businesses can adopt to reduce environmental waste, social and economic issues. For this purpose, this chapter examines sustainability practices of businesses from selected industries; construction, manufacturing, banking and hospitality industries were selected based on availability of sustainability reports of industry leaders. This research is expected to help business managers and policy makers understand sustainable business practices and its implications on business performance.

**Keywords:** business practices, economic, environment, recycling, sustainability, Nigeria

## 1. Introduction

Sustainability is meeting the needs of the present without compromising the ability of future generations to meet their own needs it is an approach to creating true and real value to systems. Nigeria is the largest economy in Africa, home to a lot of businesses and investments from around the globe with real GDP growth rate expected to rise by 3.3% in 2021 [1, 2].

The sole aim of every business is to continue to make profit and continue in perpetuity while meeting the expectations of all stakeholders. Management of organizations must engage in practices and corporate strategies that would aid the accomplishment of going concern objective. Organizations and companies are seeking to belong to the universal space; conforming to the requirements of stakeholders and global organizations by carrying out operations to reflect transparency and sustainability in reports and activities.

Nigerian organizations are a subset of the international space with the economy being driven by the manufacturing and service sectors, and the incorporation of sustainability ethics to business approach and processes are gradually taking over higher positions on the itinerary of policy makers, market regulators, companies and shareholders alike [3].

## **2. Sustainability in Nigeria**

Business sustainability ensures management of resources needed to thrive as an organization and profitable in the long run, has hedged its risks and take shocks as they may occur [4]. Business sustainability focuses on two categories; its effect on the environment and the society focusing on the long term [5]. With roots in social justice and other movements, it is a rounded approach that considers conservation, social and financial dimensions, knowing that all must be considered together to find lasting wealth with history rooted in post industrial revolution [6].

Sustainability can be explored through resource optimization via recycle, re-use and reduce' strategies in business processes and supply chains, protecting brand value through stakeholder engagement and support including fulfilling regulatory requirements and selling to a niche market of green consumers ready to buy products and services at a premium.

Environmental, social and governance (ESG) themes remains priority for shareholders; it is imperative for businesses to build ESG considerations into continuing strategy, measure with the right metrics, disclosures and transparency bringing it up during meetings and using investor proposals to force companies to take action [7]. Expertise and education of the board of a company has solid impact on the sustainability disclosure of a company; however, many directors and non-executive directors have low experience in environmental issuer resulting in an insignificant on the disclosure of the sustainability reporting [8].

ESG business implementation are faced with barriers- shortage of financial resources; a lack of time; a dearth of information; risks associated with executing a new sustainable practice; current policies and regulations; and existing organizational culture [9]. To ensure success of successful sustainable business practice, cohesive processes, endless upgrading, investor meetings streamlining processes are important.

National Environmental Standards and Regulations Enforcement Agency, a federal parastatal established in 2007 enforces compliance with law guidelines, policies and standards on environmental matters, enforce compliance with policies, standards, legislation and guidelines on water quality, eco-friendly health and sanitation, including reduction in pollution and enforce through compliance monitoring, the environmental regulations and standards on noise, air, land, seas, oceans and other water bodies other than in the oil and gas sector among other functions [10].

### **2.1 Challenges of Nigerian business environment**

#### *2.1.1 Power supply*

Nigeria suffers from insufficient energy generation. As it's the life wire of all businesses, businesses source alternative ways of generating power, especially large scale companies which increases overhead cost and reduction of net profits [11]. This problem is as old as the nation and has made companies relocate to other countries where there is relatively supply, with over 800 shutting down operations in the past decade.

#### *2.1.2 Waste management*

Waste generation rate in Nigeria is estimated at 0.65–0.95 kg/capita per day which gives an average of 42 million tons of wastes generated in a year. The poor condition of refuse management is attributable to an inefficiently articulated and below par implemented environmental policy, among other factors [12, 13].

Intensified in Nigeria by rapid development, economic growth and population density, government environmental agencies are faced an increasing amount of waste to handle.

### *2.1.3 Multiple taxation*

Business owners in Nigeria have stated multiple taxes are obstacles to ventures, erodes equity base of firms and cause failure of industries [14]. Numerous taxes particularly affect the oil and gas industry, the manufacturing and service sector, the telecommunications industry, the insurance industry as well as the micro, small and medium enterprises (MSMEs).

### *2.1.4 Pollution*

Nigeria's pollution problems are intricately linked with some of Nigeria's most headstrong issues; crushing poverty, dysfunctional public services, and political decadence creating highest burden of fatalities from air pollution in Africa and 4th highest in the world with 150 deaths per 100,000 people [15, 16]. Sound pollution due to erratic power supply from generating plants from households and industries increases carbon emission.

## **2.2 Sustainable business practices in Nigerian organizations**

Countries have witnessed swift urban growth globally, increased economic and technological development in the years past; increasing industrial development coupled with various forms of contamination of the physical and biological components of the earth. Nigeria accounts for more than 150,000 metric tons of plastic bottles annually, half of it from the megacity of Lagos [17].

In Nigeria, many industrialized cities still have inadequate waste management; poorly controlled open dumps and illegal roadside dumping remain a problem. These are environmental issues that destroy scenic resources, pollute soil and hydro resources and habitation. Nigeria generates more than 32 million tons of solid waste annually, out of which only 20–30% is collected [18].

Businesses have adopted sustainable practices for effective waste management. Sustainable practices techniques embraced are total quality management, recycling, bio treatment, incinerations, neutralization and secure sanitary landfill [19]. Total quality management like continuous improvement and the zero-defect call are apt solutions and guides to effective waste management. This method guarantees waste eradication, high quality and increased profitability hence is a sustainable practice for companies. Bottling companies, for example use technological facilities with high efficiencies that are automated to reduce process waste generation.

Lagos, as Nigeria's industrial and densely populated city has numerous dump-sites. 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 [20, 21].

[22] revealed landfilling as 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 implements light-weighting techniques [23]. To reduce

environmental impact, collection, recovery and recycling are focus areas. The company set up recycling infrastructure to encourage consumers to recycle their bottles establishing a post-consumer PET Recycling Project.

## **2.3 Sustainability reporting in Nigerian industries**

### *2.3.1 Construction/manufacturing industry*

Sustainable practices performed throughout a project cycle positively affect the environment in three dimensions; environment, society, and economy [24]. The construction industry and manufacturing industries are major drivers of development nevertheless activities from these industries add considerably to pollution and unsustainable ingestion of depleting natural resources. Green growth alternatively, is an innovative growth which influences businesses to adopt eco-friendly friendly activities [25].

Selecting the precise procedures for resource conservation and consideration of the client's fulfillment is a major sustainability practice professionals implement in the stage of building projects with high awareness level of sustainability as it will lead to adoption of sustainability that will lead to high performance of construction firms [26, 27].

Dangote group, Nigeria's largest manufacturing conglomerate operates a data-centric sustainability culture, collecting data via Microsoft SharePoint to protect the integrity of data input and retrieval. The industry is generally perceived to be masculine, 9% of women make up the group's workforce.

Sustainable practices of the group are full-time education study leave, a scheme that ensured training for 9915 employees across all plants and head office in 2018. The group created the safe work initiative to minimize exposure to threats and inhibit cases and near-misses; customer service week to create responsiveness and consciousness on the dire importance of exceptional customer service across various business value chains [28].

As a form of support to SME distributors, over N3 billion were used to purchase 125 trucks with a 5 year payback period at no interest to enhance efficiency in operations. The major subsidiary of the group, Dangote cement is currently using new trend of expending waste from companies processing by using the high amounts of energy from waste as fuel to heat the kiln and replacing primary mineral materials in cement with fractional mineral traces from wastes.

### *2.3.2 Banking industry*

Sustainable banking infers carrying out banking operational and business activities, with conscious consideration for the environmental and social impacts of those activities. By including sustainability principles into corporate strategy funding decisions and product/service definition processes, banks can be influential in supporting and promoting environmentally and/or socially responsible projects and enterprises. Innovative products and services that target certain populations (e.g. women) or that encourage purchase of green products (e.g. green credit cards) go a long way to promoting sustainable practices.

The Central Bank of Nigeria in 2012 directed all banks to implement principles and guidelines to develop a management approach that balances environmental and social and the economy [29]. [30] discovered 83.3% of Nigerian banks have a sustainability strategy with top priorities being energy, financial inclusion, and human and labor rights.

Banks enjoy reputational benefits, cost reduction and operational benefits, cost reduction, eventually directly linked to business growth in terms of financial and non-financial benefits to their sustainable banking activities. Principle 9 of the Nigerian Banking Sustainability Principles (NSBP) requires banks to regularly review and report on –progress in meeting the principles at the individual institution (**Table 1**).

[31] investigated sustainability report of 14 Nigerian banks with major findings being community investments than climate change disclosures and financial assistance received from the government. Fidelity Bank is guided by the international bill on human rights and keenly relies on the CBN principles of sustainable banking principles as shown in **Table 1** [32].

Sterling Bank has an effective environmental and social risks management systems to effectively manage the risks of credit fraud, reduction of carbon footprint by implementing several energy saving initiatives, adopted a sustainable waste management approach with Lagos state waste management agency and a recycling company and adopts the UN Declaration on Human rights with transportation and energy still in incubation [32]. To promote sustainable practices and environment, the bank embarked on a recycling campaign with the most innovative users of recycled materials winning the sum of one million naira each for their entrepreneurial journeys.

Sterling bank achieved success in financial, social and environmental sustainability. The bank reduced carbon footprint by switching to alternative energy at

Principle 1   Business activities: Environmental and Social Risk Management	Incorporate environmental and social considerations into policymaking processes relating to business activities to avoid, minimize or offset negative impacts.
Principle 2   Business Operations: Environmental and Social Footprint	Avoid, minimize or offset the negative impacts of business operations on the environment and local communities in areas of operations and where possible, promote positive impacts.
Principle 3   Human Rights	Respect human rights in our business operations and business activities.
Principle 4   Women’s Economic Empowerment	Promote women’s economic empowerment through a gender inclusive workplace culture in business operations and seek to provide products and services designed specifically for women.
Principle 5   Financial Inclusion	Promote financial inclusion, seeking to provide financial services to individuals and communities that traditionally have had limited or no access to the formal financial sector.
Principle 6   E&S Governance	Implement robust and transparent E&S governance practices in respective institutions and assess the E&S governance practices of our clients.
Principle 7   Capacity Building	Develop individual institutional and sector capacity necessary to identify, assess and manage the environmental and social risks and opportunities associated with our business activities and operations.
Principle 8   Collaborative Partnerships	Collaborate across the sector and leverage international partnerships to accelerate collective progress and move the sector as one; ensuring approach is consistent with international standards and Nigerian development needs
Principle 9   Reporting	Regularly review and report on progress in meeting these Principles at the individual institution and sector level.

*Source: Central Bank of Nigeria, 2012.*

**Table 1.**  
*The Nigerian Sustainable Banking Principles.*

branches and branches worldwide, completed solar projects, deployed hybrid power and renewable energy to ten branches. Investor's relations team regularly sent updates to analysts and shareholders, engaging via social media channels to drive real time engagements; also achieving 3.1% deposit market share and 12.6% capital adequacy ratio.

### *2.3.3 Hospitality industry*

The hospitality industry is rapidly growing, with Nigeria experiencing 20% growth in 2018 consisting of food and beverage, tourism and travel, hotel lodging and recreation subsectors [33]. The industry is facing challenges accepting green practices due to insufficient information on sustainability and its advantages, government incompetence to impose guidelines on environmental health, and absence of highlighting the importance of green practice. Going green drives businesses to improve know-hows and execute groundbreaking ideas to protect the environment and improve business performance [34].

[35] discovered the industry is yet to understand the UNSDGs prevailing conditions for business undertakings in improving community wellbeing. There is dearth of information regarding sustainable practices as trainings are nonexistent for employees. Activities of these companies disrupt the serenity of the environment via waste from production, heavy noise from generating plants creating carbon emissions to residents of the areas.

Corporate social responsibility is alien to these enterprises; many do not understand its necessity with host communities and have been unsuccessful in assisting the community in reversing the rising threat of land degradation, community development and building infrastructure.

## **3. Conclusion**

To ensure sustainable business practices, business leaders need to develop processes, structures to meet up with the requirements of green practices while still focusing on achieving the strategic goals of the business. Enterprises should evade routines that can trigger changes to the climate, hydro resources, forestry, and embrace alternative sources of energy like solar, energy saving bulbs etc.

Disclosing sustainable practices of companies helps maintain transparency about risks and opportunities faced as a business, alleviating negative ecological, social and governance impacts and improving the reputation of the brands. Conglomerates like Dangote Ltd., commercial banks, manufacturing companies disclose sustainability reports yearly; shareholders and the general public are aware of the true value, assets and practices of the organizations.

Nigerian organizations must endeavor to key into making the environment they are functioning better by proposing and enforcing the reuse and recycling of plastics especially and advance waste policies; create safe work initiatives, continuous learning, and alternative energy measures for sustainability. Using green methods and decreasing the impact of work and actions on the environment, society and economy could improve efficiency and make sure businesses remain a going concern.

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### **Author details**

Nkemdilim Iheanachor  
Lagos Business School, Nigeria

\*Address all correspondence to: [niheanachor@lbs.edu.ng](mailto:niheanachor@lbs.edu.ng)

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