

Chapter 10- Business' Environmental Responsibilities

- Creates a new global space for business to manage
- Leads to cultural, legal, accountability issues
- Demands recognition of stakeholders and related implications
- Discussion case: Sustainable Business?
- Environmental responsibilities cannot be met without a conscious restructuring of business operations
- Sustainability – financially, socially, environmentally – triple bottom line
- The “business case” for sustainability
 - The huge unmet market potential among the world’s developing countries can only be met in sustainable ways – “base of the pyramid” (BOP)
 - Sustainability is a prudent long-term strategy for corporations
 - Significant cost savings can be achieved through sustainable practices
 - Competitive advantages exist for sustainable business
 - Sustainability is a good risk management strategy
 - Business can stay ahead of legislation
- Stakeholder concept – community (humans, environment) as stakeholder - constituent to which management is responsible
- Social and environmental responsibility – interrelated
- Instrumental value versus intrinsic value – is the environment a means or an end? Intrinsic value of environment may be motivated by theistic, aesthetic, non-moral considerations, but ethical case alone is sufficient
- Moral imperative
 - Principle of intergenerational justice
 - Social justice issue – disproportionately created by wealthy; costs born by poor
- Contrasting perspectives:
 - Classical model of CSR – natural objects have no value in their own right and have value only to the degree that humans place value upon them – there is no “right” state of nature – no objective standard
 - Goal – (utilitarian) overall good – is met by the market – criticism of this approach
 - Wilderness area/ski resort example (DesJardins)
 - Market failures – many of the best known involve environmental issues
 - i. externalities – costs born by external parties, first generation problem
 - ii. no public pricing mechanisms exist
- Three Pillars of Sustainability (recall triple bottom line)
 - UN World Commission on Environment and Development: Sustainable practices must be able to meet the “needs of the present without compromising the ability of future generations to meet their own needs”
 - Principle of “intergenerational justice”
 - Precautionary principle- if in situation where potential of harm to human well being should focus on humans rather than profitability
- Extended producer responsibilities- in an environmentally stable economy, when a business creates a product, it must take responsibility for managing its entire life cycle
- Environmental market failures

- o Since pollution is borne by parties external to economic exchange, free market exchanges cannot guarantee optimal results
- o There is no market for endangered species, rare plants/animals, and biodiversity since not traded on open markets (besides ivory on black market). Stable climate, clean air have no established market price so cant guarantee protection
- o What is good and rational for a collection of individuals is not necessarily good and rational for a society
- o First generation problem (narrow approach)
 - i. But when public policy involves irreplaceable public goods such as endangered species, wilderness areas, and public health and safety, this strategy is not good
- One approach says that citizens can rely on democratic processes to establish environmental goals. Can demand that businesses provide environmentally friendly things
 - Underestimates the influence business can have in establishing the law and influence consumer choice
 - If only rely on law to protect environment, protection will only extend as far as law extends
 - Assumes economic growth is environmentally and ethically kind
- **Circular flow model**- explains nature of economic transactions in terms of a flow of resources from business to households
 - Problem- people live in poverty so cant provide for all these ppl, worlds population will continue to grow, must have system that can provide for needs of world while also promoting sustainability
- Daly argues that neoclassical econ, which emphasizes econ growth as goal of econ policy, must recognize that econ is a subsystem of earth's biosphere
 - Over the long term, resources and energy cannot be used, nor wastes produced, at rates at which the biosphere cannot replace them without jeopardizing ability to sustain human life
- 3 pillars of sustainability used to judge sustainable practices: economically, environmentally, and socially satisfactory
 - Must be able to meet needs of present without compromising ability of future generations to meet own needs
 - Business should:
 - 1: adequately meet economic expectations of society (jobs etc)
 - 2: support ability of biosphere to sustain life
 - 3: address minimum demands of social justice
- Natural capitalism and its 4 guiding principles for redesign of business
 - Ecoefficiency- productivity of natural resources can be increased
 - Closed loop design- business should be redesigned to model biological processes
 - i. Attempts to eliminate waste and integrate wastes back into system
 - ii. Business is responsible for entire life of its products
 - Businesses should be modeled as a provider of services rather than provider of goods
 - Business managers have responsibility to reinvest in natural capital- use only at rate that can replace itself
- Unmet market potential among the worlds developing economies can only be met in sustainable ways- serving billions who need economic goods and services
- Businesses can save a ton of costs
 - Can attract environmental consumers and attract workers who take pride in their work
- Good risk management strategy

- Different ways of doing things in asia because mostly have to respect elders and not question someone above you
- Now that environmental issues are beginning to affect us we are caring
- How do you put a value on this when there are no price points for it
- Benefits of sustainability
 - Shows company is looking to the future
 - Loyalty of customers
 - Competitive advantage
 - Can recruit and maintain good ppl
 - Risk management is most persuasive