Module 4. Sustainability

Module 4. Outline
A. "Sustainability" is Added to The Enterprise's Responsibilities in the 1990s
B. "Sustainability" is Broadly Embraced in the Global Political Culture in the 21st Century
C. CSR and Sustainability Today
D. Contemporary Representations of Sustainability
E. Case #11a. Energy Companies' Reuse of "Fracking" Water
    Case #11b. Migros' 35-year History of Social Audits

Module 4. Text

"Sustainability" is Added to The Enterprise's Responsibilities in the 1990s

      In the 1990s, "Sustainability" became a popular term, but one with multiple meanings. When applied to business, it meant "meeting the needs of business while simultaneously contributing to the possibilities that humans and other life will flourish on the earth for a long time." Quite explicit in this definition is the primacy of business needs, i.e., one could say that it implies that the business must be "sustainable" as an economic entity.

      In this period, a second phrase related to sustainability enjoyed a measure of popularity--"Natural capital." "Natural capital" was the extension of the economic notion of "capital" (manufactured means of production) to the natural environment to ensure future flow of goods or services.

      The "Triple Bottom Line" was another sustainability-related phrase that emerged in the effort to redirect business to CSR. The Triple Bottom Line, like natural capital, expands the traditional business reporting framework to account for social, environmental and financial performance, or as someone called it, balancing "people, planet and profit."

      Quite clearly, these various definitions brought the idea of CSR further into focus. In effect, business was being asked to report what it was doing to "sustain" not just itself, but the societies in which it operated ("people") and the environment (local ecosystems and "the planet").

"Sustainability" is Broadly Embraced in the Global Political Culture in the 21st Century

      The idea of sustainability was being introduced into business, it was also being introduced into the broader public arena in the form of a call for "sustainable development." Sustainable Development is defined by the United Nations: "Sustainable Development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs." Governments, national, regional and local, began to talk about sustainable development within the framework of their boundaries, with a strong emphasis on issues related to employment, resource depletion, and public health. Further, the CSR

activities of businesses, or lack thereof, operating within political entities came to be one of the foci of sustainable development concerns.

CSR and Sustainability Today

This half century of CSR development has clearly seen an evolution in terminology and a broadening of attention given to it. There has been significant progress within the business community in developed economies in eliminating the corporate irresponsibility that helped foster the CSR movement, if it can be described as a kind of social movement. However, for any single issue within the scope of CSR, and for CSR itself, there remains considerable ambiguity as to how a firm or manager should respond to particular decision making challenges when social, environmental and political issues are raises. It is not the intention of this course to resolve those ambiguities and tell prospective how they should resolve those dilemmas. Rather it is to draw into clear focus the underlying issues, and equip prospective mangers with the professional perspective and analytical tools to resolve their dilemmas once they occur.

Contemporary Representations of Sustainability

DIAGRAMS OF
SUSTAINABILITY

ECONOMY

SOCIETY

ENVIRONMENT

SOCIETY

ECONOMY

ENVIRONMENT
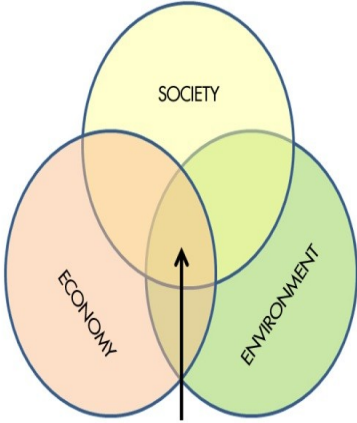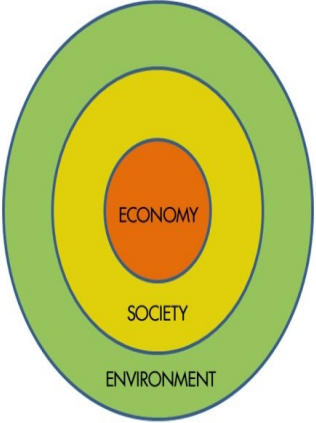
ZONE OF SUSTAINABILITY

Some effort has been made to represent sustainability quantitatively, for example, the equation below. However, without any useful metrics to measure each of the terms in the equation, equations such as this only represent a useful exercise to highlight the need to address the long-term issues inherent in discussions of sustainability. They are not useful for a business enterprise or a governmental body to formulate policy. Nevertheless, there is no indication of any reduction in discussions of sustainability in business enterprises, at multiple levels of government, up to and including international bodies such as the United Nations, among scientific organizations, and NGOs.

SUSTAINABILITY IMPACT EQUATION

$$SI = P \times C/P \times I/C$$

Sustainability Impact
Population
Consumption per capita
Impact per consumption

www.usgan.com

- CSR and Sustainability have established legitimacy in the public and political institutions,

BUT

- Where do the CSR and Sustainability go from here?
- In an era of economic stagnation and decline, will CSR and Sustainability take a back seat to short-term economic survival and reestablishment of economic growth?
- Is there a place for CSR and Sustainability in reestablishing long-term economic growth

<u>Entry-level Employee Perspective</u>

As a young person, you no doubt have a desire to see a commitment to sustainability on the part of your government, corporations, and your own employer. Many companies large and small now speak about sustainability in their published commentaries—in annual reports, in advertising, in employee communication, in public relations publications. However, for many companies the sustainability rhetoric is just that—rhetoric—and actual company practice is indifferent to the underlying goals and principles of sustainability. We call this "greenwashing." Wikipedia defines greenwashing as "a form of spin in which 'green PR' or 'green marketing' is deceptively used to promote the perception that an organization's aims and policies are environmentally friendly. Whether it is to increase profits or gain political support, greenwashing may be used to manipulate popular opinion to support otherwise questionable aims. Here are some examples of "greenwashing" cited by Wikipedia:

1. the hotel industry's practice of placing placards in each room promoting reuse of towels ostensibly to "save the environment," when the goal is only to reduce their costs.
2. automakers claiming that their cars are "green," "clean" or "environmentally friendly" (while lobbying against improved emission and fuel efficiency standards).
3. Public utilities spending eight times more advertising themselves as clean green companies than the money they spent on pollution reduction research
4. European McDonald's changed the colour of their logos from yellow and red to yellow and green; a spokesman for the company explained that the change was "to clarify [their] responsibility for the preservation of natural resources."
5. US telecommunication giant Comcast's ecobill has the slogan "PaperLESSisMORE," but Comcast uses large amounts of paper for direct marketing.
6. Kimberly Clark's claim of "Pure and Natural" diapers in green packaging. The product uses organic cotton on the outside but keeps the same petrochemical gel on the inside. Pampers also claims that "Dry Max" diapers reduce landfill waste by reducing the amount of paper fluff in the diaper, which really is a way for Pampers to save money.

As an entry-lvel employee, you could be asked by your supervisor or a senior manager in your company to participate in this "greenwashing" effort. For example, to prepare a promotional campaign for a food company product that emphasizes its "all natural" ingredients when those ingredients have always been "all natural." Would you do it?