

# [Sustainable development is vital for future survival of any modern company](https://assignbuster.com/sustainable-development-is-vital-for-future-survival-of-any-modern-company/)

The concept of sustainable development has received growing recognition, but it is a new idea for many business executives. For most, the concept remains abstract and theoretical.

Protecting an organization’s capital base is a well-accepted business principle. Yet organisations do not generally recognize the possibility of extending this notion to the world’s natural and human resources. If sustainable development is to achieve its potential, it must be integrated into the planning and measurement systems of business enterprises. And for that to happen, the concept must be articulated in terms that are familiar to business leaders. The following definition of business sustainable development gives a clear understanding of this approach.

‘ For the business enterprise, sustainable development means adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future.’ (Business Council for Sustainable Development, 1996)Sustainable development may now be in the spotlight, but switched-on business people will know that the term has been around for over 20 years. It first broke into the consciousness of many international policy-makers and multinational corporations in 1987, with the publication of Our Common Future, the report of the World Commission on Environment and Development. The Commission’s definition, since widely adopted, was: “ Development which meets the needs of the present without compromising the ability of future generations to meet their own needs.” Growing environmental concerns, coupled with public pressure and stricter regulations, are changing the way people do business across the world.

Industry is on a three-stage journey from environmental compliance, through environmental risk management, to long-term sustainable development strategies. It has become a cliche that environmental problems are substantial, and that economic growth contributes to them. A common response is stricter environmental regulation, which often inhibits growth. The result can be a trade-off between a healthy environment on the one hand and healthy growth on the other. As a consequence, opportunities for business may be constrained.

However, there are some forms of development that are both environmentally and socially sustainable. They lead not to a trade-off but to an improved environment, together with development that does not draw down our environmental capital. This is what sustainable development is all about – a revolutionary change in the way we approach these issues. The first step on the journey is compliance with regulatory measures. The introduction of new environmental regulations, both national and international, forces businesses to improve their environmental performance.

But compliance often creates unexpected costs that threaten profitability. The most significant financial liabilities for companies are those associated with remediation, clean-ups and penalties for breaches of legislation. (Barbier, 1987)Businesses can face difficulties if they fail to anticipate their environmental liabilities. To comply with legislation and to avoid liabilities, businesses put in place remediation and abatement measures. However, this reactive approach often prevents them from establishing efficient cost control systems and growth strategies.

Operating in ‘ compliance’ mode, businesses commonly regard environmental protection as an unnecessary burden, a costly undertaking that decreases a company’s competitiveness and adversely affects market performance and business results. Faced with the increasing burden of regulation, some businesses choose to go beyond compliance towards comprehensive environmental programmes and sustainable development. This long term move is far more successful and will allow for a company to work without the restrictions of environmental regulations. Environmental risk management is the next stage on the journey towards sustainable development. Liability, both corporate and personal – for the cost of environmental clean-ups and claims prompts business executives to adopt more proactive strategies in dealing with environmental issues.

Driven by the need to minimize risk, some businesses adopt a precautionary approach which involves anticipating potential risks and preventing environmental hazards. This approach offers a greater flexibility of response than is available through regulatory compliance. (Barbier, 1987)To improve their control of environmental performance, some companies conduct environmental health and safety (EHS) assessments, develop environmental policies, and implement environmental management systems (EMSs). Techniques such as pollution prevention or recycling are used to translate policy objectives into practice.

The risk management approach allows companies to save money by anticipating and avoiding expenditures arising from environmental damage, and by minimizing the cost of complying with future legislation. In addition, operating costs can be reduced through waste minimization, pollution prevention and the elimination of health & safety hazards. Business strategies for sustainable development mark the final phase in the journey. The aim is to seek win-win situations which can achieve environmental quality, increase wealth, and enhance competitive advantage. Companies integrate sustainable development into their business strategies. Sustainable development is a natural extension of many corporate environmental policies.

In the pursuit of economic, environmental and community benefits, management considers the long-term interests and needs of the stakeholders. Sustainable development strategies uncover business opportunities in issues which, in earlier stages of this transformation, might be regarded as costs to be borne or risks to be mitigated. Results include new business processes with reduced external impacts, improved financial performance, and an enhanced reputation among communities and stakeholders. For the business enterprise, sustainable development means adopting strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future. Sustainable development is good business in itself.

It creates opportunities for suppliers of ‘ green consumers’, developers of environmentally safer materials and processes, firms that invest in eco-efficiency and those that engage themselves in social well-being. These enterprises will generally have a competitive advantage. They will earn their local community’s goodwill and see their efforts reflected in the bottom line. (Mitlin, 1992)William Mulligan, environmental affairs manager at Chevron Corporation, reflects the view of many in the business community who believe that the environment is now a major issue – one which presents both challenges and opportunities.

‘ Over the last decade, we have seen many polls confirming the importance of the environment to Americans,’ he says. ‘ Only an irresponsible company would dismiss this trend as a passing fad or fail to recognize the need to integrate environmental considerations into every aspect of its business. Environmental excellence has to become part of strategic thinking. It is in our best economic interests to do so.

In fact, whenever we are forced to change, we often find opportunities.’Many executives have demonstrated that pursuing sustainable development strategies makes good business sense. For example, a 3M manufacturing plant scaled down a wastewater treatment operation by half, simply by running cooling water through its factories repeatedly instead of discharging it after a single use; Pacific Gas and Electric decided that energy conservation was a more profitable investment than nuclear power, and McDonald’s made its well-publicized move from plastics to paper the cornerstone of a much broader, but less visible, waste reduction strategy. (Romm, J, 1999)A major example of a company that has taken the idea of sustainable development very seriously is Philips Electronics. Philips is a multinational company headquartered in the Netherlands, and has activities in approximately 60 countries.

Philips employs 265, 100 people worldwide and has revenues of 66 billion guilders. As a major multinational electronics and consumer products firm, key environmental issues for Philips include: wastewater reduction, energy efficiency, packaging reduction, supplier issues (reducing the environmental impact of products purchased from suppliers) and eco-design. This last issue involves consideration of the total environmental impact of materials used, product end-life, and minimization of the environmental impact of all stages of the product life-cycle. Philips’ current environmental policy was finalised in 1991. In 1994, a company action plan, “ The Environmental Opportunity”, was undertaken. The goal of this action plan was to change the environment from a necessity into an opportunity for the company.

The policy and action plan are based on four basic principles:\* Sustainable development\* Prevention is better than cure\* The total effect on the environment counts\* Open contact with the authoritiesBoth environmental performance and the integration of environment into business strategy are a major focus for companies in the industry. Philips believes that in the future, educated consumers will require sustainable products and that this will become a marketing issue. Philips and its competitors manufacture durable goods and must therefore anticipate market trends. Thus there is a great deal of benchmarking occurring relative to product predecessors. Philips has had significant recognition for its program, and as a result there has been extensive interest, particularly from Japanese and Korean companies.

Although Philips’ environmental policy has brought the company benefits, challenges exist. One such challenge is the issue of producer responsibility for the end-of-life situation of its products. Producers in these countries must deal with the logistics of taking old products back from consumers or retailers and disassembling the products. Some specific Philips products have enjoyed increased market share due to their particular environmental attributes.

For example, Philips new low-mercury fluorescent lamp, the ALTO, has gained market share specifically on environmental grounds. This lamp was instrumental in the company being chosen as the 1999 Green Lights Manufacturer of the Year by the US Environmental Protection Agency. The ALTO is the first fluorescent lamp in the United States to pass the Environmental Protection Agency’s test for non-hazardous waste. (Deloitte ; Touche – 2000/02)The effects of these awards and recognition are harder to quantify than specific product-related characteristics; however, the company believes that the overall effect is significant.

The company has started an environmental improvement program which has given Philips major recognition all over the world in terms of its brand position. Clearly their awareness of sustainable development has led to them being in the spotlight for good reasons, and has in turn allowed them to become highly successful. By following this encouraging example, other such companies can clearly see that sustainable development is not only good for the environment but very good for public relations, and in the same way, can lead to increased demand for their products. (International Institute for Sustainable Development – Internet 2000-02)The Earth Summit in Rio de Janeiro in 1992 provided a major punctuation mark in the evolution of sustainability.

Never had so many heads of state gathered together. The product of that summit, Agenda 21, provides a plan for addressing the economic and environmental problems of the late 20th century. This document is based on the premise that sustainable development of the earth is not only feasible, but that it is not an option. Author Daniel Sitarz, who devoted an entire book to Agenda 21, states, “ Agenda 21 proposes an array of actions which are intended to be implemented by every person on Earth.

… Suggestions are furnished for individuals and companies world-wide to develop new industries, pioneer innovative technologies, evolve fresh technologies, and institute novel trade arrangements”.

A new theory which has been very prominent in recent years since the influential Earth Summit is the focus upon the triple bottom line. The triple bottom line (TBL) focuses corporations not just on the economic value they add, but also on the environmental and social value they add – and destroy. At its narrowest, the term ‘ triple bottom line’ is used as a framework for measuring and reporting corporate performance against economic, social and environmental parameters. (www. sustdev.

org 2002)The term is used to capture the whole set of values, issues and processes that companies must address in order to minimise any harm resulting from their activities and to create economic, social and environmental value. This involves being clear about the company’s purpose and taking into consideration the needs of all the company’s stakeholders – shareholders, customers, employees, business partners, governments, local communities and the public. The three lines represent society, the economy and the environment. Society depends on the economy – and the economy depends on the global ecosystem, whose health represents the ultimate bottom line. The focus of moving towards sustainable development is especially important in industries, where environment degradation takes place on a major scale.

This involves the business of raw material production, burning of fossil fuels and the like. Areas of natural conservation are also under major threat, and so implementation of sustainable development strategies are in huge demand. Forestry is an area where sustainable development policies could do a lot of good, and provide much needed protection. This is also an area where examples should be set, and stronger regulations be enforced.

Canfor Corporation is a Canadian integrated forest products company based in Vancouver, and employs approximately 5, 600 people. Canfor produces a wide range of forest products, based primarily on wood harvested from publicly owned forest lands, under a variety of tenure agreements. The company is a major producer and supplier of lumber, hardboard panelling and a range of specialized wood products. (Deloitte ; Touche – 2000/02)Canfor and the forest products industry face a variety of environmental issues. Among the issues that have presented themselves in recent years are concerns related to\* energy and water use\* waste management\* biodiversity\* air emissions, greenhouse gases (GHG) and climate change\* wood waste management\* land use and conservationMost recently, and substantially on the international front, the Canadian forest products industry has been confronted by international environmental campaigns launched by non-government organizations such as Greenpeace.

This has meant companies have had to think carefully, in order to avoid public outcry. Canfor has demonstrated a high degree of pro-activity on, and commitment to, environ-mental management. During Canfor’s early efforts to react to concerns raised by others regarding bleaching and harvesting practices, the company recognised the need to adopt a proactive approach to performance on the environment. Since that time, Canfor has worked to lead efforts to manage environmental aspects of its business rather than simply react to concerns as they emerge.

The need to be proactive has been a much stronger motivator for the company than concern over possible regulatory restrictions. (International Institute for Sustainable Development Internet 2000-02)In 1990 Canfor initiated a program of regular environmental auditing at all of its operations but in 1997 these procedures were modified to reflect the ISO 14001 approach. The company has also demonstrated substantial initiative in developing Life-Cycle Assessment (LCA) processes and practices. LCA involves estimating the potential environmental impact of a product throughout its entire life-cycle. From harvesting through manufacturing and shipping, this is an entirely new methodology for quantifying the impacts of land use on ecosystems such as forests.

As far as Canfor is aware, it is the only forest products company in Canada currently applying LCA. Canfor is on the leading edge of environmental management in the forest products sector. It is recognized both domestically and internationally as a company that takes a proactive approach to environmental protection. Some of Canfor’s clients are so impressed with its action on environment that they have asked Canfor to help them develop their own strategiesDemonstrating a willingness to approach the environment in new ways has helped Canfor secure and expand its business, particularly in Europe, where concern for forests has given rise to international environmental issues. According to Canfor, the growing stakeholder demand for forest sustainable certification is a clear sign of the increasing importance of good environmental management as an important business consideration. As the market continues to demand more indications of good environmental practices, environmental arguments will gain a stronger role in developing competitive advantage.

As the market demands more accountability from this sector, companies can leverage environment for international business. Sustainable development is a relatively new concept, but one which holds clear and consequential implications for the future. As with anything that is becoming more of a public concern, companies are in no position to avoid it. Clearly examples need to be set by the larger conglomerate and multinational corporations, especially as they will have the sufficient budget to answer the critics. But it is the smaller companies and lower level businesses that provide the majority of concern regarding the environment.

Therefore it is up to all parties involved and society as a whole, to become more aware of damage being caused to the environment and long term sustainable development strategies that can reduce these. People should not have to wait till sustainable development is mandatory and is made a requirement by governments. If it is made clear that acting now will reduce future costs, then hopefully realisation will set in, and sustainable development can become a fundamental attribute within business strategy, rather than the burden it is made out to be. By following the examples of companies such as Canfor and Phillips, and the good that has come from their sustainable transitions, hopefully more organisations will understand that sustainable development is not simply a fad or a trend but a necessity for continuing growth.