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ENVIRONMENTAL MANAGEMENT

Corporate Environmental Management 3

Towards sustainable development

Richard Welford

ENVIRONMENTAL MANAGEMENT

Volume 3

**Corporate Environmental
Management 3**
Towards sustainable development

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First published 2000 by Earthscan

Published 2016 by Routledge
2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN
711 Third Avenue, New York, NY 10017, USA

Routledge is an imprint of the Taylor & Francis Group, an informa business

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ISBN 978-1-84407-968-1 (Volume 3) (hbk)

ISBN 978-1-84407-965-0 (Environmental Management set)

ISBN 978-1-84407-930-8 (Earthscan Library Collection)

A catalogue record for this book is available from the British Library

Library of Congress Cataloging-in-Publication Data has been applied for

Publisher's note

The publisher has made every effort to ensure the quality of this reprint, but points out that some imperfections in the original copies may be apparent.

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 **Routledge**
Taylor & Francis Group
LONDON AND NEW YORK

For Philip Yong

No Self, No Other

Only Karma

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A catalogue record for this book is available from the British Library

ISBN 978-1-85383-641-1 paperback
978-1-85383-660-2 hardback

Typesetting by PCS Mapping & DTP

ISBN 978-1-138-96679-6 (hbk)

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Acronyms and Abbreviations

CIA	Chemical Industries Association
EIA	environmental impact assessment
EPE	environmental performance evaluation
GATT	General Agreement on Tariffs and Trade
GNP	gross national product
IMF	International Monetary Fund
ISO	International Organization for Standardization
LCA	life-cycle assessment
LCC	life-cycle cost
NGO	non-governmental organization
OECD	Organisation for Economic Co-operation and Development
QFD	quality function deployment
TNCs	transnational corporations
WTO	World Trade Organization

Preface

This is the third and final book in a trilogy on corporate environmental management. The first book, *Corporate Environmental Management 1: Systems and Strategies*, examined management tools and techniques which could be implemented by business in order to improve its environmental performance. The second book, *Corporate Environmental Management 2: Culture and Organisations*, argued that no technique or technology can be entirely successful without considering the human element.

This final book takes as its theme: 'Towards Sustainable Development'. It is much more tentative than the previous two books, and begins to explore certain issues rather than put forward definitive answers – such is the nature of sustainable development, of course. Although this book does have a structure, it is not rigid and in many ways the chapters are better read as stand-alone papers. To the extent to which there is an order in the chapters, however, I begin by looking at business and society (Chapter 1), progress to business and ethics (Chapter 2) before considering the huge conflicts and contradictions facing us when we examine business in the context of the international economic order and globalization (Chapter 3).

Over the years, however, I have come to believe that the primary problem facing the world is not excessive production but excessive consumption. Businesses somewhere in the world are always going to produce the goods that are demanded by people, if they can do so at a profit. Thus a theme running through the remaining four chapters is that we really have to deal with consumption that is often addictive and psychotic rather than utility maximizing. Chapter 4 examines how we might expect businesses to get involved in managing both production and consumption. Chapter 5 looks at the issues of marketing and communications and sees a significant role for business in the areas of education and campaigning.

The final two chapters are much more personal than any of the other materials presented in these three books. They take a more spiritual approach to dealing with issues of environmental damage and sustainable development. Somewhat surprisingly to me, a

number of business people who saw drafts of this material were enthusiastic about it and in at least one case it triggered some very deep and heart-felt emotions. In Chapter 6, I map out one possible path to the achievement of some sort of sustainable development, using some basic ideas from Buddhist thought. In my view, despite what I have written before, such an approach increasingly seems to me to be the only way forward if we are to create a sustainable, just and civilized planet on which to live.

In Chapter 7 I go further in suggesting that business has to go through some fundamental change if it is to survive, but that that change has to be personal, involving the managers who guide our businesses. I do however see some signs of willingness on the part of individuals to do this. More and more of my friends are re-evaluating how they live and work, and I too am now stepping out of the competitive rat race.

I hope that my contributions in the field of corporate environmental management have had, and continue to have, an influence on the thinking of both business managers and researchers working in this field. I have to fight my humility and let my ego take over for a while when I say that I think they have. I hope you agree. Please forgive this book if it seems raw at times, but we must now move forward, and here I try to open up the eyes of readers to the next revolution: the rediscovery of spirituality.

Richard Welford
March 2000

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Chapter 1

Towards Sustainable Development in a Postmodern Society

INTRODUCTION

Tackling sustainable development from the perspective of the firm is not an easy task. To talk of a sustainable company is perhaps meaningless, because however big or small the organization, it cannot be seen in isolation from the society in which it operates. However, it may be possible to talk of a business acting in a way which is consistent with sustainable development. Indeed this is what this book seeks to demonstrate, along with some of the tools and policies which can help to achieve a more sustainable business. As a starting point, therefore, it is important to consider the concept of sustainable development in the context of broader societal dimensions. But we need also to examine a range of issues (many of which are contradictory) that are inherent in sustainable development. These include issues of ethics, debates around globalization and free trade, the thorny issue of consumption and marketing, as well as the more spiritual dimensions of environmentalism.

There can be little doubt that the waves of social and environmental concern which we have seen over the last 30 years have revolved around an upward trend. In the 1990s those real concerns became so great that legislators, regulators, policy-makers and some intergovernmental organizations have given environmental considerations their proper place among all the other competing objectives of a modern pluralist society. Different stakeholders and non-governmental organizations (NGOs) have championed various objectives which they see as necessary parts of sustainable development.

Businesses have responded in many different ways. Many have been resistant to change, others have been accommodating and some have been increasingly proactive. A small minority have even become champions themselves, showing what can be achieved by searching for social and environmental excellence.

Like the two previous titles in this series, this book is unashamedly about reform, but it is argued throughout that that reform must be more radical than the piecemeal approaches that we have seen to date. Indeed the concept of sustainable development is a radical concept, requiring as it does every organization and every person to think in time dimensions longer than a generation and placing an emphasis on both rights and responsibilities. Some may still argue that reformist efforts merely forestall the impending collapse of the industrial economies, a collapse which may need to occur before the real work of reconstruction can begin (Tokars, 1987). That may indeed be the case, but this book argues that there are significant reforms which businesses can and should adopt that may avoid this impending doom. Ostensibly that reform has to revolve around the fundamental ways in which we do business, in which the capitalist system forces businesses to operate, and in the organization of enterprises which are responsible for so much damage to date.

As a starting point we need to recognize that the issues surrounding human life and economic activity are an interdependent part of wider social and ecological processes that sustain life on earth. We must interact with these processes in a sustainable way or they will bring about, in turn, the demise of present societies. That requires fundamental reforms of the structures and processes which have caused the problem in the first place. That means finding new ways of doing business, of including workers in change processes, of organizing trade so as to protect the developing world and indigenous populations, and of sustaining all other life forms on the planet.

What is being advocated in the chapters that follow, therefore, may seem controversial to some, but there is a fundamental need to examine and redefine some of the sacred tenets of traditional economic thought. We cannot rely on established structures, technology and science to bring about real change. They have not done so to date. There is a need for a more radical rethink of many of the issues which face society and, as part of that, we need to think carefully about enterprise culture. What nobody can provide, however, is a formula for the way in which societies must operate into the future. When Karl Marx was once asked to describe what a communist society would look like, he replied that he could not write recipes for the cookshops of the future. We can point, however, to the inadequacies of current environmental strategies and to the directions along which organizations must tread. We can provide a series of

suggestions and demands for business and hope sincerely that there will be sufficient societal pressure to further encourage the business community to take more steps forward.

One thing is sure, however, and that is that we can no longer rely on science and technology to dig us out of the holes which we have created. When in 1798 Thomas Malthus warned that the population was growing so fast that it would eventually outstrip food supply, technology rescued us in the form of fertilizers and refrigeration. Now as the world population rises to six billion and beyond, Malthusian voices are raised again but their faith in the technological fix has deserted them. Moreover, the science and technology which initially provided deliverance now leads to sick plants with inadequate resistance to pests, to water contaminated by the pesticides which were supposed to put that problem right, to genetic modification with unknown consequences and to desertification and erosion. This book does not represent a doctrine of despair. It does, however, encourage the reader to think more widely about the environmental strategies which we need to pursue in order to bring about an end to the mounting degradation of the planet.

THE CHALLENGE OF SUSTAINABLE DEVELOPMENT AND CONSEQUENCES FOR BUSINESS STRATEGY

Social and environmental concerns are not particularly new – they have been a matter of public concern for over a quarter of a century. As scientific and technical knowledge relating to the causes and effects of environmental damage has become more complete, the pressure to change the ways in which industry behaves has increased. Individuals are also changing their patterns of behaviour and industry is having to respond to the seemingly endless demands of the new, environmentally aware consumer. Indeed, such are the wide-ranging pressures being put on business from a range of diverse stakeholders that increasingly business will have to account for its actions if it is going to survive in the marketplace. With increased information availability, more sophisticated targeting of companies by pressure groups and a greater wish to see companies as good corporate citizens, the very strategy of a business has to be sensitive to increasing social and environmental demands.

In its early stages the environmental debate in industry was largely one of rhetoric rather than action. More recently, businesses have recognized the need to improve their environmental performance, but we have still not seen any radical shift in business practices as a whole that are capable of bringing about a lasting reversal of trends towards environmental destruction. This is

compounded by the process of globalization which blurs the frontiers of a single business' activities. While it is difficult for industry to refute the general need for environmental protection, its response has too often been piecemeal, adopting bolt-on strategies aimed at fine-tuning its environmental performance within the traditional constraints imposed by a traditional capitalist society. To date there have been many publications aimed at telling businesses how they can achieve a measure of environmental improvement (and now many which talk of the need for social accountability), but there has been rather less debate about the very way in which they operate which will lead to real progress. There is a need to develop practical solutions to meet the challenge of sustainable development. However, it must be recognized that those solutions mean re-evaluating the very basis on which we do business.

Traditionally the view of the corporate world has been based on the idea that the investments and innovations of industry drive economic growth and satisfy the demands of the consumer. However, in doing so, be it because of the resources that they consume, the processes that they apply or the products that they manufacture, business activity has become a major contributor to environmental destruction (Welford and Gouldson, 1993). Many commentators have argued that we need to find new technologies and develop more efficient methods of production. But the very basis of that argument needs to be examined carefully. Growth can no longer be a sole objective which stands alone and pays no heed to its environmental consequences now and into the future. Growth is only justifiable if it is associated with development which in itself needs to concentrate more directly on equity. We know that the technological solution is insufficient in itself, and we cannot assume that science and technology will cure the wrongs of the past and provide a new growth path. There is a need for a change in attitudes toward both consumption and production. Moreover, there is a need to look closely at the ethics of business and to discover new forms of industrial organization and culture which, while they exist in a broad free-market framework with due regulation, promote development and equity into the future.

For a long time now neoclassical economists have told us that, if harnessed correctly, the market mechanism can be utilized to develop the solutions which are so vital if the environment is to be protected. But the free market to date has failed to bring about equitable distributions of income; it has failed to protect the developing world and has done little to protect the planet. Moreover, the market solution depends on cooperation between governments, which must provide fiscal incentives for environmental improvement, industry and consumers. But each of these agencies has competing

objectives and, often, competing values. In particular, industry to date has been driven by profitability, and while that profitability might be seen as vital to economic growth, we should begin to demand that industry puts ethical objectives, such as environmental improvement and sustainable development, into its strategic plan. Reliance on the market mechanism alone is likely to be insufficient to bring about real improvement. That is not to suggest that it has no role, but that it needs to be supplemented by changes in corporate culture based on a commitment to see long-term environmental improvement and equitable development. These are the challenges for industry which are posed by the concept of sustainable development – a concept to which, to date, much of industry has only paid lip-service.

Business strategy therefore has to embrace the concept of sustainable development. This is going to be a difficult task, because at times that concept may not be entirely consistent with other strategies, such as growth, profit maximization and the creation shareholder value and investment. Of course, conflict will not always occur: the number of stories of companies reducing their costs through the adoption of traditional environmental management principles is now so overwhelming that one is left wondering why every company is not doing it. But where conflict does occur, businesses have choices to make. Those will be difficult choices and companies will have to think carefully about the consequences of their decisions. The bottom line, however, is that ultimately it will be the senior managers who will have to choose. There will be little which many of us can do about it. However, what we can expect is that businesses will become increasingly transparent and accountable in their strategic decision-making and will then be able to explain to stakeholders why they took one path rather than another.

Ultimately, the most we can expect of businesses is that they make their values clear. Based on an assessment of these values and a similar assessment of their actions, we as consumers and citizens can decide whether we want to do business with them. With the common usage of the Internet, information about companies is increasingly available and we have seen campaigners against organizations such as McDonalds and Shell use this medium to rather good effect. In both the so-called McLibel case and Shell's embarrassment over the sinking of the *Brent Spar* and its activities in Nigeria, the image of the company (and one can only assume its long-term profitability) were compromised. In both cases it was the arrogance of the company's business strategy that ultimately led to problems for them.

SUSTAINABLE DEVELOPMENT AND IMPLICATIONS FOR INDUSTRY

We now have a range of commentators explaining that the continuing ability of the environment to supply raw materials and assimilate waste while maintaining biodiversity and a quality of life is being increasingly undermined. If growth and development are to take on new, responsible paths we have to find a way of doing it that will not further degrade the environment in which we live and not create many of the social tensions which we now observe. In its simplest form, sustainable development is defined in the Brundtland Report as development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs (World Commission on Environment and Development, 1987). Such a simple statement has profound implications. It implies that, as a minimum, all human activity must refrain from causing any degree of permanent damage through its consumption of environmental resources. But it also implies that we need to create social infrastructures which are capable of handling at least the doubling of the world's population over the next century.

As an ultimate objective, the concept of sustainability is immensely valuable. However, strategies are needed to translate conceptual theories into practical reality. This requires a more radical assessment of environmental strategy than we have seen to date. The challenge that faces the economic system is how to continue to fulfil its vital role within modern society while ensuring sustainable development. The emphasis to date has been on piecemeal moves towards sustainable development and, although this move is in the right direction, it lacks the sense of urgency and commitment which is required. There is a need to assess carefully how development can be made sustainable and this implies acceptance of the view that not all growth and development will be good. We must accept that sustainability is not something that will be achieved overnight, and that in the longer-term entire economies and individual businesses need to look towards a new type of development and growth. This in turn requires them to look at their own ethics, their objectives and their own forms of organization, corporate culture and communication.

One major obstacle which prevents sustainability from being achieved is the overall level of consumption experienced in the Western world. Consumers who are relatively wealthy seem reluctant to significantly reduce their own levels of consumption. While increasingly governments are adopting economic instruments such as taxes, subsidies and product labelling schemes to reduce and channel consumption towards more environmentally friendly alternatives, there is also a need for education among consumers. In addition,

though, industry has a role to play in educating its customers and suppliers, and all businesses must be encouraged to increase further their own internal environmental efficiency by reassessing the very ways in which they do business and measuring and assessing their environmental performance.

The fact that lies behind the concept of sustainable development is that there is a trade-off between continuous economic growth and the sustainability of the environment. Over time, through greater and greater exploitation, growth causes pollution and atmospheric damage, disrupts traditional ways of living (particularly in the developing world), destroys ecosystems and feeds more and more power into oligopolistic industrial structures. The concept of sustainable development stresses the interdependence between economic growth and environmental quality, but it also goes further in demonstrating that the future is uncertain unless we can deal with the issues of equity and inequality throughout the world. It is possible to make development and environmental protection compatible and to begin to deal with the problems caused by a lack of consideration of equity issues by following sustainable strategies and by not developing the particular areas of economic activity that are most damaging to the environment and its inhabitants.

The Brundtland Report argued that economic development and environmental protection could be made compatible, but that this would require quite radical changes in economic practices throughout the world. Mass consumption is not possible indefinitely and if society today acts as if all non-renewable resources are plentiful, eventually there will be nothing left for the future. But more importantly than that, mass consumption may cause such irreparable damage that humans may not even be able to live on the planet in the future.

Not everybody accepts that the Brundtland conceptualization of sustainable development is the best one. Others, such as Daly (1996), question the emphasis on growth, pointing out that growth (a quantitative increase in output) is simply not the same as development (a qualitative improvement in people's lives). Moreover, it is argued that in many cases growth has not led to development, but rather to a significant decrease in the quality of human life. Daly argues that if sustainable development means anything, it demands that we conceive of the economy as part of the ecosystem and, as a result, give up on the ideal of economic growth. Moreover, for development to be truly sustainable it is argued that there is a need for the significant redistribution of wealth, power and economic resources from North to South.

Thus it must be stressed that there is not a single definition of sustainable development. This is not a problem if we see the concept not as something which has to be defined precisely, but as a process. There is a fruitless search for a universal definition of sustainable