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Principles of Ecology and Management:

International Challenges for Future Practitioners

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5 Corporate Greening Strategies

Contents

Implementing the transition
Sustainability from top-down
Employee buy-in

Controls and measurements
Internal metrics
External reporting

Learning objectives

After reading this chapter, you will be able to:

- Drive top-down and/or bottom-up corporate greening initiatives
- Link organisational performance to environmental metrics
- Monitor external controls on companies' environmental behaviour

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Introduction

For most companies, transitioning to a more ecological mindset is part of a broader corporate responsibility (CR) agenda. Theorists have long debated the role that business should play in attending to wider social and environmental needs with no direct relationship to the corporate bottom line. The main dividing lines in this debate are between economists such as Milton Friedman, with his minimalist view that it suffices for companies to act legally, versus partisans of the '**stakeholder** value' approach (Laszlo 2008), which holds that CR extends much further – especially in an era when states' diminishing legislative and financial resources prevent them from fully protecting the interests of their constituents, or indeed, of the planet as a whole.

Stakeholder: Anyone affected, however indirectly, by an organisation's actions. Often understood to include employees, local governments, suppliers, consumers and host communities.

It is important to state openly that this book sides with the latter school, if only because Friedman's notion of legality is reprehensibly vague: depending on their size and the competitive pressures they face (Thornton *et al*. 2009), companies can and often will pressure a government into weakening green regulations that would otherwise reduce their short-term profits. Similarly and at a more cross-border level, many developing countries are so desperate for inwards investment (see Chapter 8) that they have no choice but to tolerate the environmental damage that comes with certain forms of international business. Lastly, there is the whole stewardship aspect of the ecological mindset: if companies do not protect environmental interests, who will?

At the same time, a number of obstacles feature on the corporate march towards a responsible future. Firstly, the stakeholder approach associated with a CR agenda can benefit many constituencies other than the environment. Indeed, for much of the 1990s, most discussion in this area concerned 'corporate social responsibility', a vision that mainly emphasised the duties that large companies like multinational enterprises (MNEs) have towards society. With few exceptions – such as BP's 1998 decision in to change its name to 'Beyond Petroleum' to signify a new focus on renewable energies – green issues used to be less central to multinationals' CR image than labour standards or human rights were. By the 2000s, however, this was no longer the case. Indeed, there is some evidence that ecological problems are now the crux of most companies' CR efforts – the cynical view being that this is because environmental problems affect the Global North, whereas labour problems are more severe in less developed countries (LDCs).

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Discussing companies' motivations in adopting CR is useful since this indicates how far they might be willing to go in embracing the ecological imperative. The first problem is that whereas 'it is in the nature of moral obligations to be absolute mandates…most corporate social choices involve balancing competing values, interests, and costs' (Porter and Kramer 2006). Money spent on one ethically justifiable concern leaves that much less money to spend on another. If only for **opportunity cost** reasons, no strategy – environmental or other – can be considered free.

Opportunity cost: Cost of not doing something.

One of the questions this raises is whether managers will be more enthused about strategies that occur for positive reasons (i.e. where companies 'play to win') or for negative ones (i.e. where they 'play not to lose'). The problem is that these two orientations can be difficult to distinguish. For instance, greening will often help a company not only to comply with current regulations and avoid sanctions – a negative motive – but also to pre-empt future criticisms – a positive motive – and turn its foresight into a competitive advantage (Friend 2009). What is clear in today's business environment is that greening strategies will tend to be most attractive when they coincide with bottom line considerations. This too can be construed in different ways, however. Some companies will equate this with revenue expansion, which can involve, for instance, positioning themselves in new growth sectors such as clean energy (see Chapter 10). Others may focus on energy efficiency-related cost reductions (Hirschland *et al*. 2008), which can be substantial in this area, as exemplified by the $2 billion that US chemical giant Dupont is estimated to have saved between 1990 and 2006 through its accelerated energy savings programme. On the whole, it suffices that, in the famous words of General Electric CEO Jeffrey Immelt, 'green is green', i.e. that companies view environmentalism purely and simply as a new source of profitablity.

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? To what extent is corporate greening a positive or negative strategy?

Key issue

... greening strategies will tend to be most attractive when they coincide with bottom line interests.

Alongside of this, there is the fact that going green can also enhance a company's reputational capital – as Chapter 7 will explain, customers tend to favour companies whom they consider ethical, even in sectors where the ecological imperative is comparatively less pressing. Conversely, companies accused of 'enviro-crimes' can suffer from a deteriorating brand image. There are a number of vociferous and often

Chapter extract

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