Chapter 3
Environmental Sustainability in Business

“I think the world has reached a tipping point now. We’re beyond the debates over whether [addressing sustainability] is something that needs to be done or not – it’s now mostly about how we do it. […] it’s not about altruism, it’s about creating value.”

Steve Fludder, Vice President, Ecomagination, General Electric (Berns et al. 2009b, 7)

In recent years, some very large, established companies like General Electric have completely overturned their previous negligence of sustainability and now consider it a central aspect of their business strategy. However, many other companies still regard sustainability to be a side issue, and few act decisively in order to derive real value from it. The divide becomes evident in a recent global survey of business leaders: 68 percent of those who considered themselves to be experts with respect to sustainability said that their investments in sustainability aimed at financial returns, as opposed to only 32 percent among self-identified novices. The difference is even greater – 50 versus 10 percent – with respect to whether or not the company has developed “a compelling business case for sustainability” (Berns et al. 2009b, 8f.). Overall, improved company or brand image still represents the most important perceived benefit (Berns et al. 2009a, 58). This is somewhat conflicting with the results from an earlier survey with managers from US-based firms: the top three answers for the primary motivation of the firm for corporate citizenship were revenue growth (16%), increasing profit (16%), and cost savings (13%) (Economist Intelligence Unit 2008a, 24). The discrepancy may stem from the different demographics of the respondents, yet both surveys highlight the fact that sustainability in business is no longer a matter of philanthropy.

1,560 business leaders from for-profit organisations replied to an electronic survey during March/April 2009. One third of respondents are from the executive suite, fifty percent were senior managers. All regions are represented, the strongest being North America (28%), Europe (14%), Asia Pacific (13%), but also a large number (27%) of global companies (Berns et al. 2009a; Berns et al. 2009b).

The Economist Intelligence Unit (2008a, 2) electronically surveyed 566 managers from US-based companies during September 2008 (39 percent of the respondents were on the level of vice president or above).
It is the goal of this chapter to substantiate the assertion that addressing sustainability, more precisely environmental sustainability, makes economic sense, too.

One of the first and most persistent challenges with respect to sustainability in business both to academics and practitioners is to define it (Schaltegger & Burritt 2005, 186ff.).

### 3.1 Sustainability Defined

For decades, the definition of sustainability has remained a contested issue despite – or maybe because of – the far-reaching consequences of how the term is understood.

A widely used definition among academics and sustainability experts is the so-called Brundtland Commission definition:

> “Humanity has the ability to make development sustainable – to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs.”

(WCED 1987, 8)

Sustainable development thereby represents a process that aims at reaching sustainability as its end state (Schaltegger & Burritt 2005, 185).

Another popular interpretation of sustainability by sustainability pioneer John Elkington has become known as the triple bottom line (Elkington 1994; 1999). According to this view, companies should complement their attention to the financial bottom line with consideration of the social and environmental bottom lines. It is argued that there are many triple wins such that the financial bottom line need not to suffer from an expanded, integrated management focus on sustainability.

In contrast, among business leaders who consider themselves novices in the sustainability domain, sustainability is often understood as “maintaining the viability of our business” (Berns et al. 2009a, 37). This definition obviously is a lot less strict than that of the Brundtland Commission and much vaguer than the triple bottom line. In fact, one might actually make a case against environmental protection in general based on the assumption that it often increases cost today and offers limited returns tomorrow. In order to examine environmental sustainability on a microeconomic level, it is necessary to establish a broad understanding of its macroeconomic context first as it has profound influence on future policies and the business environment in general.

#### 3.1.1 The Macroeconomic Perspective: Weak versus Strong Sustainability

Many major controversies on sustainability relate to the rivalling perspectives of weak versus strong sustainability (Schaltegger & Burritt 2005, 187ff.). The weak sustainability paradigm (tracing back to works of Solow 1974; Hartwick 1977) is