Green is the New Black
Infusing Environmentalism into Business

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I. Introduction

Preventing environmental degradation is critical to sustaining our resources. The business sector may be the most effective avenue for environmental change compared to other market actors. Firms have the responsibility to limit the amount of negative externalities created from producing a good or service. My findings suggest that incorporating environmentalism into an enterprise has enormous economic and social benefit for producers and consumers, respectively. Transitioning to an environmentally responsible business model can be met with resistance, because it is perceived to be costly and challenging. My project aims to convince businesses that environmental responsibility is economically feasible. The culmination of this research is an easy-to-follow guide to assist businesses in easily becoming an environmentally-conscious company within 5 years.

II. Who are the market actors?

When I thought about the conflict between environmentalism and economic growth, I first considered the actors in the market. There are governmental entities, non-profit organization, consumers, and private corporations that have significant amounts of market power, and therefore should be considered in grooming a more environmental future. However, the success each actor has in its environmental
efforts vary. So, it is critical that efforts be focused on the sector that will be most effective in being a catalyst for social and environmental change.

**A. Government Entities**

Although, some wish it to be more, governmental entities have limited ability to affect actual change in the market. Not only do they have limited ability, but there is also a long lag in effective policy implementation. “Article 1, Section 8 allowed the Congress to ‘lay and collect taxes, duties, imposts, and excises.’ Most fundamentally, in principle it permits the federal government to use economic incentives, rather than merely criminal penalties and prohibitions, to achieve environmental policy goals” (Andrews, 2006, p.65). In my opinion, this is perhaps the only way to affect behavior change. However, most people do not like this method and throw their hands up in disapproval with even an utter of the t-word.

In some cases the federal government has been a great advocate for environmental stewardship. Consider the grandfather of the U.S. National Park System, Theodore Roosevelt. If it was not for his political and ethical push towards protecting the landscapes of this country, who knows what some regions would look like today. Although, after Theodore and Franklin Roosevelt’s time, there was a “gradual but steady retreat from the ideals of integrated environmental management for the common good to management by fragmented ‘subgovernments’ brokering the interest of powerful client constituencies” (Andrews, 2006, p.155). The political system is intricately tied-up with money, and unfortunately it gets in the way of the environmental agenda, such that the “days when the United States was an environmental pioneer are a distant memory” (Dryzek
et al. 2003, p.174). Although a shame, environmentalists should not be wasting time hoping governmental agencies will actually do something; we have to put our efforts in a different sector of the economy.

**B. Non-Profit Organizations**

Despite my personal interest in the non-profit sector, the overall climate and demographic of this part of the economy perhaps make it ineffective in affecting environmental and social change. When socialism died in the Western Hemisphere, the non-profit sector filled the gap in social and economic needs the public felt were unmet by the capitalist system (Salamon, 1994). The non-profit sector is defined by a “massive array of self-governing private organizations, not dedicated to distributing profits to shareholders or directors, pursuing public purposes outside the formal apparatus of the state” (Salamon, 1994, p.109). There are a range of topics and opinions that are represented by different non-profit organizations; as well as differences in breadth, size, and reach. Although this is good news for the sector itself, it poses a challenge to collective action for the greater environmental cause.

**C. Consumers**

A lot of philosophers, sociologists, and even economists have a lot of pride in the consumer sector of the market as being autonomous, efficient, and influential in making changes to the market. “Approximately 68 million U.S. consumers have stated a preference for making purchasing decisions based upon their sense of social and environmental responsibility,” as we would expect them to since consumers are supposed to behave rationally in respects to their individual
preferences (Clark & Babson, 2011, p.819-20). What about the rest of the population? If we round the U.S. population down to 300 million, that leaves more than 230 million U.S. consumers who do not make purchasing decisions based on their views of social and environmental responsibility. Is it because they just do not care? Or, that they do not know or understand what it takes to be environmentally and socially responsible? These are hard questions that baffle economists who preach the effectiveness of consumer purchasing power punishing or rewarding companies for their activities.

All in all, consumers typically cannot achieve their immediate goals just through their purchasing power. Consumer activist movements “lack the signature victory that we associate with such social movements as abolitionism, organized labor, women’s suffrage, temperance, and Civil Rights” (Glickman, 2009, p.2). And therefore, environmentalists (although they should also be making consumer choices that align with their views on social and environmental responsibility) need to put effort towards the only sector of the market that is left; the business sector.

**D. Private Corporations**

I suspect that in the given social and economic climate, that private corporations play a much bigger role in bridging the gap between economic growth and environmentalism than professionals have previously thought. Why? Not only because the other actors in the market been ineffective in affecting positive environmental change, but also because the business sector is about innovation. Innovation serves to solve problems that are existent in the market, one of which is the growing exponential consumption of earth’s limited resources since the Industrial Revolution.
Environmentalists realize that we are running out of time for the growing population’s consumption patterns to change, and so, we are desperately looking to avenues to foster environmentalism. Entrepreneurial innovation may be the answer, which is why I chose to focus my analysis on how the business sector is our best bet for a sustainable future.

III. What is the purpose of business?

Milton Friedman has expressed is unbounded distaste for companies concerned with environmental and social responsibility before its own profit margin. In his opinion, “there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits...” (Friedman, 1962, p.#). He thinks this in part because he believes that if the business sector became concerned with social responsibility, the government would need to be more involved with such affairs, and eventually we would have a socialist economy. He and Adam Smith, who famously wrote, “I have never known much good done by those who affected to trade for the public good,” were fixating on profit maximization (Smith, 1776, p.#). Profit-centered business may be great for the CEO and top executives in the firm, but it does not equally benefit all employees and consumers like Friedman assumes. Because of this, perhaps a different type of business model is preferred and necessary for sustainable, long-term profits.

Ray Anderson, founder and chairman of Interface Inc., discusses when his company used to act without regard for the environment explaining that he originally though his “belching smokestacks, gushing effluent pipes, mountains of waste (all completely legal), were tangible proof that business was good” (Anderson
& White, 2009, p.8). His views dramatically changed throughout his time being an entrepreneur, and so he changed the company too. He now boasts a new title as a radical industrialist who is primarily concerned with how his business endeavors impact society and the environment. There are arguments for and against a people-centered business models, of which I am clearly in support. Although it may not be the unique purpose of a business, social and environmental responsible business is the direction the sector needs to go. In order to obtain sustainable economy growth, a corporation needs to consider being people-centered over profit-centered, in which society and the environment are protection in all business activity.

IV. What should be the role of business?

Why should environmentalists call on the business sector to help enact environmental change? Without considering the ethical questions surrounding environmental responsibility, there is one answer to this question. I propose that businesses not only gain a competitive edge in the market by achieving environmental practices, but also give themselves stability through a sustainable model for economic growth through environmental considerations. Schaper (2002) supports the move to environmental responsibility by the business sector suggesting that firms can “gain a competitive advantage in the field of product and service innovation, in the development of new industries, in marketing the firm to customers, in winning the strategic support of government and stakeholder groups, and in gaining an advantage over existing ‘dirty’ technologies” (p.529).
Let’s consider the overall scope and reach of global private corporations. According to the Institute of Policy Studies, 51 of the top 100 largest economic entities on the planet are corporations (Peattie & Charter, 2003). With this in mind, environmentalists can imagine the “challenge to ensure that the behavior of transnational corporations... do not sacrifice the social and environmental interest...” of the public sphere (Peattie & Charter, 2003, p.731). So, not only is it ideal for the business sector to take on the responsibility of environmentalism, but it may even be necessary.

Anderson expresses his thoughts on the environmental, sustainable transition he embarked on for his company and states that it “has proven to be the most powerful marketplace differentiator I have known in my long career” (Anderson & White, 2009, p.5). This has been proven by more than just Anderson with his work at Interface Inc. Right now there are corporations all over the place, perhaps not many, making sweeping changes to address environmental and social concerns in order to benefit all parties of the business as well as provide itself with a stable structure to grow in the future (eg. Patagonia, Eileen Fisher and Mitsubishi). As Savitz (2012) explains, “the business environment continues to evolve in ways that make the increasing demand for corporate responsibility dangerous to ignore and profitable to embrace” (Savitz, 2012, p.46).

If it is in fact mutually beneficial for society and entrepreneurs to be environmentally responsible, then why has it not been done by more firms? It may be because people do not know how to be environmentally responsible. The task to do a complete transition of business practices is daunting. So, I have developed an
easily-to-follow guide for becoming an environmentally responsible company within 5 years.

**V. A 5-Year Guide to Becoming an Environmentally Responsible Company**

As a supplement to this research, there is a guide or pamphlet for corporations to consider in their hopes to becoming an environmentally responsible company. I boast it can be done in 5 years, although transition is ongoing and technologies are every changing, the groundwork can be laid for sustainable development in this timeframe.

The first step, before the plan I propose can be implemented, is for the company to assess its sustainability sweet spot (Savitz, 2012). A sustainability sweet spot is a set of business activities that “will strengthen rather than undermine the company’s roots in the environment, the social fabric, and the economy” (Savitz, 2012, p.26). A company who is successful in acting within its defined sustainability sweet sport will find it has a long-term, competitive advantage over other firms in the market. Therefore, determining the sustainability sweet spot for a given corporation is a critical first step in becoming an environmentally and socially responsible company.

Another important component to consider when transitioning to an environmentally responsible business is that of systemic change (Kanter, 1999). The most benefit for the corporation and for the environment will come from a comprehensive change to business practices, instead of a piece-wise approach. For that reason, implementation of the whole plan that I propose for a business
considering a transition to a more sustainable future is crucial to the company's success.

Please see the attached guide/pamphlet for my proposed ideas about a comprehensive transition within 5 years.

**VI. Will the Dirty Methods of Business Takeover Again?**

In an effort to combat potential refutations of my ideas and overall project, I will address what I think to be the most robust counterargument to the support of socially responsible companies. That is, that environmentalism is just a fad in the market. Some economists and sociologists say that 'being green' is the cool thing to be right now, but these efforts and opinions will not last past a normal social cycle. In the end, the fad will die out, and the cheap, dirty business practices that were once booted-out by consumer preferences will takeover the market again.

The root of this argument is that competition dictates markets (which I will not try to refute), and competition means cutting costs. This suggests then that being environmental is expensive and raises costs. However, I proclaim that being environmental, although perhaps pricey in the short-run, has long-term economic gains and provides stability for furthering long-term economic growth in the company.

Additionally, there is a new and growing field of research that suggests methods for green marketing and fostering sustainable consumerism. Green marketing “incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying
Green marketing strategies are used to not only satisfy human needs and wants, but also to limit detrimental impacts on the environment while doing so. Ideally, through promoting sustainable, environmental consumerism, the transparency about environmental and social performance” will “counter oligo- and monopolistic markets that reduce consumer choice” (Tukker, 2008, p.1221).

Overall, “behavior change is the cornerstone of sustainability” because it affects our progress on the environmental front (McKenzie-Mohr, 2013, p.2). Through methods of supporting environmental consumerism, one of which is education, we can attempt to create behavioral change to one that is more environmentally and socially responsible. Schwartz’s (1977) theory of altruism “assumes that altruistic behavior increases when a person becomes aware of other people’s suffering and at the same time feels a responsibility of alleviating this suffering” (Kollmuss & Agyeman, 2002, p.245). In this regard, there are developing mechanisms to address consumer behavior and make environmentalism more than just a passing fad.

VII. Conclusion

In this section I want to address the goals I wanted to achieve in completing this SIE and research project. Foremost importantly, although I have a strong economic background, I wanted to dive deeper into answering the following questions:
1. Who has the power in the market to effectively change the system to one that is more environmental conscious?

2. Where does the resistance in becoming an environmentally responsible company lie?

3. How can we convince companies to take one such a large transition to business practices?

I believe that all of the reading and research I did helped me to come up with my own answer to these questions. I drew from theory, history, sociology, and a little bit of economics to address these questions. I hope that this paper is reflective of the work I have done in my Environmental Studies major, which was to bring an interdisciplinary approach to answering the tough environmental questions of my generation.
References