Business and the Environment Exam Revision

Topic One: Sustainability and Business

Define sustainability:

Sustainability refers to satisfying the needs of today without compromising the needs of the future.

- **Intra-generational equity:** meeting the needs of all people now
- **Inter-generational equity:** meeting the needs of future generations

Sustainability shows concern for the triple-bottom-line (economic, environmental and social concerns).

Describe the current forces for business sustainability:

- Long term commitment to change the way business is conducted to balance the needs of current people and future generations.
- Recognise that businesses are part of a complex system in which environmental, social and economic activities are interdependent.
- Awareness and management of resource use and impacts.
- Recognition of multiple forms of capital that contribute that contribute to the quality of line and specific programs for the conservation and enhancement of natural capital because of its special characteristics.

Explain the environmental, economic and social pillars of sustainability:

Environmental

- A recognition of how we use and depend upon the natural environment
- Identification of important environmental issues business should be aware of.

1. **Regulation:** The way in which ecosystems operate to provide clean air, water and maintain temperature for human survival
2. **Carrier:** The space we (and our animals) need to live and use for food cultivation and waste storage
3. **Production:** The resources the environment provides (energy, food, raw materials)
4. **Information:** The contribution the environment makes to human mental health by providing a place for rest, reflection and enrichment

Economic

Economic sustainability comprises of:

- **Micro:** financial measures of business performance
    - Internal: financial health of the organisation
- **Macro:** issues of consumption and globalisation
    - External: adding value to others

Social

Social sustainability includes three main elements:

1. **The provision of a safe and positive work environment for employees, contractors and suppliers** (human rights, child labour, exploitation, education issues)
2. **Responsibility to consumers** (product safety, how products are advertised, information available for safe and sustainable product use)
3. **Corporate social responsibility** (behaving in a socially responsible fashion, strong ethical behaviour, engage in philanthropy)

Fourth pillar; Corporate governance:

The systems and practices that are used to direct and control companies.

1. Transparency
2. Accountability
3. Responsibility
4. Fairness

Understand why sustainability is good for business:

- Cost reduction
- Increased revenue
- Better risk profile
- Enhanced brand reputation
- Innovation

Topic Two: Understanding Stakeholders

Explain the impact of stakeholder theory and practice on sustainable business practice:

Freeman (1984) refers to stakeholders as ‘any group of individual who can affect or is affected by the firms objectives’.

Stakeholder Salience

The importance or uniqueness of any stakeholder, from the firm’s perspective, based on the degree to which the stakeholder possesses the attributes of power, legitimacy and urgency in its relationship with the firm.

1. **Power:** the degree to which a stakeholder can exert its influence on the firm
2. **Legitimacy:** socially acceptable structures and behaviours
3. **Urgency:** time sensitivity of issue and criticality of issue

Stakeholder Typology by Reference

1. **Dormant stakeholder:** possess power in their relationships with the firms but their claims are not considered legitimate and, also lacking urgency, these stakeholders do not require the firm’s immediate attention.
2. **Discretionary stakeholder:** can make legitimate claims on the firm, but they have little power in the relationships with the firm, and their claims are not considered to be urgent.
3. **Demanding stakeholder:** have urgent claims against the firm, but they neither have power or legitimacy in their relationships with the business.
4. **Dominant stakeholder:** possess the power and legitimacy attributes, and so they influence on the firm. However, their claims are not yet considered urgent.
5. **Dangerous stakeholder:** possess power and urgency but their claims against the firm are suggesting their claims against the business were outside the bounds of legitimacy.
6. **Dependant stakeholder:** lack power, but they nonetheless have urgent and legitimate claims against the firm.

7. **Definitive stakeholder:** possess all three attributes; they are powerful, legitimate and their claims against the firms are urgent.

Stakeholder Management Strategies:

Stakeholder valence:

- **Supportive** (positive relationship): reinforcement strategies
- **Passive** (neutral relationship): stabilising strategies
- **Obstructive** (negative relationships): containment strategies