WORK2219: Managing Organisational Sustainability

Week 1: What is sustainability?

- Why study organisational sustainability
  - Empirical justification
    - Economic
    - Environmental
    - Social
  - Instrumental justification
    - Government policy (carbon taxes)
    - Market opportunity
    - Stakeholders demands (oncoming trends)
    - Risk
  - Normative justification
    - It's the right thing to do

Sustainability

- The capacity to endure, maintain and support
- Ecological and environmental origin
- Economic view – human consumption of resources
- Social view – living sustainably and meeting social needs (food, shelter, air and water)
- Sustainable development –meets the needs of the present without compromising the ability to meet future generations needs
- Business sustainability – meeting the needs of a firm's direct and indirect stakeholders, without compromising its ability to meet the needs of future stakeholders
- The story of stuff – economic system of extraction, production, distribution, consumption and disposal – linear system in a finite world

The process of globalisation

- International trade and financial flows that integrate the world economy leading to the spread of technology, culture and politics
- Globalisation is not simply a trend or fad, but rather an international system

Readings

Textbook Chapter 4: Business in a Globalised World

- *Globalisation*: increasing movement of goods, services, and capital across national borders. It is a process which is an ongoing series of interrelated events
- Firms can enter and compete in the global marketplace in several ways:
  - *Global market channels (sell)*: build a successful business in their home country and then export their products. For example, Nestle
  - *Global operations (make)*: begin in their home country, but realise that they can cut costs by locating some or all of their operations in another country. For example, Ford Motors
  - *Global supply chains (source)*: purchasing raw materials or subcontracting manufacturing to suppliers located abroad. For example, Nike
- *Major transnational corporations*
  - 104,000 transnational corporations operating in the modern global economy
  - Firms that control assets abroad
  - 9 times that number of affiliates, meaning suppliers, subcontractors, retailers and other entities which they have a business relationship with
  - Produce more than 10% of GDP and employ 80 million workers
  - FDI: worldwide flow of capital and occurs when a company, individual or fund invests money in another country, for example, by buying shares of stock in a foreign firm
  - Inversion is when companies merge with companies located in other countries to avoid taxes in their home country
  - Most commonly operated by nations that export large amounts of oil and manufactured goods such as China and Abu Dhabi

    - Most commerce is carried out by a small number of powerful firms
- *International financial and trade institutions*
    - Setting rules by which international commerce is transacted – increasingly determine who wins and who loses in the global economy
    - *World Bank* – representatives of the bank's governing board is based on economic power. Countries have voting power based on the size of their economy. US and rich nations dominate the bank. Funding is provided by member countries and capital markets
    - *International Monetary Fund* – purpose is to stabilise the system of currency exchange rates and international payments to enable member countries to participate in global trade and does so by lending foreign exchange to member countries. Imposes strict conditions on governments that receive its loans and may include demands that governments cut spending, devalue their currency, increase exports and reduce wages which leads to hardship. Progress has been made to reduce the indebtedness of poor countries
    - *World Trade Organisation* – promotes free trade by eliminating barriers to trade among nations such as quotas, duties and taxes. Simply sets the rules for international trade
- *The benefits of globalisation*
    - Increases economic productivity as more is produced with the same effort through Comparative Advantage. Specialisation (everyone does what they are best at) makes the world economy as a whole more efficient so that living standards rise.
        - Comparative advantage can come from a number of sources: natural resources, the skills, education or experience or existing production infrastructure
    - Reduces prices for consumers
    - Consumer access to a wide range of diverse goods
    - Can reduce military conflict arising by acting as a force that binds disparate people together on the common ground of business interaction
    - Transfers technology
    - Supports economic development of developing countries
- *The costs of globalisation*
    - Job insecurity arising from offshoring or increased competition
    - Environmental and labour standards weaken as companies seek manufacturing sites where regulations are most lax
    - Prevents individual nations from adopting policies promoting environmental or social objectives if these discriminate against products from another country
    - Erodes national cultures and undermines diversity
- *Doing business in a diverse world*
    - Democracies – degree to which national people may freely exercise their rights
    - Military dictatorships – repressive rules by dictators who exercise total power through control and armed forces
    - Free enterprise systems – based on voluntary association and exchange
    - Human rights – the fundamental rights and privileges accorded to all people
    - Bottom of the pyramid – individuals earning less than $3000/year in local purchasing power
        - Inequality – may be measured by wealth and income
        - Wealth – assets that a person accumulates
        - Income – how much a person earns per day
        - Focusing on the bottom of the pyramid can foster:
            - Social development
            - Provide employment in under-served communities
            - Reap profits
    - One product that people in poor countries often desperately need is loans to operate or expand their farms or small businesses – the concept of microfinance has emerged for them
- *Collaborative partnerships for global problem solving*

- Emerging trend is the development of collaborative, multisector partnerships focused on particular social issues or problems. These are termed as global action networks
- Sectors:
  - Business (the private sector)
  - Government (the public sector)
  - Civil society: comprises non-profit, educational, religious, community, family and interest-group organisations. NGOs are concerned with such issues as environmental risk, labour practices, worker rights, community development and human rights

<u>The tragedy of the commons; Hardin</u>

- The subject of the article is national security in the nuclear world and the fact that there is no technical solution
- Technical solution – one that requires a change only in the techniques of the natural sciences, demanding little or nothing in the way of change in human values of ideas of morality
- Looks at population growth in a finite world
- The pollution problem is a consequence of population
- Principle of morality – the morality of an act is a function of the state of the system at the time it is performed