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# **CORPORATE ENVIRONMENTALISM**

## **ENVIRONMENTAL PILLAR OF CSR**

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CORPORATE SOCIAL RESPONSIBILITY

## OUTLINE OF THE LECTURE

1. Meanings of the corporate environmentalism
2. Environmental issues
3. Environmental Responsibility in the Czech Republic

## INTRODUCTION

- Growing public consensus that both individual and businesses have an ethical obligation to conserve and protect the environment as a common inheritance.
- The problem is that environmentally sound decisions often do not mirror those that optimize corporate profits.
- Many organizations will fail to take environmentally friendly actions unless required by law to do so.
- Environmental laws reflect this tension and generally establish regulatory schemes to minimize, but not completely prohibit, environmental harms.

## 1. MEANINGS OF THE CORPORATE ENVIRONMENTALISM

- **Corporate environmentalism** represents *“processes by which firms integrate environmental concerns into their decisions”*, and is defined as *“the organization-wide recognition of the legitimacy and importance of the biophysical environment in the formulation of organization strategy, and the integration of environmental issues into the strategic planning process”*.
- Integrating environmental concerns into managerial decisions - that is, corporate environmentalism - requires *managers to simultaneously consider three perspectives: **the environment, the stakeholders, and the organization’s competitive advantage***.
- The ***role of regulatory pressure from governments and civil society***, together with market incentives in terms of improved cost competitiveness and access to environmentally demanding customers.

## 1. MEANINGS OF THE CORPORATE ENVIRONMENTALISM

- Integration of this approach in relation to corporate environmentalism into an organization can be seen in three areas:
  1. a paradigm shift calling for a *change in managerial mindset* toward environmental concerns;
  2. a *stakeholder issue* by which managers should respond to the diverse needs of employees, customers, shareholders, public interests, and the natural environment;
  3. a *strategic issue where integrating environmental consideration in business decisions* provides competitive advantages to the firm.

## 1. MEANINGS OF THE CORPORATE ENVIRONMENTALISM

- This growing trend appears *to reflect changes in the external environment of market systems*: increased regulatory forces and public environmental concern have the potential to influence business actions.
- ***Governmental monitoring and control of ecological impacts*** of business activity is a process that is designed to minimize the negative consequences of environmental damage.
- Understanding corporate environmentalism is of both theoretical and practical importance. *Public policy initiatives aimed at reducing environmental impact* of businesses can be more effective if the process of how business firms integrate environmental issues.

## 1. MEANINGS OF THE CORPORATE ENVIRONMENTALISM

- *Environmental strategic alliances*, involving relationships with other business firms, environmental agencies, or governmental agencies, *are becoming increasingly common*.
- Corporate environmentalism involves the recognition by firms that environmental problems arise from the development, manufacture, distribution, and consumption of their products and services.
- *Corporate stances toward environmental concerns* - six phases and their intersections with social responsibility: ***rejection, nonresponsiveness, compliance, openness, integration, and collaboration***.

## 1. MEANINGS OF THE CORPORATE ENVIRONMENTALISM

- **Rejection** entails a singular focus on *immediate economic gain*. In this approach, exploitation of any available resources (employees, the natural environment, government regulations, and communities) should be maximized to enhance profit.
- **Nonresponsiveness** is characterized by *a lack of awareness of interests* other than immediate financial viability. Rather than actively rejecting a concern for the environment, this stance entails a benign negligence.
- **Compliance** involves *awareness that negative sanctions can be harmful to the corporation's bottom line*. Organizations adopting this approach respond to threats such as bad publicity, community action, and/or legal sanctions.
  - Compliance may involve both adapting to external pressures and attempting to control those pressures.



## 1. MEANINGS OF THE CORPORATE ENVIRONMENTALISM

- **Openness** connotes *a sense of a need to both achieve an environmental record and to share information with external stakeholders.*
  - In part, this information sharing is mandated by law. More and more companies are publishing environmental reports or incorporating environmental performance into their annual reports.
- **Integration** is adopted as *corporations assume that social and environmental responsibility can pay either immediately and directly, or perhaps in the long run and indirectly.*
  - This stance represents a shift from a more defensive posture to an assumption that an environmental focus can be a positive benefit for the organization.

## 1. MEANINGS OF THE CORPORATE ENVIRONMENTALISM

- **Collaboration** may be developed through any number of process of developing strategy, the vision and mission statements are involved, and in implementing strategy, corporations often need to consider their relationships not only with employees, but with their external stakeholders.
  - As they adopt a stance that is strategically proactive, then, they may go further by advancing stakeholder relationships.
  - These collaborative relationships **take many forms** such as *partnerships, committees, project collaboration, marketing to the green consumer sector, encouraging environmental and social responsibility among suppliers, citizen advisory groups, or various suggestion systems.*

## 1. MEANINGS OF THE CORPORATE ENVIRONMENTALISM

- Environmental aspects put in place in the 1970s with the first real understanding of the environmental impacts of business.
  - The current perception of this problem is caught by the ***International Institute for Sustainable Development*** (IISD, 2013): “*Corporate social responsibility promotes a vision of business accountability to a wide range of stakeholders, besides shareholders and investors. Key areas of concern are environmental protection and the wellbeing of employees, the community and civil society in general, both now and in the future*”.
- Usually environmental impact refers to the negative effects occurring in the surrounding natural environment due to business operations. Such impacts may include:
  - overuse of natural, non-renewable resources of energy, pollution wastage, degeneration of biodiversity, climate change, deforestation etc. Since many business – related environmental problem transcend national boundaries, most companies are thus actors in global environment.

## 2. ENVIRONMENTAL ISSUES

- There are different ways of economic thought *deals with the causes, consequences and possible solutions to environmental problems* that opinions vary as to the actual causes of problems and recommendations on what measures should be taken in the context of environmental protection implemented.
- The term environmental problem most often introduce *environmental pollution*.
- Another problem is the excessive use of *natural resources*.
- Human activities can also lead to unwanted change some properties of the individual components of the environment, such as changing the temperature of air or water, changes in ocean currents, changing the pH of the soil, water, soil compaction, reduction of biodiversity, etc.
  - Environmental problems are often associated with overdraft and non-renewable natural resources and features that can not be replaced by human activities (such as function of climate or soil formation).

## 2. ENVIRONMENTAL ISSUES

### TOOLS FOR ENVIRONMENTAL PROTECTION

- Environmental policy in the narrower sense has various tools for influencing economic entities for purposes of environmental protection. Environmental policy instruments can be divided into several groups.

#### **Administrative Tools**

- The principle of administrative or even normative instruments is *based on the coercive powers of the state authorities*, which through such instruments directly affect polluters' behavior. Administrative tools can take the form of a ban or restriction order, which follows directly from the law .

## 2. ENVIRONMENTAL ISSUES

### Economic instruments

- Economic instruments operate on polluters' behavior indirectly through the market. According to the operating principle can *distinguish between two types of economic instruments*:
  - tools operating on the principle of **converting external costs** originator (ie. internalization of negative externalities .) - eg fees or taxes, and
  - tools represent **contributions to the costs of prevention** of environmental pollution – e.g. subsidies or tax breaks.
- **Voluntary tools**
  - Voluntary tools allow operators to assume the exercise of business activity commitment thrifty approach to the environment than required by legislation ( eco-labeling , systems of environmental management , cleaner production , product life-cycle assessment, environmental accounting, voluntary agreements, etc.).
- **Information tools**
  - To group information tools belong informative tools. For example Integrated Pollution Register and other tools of educational character.

## 2. ENVIRONMENTAL ISSUES

### Organizational and institutional tools

- Organizational and institutional tools form a *long-term framework for environmental protection*. It is a system of laws and policy documents applied in environmental protection.
  - Concepts, programs, strategies and other documents defining the environmental protection system (put into practice by using other tools to protect the environment) or indicate the direction of further planned developments in the area of environmental protection.
  - They may be focused solely on environmental issues, such as the State Environmental Policy.

## 2. ENVIRONMENTAL ISSUES

- Whatever the nature of the commitment, most companies follow a **similar series of steps** when addressing their impact on the environment:
- **Corporate Environmental Policy:** companies committed to reducing their environmental impact usually create a set of environmental principles and standards, often including formal goals.
  - At minimum, most such statements express a company's intentions to respect the environment in the design, production and distribution of its products and services; to commit the company to be in full compliance with all laws and go beyond compliance whenever possible; and establish an open-book policy whereby employees, community members and others can be informed of any potentially adverse effects the company might have on the environment.



## 2. ENVIRONMENTAL ISSUES

- **Environmental Audit:** before a company attempts to reduce its impact on the environment, it is essential that it first gains a full understanding of it.
  - For most companies, this usually involves some kind of environmental audit.
  - The goal of audits is to understand the type and amount of resources used by a company, product line or facility, and the types of waste and emissions generated.
  - Some companies also try to quantify this data in monetary terms to understand the bottom-line impact. This also helps to set priorities as to how a company can get the greatest return on its efforts.

## 2. ENVIRONMENTAL ISSUES

- **Employee Involvement:** leadership companies recognize that to be effective, an environmental policy needs to be embraced by employees throughout the organization, not just those whose work is related to the environment.
  - To do that, companies engage in a variety of activities, especially education, to help employees understand the environmental impact of their jobs and to support their efforts to make positive changes.
  - Some companies go further, helping employees become more environmentally responsible throughout their daily lives, helping them build a true environmental ethic.
  - Besides education, many companies create incentives, rewards and recognition programs for employees who demonstrate their environmental commitment.

## 2. ENVIRONMENTAL ISSUES

- **Green Procurement:** to help ensure that their products and processes are environmentally responsible, many companies seek to buy greener products and materials from their suppliers.
  - Some companies participate in buyers' groups in which they leverage their collective buying clout to push suppliers to consider alternative products or processes.
- **Green Products:** products themselves may be made more environmentally friendly, with regard to, for example, the control of emissions, noise, reduced health and safety risks, and reduced energy requirements.

### 3. ENVIRONMENTAL RESPONSIBILITY IN THE CZECH REPUBLIC

- *Eco-Management and Audit Scheme (EMAS)*
- *Sustainable Development Council of the Czech Government (SDCG)* was established (2003) as a standing advisory body of the Government for sustainable development and strategic management.
- Two organizations in the field of legislative provision – Ministry of the Environment of the Czech Republic (ME) and Czech Environmental Information Agency (CENIA).

### 3. ENVIRONMENTAL RESPONSIBILITY IN THE CZECH REPUBLIC

- *Environmental Impact Assessment (EIA)* process was implemented into the Czech Republic's legal system in 1992.
- Environmental awareness is largely promoted through the Czech Republic's *National Cleaner Production Program*.
- *Integrated Pollution Prevention and Control (IPPC)* is an advanced system for regulation of industrial and agricultural activities in relation to the environment.
- The Ministry of the Environment is the principal guarantor for the co-ordination of environmental education and awareness raising.

### 3. ENVIRONMENTAL RESPONSIBILITY IN THE CZECH REPUBLIC

There are existing the *voluntary instruments* such as:

- 1. **voluntary nature** – there is no legal obligation to implement them;
- 2. **prevention** – they focus on eliminating the causes of environmental problems rather than their consequences;
- 3. **systemic approaches** – deliberate focus on areas and own activities with negative environmental impacts.

### 3. ENVIRONMENTAL RESPONSIBILITY IN THE CZECH REPUBLIC

- ***Environmental education and awareness raising*** and environmental consulting are important preventive instruments within the State Environmental Policy of the Czech Republic.
  - The purpose of environmental education is to encourage the population to act and think in line with the sustainable development principles, to be aware of their responsibility for the maintenance of the environmental quality and to respect life in all its forms.
- The introduction of cleaner technologies, optimization of technologies that reduce the need of resources, *environmental management systems (EMS) such as ISO 14001, EMAS* and other voluntary tools lead to a safe improvement in the company's environmental status.

## 3. ENVIRONMENTAL RESPONSIBILITY IN THE CZECH REPUBLIC

- **The assessment and measurement** support not only the responsibility for the performance,
  - but they also *provide a feedback about the impact of the initiative on maintaining sustainability*, and
  - emphasize the meaning of identifications
  - and the understanding of the cross relationships between various alternative actions and their impact on the financial and non-financial performance.



## 3. ENVIRONMENTAL RESPONSIBILITY IN THE CZECH REPUBLIC

### The rate of useage of environmental activities in SMEs

| An example of an environmental activity                                       | Rank | (Total SMEs in %) |
|-------------------------------------------------------------------------------|------|-------------------|
| Use of voluntary instruments for environmental protection.                    | 1    | 35                |
| Planning environmental impacts on the consumption of resources and materials. | 2    | 31                |
| Evaluation of waste.                                                          | 3    | 31                |
| Optimization of the manufacturing process to minimize environmental impacts.  | 4    | 24                |
| Existing employee policy for assurance in environmental company's issues.     | 5    | 22                |
| Planning environmental impacts of energy consumption.                         | 6    | 22                |
| Planning environmental impacts on water consumption.                          | 7    | 22                |
| Impact assessment of air pollution and ozone layer.                           | 8    | 19                |
| Planning environmental impacts on gas consumption.                            | 9    | 17                |
| Evaluation of quantity and quality of wastewater discharged.                  | 10   | 10                |

## 3. ENVIRONMENTAL RESPONSIBILITY IN THE CZECH REPUBLIC

### Type of the environmental activities and its utilization rate by large enterprises

| Ranking | Type of activity                                                              | Share (%) |
|---------|-------------------------------------------------------------------------------|-----------|
| 1       | Optimization of the manufacturing process to minimize environmental impacts.  | 68        |
| 2       | Existing employee policy for assurance in environmental company's issues.     | 64        |
| 3       | Use of voluntary instruments for environmental protection                     | 64        |
| 4       | Planning environmental impacts on the consumption of resources and materials. | 60        |
| 5       | Evaluation of waste.                                                          | 56        |
| 6       | Planning environmental impacts of energy consumption.                         | 44        |
| 7       | Planning environmental impacts on water consumption.                          | 44        |
| 8       | Evaluation of quantity and quality of wastewater discharged.                  | 44        |
| 9       | Impact assessment of air pollution and ozone layer.                           | 40        |
| 10      | Planning environmental impacts on gas consumption                             | 26        |

Source: own processing, sample of 50 large corporations

## SUMMARY OF THE LECTURE

- *Rejection and nonresponsiveness* assume that environmental concerns are irrelevant to organizational purposes.
- *Compliance, openness, integration, and collaboration* attend to the legal and societal context within which an organization must operate.
- *Integration and collaboration* maximize the organization's interests in profit by adapting to internal and external interests in environmental concerns.
- Although *there is a general trend moving from rejection toward collaboration*, all of these phases are currently feasible, and various organizations do align themselves with each phase.