



Basic Concepts of Sustainable Development for Business Students

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Acknowledgements. The author would like to thank several anonymous reviewers as well as the following individuals for their advice and assistance in the preparation of this manuscript: Jean-Phillipe Barde, Head, National Policies Division, Environment Directorate, OECD; Ms. Linda Coady, Vice-President, Environment, Weyerhaeuser, Ltd.; Les Lavkulich, Director, Institute for Resources and Environment, University of British Columbia; and Fiona Danks, Scott Polar Research Institute, Cambridge University. The author remains responsible for any errors of omission or commission.

Keywords: sustainable development, business, government regulation, corporate strategy, economic instruments.

1. Introduction

The recently completed World Summit on Sustainable Development in South Africa, convened to assess global progress since the landmark Rio conference of 1992 (UN, 1992), has reaffirmed the international commitment to the concept of sustainability. One result of this conference will be increasing pressure upon the business community to incorporate principles of sustainability into their business practices. Several critical questions face managers and owners unfamiliar with this potential new threat to business as usual: What is sustainable development? How should business respond? What kind of opportunities and threats lie in the new business environment, and how are such conditions related to sustainable development? Are the opportunities and threats related to each company's ability to achieve or move closer to sustainable development, or do opportunities and threats arise from implementing sustainable development practices? This paper attempts to answer these questions and provide an introductory guide to issues of sustainable development and associated analytical tools for business school students at both the senior and MBA levels.

2. Historical Background

Environmental issues have had an increasingly important impact on the conduct of business since the decade of the 1960s. The past four decades have been punctuated by high-visibility, environmentally-related disasters such as Seveso (1976), the Amoco Cadiz (1978), Three Mile Island (1979), Bhopal (1984), Chernobyl (1986), Exxon Valdez (1989), Indonesian forest fires (1997-2000), the sinking of the oil tanker, *Prestige*, off the western coast of Spain (2002), etc. Each such event and lesser, more local, instances of environmental degradation has raised public awareness and helped propel increasing governmental environmental regulation of business.

Fisher and Schot (1997) have tracked a progressive change in corporate responses to environmental issues over the last quarter century: the first period, from 1975-85 was characterized largely by corporate resistance to regulation and a begrudging acceptance of what were perceived as uniformly cost-increasing, regulatory requirements. Part of this attitude was conditioned by a relatively inflexible regulatory stance that focussed on command and control mechanisms which mandated pre-specified levels of end-of-pipe treatment of industrial emissions.

The authors have identified the period following 1985 as one of slowly emerging strategic responses to environmental issues based on the realization that such issues carry with them the opportunity for competitive advantage through an array of responses at every stage of the value chain. Underlying all these changes has been the emergence of a complex new network of forces which are directly and indirectly influencing corporate decisionmaking at all organizational levels. Figure 1 opposite presents a summary overview of these forces, most of which pose challenges to traditional business practice. The factors driving corporate response to the environmental challenge are multifaceted, and include *inter alia* the direct impact of environmental degradation on corporate operations, media exposure, a vast array of changing stakeholder attitudes, and national and international regulatory requirements [See Annex A on page 61]. Governmental regulatory philosophy and practices have evolved significantly in this period as many jurisdictions have begun to adopt innovative, market-based instruments to facilitate the more efficient attainment of socially-mandated environmental goals.

Within the last decade, a new more powerful challenge to business has emerged, with the expansion of traditional concerns over pollution control to encompass ecological, social and economic issues under the general rubric of sustainable development. The successful response of the international business community to this new challenge can only be achieved if there is a clear understanding of the fundamental scientific, social, political and economic issues which underlie this concept. As such, this paper is divided into five parts: the first, briefly defines the concept of sustainable development and